

INTER AMERICAN DEVELOPMENT BANK
Integration and Regional Programs Department

COFAB – DFID

RS-X1039

I. GENERAL DATA

Name of TC project:
 (Regional) Experts' Workshop on the Social and Poverty Impact of Trade Integration

Name of Fund: Cooperation Framework Arrangement (DFID - Department for International Development of the United Kingdom)

Beneficiary Countries: IDB Member Countries

Executing agency: Integration, Trade and Hemispheric Issues Division (INT/ITD), Integration and Regional Programs Department

Estimated Total Amount
 To be financed by Donor: £27,871 (Pounds Sterling); equivalent: US\$49,350

Execution and Disbursement
 Deadlines: Execution: 9 months; disbursement: 12 months

Project Team: J. Ernesto López Córdova (INT/ITD), Project Team Leader; Diana Alarcón (INT/SDI); César Bouillon Buendía (SDS/POV); and Paolo Giordano (INT/ITD).

II. OBJECTIVES

- 2.1 The general objective of the project is to support the definition of a strategy for understanding the social and poverty impact of economic integration and for supporting pro-poor trade integration in the region.
- 2.2 The specific objective of the project is to organize a workshop bringing together a group of experts: (i) to identify areas where knowledge on the poverty impact of trade integration is incomplete; (ii) to understand the challenges in designing and implementing pro-poor policies in the context of trade integration; and (iii) to define a work program that contributes, in an effective and meaningful manner, in assessing the impact of trade liberalization on poverty reduction and in the adoption of pro-poor trade-related strategies in the region.

III. BACKGROUND AND JUSTIFICATION

- 3.1 Latin America is a region with high levels of persistent and severe poverty. Most of the poor live in middle-income countries and the region has the highest levels of income inequality in the world.
- 3.2 A significant opportunity for poverty reduction in Latin America is offered by the possibility of greater economic integration in the form of freer trade and capital flows. However, economic integration may affect the poor in many different ways, directly or indirectly. For example, some may benefit from trade liberalization as employees of large enterprises that benefit from greater exchange with the world, as farmers of goods that gain greater market access or as those benefiting through productive chains linked to export-oriented enterprises and sectors. Others may lose following greater trade liberalization due to increased competition, changes in market structure or a variety of direct and indirect effects.
- 3.3 Unless these different effects (positive or negative, direct or indirect) and their policy implications are well understood, it is unlikely that the potential gains from trade for poverty reduction will be fully realized or that the potential threats will be fully protected against. In order to develop such understandings, it is necessary to strengthen analytical methodologies that go further in disaggregating the impact of trade on different groups of poor people than those that have hitherto been used. Furthermore, it is also important to develop greater dialogue on these issues with policymakers and various stakeholders in the region.
- 3.4 The project will help the IDB, especially INT/ITD and SDS/POV, to build its capacity for analyzing the relationship between economic integration and poverty and for streamlining pro-poor trade strategies in IDB activities. The documents and knowledge generated from this project will be incorporated into the curricula of the Inter-American Institute for Social Development (INDES) to support training of government officials and leaders of NGOs. In addition, it will facilitate the identification of potential consultants who may act as advisors in future work in collaboration with DFID.
- 3.5 The project is consistent with the objective of the IDB's Strategy for Poverty Reduction and Promotion of Social Equity to promote faster progress in the reduction of poverty by tackling its root causes and fostering inclusion and greater social equity, as an essential element of development. In addition, it reinforces the Bank's work in the area of regional integration, one of the four areas of competitive advantage identified in the IDB Institutional Strategy.
- 3.6 At the same time, the project is directly relevant to two of the objectives of DFID's Regional Assistance Plan (RAP) for Latin America, namely: 1) to support the IDB and World Bank to better enable poor people to shape, participate in and benefit from access to markets and international trade; and 2) to improve regional analysis and lesson sharing on global policy issues to help countries adopt trade policies that better reflect the impact of trade on poverty and inequality.

- 3.7 In taking forward the aforementioned objectives, DFID has designed a 4-year program that will involve working closely with the IDB and World Bank to promote greater access of poor people to markets and international trade (Latin American Markets and International Trade - LAMIT Program). A key part of this program involves the establishment of a multi-donor Trade and Poverty Trust Fund with the Integration and Regional Programs (INT) Department of the IDB. This will support work to strengthen the capacity of the IDB to assess the impact of trade liberalization on poverty and support the adoption of pro-poor trade related strategies and policies in the countries of the region. This project supports activities consistent with the objectives of the LAMIT and is intended to make the program operational during the interim phase in which final administrative arrangements between DFID and the IDB are established.

