



Trust Funds at the Inter-American Development Bank

**Enhancing Development
Assistance to Latin America
and the Caribbean**



Trust Funds at the Inter-American Development Bank

**Enhancing Development
Assistance to Latin America
and the Caribbean**

1992–2003

This report was prepared by the Financial Support Services Subdepartment (RE2/FSS). Susana Cárdenas led report preparation with outstanding research assistance from Natalia Winder and with valuable inputs of colleagues in the Subdepartment and throughout the Bank: Pablo Angelelli, Sergio Ardila, Hernán Aspiazú, Andrés Baquero, Kevin Barthel, Federico Basañes, Diego Belmonte, Mauricio Bertrand, Loreto Biehl, Juan Borga, Maria Bouroncle, Ana Maria Brasileiro, Ernesto Castagnino, Graciela Cíntora, Claudio Cortellese, Lupe Coronado, Arnaldo da Fonseca, Arthur Darling, Juan Carlos de la Hoz, Edgardo Demaestri, Anne Deruyttere, Huáscar Eguino, Olga Patricia Falck, Eduardo Figueroa, Kana Futamura, Marie Gaarder, Steven Geiger, Catalina Gómez, María del Carmen Illescas, Peter Kalil, Maria Regina Ktistakis, Helena Landázuri, Ana MacLoughlin-Moppett, Vanderlei Marques, Juan Carlos Martínez, Wolfgang Munar, Goro Mutsuura, Marisil Naborre, Claire Nelson, Trond Norheim, Julio Norori, Ana Nuchowich, Silvia Ortiz, Janine Perfit, Priscilla Phelps, Ricardo Quiroga, Stacy Richards, Diego Rodríguez, Vivian Roza, Carmen San Miguel, Cristian Santelices, Nadine Schiavi, Nancy Stalvey, Alejandro Taddia, Michael Toman, Ginya Truitt Nakata, Pedro de Vasconcelos, Gabriela Vega, Vera Lucia Vicentini, Hugo Villaroel, Christina Wedekull, Odette Zamalloa and Ana María Zuluaga.

Special gratitude goes to the peer review group who provided insight and key suggestions on the draft report: Amanda Glassman, Rodolfo Huici, Alejandro López-Lamia, Jacqueline Mazza, Robert Montgomery, and Peter Sollis.

Copies may be obtained from:

Inter-American Development Bank
Financial Support Services Subdepartment
Stop E-0907
1300 New York Avenue, NW
Washington, DC 20577
<http://www.iadb.org/regions/re2/tecf>

Contents

Preface	v
Glossary	vi
Introduction	I
1. Findings, Trends, and Prospects	3
2. Contributions of Trust Funds to Bank Programs	13
Competitiveness	14
Social Development	22
Environment and Natural Resource Management	29
Modernization of the State	34
3. IDB Trust Funds for Technical Cooperation	37

The Bank's Financial Support Services Subdepartment (FSS) mobilizes resources from partner institutions to co-finance loans and technical assistance for the region. In doing so, it encourages financial and technical cooperation between borrowing and non-borrowing member countries of the Bank. With regard to trust funds, FSS produces and disseminates information on available resources to fund clients, manages resource allocation, monitors and reports on trust-funded projects, and engages the donor community to sustain fund contributions in response to an evolving development context.

Preface

Trust funds are critical to the effectiveness of Bank programs for sustainable and equitable development in the region. The Eighth General Increase in the Resources of the IDB (8th Replenishment) and the Institutional Strategy of 2000 note that a key role of Bank technical assistance "...is to increase a country's capacity to absorb Bank lending to achieve long-term development objectives. Technical assistance and its proper sequencing is an integral part of the programming process." Today, trust funds are the largest source of financing for Bank technical assistance. Over the last twelve years, the period between 1992 and 2003 covered by this report, trust funds for technical cooperation contributed approximately US\$290 million in grant financing for more than 1 600 development operations.

While the Bank holds funds in trust from its non-borrowing member countries since the early 1960s, the last decade was marked by a tremendous evolution of trust funds. Currently, borrowing member countries have available 45 trust funds to respond to their technical cooperation needs: consultant trust funds to benefit from international technical expertise, programmatic trust funds to hone skills or methodology in a particular program area, and partnerships of the Bank and development institutions to deliver development assistance jointly.

At this turning point in its trust fund program, the Bank offers this first report of its kind to highlight the program's main features, examine the degree of effectiveness of current fund management, and take stock of the contributions of trust funds to the region's development goals. The report highlights the utility of the trust fund program as a low-cost high-impact intervention, and describes the links between the function of trust fund financing and the development of Bank lending operations. The trust fund resource is flexible, offers quick resource allocation in response to specific program needs, and is overall an ideal venue to channel resources and know-how to mainstream more effective approaches to an increasingly complex development process.

The rapid expansion of trust funds signals growing common ground between Bank programs and those of bilateral and multilateral development institutions, and growing prospects for a partnership-driven response to the region's needs. As trust fund activity expands, the Bank is committed to a more effective and responsive resource allocation, improved project monitoring and evaluation, enhancements to qualitative project reporting, and ensuring that lessons learned and best practices are identified, communicated and incorporated to development practice. The development community can be assured that the Bank invests scarce public resources most efficiently, where most needed, and is constantly essaying ways to improve on its service.

Over the last year, the Bank has engaged the donor community in constructive dialogue on enhancing trust funds for technical cooperation, and has initiated internal review of policies and operational guidelines related to trust funds. The Bank looks forward to working together with the cooperation community and its member countries to meet the challenges ahead.

Keisuke Nakamura
Deputy Manager, Financial Support Services Subdepartment
November 2004

Glossary

FSO	Fund for Special Operations
FY	IDB Fiscal Year, 1 January – 31 December
GDP	gross domestic product
MIF	Multilateral Investment Fund
NGO	non-governmental organization
ODA	overseas development assistance

Program Areas

(indicative list of topics)

Competitiveness: Capital Market Development, Communications, Urban Development and Housing, Energy, Productive sectors (e.g. agriculture, fishing, industry), Private Sector Development, Science and Technology, Trade, Transportation, Tourism

Social Development: education, health, social investment

Modernization of the State: public sector reform, fiscal reform, decentralization, administration of justice and rule of law, civil society participation

Environment and Natural Resource Management: environmental protection, forestry, water and sanitation

Regions

Andean Region: Bolivia, Colombia, Ecuador, Peru, and Venezuela

Caribbean: Bahamas, Barbados, Dominican Republic, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago

Mexico and Central America: including Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama

Southern Cone: Argentina, Brazil, Chile, Paraguay, and Uruguay

Regional: for projects of regional impact, which pertain to two or more countries, or are carried out in cooperation with a regional organization

SEP	Social Entrepreneurship Program
TC	technical cooperation, used interchangeably with “technical assistance”

Introduction

The Inter-American Development Bank promotes economic and social development in Latin America and the Caribbean. The sheer volume of Bank assets and investments make it the largest multilateral development lending institution in the region.

Trust Funds at the Inter-American Development Bank: Enhancing Development Assistance to Latin America and the Caribbean is a first report of its kind to provide a comprehensive look at the role played by trust funds for technical cooperation with the region. It is based on a desk review of all 45 trust funds for technical cooperation which provided US\$290.6 million in non-reimbursable resources for 1628 projects between January 1, 1992 and December 31, 2003. Available data and documentation was complemented as best possible through interviews with project teams, fund managers and other professionals within and outside the Bank.

The Bank's Institutional Strategy, country and sector strategies, and the lending program directly are pivotal to the use of trust funds. Thus, the first section makes reference to loan operations and the loan project cycle, and analyzes trust fund resource distribution and resource management in this context. The effort to aggregate data and situate the analysis in this multilateral institution's lending context leads to the recognition of considerable successes in expanding resource availability, targeting investments, and ensuring positive development impact; it also aids in identifying some key challenges ahead. The findings on the strengths and challenges of trust fund operations are lessons learned for the future direction of trust funds:

- Trust Fund resources benefit all Latin America and Caribbean Bank member countries and finance a widening array of Bank programs. Funds must remain sufficiently adaptable to respond to evolving program priorities.

- Trust Funds have the capacity and flexibility to allocate resources to diverse operational needs through a variety of financial and technical instruments. The challenge is to ensure the integrity and relevance of trust funds as a whole while maintaining flexibility to earmark resources for specific needs.
- As technical cooperation activity increases, the Bank lends greater attention to enabling more tangible and relevant results of these targeted, smaller-scale interventions, and disseminating and learning from their impact.

The second section showcases the contributions of trust funds to four main Bank program areas: competitiveness, social development, environment and natural resource management, and modernization of the state. The selection of 19 technical cooperation projects represents the diversity of the trust fund program with regard to issues addressed, countries targeted, and stakeholders engaged. Each case presents project objectives and results to demonstrate how a particular intervention supports the region's and Bank's development strategies and programs. The third section provides summaries of all current trust funds for technical cooperation, statistics on fund resource allocation, and highlights of fund contributions to Bank programs.

In addition to producing the data and analysis for this report, this review feeds into a current, critical process of reinforcing the links between Bank trust fund operations and wider Bank programs. The Bank will strive to incorporate the operational and managerial lessons identified in this review of trust fund activities in its related proposals to member countries and in future policies and operations.

I. Findings

Trust Fund resources benefit all Latin America and Caribbean Bank member countries and finance a widening array of Bank programs. Funds must remain sufficiently adaptable to respond to evolving program priorities.

REGIONAL AND COUNTRY ALLOCATION

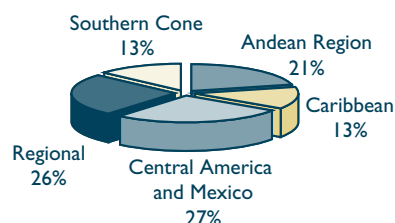
All borrowing member countries have access to trust funds, and most Bank programs may be developed through the use of trust funds. The lending program directly generates demand for 60 percent of trust fund resources, while the remaining portion finances general sectoral or country strategy work, or responds to non-lending needs of institutions in the region. At present, the trust fund program is sufficiently flexible to respond to a variety of technical cooperation needs from all Bank borrowing member countries in the region.

Figures 1 and 2 show the distribution of trust fund resources by region and by country. Countries of the Central American isthmus — Nicaragua, Guatemala, Honduras and El Salvador — account for the largest regional share of technical cooperation financing. As lower-income borrowing

members, these countries have access to FSO net income resources as well: during the reporting period they accounted for 13% of the fund's total project expenditures. In contrast to FSO net income resources, trust fund resources are not contingent on country income. Some funds earmark resources for countries with a per capita GDP below a certain level, for participants in the Heavily-Indebted Poor Countries (HIPC) Initiative, or for a particular region. These earmarks are designed to complement a donor agency's bilateral aid program, or may be driven by a broader overseas development assistance strategy and by historic and diplomatic ties.

Figure 1: Trust Fund Allocations by Region

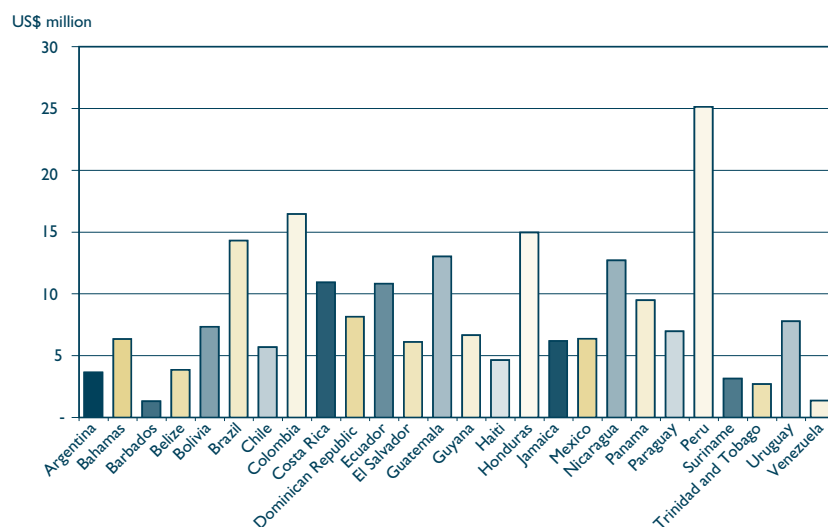
Period: 1992–2003
 TC Projects: 1628
 Total Financing: US\$290.6 million



Source: IDB Data Warehouse

Figure 2: Trust Fund Allocations by Country*

Period: 1992–2003



*Graph excludes regional projects for a total of US\$74.5 million.

Each borrowing member country hosts a unique combination of trust fund resources and projects. Honduras and Guatemala join Peru, Colombia and Brazil as the top-five borrowing member country beneficiaries of trust fund resources. In the cases of Peru, Colombia and Brazil, Japanese trust funds contributed the larger portion of the country's trust-funded technical cooperation portfolio: 72, 66 and 75 percent respectively. In Honduras and Guatemala, Japanese contributions to the country reached nearly 30 and 50 percent, respectively, of total trust fund financing. A large portion of trust fund investments, US\$ 74.5 million over the reporting period, contributed to programs of regional or multi-national interest.

Trust funds are demand-driven to the degree that institutions in the region request funding for technical assistance, or Bank project teams propose technical cooperation projects. The active participation of borrowing member countries in defining technical cooperation needs and executing the projects is key to their effectiveness. Trust funds are also supply-driven, in the sense that some donor countries have defined ex-ante the countries eligible for trust fund financing. Within specified country eligibility parameters, the Bank allocates trust fund resources on a first-come, first-served basis. Project teams and borrowing member countries can anticipate a portion of their technical cooperation needs, particularly when these are tied to loan preparation. Thus, the flexibility of a loosely programmed resource has the great advantage of responding to both the programmed, larger and more sustained technical cooperation needs, as well as to the more discrete, output-specific and ad hoc projects.

Growing demand for funds and increasing scarcity of resources prompts fund clients to formulate a more strategic technical cooperation pipeline. In response, funds that incorporate country exercises to their eligibility criteria—including country strategy paper, the annual programming exercise, and the annual portfolio review—may adjust effectively to remain directly relevant and responsive to Bank demand. With these elements, fund allocation becomes a more efficient and strategic process, in addition to promoting funding for the best, most innovative technical assistance. Efforts to better target resources increase the effectiveness and quality of trust fund contributions.

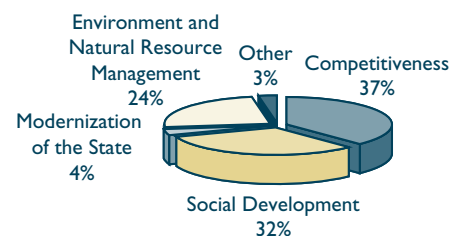
ALLOCATIONS BY PROGRAM

The Bank's main policy directives —the 8th Replenishment of 1994 and the Institutional Strategy of 2000, — along with the resulting loan portfolio, guide trust fund resource allocation. Figure 3 shows the distribution of Bank lending

Allocation of Resources by Program Area, 1992–2003

Figure 3. IDB Loans

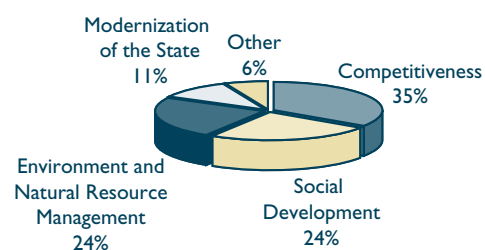
Volume of Lending: US\$81.36 billion



Source: IDB annual reports, 1992–2003

Figure 4. Trust Funds for Technical Cooperation

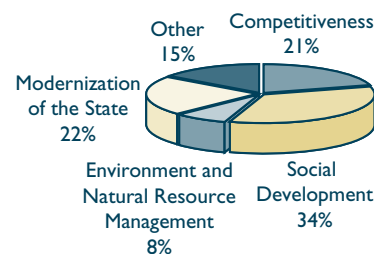
TC Projects: 1628
Total Financing: US\$290.6 million



Source: IDB Data Warehouse

Figure 5. FSO Net Income for Technical Cooperation

TC Projects: 2228
Total Financing: US\$624.3 million



Source: IDB Data Warehouse

by program area over the period 1992-2003. In parallel, figures 4 and 5 present the distribution of technical cooperation resources from trust funds and FSO net income. The areas of competitiveness and social development account for the larger portion of lending and non-lending resources.

As is the case in country allocations, trust funds may define ex-ante the sectors or program areas eligible for fund financing. These sectoral preferences are defined according to a donor country's ODA policy and strategies, to the business strengths of its consulting services, or both. Sector-based earmarks have increased considerably over the last decade.

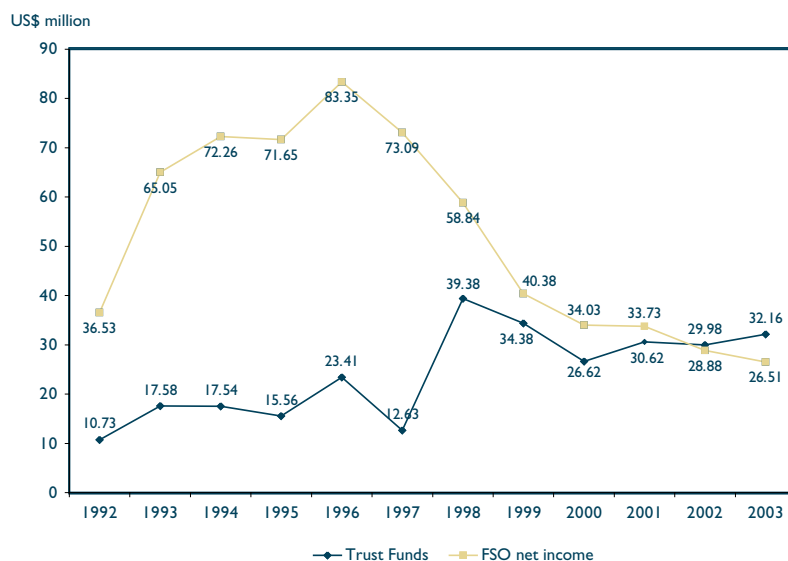
Trust funds are also financing a wider variety of technical assistance needs. During the 1990s technical assistance was invested primarily in short- or medium-term inputs to the lending project cycle. More recently, and in addition to these more concrete, discrete tasks, technical cooperation financing is utilized for longer-term tasks such as institutional strengthening and consensus building. These types of projects tend to require more sustained technical assistance efforts, from a joint definition of needs and approach, to closer collaboration with project execution. In addition to basic studies, institutional analysis and other project design tasks, technical cooperation funding provides resources for asset mapping, dialogue with stakeholder communities, training, training of trainers, methodology development, and pilot projects, among others. This broader array of tasks supports the Bank's efforts to expand and deepen its dialogue with a wider group of development stakeholders, from national government officials to local governments, civil society organizations and the private business sector.

Trust Funds have the capacity and flexibility to allocate resources to diverse operational needs through a variety of financial and technical instruments. The challenge is to ensure the integrity and relevance of trust funds as a whole while maintaining flexibility to earmark resources for specific needs.

The Bank's technical cooperation program offers borrowing member countries access to non-reimbursable "risk-capital" for innovation and experimentation that is extremely difficult to fund through loans. These sources include project preparation lines of credit, Bank administrative budget for program and strategy preparation, and more importantly the Fund for Special Operations (FSO) net income and trust funds. Figure 6 contrasts technical cooperation project approvals from trust funds and from FSO net income by year. Since 1999, and in particular after 2002, a decrease in FSO net income financing for technical cooperation places greater demand on trust fund resources.

Trust funds at the Bank have evolved rapidly: resources have increased, the number of funds has

Figure 6: IDB Technical Cooperation Project Financing, by Source



Source: IDB Data Warehouse

increased as well, and the level of trust fund activity has risen steadily. There is also great diversity in the purposes of each fund, and in their project eligibility criteria and procurement conditions.

1997 and 1998 were a turning point for trust fund activity. The expanded availability of Japanese trust fund resources, in addition to an increase in demand for non-reimbursable financing, contributed to doubling the rate of annual project approvals: from US\$16.25 million and 82 projects on average annually between 1992 and 1997, to US\$32.2 million and 189 projects between 1998 and 2003. Spain's contribution of €50 million in 2001 to the Spanish General Cooperation Fund is a key factor in expanded trust fund availability. Despite this growth, current grant resources are not sufficient to meet the growing demand for technical cooperation.

Most of the 45 current trust funds may be classified as one of two modalities: consultant trust funds and programmatic trust funds. Their complementarity is a valuable asset to the trust fund program. The establishment of partnerships with development institutions, such as the Sida/IDB Partnership Program, and the establishment of Framework Agreements with some donor countries, signal the Bank's flexibility to establish innovative and adaptable financial instruments and procedures to facilitate fund mobilization.

CONSULTANT TRUST FUNDS (TABLE I)

The Bank established the majority of consultant trust funds for technical cooperation under the

Table I. Consultant Trust Funds

Fund	Source	Establishment
Austrian Technical Cooperation Trust Fund	Ministry of Finance	1992
Belgian Trust Fund for Consultants	Directorate General for International Cooperation	1991
Canadian Technical Assistance Program (CANTAP I, II and III)	Canadian International Development Agency	1974, 1996, 2001
Danish Consultants Trust Fund/Danish Consulting Services Trust Fund	Royal Ministry of Foreign Affairs	1994, 1999, 2003
EEC Special Fund for Technical Consultancy Services / Special Fund for European Technical Assistance in Latin America	European Commission	1997
Finnish Technical Cooperation Trust Fund for Consulting Services/Finnish Technical Assistance Program	Ministry of Foreign Affairs	1997, 2003
French Technical Cooperation Fund for Consulting Services and Training Activities Indigenous Fund Human Resources French/IDB Partnership Contribution for the Caribbean	Ministry of Economy, Finance and Industry; Ministry of Foreign Affairs	1997
Israeli Consultant Trust Fund	Bank of Israel	1992
Italian Consulting Firms and Specialized Institutions Trust Fund	Ministry of Foreign Affairs	1992
Italian Individual Consultant Trust Fund	Ministry of Foreign Affairs	1992
Italian Special Trust Fund for the Sustainable Development of Argentina	Ministry of Foreign Affairs	2002
Italian Trust Fund for Cultural Heritage and Sustainable Development	Ministry of Foreign Affairs	2002
Italian Trust Fund for Information and Communication Technology for Development	Ministry for Innovation and Technologies	2003
Italian Trust Fund for MIF Project Preparation	Ministry of Treasury, Budget and Economic Planning	2000
Japanese Trust Fund for Consultancy Services	Ministry of Finance	1995
Korean Trust Fund for Technical Cooperation (Central America); Korean Trust Fund for Technical Cooperation to the Republic of Colombia	Government of Korea	2000, 2002
Norwegian Consultants Fund	Norwegian Agency for Development Cooperation	1994
Portuguese Technical Cooperation Fund	Ministry of Finance	1991
Spanish General Cooperation Fund (FGCE)	Ministry of Economy	2001
Spanish Trust Fund for Consulting Services	Spanish Institute for International Trade, ICEX	1994
Swedish Trust Fund for Consulting Services	Swedish International Development Cooperation Agency	1991
Swiss Technical Cooperation Trust Fund for Consulting Services and Training Activities	State Secretariat for Economic Affairs	1994
UK Technical Cooperation Trust Fund for Consulting Services	UK Ministry of Trade and Industry	1994
USTDA Evergreen Fund for Technical Assistance	U.S. Trade and Development Agency	1995

umbrella of the Technical Cooperation Funds Program of 1991, and until 1997. The TC/Funds Program is based on the premise that borrowing member countries require technical assistance in particular areas of development, and that relevant state-of-the-art consulting services are available in non-borrowing member countries. Consultant trust funds are intended, therefore, to remove the financial burden by granting in-cash and in-kind resources for technical assistance. The arrangement provides consultants with an expanded market for their services while bringing foreign expertise to borrowing member countries.

