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**PROPOSAL FOR A NEW BANK POLICY ON TECHNICAL
COOPERATION**

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ABBREVIATIONS

CFP	Country Financing Parameters
CT/INTRA	Intra-Regional Technical Cooperation
DTF	Donor Trust Fund
FSO	Fund for Special Operations
HRD	Human Resources Department
IDA	International Development Association
IFF	Intermediate Financing Facility Account
KNL/LRN	Learning Division
LAC	Latin America and Caribbean
MDG	Millennium Development Goals
MEF	Monitoring and Evaluation Framework
MIF	Multilateral Investment Fund
NFP	Non-Financial Product
NLF	New Lending Framework
NPC	New Project Cycle
NRTC	Non-reimbursable Technical Cooperation
OC	Ordinary Capital
ODA	Official Development Assistance
OECD/DAC	Organization for Economic Co-Operation and Development/Development Assistance Committee
ORP	Office of Outreach and Partnerships
ORP/EUR	Representation in Europe
OVE	Office of Oversight and Evaluation
RMAP	Resource Mobilization Action Plan
SECCI	Sustainable Energy and Climate Change Initiative
STF	Strategic Thematic Fund
TC	Technical Cooperation
UNDP	United Nations Development Program
VPC	Vice-Presidency for Countries
VPC/GCM	Grants and Co-Financing Management Unit
VPP	Vice-Presidency for Private Sector and Non-Sovereign Guaranteed Operations
VPS	Vice-Presidency for Sectors and Knowledge

I. INTRODUCTION

- 1.1 The objective of this document is to present a proposal for a new Bank Policy of Technical Cooperation (TC). The new policy is intended to replace the Technical Cooperation Policy Guidelines (AT-80-10), subsequent modification AT-80-11, AT/80-12, other adjustments introduced in different review documents such as AT-5/95 and GP-88 as well as those TC related modifications established by specific policies, such as the Procurement Policy.¹
- 1.2 This document is also accompanied by a separate proposal to establish a framework for technical cooperation (GN-2469-2). Whereas the TC policy proposes to establish a set of principles for the long-term, the TC framework proposal seeks to establish a platform relevant and applicable over the medium term.
- 1.3 Consistent with recent Bank policy documents, this TC policy proposal only addresses policy issues per se, whereas the 1974 TC policy document includes operational regulations. The operational procedures to implement the policy will be developed by management for inclusion in the operations processing (PR) and operations administration (OA) manuals of the Bank.²
- 1.4 Technical Cooperation³ contributes significant added value to the Bank's competitiveness and ability to respond effectively to client demand and to fulfill its mission to reduce poverty and inequality, support modernization of the state and integration, and contribute to environmental sustainability in the Latin America and Caribbean (LAC) region.
- 1.5 The Bank's Eighth Replenishment called for consolidation of Bank technical cooperation into a "consolidated, decentralized program" and mobilization of resources for technical cooperation. Since that time, numerous working groups have been formed and have contributed to this goal. However, as noted in the "Proposal for a New Framework for Technical Cooperation" (GN-2469-2), the development of a new framework and model of grant resource management and

¹ The latest revisions of the Policy Guidelines are reflected in OP-401, OP-402, OP-403 and OP-404.

² The operational procedures will replace Chapter 500 (Non-reimbursable Technical Cooperation) and Chapter 600 (Funds under Administration and Co-financing) of the Operations Processing Manual of the Bank as well as the Administration Operations Manual in the sections related to Non-reimbursable Technical Cooperation.

³ Technical cooperation involves the transfer, adaptation, mobilization, and utilization of services, skills, knowledge, technology, and engineering to build national capacity on a sustainable basis. The Organization for Economic Co-operation and Development (OECD) distinguishes between TC and TA: TC relates to freestanding activities that have the primary purpose of increasing the stock of the recipient's human intellectual capital and its institutional capacities; TA relates to labor and expertise provided as part of the implementation of capital projects. The World Bank uses TA and TC interchangeably. The United Nations Development Program (UNDP) uses the term "technical cooperation" to cover both TA and TC. In this policy document, the IDB adopts the convention that the term "technical cooperation" covers both TA and TC.

the reform of the Technical Cooperation Policy have taken on greater urgency at this time. Chief amongst the reasons are changes in the international context for official donor Official Development Assistance (ODA) reflected in the principles and targets of the Paris Declaration on Aid Effectiveness⁴; changes in the countries of the region and their demand for support from the Bank; the process of Bank realignment that places TC at the centre of the Bank's business model; and the fact that the existing TC policy dates from 1974 and has not been subject to major reform in the intervening period.

