



AidForTradeReport  
2009/2011

# Aid For Trade Report 2009/2011

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# ACRONYMS

**AFT**>>Aid for Trade // **AfT STF**>>Aid for Trade Strategic Thematic Fund of the IDB // **CIDA**>>Canadian International Development Agency // **DFID**>>United Kingdom's Department for International Development // **DTF**>>Donor Trust Fund // **EU**>>European Union // **IDB**>>Inter-American Development Bank // **GCI**>>General Capital Increase // **INT**>>Integration and Trade Sector // **LAC**>>Latin America and the Caribbean // **MIF**>>Multilateral Investment Fund // **OI**>>Operational Input // **OECD**>>Organisation for Economic Cooperation and Development // **SECO**>>State Secretariat for Economic Affairs (Switzerland) // **WTO**>>World Trade Organization

# WELCOME

DEAR FRIENDS>>

The Inter-American Development Bank (IDB) Group believes in the premise that trade can be an effective engine for socioeconomic growth and stability in the Latin American (LAC) region. Yet the region's ability to benefit from and participate in global trade depends on enhancing trade-related capacities and overcoming constraints. In this context, the Aid-for-Trade (Aft) Initiative has assisted the region, for example, to enhance its ability to take advantage of market access opportunities in free trade agreements, develop the tools for attracting foreign direct investment, and implement the regulatory apparatus that will best promote its international trade. As the main institutional counterpart for the World Trade Organization (WTO) in the region for Aft, the IDB has actively supported the implementation of the Initiative. Using a wide array of financial and technical

*Continuing and increasing Aft support in LAC will play a key role in a comprehensive strategy for maintaining long-term growth trends that could enable the region to meet its development objectives.*

assistance instruments and in coordination with beneficiary countries and other donors, between 2008 and 2010 the Bank financed well over USD 18 billion in Aft activities in areas such as energy, infrastructure, agriculture, trade facilitation, trade policy, private sector development, and trade finance. This support has contributed to growing intra- and interregional trade flows amid the ongoing transformation of the LAC economic environment. Continuing and increasing Aft support in LAC will play a key role in a comprehensive strategy for maintaining long-term growth trends that could enable the region to meet its development objectives.



We recognize the importance of showing identifiable results and the impact of our Aft operations in order to maintain momentum for the Initiative. Consequently, the Bank has adopted a two-pronged monitoring and assessment approach: a bottom-up approach through the 2008 Development Effectiveness Framework (DEF) and a top-down approach through the 2010 Results Framework. In addition, our new Strategic Thematic Aft Fund also integrates specific benchmarks for evaluating the effectiveness of all Aft Fund-financed projects. As a result of IDB operations, we can pinpoint, for example, considerable reductions in customs clearance times at border crossings, greater market access for several countries' agricultural exports, streamlined logistics procedures, integration of gender and environment issues in trade-related operations, trade mainstreaming in national development strategies, and enhanced export ability thanks to an increased availability of trade finance flows.

Today, as we observe good progress in the reach and impact of Aft activities, we must also evaluate lessons learned. In addition, we welcome the most important Aft challenge and opportunity: the IDB's 9th General Capital Increase (GCI), whereby the Bank aims to boost its grant and lending support for regional and global integration

projects, including a commitment to reach 15 percent of the Bank's annual lending by 2015. We believe more and better results are yet to come as the Bank continues its mission to enhance the competitiveness of LAC countries.

**Antoni Estevadeordal**  
Manager of the  
Integration and Trade Sector  
Vice-Presidency of  
Sectors and Knowledge  
at the Inter-American  
Development Bank





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# IDB AND THE AfT INITIATIVE

## IDB AND THE AfT INITIATIVE

The AfT Initiative aims to help countries integrate into the global economy and benefit from liberalized trade and increased market access by channeling resources to enhance trade-related capacities and overcome supply-side constraints. In 2010, **the IDB continued its active support for**

### **the implementation of the AfT Initiative.**

As the main institutional counterpart for the WTO in LAC, the Bank also coordinates monitoring and evaluation of AfT activities with the Organization for OECD.

The IDB has substantial experience in helping countries overcome supply-side constraints that inhibit adequate participation in the global economy and weaken capacity to take advantage of market access opportunities. Now, under the AfT initiative, there is added impetus to link this assistance more effectively with the countries' trade and development agendas and to address assistance through a coordinated approach with public, private and international stakeholders.

**>>**  
**Now**, under the AfT initiative, **there is added impetus to link this assistance more effectively with the countries' trade and development agendas >>**



