

## **CALL FOR EVIDENCE FOR THE BALANCE OF COMPETENCES REVIEW:**

### **DEVELOPMENT COOPERATION AND HUMANITARIAN AID REPORT (DFID)**

#### **– QUESTIONS –**

##### **Impact on the national interest**

**1. What are the comparative advantages or disadvantages in these areas of the UK working through the EU, rather than working independently or through other international organizations?**

- In the recent years IDB has been strengthening its partnership with the EU through its Latin America Investment Facility (LAIF). Last year LAIF grew to approximately US\$89 million supporting public and private projects financed by IDB and other European Financial Institutions in energy efficiency, sustainable urban development, water and sanitation and climate change for regional and country programs in Mexico, Peru, Colombia, Chile and Brazil.
- The blending mechanism used through LAIF by mixing grants with loans from IDB and public European Development Finance Institutions has allowed the IDB and the European partner institutions to address the newly identified challenges in Latin America and the Caribbean (LAC) such as climate change and its impact on the environment as well as social issues.
- The EU will be launching the Caribbean Investment Facility with the main purpose to mobilize additional financing to support investment in the Caribbean, especially in the following areas: Improving interconnectivity between and within the Caribbean countries, in particular establishing better energy and transport infrastructures including energy efficiency, renewable energy systems, sustainability of transport and communication networks; increasing the protection of the environment and support climate change, adaptation and mitigation; and promoting equitable and sustainable socio-economic development through the improvement of the social services infrastructure and support for the small and medium enterprises (SMEs).
- Having a Finance Institution from the UK as a leading institution to channel EU resources to mobilize financing for the Caribbean would be an area of great opportunity to work through the EU having the IDB as a partner as well as other financial institutions. We believe this could be a good opportunity as this has been an effective way to leverage resources through the collaboration with EU, DFID and the IDB.

##### **Policy making and implementation through parallel competences**

2. **What is the impact of the current system of parallel competences on policy making and implementation in these areas, especially in terms of:**
- a. **Efficiency, effectiveness and value for money;**
  - b. **Transparency (including checks against fraud and corruption); and**
  - c. **Working with other international partner organizations (e.g. UN, World Bank etc.)?**
- IDB is collaborating with EU through its budget support programs in Latin America, in particular in the citizen security sector. This will allow for effective and flexible mechanisms through blending of resources with IDB loan programs as well as donor coordination and efficient use of resources, as the conditions for the contributions of non-reimbursable resources will be aligned with IDB programs. In addition, another advantage of budget support programs is that they will help leverage loan resources and meet conditionally requirements in small and vulnerable countries in LAC.
  - Particularly, in the case of citizen security, DFID has contributed £7.25 million to expand an IDB-financed program to reduce crime and violence in high-risk communities in Jamaica. This is an area of support as well from the EU, and in the context of parallel competences, for the IDB has been effective to work with both the EU and the UK in this sector using different financing mechanisms that have helped to leverage resources, increase scope of intervention and scale.
  - **Regarding Effectiveness & Efficiency**, delivering results on the ground requires the IDB to step up its “results-based” management, by tracking its performance periodically through a comprehensive set of indicators of operational effectiveness and efficiency. The Bank has been progressively adapting its organizational systems and processes to meet these mandates.
    - As part of recent General Capital Increase (GCI-9), the Board of Governors mandated that the Bank implement a systematic approach to capture external feedback from civil society and public and private sectors regarding the Bank’s products, services and comparative advantages. The IDB implemented a pilot of the External Feedback System (EFS) in 2012 and it will be formally launched in 2013. Additional information about the EFS can be downloaded at [www.iadb.org/2012DEO/efs](http://www.iadb.org/2012DEO/efs).

### **Relationships between development cooperation/humanitarian aid and other policy areas**

3. **How far do EU development policies complement and reinforce policies in areas such as trade, security, stability, human rights, environment, climate change etc., and vice versa?**
- Does not apply to the IDB.

### **Future options and challenges**

4. **Bearing in mind the UK’s policy objectives and international commitments, how might the UK benefit from the EU taking more or less action in these areas, or from more action being taken at the regional, national or international (e.g.**

**UN, OECD, G20) level – either in addition or as an alternative to action at EU level?**

- IDB has had a very positive experience working with the UK through its commitment and support to the Caribbean by providing not only financial but competence and technical expertise. Thanks to UK's commitment to focus aid on the poorest people, UK has supported a number of initiatives together with the IDB in the areas of security, trade, environment and climate change.
- As an example, as part of its commitment to contribute £75m in aid to the Caribbean between 2011–15 to support governance and security, enterprise development and action on climate change, DFIF has supported:
  - £1.45 million contribution for the development of home-grown ideas and projects that promote renewable energies and improve energy efficiency and energy access in the Caribbean.
  - £10 million contribution to the Compete Caribbean program as part of an innovative partnership with the Canadian Development Agency and the IDB to support productive development policies, business climate reforms, clustering initiatives and SME development activities in the Caribbean. DFIF's contribution and participation has brought in addition to development assistance, local technical expertise, innovation and knowledge.

**5. Are there ways in which the EU could use its existing competence in these areas differently, or in which the competence could be divided differently, that would improve policy making and implementation, especially in terms of:**

- a. Efficiency, effectiveness and value for money;**
- b. Transparency (including checks against fraud and corruption); and**
- c. Working with other international partner organizations (e.g. UN, World Bank etc.)?**

- The EU and the IDB already collaborate actively in matters of development cooperation in Latin America and the Caribbean. Both institutions believe that deepening and expanding current cooperation, having due regard to their respective comparative advantages, will boost the efficiency of their activities in both regions through strengthening collaboration in a number of priority areas that both institutions share. In this context, we are working to develop new mechanism (financial and non-financial) to improve coordination, effectiveness and implementation, for example:
  - Within the budget support programs to complement resources, align strategies and support implementation.
  - Channeling resources directly through IDB guaranteeing effective project design, supervision and implementation and aligned with policy.
  - Supporting IDB priority initiatives in Latin America and the Caribbean through contributions to single or multi-donor thematic funds.

**6. What future challenges or opportunities might the UK face in the areas of development cooperation and humanitarian aid, and what impact might these have on questions of competence and the national interest?**

- Does not apply to the IDB.

**General**

**7. Are there any general points on competence you wish to make which are not captured above?**

- In 2012 the IDB worked to develop a more rigorous and effective process for targeting its multi-donor funds and reporting on results.
- With an initial focus on the Aid for Trade Fund, the Bank collaborated with representatives from donor member countries including the UK to produce a new results framework to more closely align the fund's activities with donor and Bank objectives and thereby help ensure greatest development impact in the region. Several other IDB multi-donor funds have already benefitted from a similar analytical rigor.
- Aiming to improve effectiveness and donors' priorities, the IDB has welcomed and implemented recommendations drawn from the assessment on Multilateral Aid Review on the IDB done by DFIF. This assessment has been very useful for the institution to improve its role in meeting UK development and aid objectives and also as a benchmarking exercise with other multilateral institutions.