

MEMORANDO

Clasificación de Archivo: ATN//TP-9917-RS

FECHA: 01 de agosto de 2006
RE2/TEC/106-06 (S#233)

A: Personas mencionadas al pie

DE: Arnaldo Medeiros da Fonseca Jr. , Jefe
Unidad de Coordinación de Cooperación Técnica

ASUNTO: REGIONAL CT/FONDOS. Comercio y Reducción de la Pobreza -MTP -
Fortalecimiento Comercio y el Nexo en Reducción de la Pobreza en Programa BID
(RS-T1269)

Cumplo con informarle que la operación mencionada en el asunto fue aprobada y registrada con el ATN//TP-9917-RS.

Distribución:

Sres.	Nohra Rey de Marulanda, INT/MGR	W-0602
	Keisuke Nakamura, FSS/DEP	E-0907
	Peter M. Kalil, INT/ITD	W-0608
Sra.	Laura Bocalandro, INT/RTC	W-0610
Sres.	Paolo Giordano, INT/ITD	W-0608
	Jaime Miranda, INT/RTC	W-0612
Sra.	Laura Profeta, LEG/OPR	W-0812
Sres.	John Madrid, FIN/CIB	W-0910
	Ronaldo J. Rotter, DEV/FMR	E-0903
	Daniel Quiroga, FIN/CIB	W-0910
Sras.	Susana R. Cárdenas, RE2/TEC	E-0913
	Kathy Sánchez, EXR	B-0400
Sr.	Erick Zeballos, INT/ITD	W-0608
	Archivo Regional, INT/RTC	W-0606
	Sección de Administración de Archivos	W-0314



Registro de Aprobación

Inter-American Development Bank



Operación:RS-T1269

INFORMACIÓN BÁSICA

Nombre:	Fortalecimiento Comercio y el Nexo en Reducción de la Pobreza en Programa BID	Aprobado por:	Gerente del Departamento
Beneficiario:	Países Prestatarios Miembros del Banco	Fecha de Aprobación:	24-Jul-2006
País:	APOYO REGIONAL	Documento Aprobado:	
Sector:	COMERCIO EXTERIOR/	Modalidad de la Cooperación Técnica:	Servicios de Consultoría

Descripción

Fortalecer el análisis del comercio y el nexo con la reducción de la pobreza en la programación del BID.

Agencia(s) Ejecutora(s)

INTER-AMERICAN DEVELOPMENT BANK (US-IDB)

Fondo(s), condición(es) Financiera(s), y Monto(s)

Número de Aprobación	Fondo	EQ. US\$	Moneda	Monto	Resolución
ATN/TP-9917-RS	MTP - COMERCIO Y REDUCCION DE LA POBREZA	85,000	USD	85,000	
	Contrapartida	0			
	Costo Total	85,000			

Responsabilidades

División: INT/ITD

Rol	Nombre
Líder del Equipo	GIORDANO, PAOLO
Miembro del Equipo	MIRANDA, JAIME ANTONIO
Asistente de Proyecto	SKINNER, MARTHA



**INTER-AMERICAN DEVELOPMENT BANK
INTEGRATION AND REGIONAL PROGRAMS DEPARTMENT
TRADE AND POVERTY TRUST FUND FINANCING**

TECHNICAL COOPERATION PROJECT BRIEF

TC N°: RS-T1269

I. GENERAL INFORMATION

Project Title	Strengthening the Trade and Poverty Reduction Nexus in IDB Programming
Project Team	Paolo Giordano (INT/ITD), team leader; Luiz Villela (INT/ITD); Jaime Granados (INT/ITD); Christopher Vignoles; Jaime Miranda (INT/RTC) and Bernadete Buchsbaum (LEG/OPR).
Trust Fund	Trade and Poverty Trust Fund (MTP)
Beneficiary Countries	Countries of Latin America and the Caribbean.
Project budget (in USD)	US\$ 85,000
Trust fund contribution	US\$ 85,000
Execution and Disbursement period	Execution: 18 months; Disbursement: 24 months

II. BACKGROUND AND JUSTIFICATION

- 2.1 In recent years, Latin American and Caribbean countries have formulated and implemented trade and integration strategies on the basis of incomplete analytical information and, often, insufficient public consultation. More specifically, there has been little analysis on the distributive effects of trade and integration on the majority of people, and most notably the poor. This is an important issue since the Latin American and Caribbean region is considered one of the most unequal, in terms of income distribution, in the world. While income distribution improved in the 1970s, it worsened significantly in the 1980s and remained at high levels during the 1990s. This trend occurred during a period of increasing integration and trade liberalization. Understanding the inter-relationships between trade openness, economic growth, income inequality and poverty levels (the so-called trade and poverty reduction nexus), in individual country cases, is important to facilitate the implementation of pro-poor and pro-equity policies.
- 2.2 Similarly, the IDB's programming processes have not focused on the trade and poverty reduction nexus in the past. The Bank's country and regional programming processes are the primary vehicles for dialogue with borrowing member countries and national stakeholders. There is a need to mainstream analysis of the trade and poverty reduction nexus into the Country Strategy Paper and Regional Programming Paper processes.

