

OP-400 Technical Cooperation Policy

Effective: May 2013

1. 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 Bank **1/**; and (iv) not-for-profit institutions, including civil society associations.
- 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).

2. 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-2469-2). The purchase of licenses, software and training materials is not considered for the purpose of the 30% limit on investment expenses under this policy.
- 2.5 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.

3. 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), 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.

4. 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.
- 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 guidelines (PR-500).
- 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 (see [Interim Procedures for the Procurement of Goods and Services for Technical Cooperations](#)).
- 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 (see [OP-273-2](#) and [OP-274-2](#)).

4.10 **Eligible Expenses.** TC projects approved by the Bank may finance the following, unless specifically prohibited by the donor:

- (i) 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.
- (ii) a. Non Financial products ([see paragraph 2.5 of Section "FIELDS OF ACTIVITY"](#)); b. training for Bank staff; c. consultancies that will facilitate the introduction of new issues and the consolidation of new expertise central to enhancing the Bank's competitiveness; and d. 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.
- (iii) Technical cooperation executed by Bank staff members, (including salaries, benefits and overhead costs), when stipulated by the funding source.
- (iv) TC resources may not supplement the budget of a Bank department or division for routine or customary activities.

5. 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.

6. 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:

- (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.

7. 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

Strategic Thematic Funds (STFs) will have a results framework that will be the platform for improved monitoring, evaluation and reporting on the development outcomes of TC.

8. IMPLEMENTATION

- 8.1 The Operational Guidelines for Technical Cooperation Products GN-2629-1 details the procedures required to implement the TC policy (PR-500).

Note:

The Board of Executive Directors also approved the Framework for Technical Cooperation (GN-2469-2). Whereas the Technical Cooperation Policy proposes to establish a set of principles for the long-term, the Technical Cooperation Framework seeks to establish a platform relevant and applicable over the medium term.

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

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

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.