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**INTER-AMERICAN INSTITUTE FOR COOPERATION  
ON AGRICULTURE -IICA-**

**PROCEDURES FOR PROCESSING TECHNICAL  
COOPERATION PROJECTS**

**INTER-AMERICAN DEVELOPMENT BANCK (IDB)**

**San José, Costa Rica  
June, 1995**

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**INFORMATION SERIES DIREX/DCREXT**



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## **4.3 INTER-AMERICAN DEVELOPMENT BANK**

**4.3.1 Official Name: Inter-American Development Bank**

**4.3.2 Customary Acronym: IDB**

**4.3.3 General Background: The IDB is an autonomous institution of the Inter-American System, established through an agreement signed by 20 American States in December 1959. At the present time, in addition to 28 Member States of the OAS, 18 nonregional countries are also members of the IDB, bringing the total number of members to 46. With US\$100 billion in capital, the IDB is the second largest multilateral development bank in the world, surpassed only by the World Bank.**

**4.3.4 Objectives: The Bank's basic objectives are:**

- to contribute to the economic and social development of the Member States in Latin America and the Caribbean, individually and collectively; and
- to promote public and private investment in development programs and projects; mobilize funds for loans for development and related objectives; assist member countries of the region in orienting their socioeconomic programs, with a view to improving production efficiency and income distribution, within a framework of natural resource sustainability and environmental protection.

**4.3.5 Priorities: The general strategy and top priorities for the Bank's action are defined by the Board of Governors at its annual meetings, particularly when guidelines are established for Capital Replenishments, usually every four years. During the 1994 Annual Meeting, held in Mexico, terms were approved for the Eighth General Increase in the Resources of the Bank, which will bring the Bank's callable subscribed ordinary capital to US\$100 billion. The Fund for Special Operations received an additional US\$1 billion, bringing its total to US\$10 billion. The respective Resolution should take effect in mid-1995. The priority strategic areas the Bank will support over the next four years are:**

- a. **Social sectors: programs that aim to improve social conditions, foster equity and reduce poverty; the Bank will channel up to 40% of the volume of its loans and 50% of the number of operations to this type of project. Included are projects addressing the family, women and young people, health and nutrition, education and training, indigenous groups, rural and urban poverty, among others.**

- b. **Modernization and integration**: to support programs and projects aimed at helping the countries modernize their production structures and public sectors, with a view to making them competitive on international markets. This includes projects addressing investment promotion, institutional strengthening, development of physical infrastructure (e.g., energy, transportation), technical training and technology generation, support for small- and medium-scale enterprises, modernization of the financial sector, agricultural modernization, support for private enterprise without government guarantees (up to 5% of the portfolio, with individual limits).
- c. **Environment and sustainability**: to help the countries prepare environmental and natural resource management programs and strengthen the institutions that will execute them; environmental impact is to be measured in all projects, especially production-related projects in areas such as agriculture, energy, transportation, watershed basins, mining, urban development, etc.
- d. **Civil society**: to support the reform of legal systems, institutions and regulations applied in the exercise of democracy, modernization of the structures and operations of parliaments, and support for nongovernmental agencies.

**4.3.6 Financial resources**: The financial resources of the Bank come from:

- a. **Ordinary capital**: The Ordinary Capital consists of shares subscribed by the Member States. With the guarantee of the callable capital, the Bank issues bonds in order to obtain from financial markets the resources needed for its ordinary loan programs.
- b. **Fund for Special Operations**: This fund consists of contributions made by the Member States for loans provided under softer conditions than those that apply for loans from the ordinary capital (i.e., interest rates and grace and payback periods). Contributions are determined on the basis of each Member State's share in the Bank's capital. In granting loans from this fund, the Bank attaches priority to projects that benefit low-income groups, especially in the sectors of agriculture, sanitation, public health and education, and are used almost exclusively in the relatively less-developed countries.

- c. **Trust Funds:** These are a variety of funds that the Bank administers in accordance with the terms and conditions agreed to in advance with the countries or entities providing the monies. There are currently 27 in operation, which are described in Appendix 1.

