

## TECHNICAL COOPERATION PROFILE

### REGIONAL

#### I. BASIC PROJECT DATA

<b>Country/Region:</b>	Regional		
<b>Project Number &amp; Name:</b>	RG-T1621 – Supporting LAC Countries in Defining and Implementing their Aid For Trade Strategies		
<b>Project Team:</b>	Carolyn Robert (INT/INT), Project Team Leader; Kea Wollrad (INT/INT); Sara Marzal (INT/INT); Diego Buchara (LEG/SGO); and Hyun Jung Lee (LEG/SGO).		
<b>Date of Request:</b>	Bank initiative.		
<b>Beneficiaries:</b>	Principally, Ministries of Trade in IDB borrowing member countries.		
<b>Executing Agency:</b>	The Bank.		
<b>Financing Plan:</b>	IDB (Trade and Poverty	US\$	600,000
	Trust Fund - MTP):		
	Total:	US\$	600,000
<b>Technical and Basic</b>	Integration and Trade Sector (INT)		
<b>Responsibility:</b>			
<b>Tentative Dates:</b>	Approval:	October 2008	

#### II. BACKGROUND AND PROBLEM STATEMENT

- 2.1 Trade has the potential to be an engine for growth that lifts millions of people out of poverty. Yet, many developing countries face barriers that prevent them from benefiting from the world trading system. Some of these barriers are in export markets (tariff or non-tariff barriers) which the Doha Round of multilateral trade negotiations, as well as bilateral and regional trade agreements, aim to reduce or eliminate. However, internal barriers – such as lack of knowledge, excessive red tape, inadequate financing, poor infrastructure – can be just as difficult or even more hard for exporters to overcome.
- 2.2 The problems generated by such internal barriers are particularly critical for Latin-America and Caribbean (LAC) countries, most of which are highly trade dependent and have economic strategies that hinge increasingly on export growth. Indeed, the costs of trade are often higher in the LAC region compared with many other developing countries because of the gaps in physical infrastructure, institutional weaknesses, and inefficient regulatory structures. These costs reduce the region's capacity to compete in global markets, and diminish the gains from trade, investment and technological innovation.

- 2.3 The WTO's Hong Kong Ministerial Declaration of 2005 created an ambitious new mandate on Aid for Trade (AFT) aimed at helping developing countries, in particular the least developed, to build the supply-side capacity and infrastructure needed to help them take advantage of the trade opening process and to connect with the global economy.
- 2.4 The AFT initiative covers trade-related capacity building aimed at helping countries formulate, negotiate and implement trade policy and related agreements; as well as facilitate trade development, including export promotion and trade finance. AFT also covers support for strengthening trade-related infrastructure and other supply-side capacities (for example, in the productive sector) so as to maximize the benefits from freer trade and trade-related adjustment programs (for example, labor re-training programs and social safety nets).
- 2.5 During the year 2007, three regional meetings took place in Latin America, Asia, and Africa, in preparation of the annual Aid-for-Trade global meeting held in Geneva under the auspices of the WTO in November 2007. The IDB lead the LAC Regional Meeting, which took place in Lima, Peru, on September 13-14, 2007.
- 2.6 The Lima conference, for the first time, brought together finance and trade ministers, senior donor representatives, regional institutions and key private-sector actors of the Region to focus on the trade-related challenges of LAC, and set out priorities for future action. The meeting demonstrated a common understanding of the needs of the region and the importance of aid for trade.
- 2.7 In line with both goals set forth by the WTO AFT 2008 Road Map, as well as the conclusions reached in the LAC regional conference, this project aims to constitute a step further in the process of supporting LAC countries in mainstreaming international trade within their development agendas and in gaining ownership over the AFT initiative. More specifically, this project aims to shift the focus from building awareness of the crucial importance of trade policies and AFT strategies towards supporting the implementation and monitoring stages of those AFT policies.

### **III. OBJECTIVES AND DESCRIPTION**

#### **Objective**

- 3.1 In line with the general goals set forth by the WTO AFT initiative, the objective of this project is to help LAC policymakers and private sector actors identify and take advantage of the new trade opportunities that arise as a consequence of the market opening process generated by free trade agreements and the globalization of the economy.

#### **Description**

- 3.2 To achieve the aforementioned objective, the project will include the following four components:

- 3.3 **Component I: Definition and implementation of AFT strategies.** Under this component, the project will support:
- a) The preparation of a series of studies which will provide support to selected countries and group of countries to prepare and/or implement their Aid for Trade strategies. These studies will be complemented by the preparation of reports which will describe and analyze the process and lessons learned as to the adoption and implementation of AFT strategies.
  - b) The organization of workshops where the conclusions of the series of studies and the reports will be discussed among relevant stakeholders of selected countries and/or group of countries.
- 3.4 **Component II: Regional forum on implementation of the AFT initiative in LAC.** This component includes the organization of a regional meeting to analyze and discuss the results of the products that will have been prepared under Component I. This event will be attended by Trade and/or Finance Ministers of the region, senior public and private sector representatives, donor agency representatives and other relevant stakeholders. International trade experts will moderate and contribute to the debates.
- 3.5 **Component III: Monitoring AFT flows.** Under this component, the project will finance the preparation of a study that will explore options to enhance regional monitoring mechanisms of AFT flows, including the development of databases and the identification of evaluation indicators to measure the effectiveness of such flows.
- 3.6 **Component IV: Establishment of an “Aid for Trade LAC Support Network”.** Under this component, the project will finance the preparation of a report with recommendations regarding the implementation of a permanent Aid for Trade support network in the LAC region, led by the IDB and the WTO, and which would include countries, regional secretariats, principal donors, multilateral and regional agencies and private sector representatives.

#### IV. COST AND FINANCING

- 4.1 The total cost of the project and the Bank’s contribution will be US\$600,000. An estimate of the budget is shown below.

Component	Amount (US\$)
Component 1: Definition and Implementation of AFT strategies	223,894
Component 2: Regional Forum	291,866
Component 3: Study on monitoring AFT flows	22,182
Component 4: Study on AFT Support Network	22,182
Contingencies	39,876
<b>Total</b>	<b>600,000</b>

- 4.2 The Bank's contribution for this TC will be charged against the Trade and Poverty Trust Fund (MTP).

## **V. EXECUTING AGENCY AND EXECUTION STRUCTURE**

- 5.1 The Bank will be the executing agency for this project. The Integration and Trade Sector will have the responsibility for both the technical aspects of the project as well as the disbursement of its resources.

## **VI. MAJOR ISSUES**

- 6.1 No major issues are expected to negatively affect the timely processing and execution of this TC.

## **VII. ACTION PLAN**

- 7.1 The estimated schedule for preparation of the project is the following:

QRR	November 4, 2008
Approval	November 17, 2008

## **VIII. ENVIRONMENTAL AND SOCIAL IMPACT**

- 8.1 The project will have no direct environmental or social impact. It finances studies and workshops that will help shape the policy-making process on trade issues. The results of the project, however, can not be directly attributed to any actual trade policy decisions and/or their implementation, which, in turn, could produce certain social and/or environmental effects.
- 8.2 In accordance with the Safeguard Policy Filter Report (#2008-08281644-2), the project does not require complementary environmental or social actions. Moreover, in accordance with the Safeguard Screening Form (# 2008-08282109-2), the operation has been classified as category "C".

Approved by: \_\_ (original signed) \_\_\_\_\_  
Antoni Estevadeordal  
Manager, Integration and Trade Sector

Date: November 4<sup>th</sup>, 2008 \_\_\_\_\_