IV. DESCRIPTION

- 4.1 The project will fund and organize a closed-door workshop attended by academic experts, IDB staff, and representatives from other international organizations to discuss the state of knowledge on the link between trade and poverty, analytical and operational areas in which IDB involvement would be most effective, and best practices around the world.
- 4.2 The objective of the workshop is to bring together a group of experts that will help the IDB staff: (i) identify areas where knowledge on the poverty impact of trade integration is incomplete; (ii) understand the challenges in designing and implementing pro-poor policies in the context of trade integration; and (iii) define a work program for the Bank to contribute, in an effective and meaningful manner, in assessing the impact of trade liberalization on poverty reduction and in the adoption of pro-poor trade related strategies in the region. The intended participants are leading specialists originating in the US, Europe and Latin America and practitioners active in international organizations (IDB, World Bank, DFID and others).
- 4.3 The one and one-half day workshop will be organized in three sessions.
- a. Session I will serve to identify the state of the debate regarding the social and poverty impact of trade and economic integration. The discussion will be organized around the presentation of four reports prepared by respected scholars surveying the literature on the subject. The topics covered by the reports are: the link between globalization, inequality and poverty; the social impact of economic integration in rural communities; the labor market impact of economic integration; and a case study looking at the impact of trade liberalization on Brazilian agriculture.¹

¹ Three reports were recently commissioned by INT/ITD and will not be funded through this project.

- b. Session II will identify areas pertaining to the relationship between trade and poverty in which international development agencies, including the IDB, are currently working, as well as those that have not received enough attention.
- c. Session III will highlight areas where the IDB has a comparative advantage in advancing a pro-poor analytical and programmatic trade agenda.

V. BUDGET AND EXECUTION

- 5.1 The technical cooperation will finance: (i) one expert senior consultant to prepare a document on the impact of trade liberalization on Brazilian agriculture; (ii) ten expert senior consultants who will prepare written comments on the four documents to be presented in Session I of the workshop, and who will participate in the discussions throughout the workshop; and (iii) travel tickets and per diem for ten experts; and (iv) logistical support costs related to the consultation with policymakers and stakeholders.

Item	Estimated Cost (USD)
Preparation of report on the impact of trade liberalization on Brazilian agriculture	\$8,000
Honoraria for ten experts	\$20,000
Travel and per diem for ten experts	\$15,000
Logistical Costs	\$3,000
Contingencies	\$1,000
Administrative Fee (5%)	\$2,350
TOTAL	\$49,350

- 5.2 The workshop will be held within the first nine months of the execution period of the project.
- 5.3 INT/ITD will be responsible for managing the project, in coordination with SDS/POV and DFID. The period of execution is nine months and twelve months for disbursement.

VI. RESPONSIBILITY IN THE BANK

Technical Responsibility

J. Ernesto López Córdova, Economist, Trade, Integration and Hemispheric Issues Division (INT/ITD) (ext.2469, fax. 3130, email: joselc) will have technical responsibility, in consultation with SDS/POV.

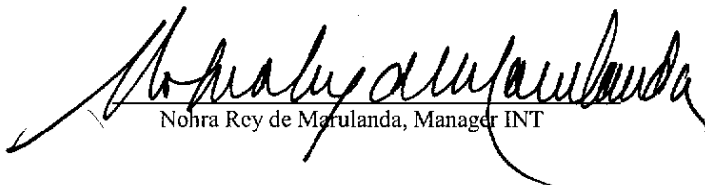
Responsibility for Disbursements

The Co-financing Division, Financial Services Sub-department (FSS/CEP) will have the responsibility of the disbursements from the Donor to the IDB. INT/RTC will have the responsibility of disbursements from the IDB.

VII. RECOMMENDATION

J. Ernesto López Córdova, Project Team Leader of the Trade, Integration and Hemispheric Issues Division (INT/ITD) recommends the use of equivalent US\$49,350 to be authorized to finance the project described in this Brief.

Approved:


Nohra Rey de Marulanda, Manager INT

9.22.05
Date