Consultant Trust Funds offer financing for the donor country's priority program areas, defined either by the donor institution's ODA policy, or resulting from the areas of competitive advantage offered by the country's consulting services. For instance, a consultant trust fund may be available for infrastructure- and environment- related consulting services only, while another might grant financing for consulting in health and education.

Some consultant trust funds have been quite successful at establishing a reputation for their national consultants in a particular field of expertise, or at facilitating the stream of consulting services for a country or group of countries. These patterns, in turn, aid Bank project teams with a more rapid and low-cost identification of a funding source and appropriate consulting services. Other consultant trust funds are gradually lifting conditions on procurement eligibility to allow for the expanding local and regional consulting market to contribute directly to Bank technical cooperation with the region.

Over the 1992-2003 reporting period, financial contributions from 17 non-borrowing member countries and the European Union to their respective consultant trust funds totaled US\$190.3 million.

PROGRAMMATIC TRUST FUNDS (TABLE 2)

Programmatic trust funds are designed to hone and strengthen Bank programs by providing financial and technical resources to develop technical capacity, operational experience and best practices on emerging development challenges. Established since the late 1990s, these trust funds are generally driven by a joint Bank-partner definition of a thematic focus in response to the region's development needs. To date, some areas funded by programmatic funds include gender mainstreaming, sustainable energy markets, information and communication technology, and local capacity building.

Programmatic trust funds support the development of a specific Bank program and encourage mainstreaming the contributions of technical cooperation projects in lending. The CABILICA Fund, for instance, in its management-for-results report on five years of fund operations concludes that nearly US\$ 600,000 in grant funds leveraged more than US\$18.4 million in loan resources for capacity building of local development actors.

Fund eligibility criteria and management are adapted to the specific purposes of these types of funds. Programmatic funds generally do not carry procurement restrictions. This allows for greater participation of regional and local consultants and local project partners. Furthermore, programmatic trust funds finance a variety of tasks in addition to consulting services. This is particularly useful for process-driven tasks such as technical capacity-building and strategy development. Programmatic trust funds also provide resources for the Bank to work with a broader spectrum of development stakeholders beyond the national/central State institutions, such as sub-national governments, civil society institutions, and the private sector, which is particularly important for Bank programs with require new institutional engagements.

Some funds have established an operations-driven decision-making process such as a technical committee to involve Bank loan strategy and operations staff in trust fund programming and resource allocation. Fund approval decisions apply operational criteria based on annual work plans, logical frameworks or other fund programming instruments agreed with the partner agency. In addition to specific project financing, programmatic funds may provide resources to build a project pipeline, monitor project execution more closely, and identify and disseminate best practices and lessons learned from operations.

To date, eight non-borrowing member countries and the European Union have established or participated in programmatic trust funds. Contributions to these funds over the 1992-2003 reporting period totaled US\$84.6 million.

COOPERATION FRAMEWORK AGREEMENTS

The Bank promotes Strategic Partnerships with development institutions as an opportunity for coordination and complementarity between multilateral and bilateral assistance. Strategic partnerships may be accompanied by financial resources in the form of trust fund, loan co-financing, and in-kind resources. The Bank has established Framework Agreements with the Governments of Canada, Finland, Spain, Sweden,

and The Netherlands to advance common lines of intervention and structure and expedite technical and financial collaboration. In a broad sense, framework agreements open doors for inter-institutional collaboration beyond the usual trust fund mechanism, encouraging the Bank and its partners to maintain close dialogue on their development agendas and identify opportunities to work jointly on development operations.

JAPANESE TRUST FUNDS

The largest existing trust fund at the Bank is the Japan Special Fund (JSF), established in 1998 with more than US\$200 million in resources from the

Japanese Ministry of Finance. Over the 1992-2003 reporting period, the JSF granted 42 per cent of the resources for trust-funded technical cooperation. Its great flexibility and considerable resource base make it particularly useful for larger-scope project preparation activities and longer-term projects that support policy and strategy development, and institutional reforms. Its resources may be used to contract goods and services from any Bank member country. In 1995, the Japanese Trust Fund for Consultancy Services (JCF) followed the pattern established in the TC/Funds Program to provide Japanese consulting services to all Bank program areas in need of Japanese technical skill.

Table 2. Programmatic Trust Funds

Fund	Partner Agency	Establishment
Austrian Hurricane Mitch Disaster Assistance and Reconstruction Trust Fund	Ministry of Finance	1999
Capacity Building Fund for Local Institutions in Central America (CABILICA)	UK Department for International Development	1999
DFID-IDB Enlace in Central America	UK Department for International Development	2004
Hemispheric Sustainable Energy Trust Fund	U.S. Department of Energy	2000
IDB-Canada Trade Fund	Canadian International Development Agency	2003
IDB-Netherlands Water Partnership Program	Ministry of Foreign Affairs	2002
Norwegian Fund for Innovation in Social Programs	Ministry of Foreign Affairs	1997
Norwegian Fund for Microenterprise Development	Ministry of Foreign Affairs	1998
Norwegian Fund for Women in Development	Ministry of Foreign Affairs	1993
Social Entrepreneurship Program (SEP)		
• European Commission Fund For Small Projects in Latin America	European Commission	1991
• European Commission Special Fund for Financing of Microenterprises	European Commission	1997
• Italian Trust Fund for Microenterprise Development	Ministry of Foreign Affairs	2002
• Norwegian Development Fund for Latin America	Ministry of Development Cooperation	1970, 1987
• Swedish Trust Fund for Small Projects	Swedish International Development Cooperation Agency	1992
Social Inclusion Trust Fund	Ministry of Foreign Affairs of Norway, UK Department for International Development	2003
Swedish Fund for Prevention of Domestic Violence	Swedish International Development Cooperation Agency	1998
Swedish Technical Cooperation Fund for Governance, State Reform and Civil Society	Swedish International Development Cooperation Agency	1998
The Netherlands-IDB Partnership Program in Environment	Ministry of Development Cooperation	2000

The high demand for grant resources for poverty reduction programs led the JSF to earmark US\$30 million over the period 2001-2006 for activities carried out by borrowing member countries. The JSF Poverty Reduction Program supports targeted poverty reduction and social development activities that have a direct impact on the poor and other vulnerable or disadvantaged groups and that promote and incorporate the participation of local stakeholders.

RESOURCE TARGETING IN A DIVERSE ENVIRONMENT

With a combination of partnerships, framework agreements, and programmatic and consultant trust funds, each with its own set of funding eligibility criteria and conditions for use, Bank borrowing members have access to a diverse technical cooperation resource. In such a diverse resource environment, resource programming becomes more of a necessity rather than a good managerial practice.

A strategic, ongoing resource allocation exercise--defined by and adjusted to the loan project cycle--ensures an efficient match between borrowing member technical assistance needs and the available financing for appropriate expertise. Resource targeting also implies that the large demand for financing of public interest activities, such as those promoted by the private and non-governmental

sectors, may not be met by trust funds. Public and private domestic and bilateral aid designed to make these development grants; trust funds are designed to provide technical cooperation per se, and only on occasion have financed independent development projects or pilot interventions. This does not preclude the Bank, however, from adopting the methodologies, best practices and lessons learned from these projects and mainstreaming them to its lending program.

Bank policies and sector strategies, and similar instruments from within the donor community, serve to reinforce the trust fund programming exercise and the Bank dialogue with the donor community.

As technical cooperation activity increases, the Bank lends greater attention to enabling more tangible and relevant results of these targeted, smaller-scale interventions, and disseminating and learning from their impact.

Bank technical cooperation addresses the more complex needs of borrowing member countries with an increasingly integrated, multi-disciplinary and process-driven project (see Figure 7). A portion of TC projects, particularly those funded by consultant trust funds, produce discrete, short-

Figure 7. Trust Fund-financed Technical Cooperation Project Cycle

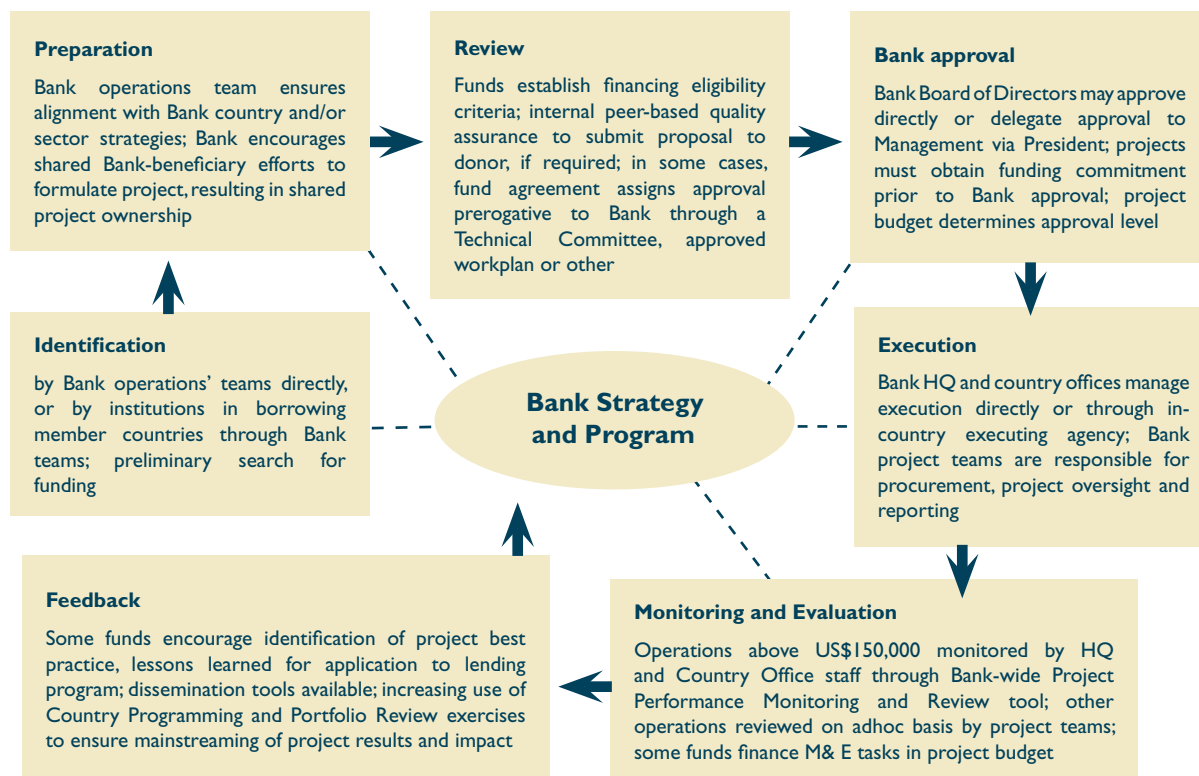


Table 3. Fund Assessments

Fund	Year	Exercise
Canadian Technical Assistance Program— CANTAP III	2003	Application of a Performance Measurement Framework for consultant trust funds at international financial institutions
Capacity Building Fund for Local Institutions in Central America (CABILICA)	2001	Mid-term Output to Purpose Review of Fund Operations to measure the degree to which the Fund has progressed and generated relevant outcomes; five-year report on management-for-results lessons learned
Danish Consultants Trust Fund	2002	Review to assess the effectiveness of Danish trust funds in multilateral development banks and UN organizations; input for strategic approach to fund replenishment
Finnish Technical Cooperation Trust Fund for Consulting Services	2001	Evaluation of Finnish Trust Funds at IFIs – Input on definition of fund scope and priorities
French Technical Cooperation Fund for Consultancy Services and Training Activities	2002	Internal Review to assess projects funded by three modalities: consultants' fund, indigenous peoples development fund, and human resources fund
Italian Trust Funds	2003	Project assessments, primarily of those financed by the individual consultants' and the consulting firms and specialized institutions funds
Japan Special Fund/Japanese Trust Fund for Consultancy Services	2000	Evaluation of fund performance: analysis of fund operations, review performance and development impact, discussion of managerial and operational issues that affect demand for fund and its effectiveness
Norwegian Consultants Fund	2003	Portfolio Review
Norwegian Fund for Innovation in Social Programs	2004	Final evaluation of Fund management and its impact on social sector loan operations and policies
Norwegian Fund for Women in Development	2001	Review on the impact of the fund and next steps in gender mainstreaming
Portuguese Technical Cooperation Fund	2002	Progress Report (Internal Review) 1993-2002
Sida/IDB Partnership Program in Central America	2002	Mid-term Review of the Partnership's progress and achievements
Spanish General Cooperation Fund, FGCE	2004	(Internal) Portfolio Review 2001-2003
Spanish Fund for Consultants, ICEX	2001	Portfolio Review 1994-2000
Swedish Technical Cooperation Fund for Governance, State Reform and Civil Society	2001	Monitoring Report: Review of fund activities, effectiveness and lessons learned
USTDA-IDB Evergreen Fund for Technical Assistance	2003	Analysis of fund portfolio, development performance and its success in promoting US export opportunities overseas

and medium-term outputs generally linked to the lending project cycle. Programmatic trust funds enable and encourage, in addition to the former, TC activities of a longer-term, more sustained nature. Combined, these two types of trust funds channel a greater volume of resources to an increasing number of projects. Increased technical cooperation activity, in turn, places greater emphasis on the need to clearly establish the positive results and impact of these investments.

Arriving at more tangible results and more discernible outcomes, and reporting on them, is a clear, immediate challenge of Bank technical cooperation. At present, reporting tends to focus more on process than on outcomes, and is not systematized in a manner that encourages feedback to new operations. Aware of these challenges, the Bank is making efforts to increase allocations for project monitoring and evaluation, identification and dissemination of best practices and lessons learned, and improved reporting. The recent application

of the Bank's standard project performance monitoring and review tool to a portion of TC activity is a positive step to systematize results reporting by project. More recently, some country portfolio reviews, which usually encompass only lending activity, are addressing TC activity as well. In addition, and as an integral part of a results-driven process, the region's governmental and non-governmental institutions require resources to build their capacity in project management to sustain positive outcomes.

All stakeholders are lending greater attention to outcomes and development effectiveness: the Bank, its member countries, and in particular the constituent groups who provide and who benefit from technical cooperation. The overall trend is positive: less attention paid to the number and volume of approved projects, and more attention to monitoring and evaluation that can ensure a higher quality outcome and a positive and more sustained development impact.

The Bank monitors fund portfolios and their performance closely. In addition to fund technical reports to the donor community, periodic financial reports and audits of trust funds, the Bank has facilitated assessments of fund performance (see Table 3), at times in a joint exercise with the donor institution. Consultant trust funds, for instance, are measured for the contributions of their consultant services to individual projects, and more broadly for their successes in opening markets in the region for the country's consultants. Programmatic funds are measured against their stated purpose of supporting the development of Bank strategies and programs. Altogether, the number and scope of fund monitoring exercises over the last four years indicates increased attention to fund performance and its program contributions. Evidently, project performance and fund portfolio performance are key areas of current improvements and as such require greater attention and sustained resources.

TRENDS AND PROSPECTS

Throughout the Bank's history, trust funds have played a critical role in enabling the Bank to provide technical assistance to its borrowing member countries. With the growth of Bank membership between the mid-1970s and mid-1980s, non-regional countries followed Canada and the United States in establishing trust funds to strengthen development projects and their governance in the region. In 1991, the establishment of a Technical Cooperation Funds Program was largely successful at providing the appropriate vehicle for these non-reimbursable resources to channel technical know-how from non-borrowing members to the region.

The Bank and its members have strengthened and diversified the trust fund program considerably over this last decade, and in doing so, accumulated a wealth of experiences and lessons learned. By 2002, the Bank had taken the first steps to assess the strengths and shortcomings of the program, and turned to the trust fund donor community to establish dialogue on the program's new direction. In addition to the ongoing dialogue with donors in the context of particular trust funds, the Bank convened a first meeting of trust fund donors in early 2004.

The Paris 2004 session engaged representatives from 12 donor countries in open and constructive discussions on effective resource mobilization, efficient trust fund management, and, accountability and transparency. Based on these inputs, and on planned periodic meetings of this nature in the future, the Bank is discussing and proposing new funding modalities — Consultant Trust Funds and Strategic/Thematic Trust Funds, — and revising its policies and guidelines on grant contributions to fulfill the region's needs. The 2004 session, and those that would follow, are concrete steps along the partnership approach to enhance the contributions of trust funds to the region's development.



2. Contributions to Bank Programs

This section provides syntheses of select technical cooperation projects to illustrate how trust funds support borrowing member countries and Bank operations in the following program areas:

- Competitiveness, in fields such as urban transportation, financial markets and agricultural production;
- Social Development, in the sectors of health and education, including initiatives in emerging areas for Bank work such as occupational health and domestic violence prevention;
- Environment and Natural Resource Management, with examples of certification in forestry, an environmental impact assessment, greenhouse gas mitigation activities, and a regional approach to integrated, sustainable development; and,
- Modernization of the State, on issues of civil society participation and on decentralization and municipal development.

Some projects address policy and institutional frameworks, while others are short-term, focused technical assistance. Some projects involve governmental actors directly and others support development of national or local non-governmental institutions. Overall, the set of projects portrays the diversity of the trust fund program by presenting different approaches and methodology for a wide array of development challenges throughout the region.

Competitiveness

The Bank's Competitiveness Strategy organizes proposed Bank actions into the following areas: a) access to financing and mobilization of capital; b) access to human resources, training and labor relations; c) availability of infrastructure (roads, ports, energy, telecommunications, etc.); d) access, assimilation and generation of new technologies and knowledge; e) quality of the public institutions linked to the functioning of private productive activities; and, f) competitiveness and the productive and sustainable management of natural capital. Bank strategies in specific areas such as Small and Medium-sized enterprises, Microenterprises, Financial and Capital Markets, Energy, Infrastructure, and Science and Technology, are consistent with and complementary to the Competitiveness Strategy. Bank actions focus on "alleviating market failures of the main productive resources, in the areas in which the Bank has a comparative advantage and the capacity to influence national policies."

In this area of Bank programs, consultant trust funds have been instrumental to bring expertise from Bank borrowing member countries to the LAC region. Infrastructure loan preparation tasks, such as those carried out for the *Sustainable Tourism Program in Chiloé and Palena* or for a World Bank-IDB co-financed loan for *Urban Transportation in Lima, Peru*, were funded by a combination of Spanish and US consultant trust funds. Austrian, Korean and Canadian funds jointly financed the *Ethno-engineering for Honduran Infrastructure* project, to improve the impact and sustainability of infrastructure investments, particularly in the wake of Hurricane Mitch of 1998.

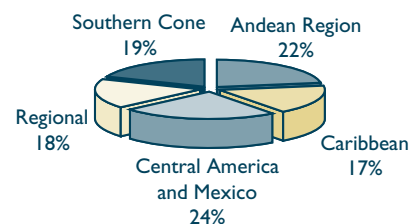
The U.S. Trade and Development Agency's consultant trust fund provided the resources to contract U.S. expertise in land surveying infrastructure and techniques, *Geodetic Infrastructure*

and *dGPS-based Cadastral Mapping Techniques* to aid Peru's land-titling needs, supported as well by a US\$23.3 million IDB loan to the country in 2001.

In the area of finance and mobilization of capital, the Spanish General Cooperation Fund provided financing for a pilot study on *Investing Remittances in Development*, focused on remittances from Spain to Latin America. The Multilateral Investment Fund has expanded its work on the subject considerably over the last few years.

In the agricultural sector, the report offers snapshots of two projects. *Enhancing Small-scale Farming in the Cañete Valley of Peru*, supported by the Social Entrepreneurship Program, is a case of small farmers of cotton, potatoes and maize who seek to improve their technical capacity and the financial sustainability of their business. The project *Managing a Competitive Transition for Central American Coffee* was financed by the Korean Trust Fund for Technical Cooperation, a portion of which is earmarked for development initiatives in Central America.

Project Financing, 1992–2003
TC Projects in Competitiveness/Total: 565/1628
Financing: US\$99.94 million or 34% of TF allocations
Average Project Financing: US\$176,884



Source: IDB Data Warehouse

Sustainable Tourism in Chiloé and Palena

The Bank promotes sustainable tourism activities in the region. Recognizing its potential economic and social impact, Bank efforts have encouraged regional and national governments to request support for programs that enhance tourism-related services while preserving environmental or cultural heritage assets.

The Archipelago of Chiloé and continental Palena are located in the Lake Region of Chile. Although the Lake Region is the tourist center of the country, tourist activity in these communities is small-scale and only in its early stages of development. The islands lack appropriate services to meet current and potential demand. In response, the regional government requested Bank support to implement and develop a community-based sustainable tourism program to increase income-generating and employment opportunities for residents of the islands, while improving and preserving the historic, cultural, and environmental assets in the area. In late 2003, the Bank approved a US\$10.5 million loan to do just that.

Two years earlier, the Spanish Institute of International Commerce's (ICEX) Trust Fund for Consulting Services had provided US\$150,000 to finance loan preparation tasks: a diagnostic study of the tourism sector in both provinces, including demand analysis, marketing techniques, institutional framework, and training. Consultants prepared specific intervention strategies for each island, and established priorities for change. The strategies defined for each province made reference to the role played by tourism in socio-economic development, the portfolio of potential products and tourist activities, and the definition of target markets and strategies vis-à-vis potential competitors. The project also contributed with the



Achao, Chiloé Island. Photographs by Fundación Cultural y Educativa de Amigos de las Iglesias de Chiloé

definition of most of the program's components, including local business training, assistance to small enterprises, and preservation of cultural heritage sites. Independent consultants were hired to complete studies on environmental impact, credit mechanisms, and the use of national parks.

The proposed activities and projects were based on principles of sustainability and community participation. Consultants met with local entrepreneurs to develop improvements to their tourist services, including lodging, food, guided tours, transport and others. This community-based scheme to improve and expand tourism and its income-generating opportunities for Chiloé and Palena residents is now underway.