- 1.6 In line with the Paris Declaration, development institutions are increasingly committed on untying development assistance and demonstrating how TC contributes to meeting high priority development needs and builds capacity in the recipient countries. In Latin America and the Caribbean this is a crucial concern if TC is to help countries take advantage of the increased fiscal space brought about by growth trends and recent debt relief initiatives. The Bank's realignment envisages TC strongly integrated with the Bank's lending portfolio, aligned with country strategies as well as regional programming priorities and focused on realizing outcomes and development impacts.
- 1.7 The proposed policy shifts the focus from technical cooperation as a type of financing toward the objectives of TC and the activities needed to support it. As the Bank moves to position itself as an institution contributing to knowledge creation and capacity building in the region --not just as a lender-- technical cooperation activities will continue to grow in importance, and greater flexibility is needed. In addition, today the variety of sources for financing technical cooperation has grown far beyond what could be envisioned over 30 years ago. The 1974 TC policy was established primarily to define and regulate the use of a certain type of financing, and as result it includes provisions that limit the Bank's ability to use TC as a tool to respond to the needs of the region and demands of borrowing countries now and in the future. Therefore, the new policy introduces greater flexibility in applying funding sources, allowing the Bank to meet new challenges.
- 1.8 This paper details the proposed changes to the Bank's Policy on Technical Cooperation. The body of the document details the guiding parameters for the Bank's TC policy. Annex I presents the proposed new TC policy, Annex II presents the resolution that the Board of Executive Directors is asked to approve and Annex III presents a comparison table between the old and the proposed new policy.

⁴ Paris Declaration on Aid Effectiveness, Paris, 2005.
<http://www1.worldbank.org/harmonization/Paris/FINALPARISDECLARATION.pdf> . The Bank and many of its member countries are signatories of the Declaration.

II. PROPOSED CHANGES IN THE BANK'S TECHNICAL COOPERATION POLICY

A. Definition and Objectives

- 2.1 The Agreement Establishing the Inter-American Development Bank (the Charter) identifies a clear role for technical cooperation in Bank financed activities as well as areas for its application¹.
- 2.2 According to the current policy, the objective of the Bank's technical cooperation is to facilitate the transfer of technical know-how and qualified experience with the purpose of complementing and strengthening national and regional technical capacities, thereby contributing to the primary purpose of the Bank: accelerating the process of economic and social development of the borrowing member countries, individually and collectively. The new policy further specifies TC activities as the transfer, adaptation, mobilization, and utilization of services, skills, knowledge, technology, and engineering to build national capacity on a sustainable basis. TC activities will be integrated with the Bank's lending program, aligned with country and regional strategies and focused on realizing development outcomes and results.

B. Programming

- 2.3 Under the current policy the Bank prepares an annual TC program closely related to its lending program. With the new policy the Bank will identify technical cooperation as part of its country strategy development and programming processes that includes the rolling annual programming and portfolio update. This process, based on ongoing dialogue with country stakeholders, introduces the flexibility to capture evolving demands and opportunities while ensuring that the provision of technical cooperation directly supports the Bank's country lending program and those other activities essential to realize country development objectives. Technical cooperation at the regional level will be situated within the regional programming process, prioritizing the financing of TC that addresses regional development and integration objectives.
- 2.4 The proposed policy provides for technical cooperation that is part of a loan, parallel to a loan, and independent of a loan (stand-alone) as in the previous policy.

C. Beneficiaries and Executing Agencies of TC

- 2.5 The current TC policy identifies eligible applicants as: (i) governments and public institutions or (ii) private companies of the Bank's member countries which are

¹ The current and proposed policy refers to Technical Cooperation but both terms retain the same meaning as clarified in footnote 2 of this paper.

eligible for loans, and the regional and sub-regional agencies constituted by these countries. For the purposes of the new policy, the term beneficiary will be used to refer to parties that benefit from TC and advisory services.

- 2.6 Legally established entities may receive and administer TC and advisory resources. These executing agencies are: (i) borrowing member countries, including national and sub-national institutions with legal capacity to enter into agreements with the Bank; (ii) regional and sub-regional agencies established by the same countries; (iii) private companies eligible to receive loans from the Bank²; and (iv) not-for-profit institutions, including civil society associations³.
- 2.7 The proposed policy also recognizes the Bank can administer TC, contracting consulting services to undertake TC activities related primarily to the development of Non-Financial Products (NFPs) (see paragraph 2.11).

