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REGIONAL

**STRENGTHENING OF LAC INSTITUTIONAL CAPACITIES THROUGH
SOUTH-SOUTH COOPERATION WITH DEVELOPING ASIA: PHASE II**

(RG-T2637)

TECHNICAL COOPERATION ABSTRACT

The project team consisting of prepared this document: Joaquim Tres (Team Leader, INT/INT), Matthew Shearer, Luciana Garcia, Silvia Leal (INT/INT)

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TC ABSTRACT

I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Strengthening of LAC Institutional Capacities through South-South Cooperation with Developing Asia: Phase II
▪ TC Number:	RG-T2637
▪ Team Leader/Members:	Joaquim Tres (Team Leader, INT/INT), Matthew Shearer (INT/INT), Luciana Garcia, Silvia Leal (INT/INT)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Research and Dissemination (RD)
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	n.a.
▪ Reference to Request: (IDB docs #)	n.a.
▪ Date of TC Abstract:	May 6, 2015
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Public sector institutions from all IDB borrowing member countries. Private sector not-for-profit entities may be invited to participate if they add value to strengthening public sector capacity.
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program)	The Inter-American Development Bank (IDB), through the Integration and Trade Sector (INT/INT). Contact: Joaquim Tres, Integration and Trade Lead Specialist.
▪ Donors providing funding:	Institutional Capacity Strengthening Thematic Fund (ICSF)
▪ IDB Funding Requested:	US\$800,000
▪ Local counterpart funding, if any:	n.a.
▪ Disbursement period (which includes execution period):	42 months (execution period 36 months)
▪ Required start date:	May 31, 2015
▪ Types of consultants (firm or individual consultants):	Individual consultants and possibly firms or think-tanks and foundations depending on the type of activity.
▪ Prepared by Unit:	INT/INT
▪ Unit of Disbursement Responsibility:	INT/INT
▪ Included in Country Strategy (y/n);	No
▪ TC included in CPD (y/n):	No
▪ GCI-9 Sector Priority:	Regional and global integration but other GCI-9 priorities may be strengthened depending on the thematic area of activity.

II. Objective and Justification

- 2.1 The general objective of the project is to strengthen and develop the institutional capacities of public-sector entities of the Bank's borrowing member countries through South-South cooperation (SCC) activities with developing Asia.
- 2.2 The specific objectives are to:
 - i) Promote inter-institutional communication and dialogue by means of interregional cooperation in both Banks' priority areas;
 - ii) Identify good practices, new tools, and innovative initiatives, and support their adaptation and replication in Latin American and Caribbean (LAC) countries;
 - iii) Strengthen LAC public-sector institutional capacity and leadership necessary for implementing public sector reforms and development investments;
 - iv) Provide innovative ideas from clients to enhance the ADB-IDB Staff Secondment Program recently signed by the two Presidents.
- 2.3 Countries from LAC and developing Asia are presently at a decisive crossroads and share important challenges. They are becoming regions of middle-income countries with growing middle classes, yet still face prevailing poverty, stubborn inequality, social exclusion, low productivity, and the risk of falling into the middle income trap. While LAC and Developing Asia showed remarkable resilience during the immediate post-crisis period, today there are a number of short-term downside risks including more muted growth globally and especially slower demand in Asia and the European Union, the transition away from expansionary monetary policy in the United States, and lower commodity prices. Countries in Latin America are already facing slowdown due to slower growth in Asia, which will present further complications such as social discontent and more limited fiscal space.
- 2.4 With the rising profile of South-South cooperation (SSC) following the Fourth High Level Forum (HLF-4) on Aid Effectiveness in held in 2011 in Busan and on the road to the III Conference on Financing for Development and ultimately the Sustainable Development goals (SDGs), it has become evident that developing countries can learn more efficiently and effectively if they share lessons learned, since the applied development solutions tackle relatively similar development contexts. Undoubtedly, the two regions can benefit by deepening and broadening their exchange of experiences and, in some cases, by developing coordinated responses to common policy issues.
- 2.5 LAC and Asia have rapidly become more intertwined as the two regions have experienced increased economic openness and strong growth. At first this relationship began with growing bilateral trade between LAC and Asian countries that reached 20 per cent a year in the last decade, followed by deepening investment ties, and more recently, the strengthening of cooperation between the two regions. The emerging challenges also present opportunities to find smarter solutions, redouble efforts to maintain momentum in existing cooperation, and find new avenues of cooperation and means of communication between the two regions.
- 2.6 The Asian Development Bank (ADB) and the Inter-American Development Bank (IDB) have been building a strong partnership for the benefit of their borrowing members in the Asia-Pacific and LAC regions. The ADB and the IDB, as major sources of development finance in

their respective regions and given their role as regional brain trusts and knowledge brokers, are particularly well placed to promote the exchange of development knowledge and experiences with the active participation of their respective clients. ADB President Takehiko Nakao and IDB President Luis Alberto Moreno and other high-level officials from the two Banks met in Tokyo November 7, 2013 to discuss a broad range of issues including how to boost South-South integration and inter-regional infrastructure development, the social protection challenges facing middle-income countries, enabling institutions, and the role of the private sector in development. More recently, in October 2014 the presidents of the two banks met and agreed to expand the institutional partnership to include a Staff Secondment Program.¹