Supporting Improvements in Urban Transportation

A large percentage of Peru's economic activity is concentrated in the capital city of Lima. The capital produces more than 50 percent of the country's GDP and is home to approximately 34 percent of the national population. The lack of an efficient and well-planned urban transportation system results in long commutes, inadequate road maintenance, low quality of service, chaotic operations conditions, traffic jams, and high levels of air pollution.

The Inter-American Development Bank and the World Bank finance the first phase of Lima's Urban Transportation Program, to be executed by the city's municipal government with a total budget of US\$124.4 million. The Program finances the construction and implementation of Lima's integrated rapid mass transit system of high capacity buses running on segregated corridors along the city's arteries. The 28km high capacity corridor spans north-south, covering areas where low-income population groups live and concentrate most of their activities, and will be complemented with 50 km of feeder roads with new bus services. Improvements in transportation targeted at low income populations are intended to reduce the private and social costs associated with urban transport while dramatically improving physical access for elderly and disabled people. In addition, the Program hopes to enhance efficiency in urban transport, create private sector investment opportunities, and produce lessons and best practices that can be applied in other cities with similar urban transportation challenges.

During 2002 and 2003, a total of US\$1.1 million in trust fund resources for technical cooperation enabled key inputs to program preparation. Financing was provided by the Spanish Trust Fund for Consulting Services (ICEX), the US-DOE Hemispheric Sustainable Energy Fund (HSEF), and the U.S. Trade and Development Agency Evergreen Fund for Technical Assistance (USTDA-Evergreen).

The ICEX Fund financed studies on public transport infrastructure, and on the technical and environmental characteristics of the high capacity corridors. With this assessment, the Program makes every effort to avert and mitigate any



negative social and environmental impact it may have. The HSEF Fund financed a series of technical, operational, economic and policy studies relating to the Program's intended use of appropriate and accessible cleaner-fuel vehicles. These studies are instrumental in the implementation of the Program's complementary objectives to reduce pollution and promote the use of sustainable, cleaner energy sources. Financing from the USTDA-Evergreen Fund supported the design and implementation of "Intelligent Transportation System" technology, including a "metro-like" fare collection system, a bus operation control system to verify performance, and a traffic signal control system to improve the grave problems of traffic flow and road accidents.

The Global Environment Facility (GEF), managed by the World Bank, supports a US\$7.9 million grant to scrap old polluting buses, finance improvements and extension of bikeway networks; train operators, and support the study of non-motorized vehicles use and the potential use of high capacity vehicles. (In 2004, the IDB has expanded its access to the full set of GEF financing instruments.)

Lima's Urban Transport Program reflects the Bank's country and sector strategies which aim to strengthen private investment in socially-oriented infrastructure. Joining Bogotá, Curitiba, and Quito, Lima is one of the major cities in the region where Bank involvement advocates for change in the public transportation system by taking advantage of the available infrastructure and avoiding costly investment in large construction projects.

Ethno-engineering for Honduran Infrastructure

The Bank's 8th Replenishment underlines the need to promote the development of indigenous and local community organizations for poverty reduction and social equity programs. Likewise, the Honduras National Reconstruction and Transformation Plan incorporates needs assessments and proposals from indigenous communities to identify reconstruction programs in the country.

In this context, the *Program to Support Indigenous and Black Communities* was approved in 2001 with concessional lending resources from the Bank's Fund for Special Operations (US\$1.55 million) and the Austria Hurricane Mitch Disaster Assistance and Reconstruction Trust Fund (US\$1 million as grant). The program aims to improve the impact and sustainability of development infrastructure investments by applying an innovative ethno-engineering model which adapts cultural, social, and environmental considerations to infrastructure activities. The loan program has three main components: (i) validation and implementation of the ethno-engineering model; (ii) strengthening of ethnic ties and the development of a national regulatory framework on indigenous affairs; and, (iii) the implementation of a monitoring and evaluation system.

The first component applies ethno-engineering to the selection and implementation of basic infrastructure in two pilot communities: the traditionally isolated and extremely impoverished communities of Belén in the Honduran Mosquitia and Aldea Nueva Esperanza, in the department of Lempira. Both communities were severely hit by Hurricane Mitch. They were selected based on local needs and capacities in a participatory workshop which brought together representatives of all ethnic groups in the country: Mizkitos, Lencas, Tolupanes, Garifunas, Mayas, Khorti, Pech, Tauwahkas, and English-speaking afro-Hondurans. Community members participated in the identification and approval of the pre-design stage of infrastructure works for their communities as well as in final design and execution. The operation provides for an evaluation and performance measurement system focused on the results of applying ethno-engineering methodology.

The loan operation also seeks to promote equity by financing capacity-building activities for Honduran ethnic groups to participate more meaningfully in discussions around indigenous legislation matters and the relevant regulatory frameworks. The program's innovative and participatory approach is intended to enhance the sustainability and impact of infrastructure projects as well as the contributions of participating indigenous and black communities to economic and social development.

Austrian resources finance selected infrastructure works that were identified through the ethno-engineered methodology. The Korean Technical Cooperation Fund and the Canadian Technical Assistance Program financed loan preparation activities, including infrastructure needs assessments, ethno-engineering application manuals, and a process to strengthen socio-political organizations of indigenous and black women to enhance their participation in regional and national federations.



Comunidad de Belén, Reserva Bióspera, Río Plátano.
Photo by Diego Belmonte

Geodetic Infrastructure and dGPS-based Cadastral Mapping Techniques

Defined and secure property rights are well recognized as a requirement to support economic and social development. Through financing from the United States Trade and Development Agency's Evergreen Fund for Technical Assistance, the IDB assisted the Government of Peru in carrying out the country's *Programa de Titulación y Registro de Tierras Rurales (PTRT)*. At the request of the Ministry of Agriculture, technical assistance was provided between 1998 and 2000 to the *Proyecto Especial de Titulación de Tierra (PETT)*, the land surveying aspects of the PTRT.

The program's first phase, Establishment of a Geodetic Infrastructure, with a budget of US\$135,000, created a network of national high-accuracy land surveying control points. The first task was the establishment of a geodetic infrastructure network to support national engineering, mapping, and navigation. The network included known surveying control points, spanning Peru's three main geographic regions; Ica, located on the Pacific coast, Huaraz in the Sierra (highlands), and Iquitos, in the Amazon. Pre-existing geodetic control points, some of which were established in the 1950s, were located, recovered and occupied, and new, high-accuracy geodetic control points were established on the modern *Sistema de Referencia Geocéntrico para América del Sur (SIRGAS)* datum. A database of geodetic observations was collected using the satellite-based GPS system as well as raw GPS measurements obtained from the Peruvian Military Geographic Institute (IGM). Finally, a dGPS calibration/test network was established on the coast, several miles north of Lima for public and private sector surveyors to calibrate their GPS surveying equipment for use in both government and private surveys.

The project's second phase, Evaluation of dGPS-based Cadastral Mapping Techniques, invested US\$95,000 for testing and evaluation of real-time and post-processed sub-meter differential GPS (dGPS) methodology using Trimble GPS receivers. The evaluation was undertaken to support the



Photo by Trevor Greening

Government's land titling efforts, and included extensive office instruction and field-based, hands-on training for PETT engineers. Results from the field work were presented and summarized in a series of technical reports, and a manual for the execution of the dGPS methodology was prepared by Measurement Science, Inc. for use by PETT. Additionally, PETT engineers and IDB project specialists developed and implemented a cost-effective cadastral surveying instrument that combines several disparate but complementary surveying and remotely sensed imaging technologies. This *caja de herramientas del Agrimensor* or Surveyor's Tool Box integrates new survey technologies with geographic information systems, provides support for public awareness campaigns, and offers an integrated approach to land tenure conflict resolution.

Peru's geodetic and cadastral initiatives were successful due to the combination of consultants' technical resources, PETT engineers, and the IGM. Technology transfer was especially effective and has proven to be sustainable; geodetic infrastructure established under the project was used to survey and map a second phase of the PTRT of US\$46.7 million financed by the IDB and Government of Peru in 2001.

Investing Remittances in Development

In recognition of the growing economic and financial importance of family remittances to Latin America, the Multilateral Investment Fund (MIF) has embarked on initiatives to enhance the potential developmental impact of remittances in the region. According to the MIF, Latin America received approximately US\$38 billion in remittances during 2003 alone. Remittances are thus an important source of foreign currency and may create a multiplier consumer effect in recipient countries. Studies show, however, that the transactions occur in a poorly developed market with limited participation of regulated financial institutions. These trends have prompted strategies which would reduce the costs of transferring remittances, improve the ease and accessibility of remittances and encourage the use of formal financial institutions in the process.

In 2001, the Spanish General Cooperation Fund provided US\$100,000 for preparation of a pilot study on remittances from Spain to Latin America. The study focused on the flow of remittances to Ecuador, Dominican Republic, and Colombia, as they represent the fastest-growing immigrant communities in Spain. The study gathered information and data on the flow of Latin American immigrants to Spain, gave a detailed description of the main financial actors in the remittances market, and provides an assessment of the existing legal framework.

An important objective of the study was to provide base information for potential private financial institutions entering such a market.

In February 2003, a review of the study and its potential implications was presented at a Bank conference on “*Transnational Communities: International Experiences in Remittances*,” with the



participation of major Spanish financial institutions. As a direct result of the study, several leading providers have introduced or expanded their services for immigrants. For instance, La Caixa has added the transfer of remittances to its menu of commercial services, and created strategic links with the Banco Bolivariano and Banco Solidario in Ecuador, and the Banco de Crédito in Peru. The study is a pioneer on the subject and a model for future studies and market opportunities in other countries.

◆ The MIF was established in 1993 with a broad and flexible mandate to encourage the growing role of the private sector in Latin America and the Caribbean. Equipped with funding of US\$1.3 billion, the MIF uses grants and investment mechanisms to support small-scale, targeted interventions that strengthen the environment for business, build the capabilities and skills standards of the workforce, and broaden the economic participation of smaller enterprises. It is now the major source of technical assistance grants for private sector development in the region. For further reference on the MIF and its projects, visit <http://www.iadb.org/mif>.

Enhancing Small-scale Farming in the Cañete Valley

The Cañete Valley, located 150km south of the capital city of Lima, Peru, is home to approximately 5,000 farmers of cotton, potatoes, and maize. A combination of low production volumes, poor quality, and high transaction costs (given small production units) translates into low levels of competitiveness in domestic and international markets and low standards of living for area residents.

The *Instituto Rural Valle Grande* (IRVG) is a non-governmental training organization created in 1965 under the umbrella of the *Promotora de Obras Sociales y de Instrucción Popular* (PROSIP) program. PROSIP provides technical assistance for the rural development of the Cañete Valley and the highlands of Yauyos. The IRVG secured Bank support in 1998 to improve the technical capacity and financial sustainability of small-scale producers in the Valley.

The European Commission Special Fund for Microenterprises financed investment in machinery, equipment, and working capital and supported the implementation of a production-support services program to increase profits and enhance the levels of income to area farmers.

An additional US\$200,000 grant supported the investment program while strengthening IRVG's institutional and technical capacity through business training programs and technical discussion meetings for local producers. Significant time and effort were invested to consolidate and update information on the geographic information system, agricultural sanitation, and crop production.

The program made significant contributions to the farmers, their businesses, and to IRVG. The profit margins on traditional crops of maize and cotton were increased to 25 and 15 percent, respectively. In addition, IRVG was able to develop and implement

a program of new and competitive crops —purple maize, yellow sweet onion, sugar snaps, snow peas and yams— and to expand its training outreach. Farmers were able to expand their knowledge and exposure to environment-friendly production and to the rational and sustainable management of agricultural systems. The use of pesticides and agrochemicals was reduced by 30 percent. The program also developed an evaluation methodology on agricultural sanitation, provided technical advice to more than 700 producers per year, and developed pilot programs for the production of new crops to target new markets in the United Kingdom, Spain, Japan, and the United States.



Central American Coffee: Managing a Competitive Transition

In 2001, the coffee sector in Central America was at a critical juncture. Depressed commodity prices, droughts, and changes in the world market prompted severe dislocations in most Central American economies. Low coffee prices brought an increase in rural unemployment, especially among small producers and seasonal laborers who make up 85 percent of the coffee-producing workforce.

While the Bank supports rural development programs in the region, including operations that directly impact coffee production competitiveness, it had carried out no specific activities to address the structural and cyclical effects of the coffee crisis. At the request of Central American governments, the Bank provided technical and financial assistance to address the situation. In this context, the Korean Technical Cooperation Trust Fund granted US\$150,000 to analyze the coffee sector in Guatemala, Honduras, Nicaragua, El Salvador, and Costa Rica, including an assessment of the impact of changes in the international market and recommendations to counteract negative repercussions.

The study defined actions to cope with the crisis, and presented a strategy to manage the competitive transition of the coffee sector in Central America. In April 2002, the Bank presented the study's results and recommendations at a stakeholders meeting in Guatemala, in partnership with the U.S. Agency for International Development (USAID) and the World Bank. The workshop helped forge consensus on two proposed lines of action: quality-improvement strategy and diversification, with the vision that improvements in the food and agriculture sector would directly contribute to the development of the rural economy.

This series of activities uncovered opportunities for the Bank to assist in the coffee sector and prompted the identification of additional technical and financial resources within the Bank and beyond to support a long-term transformation process.



In 2003, the Multilateral Investment Fund (MIF) approved a US\$3 million grant to assist small- and medium-sized coffee producers to improve their competitiveness and profitability through increased quality and market access. The initiative calls for a region-wide quality management system and improvements in access to various market segments. USAID and other development agencies are developing complementary projects. The Bank has continued its efforts by supporting regional governments in the identification, re-evaluation, and adjustment of strategies to manage the short- and long-term implications of the coffee crisis with the financial support of existing loan operations for rural economic development.

Social Development

Between 1994 and 2001, social development lending — including loans for equity and poverty reduction — accounted for more than 40 percent of the total volume of lending and 46 percent of the number of operations. Social development projects account for a large portion of technical cooperation financing as well. Over the period 1992-2003, US\$70.98 million or 25 percent of the total volume of trust fund-financed technical cooperation were invested in social development — namely, health, education and social investment.

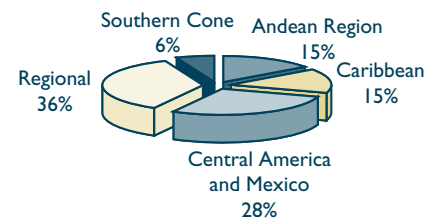
The Bank made pivotal trust fund investments to develop innovative approaches in the social sectors, particularly in new or emerging areas where it has less operational experience. While the region's needs remain pressing, it is an imperative for the Bank to continue to make funds available for the social sectors.

The project *Occupational Safety and Health for Central American Workers*, financed by a combination of the Norwegian Fund for Innovation in Social Programs and the Canadian Technical Assistance Program, invested resources for policy and planning support, and brought Canadian expertise to work with local counterparts to diagnose safety and health conditions in key productive sectors. *Best Practices in Domestic Violence Prevention and Treatment*, funded with Norwegian, Swedish and Finnish trust funds, and the Bank Fund for Special Operations, carried out assessments, and developed and evaluated pilot interventions for potential replication in Bank programs which address justice and citizen security issues. The project *Adolescent Reproductive Health Education in The Bahamas* is an example of a Japanese-Bahamian NGO partnership to develop public education materials and training of trainers programs financed by the Japanese Trust Fund for Consulting Services.

Trust funds are ideal sources as well for projects that strengthen local assets for social development. *Improving the Quality of Education for the Ticuna of Brazil* was financed by an untied French contribution to the regional Indigenous Peoples Fund. The program was the first of its kind to be fully managed by an indigenous organization, with a high positive impact on the organization's institutional leverage and recognition. Resources for *Local Capacity Building for Managing HIV/AIDS in the Garifuna Communities of Honduras* were provided by the Capacity Building Fund for Local Institutions in Central America, a unique source of untied funding to support locally-designed interventions which build on existing social capital at the community level.

The process of *Facilitating Dialogue on Health Issues in Nicaragua's Atlantic Coast* was a joint effort of the Swedish International Development Cooperation Agency and the Bank to define a common vision and strategy, bringing together local stakeholders, governmental and non-governmental organization representatives. The Sida-IDB Partnership provides seed money from its trust fund to promote joint institutional endeavors.

Project Financing, 1992–2003
TC Projects in Social Development/Total: 400/1628
Financing: US\$70.98 million or 24% of TF allocations
Average Project Financing: US\$177,500



Source: IDB Data Warehouse

Occupational Safety and Health for Central American Workers

In 1998, the International Labour Organization estimated the fatality rate related to occupational hazards in Latin American and Caribbean countries was 0.135 per 1,000 workers, three times worse than in Europe and 20 times worse than in the United States. The fatality rate of the insured labor force is particularly high in Costa Rica and Guatemala, while the overall fatality index is highest in El Salvador.

Despite alarming statistics, there is limited awareness among stakeholders and policy makers in the region of the economic and social costs of unsafe and unhealthy workplaces, and less than adequate training and experience on occupational safety and health (OSH) legislation and enforcement. The Bank is exploring areas of potential intervention to strengthen regional capacities in OSH. To date, technical cooperation resources have enabled the Bank to evaluate the occupational health situation in the region and support governments in the preparation of health standards.

In 2002, the Norwegian Fund for Innovation in Social Programs financed a US\$80,000 project to formulate a regional plan to strengthen OSH and worker insurance policies in Central American countries. The project reviewed the status of OSH in Costa Rica, Nicaragua, El Salvador, Guatemala, Honduras, Panama, and the Dominican Republic based on existing national data and analysis. It also studied the scope and impact of existing strategies, assessed the role of the private sector, and evaluated the potential role of the Bank developing a regional plan for OSH.

That same year, a related US\$100,000 project funded by the Canadian Technical Assistance Program assessed the implementation of health standards in sectors with high incidence of work-related accidents and illnesses: the Guatemalan

maquila (assembly plant) and the Nicaraguan flower farming industries. The assessment was designed as input to the Pan American Health Organization's (PAHO) Workers' Health Plan for Central American countries, which aims to strengthen institutions that promote and protect workers' health. The assessment was designed with particular attention to the grave differentials between men and women in terms of wages, job discrimination, decision-making power and opportunities for labor mobility. It addressed the need to develop, validate, implement and evaluate health standards from a gender perspective.

The project provided Guatemala and Nicaragua with technical assistance to formulate and establish appropriate health standards in the target industries, and with inputs to draft broader national OSH action plans. National commissions in these countries joined technical experts from PAHO and the Bank to review and discuss the assessments. Country task forces are currently raising awareness and political support on OSH issues, and developing a participatory methodology for assessment.

The Bank has addressed occupational safety and health concerns in prior labor market and health sector loans. Trade initiatives such as the North America (NAFTA) and Central America (CAFTA) Free Trade Agreements and their potential impact emphasize the need to incorporate an OSH dimension to Bank operations. Trust funds have financed initial review and analysis of some of the most pressing OSH issues, and in doing so have paved the way for a more strategic program approach. These recent projects enable the Bank to bring current knowledge and experience to bear on policy dialogue, and may serve to foster bilateral and regional initiatives with member countries and multilateral development agencies.

Best Practices in Domestic Violence Prevention and Treatment

Between 1998 and 2001, with more than US\$700,000 provided by the Norwegian Fund for Women in Development, the Fund for Special Operations, the Swedish Fund for Prevention of Domestic Violence and the Finnish Technical Cooperation Trust Fund for Consulting Services, the Bank prepared a *Technical Umbrella* on domestic violence. The project's main elements are: (i) identification of best practices among on-going projects developed mainly by grassroots women's organizations in areas such as justice, health, and communication; (ii) design and evaluation of pilot projects on issues such as child victims of abuse, national policy formulation, and treatment of male aggressors; and, (iii) information dissemination and analysis for national governments in the region.

The *Technical Umbrella* placed special emphasis on two strategic approaches: communication as a tool for the prevention and treatment of domestic violence; and the role played by male networks and male leaders in support of violence prevention and treatment. The approaches were applied throughout the region in activities such as: an innovative communication campaign against domestic violence in Panama; the production and dissemination of the Bank's documentary video "*Vidas Golpeadas, Esperanzas Destruídas*," viewed throughout the region; a pilot program on popular education on masculinity in Nicaragua; and production of a methodology to integrate men in violence prevention and treatment programs. Other related topics include treatment of male aggressors, national plans against domestic violence, training for indigenous facilitators, shelters for victims of domestic violence, and hotlines for victims. Specific program evaluation criteria were developed to provide interested national governments with objective considerations when opting for domestic violence prevention and treatment programs.

A participatory workshop held in Managua in 2000 gathered representatives from 18 women's shelters in Latin America. It provided a forum to share information and increase awareness among participants on management techniques, current programs, and inter-institutional work around shelters; prepare recommendations on

the design, financing, and management of women's shelters; and, generate valuable insights and lessons learned about shelters for victims of domestic violence. The workshop identified priorities such as current living conditions, the selection of beneficiaries, intervention areas, human resources policy, networks, financing, and monitoring and evaluation. Participants presented and discussed recommendations and guidelines to strengthen and improve the existing system in the region.

Several Bank programs addressing issues of justice and citizen security have incorporated components of domestic violence prevention as developed through the technical umbrella. While many countries have mustered valuable policy and project experience, additional technical assistance is needed to strengthen and expand these efforts.

Visit www.iadb.org/sds/violence.



Adolescent Reproductive Health Education in The Bahamas

In 1997, The Bahamas was increasingly concerned with the levels of unintended pregnancies and sexually transmitted infections, including HIV/AIDS, among youth. The country had the highest incidence of HIV/AIDS in the English-speaking Caribbean, and was among the top-three highest incidence countries in the Latin America and Caribbean region. Levels of pregnancy among girls 10 to 19 years old continued to be unacceptably high. The negative health-related, economic and social consequences of early single motherhood among young girls were recognized as being significant. This same year, at the inception of the Adolescent Reproductive Health Education project, the Ministry of Health had drafted the country's first National Family Planning Policy, but the policy was still to be formally approved.

Between 1998 and 2001, at the request of the Bahamas Family Planning Association (BFPA), the Bank provided technical assistance and a US\$1.24 million grant from the Japanese Trust Fund for Consultancy Services to contribute to a reduction in the incidence of unintended adolescent pregnancy and sexually transmitted infections through a reproductive health information, education and communication program and media campaign. The project complemented the existing initiatives in The Bahamas governmental and non-governmental sectors, and added new dimensions to the nature of the services provided. The Japanese Organization for International Cooperation in Family Planning provided technical assistance to the project, while BFPA had the local experience, expertise, and a considerable network of working relationships which positioned it well to undertake the project.