D. Fields of Activity

- 2.8 The proposed policy continues to allow for three types of technical cooperation: National TC; Regional TC and Intra-Regional Technical Cooperation (CT/Intra).
- 2.9 The proposed TC policy will continue to support the two main fields of activity identified in Article VI, Section 1 of the Bank's Charter and subsequent documents, namely: (i) the preparation, financing, and execution of development plans and projects, including the identification of priorities, and the formulation of loan proposals on specific national or regional development projects; and (ii) the development and advanced training, through seminars and other forms of instruction, of personnel specializing in the formulation and implementation of development plans and projects. Over the years, other areas have been added, as additional technical cooperation fields of activities have been identified. The complex challenges facing member countries today signifies that Bank financing of technical cooperation operations should be broaden. Therefore, the proposed policy will also explicitly support TC to: (i) improve capabilities and institutional capacities in the borrowing member countries; (ii) formulate and coordinate development strategies, plans and programs; (iii) support sector policy and issues-oriented studies; (iv) strengthen development planning; and (v) support the mobilization of resources by the borrowing countries.
- 2.10 In addition, the policy will include TC to: (i) promote the transfer of technology and knowledge; and (ii) support to the identification, preparation and implementation of pilot projects designed to test innovative ideas and to promote new responses to enduring development problems. This will require a change in the eligible expenditures of TC projects. Under the current policy the hiring of

² Any private or public enterprise that will conduct or sponsor a project in the territory of a Bank borrowing member country.

³ Technical cooperation is already used to support such organizations under several of the DTFs and the Social Entrepreneurship Program funded by FSO.

consultants, experts and advisors may be accompanied by investments in goods and services when these are critical to the achievement of technical cooperation objective and do not exceed 30% of the total cost of the TC. In the new policy investment expenditures financed by the Bank in TC projects will be determined by the requirements of each individual operation and, as a general rule, should not exceed 30% of total Bank-financed expenditures. Exceptions to the rule must thoroughly justify why such expenditures are reasonable and critical to obtain the TC objectives. The authority to approve such exceptions will be a constituent part of the delegated approval powers requested under the resolution attached to the TC framework proposal (GN-2469-2). The purchase of licenses, software and training materials is not considered for the purpose of the 30% limit on investment expenses under this policy.

- 2.11 The new policy also allows for the incorporation of TC from Bank activities that are not part of routine administration and are undertaken for the benefit of one or more borrowing countries. The policy recognizes that the Bank may carry out TC activities through the development of NFPs that benefit internal Bank constituencies and, at the same time, enable the Bank to provide improved support to the borrowing countries. Such NFPs would include: (i) activities that are focused externally and are designed to directly benefit the borrowing countries; (ii) activities that primarily serve an internal audience and provide development impact indirectly through their contribution to the country and regional programs (such as economic and sector work and activities to develop and strengthen policies and strategies); and (iii) training and other activities that augment the Bank's expertise and strengthen its capability to provide future support to borrowing member countries.⁴

E. Forms of Financing

a. Non-reimbursable Financing

- 2.12 In order to improve the Bank's responsiveness to client demands and provide a full tool kit to help countries deal with complex challenges, the new policy will specify that all borrowing member countries of the Bank would be eligible to receive Non-reimbursable Technical Cooperation (NRTC).

b. Contingent Recovery Financing

- 2.13 The Bank finances contingent recovery TC operations for the preparation of non-sovereign guarantee loan proposals. If the resulting loan proposal is financed by the Bank, the operation becomes non reimbursable. On the other hand, if another lending institution finances the resulting loan proposal, the NRTC operation becomes reimbursable. In such cases, TC funds are included in the cost of the loan financed by the other lending institution with the beneficiaries assuming an obligation to reimburse the Bank.

⁴ GN-2168-5 provides additional information on the full range of non financial products of the Bank.

c. Reimbursable Financing

- 2.14 The Bank may finance reimbursable TC usually as pre-investment activities or other loan preparation and execution activities. The provisions pertaining to loan operations will govern reimbursable TC operations.

F. Sources of Funds

- 2.15 Currently, non-reimbursable TC operations are financed with resources from the Ordinary Capital (OC) and the net income of the Fund for Special Operations (FSO), funds under administration, and other DTF resources specifically designated for these purposes.
- 2.16 The new policy proposes that administrative funds may also be used to finance Bank staff executed non-reimbursable technical cooperation activities. The procedures regulating the use of administrative funds for TC activities will be included in the procedural manual.
- 2.17 Contingent recovery TCs may be financed by those funds that permit the use of this modality.
- 2.18 Reimbursable TC may be financed with the same types of resources used for financing loans, which vary by country, as well as any other funding source that explicitly permits the use of this modality.

G. Basic Criteria for TC Projects

- 2.19 Identification. The link between TC and the strategy development and programming process is expected to be strengthened. National TC and CT/Intra projects will therefore be identified through the country strategy development process and its associated annual programming and portfolio review, as well as the continuing dialogue with country stakeholders. Regional TC will be identified through the regional strategy and programming processes.
- 2.20 Request. The Bank will continue to require a request for TC from (i) the beneficiary or from a private company or not-for-profit entity eligible to act as the executing agency on behalf of the beneficiary/ies or (ii) from a group of borrowing member countries in the event of a regional operation.
- 2.21 Appraisal. The basic condition for TC provision at the country and regional level, will continue as stated in Article III, Section 7(b) of the Agreement Establishing the Bank, which says that the Bank shall not finance any undertaking in the territory of a member if that member objects to such financing. The Bank will work with borrowing countries to create an expedited process for facilitating non-objection, as this is a step in the TC approval process that has contributed to slow the process significantly despite resulting in extremely few objections. The

operational procedures will specify the process for project requests, appraisal and approval currently detailed in the operating processing manuals.

