



# Defining successful and effective Aid for Trade projects: An introduction to bankability

*17 April 2013*

# The term cloud

Acceptable

Fundable

Dependable

**Bankable**

Viable

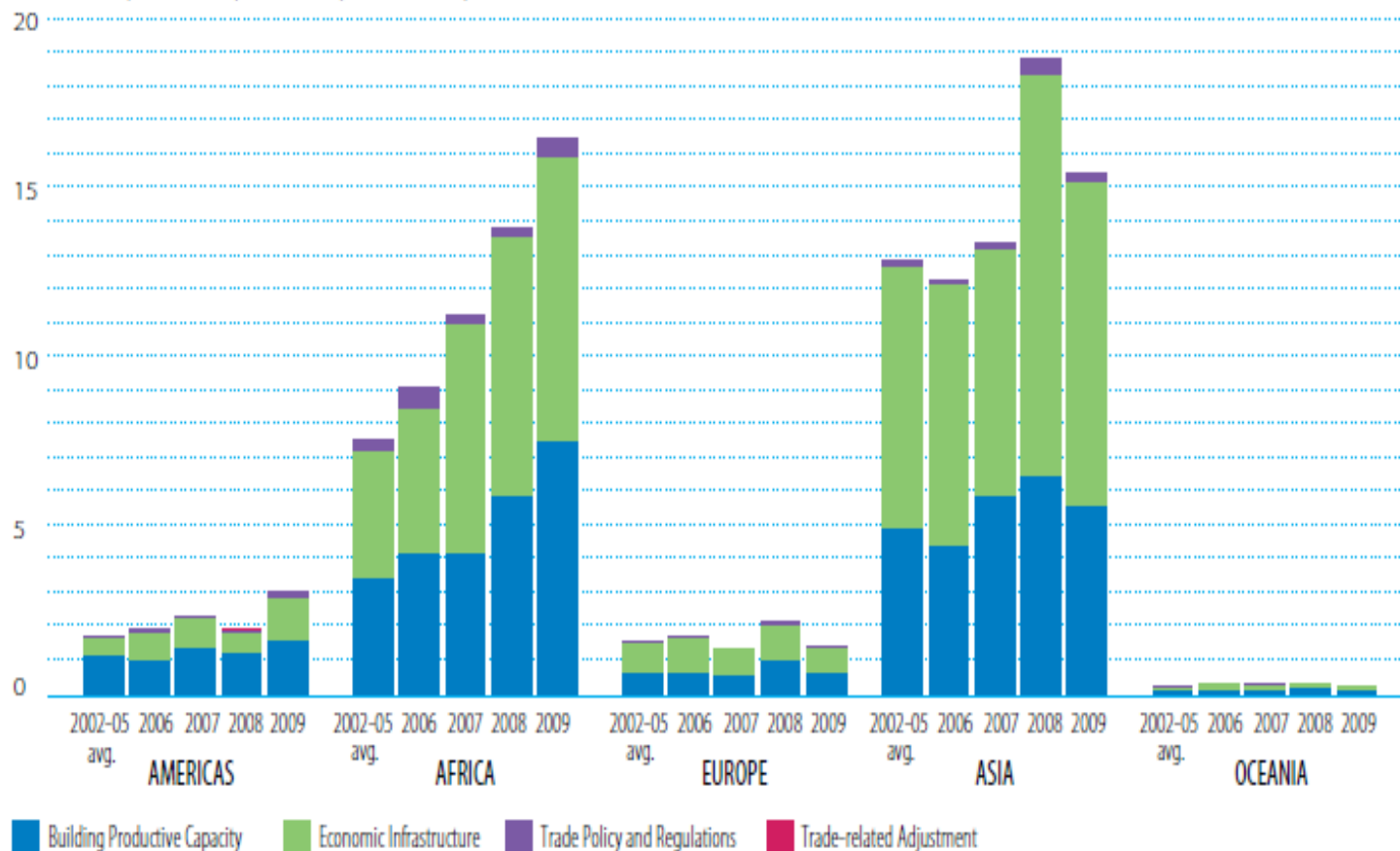
Reliable

Profitable

# How much Aid-for-Trade has been banked?

Figure 2.5 Aid for trade by region and category

COMMITMENTS, 2002/05-2009, USD BILLION (2009 CONSTANT)



Source: OECD-DAC, Aid activities database (CRS)

Note: Building productive capacity included trade development activities which are identifiable in the CRS since 2007 flows.