Project results were highly satisfactory to the participants, primarily youths, peer and professional

trainees, and the Ministries and non-governmental institutions involved. The project's training teams were overwhelmingly successful: they trained 2272 persons including nurses, teachers, police officers, guidance counselors, community volunteers, and out-of-school youth. Youth-to-youth exchanges and the training of peer counselors proved very effective in terms of reaching youths and as an intervention of high positive impact in the attitude of peer counselors themselves. Many teachers noted how their own knowledge, attitudes and educational approach had improved greatly as well.

The *Teachers' Resource Guide*, *Activity Book* and other teaching materials helped address key needs of the Family, Life and Health Education curriculum. The Ministry of Education later incorporated the materials to the primary and secondary public school system, and invested its own resources to expand teacher training to other islands. The College of the Bahamas also incorporated the newly-developed educational materials to its teacher training programs. The Ministry of Health seconded nurses to the project for training and incorporated project methodology to its programs.

The final evaluation of the project noted that the project was overall a relevant and plausible response to contextual realities identified within The Bahamas as requiring concerted responses. It also reflected the importance given to such social issues in the wider international community. At the national level, an innovative project design which was negotiated during the development of the first National Family Planning Policy, turned the project into a key factor to inform the dialogue process, propose interventions and help move the policy forward.

Improving Quality of Education for the Ticuna of Brazil



More than 35,000 Ticuna people live in the Alto Solimões region, in the northern state of Amazonas, and are the largest indigenous population in Brazil. The indigenous communities are integrated to the region's economic activity and maintain their own social and cultural organization and language.

The French Technical Cooperation Trust Fund for Consultancy Services and Training Activities (indigenous peoples development financing window) provided US\$150,000 in 1999 to support training for bilingual education teachers. The project was carried out in six municipalities— Benjamín Constant, Tabatinga, São Paulo de Olivença, Amaturá and Santo Antonio do Iça— which are home to 90 percent of the Ticuna people, among them 8,470 students who attend 103 municipal schools. Teacher training courses were designed to reinforce pedagogy, promote a new teaching system which incorporates Ticuna socio-cultural values, and fulfill requirements to obtain official accreditation. Technical assistance was also provided for curriculum development, design and production of teaching materials, and education and health-related activities.

The project was a great success in many aspects. In August 2001, the program graduated 183 bilingual Ticuna teachers. The model for bilingual/bicultural teacher accreditation has now been

adopted by several other communities throughout the country. In addition, components of the newly-developed curricula and teaching material were adopted in the national curricula for indigenous schools. Able program management by the General Organization of Bilingual Ticuna Teachers, one of a handful of cases of direct indigenous organization involvement in teacher training in the country, had a positive impact on the organization's institutional leverage and recognition.

An important pillar of this project was the promotion of inter-cultural education. Enhancing education for indigenous peoples required necessary tools for students to become active members in the mainstream educational setting without abandoning their cultural and social values. The project confirmed the viability of merging indigenous and formal education and institutionalizing the process through accreditation from regional education institutions and the Brazilian Ministry of Education. At the local level, the program enhanced leadership and decision-making among teachers selected by their communities to participate in the project. The teachers in turn demonstrated high motivation and a commitment to use their skills and experience in their local school system. The project contributed a greater sense of cultural identity and valued heritage in the Ticuna communities, and reinforced leadership and organizational skills.

In 2000, the *Getulio Vargas Foundation* and the *Ford Foundation* highlighted the merit of the project by granting it a Public Management and Citizenship Innovations award. Education materials such as the *Libro de los Árboles* received the “Most Informative” and “Best Editorial Project” awards from the National Foundation on Books for Children and Youth. Earnings from book sales, as well as the resources from the Getulio Vargas-Ford Foundation award, have been invested by the General Organization of Bilingual Ticuna Teachers to establish and enlarge a training center and expand the teacher training program.

Local Capacity Building for Managing HIV/AIDS in Garifuna Communities in Honduras

The CABILICA Fund aims to enhance and strengthen the capacities of local institutions with the purpose of improving the effectiveness of multilateral assistance. The Fund supports greater participation by local actors, along with a joint Bank-beneficiary ownership of programs, with better prospects for sustainability.

In late 2001 the CABILICA Fund provided US\$150,000 to strengthen local capacity for HIV/AIDS management in the Garifuna population of Honduras. The Garifuna communities are concentrated in the north Atlantic coast of Honduras and constitute more than 60 percent of the ethnic population in the country. Garifunas live in extreme levels of poverty and exclusion. Moreover, they experience the highest prevalence of HIV/AIDS in the country—13 percent as opposed to 5 percent in the rest of the country—with limited access to institutionalized health care facilities or programs.

The project recognizes the need to foster locally-designed interventions—as opposed to external delivery programs—to build on the high levels of existing social capital, ensure a better community response adjusted to local needs and culture, and lay the basis for future interventions and cooperation with the public health sector and donor agencies.

The project has already produced significant results. CABILICA financed an assessment of organizational and community capacities and service-provision skills among local Garifuna NGOs and households. The study identified and highlighted the assets and resources available in the community that could become pivotal for an HIV/AIDS management program. It then formulated strategies for action. The study was parallel to an anthropological assessment used to gather information on community attitudes, practices, and beliefs in relation to HIV/AIDS. Both studies presented comparable results and lessons learned for the beneficiary communities and the Bank, which were discussed at a workshop in Tegucigalpa and at Bank headquarters.



Photo by Julia Chambers

Incorporating recommendations from the assessments, the project focused on strengthening the organizational capacities of involved NGOs, rather than provide technical training. As a result, Garifuna leaders and representatives from local NGOs receive training in asset mapping methodologies, strategic planning, and proposal preparation. After the training sessions, NGOs will prepare pilot projects and receive financing accordingly.

The project is also generating important results for the Bank, including a generic tool-kit for NGOs, Bank operational divisions, and donor institutions. The tool-kit will include generic guidelines to prepare NGO project proposals and business plans. In addition, the project team is preparing an asset mapping tool to be applied to Bank operations.

The project has significantly increased managerial capacities of local NGOs and community members, enhanced their participation in the design and implementation of HIV/AIDS related programs, and created important opportunities for sustainable practices at the local level. It has also produced relevant lessons learned for upcoming interventions and similar projects in the Region. (See <http://www.iadb.org/regions/re2/cabilica>).

Facilitating Dialogue on Health Issues

The *Health Dialogue on the Atlantic Coast* illustrates institutional coordination and stakeholder participation as promoted by the Sida/IDB Partnership Program in Central America. During the Partnership's 2000 annual meeting in Stockholm, participants recognized the need to enhance collaboration between the institutions. Moreover, Nicaragua was identified as a priority country for the partnership, while civil society participation in decision-making was considered a key thematic priority.

In 2001, the Partnership identified a Sida/IDB common vision and strategy for the Atlantic Coast in Nicaragua and contributed US\$27,500 to facilitate a dialogue among key local stakeholders, strengthen coordination among government and non-government institutions, and enhance health policy sustainability. Funding was provided to facilitate dialogue between the Ministry of Health and local actors on the most pressing health issues of the Atlantic Coast. 20 stakeholders participated, including, for the first time, representatives from all sectors and regions, the Ministry of Health, the Regional Autonomous Council of the Autonomous Regions of the North and South Atlantic, municipalities, local and national NGOs,

members of international organizations (PAHO, UNDP), community and indigenous leaders, health workers, universities, religious leaders, congressmen, government agencies, and others.

The impact of this technical cooperation was two-fold: (i) tangible, agreed-upon results, including agreements in decentralization, human resources, cultural revitalization, monitoring, and evaluation; financial support from national and international organizations; increased awareness and interest from local and national media; and support for the approval of the General Health Law; and, (ii) the highly participatory nature of the process allowed strong program ownership among all actors; lessons learned were identified and highlighted, and given the impact of the dialogue, a second dialogue was arranged, emphasizing the need for a continuous and sustainable process.

Overall, the dialogue supported the formulation of a health promotion strategy with active participation from key stakeholders from all sectors in the Atlantic coast, and encouraged inter-institutional coordination that resulted in a commonly agreed upon plan for action.



Environment and Natural Resource Management

The region's natural resource endowment is vast: its forests, coastal and marine resources, biodiversity, agricultural soils and water resources. If properly managed, they set the basis for competitive and sustainable economic growth, poverty reduction, and an overall increase in human welfare. The 2003 Bank Strategy on Environment strives for greater effectiveness of Bank support to the region's sustainable use of natural capital. The strategy states that "In order to address environmental degradation and generate development opportunities stemming from its vast natural endowment, the region needs to address the main causes of environmental deterioration, including the presence of distorted signals and incentives rooted in market and governance frameworks that are still underdeveloped."

This section presents examples of trust fund financing in environment and natural resource management projects. In addition to the many public and private sector lending instruments and facilities, since 2004 the Bank has access to the full scale of project resources from the Global Environment Facility (GEF). Several trust funds and partnerships with donor countries, as the partnerships with The Netherlands for the environment and for water management, enable strategy implementation by fostering alliances and coordinated efforts with other bilateral and multilateral agencies.

An example is the project on *Greenhouse Gas Mitigation: Opportunities for Latin America and the Caribbean*, which proposed and prioritized cost-effective activities to increase the region's Clean Development Mechanism-related capacity and the broader integration of greenhouse gas mitigation considerations to economic development.

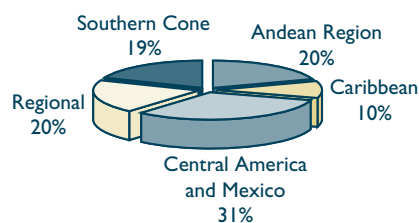
Italian consultant trust funds and the Japan Special Fund provided financing for program preparation tasks in the context of a US\$38.6 million IDB loan for the Colombian municipality of Pereira. Trust fund resources provided for an environmental impact assessment, a resettlement plan and compensation measures, and pre-feasibility studies and private bidding processes.

In Panama, the preparation of the US\$15.2 million *Sustainable Development Program in Bocas del Toro* was supported by the Japan Special Fund, following on the successes of a similar JSF-supported integrated investment program in Panama's Darien in 1998. Both projects rely on strengthening the capacity of local institutions to respond to the development needs of the community while establishing an appropriate normative framework and making sustainable use of local resources and diversity.

The project *Certification for Sustainable Forest Management* in Honduras showcases a partnership of Swedish forestry experts and the country's Escuela Nacional de Ciencias Forestales to counteract the effects of deforestation by introducing forestry certification.

The Bank's environmental portfolio is growing and diversifying, in particular after the Bank's 8th replenishment mandate. Over the 1992-2003 reporting period, trust funds contributed US\$69.7 million —24 percent of the total volume in non-reimbursable technical cooperation financing— to projects in environmental protection, water and sanitation, and other natural resource management projects.

Project Financing, 1992–2003
TC Projects in Environment and Natural Resource Management/
Total: 290/1628
Financing: US\$69.7 million or 24% of TF allocations
Average Project Financing: US\$240,383



Source: IDB Data Warehouse

Greenhouse Gas Mitigation: Opportunities for Latin America and the Caribbean

Interest in international greenhouse gas (GHG) mitigation activities in LAC is increasing. An indicator may be the growing private sector's activity to identify cost-effective mitigation opportunities and to develop the market to trade GHG credits or offsets, particularly under the Kyoto Protocol's Clean Development Mechanism (CDM). The Bank has increased its response to climate change concerns as well, especially since July 2000 with the adoption of an action plan to concentrate on highly-replicable activities with the most development impact in borrowing member countries.

As part of the Netherlands and IDB Partnership Program in the Environment, the Bank conducted a US\$140,000 study in 2003 to propose and prioritize cost-effective activities to increase the region's CDM-related capacity and the broader integration of greenhouse gas mitigation considerations to economic development. The study's two components are: 1) an assessment of current national institutional capacities in this area, emphasizing the degree to which GHG mitigation institutions and economic development institutions are able to link their respective missions in a productive manner; and, 2) a bottom-up analysis of the technical potential for GHG mitigation opportunities in a number of sectors and at different levels of mitigation cost. The study invests greatly in the identification of project opportunities that yield GHG reductions as well as developmental benefits.

The study's results show that while the LAC region has more experience with international emissions reductions than any other, national GHG mitigation institutions have a limited mandate or capacity to expand CDM portfolios and often have a relatively weak link with agencies responsible for economic

development. The assessment of capacity building to date also suggests the need to broaden the focus beyond the CDM and its procedures. In addition, the CDM itself can create problems in that a focus on individual projects versus sector-wide efforts, as well as uncertainties regarding project additionality, can penalize efforts to enact policies and programs that stimulate decarbonization.

The study demonstrates a significant long-term technical potential for GHG reduction, even at a low mitigation cost of under US\$5 per ton of CO₂ equivalent. From a GHG-mitigation point of view, landfill gas management is probably the easiest and most cost-effective activity given current carbon prices. However, the developmental benefits in the transport and energy sectors can be particularly strong. This is especially the case for urban transport initiatives that seek to improve overall systemic integration and efficiency, and for renewable energy projects that provide service to isolated rural areas. Forestry projects can also yield significant benefits at a relatively low cost. How much of this long-term potential may be realized will depend on how CDM rules and experiences with project development in the region evolve.

This particular study provides the Bank with a number of important tools and knowledge resources. In terms of mainstreaming GHG mitigation activities, there is particular promise in the landfill sector where the Bank has a number of potential loan programs, as well as in the areas of sustainable urban transport and renewable energy. The study provides guidance to build partnerships to mainstream these practices and to produce a better understanding of where and how to best achieve institutional strengthening to link GHG mitigation with sustainable development.

Environmental Impact Assessment in Pereira

Pereira, Colombia, is home to approximately 350,000 people and the center of a growing metropolitan area which includes Dos Quebradas, an adjacent municipality of 140,000 inhabitants. *Empresas Públicas de Pereira* (EPPP), an autonomous multi-service municipal organization, manages water and sanitation, electricity, and telephone services. In 1998 EPPP experienced general organizational problems and financial challenges in some of its service sectors. Low-income areas were particularly affected by water shortages and lack of water pressure. Health and environmental dangers were brought on by untreated sewage discharged in rivers and nearby creeks.

EPPP requested Bank assistance to restructure its operations, improve the quality of water and sanitation services, and strengthen its capacity for medium- and long- term financial health. In preparation of the investment program, the Italian Individual Consultant Trust Fund financed US\$150,000 to carry out an environmental impact assessment (EIA) covering the area between the Otún and Consota river basins formed by the cities of Pereira, Dos Quebradas, Santa Rosa de Cabal, and Marsella.

The EIA was designed to support EPPP's and the Bank's planning and decision-making process. An Italian consulting firm worked in close collaboration with local counterparts to present an environmental diagnostic of the area, identify and analyze the potential environmental, social, and economic effects of the loan operation, propose mitigation and contingency mechanisms, and delineate an evaluation and monitoring program.

The EIA greatly enhanced loan operation design. It benefited from strong community participation through public meetings and consultation workshops which helped ensure ownership and sustainability. This approach facilitated resettlement for inhabitants of the river basin who were at greater risk due to soil erosion and landslides. Studies to arrive at the resettlement plan for approximately 300 families, and the necessary compensation measures, were financed in 1998 with an additional US\$140,000 from the trust fund. The resulting lending operation included financing for environmental education, basic sanitation training, and erosion control activities supported by community leaders and local stakeholders.

The Bank approved the investment program for Pereira in 1999 to support private sector participation in the operation of potable water and sanitation services and waste water treatment. US\$750,000 from the Japan Special Fund supported the EPPP by financing the pre-feasibility study and the bidding process, including bidding documents and selection criteria, related to the construction and operation of the sewage treatment plant. Loan implementation has taken into consideration the resulting design and construction recommendations as well as the proposed mitigating actions in the EIA.



Sustainable Development Program in Bocas del Toro

The Province of Bocas del Toro in Panama boasts great economic and productive potential. Nevertheless, it faces problems associated with disorderly growth, inadequate natural resource management, lack of urban development planning, scarcity of basic services and infrastructure, weak management capacities, and limited community participation.

Given its high level of poverty and social exclusion, the Government of Panama identified Bocas del Toro as a priority area for investment. In late 2002 the Bank approved a US\$15.2 million multi-phase investment program for the sustainable development of the province. The program aims to strengthen governance and management capacities at all levels, promote alternative economic and productive activities, and address local needs for basic services and infrastructure. The Japan Special Fund provided a US\$450,000 grant in 2001 to design and prepare the loan program.

The studies reviewed the level of community participation in the region's decision-making process, identified major development problems, and, after broad outreach to stakeholders, formulated a general strategy and action plan. The project also provided a baseline socio-economic, productive, environmental and infrastructure assessment based on field visits,



surveys, workshops, and meetings, and supported operational guidelines for implementation. The result: a consensus-based vision for the design and execution of a participatory, community-owned sustainable development program.

The multi-phase loan program finances priority solutions from the strategy and action plan, and creates synergies with operations financed by other development institutions. The first phase of the program focuses on strengthening management capacities at all levels and finance projects selected by the communities involved. Phase 2 provides for large investment projects over a five-year period and within a strengthened institutional framework, applying lessons learned from the first phase. The program gives opportunity to representatives of the Changuinola, Chiriquí and Bocas Islands districts to establish local and provincial committees to ensure direct decision-making and participation in the region's sustainable development process.

Launched in 2003, the program is a high priority for the Panamanian government and builds upon previous Bank experience in the country's Darién region. It holds potential to generate highly positive direct and indirect benefits for the communities, such as increases in income and employment levels and improved social service delivery.

Certification for Sustainable Forest Management

Nearly half of Honduras' territory is covered by forests, and forestry resources are vital to the economic, social and environmental development of the country. The rapid rate of deforestation over the last 30 years is a constant concern to Hondurans— one of the most serious environmental problems for the country. Related soil erosion and climate change have created new economic and productivity challenges for the rural poor in the country.

Effective and sustainable management of forests poses an alternative to this deterioration. In this context, the Swedish Trust Fund for Consulting Services provided US\$150,000 in 2001 to counteract the effects of deforestation through forest certification, a tool to verify wise sustainable forest management and the promotion of certified or “green-labeled” forest products in national and international markets. The project strengthened the technical capacity of the National School of Forest Sciences — ESNACIFOR (Escuela Nacional de Ciencias Forestales) so it could serve as a national and regional training center in forestry certification.

The project brought about a series of important results. ESNACIFOR staff members participated in training sessions on forest certification. Modules included discussions on standards, chains of custody, and risks and benefits of certification. With trained staff in place, courses on forest certification were officially introduced to the school's curriculum. ESNACIFOR joined Swedish consultants to produce a set of standards for certification. The guidelines were discussed with key stakeholders at the national level, in an effort to define the parameters for forest certification in Honduras. In addition, a study of the potential markets for Honduran certified forest products revealed that even though Latin America has more certified forests than Asia or Africa combined, certified products have not easily entered international markets. The study proposed the creation of a producers network to support national and international marketing strategies.

The Bank's PRO-BOSQUE Forestry Program, as well as a program on natural resource management in priority basins, benefit from these very targeted and small-scale interventions. Trust fund resources and the presence of Swedish expertise were critical factors to the project's success. Sweden has a high level of expertise and leadership in the area of Forest Certification, and is the first country to have its national standards certified by an independent organization, the Forest Stewardship Council (FSC). Since 1993, the FSC promotes an active campaign for the forest-producing countries to define and adopt certification based on principles, criteria and indicators for sustainable forest management.



Photo by Anders Brus

Modernization of the State

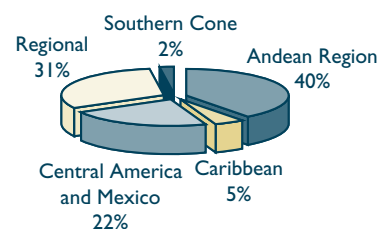
The Bank strategy to support State reform and the consolidation of democratic governance notes that “sustainable and equitable development requires a democratic, modern and efficient state that promotes economic growth, providing a regulatory framework that is conducive to the functioning of markets; guarantees a stable and reliable macroeconomic environment, legal predictability and political security; is capable of adopting appropriate economic and social policies for poverty reduction and environmental protection; and that implements these policies in an efficient, transparent and responsible manner.”

Trust funds provide financing to strengthen civil society participation in development programs, strengthen and modernize public sector institutions, and support decentralization and local development efforts, among others. For example, a Swedish fund focused on governance and civil society participation provided untied financial resources for the Bank to develop its *Strategy for Promoting Citizen Participation in Bank activities*, which before approval in 2004 underwent an extensive consultation and review process. Another example of trust fund financing in this sector is the *Municipal Development and Decentralization Program in Panama*. The Spanish Fund for Consultants enabled the contracting of Spanish expertise to

support the preparation of a US\$7.8 million loan program with an assessment of decentralization to municipal governments, identification of key areas for support and a plan of action.

The Bank lending portfolio has increased the available financial and technical resources gradually for programs to strengthen democratic institutions, rule of law, public management and related governance areas. The activity of trust funds in the sector has grown as well, and represents approximately 11 percent of total trust fund activity between 1992 and 2003, for a total of US\$31.7 million.

Project Financing, 1992–2003
TC Projects in Modernization of the State/Total: 207/1628
Financing: US\$31.7 million or 11% of TF allocations
Average Project Financing: US\$153,138



Source: IDB Data Warehouse

Support for a Bank Strategy on Participation



The Bank recognizes the need to enhance stakeholder participation in the preparation, implementation, monitoring, and evaluation of Bank operations. The active involvement of civil society enhances sustainability of development programs at the same time it contributes to the democratization process. The Bank gives high priority to initiatives that support the consolidation of democratic processes in Latin America; a strong representative system of governance is better able to design strategies that respond to the needs of the population, particularly of those traditionally excluded and marginalized.

The Swedish Technical Cooperation Fund for Governance, State Reform and Civil Society supported the process to draft and consult the *Strategy for Promoting Citizen Participation in Bank Activities*. The Bank joined regional stakeholders from the Dominican Republic, Peru, Colombia, Chile, Honduras, Argentina, El Salvador, Uruguay, Guatemala, Jamaica, and Mexico to prepare a Bank strategy which establishes general guidelines and criteria and specifies spheres of action in which the Bank can expand, strengthen, and systematize citizen participation in its activities.

Approved in May 2004, the Strategy calls on the Bank to encourage observance of some following principles of public participation: *inclusiveness, pluralism, timeliness, transparency, efficiency and cultural sensitivity*. The strategy also defines spheres of participation, successful instruments, operational and monitoring considerations, and proposes an action plan for implementation. The Bank is currently designing a toolkit to train Bank operational staff on participation methodology over the full project cycle. The Bank's internet website http://www.iadb.org/exr/pic/pdf/citizenpart_eng.pdf provides further information on consultation of Bank sector strategies, as well as on other instruments to promote citizen participation.