- 2.22 Preparation. If the beneficiary or executing agency does not have the capacity to complete all necessary elements of the request, but the proposed activities are consistent with the Bank's country and/or regional strategies and programming, the Bank may decide to collaborate in the preparation of the request using professional and technical resources available in the Bank's country offices and headquarters.
- 2.23 Bank-executed TC. The Bank may execute TC in areas of its expertise provided that: (i) the beneficiary country or group of countries concurs; and (ii) the proposed activities are consistent with the Bank's country and/or regional strategy and program. .
- 2.24 Beneficiary Contribution. The present policy stipulates that the beneficiary will make a counterpart contribution consisting of local costs whose amount is established during negotiations of the operation. The current policy also established that TC projects related to loans do not necessarily requires a local cash contribution. Under the new policy, in non-reimbursable and contingent reimbursable TC operations, the borrower or beneficiary commits itself to partially finance the project's direct and indirect expenses with a contribution whose amount and type is established during negotiation of the operation and which in most cases will consist of local costs. In reimbursable technical cooperation, the Bank may finance up to 100% of the costs of the operation if so allowed by the Bank's country financing parameters (CFPs) for loans to that country.⁵
- 2.25 Executing Agencies. As noted in paragraph 2.6 above, an executing agency must have the legal and fiduciary capacity to guarantee the funds are used efficiently and only for the purposes for which they are approved.
- 2.26 Procurement. TC operations will follow the Bank's procurement policies and procedures. Executing agencies will be responsible for the selection and contracting of consultants and for the procurement of those works and goods that are required for the implementation of TC operations. The Bank may collaborate in the identification of consultants as well as in their selection. Exceptionally, on the request of the beneficiary, the Bank may contract consultancies. The terms for such contracting will be detailed in the operational regulations. The Bank will follow its policies and procedures to contract consulting services related to the

⁵ Regarding the Bank's share of an operation's total cost, the country financing parameters (CFPs) for every one of the Bank's borrowing countries establish the limit, if any, for local counterpart funding. For these purposes, the "Guidelines for the application of the policy on eligibility of expenditures" (document CC-6004-1, section II) will apply. The Bank may finance 100% of the costs of regional Technical Cooperation, provided the beneficiary countries adequately demonstrate their commitment to the objectives of the operation and the activities carried out through it and justify the need for the assistance to be 100% financed.

development of non-financial products⁶. Existing tied funds will continue to utilize competitive processes restricted, in whole or in part, to nationals of the donor country, in accordance with the terms of the Fund Agreement.

- 2.27 Disbursements. TC operations will follow Bank disbursement policies and procedures. Disbursements shall be made within the time period stipulated in the document approving the project or in any modification to that effect. The detailed procedures will be included in the procedural manual.
- 2.28 Audit. The audit opinions required at the end of the execution of TC operations will be specific, simplified and consistent with the amounts and assessed risk involved, as established by Bank manuals. Detailed requirements will be included in the procedural manual.

H. Eligible Expenses

- 2.29 The new policy will continue the established policy of financing: (i) the provision of grants for training either at home and abroad (including the provision of scholarships and hiring consultants to provide in-country training) and (ii) the contracting of consultants, advisors and experts with expertise, knowledge and experience required at a country and/or regional level.
- 2.30 Under the new policy, Bank resources for TC operations could cover any and all of the expenditures permitted by the relevant Country Financing Parameters (CFP).⁷ Financing may not be used for items limited by CFP.⁸ The Bank's contribution would finance technical cooperation services mainly consisting of advisory or similar activities. The Bank could finance staff costs as specified in the CFPs as well as equipment and other items when it is justified, the amount is reasonable and when covering such items is necessary to attain the TC objectives.
- 2.31 In addition, the new policy also proposes that non-reimbursable TC may finance: (i) NFPs (as identified in paragraph 2.11). (ii) training for Bank staff; (iii) consultancies that will facilitate the introduction of new issues and the consolidation of new expertise central to enhancing the Bank's competitiveness; and (iv) studies that provide inputs to the development of country strategies and regional programming documents and/or enhance the Bank's dialogue with borrowing member countries.

⁶ If a donor so wishes, existing tied funds may continue to utilize competitive processes restricted, in whole or in part, to nationals of the donor country in accordance with the terms of the Fund agreement, until these are depleted.

⁷ This flexibility is offered just in cases where it is necessary to do so. It will continue to be important that the beneficiary contributes to the operation with a local counterpart when possible.