- 2.3 This project supports and brings together two overarching objectives of the Bank's Institutional Strategy, namely, to create and sustain an environment in Latin America and the Caribbean conducive to robust economic growth, and to achieve poverty reduction, including for those historically excluded from mainstream society. Moreover, its focus on cross-cutting issues such as trade and poverty reduction supports the Bank's four pillars of the Institutional Strategy: social development, competitiveness, regional integration and modernization of the state.
- 2.4 The project is well aligned with the Trade and Poverty Trust Fund program concept framework. It is *consistent* with the objectives of strengthening the focus on poverty in IDB analytical work, integrating poverty reduction objectives in IDB programming, and promoting inclusive dialogue on trade and poverty issues among relevant stakeholders. Second, it provides an *innovative* approach since currently the contribution of trade to poverty reduction is not sufficiently addressed in IDB programming. Third, it promotes *partnerships*, as it will encourage inter-departmental collaboration during execution. Finally, this program is *strategic* in design, as it targets Trade and Integration Sector Notes, the primary vehicle for analyses of trade and integration in national programming.

III. OBJECTIVES

- 3.1 The overall objective of the project is to strengthen analysis of the trade and poverty reduction nexus in IDB programming. The specific objectives are to (i) strengthen IDB capacity to assess the impact of trade and integration on poverty, and (ii) mainstream analysis of the trade and poverty reduction nexus into IDB programming. Efforts to facilitate technical analysis and policy dialogue on trade and poverty issues, and parallel efforts to mainstream them into IDB country and regional strategies, is increasingly important given current trends towards globalization and liberalization.

IV. DESCRIPTION

- 4.1 Over the next 12 months, the IDB programming will involve one subregion (Central America) and a number of countries in which issues related to trade and poverty may figure prominently in the development agenda: Bolivia, Brazil, Guyana, Haiti, Nicaragua, Ecuador and Venezuela among others. In accordance with this program the project will focus on the region as a whole and on four priority countries to be identified according to programming needs and in-country demands. For each individual programming exercise, the project's components could be stand-alone activities or pooled together for a more comprehensive approach. All consultants will be hired following standard Bank's policies and procedures. To achieve the program's objectives, four components will be implemented:

A. Statistics Gathering

- 4.2 Access to comprehensive and timely economic and social statistics will facilitate analysis and inform policy options and recommendations on trade and poverty issues. The relevant statistics for analyses include, but are not limited to, national accounts, detailed trade data (both exports and imports of goods and services, at disaggregated levels), labor and

employment data, and poverty statistics (including income dispersion, gini coefficients, and poverty headcounts).

- 4.3 The project will finance consultancies to collect and compile statistics. This activity is designed to support both the preparation of Trade and Integration Sector Notes, whose purpose is to feed into IDB country and regional programming documents, and to facilitate policy dialogue.

B. Economic Modeling

- 4.4 The Bank's technical capacity to assess the trade and poverty reduction nexus relies on the design and application of economic models (particularly Computable General Equilibrium models) to evaluate the impact of trade and integration policy options on inequality and poverty. This should provide, among other tools, ex-ante analysis of the effects of trade liberalization on poor households. The TC will finance a consultant to carry out the modeling work as an input to the national and regional programming exercises. Modeling work at the regional level may take a cross country or case study approach, depending on the countries/regions.

C. Background Studies

- 4.5 The preparation of Trade and Integration Sector Notes (by INT/ITD) is the primary vehicle for analyzing trade and integration issues in national programming. These notes evaluate the trade performance and integration strategies of countries in Latin America and the Caribbean, as well as identify opportunities for the Bank's support to these countries in the area of trade and integration. However, these notes have lacked analysis on the distributive impact of trade and integration policies on social conditions, particularly on poverty. See Annex II for tentative Terms of Reference.
- 4.6 The project will finance consultancies to prepare background technical studies on the trade and poverty reduction nexus. The studies will serve as inputs for INT/ITD's Trade and Integration Sector Notes on specific countries. If necessary, the consultants may travel to the country or subregion of study to gather information and hold interviews with relevant officials.