- 2.7 Both Banks have jointly developed and successfully implemented a SSC program over the last three years that has deepened their relationship and set the basis for engagement with their respective clients in SSC activities addressing a broad range of development priority issues. This collaboration has resulted in: a High-Level Economic Policy Forum to discuss current economic developments and to exchange ideas; an interregional dialogue on Efficient and Secure Trade for Shared Prosperity that brought together for the first time dozens of customs leaders from both regions that is resulting in Customs Mutual Recognition Agreements;² joint research on Universal Broadband Access; a regional forum, corporate workshop, and publication in the area of Inclusive Business; a South-South Learning Event to share LAC's experiences in Conditional Cash Transfers and the publication of Conditions for Success in Implementing CCT Programs: Lessons for Asia from Latin America and the Caribbean; research on Sustainable Urban Development; two inter-regional forums bringing together communities of practice in Managing for Development Results from the two regions; and a joint workshop to review the AquaRating system and its field test results and make preparations for a pilot of the system in Asia. IDB participation in these activities was financed with resources of the Institutional Capacity Strengthening Thematic Fund (ICSF)³ that has allowed deepening the relation between both Banks as recently demonstrated in the Busan South-South Cooperation High Level Forum High hosted by both Presidents in March 2015.
- 2.8 The present project being proposed is similarly consistent with the ICSF objectives of improving countries' ability to design institutional reform and bringing actors to the table. The project is also aligned with the regional and global integration strategy developed in the context of the GCI-9, which identified Asia as one of the five integration drivers for LAC and

¹ In the case of the IDB in the framework of the following staff rules Staff Rules [PE-316](#) and [PE-367](#) (for international staff), and [PN-5.05](#) and [PN-9.03](#) (for national staff), regulate the mobility modalities available to staff members.

² Stemming from that dialogue and continued Bank support, Mexico signed an agreement with Korea and the Dominican Republic also with Korea to mutually recognize their respective Authorized Economic Operator Programs that have a great potential to reduce trade costs.

³ Technical cooperation project RG-T2063. Key activities and deliverables of these exchanges by thematic area are available at <http://www.iadb.org/en/topics/trade/a-common-platform-for-south-south-development-cooperation-between-asia-pacific-and-latin-america-and-the-caribbean,8804.html>.

consistent with the Bank Institutional Update that identifies the region's insufficient productive integration as one of the three interrelated challenges to realize its full growth and development potential. Additionally, this project may strengthen other GCI-9 priorities and the Bank Institutional Update depending on the thematic area of the activities that this proposal would finance.

III. Description of activities and outputs

- 3.1 This project consists of three components, which will be matched by the ADB corresponding TC project:
- i) **Promoting knowledge exchange to strengthen institutions.** This component will finance activities to improve countries' public sector institutional capacity (with possible participation of relevant private sector entities) through the exchange of technical knowledge. This will take place by means of: i) interregional dialogue forums and communities of practice to share experiences, increase inter-institutional communication, and further develop strategic alliances across the Pacific; and ii) technical discussion workshops where LAC practitioners have the opportunity both to learn from the experiences of developing Asia and to develop institutional leadership by sharing their good practices.
 - ii) **Institutional capacity building through the exchange of development best practices.** Activities in this area will include workshops for the sharing of best practices and development knowledge between countries of the two regions as well as direct capacity-building through short-term professional exchanges where practitioners from LAC beneficiary countries gain experience by working in a counterpart environment in an ADB developing member country.
 - iii) **Dissemination.** This will share the results and findings of events and joint activities, primarily through online materials, brochures, and the web.
- 3.2 Specific activities will be determined first and foremost by operational relevance. Participants in the above-mentioned activities will be nominated by the countries, in consultation with the Bank sector(s) with responsibilities in the topic of the activity. The sectors in each bank will make consultations with their counterparts in the borrowing member countries to discuss the practices they wish to share and partners from whom they wish to learn in addition to the operational relevance of the best practices for the Bank and its clients.
- 3.3 INT/INT will execute this TC project. Joaquim Tres, Integration and Trade Lead Specialist, will be responsible for its execution and supervision. The supervision costs are included within the budget of INT/INT. Staff travel will be necessary to develop and implement the activities and events contemplated in Components 1 and 2. The total amount of expenses for staff travel shall not exceed 5 percent of the total budget.
- 3.4 Program monitoring will take place through brief reports at the time of the interventions, and in some cases, presentations to policy dialogues and IDB-led capacity-building activities. The necessary inputs for monitoring the results framework will also be obtained through surveys of the Bank sectors with responsibilities in the activity topics. The indicative results matrix is included as an annex to this document.