Decentralization and Municipal Development in Panama



Panama is divided politically and administratively into 75 municipal districts and 588 corregimientos or resettled indigenous communities. The country's municipal development issues are too complex to be resolved without simultaneous intervention locally and in the national public policy domain. Panama is meeting its challenge to decentralize through efforts to promote the modernization of municipal governments and the adoption and implementation of a National Local Development and Decentralization Policy. The Bank provides a US\$7.8 million loan, approved in late 2003, and non-reimbursable technical assistance from trust funds for loan preparation and start-up phases.

During the loan program's preparation in 2001, the Spanish ICEX Fund for Consultants contributed €175,000 for technical assistance, mainly an assessment of decentralization to municipal governments and identification of key areas to support the process; and, a proposed plan of action which is discussed with the country's officials and receives their full support. These activities helped

the country develop its national strategy after analyzing different administrative and legal options, and their fiscal impact. Bank technical assistance provided policy-makers and operators with a diagnosis of municipal management capacity and helped formulate municipal actions plans in a pilot group of municipalities. These efforts were key to raise awareness and to introduce and debate essential aspects of decentralization and local development among a broader, more inclusive set of stakeholders. They were also key to underline that municipal development processes have a distinct context and pace, and need not be interrupted by changes in the country's central government.

Additional US\$100,000 from the CABILICA Fund finances technical assistance in parallel to loan execution. Some areas of activity include: creation of institutional conditions for policy implementation; start-up and update workshops; establishment of a municipal capacity baseline and development of a system to evaluate program impact; and, preparation of final designs of municipal action plans in eight selected municipalities.

The Bank's strategy document on Modernization of the State recognizes the need to bring representation closer to the citizens and the communities to which they belong. In the case of Panama, technical and financial resources are invested in a two-pronged approach which tackles policy needs and local capacity needs simultaneously. More efficient and transparent governments, central and local governments alike, are essential to achieve the objectives of sustainable and equitable development.

3. *IDB Trust Funds for Technical Cooperation*

IDB Trust Funds for Technical Cooperation

Fund	Source	Fund Contributions in US\$ million FY 1992-2003
Austria Hurricane Mitch Disaster Assistance and Reconstruction Trust Fund	Ministry of Finance	4.12
Austrian Technical Cooperation Trust Fund		0.60
Belgian Trust Fund for Consultants	Directorate General for International Cooperation	3.10
Canadian Technical Assistance Program, (Cantap 1, 2 and 3)	Canadian International Development Agency	12.76
Capacity Building Fund for Local Institutions in Central America (CABILICA)	UK Department for International Development	3.10
Danish Consultants Trust Fund/Danish Consulting Services Trust Fund	Royal Ministry of Foreign Affairs	9.59
DFID-IDB Enlace in Central America	UK Department for International Development	n/a
EEC Special Fund for Technical Consultancy Services/ Special Fund for European Technical Assistance in Latin America	European Commission	4.19
Finnish Technical Cooperation Trust Fund for Consulting Services/ Finnish Technical Assistance Program	Ministry of Foreign Affairs	2.02
French Technical Cooperation Fund for Consulting Services and Training Activities	Ministry of Economy and Finance, Ministry of Foreign Affairs	18.89
Indigenous Fund		
Human Resources		
French/IDB Partnership Contribution for the Caribbean		
Hemispheric Sustainable Energy Trust Fund	U.S. Department of Energy	1.25
IDB-Canada Trade Fund	Canadian International Development Agency	4.74
IDB-Netherlands Water Partnership Program	Ministry of Foreign Affairs	2.72
Israeli Consultant Trust Fund	Bank of Israel	0.68
Italian Consulting Firms and Specialized Institutions Trust Fund	Ministry of Foreign Affairs	11.01
Italian Individual Consultant Trust Fund		4.85
Italian Special Trust Fund for the Sustainable Development of the Republic of Argentina		0.54
Italian Trust Fund for Cultural Heritage and Sustainable Development		n/a
Italian Trust Fund for Information and Communication Technology for Development	Ministry for Innovation and Technologies	3.50
Italian Trust Fund for MIF Project Preparation	Ministry of Economy and Finance	2.47
Japan Special Fund	Ministry of Finance	106.34
Japanese Trust Fund for Consultancy Services		28.66

Fund	Source	Fund Contributions in US\$ million FY 1992-2003
Korean Trust Fund for Technical Cooperation (Central America)	Government of Korea	0.82
Korean Trust Fund for Technical Cooperation to the Republic of Colombia		0.61
Norwegian Fund for Innovation in Social Programs	Ministry of Foreign Affairs	5.63
Norwegian Fund for Microenterprise Development		1.61
Norwegian Fund for Women in Development		7.35
Norwegian Technical Cooperation Trust Fund for Consulting Services	Norwegian Agency for Development Cooperation	7.75
Portuguese Technical Cooperation Fund	Ministry of Finance	2.56
Sida/IDB Partnership Program in Central America	Swedish International Development Cooperation Agency	2.29
Social Entrepreneurship Program		
Italian Trust Fund for Microenterprise Development	Italian Ministry of Foreign Affairs	5.78
Norwegian Development Fund for Latin America	Ministry of Development Cooperation	2.00
Swedish TF for Financing the Small Projects/for the Financing of Micro & Small Enterprise Activities in Bolivia	Swedish International Development Cooperation Agency	3.88
Special Fund for the Financing of Small Productive Projects	European Commission	15.12
Special Fund for the Financing of Microenterprise	European Commission	16.79
Social Inclusion Trust Fund	Norwegian Ministry of Foreign Affairs, UK Department for International Development	1.42
Spanish General Cooperation Fund, FGCE	Ministry of Economy	44.06
Spanish Fund for Consulting Services, ICEX	Spanish Institute for International Trade, ICEX	13.99
Swedish Trust Fund for Domestic Violence	Swedish International Development Cooperation Agency	0.20
Swedish Technical Cooperation Fund for Governance, State Reform and Civil Society		1.12
Swedish Trust Fund for Consulting Services		14.31
Swiss Technical Cooperation Trust Fund for Consulting Services and Training Activities	State Secretariat for Economic Affairs	5.14
The Netherlands-IDB Partnership Program in the Environment	Ministry of Foreign Affairs	5.00
United Kingdom Technical Cooperation Trust Fund for Consulting Services	Department for Trade and Industry	0.77
USTDA Evergreen Fund for Technical Assistance	U.S. Trade and Development Agency	5.53

Austrian Hurricane Mitch Disaster Assistance and Reconstruction Trust Fund

In the aftermath of Hurricane Mitch, the Austrian Ministry of Finance joined international support for reconstruction in Central America through the creation of the Austrian Hurricane Mitch Disaster Assistance and Reconstruction Trust Fund. This US\$4.1 million fund supports the alleviation of poverty and equitable social and economic development in Honduras and Nicaragua in the post-Mitch context. The fund supports priority activities identified by the Bank-led Consultative Group for Reconstruction and Transformation in Central America, based on principles of social and ecological vulnerability, good governance, decentralization, civil society participation, and human rights. For more information, visit: http://www.iadb.org/regions/re2/consultative_group/default.htm

SUPPORT MECHANISMS: CO-FINANCING AND TECHNICAL COOPERATION GRANTS

The Fund supports operations through co-financing arrangements and technical assistance grants. At least 60 percent of funding co-finances investment components of infrastructure projects, while the remaining funds may be used for operations in the social sector. Up to 10 percent of the contribution in each country can be used for design and development of co-financed operations.

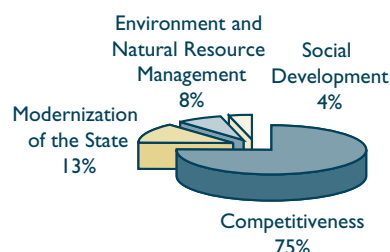
Since its creation in 1999, the fund has financed operations for US\$3.85 million. The larger portion of the contribution co-financed Bank lending operations, among them: US\$0.5 million to the Transparency in Government Procurement Program in Nicaragua, US\$1.0 million for the reconstruction of bridges as complementary to the Emergency Roads Program in Honduras, and

US\$ 1 million to support the indigenous and afro-descendent communities in Honduras. On this last program, see the project summary *Ethno-engineering and Infrastructure in Honduras*, (see p. 17).

YOUTH PROGRAM

The fund earmarked a grant of US\$150,000 to support initiatives of Central American youth to develop and implement community-targeted projects and services. Funds provide seed capital to expand community services and economic development programs, and support effective and innovative programs to provide youth with leadership and entrepreneurial skills. In partnership with the Consejo de la Juventud de Nicaragua and the Asociación de Organismos no Gubernamentales in Honduras, seven sub-grantees are executing projects on a variety of topics: environmental education, at-risk youth, volunteerism, and community development initiatives, among others.

Project Financing, 1992–2003
TC Projects: 7
Total Financing: US\$3,850,000
By Program Area



Austrian Technical Cooperation Trust Fund

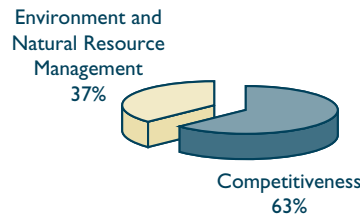
The Austrian Federal Ministry of Finance established in 1992 the Austrian Technical Cooperation Trust Fund to intensify development cooperation with the Bank, and enhance development efforts in Latin America and the Caribbean. A separate Austrian Trust Fund, lodged at the Inter-American Investment Corporation (IIC), has made available US\$500,000 for pre-feasibility and feasibility studies, pilot projects, rehabilitation of existing projects, and technology transfer related to IIC and Multilateral Investment Fund (MIF) activities.

The IDB Fund's endowment of US\$1 million may be used as grants, usually no larger than US\$50,000 per project, to defray the costs of Austrian consulting services. Eligible activities for funding include studies for the preparation, execution, and supervision of Bank projects and training programs for representatives from the public and private sectors of Bank borrowing member countries.

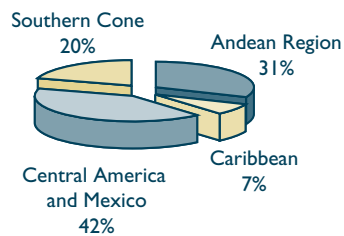
While all Bank priority sectors are eligible for Fund financing, special preference is given to areas of recognized Austrian expertise, such as rural development, decentralization, education and training, water supply and sanitation, energy, enterprise development, and transport. The Fund's current portfolio supports projects in the areas of environment, infrastructure and the productive sectors for a total of more than US\$0.56 million. In response to Austrian development priorities, projects in the Central American and Andean regions have been the main beneficiaries of grant funds.

Project Financing, 1992–2003
TC Projects: 11
Total Financing: US\$542,080

By Program Area



By Region



Belgian Trust Fund for Consultants

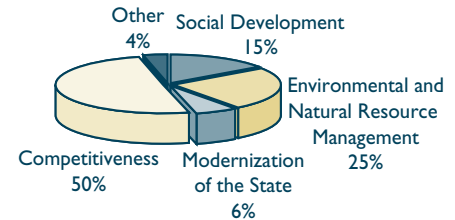
In 1991, the Bank and Belgium's Ministry of Foreign Affairs established the Belgian Trust Fund for Consultants with a US\$3.1 million contribution to promote Belgian expertise exchange in support of Bank operations. In recent years, the Fund has evolved in response to Belgium's 1999 Law for Development Cooperation, which provides a framework for Belgian overseas development assistance to focus on 25 countries worldwide, including Peru, Bolivia and Ecuador in the region.

The Fund finances consulting services in the following priority sectors: metal industry and engineering, energy, public works, transport and communications, social sector investments, and university and business cooperation. Preference is given to projects that respond to the beneficiary country's economic policy framework, those focused on strengthening managerial and organizational needs, and projects in the productive sector or linked to private sector development.

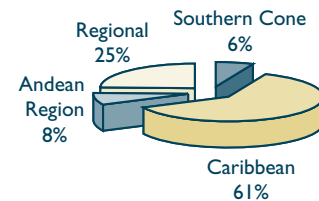
The largest allocation of fund resources is to competitiveness enhancing projects (36%), followed by allocations to environmental management (25%) projects. The Fund has made significant contributions to potable water and sanitation projects, and financed productive sector activities via small and medium enterprise development initiatives. Between 1995 and 1998, the Fund provided key technical assistance to Haiti's reconstruction process, while in later years, the Fund has prioritized funding to Andean countries. By 2003, the Fund had provided US\$2.38 million in resources for 24 technical cooperation projects.

Project Financing, 1992–2003
TC Projects: 24
Total Financing: US\$2,376,166

By Program Area



By Region



Canadian Technical Assistance Program

The purpose of the Canadian International Development Agency's (CIDA) cooperation via the Trust Fund is to support the Bank's policies and lending activities for the reduction of poverty and inequality in the region. The goals of CIDA's current *Sustainable Development Strategy* are focused on poverty reduction and equity, democratic development, and increasing the effectiveness of results-based management practices. Over the years, Canada's development cooperation program in the region has evolved from a donor-recipient relationship to a partnership approach.

CIDA has channeled non-reimbursable financing of nearly US\$13 million through three generations of trust funds at the Bank: CANTAP I/II from 1974 to 2001, and since 2001 through CANTAP III. Allocation of CANTAP trust funds give priority to the poorer countries in the region. The initial phases of the technical assistance program financed operations in all stages of the Bank project cycle in areas of shared CIDA and Bank priority: basic human

needs, women in development, infrastructure, good governance, private sector development, and environment. Special contributions to the Trust Fund have supported, among other things, Canadian expertise to the Bank's Inter-American Institute for Social Development (INDES), operational support to indigenous peoples' development programs, and a seminar on persons with disabilities. In response to the havoc wreaked by hurricane Mitch in Central America in late 1998, CIDA contributed nearly US\$1.4 million to support basic and social infrastructure, sanitation, education, and disaster prevention to benefit the most needy populations.

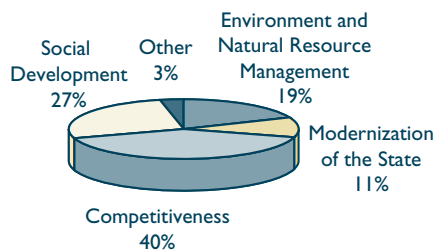
In 1999, CIDA carried out a performance review of Canadian trust funds at international financial institutions. The evaluation provided input on direction, scope, and management issues for CIDA trust funds, an assessment of outputs and results, and recommendations for the establishment of a new trust fund with revised focus and mandate.

The CANTAP III was established in 2001 to contribute to the reduction of poverty and inequality, and further, to promote civil society participation and gender equity in all its operations. The fund places greater emphasis on results-based program management, and on efficient monitoring, evaluation and feedback tools.

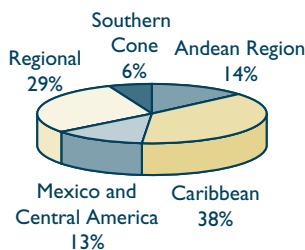
CANTAP III funding is available for primary health care, basic education, governance, environment, gender equality, and micro, small and medium enterprise development. A portion of CANTAP III funds are earmarked for projects supporting indigenous peoples development, particularly projects that promote exchanges with aboriginal peoples in Canada. Over the reporting period, 62 percent of operations approved with CANTAP resources were allocated to social development projects. Support for initiatives in such areas as occupational safety and health (p.23) and indigenous peoples development (p.17) have enabled the Bank to take action in non-traditional program areas.

Project Financing, 1992–2003
TC Projects: 116
Total Financing: US\$11,586,887

By Program Area



By Region



Capacity Building Fund for Local Institutions in Central America—CABILICA

The CABILICA Fund was established in 1999 by the United Kingdom's Department for International Development (DFID), with a contribution of US\$3.2 million. The Fund's objective is to create and strengthen the management capacity of local institutions in Central America, thus enhancing their participation in the design, execution, monitoring and evaluation of Bank loans. The direct beneficiaries are local government institutions such as municipal councils, civil society organizations and associations, and capacity-building service providers.

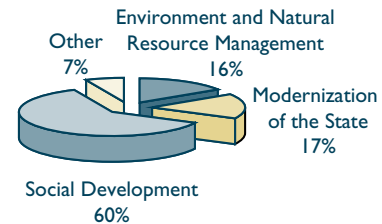
The CABILICA Fund supports capacity building efforts at three levels: human resource development, institutional organizational capacity, and institutional framework strengthening. Eligible activities for funding under CABILICA include: (i) project design, (ii) participatory planning, (iii) institutional and stakeholder analysis, (iv) associative capacity, and (v) monitoring, evaluation, and social auditing. CABILICA's innovative approach, based on principles of local ownership, partnership and recipient responsibility, is highly responsive to the Bank's regional strategies and to the 8th Replenishment's focus on poverty reduction and social equity. More specifically, CABILICA funds support programs designed to strengthen local and municipal governments and civil society organizations, two core developmental objectives for Central America.

A high level of acceptance from beneficiary organizations and direct beneficiaries has enhanced project effectiveness and sustainability. Examples of technical cooperation projects include a pilot to strengthen HIV/AIDS management in the Garifuna population of Honduras (see p. 27), a pilot for effective transmission of municipal development plans to new municipal authorities in Nicaragua, and a series of training courses on procurement targeted at municipal officials in El Salvador.

In mid-2001, a mid-term output-to-purpose review assessed the degree to which the Fund had progressed and generated relevant outcomes. The review identified several accomplishments, including increasing awareness and understanding among

Project Financing, 1999–2003
TC Projects: 27
Total Financing: US\$3,038,243

By Program Area



Bank operational divisions and country offices of the purpose and thematic focus of the CABILICA Fund. The review highlighted the Fund as pivotal in developing Bank knowledge of institutional strengthening and local capacity building. As a result of CABILICA-funded activities, Bank specialists have increased their understanding and expertise on capacity building tools and applied them to enhance program design and implementation. At a local level, the fund has provided technical assistance to local and national organizations as they maximize impact of multilateral assistance programs.

An operations-based Technical Committee and Fund Coordinator manage strategic and day-to-day fund activities, including project approvals, and consult with DFID representatives to oversee the fund. This process assures quality control, operational viability, and full coordination with the Region's loan portfolio.

One of the key practices promoted by the CABILICA Fund is the close follow up and monitoring of its projects, and the dissemination of lessons learned. In sharing these experiences, the fund contributes to the debate around best practices and methodologies that may improve Bank work with local actors. A report on the CABILICA Fund's lessons from its 5-year execution will be presented in late 2004. See <http://www.iadb.org/regions/re2/cabilica>.

Danish Consultants Trust Fund

The Royal Danish Ministry of Foreign Affairs established the Danish Consultants Trust Fund in 1994 and renewed its commitment in 2003 through the Danish Trust Fund for Consulting Services in 2003 as part of the country's active cooperation with multilateral institutions. The funds respond to Denmark's cooperation strategy which focuses on poverty alleviation through sustainable growth and the development of grassroots participation, and support initiatives in a wide array of Bank programs. Funding is restricted for countries with GNP per capita under US\$2,500.

With an endowment of nearly US\$10 million, the Danish Consultants Trust Fund aimed to facilitate project preparation for beneficiary countries; strengthen the planning capacity of international organizations; foster cooperation between Denmark and the Bank; support local consultancy firms; and, promote the expertise of Danish consulting firms in the developing world. Funding was concentrated in the competitiveness-related projects (54%), given Danish expertise in areas such as transport and urban development. Important initiatives in these areas include a road safety program in Bolivia in preparation of a country loan and strategy in this sector; regional guidelines for urban transport bus systems, and several road safety analyses and audits in Peru. Since the Bank's 8th replenishment of 1994, and to support activities in line with the donor's general interest in poverty alleviation, there was a significant increase in the level of resources allocated for social sector projects.

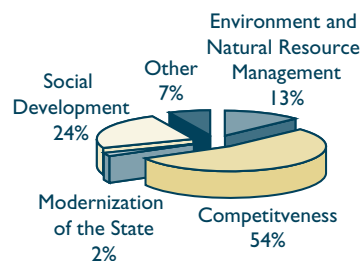
The Danish Fund increased its level of support to the Central America region in response to post-Hurricane Mitch demand for non-reimbursable financing. Important regional initiatives included

a study on innovative financial instruments for disaster risk management, and a technical workshop on gender and natural disasters.

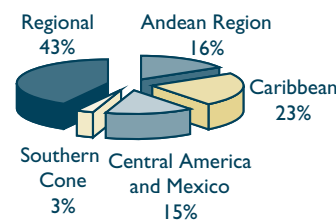
In 2002, the government of Denmark reviewed the performance and impact of Danish consultancy trust funds at multilateral development banks and UN organizations. The review provided input for the 2003-2006 renewed Danish Trust Fund for Consulting Services with US\$2.6 million in contributions.

Project Financing, 1994–2003
 TC Projects: 65
 Total Financing: US\$9,576,315

By Program Area



By Region



DFID-IDB Enlace in Central America

Even during the relatively favorable economic context of the 1990s for the region, no country in Latin America was able to reduce significantly its inequality gap. Today, half of the region's population lives in persistent poverty, and inequality is worse than in any other region in the world. The social exclusion of the poor is a key factor sustaining inequality.

Joined by the shared goals to reduce poverty and inequality in the region, the UK Department for International Development (DFID) and the Bank have developed a productive working partnership over the last few years. In 1999, DFID and the Bank established the Capacity Building Fund for Local Institutions in Central America (CABILICA) (see p. 44). More recently, dialogue on social exclusion in the region has led to the establishment of the DFID-IDB Enlace Trust Fund. Both funds signal a new form of partnership which enables the Bank to access the global skills and expertise from DFID, and DFID to gain insights and benefit from the in-depth regional knowledge and experience of the Bank.

DFID-IDB Enlace provides an initial £900,000 (around US\$1.5 million) to promote the full participation of socially-excluded groups and their representative organizations in development plans, programs and projects aimed at benefiting

traditionally marginalized people. Fund resources finance technical cooperation activities linked to the implementation of sustainable, effective and participatory poverty reduction strategies, in particular in Nicaragua, Honduras, Guatemala and El Salvador.

The focus is on activities which support the design, implementation and evaluation of IDB-financed operations. These may include designing participatory monitoring and evaluation systems, stakeholder analysis, and capacity building to help beneficiaries play an active role in projects. In addition, DFID-IDB Enlace may support national discussions on social inclusion and exclusion based on race, ethnicity, gender or disability with the aim to help generate and promote an exchange of lessons learned on social inclusion.

The Bank's Region 2 Operational Department, which manages operations in Central America, manages day-to-day fund operations and the project cycle. A DFID-funded professional in the department advises on social inclusion matters in Bank operations for the region and acts as a liaison with the Bank's Sustainable Development Department (SDS). DFID-IDB Enlace provides an additional £200,000 to the multi-donor Social Inclusion Trust Fund (see p.68).