# AFT AND IDB REGIONAL INTEGRATION STRATEGY

AFT AND IDB REGIONAL INTEGRATION STRATEGY

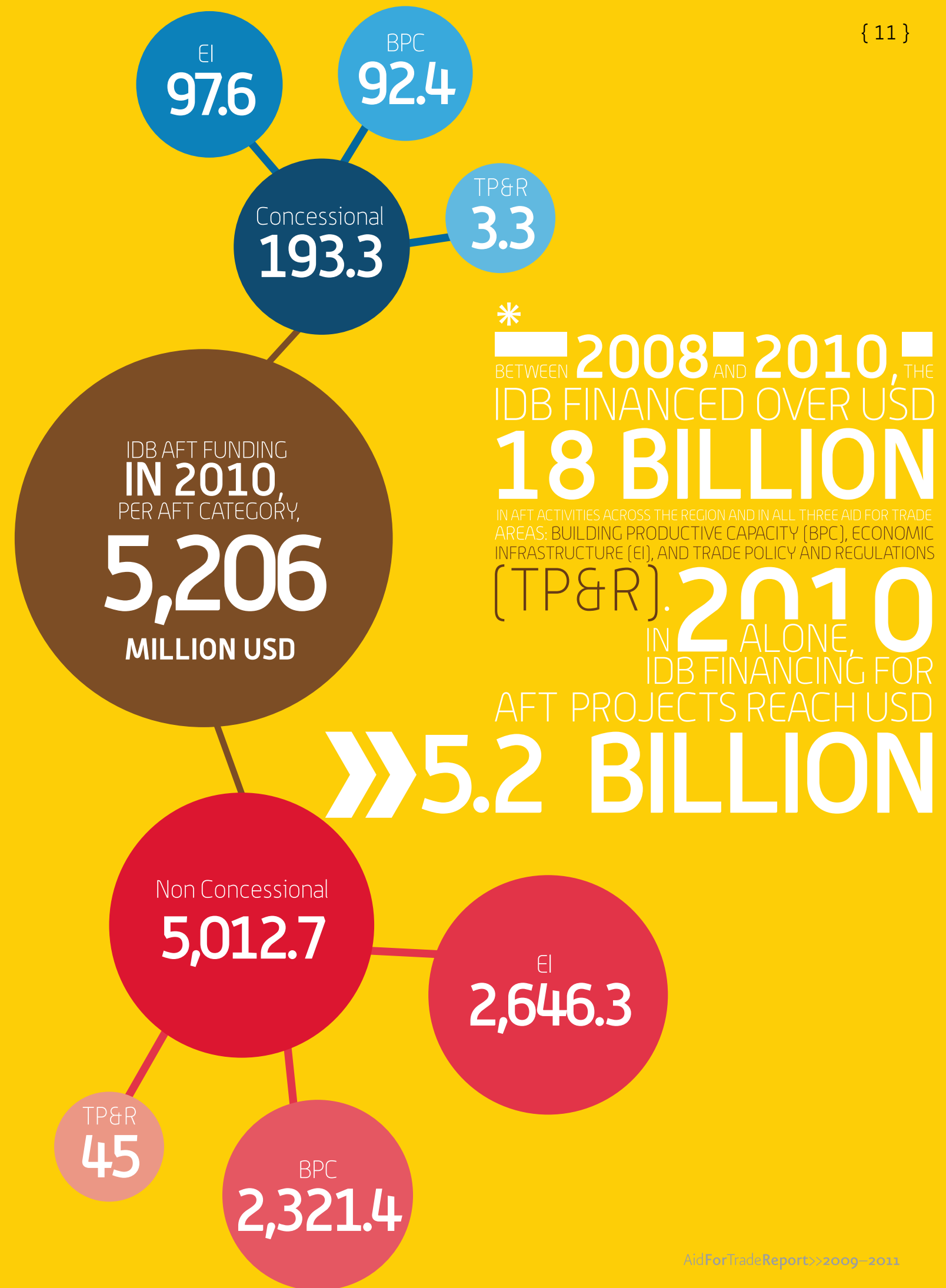
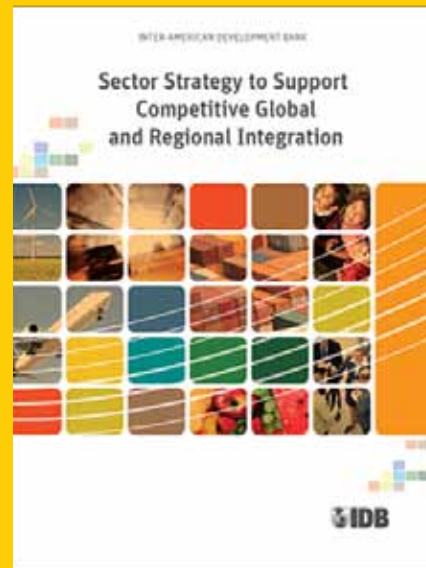
The IDB GCI approved in 2010 identified regional and global integration as one of Latin American and Caribbean key development challenges, established integration as one of the Bank's institutional priorities and, for the first time, set an annual lending target (15 per cent), which represents approximately US\$1.8 billion a year. Achieving such an ambitious target will require institutional innovation (both in borrowing countries and the IDB), and the provision of larger incentives for borrowing members, including larger grants that can reduce the borrowing costs and enhanced support from donors.

A new Bank Regional Integration Strategy provides the operational framework to the new lending target and establishes that the Bank needs to act simultaneously on the software (policy

and regulatory frameworks) and the hardware (physical integration) of integration, ensuring coherence between national and regional interventions. A key building block for this strategy is to support the region's active role in the global trading system and to use trade as an instrument for growth and poverty alleviation. Therefore, AFT is a priority in implementing the new Bank strategy, and the IDB has a comparative advantage in mobilizing and channeling donor resources to meet unsatisfied demand.



**A key building block for this strategy is to support the region's active role in the global trading system and to use trade as an instrument for growth and poverty alleviation.** >>





# THE AFT FUND AND STRATEGY

MAKING A MEASURABLE IMPACT ON TRADE

Despite successful trade reforms, the performance of LAC countries in various global indicators remains poor. LAC countries' progress remains unsatisfactory because, among others, they lack the institutional capacity to implement and take advantage of trade agreements and policy reforms; face significant challenges in the form of international sanitary and quality standards; have high transportation costs; lack adequate trade-related infrastructure; and lag behind other regions of the world in information technology, customs efficiency, and transparency and logistics.

For LAC countries, it is imperative to address those constraints in order to get the full benefit from trade liberalization, promote economic growth, and contribute to poverty alleviation. For example, LAC countries have negotiated complex trade agreements, yet struggle with

the implementation of obligations and often to do not fully take advantage of market access opportunities in the accords. Furthermore, research shows, for example, that reduction in transport costs, better port efficiency, and streamlined trade procedures may have a much larger positive impact on exports and imports than trade liberalization.

Likewise, addressing issues such as sanitary standards, product traceability, and logistics management is pivotal for improving export performance in LAC. Tackling challenges in these areas would not only ensure the ability to access foreign markets, but also to gain competitiveness and enhance the value of agricultural exports. In light of agriculture's economic relevance for the region, particularly as a significant source of income in rural areas, addressing these issues would

»» ***In light of the above, there has been increasing demand from LAC countries for non-reimbursable resources and technical assistance in areas such as implementation of FTAs, trade facilitation, and standards. »»***

also improve socioeconomic indicators. In light of the above, there has been increasing demand from LAC countries for non-reimbursable resources and technical assistance in areas such as implementation of FTAs, trade facilitation, and standards. In this context, the IDB's Aid-for-Trade Strategic Thematic Fund was created in 2009 as a multi-donor instrument, further anchoring the Bank as the main partner in LAC to promote implementation of the AFT initiative. The Fund became operational in 2010, and is financed with contributions from Canada, Switzerland and the United Kingdom.