D. Dialogue and Dissemination

- 4.7 The project will support an agenda of inclusive dialogue meetings and dissemination events on trade and poverty reduction issues among policymakers and other stakeholders. Dialogue could form around the findings from the background technical studies and trade and integration notes, as well as other analytical work done on the trade and poverty reduction nexus. Under this component, the project will finance consultancies to present and/or participate in dialogue meetings and dissemination events, as well as related logistical expenses.

V. BUDGET (See Annex I for a more detailed budget by activity)

Figures (in US\$)	Trust fund	Total
Consulting Services	\$ 66,350	\$ 66,350
Honoraria	\$ 64,350	\$ 64,350
Logistics	\$ 2,000	\$ 2,000
Travel	\$ 14,400	\$ 14,400
Travel and per diem	\$ 14,400	\$ 14,400
Contingencies	\$ 4,250	\$ 4,250
TOTAL	\$ 85,000	\$ 85,000

VI. RESPONSIBILITY IN THE BANK

Technical and Basic Responsibility:

- 6.1 Paolo Giordano, Economist, Integration, Trade and Hemispheric Issues Division (INT/ITD) (Tel.: 202-623-2611, fax 202-623-2169, email: paolog@iadb.org) will have technical responsibility.

Disbursement Responsibility:

- 6.2 Jaime Miranda, Technical Cooperation Financial Transactions Official, Regional Technical Cooperation Division (INT/RTC) (Tel. 202-623-2859, email: jaimemp@iadb.org) will have the responsibility of disbursements.

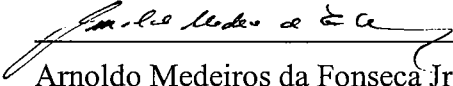
VII. RECOMMENDATION

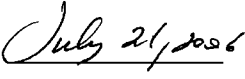
- 7.1 Paolo Giordano (INT/ITD), designated team leader for the project of the reference, recommends the approval of this operation and the use of resources from the Trade and Poverty Trust Fund (MTP) for up to US\$ 85,000 to finance this technical cooperation project.

VIII. CERTIFICATION

- 8.1 I certify that this operation was approved for financing by a Management Review Committee on July 13, 2006. In addition, I certify that resources from the Trade and Poverty Trust Fund (MTP) are available for up to 85,000 US\$ [eighty five thousand US dollars] to finance the activities described and budgeted in this TC Brief. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate remuneration and payments to consultants, except that local consultants working in their own borrowing member country shall have their remuneration defined and paid in the currency of that country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this TC Brief. Amounts greater than the certified amount may arise

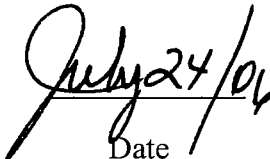
from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.


Arnaldo Medeiros da Fonseca Jr., Chief RE2/TEC


Date

IX. APPROVAL


Nohra Rey de Marulanda, INT Manager


Date

ANNEX I.

DETAILED BUDGET:

STRENGTHENING THE TRADE AND POVERTY REDUCTION NEXUS IN IDB PROGRAMMING

Activity	<u>Amount USD</u>		Share
	Avg/country	Total ^{1/}	Total (%)
1. Statistics Gathering	\$ 1,500	\$ 6,000	7
Consultant Fees (5 days @ \$300 daily rate)	\$ 1,500	\$ 6,000	
2. CGE Modeling	\$ -	\$ 36,750	43
Consultant Fees (70 days @ \$525 daily rate)	\$ -	\$ 36,750	
3. Technical Notes	\$ 6,500	\$ 26,000	31
Consultant Fees (15 days @ \$300 daily rate)	\$ 4,500	\$ 18,000	
Travel and per diem (1 trip and 5 days per diem)	\$ 2,000	\$ 8,000	
4. Dialogue and Dissemination	\$ 3,000	\$ 12,000	14
Consultant Fees (3 days @ \$300 daily rate)	\$ 900	\$ 3,600	
Travel and per diem (1 trip and 3 days per diem)	\$ 1,600	\$ 6,400	
Logistics (e.g. meeting rooms, printing, etc)	\$ 500	\$ 2,000	
Contingencies	\$ -	\$ 4,250	5
Total	...	\$ 85,000	100

1/ Total for activities 1, 3 and 4 represent work for four countries.

ANNEX II.