European Technical Cooperation Program

Since 1991, the European Community —now the European Union— has contributed to the region's development strategies through two technical cooperation funds: the European Economic Community (EEC) Special Fund for Technical Consultancy Services and the Special Fund for European Technical Assistance in Latin America. The European Union's priorities in the region include reduction of inequality, strengthening of civil society, and the consolidation of democratic governance and institutions.

The EEC Fund was established in 1991 to support an exchange of expertise between Europe and Latin America that would enhance Bank technical capacity for development investment programs. The fund also proposed to strengthen ties between Latin America and Europe by encouraging both medium- and long-term joint program initiatives.

The fund's US\$2 million were allocated preferentially to sectors of specialized European expertise. For instance, financing went to multisectoral activities, credit programs, and initiatives for institutional strengthening in the context of MERCOSUR. Other uses of the fund included projects and studies in environment, energy, public administration, regional integration and social development. While making financing available to all Bank member countries, the EEC fund placed particular emphasis on the poorer countries in the region. By 1996, at fund closure, the EEC Fund had depleted its resources after financing 19 technical cooperation projects.

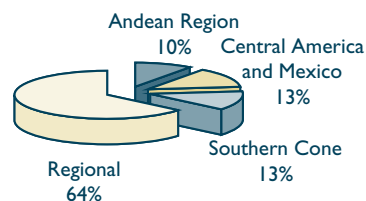
The successor Special Fund for European Technical Assistance in Latin America, established in 1997 with an additional US\$2.1 million, continued the EEC Fund's line of support. While the Fund was closed for new operations in June 2002, operations continue through 2005. The Fund provides technical

assistance to strengthen borrowing member governments through the transfer of strategic knowledge in the context of Bank loan programs.

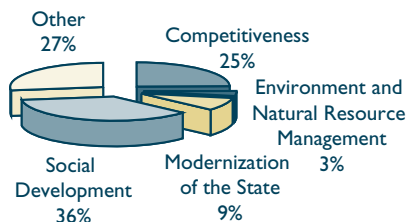
Important initiatives financed by the fund include: a study on the impact of land titling projects on indigenous communities, the electronic compilation of legislation on indigenous peoples issues, and support to the Bank's units on women in development and micro-enterprise promotion to foster credit programs for women entrepreneurs. In addition, the fund targeted financing for disadvantaged groups such as youth and, in particular, indigenous peoples.

Project Financing, 1992–2002
TC Projects: 54
Total Financing: US\$5,584,067

By Region



By Program Area



Finnish Technical Cooperation Trust Fund for Consulting Services

The Finnish Ministry of Foreign Affairs established the Finnish Technical Cooperation Trust Fund for Consulting Services in 1997 with a US\$2 million grant. The Fund responds to Finland's multilateral cooperation policy which calls for support to development financing institutions to strengthen their contributions to economic and social progress. In December 2003, Finland and the Bank agreed to establish the new Finnish Technical Assistance Program which provides €1.01 million in untied grant resources to assist the poorest Bank borrowing member countries.

Finnish contributions finance technical assistance for projects and activities in areas such as social and economic inclusion, the disabled, good governance, environmental protection, forestry, energy and

information and communication technologies, among others. Eligible activities include project preparation and implementation tasks, training services, and support to IDB country offices.

Finland's development cooperation policy promotes gender equality and human rights as a cornerstone of cooperation. The concern for the social and economic costs of domestic violence more than US\$500,000 this program area. Projects include a Technical Umbrella on Domestic Violence, in cooperation with the Norwegian Fund for Women in Development, the Fund for Special Operations, and the Swedish Fund for the Prevention of Domestic Violence. (See p. 24).

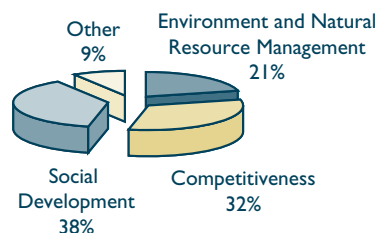
Finnish technical assistance resources are earmarked for middle- and lower-income countries of the region, with an emphasis on the poorest countries. As of December 2003, the former Fund for consulting services had approved 80 percent of funding for regional or multi-national projects, primarily in Central America. The larger portion—38 percent—of the trust fund was invested in the social sectors.

In 2001, the Ministry of Foreign Affairs carried out an evaluation of Finnish Trust Funds at international financial institutions, including the Bank, to analyze Fund resource allocation between 1995 and 1999, and the extent to which the Fund's portfolio met development objectives. The evaluation was key in determining the Fund's scope and programmatic focus, as well as providing input on monitoring and administration issues.

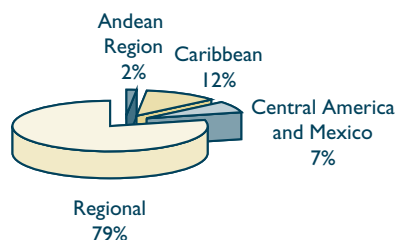
Stemming from the positive contributions of the trust fund, the Bank and the Government of Finland established a Framework Agreement in December 2003, to foster economic and social development in Latin America and the Caribbean. The cooperation framework agreement facilitates institutional collaboration by defining financial instruments as well as shared sectoral and geographic priorities.

Project Financing, 1997–2003
 TC Projects: 22
 Total Financing: US\$2,157,059

By Program Area



By Region



French Technical Cooperation Program

The government of France supports the Bank's Technical Cooperation Program since 1995 with more than US\$15 million in contributions. The French Trust Fund has three financing windows: general consulting services, indigenous peoples development (financed by the Ministry of Economy, Finance and Industry); and human resources and training (financed by the Ministry of Foreign Affairs). The in-kind fund is sponsored by the Ministry of Equipment, Transport and Tourism to facilitate exchange of expertise, training programs, and technical seminars on transport, urban development, construction and tourism.

Established in 1997, the consulting services Fund supports development in Latin America and the Caribbean while promoting French expertise in the region. It facilitates technical assistance to IDB member countries by financing investment programs, project evaluations, execution, and training, among other activities. Fund resources are, at minimum, 75 percent tied to French consultants. The Fund finances activities in nearly all Bank borrowing member countries, in sectors of recognized French expertise and in accordance to Bank priorities and technical assistance needs. Special emphasis is given to innovative projects in areas such as e-government and public electronic bidding.

The Fund is based on the principles of French development cooperation policy of sustainable development, cultural diversity, and equitable access to resources. While maintaining a high degree of flexibility in its eligibility criteria, the Fund has allocated a large portion of its resources to projects in natural resource management, environmental protection and basic infrastructure. Some examples of projects financed by the French Fund include a US\$500,000 project to modernize the public transportation system in San José, Costa Rica; and, the development of social engineering methodology for projects in marginal communities in Honduras in preparation for an investment program. Through 2003, most grants funded projects in Southern Cone countries (35%).

In 1998, the Ministry of Economy, Finance and Industry, provided US\$2 million as a complementary contribution to the French Fund, exclusively in support of the *Fund for the Development of the Indigenous Peoples of Latin America and the Caribbean (Indigenous Peoples Fund)*. The Indigenous Peoples Fund was created in 1992 to support indigenous peoples development initiatives and facilitate dialogue between indigenous peoples and governments of the region. Eligible activities for funding include technical assistance, training, and information seminars for indigenous peoples

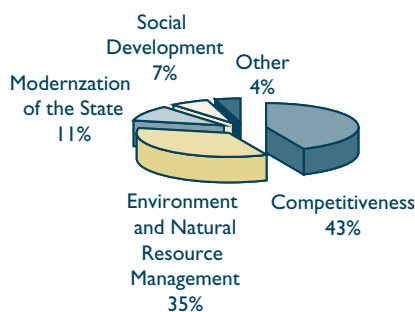
representatives. The Bank provides support to the Fund, its member organizations and its activities. Projects financed by the Indigenous Peoples Fund portfolio include: a training program for representatives of indigenous communities on constitutional reform and indigenous peoples' rights; the *Ticuna Education Project* which enhanced school quality for the largest indigenous group in Brazil (see p.26); technical assistance to rehabilitate traditional Aymara agricultural systems in Peru; and, support for reforestation in the indigenous territories of the Isiboro Secure National Park in Bolivia.

The French Trust Fund includes a special grant line from the Ministry of Foreign Affairs to finance technical cooperation and training projects in human resource development (education, training, health and institutional cooperation) and culture. Activities eligible for this special financing include identification studies, project evaluation, training, seminars, and technical assistance.

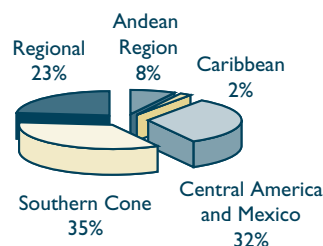
In 2001, the Ministry of Economy, Finance and Industry contributed US\$5.5 million to establish the French/IDB Partnership for the Caribbean. Special consideration is given to projects in the private sector sponsored by the Bank's Private Sector Department or by the Inter-American Investment Corporation.

Project Financing, 1997–2003
TC Projects: 81
Total Financing: US\$9,326,605

By Program Area



By Region



Hemispheric Sustainable Energy Trust Fund

The Bank is committed to foster the development of a sustainable energy market which can contribute to greater productivity, expand access to energy services for the poor, enhance environmental integrity, and mitigate the effects of greenhouse gases.

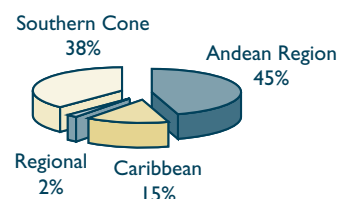
Currently, the US Department of Energy (DOE) has established the USDOE-Hemispheric Sustainable Energy Trust Fund (HSEF) under this framework, with a contribution of US\$1.25 million in untied grant funding. The Bank encourages pledges from other member countries to expand available resources and technical assistance and promote sustainable energy and transportation programs. The HSET Family of Funds provides financial and technical mechanisms to support this effort and a framework for donor countries to establish untied trust funds, or to earmark components of existing trust funds that support initiatives in three major program areas: energy efficiency, non-conventional renewable energy applications, and clean and efficient sustainable urban transportation.

The DOE has contributed to Bank operations in sustainable energy markets since 1997 through the predecessor USDOE Consultants Fund on Sustainable Energy Markets. Until closing in 2000, this fund disbursed more than US\$390,000 for technical assistance operations. The new DOE-

HSEF is committed to the transfer of sustainable energy technologies, support initiatives on climate change, and promotes the creation or strengthening of markets for private sector investment. The Fund lends priority to projects with potential to promote community-based sustainable energy development, increase access to underserved or remote areas, strengthen sustainable energy policy and reform in host countries, and attract future private investment. Eligible activities under the Fund include pre-feasibility and feasibility studies, market analysis, development of financing mechanisms, and project appraisal.

Project Financing, 2000–2003
TC Projects: 6
Total Financing: US\$662,100

By Region



The Bank plays a key role in the Free Trade Area of the Americas (FTAA) process through a significant portfolio of technical assistance activities and loan facilities for integration and trade-related projects. The Bank is a member of the FTAA's Tripartite Committee which is responsible for the management and administrative support of all FTAA bodies, including the Consultative Group for Small Economies.

In 2001, the Doha round of trade negotiations of the World Trade Organization (WTO) formalized the link between technical assistance and trade negotiations, resulting in a targeted program of trade-related technical assistance and capacity building, and the establishment of the Doha Development Agenda Global Trust Fund. The FTAA negotiations took a similar approach with the establishment of the Hemispheric Cooperation Program (HCP) at the Quito Ministerial Meeting in November 2002. Canada supports the WTO Doha Development Agenda and the FTAA HCP, and provides trade-related technical assistance and capacity building during trade negotiations to Central American countries. In November 2003, the Bank and the Canadian International Development Agency established the IDB-Canada Trade Fund with CAD6.25 million to enhance

the participation of developing countries in trade negotiations, particularly their ability to translate new opportunities from trade into poverty-reducing economic growth.

The Fund is endowed with grant resources to finance trade-related technical assistance and capacity building consistent with strategies and plans presented by countries to the FTAA Consultative Group on Smaller Economies. The Bank then identifies a series of suggested priorities in a country's *National Trade Capacity Building Strategy* and meets with stakeholders to prepare project proposals jointly. Given a large demand for technical assistance and the number of eligible beneficiary countries, individual projects are limited to US\$100,000. Technical staff at the Bank and at CIDA have planned for several rounds of proposal review to ensure a distribution of grant resources in response to the demand. Among the first projects of the IDB-Canada Trade fund are a project to improve the capacity of Ecuador's private sector to develop and articulate policy positions on key trade negotiating issues more effectively; and, an on-the-job training for the Caribbean Regional Negotiating Machinery to represent the diverse views of CARICOM member countries in the FTAA process.

IDB-Netherlands Water Partnership Program

The Bank's 8th replenishment mandate calls for the development and implementation of an integrated approach to water resources management as a necessary prerequisite to economic and social development. The 1998 *Strategy for Integrated Water Resources Management* focuses on how the Bank can incorporate elements of integrated water resources management in loan operations in order to shift the emphasis from a project-based approach aimed at increasing supply, to an integrated supply and demand approach. The strategy also calls for increased participation of civil society in decision-making related to water resources.

In this context, in 2002, the Bank and the Dutch Ministry of Foreign Affairs established the IDB-Netherlands Water Partnership Program (INWAP) to strengthen Bank work on integrated water resources management, improve technical capacity in the Bank's borrowing member countries, enhance coordinated efforts among donors, and mobilize additional resources. With an initial pledge of US\$10 million, the INWAP supports Bank operations and the implementation of the strategy through a technical cooperation fund, as well as through a training and capacity-building program.

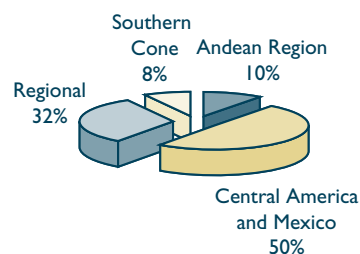
The trust fund finances policy analysis and strategy formulation and execution, as well as promotion of integrated water resource management methodology. Activities such as training workshops, seminars and courses financed by the INWAP may be targeted to Bank sector specialists and to professionals in IDB member countries.

To date, the Fund has supported projects on topics such as river basin management, subsidies and other economic instruments, irrigation, and potable water and sewage. Projects are intended to promote public awareness and understanding of the vital importance of sustainable use of water resources in the context of poverty alleviation and development.

Over the reporting period, the INWAP provided US\$1.35 million in resources for 12 technical cooperation projects, among them, the establishment of guidelines for the creation, operation, and maintenance of river basin management organizations in 18 countries in the region; and, a study of the financial, economic, environmental, and social feasibility of water consumer associations in the irrigation sector of Mexico.

Project Financing, 2002–2003
TC Projects: 12
Total Financing: US\$1,354,800

By Region



Israeli Consultant Trust Fund

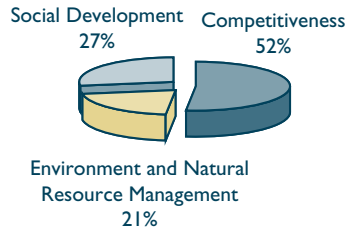
The Government of Israel, through the Department of International Relations of the Bank of Israel, established in 1992 the Israeli Consultant Trust Fund. Fund resources enhance the results of Bank initiatives by financing Israeli expertise and technical assistance in areas of particular Israeli comparative advantage.

The Fund gives preference to activities in financial sector development, industrial development, agriculture, environment, irrigation, health and education, infrastructure, telecommunications, computerized systems, energy and transport. 52 percent of fund resources were invested in projects to support competitiveness, such as an agribusiness plan for the Comayagua Valley and a program to support the technological modernization of the Argentine productive sector. While the Fund supports initiatives in all IDB member countries, Central America has been the largest recipient of Israeli technical assistance (31%).

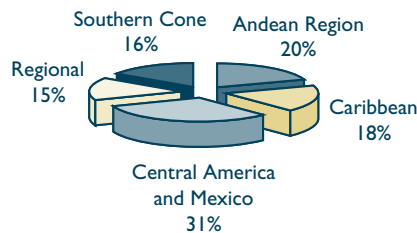
Israel's contribution to the Bank's technical cooperation program is also channeled through the International Cooperation Division (MASHAV) of the Ministry of Foreign Affairs of Israel. MASHAV established an in-kind fund to support training activities, technical seminars, and short-term consultancies through Israeli institutions with expertise in areas of technical relevance for Bank activities, such as agriculture, health, education, and rural development.

Project Financing, 1992–2003
TC Projects: 17
Total Financing: US\$445,990

By Program Area



By Region



Italian Technical Cooperation Program

The Italian government provides financing for technical assistance to bank borrowing member countries since 1992. A predecessor fund, the Italian Consultants Fund, operated between 1991 and 1997 and channeled technical assistance from the Instituto per la Reconstruzione Industriale (IRI) to the region. The fund financed studies, consulting services, high-level personnel training and seminars. IRI's cooperation and experience on industrial management contributed to the quality and sustainability of numerous initiatives, especially in the Andean Region.

Current Italian technical cooperation supports work in all Bank sectors through two general consulting services funds and four sector and country-specific funds. The latter were established more recently, in 2002 and 2003.

ITALIAN CONSULTING FIRMS AND SPECIALIZED INSTITUTIONS TRUST FUND

Italian development cooperation policy assigns primary importance to public/private partnerships and to the exchange of technical expertise. The Fund's US\$11 million finances technical assistance to IDB member countries while strengthening the commercial presence of specialized Italian firms in Latin America and the Caribbean. Fund resources are tied 50 percent to Italian national consulting services.

While the Fund has financed projects in all Bank sectors, allocations are greater for environment-related operations, infrastructure studies, and projects in water resource management. These include environmental impact assessments of a potable water and sanitation project in Colombia (see p.31) and a water supply program in Ecuador.

While financing was provided to large infrastructure projects in the fund's initial stages, fund resources have been allocated more recently to projects in the productive sector, especially those dealing with micro- and small-enterprise development. In response to Italy's more recent support for good governance as a requirement for economic and social development, Italian funds support innovative projects in areas such as citizen participation, municipal development, and public sector capacity building.

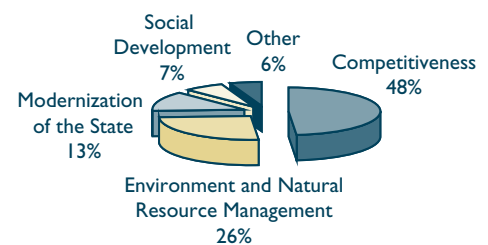
In terms of geographic priorities, the Fund grants a larger share of resources to the Southern Cone region due to historical ties and interests. However, significant funds are allocated to the Andean region and the Caribbean as well. In addition, more than US\$300,000 were destined to Central America in the post-Mitch period for such activities as dialogue among Central American countries to define an agenda for long-term development after Mitch, and damage assessments in Honduras.

ITALIAN INDIVIDUAL CONSULTANT TRUST FUND

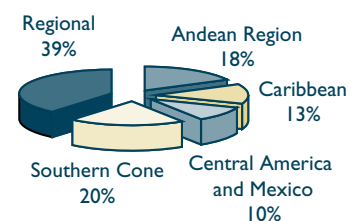
In 1992, the Ministry of Foreign Affairs created a US\$5 million trust fund to procure 100 percent Italian consulting services in support of Bank development projects. Over the last 10 years, Italian financing supported initiatives in all Bank priority sectors. In its early stages, most of the fund was allocated to infrastructure and environmental projects. However a significant increase in the number of social and productive sector projects occurred after the Bank's Eighth replenishment. In 1998, the Fund also increased financing for modernization of the state initiatives, and included

Individual Consultants/Consulting Firms Funds
Project Financing, 1992–2003
TC Projects: 121
Total Financing: US\$11,220,031

By Program Area



By Region



such projects as financial sector improvements in Peru, public investment coordination in Nicaragua, and a Public Private Partnership (PPP) scheme for the Brazilian government to facilitate and increase the flow of private capital to infrastructure projects.

ITALIAN TRUST FUND FOR CULTURAL HERITAGE AND SUSTAINABLE DEVELOPMENT

The Bank supports the preservation and promotion of cultural heritage as an instrument of development. A rich and accessible heritage is a strong incentive to develop an array of productive activities, which in turn generate employment and economic growth. Over the last three decades, the Bank has supported programs in archeological preservation, development of new economic activities, cultural tourism, environmental protection, infrastructure development and building restoration in historical urban centers throughout the region.

With its vast experience in preserving and developing its cultural heritage, Italy has collaborated with several Bank member countries in this area. In April 2002, the Italian Ministry of Foreign Relations and the Bank established the Italian Trust Fund for Cultural Heritage and Sustainable Development with €2.582 million to help preserve the cultural heritage of Latin America and the Caribbean. The resources will finance consulting services, technical cooperation, scholarships and training. The fund is due to initiate operations in 2004.

ITALIAN TRUST FUND FOR INFORMATION AND COMMUNICATION TECHNOLOGY FOR DEVELOPMENT

In early 2003, Italy's Ministry for Innovation and Technologies and the Bank established a €3 million trust fund to promote the use of information and communication technology in social development, poverty reduction and government transparency in Latin America and the Caribbean. The fund reflects the shared interest of the Italian government and the IDB in promoting good governance, efficiency and accountability in the public and private sectors and equitable and sustainable development in the region. It enables the Bank to strengthen its support to the region in the design and implementation of e-government applications which improve the efficiency and transparency of public administrations and expand the coverage of public services. Grants cover the costs of short- and medium-term technical assistance to prepare and carry-out ICT projects.

ITALIAN SPECIAL TRUST FUND FOR THE SUSTAINABLE DEVELOPMENT OF THE REPUBLIC OF ARGENTINA

In the wake of the Argentine crisis of 2001, the Italian Special Trust Fund for the Sustainable Development of the Republic of Argentina was established with €10 million in grants for technical assistance and for the preparation of studies in the field of environmental protection, urban recuperation, infrastructure and transportation, and poverty reduction. Eligible activities include consulting services for project identification and appraisal; start-up, feasibility and risk analysis; environmental impact assessment; and, final design of projects. This fund is managed by the Bank, while a second fund, targeted at small and medium-sized enterprises in Argentina, is managed by the Inter-American Investment Corporation.

Italian Trust Fund for MIF Project Preparation

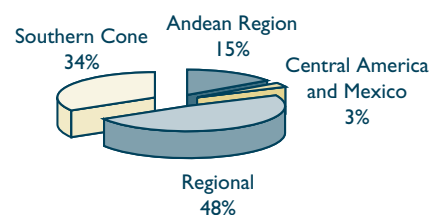
The Multilateral Investment Fund (MIF), established in 1993 to encourage the growing role of the private sector in Latin America and the Caribbean, is now the major source of technical assistance grants for private sector development in the region. In 2000, the Italian Ministry of Treasury, Budget and Economic Planning established a US\$2.9 million trust fund to support the preparation of MIF projects in areas such as regulatory framework strengthening, market consolidation, financial sector reform, human resource development, and micro- and small-enterprise market development.