Moreover, within the framework of the Bank's Ninth GCI, the Fund is well-aligned to promote the Bank's Competitive Global and Regional Integration Strategy and will contribute to its implementation. The Fund's operational mandate also gains similar momentum from the Banks' new Strategy and Operational Policy on Gender Equality in Development, and the Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy.

With the aim of targeting existing demand and making measurable impact on trade, resources of the Fund will be targeted towards improving performance and increasing efficiency in matters related to trade policy, trade facilitation, and agriculture standards as a means to increase market access, advance economic growth, and contribute to poverty alleviation.

The Fund will focus on achieving those results in an inclusive and sustainable manner. For that purpose, specific resources of the Fund will be allocated to promote the mainstreaming of gender and environment within all activities of the Fund. The Bank will ensure that Fund resources target demand and have a measurable impact on trade flows. To this end the Bank will:

- Promote and enhance internal coordination to mobilize the multi-sectoral expertise across different stakeholders (government, non-governmental, and private sector);
- Strengthen coordination and partnerships with multi-lateral and regional organizations and donor agencies;
- Promote flexibility to work with beneficiaries in both the public and private sectors;
- Work at the national and regional levels, including assistance through regional economic organizations when appropriate.





The Fund will mainly support activities falling within three thematic priority areas and two cross cutting issues:

- Trade policy, including negotiation, and implementation of trade agreements
- Customs modernization and trade facilitation
- Technical standards including sanitary and phytosanitary measures

GENDER AND ENVIRONMENT





 Thanks to  
Canadian, British, and Swiss  
**contributions,**  
**in 2009**  
the IDB launched  
the Aid-for-Trade Strategic Thematic Fund,  
a **USD 12 million instrument**  
committed to  
enhancing LAC's integration  
into the  
**global**  
economy. 

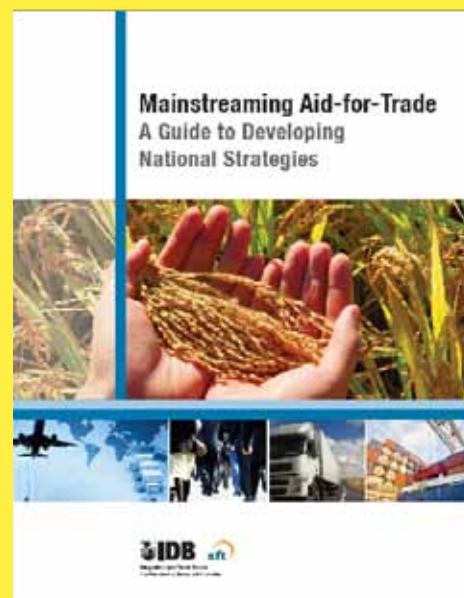




# MAINSTREAMING TRADE

At the level of the WTO, there is a commitment to incorporate Aft within the Trade Policy Review process to enhance efforts at mainstreaming trade. As such, as part of the Bank's efforts to support mainstreaming Trade within National and Regional Development Agendas, INT developed a Guide

to Developing National Aid-for-Trade Strategies. The Aft Guide is designed to support countries with mainstreaming efforts, facilitating, improving and promoting coordination among public entities, such as the Trade and Finance Ministries, and public and private sector's. The support includes identifying priorities, designing a monitoring and evaluation mechanism, and initiating a dialogue with donors and investors for proposing ways in which government or donor support can match these priorities. The Strategies are designed to serve as an input to the country's WTO Trade Policy Review (TPR), which provides a consistent and comparable monitoring mechanism for trade-related assistance.



## BELIZE>

Strategic priority areas include Trade facilitation, logistics, and transport; SPS and technical standards; implementation of trade agreements; and private sector competitiveness. The country held a validation dialogue for the Strategy in January 2011, attracting more than 100 attendees.

## JAMAICA>

The country is currently working on the first draft of its Strategy and consultations have been held with approximately 90 individuals from 42 ministries, agencies, departments, and organizations. A validation dialogue workshop was held in April 2011.

## CARICOM>

The Bank is currently supporting CARICOM Member countries regarding support for the development of a Regional Strategy. The following priorities have been identified: Maritime Transport; Information and Communication Technologies (ICT); Freight Logistics and Trade Facilitation; SPS and Standards; Trade in Services; Implementation of Trade Agreements; and an Infrastructure Fund. Intensive inter-sectoral coordination is underway within the IDB in order to support CARICOM Members in their efforts to have a regional strategy.

## TRINIDAD AND TOBAGO>

Trinidad & Tobago is in the early stages of its Strategy and will work closely with the Bank in the following months to commence the initiative.

## AFT STRATEGIES IN THE CARIBBEAN

In 2010, with the financial contribution of DFID, INT supported the drafting of the following Aft Strategies in the Caribbean:

Maximizing results from donor resources in the Caribbean necessitates effective coordination between the Aft operations and the Compete Caribbean program, a USD 32.5 million

regional program seeking to improve competitiveness and boost private sector development. Collaboration and coordination is occurring on several fronts – participation in respective

project teams, sharing of information on activities and programming, and peer reviewing for strategies. Leveraging the resources destined for both private sector development and

public policy strengthening will ensure a comprehensive approach to reform and economic growth in the Caribbean.



# ENHANCING PARTICIPATION IN GLOBAL VALUE CHAINS

In 2010, INT released **Connecting People to Markets: Methodologies for Integrating Trade and Development Goals**, an analytical effort in the form of pilot case studies on supply chain issues that identifies bottlenecks in different countries in the LAC region. With this analysis INT sought to pinpoint specific solutions that would facilitate these countries' insertion into the global economy by joining global value chains that would allow them to benefit from open markets and existing trade agreements.

Connecting People to Markets highlights the dynamics unfolding in the global economy and their deep implications in the efforts to integrate trade and development goals. Globalization has fundamentally altered the conduct of international trade, the organization of production, and the basis of international commercial competition. While trade was once carried out through arm's length transactions between independent buyers and sellers in different countries, today, most cross-border flows of goods and services take place between corporate affiliates, or between companies

that act as partners in long-lasting relationships, or within the broader context of a firm's global supply chain. Any viable trade and development strategy will thus have to adapt accordingly.