⁸ The CFPs establish the thresholds in each country regarding cost eligibility, if applicable. For these purposes, the "Guidelines for the application of the policy on eligibility of expenditures" (document CC-6004-1, section II) will apply.

- 2.32 The proposed policy establishes that resources may also support technical cooperation executed by Bank staff members, by financing the cost of delivering such TC (including salaries, benefits and overhead costs), when this is stipulated by the funding source. This change will align Bank practice with that of other MDBs. TC resources may not supplement the budget of a Bank department or division for routine or customary activities. Detailed rules will be included in the procedural manual.
- 2.33 Notwithstanding the above, the TC operations financed with resources from OC will be subject to the provisions presented in GA-220-12, except in those exceptions approved by the Board, for example with the Disaster Prevention Fund.

I. Rules for Granting Scholarships

- 2.34 The policy on financing scholarships does not change. The Bank may finance training scholarships in technical fields related to the economic and social development of member countries. Scholarships will finance the participation of qualified candidates in:
- (i) Training activities directly or indirectly organized by the Learning Department;
 - (ii) Courses and seminars related to matters directly concerned with Bank financed operations and their implementation;
 - (iii) Training programs associated with issues and themes of potential future Bank operations and for technical staff associated with loan preparation.

J. Reporting, Monitoring and Evaluation

- 2.35 The new policy establishes that all TC projects should be evaluable and subject to monitoring and evaluation in contrast to the current policy. All TC projects will include plans for monitoring and evaluation of outputs and outcomes. Bank staff would be available to assist beneficiary organizations and executing agencies to establish the necessary reporting, monitoring and evaluation mechanisms. Under the TC Framework all STFs will have a results framework that will be the platform for improved monitoring, evaluation and reporting on the development outcomes of TC.

K. Operational Agreements of Cooperation with other Agencies

- 2.36 Article VI, Section 2 of the Agreement Establishing the Bank authorizes the Bank to enter into agreements of cooperation with national or international, public or private, agencies in order to fulfill its function in the field of technical cooperation. The existing policy details the different types of agreements and

corresponding procedures. Under the new policy such operational agreements will be drawn up following Bank policies and procedures.

Annex I

Technical Cooperation Policy

I. Objective and definitions

- 1.1 *Objective.* The Agreement Establishing the Inter-American Development Bank (the Charter) identifies a clear role for technical cooperation in Bank financed activities as well as areas for its application.
- 1.2 The objective of the Bank's technical cooperation (TC) is to facilitate the transfer of technical know-how and qualified experience with the purpose of complementing and strengthening national and regional technical capacities, thereby contributing to the primary purpose of the Bank: accelerating the process of economic and social development of the borrowing member countries, individually and collectively. TC activities involve the transfer, adaptation, mobilization, and utilization of services, skills, knowledge, technology, and engineering to build national capacity on a sustainable basis and will be integrated with the Bank's lending program, aligned with country and regional strategies and focused on realizing development outcomes and results.
- 1.3 *Programming and identification.* The Bank will identify TC activities as part of its country strategy and programming processes that includes the rolling annual portfolio update and ongoing dialogue with country stakeholders in order to ensure flexibility with focus. Identification of technical cooperation at the regional level will be situated within the regional strategy development programming process.
- 1.4 The Bank will provide technical cooperation included as part of a loan, parallel to a loan, and independent of a loan (stand-alone).
- 1.5 *Beneficiary.* The term *beneficiary* will be used to refer to parties that benefit from TC and advisory services.
- 1.6 *Executing agencies.* Legally established entities may receive and administer TC and advisory resources. These *executing agencies* are: (i) borrowing member countries, including national and sub-national institutions with legal capacity to enter into agreements with the Bank; (ii) regional and sub-regional agencies established by the same countries; (iii) private companies eligible to receive loans from the Bank¹; and (iv) not-for-profit institutions, including civil society associations.

¹ Any private or public enterprise that will conduct or sponsor a project in the territory of a Bank borrowing member country.

- 1.7 The Bank can be an executing agency of TC, by contracting consulting services to undertake activities, including related to the development of non-financial products.
- 1.8 *TC Vehicles.* The Bank will finance three types of technical cooperation: National TC; Regional TC; and Intra-Regional Technical Cooperation (TC/Intra).