The Italian Trust Fund for MIF Project Preparation finances technical feasibility studies, with an emphasis on the identification of innovative activities at MIF. Over the reporting period, Italian financing has supported 18 projects for nearly US\$1 million.

Fund highlights include a regional program to strengthen the productive chain and other integration mechanisms for small and medium enterprises, a diagnostic study of small enterprise development in Chile, and a program to analyze the potential development of urban production districts in Colombia. The technical assistance of Italian experts, and their cooperation with local counterparts, has proven a great asset to enhance MIF initiatives. Visit <http://www.iadb.org/mif>.

Project Financing, 2000–2003
TC Projects: 18
Total Financing: US\$983,000

By Region



Japan Special Fund

Japan provides overseas development assistance mainly through the Japan Bank for International Cooperation (JBIC), Japan International Cooperation Agency (JICA) and the Ministry of Foreign Affairs. While the first extends concessional loans, the latter two provide grants and technical assistance. Over the last few years, a decline in Japan's ODA budget and intensive discussions of reform to ODA policy have decreased availability of resources for the LAC region. At the IDB, notwithstanding, Japanese trust funds are an important source of technical cooperation financing.

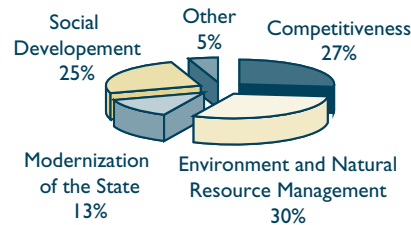
The Japan Special Fund (JSF) was established by the Ministry of Finance in 1988, and as such is the oldest existing trust fund at the Bank. Total contributions to date surpass US\$200 million to finance some of the most innovative, cutting-edge Bank initiatives in line with the Bank's 8th replenishment and its Institutional Strategy. This figure includes US\$29.7 million to fund the Japan Program which promotes knowledge exchange between Latin America, the Caribbean, and East Asia. The JSF and the Japanese Trust Fund for Consultancy Services, combined, contribute nearly 50 percent of total Bank trust fund resources.

The JSF is a fully non-reimbursable fund for the procurement of goods and services from Bank member countries. Over the 1992-2003 period, the JSF provided US\$122.3 million in non-reimbursable funds to support loan and investment programs through pilot projects, feasibility studies and other relevant assessments. All IDB borrowing member countries and all development sectors are eligible for JSF funding. Projects are carried-out by a governmental or non-governmental agency in the beneficiary country. The procurement flexibility offered by the JSF, along with the sheer amount of resources available, make the JSF a primary funding source for larger-scale technical assistance projects and for longer-term support.

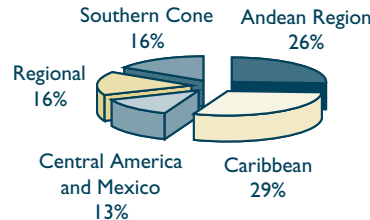
In its early stages, the larger portions of the JSF were allocated to infrastructure and environmental programs in response to Bank investment trends. At the same time, the JSF gave high priority to private sector development initiatives, particularly socio-environmental assessments of private infrastructure projects. The Bank's 8th Replenishment and Institutional Strategy influenced a shift towards financing the social and environment sectors. Currently, the JSF grants special emphasis to Bank

Project Financing, 1992–2003
TC Projects: 203
Total Financing: US\$122,335,222

By Program



By Region



priority projects which actively involve national and local institutions.

The initial portfolio of the JSF included high-impact, large-scale technical assistance projects such as the 1991, US\$4 million Social Emergency Technical Assistance project in Peru to strengthen the newly-established social investment fund. The Bank continued its involvement with the country's social emergency fund through three generations of loans between 1993 and 2002. The JSF also supported two key loans for sustainable development programs in the Darién and Bocas del Toro regions of Panama (see p.32), and an innovative regional initiative with Argentina, Chile, Peru and Uruguay to improve the quality of life for low-income senior citizens by strengthening their involvement in community organizations and national networks.

In 2001, the JSF established the Japan Poverty Reduction Program (JPO), a US\$30 million financing window over a five-year period, to support innovative poverty reduction initiatives, for instance an innovative project in Chile that promotes citizen security, and capacity-building programs for poverty reduction in Dominican Republic and Guatemala. See <http://www.iadb.org/jsfund>.

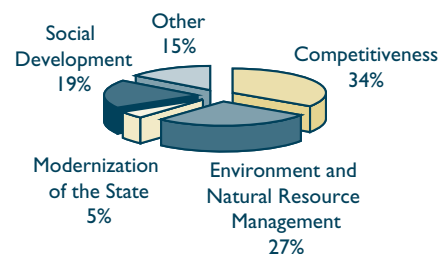
Japanese Trust Fund for Consultancy Services

The Japanese Trust Fund for Consultancy Services (JCF) was established at the Bank in 1995 with US\$28.65 million in contributions from the Japan Ministry of Finance. JCF's objective is to enable access to and procurement of Japanese expertise to support Bank strategic development programs in the region. Such programs address environmental conservation, infrastructure (transportation, energy and communications), health, business development and financial sector development. In particular, Japanese urban development expertise has been in high demand throughout the region. The JCF provides financing for IDB loan preparation activities, including pilot projects and feasibility studies, and activities which support IDB country and regional strategies.

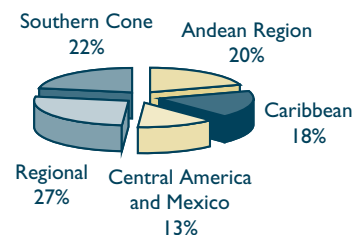
By December 2003, the JCF had provided US\$21.45 million in technical assistance to the region. Examples of JCF-financed initiatives include US\$700,000 provided in 1999 to support a sustainable public transit system in Cuenca, Ecuador. Technical advisory services were provided to the municipal government to strengthen its transit management and ensure the long-term sustainability of a publicly-regulated and privately-owned transit system. Technical cooperation projects in Brazil, Colombia and Peru have followed suit. The Education Connectivity Pilot Program in Uruguay, initiated in 2001 with nearly US\$750,000 in fund resources, is the country's first attempt to achieve connectivity in the education sector and involves active participation of local institutions. In 1998, the Bank allocated US\$1.24 million in JCF financing for adolescent reproductive health education in Bahamas (see p. 25).

Project Financing, 1995–2003
TC Projects: 104
Total Financing: US\$21,448,888

By Program Area



By Region



Korean Technical Cooperation Program

Korea is an active supporter of Latin America's strategic development goals. It participates in high-level consultative groups and ministerial meetings to promote dialogue, exchanges and cooperation between Korea and Latin America, and has established important bilateral relations with several countries in the region.

To date, Korea is the only Bank non-member country with an operating Trust Fund. In 2000, the Korean Ministry of Foreign Affairs and Trade established the Korean Technical Cooperation Trust Fund for Central America and the Korean Technical Cooperation Trust Fund for the Republic of Colombia.

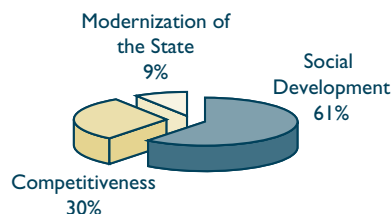
The Korean Trust Fund for Technical Cooperation (to Central America) funds technical cooperation programs in production, infrastructure and reform and modernization of the state, in particular those related to post-Hurricane Mitch emergency and reconstruction efforts. The Fund helps defray the costs of project identification and appraisal, environmental impact assessments, feasibility and final design of projects, sector studies, capacity building, institutional strengthening, and training. Fund resources may be used to procure goods and services from any Bank member country.

Examples of projects include: a study on the competitive transition for Central American coffee (see p. 21); a program to build local institutional capacity related to the reconstruction of indigenous communities affected by Mitch (see p. 17); a program to strengthen citizen security and reduce social violence in Honduras, and support for reconstruction efforts in El Salvador after the 2001 earthquakes. Over the reporting period, the fund provided slightly more than US\$500,000 in technical cooperation financing.

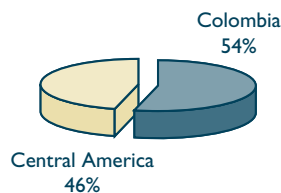
The Korean Trust Fund for Technical Cooperation to the Republic of Colombia has contributed US\$0.6 million for reconstruction, poverty alleviation, and equitable and social and economic development in Colombia: a pilot project in Colombia to support micro-enterprise development by expanding market access to local women-led micro-enterprise organizations; a program to develop youth entrepreneurial skills, and an assessment and action plan on the social effects of forced internal migration.

Project Financing, 2001–2003
TC Projects: 8
Total Financing: US\$1,098,568

By Program Area



By Region



Norwegian Fund for Innovation in Social Programs

In 1996, the Norwegian Ministry of Foreign Affairs established the Norwegian Fund for Innovation in Social Programs (NFISP) to support high-impact, innovative social sector projects in the poorest Central American countries. With US\$5.6 million in grant resources, the NFISP directly supports the implementation of the Bank's 8th replenishment and its mandate to increase social sector activities in the region, and responded to Norway's development cooperation strategy for Central America.

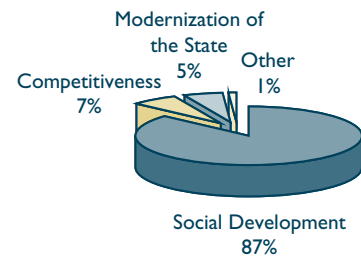
Fund-sponsored activities have followed four basic principles: (i) Listening to clients; (ii) Flexibility; (iii) High-impact reforms; and, (iv) a particular focus on disenfranchised or excluded groups. The NFISP supports beneficiary involvement in the design, implementation, and evaluation of social programs; finances integrated sectoral strategies; promotes capacity-building strategies that consider existing institutional and community assets; and seeks to ensure sustainability and effectiveness.

NFISP resources were invested in areas of social protection, poverty assessment, education, health, and state modernization. Some examples include: a regional seminar to raise awareness and visibility of education reforms in Central America; a study of the community college model to respond to education needs; and, study tours on health reform in Colombia as a knowledge management and information dissemination tool for policy-makers in Central America.

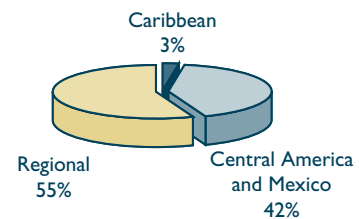
The NFISP came to closure in 2004, following the completion of a final evaluation of fund management and fund impact on social sector loan operations and policies. By the end of 2003, the NFISP had contributed US\$5.22 million to 69 technical cooperation projects.

Project Financing, 1997–2003
TC Projects: 69
Total Financing: US\$5,223,291

By Program Area



By Region



Norwegian Fund for Microenterprise Development

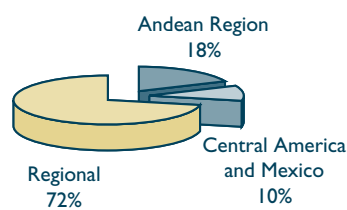
In 1998, the Norwegian Ministry of Foreign Affairs and the Bank agreed to create the Norwegian Fund for Microenterprise Development with a contribution of US\$1.6 million to support the implementation of the Bank's Microenterprise Strategy (see <http://www.iadb.org/sds/mic>). The strategy proposes support for the expansion of economic opportunities in Latin America and the Caribbean through sustainable and dynamic microenterprise development.

The Fund lends priority to activities in the poorest countries, such as Bolivia and Honduras, as well as to regional initiatives. It finances technical assistance for project development, capacity building, and research and dissemination. For example, the Fund financed a regional study on microenterprise, poverty and social development issues designed to improve programs for low-income microentrepreneurs and households, and a policy orientation program for Latin American and Caribbean authorities to identify norms, regulations and supervisory practices for financial institutions involved in microfinance. The Fund also supported the new edition of *Money matters: Reaching Women Microentrepreneurs with Financial Services*, a publication widely used among microcredit institutions.

The results of these projects along with the enhanced dialogue between the Bank and the fund's beneficiaries, lead the Bank to a more nuanced understanding of the social and productive components of poverty-reduction interventions and strengthen the basis for Bank operations in the microenterprise field. Fund management lodged in a regional institution such as the Bank also offers opportunities for more informed and targeted exchanges among organizations in the region.

Project Financing, 1998–2003
TC Projects: 21
Total Financing: US\$1,471,227

By Region



Norwegian Fund for Women in Development

Norway's development cooperation strategy promotes equal opportunity for women and men as fundamental to sustainable development. In support of this commitment, the Bank and the Norwegian Ministry of Foreign Affairs established the Norwegian Fund for Women in Development in 1993 with a total pledge of US\$8 million.

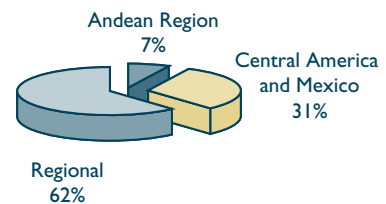
The Fund supports the identification and analysis of gender issues in Bank operations; the design of specific measures to ensure women's access to project benefits and outcomes; guidelines that ensure consideration of WID concerns in Bank programs; and specialized seminars and training. The Bank's Women in Development Unit takes a lead role in these initiatives. The Fund supports Bank development of gender guidelines and strategies, and gender sensitive approaches to lending.

In 2001, the Bank assessed the impact and effectiveness of the Fund in mainstreaming a gender perspective in Bank programs, and reviewed next steps. The assessment identified specific contributions to gender mainstreaming and indicated that the Fund itself has leveraged significant financial contributions from other technical cooperation funds to gender programs. The Fund has played a significant role as well in the areas of leadership and governance, domestic

violence and reproductive health, areas which were scarcely addressed through Bank programs prior to the fund's inception. A regional technical cooperation program on domestic violence (see p.30) supported the approval of several violence prevention loans, many of which incorporate specific measures to prevent and treat domestic violence. The Fund's portfolio also includes support for the integration of gender issues in disaster management, the preparation of a set of guides on reproductive health, Bank participation in the IV World Conference on Women (Beijing), and a study on intergenerational transmission of poverty.

Project Financing, 1993–2003
TC Projects: 45
Total Financing: US\$7,318,175

By Region



Norwegian Technical Cooperation Fund for Consultants

The Norwegian Agency for Development Cooperation (NORAD) established the Norwegian Technical Cooperation Fund for Consultants in 1994, with total resources of US\$7.75 million. The Fund provides technical assistance for Bank projects in all priority sectors, with special consideration to areas of Norwegian competitive expertise.

Projects financed by the trust fund respond to NORAD's principles of sustainability and recipient responsibility. The Fund actively supports projects that not only include components for long-term planning, but ensure the participation of beneficiary communities. Examples include feasibility studies and projects for the integrated management of the Lempa River Basin involving El Salvador, Honduras and Guatemala; sustainable development of the Petén region of Guatemala; and a private-public local initiative in Honduras for development of the Sula Valley. Most fund resources were allocated to projects related to competitiveness (38%) and to environment and natural resource management (33%). A small percentage of funding has gone to projects in other sectors including indigenous peoples development, natural disaster risk management and others.

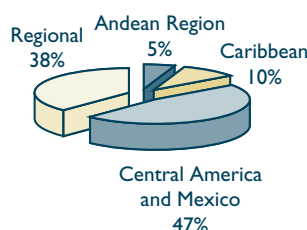
Trust fund resources have been invested in low and lower middle income countries, as reported by the OECD's Development Assistance Committee. The Fund lends priority to activities in Nicaragua, Costa Rica, El Salvador, Honduras and Guatemala, a region which has absorbed 47 percent of total fund resources. An additional 38 percent of fund resources have financed multi-national or regional projects involving Central American countries.

Project Financing, 1994–2003
 TC Projects: 65
 Total Financing: US\$8,291,195

By Program Area



By Region



Portuguese Technical Cooperation Fund

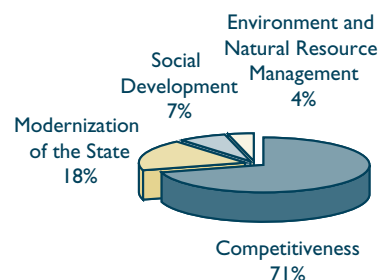
In 1991, the Portuguese Ministry of Finance established the Portuguese Technical Cooperation Fund to finance consulting services in key strategic areas which may benefit from Portuguese expertise. The fund has provided more than US\$2 million to support projects in tourism, transportation, energy, sanitation, modernization of the state, agriculture and fisheries. 80 percent of funding has been allocated to infrastructure sector projects, such as the Haitian Economic Emergency and Recovery Program for rehabilitation of ports and bridges. For the State of Rio de Janeiro in Brazil, Portuguese consultants prepared a tourism development strategy which became the basis for future national programs.

The fund's resources were mainly allocated to projects in the Caribbean, Central America and the Southern Cone. Brazil and Haiti are among the principal beneficiaries of Portuguese technical support.

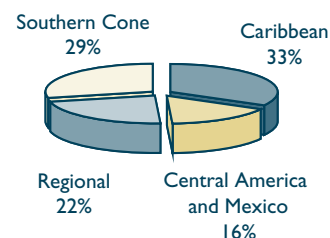
In an effort to enhance the impact of technical cooperation projects on beneficiaries, and to increase the Fund's flexibility, in 1998 the fund reduced its portion of minimum contracting of Portuguese consultants from 100 to 70 percent, allowing the remainder to finance consulting services from other IDB member countries.

Project Financing, 1997–2003
TC Projects: 18
Total Financing: US\$2,050,665

By Program Area



By Region



Sida-IDB Partnership Program in Central America

The Sida-IDB Partnership Program in Central America (hereafter called the Partnership), was established in 2000 by the Bank and the Swedish International Development Cooperation Agency (Sida) to improve the effectiveness and impact of poverty reduction efforts in the poorest countries of Central America through joint activities. The Partnership builds on the different comparative advantages of each institution.

The Partnership works through three modalities to reach its objective: (a) technical cooperation operations financed through a US\$2.29 million trust fund; (b) the promotion of synergies and collaboration in programming and joint project financing; and, (c) the identification and implementation of non-financial activities and products. The Partnership facilitates dialogue between IDB and Sida, at the level of headquarters as well as in beneficiary countries. This dialogue promotes collaboration between the two institutions for the identification and implementation of innovative pro-poor activities.

Joint project selection and revision have spurred interventions that enhance technical quality and sustainability in cooperative projects, strengthen common technical positions on key developmental issues, and improve project implementation. Benefits have been validated by representatives of beneficiary organizations in countries served by the Partnership. The result of the Partnership's innovative methodology includes not only financial products, but also forums for the exchange of expertise in key areas such as education, poverty reduction, and environment, as well as the formulation of joint policies in other key strategic areas.

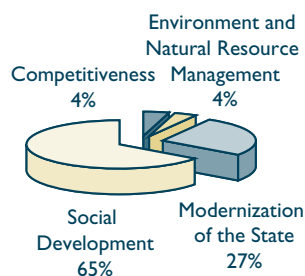
Through 2003, the Partnership had financed US\$ 1.67 million in programs in both institutions' priority areas, including local development, housing, strengthening of civil society institutions, environment, disaster prevention, gender mainstreaming and preparations for country strategies, among others. Nicaragua, Guatemala, El Salvador, and Honduras are eligible for funding. 63 percent of funding to date is slated for country-

specific initiatives, primarily in the social sectors and in governance projects. Overall, the Partnership's technical cooperation project portfolio contributes to Bank loan programs in strategic areas, to Bank policies and operations in the region, and to an enriched learning process of Sida and IDB in key sectors.

By strengthening cooperation and coordination between the Bank and Sida, the Partnership provides a framework for inter-institutional dialogue. This dialogue has resulted in a greater mutual understanding of each institutions' approach to development and policy, and has provided both organizations with an innovative approach to collaboration. A midterm review conducted in 2002 concluded that the Partnership has led to increased and ground-breaking collaboration between IDB and Sida, improved methods, and increased policy dialogue exchange. The review presented recommendations on future collaboration and strategic focus, as well as provided valuable insights on the Fund's decentralization and management policies. Due to the success of the Partnership during its first phase, Sida and the Bank renewed their commitment to the partnership for the period 2003-2006.

Project Financing, 2000-2003
TC Projects: 27
Total Financing: US\$1,665,908

By Program Area



Social Entrepreneurship Program

In the Latin America and Caribbean region, more than 58 million micro-entrepreneurs provide job opportunities for over 110 million workers. The region's microenterprise sector is one of the most dynamic and diverse in the world and has rapidly evolved in the last decades.

The flexibility and adaptability of microenterprises positions these businesses as key players in the region's economy: the microenterprise sector has become a stabilizing force by contributing jobs, production, and national income. The sector fosters creative entrepreneurial skills and operates with the flexibility needed in today's global economy.

The Bank supports microenterprise development through a variety of programs to help revitalize production processes, create new employment opportunities, increase the sector's productivity, and address its growth and development potential. In addition, the Bank fosters and leads contributions from bilateral and multilateral organizations in the form of loans, capital investment and technical assistance.

The Social Entrepreneurship Program (SEP) — formerly known as the Small Projects Program — was created in 1998 to promote social capital formation and economic development for poor and socially-excluded groups.

Social entrepreneurship implies a strategic partnership between non-profit and business organizations, a concept recently applied to combating poverty in the region. The partnership creates mutual benefits: non-profit organizations may expand services and increase their efficiency, while businesses are encouraged to incorporate social considerations in their agendas. Throughout its 25-year history the SEP has financed 298 projects totaling more than US\$109 million, rendering it a vital Bank instrument to support local economic development with a regional strategic vision. Financing is provided through flexible, low-interest loans and technical assistance to private, non-profit and local or regional government organizations. The resources may be used for start-up costs, technical assistance, institutional strengthening, construction, marketing, equipment or materials purchase, and working capital. Projects are selected on the basis of their innovative character and their ability to promote knowledge-sharing and replication.