»» **Connecting People to Markets highlights the dynamics unfolding in the global economy and their deep implications in the efforts to integrate trade and development goals** <<



## TRADE AND GENDER:

The Trade and Gender Initiative's main goal is to contribute to mainstreaming gender into the Bank's trade-related operations. Its efforts follow the path set by the IDB's gender institutional policy, and are enhanced by the Bank's commitment to gender issues with donors and in the Aft Fund. For this purpose, a workshop was held in July to obtain a set of guidelines that would ensure that: a) a significant number of initiatives finan-

ced by the Aft Fund include a gender-sensitive approach; and b) the Bank is able to analyze and evaluate the quality of the proposals, promote their implementation and measure results in the area of trade and gender.

In addition, the Bank created a Community of Practice as one of the tools for pursuing objectives to: (1) promote the inclusion of a gender focus among relevant stakeholders in the region; (2) disseminate guidelines and tools to designers/implementers of Aft activities; and (3) offer incentives to actors in order to facilitate the inclusion and follow up of gender results in trade-related activities.

Aiming to increase the impact of its trade and gender operations, the IDB is also pursuing partnerships with organizations in the public and private sectors, as well as with civil society. The goal is to form strategic alliances that will further gender equality by mainstreaming gender awareness in national, regional, and global value chains and by promoting women entrepreneurship and empowerment.

## TRADE AND CLIMATE CHANGE:

The IDB has been working on the link between international trade and climate change, seeking to bring momentum to this agenda and to create synergies with the Bank's Regional Integration and Climate Change Strategies. In 2010, INT jumpstarted the discussion on the issue through a study (executive summary, final version upcoming) and a workshop in November in collaboration with the Energy and Climate Change Unit of the Infras-

tructure and Environment Sector (INE/ECC). The aim was to contribute to the debate on key issues when analyzing measures related to climate change and their effects and links to international trade.

Going forward, the IDB will continue contributing to and facilitating this dialogue, aiming to integrate these issues into a regional policy coordination agenda. To this end, the Bank will organize a conference in the fall of 2011 as a means of bringing LAC countries closer to this discussion. The event will feature renowned specialists in the field, ministers and vice-ministers of trade from across the LAC region, as well senior representatives from key exporting industries.



# SHARING INFORMATION AND GOOD PRACTICES

QUITO, ECUADOR:  
NOVEMBER 30 – DECEMBER 2, 2010

Latin American trade officials gathered in Quito, Ecuador for a regional seminar on AFT sponsored by the WTO, the IDB, and the Government of the Kingdom of Spain. The main objective of the meeting was to assist countries Latin America with the preparations for the Third Global Review, as well as to provide

attendees with a general overview of the development dimension associated with commercial integration and the work of the WTO. Participating officials had the opportunity to be briefed on the focus of the upcoming Global Review, particularly on the use of questionnaires and case stories as part of the enhanced monitoring framework for AFT activities across the globe. Attendees were also able to highlight their countries' ongoing challenges to fully and successfully trade in the global economy, providing examples of where AFT interventions could enhance their ability to take advantage of market access opportunities.

BRIDGETOWN,  
BARBADOS:  
JANUARY 25-27, 2011

An event sponsored by the Caribbean Community (CARICOM) Secretariat, the WTO, and the IDB, CARICOM member states gathered to assess how AFT can facilitate the development of their small economies. The WTO prepared the groundwork for the upcoming Global Review and urged CARICOM countries to submit the case stories and complete the questionnaires to showcase how AFT was working for the Caribbean, or any suggested improvements. The governments of Belize and Jamaica also shared their experiences in drafting their IDB-supported National AFT Strategies as a

way to articulate country priorities, create a pipeline of projects, and develop a mechanism for monitoring and evaluation. For its part, the CARICOM Secretariat pointed out member's adoption of a focused approach for a Regional AFT Strategy, identifying key priorities such as maritime transport, trade in services, and the development of an infrastructure fund.







FOCUSING**ON**RESULTS

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# FOCUSING ON RESULTS

In 2010, INT coordinated Bank efforts in LAC to respond to the joint WTO-OECD call for case stories in preparation for the Third Global Review of Aid-for-Trade scheduled for July 18-19, 2011 in Geneva. While previous Global Reviews in 2007 and 2009 consistently showed progress, the Third Review has extended monitoring and evaluation activities beyond global trends. As a result, in addition to self-assessment questionnaires, countries were invited to submit case stories as a means of building a body of knowledge and evidence on the demonstrable impacts of the Aft Initiative. The WTO and the OECD particularly sought the inclusion of metrics and called for highlighting implementation challenges and problems in order to facilitate dialogue among ministries, stakeholders, partners, and donors about success and failure based on concrete examples.

In response to this joint call, INT coordinated efforts to provide support to LAC countries interested in submitting case stories. Additionally, INT's effort was successful in mobilizing countries and regional organizations to identify focal points to liaise with the Bank on all activities related to the Global Review.

The IDB's support for the Global Review process reinforces its institutional commitment to strengthening accountability, turning opportunity into real results, and showcasing Aft impact on the ground. This commitment has translated into careful assessments of what interventions offer the best and greatest potential for success, as well as into ongoing dialogue with national and regional authorities and the private sector to ensure that Aft supply is matching Aft demand. The next section will showcase several examples of the Bank's Aft work and highlight the real impact of these operations on the economic development of the LAC region.



*This section will showcase **several examples***

*of the Bank's Aft work and highlight the real impact of these operations on the economic development of the LAC region. <<*

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### ENHANCING REGIONAL INTEGRATION AND TRADE FACILITATION

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Following  
its improvement,  
the average speed in the Pacific Corridor (PC),  
the main logistics corridor for the  
**Mesoamerica region,**  
will increase  
**from 17 to 60 km/hour,**  
reducing average  
freight travel time  
from Panama City to Puebla Mexico  
**to 2.25 days**  
**or 54 hours**