Trade-related adjustment data are available since 2007 flows and may be invisible on the chart due to their small amounts.

StatLink <http://dx.doi.org/10.1787/88893244615>

TOTAL

2008: \$26 billion

2009: \$30 billion

# How much was left un-banked?



Elsewhere:  
**Consolidated  
Appeals for  
humanitarian aid  
only have 29% of  
requirements met  
for economic  
recovery and  
infrastructure in  
2012**

# A closer look at the term

## *“Bankable projects”*

A term used by WTO, EIF, World Bank, UN system and *many more*

**Ubiquitously present in Aid for Trade literature of WTO, OECD etc.**

*“Trade mainstreaming requires the development of a sound trade policy framework that can identify and carry out bankable projects.”*

**NABARD Goat husbandry project for commercial farming - Model Bankable Projects outside AfT framework**

**Taiwan International Cooperation and Development Fund**

The use of “bankable” project documents = the use of a “business plan” approach to development

# The meaning of bankable for the IF Task Force

“The bankable projects mentioned by the IF task force report refers to large trade and trade related projects, and related infrastructure projects that **could be financed by donors** and/or the World Bank once inserted into the poverty reduction strategy papers and development plans of LDCs”

*UNCTAD  
Developing a Trade Policy Framework  
to Mainstream Trade into National Development Plans:  
Practical Steps under the Enhanced Integrated Framework*

# Can we find a commonly accepted definition

Put simply, a project is considered bankable **if lenders are willing to finance it**

▶ ▶ ▶ **projects that attract the necessary funds  
are bankable**

Brings us to the textbook definition

**bank·a·ble (adj) : Guaranteed to bring a profit**

▶ ▶ ▶ **Profit/Financial returns**

# Profit in the aid for trade context

Financial returns

Trade integration

Increased trade capacity

Increased capacity to formulate trade policies and trade adjustment measures

**Beneficial impact on human development**



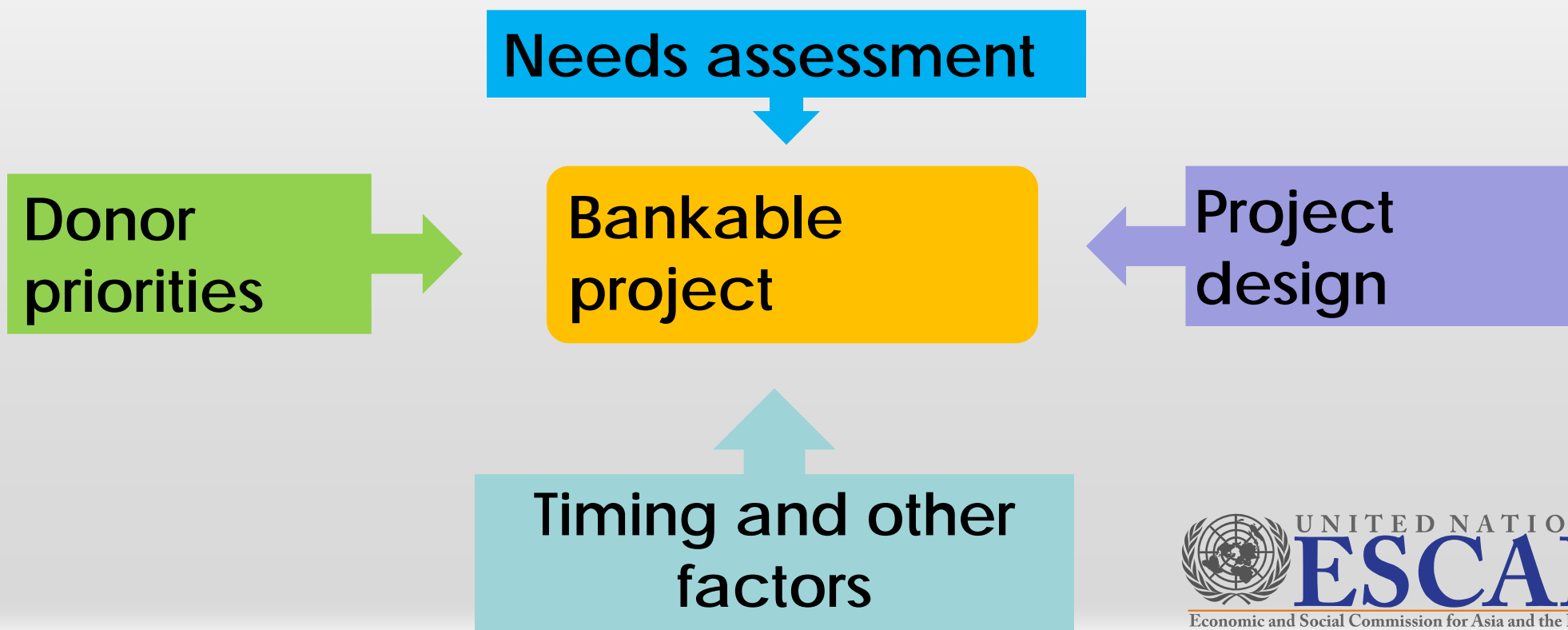
# Bankability in the aid for trade context