II. Fields of Activity

- 2.1 Two main fields of activity of technical cooperation are those identified in Article VI, Section 1 of the Bank's charter and subsequent documents, namely: (i) the preparation, financing, and execution of development plans and projects, including the consideration of priorities, and the formulation of loan proposals on specific national or regional development projects; and (ii) the development and advanced training, through seminars and other forms of instruction, of personnel specializing in the formulation and implementation of development plans and projects.
- 2.2 In addition, the Bank will explicitly support TC to: (i) improve capabilities and institutional capacities in the borrowing member countries; (ii) formulate and coordinate development strategies, plans and programs; (iii) support sector policy and issues-oriented studies; (iv) strengthen development planning; and (v) support the mobilization of resources by the borrowing countries.
- 2.3 The Bank will also finance TC to: (i) promote the transfer of technology and knowledge; and (ii) support the identification, preparation and implementation of pilot projects designed to test innovative ideas and to promote new initiatives and responses to enduring development problems.
- 2.4 TC operations may include a mix of expenditures for hiring of consultants and investments in goods and services. Investment expenditures financed by the Bank in TC projects will be determined by the requirements of each individual operation and, as a general rule, should not exceed 30% of total Bank-financed expenditures. Exceptions to the rule must thoroughly justify why such expenditures are reasonable and critical to obtain the TC objectives. [The authority to approve such exceptions will be a constituent part of the delegated approval powers requested under the resolution attached to the TC framework proposal \(GN-2469-1\).](#) The purchase of licenses, software and training materials is not considered [for the purpose of the 30% limit on investment expenses under this policy.](#)
- 2.5 The Bank may carry out TC activities through the development of **Non-Financial Products (NFPs)** that benefit internal Bank constituencies and, at the same time enable the Bank to provide improved support to the borrowing countries. Such NFPs would include: (i) activities that are focused externally and are designed to directly benefit the borrowing countries; (ii) activities that primarily serve an internal audience and provide development impact indirectly through their

contribution to the country and regional programs (such as economic and sector work and activities to develop and strengthen policies and strategies); and (iii) training and other activities that augment the Bank's expertise and strengthen its capability to provide future support to borrowing member countries.²

- 2.6 *TC Delivery.* TC will be delivered through: (i) the provision of grants for training either at home or abroad (including the provision of scholarships and hiring consultants to provide in-country training) and (ii) the contracting of consultants, advisors and experts with expertise, knowledge and experience required at a country and/or regional level. TC may also be executed by Bank staff.

III. Forms of Financing

- 3.1 *Non-reimbursable Financing.* All borrowing member countries of the Bank are eligible to receive Non-reimbursable Technical Cooperation (NRTC).
- 3.2 *Contingent Recovery Financing.* The Bank may finance contingent recovery TC operations for the preparation of non-sovereign guarantee loan proposals. If the resulting loan proposal is financed by the Bank, the operation becomes non reimbursable. However, if the resulting loan proposal is financed by another lending institution, the NRTC operation becomes reimbursable. In such cases, TC funds are included in the cost of the loan financed by the other lending institution, with the beneficiaries assuming an obligation to reimburse the Bank.
- 3.3 *Reimbursable Financing.* The Bank may finance reimbursable TC, usually as part of a loan. Reimbursable TC operations will be governed by the provisions pertaining to loan operations.
- 3.4 *Sources of Funds.* NRTC operations can be financed with resources from the Ordinary Capital (OC) and the net income of the Fund for Special Operations (FSO), funds under administration and other DTF resources designated for NRTC. Administrative funds may be used to finance non-reimbursable TC executed by Bank staff. Reimbursable TC may be financed with the same types of resources used for financing loans, which vary by country, as well as any other funding source that explicitly permits the use of this modality.

IV. Basic Criteria for TC Projects.

- 4.1 *Identification.* The identification of National TC and CT/INTRA operations will be through the country strategy development process and its associated annual programming and portfolio review as well as the continuing dialogue with country stakeholders. Regional TC will be identified through regional strategy and programming processes.

² GN-2168-5 provides additional information on the full range of non financial products of the Bank.

- 4.2 *Request.* The Bank will continue to require a request for TC from (i) the beneficiary or from a private company or not-for-profit entity eligible to act as the executing agency on behalf of the beneficiary/ies, or (ii) from a group of borrowing member countries in the event of regional operation.
- 4.3 *Appraisal.* The basic condition for TC provision at both country and regional levels is Article III, Section 7(b) of the Agreement Establishing the Bank, which says that the Bank shall not finance any undertaking in the territory of a member if that member objects to such financing. TC requests will be presented, analyzed and approved according to TC procedures developed in the operational procedures.
- 4.4 *Preparation.* If the beneficiary or executing agency does not have the capacity to complete all the necessary aspects of the request but the proposed activities are consistent with the Bank's country strategy, the Bank may decide to collaborate in the preparation of the request using professional and technical resources available in the Bank's country offices and at headquarters.
- 4.5 *Bank executed TC.* The Bank may take the initiative to execute TC in areas of its expertise provided that: (i) the beneficiary country or group of countries concurs; and (ii) the proposed activities are consistent with the Bank's country and/or regional strategy and program.
- 4.6 *Counterpart.* In non reimbursable and contingent reimbursable TC operations, the beneficiary commits itself to partially finance the operation's direct and indirect expenses with a contribution whose amount and type is established during negotiation of the operation and which in most cases will consist of local costs. In reimbursable technical cooperation, the Bank may finance up to 100% of the costs of the operation if so allowed by the Bank's country financing parameters (CFPs) for loans to that country.
- 4.7 *Procurement.* TC operations will follow Bank procurement policies and procedures. Executing agencies will be responsible for the selection and contracting of consultants and for the procurement of those works and goods that are required for the implementation of TC operations. The Bank may collaborate in the identification of consultants as well as in their selection. Exceptionally, on the request of the beneficiary, the Bank might contract consultancies. The terms for such contracting will be detailed in the operational regulations. The Bank will follow Bank policies and procedures to contract consulting services for the development of non-financial products.
- 4.8 *Disbursements.* TC operations will follow Bank disbursement policies and procedures. Disbursements shall be made within the time period stipulated in the document approving the project or in any modification to that effect.