ENHANCING REGIONAL  
INTEGRATION AND TRADE  
FACILITATION

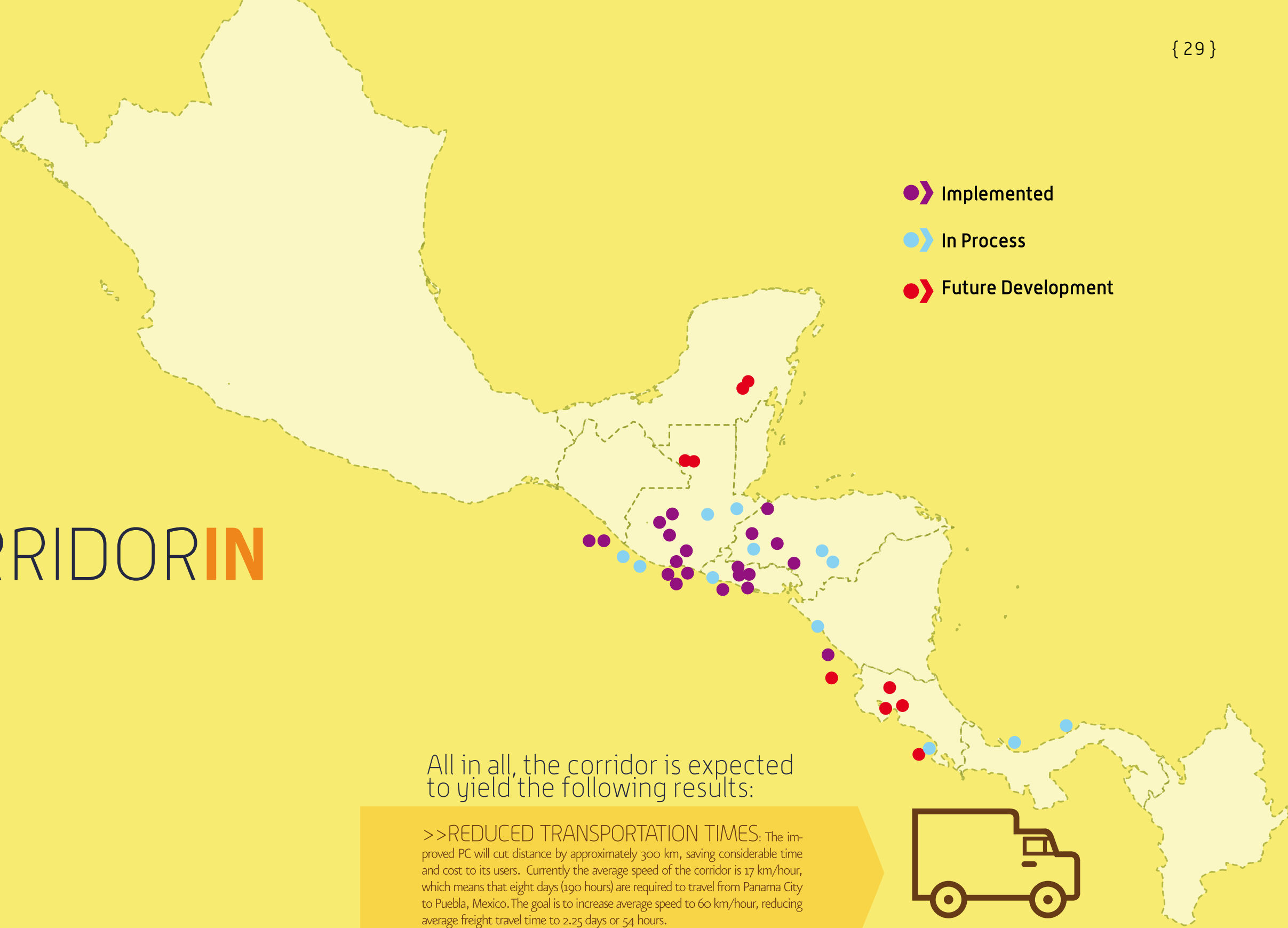
# THE PACIFIC CORRIDOR IN MESOAMERICA

In line with its institutional Regional Integration and Aft Strategies, the IDB strongly supports the development of regional integration corridors, including the dialogue, coordination, and cooperation mechanism for the management and execution of specific projects within those corridors. Soft and hard trade-related infrastructure investments in the Mesoamerica Project (MP) aim at tackling challenges within the region in order to reduce transport costs, enhance trade competitiveness, attract foreign investment, and efficiently deliver goods and services to the global marketplace.

Within this framework, the IDB, through the Country Department Central America, Mexico, Panama and Dominican Republic (CID), the Integration and Trade Sector (INT) and the Infrastructure and Environment Sector (INE), fully

backed efforts to rehabilitate the Pacific Corridor (PC), a 3,200 km road that offers the shortest route between Panama and Mexico. The PC is the main logistics corridor for the region, transpor-

ting 95 percent of all commercial goods, valued at approximately USD 6 billion. The plan includes road optimization and maintenance, traffic safety, weight and size standardization, and border checkpoints outfitting. The corridor will improve regional competitiveness, as it reduces transportation costs and times and facilitates access to markets and the integration of productive chains.



All in all, the corridor is expected to yield the following results:

**>>REDUCED TRANSPORTATION TIMES:** The improved PC will cut distance by approximately 300 km, saving considerable time and cost to its users. Currently the average speed of the corridor is 17 km/hour, which means that eight days (190 hours) are required to travel from Panama City to Puebla, Mexico. The goal is to increase average speed to 60 km/hour, reducing average freight travel time to 2.25 days or 54 hours.



**>>ACCELERATED, HARMONIZED CUSTOMS PROCEDURES:** With the full regional implementation of the International Transit of Goods (TIM) program, an electronic system for managing the flow of goods, average border crossing time is expected to drop from an average of 60 minutes to eight minutes. As of December 2010, TIM had already been implemented from Mexico to the Nicaragua-Costa Rica border, and it is estimated that it will reach Puerto Colon in Panama by the second half of 2011.







## The International Transit of Goods

[TIM] program, an electronic system for managing the flow of goods, is expected to slash average border crossing times from

Mexico to Panama from an average of

**60 minutes to just 8 minutes.**



## ENHANCING REGIONAL INTEGRATION AND TRADE FACILITATION

# THE CASE OF SINGLE-WINDOWS

In the new global and regional economic structure, trade facilitation has strategic importance, in particular as it regards the impact of time and efficiency on international trade. Many LAC countries have seen their competitiveness and trading capacity impaired by, among others, lengthy document preparation times, redundant paperwork, lack of coordination between involved agencies, and users' limited access to relevant document information.

Recognizing the importance of information and communication technologies for expediting the processing of trade flows, the Bank has provided technical and financial support to LAC countries for the implementation of single window systems in order to enhance trade flows and economic integration. Single windows streamline international trade requirements by serving as a single entry point for all export, import, and transit-related transactions.