**4.3.7 Organization and Structure:** The governing body of the Bank is the Board of Governors, which is made up of representatives of all the member governments. The Board of Executive Directors is responsible for approving the basic structure of the Bank, its loan and sectoral policies and all financings. It has 13 members, of which eight are elected by the countries of Latin America and the Caribbean; one is appointed by Canada, one by the United States and three by the Group of Nonregional Member States. The members of the Executive Board serve three-year terms and may be re-elected. The President of the Bank is elected by the Assembly of Governors for a five-year term and may be re-elected. He/She also presides over the Board of Executive Directors and is responsible for the administration of the Bank.

The IDB was reorganized in 1994, grouping the departments and divisions responsible for programming, analysis and processing of projects into three regional directorates (Appendix II).

**4.3.8 Headquarters:** The headquarters of the IDB is in Washington, D.C., and a Country Office of the Bank operates in each borrowing country in the region. Also, the Bank has a Special Office in Europe (Paris).

**4.3.9 Project Cycle:** The cycle consists of six stages: a) identification; b) preparation; c) analysis; d) approval; e) execution; and f) ex-post evaluation.

- a. **Identification:** This stage begins with the periodic programming exercise that the Bank conducts in each country, in which the Bank and the government reach agreement on priority areas and identify potential investment and technical cooperation projects for consideration during a tentative three-year period. Specific projects are identified by the Bank in a document entitled Profile I, which defines the macroeconomic frame of reference and the basic elements needed to conceptualize the project and its structure.

- b. **Preparation:** Once the Profile I has been approved by the Loan Committee (made up of the department managers and presided over by the Executive Vice President), authorization is granted to set up the Project Team and the operating division of the region to which the country belongs that will assume responsibility for execution is selected. After one or more orientation missions to the project site, the Team prepares Profile II, which should briefly describe the project and its components, and offers a preliminary assessment of its technical feasibility and financial and socioeconomic viability. Also, it should identify possible problems, the amount of time required for its preparation and any technical support (consultancies) that may be necessary. Also, the project must be classified in terms of its potential environmental impact. As preparation of the project progresses, the Team must prepare a Profile III, which is a revised and expanded version of the Profile II that offers more detailed information for drawing up a plan of action for completing the project.
- c. **Analysis:** After preparation of the project and upon receipt of the official prioritized request for funding from the agency serving as liaison between the government and the Bank, authorization is granted for the analysis mission. The process of analyzing an investment project can take several months and involves the analysis of technical, financial, institutional, legal and socioeconomic aspects, as well as capacity for execution, environmental impact and possible risks. The analysis stage concludes with the preparation of the Loan Document and its appendices, which is submitted for consideration, review and approval by higher levels, after negotiating the terms of the loan with the future borrower.
- d. **Approval:** The project team or group submits its document first to the Mid-level Administration Committee (MAC), made up of the management of the region of operations and the divisions or units participating in the project process. Once released by the MAC, the document is submitted to the Loan Committee, made up of all the managers and directed by the Executive Vice President. After approval by this Committee, the final document is submitted to the President, who may send it, through the Secretary of the Bank, to the Board of Executive Directors for consideration. The Board first discusses the project during a "General Commission" meeting, where questions are asked or changes proposed. After incorporating the Board's comments, the Loan Proposal and its appendices are submitted to a "formal session" of the Board, at which time it is either approved or rejected. Once approved by the Board, the Bank's Legal Department convenes the corresponding representatives of the



bank and the borrower to a meeting for signing the loan contract. Once the document is signed, the borrower must prove to the Bank that it has complied with all conditions required for the first disbursement. Once the Bank is satisfied of such compliance, the Bank declares the project "eligible for disbursements", which means that project execution can begin.

- e. **Execution:** This stage includes the Bank's disbursement process, inclusion of local contributions and physical execution, through the purchasing of goods and services (through an international bidding process if they are funded with IDB resources and if their value exceeds the amount for which bidding can take place at the local level). Generally, execution involves the hiring of specialized consultants to support the project executor. During execution, the Bank monitors the process by conducting periodic inspections, and the borrower-executor must submit reports on a regular basis. After execution, the IDB Representation prepares an End-of-Project Report, which must be approved by the corresponding division at headquarters.
- f. **Ex-post evaluation:** After project completion, and some time after the normal initiation of the project (generally three or more years), the Bank's Comptrollership, usually with the support of external consultants, conducts the corresponding evaluation. The purpose is to identify changes in the project between the time it was originally designed and when it concluded, variations in costs and benefits, and its impact on the original economic internal rate of return. This report is circulated as a source of information for future operations.
- g. **Technical cooperation:** The processing and approval of technical cooperation projects is similar to, but simpler than, the cycle for other projects. There are slight, not very important variations, depending on the type of operation. The Bank has different approval limits, depending on the amount of funds involved. Even though these figures vary and are adjusted from time to time, the following can be taken as examples: heads of division can contract for consultancy services up to the amount of US\$150,000.00, provided they have been approved by the respective manager and such services are set out in the corresponding budget. The President is empowered to approve certain operations for up to US\$750,000.00, upon recommendation by the Loan Committee, through the Executive Vice President.

