

## **PROGRAM TO SUPPORT FOREIGN TRADE**

**(GU-0152)**

### **EXECUTIVE SUMMARY**

|  |  |  |               |
|--|--|--|---------------|
| <b>Borrower:</b>                       | Republic of Guatemala  |  |               |
| <b>Executing agency:</b>               | Ministerio de Economía, through the Viceministerio de Integración y Comercio Exterior (VMCE) |  |               |
| <b>Amount and source:</b>              | IDB: (OC)  | US\$   | 5.00 millions |
|  | Local:   | US\$   | 1.25 millions |
|  | Total:   | US\$   | 6.25 millions |
| <b>Financial terms and conditions:</b> | Amortization Period:   |  | 25 years      |
|  | Grace Period:  |  | 4 years       |
|  | Disbursement Period:   |  | 4 years       |
|  | Interest Rate:   |  | Variable      |
|  | Supervision and Inspection:  |  | 1 %           |
|  | Credit Fee:  |  | 0.75%         |
|  | Currency:  | US dollars from the Single Currency Facility |               |

**Objectives:** Guatemala's trade obligations, rights and opportunities, deriving from agreements that have been recently subscribed, and by other ongoing trade negotiating processes, have created the urgent need to strengthen management of the sector, through the VMCE which is the trade policy making and implementing coordinating government agency.

The objective of the program is to improve Guatemala's market access conditions for goods and services in foreign markets and to maximize the country's total trade opportunities. The program activities are grouped as follows: (i) strengthening technical capacity of the (VMCE) to design, analyze, and evaluate trade policy and instruments; (ii) strengthening of the coordination mechanism of the VMCE with other government entities and the consultation mechanism with the private sector; and (iii) strengthening of trade negotiating capacity and the administration of trade agreements by VMCE staff.

**Components:** The program has been organized with the following three components:

#### **1. Strengthening of the technical capacity of the VMCE; (US\$3.1 million)**

This component will provide training to improve the VMCE's capacity to analyze, design and evaluate trade policy instruments

and their effectiveness. In order to achieve this objective, the program will finance training activities, technical advice, the development of new information technologies, and the establishment of an information center.

**2. Strengthening of inter-government coordination mechanisms and consultation mechanisms with the private sector. (US\$541.000)**

This component will strengthen: a) the trade policy formulation inter-government coordinating mechanisms; b) the consultation mechanisms with the private sector to incorporate participation in policy formulation and to coordinate export promotion activities c) the capacity of VMCE to communicate and disseminate trade information

**3. Strengthening of the negotiation capacity in the area of foreign trade. (US\$814.200)**

This component will strengthen the trade negotiating capacity and the participation of the VMCE in trade negotiating with the objective of improving and maximizing market access conditions and total trade exchange.

**Disbursement Schedule:**

It is foreseen that 75% of the loan resources will be disbursed in the first two years of program execution according to the following schedule:

| Disbursement Schedule |        |        |        |        |       |
|-----------------------|--------|--------|--------|--------|-------|
| Source                | Year 1 | Year 2 | Year 3 | Year 4 | Total |
| <b>BID/OC</b>         | 1.99   | 1.76   | 0.77   | 0.48   | 5.00  |
| <b>Local</b>          | 0.69   | 0.24   | 0.17   | 0.15   | 1.25  |
| <b>Total</b>          | 2.68   | 2.00   | 0.94   | 0.63   | 6.25  |
| <b>%</b>              | 43%    | 32%    | 15%    | 10%    | 100%  |

**Bank's especial contractual conditions:**

Prior to the first disbursement, the executing agency will present to Bank satisfaction evidence of the establishment of the executing unit of the program and the contracting of its staff, according to terms of reference agreed with the Bank

**Bank's country and sector strategy:**

The Bank's strategy, defined in the Country Paper, has the principal objective to contribute to the country's poverty reduction efforts. The present program makes a contribution to such an objective by strengthening the country's capacity to formulate and implement trade policy that would stimulate efficiency,

competitiveness, access to international markets and thus contributes to growth, employment and national income. In this manner, the Program takes an important step towards achieving the above stated objective by creating favorable conditions for strong private sector and competitiveness in the economy and strengthening the entities responsible for the key area of trade.

**Environmental/  
social review:**

The CESI recommended that the program includes activities for the promotion and participation of woman and indigenous groups in trade activities and to integrate environmental considerations to promote awareness with trade-related environmental issues. These considerations have been included in the program's activities related to rural micro-enterprise export promotion and in trade and environmental courses.

**Benefits:**

As a result of the program activities, Guatemala would improve its participation capacity in different trade negotiating processes and for, increase its technical capacity for policy analysis and design, improve administrative capacity of trade agreement obligations, and will have a better capacity to take advantage of foreign markets through the strengthening of export promotion activities.

**Risks:**

Similarly to other countries of the region, an implicit risk exists that trained personnel would leave the government sector that is characterized by poor equipment and organization. The program addresses these issues by introducing new incentives of professional development in trade policy through training and periodic updating of skills as well as improving the function of the VMCE with modern technical instruments. Continuous training and updating programs would help in sustaining more permanent availability of capable professional staff.

**Poverty-targeting  
and social sector  
classification:**

This operation does not qualify as a project that promotes social equity, as described in the objectives of the Bank included in the Eighth Replenishment of the Resources. (Document AB-1704.)

**Procurement:**

The selection and procurement of goods and services for the program will follow Bank procedures. When the value of acquisitions exceeds US\$350,000 and when the contracts of consulting services are above US\$200,000, procurement will be by international competitive bidding. The Program does not contemplate the financing of public works.

**Key performance indicators and monitoring standards:**

- ?? Strengthening of the technical capacity to formulate and evaluate policy instruments of external trade, managing the existing commercial treaties and conducting negotiations of international trade.
- ?? Training and technical updating of the VMCE professional staff, through courses, internships, seminars on international commerce, international economy, and computing.
- ?? Support in the design, the formulation and maintenance of trade policy strategies through technical studies in key areas of trade policy.
- ?? To develop strategies and to strengthen commercial offices overseas on export promotion and marketing of trade opportunities.
- ?? Strengthening of coordination and consultation mechanisms between the public sector and private sector on trade policy formulation and export promotion, through the organization of consultation forums; specialized workshops to strengthen exchange of information and consultation and to identify collaboration activities between public and private sectors.
- ?? Improvement in the technical capacity of an integrated informatics system of trade information and communications.
- ?? Strengthening of the trade negotiating capacity.
- ?? Internship program.
- ?? Electronic access to information sources including external data bases and trade specialized publications.

**Evaluation and monitoring reports:**

As part of the initial report and at the beginning of each execution year, the UEP will prepare a working plan, that will be up dated every year. These working plans will be used as the basis for preparation of technical supervision missions.

Initial report. The report will consist of: an annual work plan, based on the model previously agreed with the Bank. This will include among others, the result indicators, terms of reference of the principal consulting services, the composition of the training courses and the benchmarks expected to be completed throughout the years.

Semi-annual advance reports: UEP will present to the Bank reports every six months on the implementation of the program, within the sixty (60) days following to the finalization of the semester. Each report will take into account the indicators for the continuation of the program and the operative execution plans as shown in the

logical framework and the activities foreseen for the semester corresponding to the assigned goals.

Intermediate Evaluation: The Bank will carry out an intermediate evaluation after 20 months of the program execution with the purpose of updating the pending programmed activities and when necessary, to reassign resources between the components and activities.

Final report: will consist of the obtained accomplishments, issues that limited program execution, lessons learned and recommendation.