They increase transparency and help ensure private sector compliance and improve revenue flows, while overall contributing to better trading performance through time and cost savings when moving goods across borders.

According to IDB estimates, projections, and economic studies, the installation of these technologies would yield significant results in the LAC region. For example, in Chile alone, the system would cut costs and waiting time associated with exports and imports by 50 percent, going from 6 and 5 days to 3 and 2.5 days, respectively. Besides Chile, the Bank is currently supporting implementation efforts in Barbados, Peru, and CAFTA-DR countries.



### In Chile

*alone the system would  
cut costs and waiting time  
associated with exports and imports*

## by 50 %

*going from 6 and 5 days to*

## 3 and 2.5 days, respectively. <<







Thanks to the  
Integrated Foreign  
Trade System (SICEX),  
**Chile**  
will **reduce** by half  
**the number of days**  
required to complete  
import and export procedures



ENHANCING REGIONAL  
INTEGRATION AND TRADE  
FACILITATION

# CAPACITY-BUILDING IN RULES OF ORIGIN

Given the importance of Rules of Origin (ROO) in international trade and the growing number of free trade agreements negotiated and signed by LAC countries, the IDB through INT continued its capacity-building support in the region. Spanning over a time-frame of almost two decades, this effort has stretched from research and knowledge development, to technical assistance to negotiating teams, to the implementation of trade facilitation mechanisms to ensure the full utilization of market access opportunities.

Cementing years of capacity-building in ROOs, more recently INT has supported countries in the implementation of digital origin certification. The IDB's goal

has been to facilitate trade flows, decrease risks in ROO certification, and to contribute to the interoperability of international trade single window systems. Additionally, the Bank has analyzed convergence and divergence areas in tariff reduction processes and in the 16 existing origin regimes in Pacific Arch Forum countries. Furthermore, the INT developed INTradeBID (<http://www.iadb.org/int/intradebid/>), an innovative online tool with specialized databases, models, and instruments that monitor and assess the impact that integration and trade has on LAC countries. INTradeBID has more than 750,000 rules of origin at the sub-tariff level, covering 120 bilateral and regional trade agreements, as well as generalized systems of preference in the LAC region.



**INTradeBID**

*has more than*

**750,000 rules of origin**

*at the sub-tariff level,*

**covering 120 bilateral  
and regional trade  
agreements,**

*as well as generalized systems of preference in the  
LAC region. <<*





## ENHANCING ABILITY OF SMES TO COMPLY WITH INTERNATIONAL STANDARDS

# FINPYMEEXPORTPLUS

First launched in Guatemala as a pilot project, Finpyme ExportPlus is an initiative led by the Inter-American Investment Corporation (IIC), part of the IDB Group. The program seeks to enable small and medium-sized enterprises (SMEs) to improve their access to export markets by providing direct technical assistance so that SMEs can increase and diversify both their products and their markets.

The program is implemented using a three-step process. First, it starts with a market study in order to define the industries to be prioritized. Second, based on these findings and supplemental surveys, Finpyme ExportPlus develops a comprehensive plan for an eighteen-month implementation phase. Finally, the program then selects a key

organization dedicated to private sector development in each country.

In 2010, the program successfully ended its implementation in Guatemala with excellent results, including a high implementation rate (88%) of the knowledge shared through the program and an increase (50%) in attendees' export capacity. Additionally, it was launched in four Caribbean countries: the Bahamas, Barbados, Guyana and Suriname. Using the Program as a stepping stone, the IIC hopes to enhance its presence in the Caribbean.



**In 2010, the program successfully ended its implementation in Guatemala with excellent results, including a high implementation rate (88%) of the knowledge shared through the program and an increase (50%) in attendees, export capacity.**



## DEVELOPMENT OF AGRO-PRODUCTS

Complying with international sanitary standards is pivotal for opening markets and adding value to agricultural exports. In order to fill the knowledge gap in Guatemala with regard to sanitary and phytosanitary standards, the MIF (Multilateral Investment Fund), a member of the IDB Group, sought to expand trade and improve the competitiveness of SMEs by developing quality and safety processes for agricultural production. The project was executed in collaboration with the private sector and with a focus on non-traditional exports.

The program achieved substantial results and contributed to a better understanding of international sanitary standards and their significance to Guatemalan agricultural production. The project helped build information materials that contribute to the training up to 3,000 people a year. Likewise, it supported the development of specific criteria for certifying food safety. As of today, 25 companies and around 30 groups of producers (2,500 small producers) are fully certified. Furthermore, the MIF conducted studies in order to support the Ministry of Agriculture's

negotiations with U.S. authorities on the safety of 3 Guatemalan products: tomatoes, cranberries, and peppers. Eventually, these exports were able to enter the U.S. market, with around 500 containers of peppers and tomatoes now being sent every year to the United States.



**The project helped build information materials that contribute to the training up to 3,000 people a year.**



## CHALLENGES AHEAD IN CENTRAL AMERICAN COUNTRIES

- Capacity building and training for government officials, development of national standards, and work on regional harmonization, all lay the groundwork for stronger institutions that can support exporters who need to show that their products meet the high standards of importing countries.
- Fundamental changes are required to ensure Central American countries create self-sustaining institutions that are growing with the times, securing a reliable funding

base for business, and developing and holding onto a qualified work force. For example, the Med Fly is endemic to large parts of the region, denying access to foreign markets for a lot of horticultural crops; similarly diseases in poultry and hogs are cutting productivity and deny Central American products access to other markets; regional harmonization needs to be enhanced; traceability systems are needed to ensure health risks are monitored and rapid responses can occur back at the source of contamination; producers need help in improving the quality of their products to meet export standards; and investment is needed to move countries of the region more fully into the value-added products, including products targeted at niche markets.



MAINSTREAMING  
TRADE AND GENDER

# TEXTILES AND GENDER EQUITY IN CUZCO

The Competitiveness Program for the Development of Textiles Export Associations in Cuzco is an IDB project supported by financial contributions from the DFID. The project's objective is to promote local economic development in low-income areas in the Cuzco region by training textile artisan producers and entrepreneurs in areas such as management, technological innovation, design, and associative models, with the goal of enhancing their capacity to enter national and international value chains.