**4.3.10 Miscellaneous Information:**

- a. **Consultancy Services:** Professional service firms are defined as legally constituted consulting firms, made up primarily of professional personnel, to conduct studies, provide advisory services, issue expert opinions and offer different types of professional services. International organizations that provide consultancy services are considered consulting firms. All firms or agencies wishing to be considered for IDB-funded contracts must be previously registered with the official IDB Registry and meet all the Bank's special requirements. (IICA is duly registered with the IDB.)

The procedures for selecting and hiring consulting firms are not applicable to individual consultants, or to consulting firms whose services form part of a project or technical cooperation activity partially funded by the Bank, when the services do not receive Bank funding. Nevertheless, in these cases, the Bank reserves the right to examine and approve the consulting firm hired, the terms of reference for the services to be performed, and the cost of such services.

The borrower is responsible for selecting and hiring the consulting firm in accordance with the requirements set forth in the contract or agreement with the Bank, which must approve the selection. The IDB neither selects nor recommends firms offering professional services; however, if requested, the Bank will participate in the process of identifying eligible firms.

The draft of the contract must be submitted to the Bank for approval before it is signed.

Consulting firms registered with the Bank's Office of Professional Service Firms complete special forms with all necessary information regarding their technical capabilities, professional experience, personnel and working languages. These must be updated every two years.

It is important for IICA's Technical Cooperation Agencies to maintain ongoing relations with the offices of financial agencies and national institutions to identify areas for technical cooperation that could be funded by such agencies, or to learn of possibilities for providing technical cooperation services for activities under negotiation or scheduled for execution, either as specific technical cooperation projects or as components of investment projects. This will enable IICA to offer its technical cooperation services during both the project preparation and execution stages.

IICA's Technical Cooperation Agency in the United States maintains a database of agricultural projects listed in the IDB and the IBRD inventories for future operations, and provides bi-monthly reports on same to Headquarters and the IICA Technical Cooperation Agencies in the countries.

- b. Technical cooperation: Lending organizations provide funds in order to help the countries of Latin America, especially the relatively less-developed ones, to upgrade their capabilities to identify and prepare investment projects and execute them efficiently.

The principal objectives of technical cooperation (at the IDB) or technical assistance (at the IBRD) for the agricultural sector are: i) institutional strengthening; ii) support in preparing investment projects; iii) studies and research; iv) covering the costs of technical services, within investment projects, as required for execution; v) training; and vi) conferences, workshops or seminars on specific topics.

The types of technical cooperation funded by the IDB are:

- i. Non-reimbursable: These funds are used to finance general or pre-investment studies and to support training or other types of institution building in countries eligible for these grants.
- ii. Contingent recovery: These funds are usually used in connection with pre-investment studies. If, as a result of the study, the project is funded by the financial agency, the cost of the technical cooperation is included in the future loan and is recovered when the loan is paid back. If the project is not funded, the funding is considered "non-reimbursable."

- iii. As a component of Loan Projects: Such funds may be reimbursable or non-reimbursable. Most technical cooperation is funded in this way, including consultancy services, institution building and the training required for project execution.
- iv. Pre-investment loans: These are used to fund technical services related to the preparation of economic and financial studies aimed at determining the viability of a given project. They are awarded in the form of direct loans to public or private enterprises to help them finance specific studies or projects, and in the form of general loans to national development agencies which, in turn, channel these funds to public or private enterprises through credits for the same purposes. Examples include FINEP in Brazil, COFIDE in Peru and OFIPLAN in Costa Rica.

c. Bids:

The Bank's loan contracts stipulate that a public bidding process is required before purchasing materials and supplies, contracting for services (excluding consultancies) and constructing works whose value exceeds a specified sum; they also stipulate that the bidding procedure and the awarding of contracts are subject to terms approved by the Bank.