The SEP

Contributes close to US\$10 million annually for the development and strengthening of innovative institutions

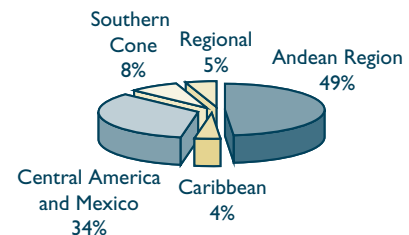
Provides low interest loans of up to US\$1 million, and technical cooperation grants of up to US\$250,000

Targets poor and socially-excluded groups through financial services and enterprise development projects

Finances micro-credit services, innovative mechanism design, comprehensive organizational support, new technology dissemination, entrepreneurial service centers, rural enterprise promotion, non-traditional product marketing, and expansion to local, regional, and international markets

Project Financing, 1992–2003
TC Projects: 85
Total Financing: US\$12,594,168

By Region



TRUST FUND SUPPORT TO THE SEP

The Bank promotes collaborative efforts among its member countries, donor agencies, the private sector and civil society to mobilize financial and technical resources to support the microenterprise sector. The Bank's Fund for Special Operations complements resources from several donor-provided trust funds established exclusively for microenterprise development. Trust funds focus on providing assistance to minority groups in rural areas and strengthening non-governmental organizations. The following trust funds provided grant financing during the reporting period:

- European Community Special Fund for the Financing of Small Productive Projects
- European Community Special Fund For Microenterprise Financing
- Swedish Trust Fund for Small Project Financing
- Swedish Trust Fund for the Financing of Micro and Small Enterprises in Bolivia
- Norwegian Development Fund for Latin America
- Italian Trust Fund for Microenterprise Development

These trust funds provide financing for small-scale productive and commercial business as well as for

community development and social development projects. Grant resources are intended to strengthen the institutional capacity of both the financial intermediaries and the final beneficiaries of programs, as well as to support the dissemination of successful social entrepreneurship models.

Published in 2004, *Macro Impacto con Micro Dinero. 25 Años de Apoyo a la Microempresa* commemorates 25 years of continuous Bank support to the microenterprise sector in Latin America and the Caribbean. The book outlines the major accomplishments and milestones of the Small Projects Program and its successor the Social Entrepreneurship Program, and makes reference to the contributions of trust funds to the sector. See <http://www.iadb.org/sds/mic>.

Social Inclusion Trust Fund

The Social Inclusion Trust Fund was established in February 2003 to support small-scale initiatives addressing the social inclusion of five main target groups: indigenous and Afro-descendant populations, persons with disabilities, persons with HIV/AIDS and poor women in Latin America and the Caribbean. The Fund channels its support to excluded groups in three main areas: organizational strengthening and awareness raising, research and dissemination, and support to Bank operations. It is the first multi-donor trust fund at the Bank, with pledges to date of approximately US\$3 million from the Norwegian Ministry of Foreign Affairs and the UK Department for International Development (DFID).

An inter-departmental technical committee awards grants to project proposals on a competitive basis in line with established criteria for social inclusion mechanisms and innovation, technical soundness and financial feasibility, as well as outputs and expected results. During its first year in operation, the Fund allocated more than US\$1 million and addressed issues in each one of the target population groups: 33 percent of this financing was dedicated to projects benefiting Afro-descendant groups, 13 percent to projects targeting indigenous peoples, 15 percent to disability projects and 39 percent to cross-cutting projects. Gender issues were mainstreamed in all projects.

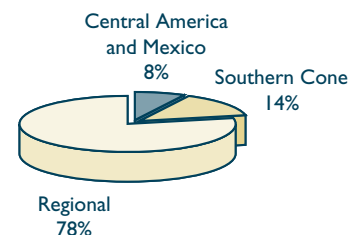
The Social Inclusion Trust Fund projects support Bank implementation of its Action Plan to Combat Social Exclusion, and its research and awareness-

raising activities support the development of Bank operations. In 2003, 40 percent of project financing addressed organizational strengthening and awareness-raising, 36 percent funded research and dissemination activities, and 24 percent provided direct support to Bank operations.

In addition to project financing, the Fund supports wider Bank social inclusion initiatives, among them research and awareness raising projects such as case studies on the Millennium Development Goals and on Race and Ethnicity, social inclusion training initiatives, and a book on social inclusion. The Fund thus complements and gives added impetus to the Bank's work in favor of excluded groups. In 2003, the Bank approved approximately US\$649.5 million in loans and technical cooperation projects supporting the inclusion of traditionally excluded groups in the region. See <http://www.iadb.org/sds/SOC/sifund>

Project Financing, 2003
TC Projects: 6
Total Financing: US\$571,000

By Region



Spanish General Cooperation Fund

Spanish development cooperation policy is based on principles of sustainable development, gender equality, and equitable economic growth for poverty reduction. The strong economic, social and cultural ties between Spain and the region result in important bilateral and multilateral assistance through various public agencies, including the Ministries of Economy and the Ministry of Foreign Affairs.

Spain's Ministry of Economy and the Bank have established an umbrella for cooperation initiatives through a Framework Agreement signed in 2001. The Fondo General de Cooperación de España (FGCE) is endowed with a €50 million contribution which aims to deepen cooperation assistance in Bank member countries while promoting Spanish technical expertise.

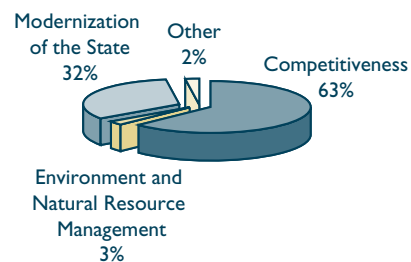
The FGCE defines several financial mechanisms available for collaboration, including a Technical Cooperation Program and a Trust Fund Professional Appointee Program. The agreed Protocol sets the basis for the coordination, promotion, and implementation of activities between both organizations. The Technical Cooperation Program provides non-reimbursable funds which are tied 75 percent to Spanish consulting services in support of Bank operations in the areas of modernization of the state, regional integration, and competitiveness. Funded activities include pilot projects, feasibility studies and stand-alone operations linked to Bank development strategies. All Bank borrowing member countries are eligible for funding.

The FGCE's Trust Fund Appointee Program has provided resources to bring to the Bank Spanish professionals to work in areas such as tourism, rural development, competitiveness, education and trust fund management.

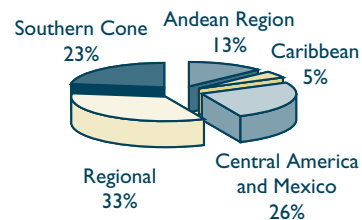
The Spanish Framework Agreement includes an in-kind contribution by the *Ministerio de Agricultura, Pesca y Alimentación (MAPA)*. Created in 1993, this fund has supported joint-collaborative activities with the FGCE in integration, natural resource management, and agriculture production and markets, among others.

Project Financing, 2001–2003
TC Projects: 31
Total Financing: US\$5,406,674

By Program Area



By Region



Spanish Trust Fund for Consulting Services (ICEX)

The Spanish Ministry of Economy's Institute for International Trade (ICEX) established the Spanish Fund for Consulting Services in 1993 to support Bank strategic development programs, while promoting Spanish expertise and technical assistance in the region.

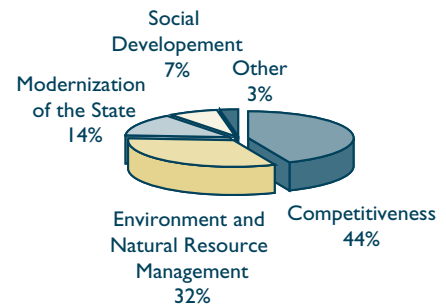
The ICEX €13.5 million fund finances technical cooperation activities for project preparation, execution, and evaluation in tourism, environmental protection, energy, transport, privatization, agro-industry, small and medium enterprise development, health, education, and judicial reform.

Spain's Development Aid Fund initiatives such as the ICEX Fund are intended to promote Spanish expertise in support of development initiatives in priority regions. Therefore, ICEX funds are 100 percent tied to the procurement of Spanish consulting services. Since 1999, up to 20 percent of Fund resources can be used to finance the incorporation of Spanish professionals to the Bank's technical and administrative structure.

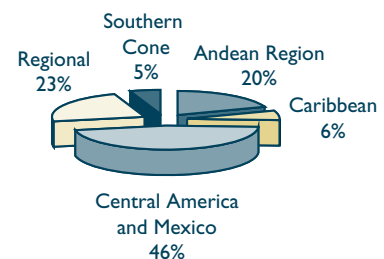
Examples of ICEX-funded projects include: a long-term investment plan for public transport infrastructure and technical and environmental studies on its high capacity corridors to support an Urban Transportation Investment Program in Peru (see p. 16); and a diagnostic study of tourism in the Archipelago of Chiloé and continental Palena, Chile (see p. 15). The larger portion of Fund resources supported projects in Central America, especially in Honduras. Spain provided a special contribution of US\$1 million through the ICEX Fund to aid Honduras in its reconstruction after Hurricane Mitch of 1998 for pressing infrastructure, education, and sanitation needs, and supported the country's Transparency in Government Procurement operation as well.

Project Financing, 1993–2003
TC Projects: 80
Total Financing: US\$11,063,946

By Program Area



By Region



Swedish Trust Fund for Domestic Violence

Bank programs on violence prevention and citizen security emphasize the need to understand thoroughly the circumstances, costs and effective deterrent and mitigating actions related to violence in the region. In 1998, the Bank established the Swedish Fund for the Prevention of Domestic Violence with resources from the Swedish International Development Cooperation Agency (Sida) to support and expand work on domestic violence prevention.

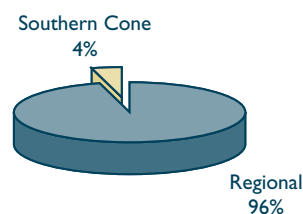
With slightly more than US\$200,000 in resources, the Fund supported the Bank Technical Umbrella Project for Domestic Violence (see p. 24), and an evaluation of best practices in domestic violence prevention in Chile.

Since 1998, Bank work on violence prevention has greatly expanded. The Bank has designed guidelines for violence prevention lending and non-lending operations, and has established internal

and external websites to coordinate its work and disseminate findings to the broader public (see <http://www.iadb.org/sds/SOC>). While this trust fund is no longer active, Sida continues to support initiatives in domestic violence prevention through its Framework Agreement with the Bank.

Project Financing, 1998–2003
TC Projects: 2
Total Financing: US\$187,638

By Region



Swedish Technical Cooperation Fund for Governance, State Reform and Civil Society

The Swedish International Development Cooperation Agency (Sida) recognizes the promotion of democratic processes as an institutional condition for sustainable development. Sida supports initiatives that contribute to efficient public administration systems, an active civil society, independent legal systems, and fair and equitable legislative bodies in priority regions.

In 1998, Sida established the Swedish Technical Cooperation Fund for Governance, State Reform and Civil Society to support Bank operations and enhance Bank expertise in these issues. It promotes the notion of democracy as a condition for development and not only a result of development, and has played a significant role in establishing innovative guidelines for Bank operations in governance, state modernization and civil society-related activities.

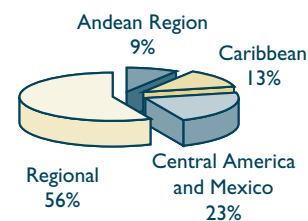
The Bank's Institutional Strategy assigns a high priority to reform and modernization of state activities, and to the participation of civil society in Bank programs. In this context, the Fund has provided US\$1.12 million in resources for pilot projects, policy assessments, feasibility studies and new legislation and action plans. The Fund has also financed information and expertise exchange and the dissemination of knowledge through seminars and other related activities. Projects include the drafting and consultation of the Bank Strategy

for Promoting Citizen Participation in Bank Activities (see p.35), strengthening of El Salvador's Ombudsman office, promoting youth leaders in the media, NGO capacity-building, and forums on poverty and inequality.

In 2001, Sida and the IDB prepared a Fund monitoring report to assess the extent to which general objectives had been met, evaluate the quality and effectiveness of funded projects, and identify lessons learned and best practices. The report highlights the Fund's contribution to the Bank in its establishment of innovative programs in governance, state modernization, and reform. By 2003, the Fund had depleted its resources after financing 28 technical cooperation projects.

Project Financing, 1998–2003
TC Projects: 28
Total Financing: US\$1,158,003

By Region



Swedish Trust Fund for Consulting Services

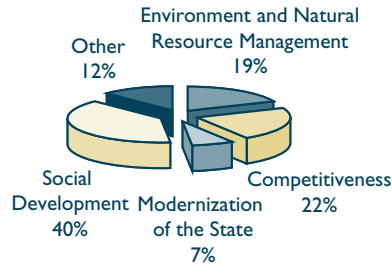
The Swedish International Development Cooperation Agency (Sida) created the Swedish Trust Fund for Consulting Services in 1991. With an initial broad mandate to support development initiatives and programs in areas of recognized Swedish expertise, the fund has evolved to concentrate on four areas: social development, economic development, democratic governance, and environment and natural resource management.

Low- and lower middle-income countries, as reported by the OECD's Development Assistance Committee, are eligible for funding. The larger portion of fund resources, of a total of US\$15.7 million, were invested in projects in Central America (37%), a region of priority for Swedish technical cooperation. Some examples of Swedish-funded projects include a forest certification program in Honduras (see p. 33), a sustainable development program for river basins in Guatemala, and a project to support the National Reconstruction Commission in Nicaragua.

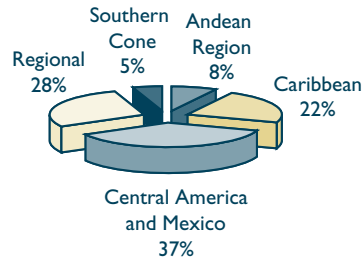
The contributions to Bank programming of the Swedish Fund for Consulting Services, alongside its efforts to strengthen institutional ties between Swedish development cooperation and the Bank, led to the establishment of the Framework Agreement between the Government of Sweden and the IADB in 1999 and the Sida-IADB Partnership Program in Central America the following year (see p. 65).

Project Financing, 1992–2003
 TC Projects: 150
 Total Financing: US\$15,712,895

By Program Area



By Region



Swiss Technical Cooperation Trust Fund for Consulting Services and Training Activities

Poverty Alleviation is a primary objective of Swiss international development cooperation policy. The policy is backed by a gradual increase in official development assistance (ODA) to 0.4% of the country's GNP by 2010. The State Secretariat for Economic Affairs (seco) and the Swiss Agency for Development and Cooperation (SDC) share responsibility for the formulation and implementation of the policy, and jointly manage multilateral financial aid which accounts for about one-third of ODA.

Between 1980 and 1994, the Swiss Fund for Technical Cooperation and Small Projects was funded by SDC to finance a number of microenterprise initiatives and small projects in developing member countries of the Bank. The Swiss Technical Cooperation Trust Fund for Consulting Services and Training Activities was established in 1994 with seco contributions totaling US\$5.1 million.

seco's strategic priorities are to promote market-based economies and sustainable growth, economic integration, good governance, and mobilization of private resources. seco's *Strategy 2006* reaffirms its commitment to an active mobilization of the resources and capacities of the private sector. This sector is key to stimulating strong and sustainable growth in developing and transition countries, while at the same time speeding their integration into the world economy.

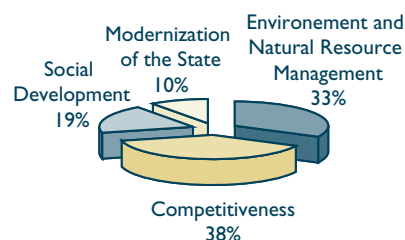
The purpose of the trust fund at the IDB is to strengthen Bank operations at the loan preparation stage while supporting greater market opportunities for Swiss consultants in Bank operations. The fund finances activities in private and financial sector development, infrastructure—energy, communications and transport—and sound environmental management, particularly the promotion and improvement of “clean” technology. As the trust fund is between 50 percent and 75 percent tied to Swiss consultants, it has enabled the Bank to procure Swiss expertise that would otherwise be unfamiliar and less accessible. In 2004, the Bank and seco agreed to a broader menu of eligible sectors for Swiss trust fund financing and to open fund procurement to nationals of all Bank member countries.

In 1997, seco provided much support to the Bank's Private Sector Department, earmarking US\$1 million of its fund contributions to help mobilize private resources for sustainable growth. seco has also expressed interest in supporting similar work carried out by the Inter-American Investment Corporation.

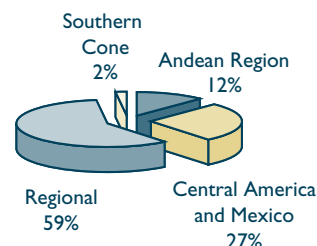
Over the reporting period, the majority of funds were allocated to environmental and infrastructure projects. Initiatives in these areas include projects in water resource management, urban development and cleaner production technologies. More than 60 percent of the funds were allocated to regional or multi-national initiatives, or joint projects with other multilateral institutions.

Project Financing, 1994–2003
TC Projects: 34
Total Financing: US\$3,354,441

By Program Area



By Region



The Netherlands-IDB Partnership Program in the Environment

The Netherlands and the Bank are strategic partners in the promotion of sustainable development. Both institutions recognize the critical importance of integrating environmental concerns such as environmental governance, sustainable use of natural resources and climate change, to poverty alleviation programs in the region.

Between 1993 and 1999, Dutch contributions of US\$7 million were channeled to the Environmental Technical Cooperation Trust Fund. The Fund contributed to furthering the Bank's environmental objectives by financing operations in integrated water resources management, coastal zone management, biodiversity conservation, rural development, urban environmental management and pollution control. The Fund placed special emphasis on innovative policy initiatives, as well as in financing regional operations in response to the emergence of multi-national and global environmental issues.

In 2000, the Dutch government renewed its commitment to sustainable environmental management by establishing The Netherlands-IDB Partnership Program in Environment (NPPE) with a US\$7 million pledge. The NPPE emphasizes the need to address the unique environmental problems facing the poor in Latin America and the Caribbean. For this purpose it makes financing available through three thematic windows: a) environmental management innovation; b) climate change (mitigation and adaptation); and, c) biodiversity and forests. Fund resource allocation is guided by annual work plans that reflect IDB member country demand for projects.

- **Environmental Management Innovation** — The profound political and economic changes in Latin America and the Caribbean demand that public institutions take on new roles in environmental management, policy formulation and enforcement, participatory approaches, and public-private partnerships. To meet the large need for related technical assistance, the NPPE finances innovative technical cooperation projects on matters of institutional strengthening, governance and management, among others. Recently the

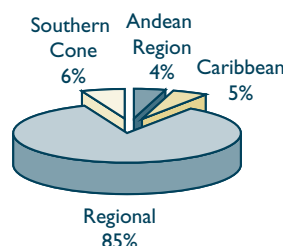
Fund is placing special emphasis in making country-level environmental analysis a more central element in the development of country strategies. The fund also supports analysis of the relationship between poverty and environmental degradation, and incorporation of environmental considerations in matters such as regional economic integration and monitoring progress toward the UN Millennium Development Goals (MDGs).

- **Climate Change.**— The NPPE promotes activities to mitigate and adapt to climate change. Projects supported by the NPPE include capacity building and awareness raising on climate change, and efforts to expand the use of renewable energy resources.
- **Biodiversity and Forests.**— Areas of NPPE action include protection of forests, wetlands and biologically-rich ecosystems, agro forestry, and others, particularly pilot and other knowledge-development activities. Emphasis is placed on the need to link conservation activities with social development and poverty reduction efforts.

The partnership is highly instrumental in mainstreaming environmental concerns into Bank institutional strategies and lending instruments, supporting the dissemination of best practices and technical guidelines, and fostering continuous capacity building and knowledge sharing initiatives.

Project Financing, 2000–2003
TC Projects: 17
Total Financing: US\$2,240,300

By Region



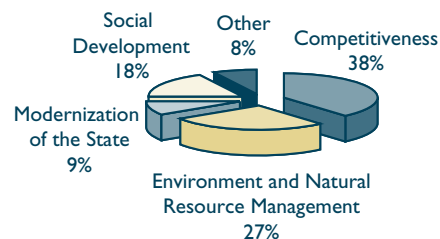
United Kingdom Technical Cooperation Trust Fund for Consulting Services

The British Department for Trade and Industry established the United Kingdom Technical Cooperation Trust Fund for Consulting Services in 1994 in an effort to promote British expertise and contribute to Bank development programs in Latin America and the Caribbean. Since 1999, British Trade International, a UK government agency created to lead trade development and promotion, manages the Fund.

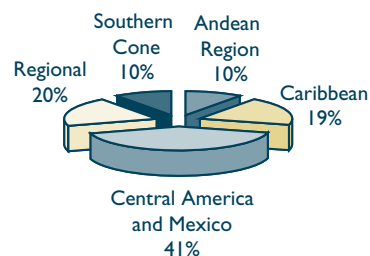
The trust fund is tied 100 percent to the procurement of consulting services provided by British nationals. To date, more than half of the US\$800,000 Fund has financed consulting costs in two main areas: environment and infrastructure. While all IDB borrowing member countries are eligible for funding, 41 percent of total fund financing is invested in Central America. Some examples of projects include: a study reviewing water treatment options in Puerto Cortés, Honduras; a project to enhance the quality of education in Panama; and, an exchange of regional best practices in road safety programs.

Project Financing, 1994–2003
TC Projects: 31
Total Financing: US\$705,536

By Program Area



By Region



USTDA Evergreen Fund for Technical Assistance

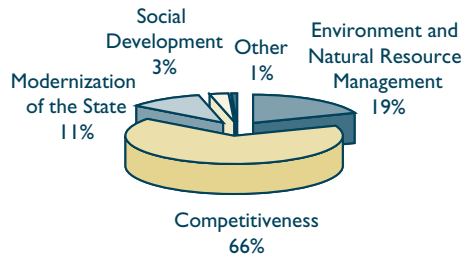
The United States Trade and Development Agency (USTDA) supports the economic development of countries in Latin America and the Caribbean through the provision of technical and financial assistance. USTDA aims to contribute to the creation of an environment for open trade and investment while developing market opportunities for US export of goods and services. In 1995, the Agency established the USTDA-Evergreen Fund for Technical Assistance to support IDB projects in sectors that may benefit from US expertise, skills and technology. Over the reporting period, the fund contributed US\$ 5.53 million in non-reimbursable technical assistance.

Fund resources are 100 percent tied to contracting of U.S. consulting services, with up to 20 percent allowed for local sub-contracting. Fund resources may be used to finance projects in all Bank priority sectors. Over the reporting period, 58 per cent of resources were allocated to programs in finance and basic infrastructure. An example of a USTDA-funded project is the support to the government of Peru for the establishment of Geodetic Infrastructure and for the Evaluation of dGPS-based cadastral mapping techniques (see p. 18).

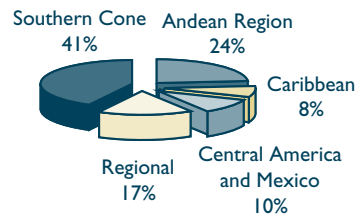
Since 2002, USTDA has expressed interest in financing projects in areas such as regulatory reform, institutional strengthening, and trade capacity building. Although most of the resources were originally concentrated in technical, economic, and financial feasibility studies of proposed projects, current funding is expected to cover preliminary project design work as well. In early 2004, USTDA sponsored an independent study on the development performance and effectiveness of technical cooperation activities financed by the USTDA.

Project Financing, 1995–2003
 TC Projects: 23
 Total Financing: US\$5,351,118

By Program Area



By Region







Inter-American Development Bank
1300 New York Avenue, NW
Washington, D.C. 20577
www.iadb.org