The program has benefitted 425 artisan textile producers grouped in five different associations in

the rural areas of Cuzco. Around 91 percent of these producers are women, and most of them only speak Quechua. The project contributed to the first step in the formation of public-private alliances for export promotion in the Cuzco region. Importantly, it has successfully led to product, process, and manufacturing technique innovation, as well as to the creation of KAMAQ, the beneficiaries' own trademark for promoting and commercializing their products. The program facilitated the participation of representatives from these associations in national and international trade shows such as Peru Gift Show, the New York International Gift Fair, and Expo Mercería y Manualidades in Mexico City. Given its successful implementation, the IDB is now working on a second phase for the project.



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## FINANCING TRADE FLOWS

# TRADE **FINANCE** **REACTIVATION** PROGRAM

Since its existence since 2003, the Trade Finance Reactivation Program (TFRP), an initiative of the Financial Markets Division of the IDB's Structured and Corporate Finance Sector (SCF/FMK), seeks to strengthen supply-side capacity and trade-related infrastructure in LAC. To this end, it addresses the shortage of affordable trade financing for SMEs, targets transaction and systemic risks, and minimizes the costs and risks associated with low-volume transactions.

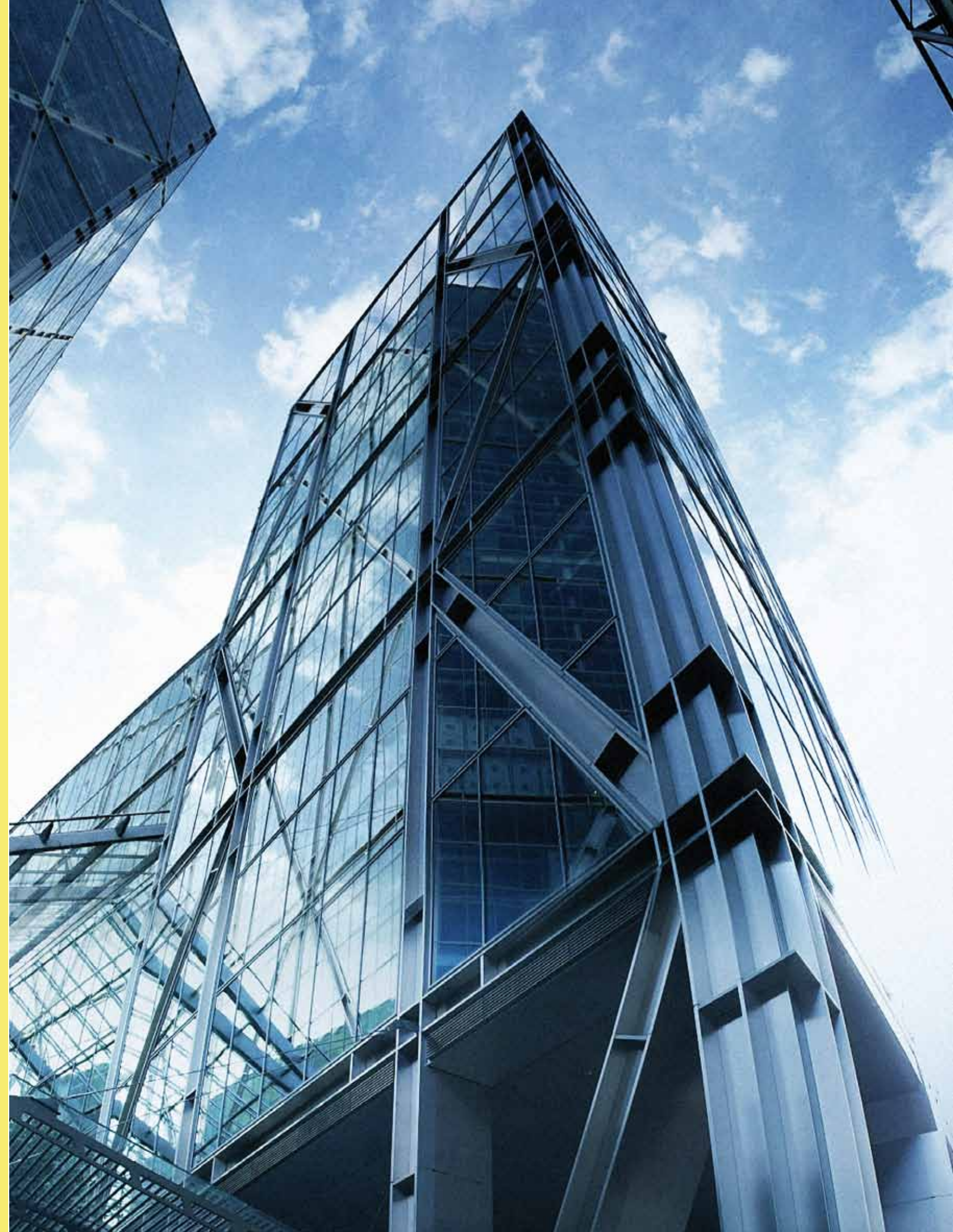
The TFRP recognizes the importance of multilateral development bank support to mitigate volatility

in international capital flows, especially during economic downturns. It is viewed as an essential tool to complement other instruments in support of free trade and regional integration. As the recent economic crisis unfolded, the TFRP ensured the Bank's fast response in LAC.

The TFRP aims to strengthen supply-side capacity and trade-related infrastructure in LAC, given the crucial role that international trade plays in a downturn to create jobs, foster growth, and promote income equality. The TFRP has been instrumental in: (1) increasing correspondent credit lines for issuing banks; (2) enhancing small- and medium-sized enterprises' (SME) access to trade financing; (3) strengthening intra-regional transactions; and (4) providing technical assistance to trade finance banks and their SME importer and exporter clients.



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## IMPLEMENTING TRADE AGREEMENTS

# TAKING ADVANTAGE OF TRADE OPENING OPPORTUNITIES

The LAC region is actively committed to a strategy of integration into the global economy. As a result, they have espoused an ambitious agenda that includes internal market reforms and the negotiation of regional and bilateral trade agreements. Nevertheless, LAC countries face significant challenges in the implementation, administration, and utilization of these accords, thus underlining the need for assistance to ensure that the public and private sectors in the region can take advantage of the market access opportunities offered in these agreements.