TERMS OF REFERENCE – CGE CONSULTANT

(TENTATIVE)

1. Activities

The consultant will carry CGE modeling work to be used as an input to the national and regional programming exercises. The specific tasks will involve the followings:

- (i) Construction of the CGE model for target counties identified in the project. This task will include the development of the code in GAMS, the calibration of the model and of the relevant underlying datasets, and the production of test simulations;
- (ii) Undertaking model simulations designed for alternative policy scenarios;
- (iii) Production of reports that includes simulation results, as requested.

2. Supervision and characteristics

The consultant will work with limited supervision and will report to the Project Team leader.

Qualification: the consultant will preferably have a PhD in economics; he will be familiar with trade and integration, poverty, household survey, SAM and CGE model development.

Duration: 70 working days, after the signature of the contract with the Bank.

Location: the consultant will work in the Bank's Headquarters, in Washington DC.

Honoraries: honoraries will vary according to qualification of the consultant up to a maximum of US\$ 36,750.

The project may cover the cost of traveling to the region for dialogue meetings at the technical level and/or dissemination activities.

Minute of Management Review Committee (Virtual CRG)
July 13, 2006
Technical Cooperation
Trade and Poverty Trust Fund

Strengthening the Trade and Poverty Reduction Nexus in IDB Programming
(RS-T1269)

Comments received from: Juan Blyde (RE1/RE1), Ekaterina Krivonos (RE2/OD3) and Edna Armendariz (RE3/OD6).

Comments:

1. Section II justifies the TC by utilizing the argument that LAC has high levels of income inequality. However, the rest of the document does not mention inequality of income, but rather only the trade and poverty reduction nexus. The question is, should the interest here be in the relationship between trade and income distribution alone?

Resolution: Paragraph 2.1 was changed to better define the trade and poverty reduction nexus and expand the scope of the argument beyond income distribution. The nexus was defined as the inter-relationships between trade openness, economic growth, income inequality and poverty levels.

2. Paragraph 2.4 states that "...[the project] provides an innovative approach since currently the contribution of trade to poverty reduction is not *systematically* addressed in IDB programming." Should one assume that the results of this TC will address trade and poverty reduction issues in a systematic way in IDB programming? This is a broad statement.

Resolution: Paragraph 2.4 was changed to narrow the statement above. It states that "...currently the contribution of trade to poverty reduction is not *sufficiently* addressed in IDB programming."

3. What will be the criteria for selecting countries for this TC (only programming needs)?

Resolution: The criteria for selecting countries includes the Bank's programming needs and also in-country demands for this type of analysis. Paragraph 4.1 was amended.

4. It is not clear whether the background technical studies on trade and poverty reduction nexus will follow a cross-country focus or case studies (cross-country for Central America and four case-studies?). The results will probably differ according to the focus of the studies.

Resolution: The studies will follow a country or national programming focus, and the CGE modeling may focus on individual countries and/or regions. Depending on the objectives of the modeling work, it may take a cross-country or case study approach.

Peter Kalil, Chief INT/ITD

Paolo Giordano, Team Leader (INT/ITD)

Nuchowich, Ana

From: Cardenas, Susana Rosario
Sent: Friday, July 21, 2006 1:20 PM
To: Nuchowich, Ana
Subject: FW: Trade and Poverty Trust Fund: TC Brief RS-T1269: "Strengthening the Trade and Poverty Reduction Nexus in IDB Programming"

FYI

-----Original Message-----

From: Kalil, Peter M.
Sent: Thursday, July 20, 2006 8:23 AM
To: Medeiros-Fonseca-Jr., Arnaldo
Cc: Giordano, Paolo; Zeballos, Erick; Cardenas, Susana Rosario; Valianatos, Maria Esperanza
Subject: Trade and Poverty Trust Fund: TC Brief RS-T1269: "Strengthening the Trade and Poverty Reduction Nexus in IDB Programming"

Arnaldo,

This is to request funding certification for the above-referenced project document. This project would be financed by the Trade and Poverty Trust Fund administered by INT/ITD and funded by the UK Department for International Development (DFID).

The project has been technically reviewed by the Technical Review Team of the Fund and cleared by the CRG according to the Operational Guidelines established for this Fund. I am attaching both the TC Brief and the CRG minutes for easy reference.

Please do not hesitate to contact me, or Project Team Leader Paolo Giordano of this Division, if there are further questions for clarification.

Thank you very much.

Best regards,

Peter

*Peter M. Kalil, Chief
Integration, Trade and Hemispheric Issues Division
Integration and Regional Programs Department
Inter-American Development Bank
Tel. 202-623-2554
Fax 202-623-2995*



RS-T1269 Acta
CRG.doc



TPTF TC Brief RS
T1269 final C...