A bankable aid for trade project is a project which donor's are willing to fund because of they are guaranteed a positive and sufficient effect on the trade capacity of the beneficiary

# Bankability on the project level

What makes an individual project bankable?

*A good quality project addressing relevant needs and falling inside the donor priorities at the right time*



# National needs assessment

Needs assessment to explore whether there is **demand** for the project - AfT is a demand-driven programme that responds to the needs of recipient countries

Analyse the existing and potential impact of trade on human development



Identify a set of policy recommendations and technical assistance needs aimed at improving the contribution of trade to human development and poverty reduction.

# Project design

**The project need to guarantee a positive impact on one or several of the identified needs**

To convince a donor the project concept note must address the following:

Strategic Context	Description of	Project's needs	Accountability and impacts
<ul style="list-style-type: none"><li>•Problem(s) addressed</li><li>•Added value</li><li>•Relation to other projects</li></ul>	<ul style="list-style-type: none"><li>•Impact</li><li>•Activities</li><li>•Outputs</li><li>•Outcomes</li><li>•Sustainability of project results</li></ul>	<ul style="list-style-type: none"><li>•Timeframe</li><li>•Budget</li><li>•Other support</li></ul>	<ul style="list-style-type: none"><li>•Transparency rules</li><li>•Monitoring and evaluation activities</li></ul>

# Project design and feasibility

- Is there a clear link between the action proposed and the result?
- Is the action feasible in the context, and with the resources requested (in type and quantities)
- Political feasibility

# Addressing donor priorities

The bankability of an individual project hinges *on the donor*

A bankable project needs to acknowledge *the donor perspective to funding*

Strategic relevance and coherence with objectives

Implementability and feasibility of impacts

Cost effectiveness  
Accountability

Other motives, political interests

# What else are donors looking at?

## OECD's Principles for Evaluation of Development Assistance Projects

### Relevance

- To what extent are the objectives of the programme still valid?
- Are the activities and outputs of the programme consistent with the overall goal and the attainment of its objectives?
- Are the activities and outputs of the programme consistent with the intended impacts and effects?

### Effectiveness

- To what extent were the objectives achieved/are they likely to be achieved?
- What were the major factors influencing the achievement or non-achievement of the objectives?

### Impact

- What has happened as a result of the programme or project?
- What real difference has the activity made to the beneficiaries?
- How many people have been affected?

### Sustainability

- To what extent did the benefits of a programme or project continue after donor funding ceased?

# Timing and other factors

The bankability of a project can be affected by:

- Political instability
- Unexpected events shifting development aid needs
- The amount and quality of the competing projects



# Dynamic bankability?

Not a static game but an on going process during project implementation

- Deliver promises – create and uphold reputation of a bankable provider

Rinse and Repeat

- Needs
- Project design
- Donor priorities

# Aid for Trade Case Story: Belize

## Creating an Aid for Trade Strategy

by Belize's Ministry of Foreign Affairs and Foreign Trade (MFAFT) with the support of Inter-American Development Bank and WTO

Need: to highlight common objectives and needs imperative to building trade and export capacity

## Objectives

- Raise public awareness of the importance of trade in strengthening Belize's economy
- Improve coordination between Ministries
- Improve monitoring and evaluation of AfT flows
- Strengthen project identification, development and execution

# Aid for Trade Case Story: Belize

## Problems encountered

- Lack of inter-institutional communication
- Lack of private sector engagement
- Capacity constraints
- Quasi-government institutions

## Results achieved

- Strengthened public-private-civil society sector channels
- Increased visibility
- Greater organization and confidence

# OPEN DISCUSSION

What is bankability for you – is bankability in the eye of the beholder ultimately definable only on a case by case basis?

Can we establish a set of minimum requirements which would always make a project bankable or at least as close to bankability as possible?

How to best support LDCs in formulating bankable projects?