- 4.9 *Audit.* The audit opinion required at the end of the execution of TC operations will be specific, simplified and consistent with the amounts and assessed risk involved.
- 4.10 *Eligible Expenses.* TC projects approved by the Bank may finance the following, unless specifically prohibited by the donor:
- a. Any expenditure permitted by the relevant Country Financing Parameters (CFP)³. Financing may not be used for items limited by country financing parameters.⁴ The Bank's contribution may finance technical cooperation activities mainly consisting of advisory services or similar activities. The Bank may finance staff costs as specified in the CFPs as well as equipment and other items when it is justified, the amount is reasonable and when the purchase of goods is necessary to attain the TC objectives. Each TC operation should determine the proportion of investment expenditures required to achieve the TC objectives.
 - b. (i) Non Financial products (see paragraph 2.5); (ii) training for Bank staff; (iii) consultancies that will facilitate the introduction of new issues and the consolidation of new expertise central to enhancing the Bank's competitiveness; and (iv) studies that provide inputs to the development of country strategies and regional programming documents and/or enhance the Bank's dialogue with borrowing member countries.
 - c. Technical cooperation executed by Bank staff members, (including salaries, benefits and overhead costs), when stipulated by the funding source.
 - d. TC resources may not supplement the budget of a Bank department or division for routine or customary activities.

V. Operational Agreements of Cooperation with other Agencies

- 5.1 Article VI, Section 2 of the Agreement Establishing the Bank authorizes entering into cooperation agreements with national or international agencies—public or private—in order to fulfill its function in the field of technical cooperation. Such operational agreements will be drawn up following Bank policies and procedures.

³ This flexibility is offered just in cases where it is necessary to do so. It will continue to be important that the beneficiary contributes to the operation with local counterpart funds or in kind when possible.

⁴ The CFPs establish the thresholds in each country regarding cost eligibility, if applicable. For these purposes, the "Guidelines for the application of the policy on eligibility of expenditures" (document CC-6004-1, section II) will apply.

VI. Rules for Granting Scholarships

- 6.1 The Bank may finance training scholarships in technical fields related to the economic and social development of member countries. Scholarships will finance the participation of qualified candidates in:
- a. Training activities directly or indirectly organized by the Learning Department;
 - b. Courses and seminars related to matters directly concerned with Bank financed operations and their implementation;
 - c. Training programs associated with issues and themes of potential future Bank operations and for technical staff associated with loan preparation.

VII. Reporting, Monitoring and Evaluation

- 7.1 In order to ensure that all TC operations are evaluable, all TC projects will include plans for monitoring and evaluation of outputs and outcomes. Bank staff may assist beneficiary organizations and executing agencies to establish the necessary reporting, monitoring and evaluation mechanisms. All STFs will have a results framework that will be the platform for improved monitoring, evaluation and reporting on the development outcomes of TC.

VIII. Implementation

- 8.1 A procedural manual will be elaborated that will detail the procedures required to implement the TC policy.

Annex II

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/08

Technical Cooperation Policy of the Inter-American
Development Bank

The Board of Executive Directors

RESOLVES:

1. To approve the technical cooperation policy in accordance with the provisions set forth in document GN-_____.
2. To repeal the provision set forth in document AT-80-10 and subsequent modifications, AT-595, GP-88 as well as any other provision that contravenes the document mentioned in paragraph 1 above.