Cognizant of these challenges, the IDB,

through INT, has offered its technical expertise, aiming to close the gap that is constraining LAC countries' ability to fulfill their obligations and to benefit from trade opening opportunities. Implementing and administering trade agreements is a laborious process that involves different branches of government, calling for strong institutions and coordination. Consequently, the Bank has addressed institutional strengthening issues in government agencies, focusing on areas such as customs and rules of origin, as well as new emerging issues such as intellectual property and environment. At the same time, the IDB has engaged the private sector in order to improve producers and exporters' understanding of market access avenues for their products in existing trade agreements.



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## IMPLEMENTING AND UTILIZING FTAS IN COLOMBIA AND PERU

With the support of SECO, currently the IDB is executing operations in Colombia and Peru, aiming to achieve the following results:

- 1) Strengthened institutions with enhanced capacity to implement and administer FTAs;
- 2) Innovative electronic monitoring tools that will allow detailed follow-up of provisions and commitments in FTAs;
- 3) Enhanced electronic systems (single windows) that would reduce time and costs associated with international trade transactions and inspections;
- 4) Better awareness among public and private sectors and civil society about the benefits and opportunities in FTAs.



INVESTING AND TRADING IN HAITI

# BOOSTING TRADE AND INVESTMENT

Trade, if accompanied by appropriate public policies, is a powerful tool for economic growth and social development. As such, trade facilitation and promotion have long been integral components of the IDB's strategy in Haiti. Prior to the devastating January 2010 earthquake, INT organized in October 2009 the largest investment forum in Haiti's history in collaboration with the Office of the UN Special Envoy for Haiti, former U.S. President William J. Clinton.

As part of recovery and reconstruction efforts in Haiti, the IDB is currently working with the U.S. Department of State and the European Union on the construction of an industrial park in the country's northern region. The park is expected to create up to 40,000 jobs and to economically impact about 250,000 people. The IDB is financing the Park's construc-

tion, and INT in particular is financing viability, location, and environmental impact studies. In addition, INT co-hosted a forum with top companies from the garment industry to promote the park.

INT is also working on two other fronts: improving Haiti's investment climate and promoting Haitian art. On the first front, INT seeks to streamline the registration of business entities and the application for construction permits. The goal is to make it easier, faster and cheaper to start a company in Haiti by eliminating unnecessary or repetitive steps and introducing technology so that processing times can drop from ap-



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proximately 180 days to 10. The reform to construction permits will delegate some administrative responsibilities to the private sector, pro-

mote safer housing techniques, and increase the country's tax basis; it is expected to reduce waiting times for these permits from 1,100 days to 60. As for Haitian art, INT is promoting exports by providing training to local artisans on how to build online catalogs of their products and market them on a global scale.





INVESTING AND TRADING IN HAITI

# MANGO **AS AN** **OPPORTUNITY** FOR **GROWTH**

In order to further complement economic recovery efforts, the Multilateral Investment Fund (MIF) has sought ways to lay the foundation for future growth and job creation in Haiti, with a particular focus on areas outside of Port-au-Prince. The mango sector in Haiti has great potential to generate broad-based economic growth, as it engages some 200,000 small-scale farmers. Yet while mango produc-

tion in Haiti is significant, only 10-20 percent has an export market, with only around 20 percent of the export value going to the farmer annually. In this context, the MIF saw a compelling opportunity for strengthening the Haitian mango value chain and improving the lives of mango farmers by increasing the percentage of fruit with export quality and by supporting fruit processing opportunities. The MIF implements the project in partnership with The

Coca-Cola Company, the U.S. Agency for International Development (USAID), and TechnoServe, with support from the Clinton-Bush Haiti Fund and other international and local actors. The project seeks to build the capabilities of 25,000 mango farmers, aiming to facilitate the creation and strengthening of market linkages and identifying and supporting local in-

vestors in fruit processing facilities for juice production. Efforts will also be made to ensure that participating farmers have diversified into other fruits and crops, and engagement with the government will help ensure investments are made in enabling factors such as infrastructure.

>>  
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[illegible]



# MONITORING AND EVALUATING RESULTS

For Aid-for-Trade needs to be delivered according to the principles of the Paris Declaration on Aid Effectiveness. To that end, a performance measurement framework has been developed, which will be a comprehensive tool that will help to assess the level of outcomes of each project contributing to the broader objectives of the AFT Initiative.

Yet the task of measuring progress through pre-identified indicators and establishing base-lines with targets was and will continue to be challenging. This happens especially because trade-related capacity building and technical assistance are areas where results are usually intangible in nature, there are often problems of attribution, and data is insufficient.

- In order to ensure short to medium-term results and to effectively measure progress on AFT, the Bank is committed to:
- Define specific objectives and verifiable outcomes and indicators in the strategic selected areas at the outset
  - Ensure that actual AFT programming is aligned with targeted results;
  - Develop a results reporting system,

**in close consultation with donors and beneficiary countries in the field;**

- Encourage beneficiary countries and IDB team to make a good and accurate identification and assessment of existing baseline and to build in the design evaluation requirements and methodologies at the onset of projects in order to ensure results can be measured during implementation and execution and to facilitate evaluation;
- Ensure that project monitoring systems are in place so as to facilitate periodic assessment of project and program performance against defined targets; and
- Measure results through selective indicators and be realistic and selective in what to measure and how to measure.
- Maximize the impact

With the objective of maximizing potential impact, including medium and long term, of AFT resources, the following criteria will be taken into account when establishing priori-

ties at the Bank:

- Possibility of scaling-up resources and impact on economic growth and poverty alleviation;
- Contribution to increasing donor coordination on the ground;
- Sustainability of expected impact;
- Potential to contribute to regional integration.
- Value against resources committed
- Innovation, generation of lessons learned and potential for replication.



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The IDB's Development Effectiveness Overview (DEO) 2010 report assesses the effectiveness of the Bank's monitoring and evaluation instruments, highlighting a steady progress in the Bank's efforts to ensure that its work is duly executed and is producing a measurable positive impact in the LAC region.





# ACKNOWLEDGMENTS

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This report has been prepared under the overall guidance of Antoni Estevadeordal, Manager of the Integration and Trade Sector at the IDB. The team involved

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# AidForTradeReport 2009/2011



**IDB**

Integration  
and Trade Sector