The purchase of machinery, equipment and other materials and the awarding of construction contracts valued at more than US\$ 2 million and funded with a Bank loan (variable amount), requires a public international bidding process, open only to bidders from the Member States of the Bank. Those paid for with local funds are also subject to a bidding process, which the interested party may restrict to the national level.

Final responsibility for the bidding process for goods and services rests with the project beneficiary, which, usually, is the borrower.

The IDB demands that specific regulations for bidding processes be drawn up for each project, which must comply with the laws of the country and the rules of the Bank.

Calls for bids must be published at least three times in one of the newspapers with the largest circulation in the country.

The IDB distributes a pamphlet describing the rules for purchasing with IDB loans, which sets forth the specifications, procedures and contractual obligations related to this process.

Acquisitions of goods and services funded with trust funds are governed by the rules of eligibility established in the respective agreements.

Also, it is very important for the IICA Technical Cooperation Agencies to make an effort to keep informed of the upcoming opening of bids for services. This can be accomplished by maintaining close contact with the offices of the financial institutions or the interested national institutions, or by checking on a daily basis the newspapers in which the opening of bids are likely to be published.

#### **4.3.11 General strategy of multilateral banks for the agricultural sector**

During 1994, the two multilateral banks that fund development projects in Latin America and the Caribbean (IDB and IBRD) made significant changes in their organization, priorities and operating strategies. These changes have had a major impact on the agricultural sector, where priorities have shifted toward natural resource management, basic infrastructure and rural poverty projects, replacing the production programs conducted for the last 25 years. The preferred areas for funding are now: i) rural roads and transportation; ii) irrigation to increase productivity; iii) research, technology and agricultural health; iv) reform of public institutions and support in strengthening the private sector; v) soil management and recovery, land tenure, agrarian reform, watershed management and development, agroforestry; vi) programs to alleviate rural poverty, including improving conditions for women food producers, incentives for rural youths, basic health, education and extension services, and support for indigenous groups; and vii) studies or investments on rural environmental conservation and protection and sustainable management of renewable natural resources. Traditional agricultural credit, integrated rural development, livestock development and other projects directly targeting commercial agricultural production have gradually been absorbed by the general financial system of each country.

It is important to recall that the multilateral banks WILL NOT FUND the budgeted expenditures of international agencies, since these are supposed to be covered by the quotas of their member countries. The only way agencies such as IICA can make use of the funds of these banks is through their association with national agencies or executors of projects to be prepared or executed with such funding. IICA maintains an important portfolio and has considerable experience in this regard, serving as a specialized agency that helps in the preparation and execution of projects funded by multilateral banks. The most usual means for engaging in this kind of activity are: i) to participate, at the request of the respective government (and with prior authorization from the Director General) in bidding processes open to enterprises or agencies offering professional services, in compliance with the regulations and terms of reference in effect for each; ii) in exceptional cases, when the banks, in approving an operation, authorize the borrower/executor in advance to contract for the professional services of an "international specialized agency." This is seldom done because it goes against the banks' policies of submitting all acquisitions of goods and service to international or national bidding processes; and iii) also in exceptional cases, when a bank directly asks IICA to carry out specific activities, funding the cost of same (including overhead). Recent examples are the subregional studies conducted with the IDB on women food producers, the design and dissemination of uniform criteria for selecting and prioritizing agricultural research projects in Latin America, organization of several specialized seminars or conferences at the headquarters of both agencies or in countries of the region, and joint publications.

Continued consideration and participation of agencies such as IICA in projects funded by the multilateral banks depends heavily, therefore, on the image and technical profile that the Institute displays in executing the respective tasks, and also on its success in maintaining ongoing relations and effective coordination among the country offices of both institutions, and in maintaining close ties with the headquarters.