(Adopted __ _____)

LEG/SGO/CID/IDBDOCS#1233281
Política de Cooperación Técnica

Comparison Table between Policy AT-80-10 and the New Policy Proposal

Policy AT-80-10	New Policy Proposal
SCOPE	
Presents a policy and also its regulations.	Covers policy issues only . The regulations will be included in a separate <i>operations manual</i> .
Definition and objectives	
States objectives and detailed description of activities	Clearly states the objectives and does not get into the description of the activities which are defined and discussed under the section Field of Activities. The focus is the same, transfer of technical know-how .
Programming and identification	
TC program closely related to its lending program.	Identify TCs as part of the Bank's country strategy development and national and regional programming processes.
Fields of Activity	
Extensively detailed, but only includes three specific areas for TC activities: development planning, pre-investment, institutional strengthening	<p>Broader treatment. In addition to three specific areas, will include:</p> <ul style="list-style-type: none"> • Promote the transfer of technology and knowledge; and • Support identification, preparation and implementation of pilot projects designed to test innovative ideas and promote new initiatives and responses to enduring development problems. <p>Classification done by type: national, regional, and non-financial products.</p>
Investments Expenditures	
30% maximum of the total cost of the TC for investments in goods and services	<p>The 30% ceiling on investment expenditures is the general rule. Exceptions to the rule must thoroughly justify why such expenditures are reasonable and critical to obtain the TC objectives. <u>The authority to approve such exceptions will be a constituent part of the delegated approval powers requested under the resolution attached to the TC framework proposal (GN-2469-2).</u> The purchase of licenses, software and training materials is not considered <u>for the purpose of the 30% limit on investment expenses</u></p>

Policy AT-80-10	New Policy Proposal
	under this policy.
Provision of TC	
For member countries governments and public institutions or private companies which are eligible for loans as well as regional and subregional agencies composed of member countries Express mention of the Program for Integration.	Same criteria but mentions explicitly TC for not-for-profit private organizations. TC for not-for-profit private organizations s. The Program for Integration is included as regional TC and is not different from any other regional TC.
Forms of Financing	
Non-reimbursable, contingent recuperation and reimbursable resources. Non-reimbursable: All member countries eligible, preference to the less developed members and those with insufficient markets (GN-88). Contingent: For any type of TC operation. Deals with recuperation issues. Reimbursable: Dealt with as loan operations and are processed and implemented as such. Sectorial criteria: The type of operation: reimbursable, non-reimbursable or contingent is also determined by sectorial criteria.	Non-reimbursable, contingent recuperation and reimbursable resources. Non-reimbursable Financing. All borrowing member countries of the Bank are eligible to receive Non-reimbursable Technical Cooperation. No preference. Contingent: TC operations for the preparation of non-sovereign guarantee loan proposals . <i>The Operation Manual will address recuperation issues.</i> Reimbursable: Same No definition by sectorial criteria
Sources of funds	
Ordinary Capital, FSO, the Social Progress Trust Fund, and other funds administered by the Bank.	Ordinary Capital, net income of FSO, Funds under administration, other DTF, and administrative funds may be used to finance TC delivered by Bank staff.
Beneficiary and Executing Agency	
No clear definition or separation of Beneficiary and Executing Agencies	Clear and concise definitions provided as a separate item.

Policy AT-80-10	New Policy Proposal
	<p>Beneficiary refers to parties that benefit from TC and advisory services. Executing agencies. Legally established entities may receive and administer TC and advisory resources. These executing agencies are: (i) borrowing member countries, state institutions with legal capacity to enter into agreements with the Bank; (ii) regional and sub-regional agencies established by the same countries; (iii) private companies eligible to receive loans from the Bank; and (iv) not-for-profit institutions, including civil society associations.</p> <p>The proposed policy also recognizes that the Bank can be an executing agency of TC, contracting consulting services to undertake TC activities related primarily to the development of Non-financial products</p>
Rules for Contracting Consultants	
<p>It is stated that the Bank does not hire consultants in place of the Beneficiary. Exceptions: 6 months contract and learning up to a year, explicit request of country.</p>	<p>TC operations will follow the Bank's procurement policies and procedures. Executing agencies will be responsible for the selection and contracting of consultants and for the procurement of those works and goods that are required for the implementation of TC operations.</p> <p>The Bank may to hire consulting services to undertake activities, included related to the development of Non-financial products.</p>
Contributions, Local and Bank's	
<p>Specifies in great detail the uses of local and Bank's items financed with the resources from the contribution of the Bank or with resources from the local contributions.</p> <p>It stipulates that the beneficiary will make a counterpart contribution consisting of local costs.</p>	<p>Similar to current policy. Updates case of reimbursable TC consistent with country financing parameters and allows for negotiation of the type of counterpart provided.</p>
Disbursements	
<p>Only specifies: made to the order of the beneficiary institution.</p>	<p>Disbursements: TC operations will follow Bank disbursement policies and procedures.</p>

Policy AT-80-10	New Policy Proposal
	Disbursements shall be made within the time period stipulated in the document approving the project or in any modification to that effect.
Agreements	
Specifies types of agreements to be signed and timeframe.	Types of agreements will be included in the <i>Operational Manual</i>
Final Evaluation	
Detailed explanation strictly on evaluation.	The concept is expanded to cover reporting and monitoring in addition to evaluation.