IV. Budget

- 4.1 A total budget of US\$800,000 is requested for this project. The ADB is considering a comparable TC to finance the participation of ADB developing member countries in jointly planned SSC activities.

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Total Funding
Component 1	Promoting knowledge exchange to strengthen institutions	\$420,300	\$420,300
	i) Interregional Dialogue Forums and Communities of Practice (3 events)	\$180,000	\$180,000
	ii) Technical Discussion Workshops (3 activities of 15 participants each)	\$240,300	\$240,300
Component 2	Institutional Capacity Building	\$292,200	\$292,200
	i) Best practice workshops (two activities)	\$160,200	\$160,200
	ii) Study visit from LAC to Asia (2 activities of 10 participants each)	\$132,000	\$132,000
Component 3	Dissemination	\$20,000	\$20,000
	Online materials, brochures, etc.	\$20,000	\$20,000
Staff Travel		\$40,000	\$40,000
Contingencies		\$27,500	\$27,500
Grand Total		\$800,000	\$800,000

V. Executing agency and execution structure

- 5.1 The Bank, through the Integration and Trade Sector (INT/INT), is the executing agency for this project. Two main reasons justify the execution of this project by the Bank. First, this is a regional project that involves the coordination of public sector (and relevant private sector) institutions from countries across the region, in addition to the ADB, and the Bank is in an ideal position to do so, given its presence in every LAC country and its capacity to act as an honest broker. Second, the project seeks consistency with the Bank's GCI-9 and the Bank Institutional Update priorities and operational program, and Bank specialists are in the best position to ensure this.
- 5.2 INT/INT, given its responsibility for South-South Cooperation in the Bank, would be responsible for serving as a liaison with the ADB, and for coordinating activities with the various sectors of the Bank, as it has done in Phase I of the TC Project and with the Bank's Regional Public Goods Program.
- 5.3 **Coordination with other multilateral development banks.** In coordination with the Bank, the ADB is considering a similar TC to finance the participation of ADB developing member countries in jointly planned SSC activities that focus on knowledge exchange and best practices and strengthening the institutional capacity of its developing country members.
- 5.4 Each bank will execute its own TC, coordinating activities with the other. The IDB and the ADB with participation of both Presidents have discussed the following areas of collaboration: 1) **Deepening integration**, including the unfinished trade policy agenda, reducing trade costs, and developing new markets and diversifying the region's trade through export promotion and investment attraction; 2) **Investing in infrastructure**, including addressing high transport costs, expanding the use of PPPs, and bridging the digital divide, 3) **Supporting the private sector**, such as through inclusive business models, green

investment, sustainable agribusiness, and impact investing; 4) **Focusing attention on the quality of institutions** to strengthen public policies and market outcomes including improved innovation systems as well as to respond to the needs of changing demographic landscapes; and 5) **implementing smarter and financially sustainable social policies**, including increasing the efficiency of conditional cash transfers delivery and improving the quality of education to raise student learning among all children and youth with improved school-labor market transition.

- 5.5 **Procurement.** The Bank will hire consulting and non-consulting services (individuals and firms) in accordance with current policies and procedures (see Annex II – Procurement Plan).

VI. Project Risks and issues

- 6.1 The main risk foreseen for this project would be a lack of interest and demand from public sector institutions to work on Asia-LAC SSC activities. To mitigate this risk, the IDB has coordinated with the ADB to program activities in specific sectors in which both banks have strong institutional ties with their clients and have ongoing relevant projects and pipeline. Also, the Bank is disseminating this instrument within Sectors and Divisions that in turn will engage their clients as was the case of the successful Phase I Project.

VII. Environmental and Social Classification

- 7.1 This operation entails no environmental and social risks whatsoever, as it is only dealing with the organization of dissemination and capacity-building activities, and has been pre-classified as Category C by the Environmental and Social Safeguard System of the Bank.

Annex: Indicative Results Matrix

	Outcome	Unit	Target by month 36	Data Source
Intermediate	Institutional capacities in policy design and implementation strengthened in the LAC institutions that benefit from the program. <i>Indicator:</i> Institutional units that incorporate the knowledge acquired through the program.	#	70	1. Program-specific survey of IDB sectors. 2. Program data base.
Immediate	Improved knowledge and skills among program beneficiaries from LAC. <i>Indicator:</i> LAC public-sector practitioners who have participated in program activities.	#	155	1. Program data base. 2. Lists of participants.
	Outputs	Unit	Target by month 36	Data Source
	LAC public-sector practitioners who have participated in the interregional dialogue events.	#	60	1. Program data base. 2. Lists of participants.
	LAC public-sector practitioners who have participated in the technical discussion workshops.	#	45	1. Program data base. 2. Lists of participants.
	LAC public-sector practitioners who have participated in best practices workshops and study visits.	#	50	1. Program data base. 2. Lists of participants.
	Interregional dialogue and communities of practice events held.	#	3	Program data base
	Technical discussion workshops held.	#	3	Program data base
	Best practice workshops and study visit activities that have taken place.	#	4	Program data base