TABLE XI. FUNDS IN ADMINISTRATION

Name	Date Established	Entrusted by	Currency	Amount Contributed* (million)	Sector Concentration or Purpose
Social Progress Trust Fund	1961	USA	U.S.\$	525	Agriculture, sanitation, education, social.
Venezuelan Trust Fund	1975	Venezuela	U.S.\$ Bolivars	400 430	Integration, natural resources, industry, exports.
Canadian Fund	1964	Canada	Can\$	73	Physical infrastructure and other sectors on concessional terms.
Canadian Project Preparation Fund	1974	Canada	Can\$	6	Preparation of project—basic studies, feasibility and engineering design.
Japan Special Fund	1988	Japan	Yen	15,000	Technical assistance, small projects, emergency assistance.
IDB Graduate Scholarship Program	1991	Japan	Yen	353	Scholarships for advanced study.
Swiss Fund for Technical Cooperation and Small Projects	1980	Switzerland	SwF	53	Projects that benefit low-income groups.
Norwegian Development Fund	1987	Norway	U.S.\$	2	Loans and small projects, low-income groups, health, education, agriculture and small-scale industry.
United Kingdom Development Fund	1971	U.K.	£	4	Concessional loans.
Argentine Fund	1970	Argentina	Pesos	equiv. to U.S.\$23	Local counterpart financing for IDB projects.
Special Fund for Small Projects	1991	EEC	ECU	8	Small projects and technical assistance.
Spanish Quincentennial Funds	1990	Spain	ECU	equiv. to U.S.\$90	Technical education, agriculture, health, communications, urban development.
Fund for Belgian Consultants	1991	Belgium	BF	equiv. to U.S.\$0.38	Technical assistance for preparation of projects in productive and private sectors.
EEC Fund for Technical Consultancy Services	1991	Commission of the European Communities	ECU	equiv. to U.S.\$2.4	Short-term consultancy services to carry out studies and training in conjunction with the Bank's operations.
Italian Trust Fund	1991	Italy	U.S.\$	3.5	Consulting services related to industrial reconstruction.
Italian Fund for Consulting Firms	1992	Italy	U.S.\$	1.8	Consulting services for specialized institutions.
Italian Fund for Individual Consultants	1992	Italy	U.S.\$	0.82	Individual consultants.
Portuguese Technical Cooperation	1991	Portugal	Escudos	equiv. to U.S.\$1.5	Technical assistance, scholarships and traineeships.
Swedish Trust Fund for Consulting Services and Training Activities	1991	Sweden	U.S.\$	7	Consulting services and training in social sectors.
Swedish Fund for the Financing of Small Projects	1992	Sweden	U.S.\$	5	Small projects.
Austrian Technical Cooperation Trust Fund	1992	Austria	U.S.\$	1	Short- and long-term consultancies.
German Technical Cooperation Fund	1992	Germany	DM	equiv. to U.S.\$0.18	Short- and medium-term advisory services.
Israeli Consultant Trust Fund	1992	Israel	Shekels	equiv. to U.S.\$0.19	Advisory services for projects.
Norwegian Fund for Women in Development	1993	Norway	NOK	equiv. to U.S.\$0.14	Technical assistance activities, studies, training and seminars to be carried out by the Bank under its Women in Development Program.
Environmental Technical Cooperation Trust Fund from The Netherlands	1993	Netherlands	NG	equiv. to U.S.\$0.93	Consulting services from The Netherlands, Latin America and the Caribbean.
Spanish Fund for Consultants (ICEX)	1993	Spain	Ptas.	equiv. to U.S.\$0.36	Consulting services from Spain for technical assistance activities.
Swedish Fund for Microenterprise in Bolivia	1993	Sweden	SwK	equiv. to U.S.\$4.0	Microenterprise activities and Small Projects.

\* Figures represent gross contributions and do not reflect balances on hand.

## APPENDIX II

### Basic Structure of the IDB

Since 1994, the programming, analysis and processing of projects for Bank funding, with the exception of regional programs involving several countries from different subregions, have been divided into three regional departments, as follows:

<u>REGION 1 (RE1)</u>	<u>REGION 2 (RE2)</u>	<u>REGION 3 (RE 3)</u>
Argentina (AR) Bolivia (BO) Brazil (BR) Chile (CH) Paraguay (PA) Uruguay (UR)	Belize (BL) Costa Rica (CR) Dominican Republic (DR) El Salvador (ES) Guatemala (GU) Haiti (HA) Honduras (HO) Mexico (ME) Nicaragua (NI) Panama (PN)	Barbados (BA) Bahamas (BH) Colombia (CO) Ecuador (EC) Guyana (GY) Jamaica (JA) Peru (PE) Suriname (SU) Trinidad and Tobago Venezuela (VE)

In addition to the operational support units of each region (including a regional submanager), each regional department has two "country divisions," the principal objective of which is to maintain programming with each government and serve as liaison with the Bank's representation in the countries. These six divisions are made up of the following countries:

#### Region I

RE1/OD1: Brazil, Paraguay, Uruguay  
 RE1/OD2: Argentina, Bolivia, Chile

#### Region II

RE2/OD3: Costa Rica, Guyana, Honduras, El Salvador, Nicaragua  
 RE2/OD4: Belize, Haiti, Mexico, Panama, Dominican Republic

#### Region III

RE3/OD5: Colombia, Ecuador, Peru, Venezuela  
 RE3/OD6: Barbados, Bahamas, Guyana, Jamaica, Suriname, Trinidad and Tobago



Loan and technical cooperation operations for the countries are the responsibility of three sectoral divisions per region, also known as "functional divisions," as follows:

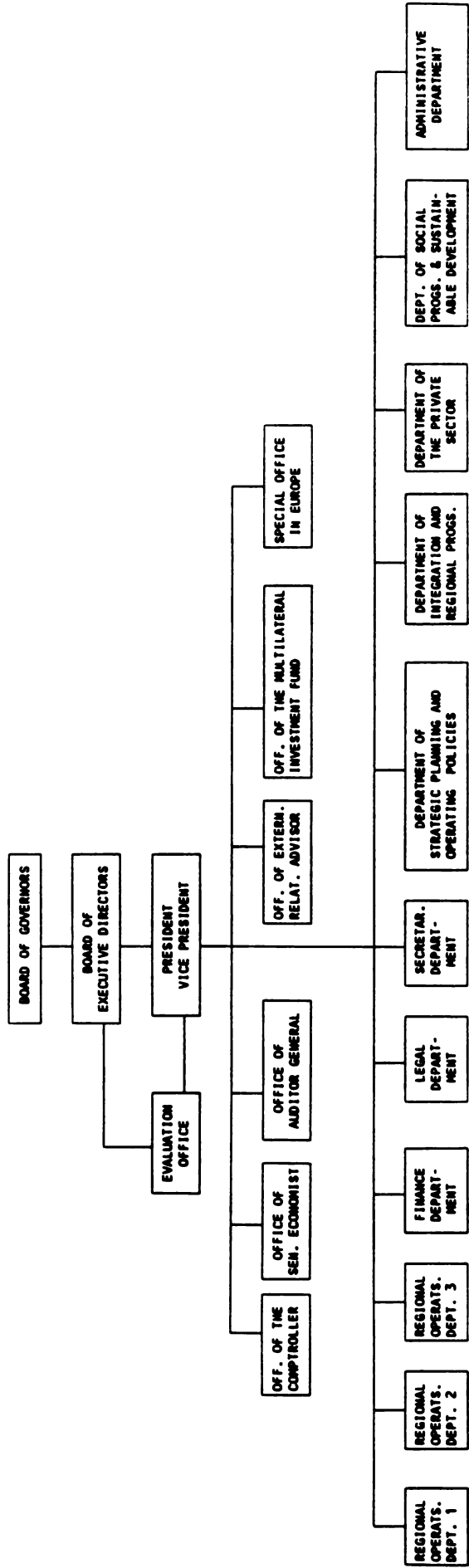
<b>SOCIAL PROGRAMS</b>	<b>FUNDING AND INFRASTRUCTURE</b>	<b>ENVIRONMENT AND NATURAL RESOURCE MANAGEMENT</b>
Education Health/Nutrition Water/Sanitation Urban Development and Housing Women in Development	Funding Institutions Funding for Exports Energy Transportation Communications	Environmental Protection and Pollution Control Natural Resource Management Agriculture Rural Development

Regional or integration projects are under the Department of Integration and Regional Programs.

Following is the IDB's current basic organizational chart.

INTER-AMERICAN DEVELOPMENT BANK  
SENIOR MANAGEMENT

Supersedes March 1994



Organization Manual

November 1994



