

TC DOCUMENT

I. Basic Information for TC

▪ Country/Region:	Regional
▪ TC Name:	Strengthening Ibero-American Public-Private Partnerships
▪ TC Number:	RG-T2765
▪ Team Leader/Members:	Fabrizio Operti (INT/TIN) Team Leader; Camilo Fernandez de Soto (INT/TIN) Alternate Team Leader; Isabel Mejia (INT/TIN); Francisco Hugo Estrazulas de Souza (INT/TIN); Raul Rodriguez Molina (INE/TSP); Reinaldo Fioravanti (INE/TSP); Rafael Hoyuela Lopez (ORP/EUR); Victoria Florez (ORP/PTR); Javier Jimenez (LEG/SGO) ; Yasmin Esteves (INT/TIN); Ana Lucia Paz Soldan (INT/TIN)
▪ Indicate if: Research & Dissemination.	Research & Dissemination
▪ If Operational Support TC:	N/A
▪ Date of TC Abstract:	June 28, 2016
▪ Beneficiary:	Regional
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program)	The Inter-American Development Bank (IDB), through the Trade and Investment Division (INT/TIN).
▪ Donors providing funding:	Fund for the Financing of Technical Cooperation for Initiatives for Regional Infrastructure Integration (FIR)
▪ IDB Funding Requested:	US\$ 200,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period (which includes execution period):	12 Months
▪ Required start date:	September 15, 2016
▪ Types of consultants (firm or individual consultants):	Firms and individuals
▪ Prepared by Unit:	Trade and Investment Division (INT/TIN)
▪ Unit of Disbursement Responsibility:	Integration and Trade Sector (INT/INT)
▪ Included in Country Strategy (y/n);	N/A
▪ TC included in CPD (y/n):	N/A
▪ GCI-9 Sector Priority:	Competitive Regional and Global Integration

II. Objectives and Justification of the TC

2.1. Between July 2014 and June 2015, the value of global trade declined 11.8%, a fall roughly equivalent to one third of the trade collapse of 2008–2009. The reversal of the trend of world trade has strongly affected the exports of Latin America and the Caribbean (LAC). In particular, in 2014 LAC exports fell 18%. In 2014, LAC faced reduced demand due to declines in purchases from the European Union (EU) (-6.2%)¹ and the region itself (-3.2%), to zero growth in imports from China, and to an increase of U.S. imports of just 0.6% annually. In 2014, the Euro zone emerged from a recession, although growing just 0.9% and in the first half of 2015, the year on year variation of GDP slightly accelerated to 1.1%. Finally, China's activity

¹ In 2014 in the case of Spain, trade with South America decreased 12% and increased 6% with Central America. For Portugal the decrease in trade from 2013 to 2014 with LAC was 3.26%.

expanded at the slowest pace in nearly 30 years, with a year on year growth rate of 7.0% in the first half of 2015².

- 2.2. Intra-regional trade among LAC countries has grown tenfold, approximately from USD 18 billion to USD 180 billion since 1990. By 2011, there were 42 free trade agreements registered which covered 237 bilateral relationships and approximately 89% of the region's trade volume. Although LAC has promoted important integration initiatives in the right direction such as IIRSA-UNASUR and the Mesoamerican Project, the region is still poorly integrated and the levels of intra-regional trade and investment are very low when compared to other regions such as Europe or Asia³.
- 2.3. The EU is linked to most non-EU Caribbean countries through an Economic Partnership Agreement. Free trade areas have been fully in force with Mexico and Chile since 2000 and 2005 respectively. Free trade agreements between the EU and Colombia and Peru have been applied since 2013. Ecuador initiated its accession protocol to this Agreement in December 2014. Central America and EU parties are provisionally applying a free trade area since 2013. Negotiations for a free trade area continue with Mercosur⁴.
- 2.4. Nonetheless, despite the presence of an extended web of trade agreements providing an effective institutional framework for integration, there is a low level of integration in part, because private sector firms, underlying drivers of regional integration, still face important barriers in infrastructure integration which are less transparent and harder to quantify. The development of a modern and efficient infrastructure enabling greater and better integration among LAC countries as well as a more competitive region able to increase its non-traditional exports, demands heavy investments in infrastructure and successful partnerships between the public and private sectors.
- 2.5. Regardless of the challenging trade outlook for the region and the fragile European growth, the EU is still the main development partner of the LAC region, its second largest trade partner and its first investor⁵ with Spain leading the list. Even with the achievements in recent years in terms of economic integration, the global crisis has highlighted the need to strengthen and deepen trade ties not only between countries in the region, but also with other strategic partners to take full advantage of the opportunities economic liberalization offers.
- 2.6. In 2016, the Ibero-American General Secretariat (SEGIB)⁶ and the Government of Colombia are organizing the XXV Heads of State and Government Summit the 28th and 29th of October in Cartagena, Colombia. Alongside the Summit, they will hold a Business Summit to promote a high level dialogue between Ibero-American business leaders, policy makers and high level government officials to analyze and discuss, from a public and private perspective, successful cases and lessons

² Double-Dip. Latin America and the Caribbean Facing the Contraction of World Trade. Trade and Integration Monitor 2015.

³ Bringing Down the Barriers. A review of IDB research on trade costs in Latin America and the Caribbean. 2015

⁴ http://www.eeas.europa.eu/lac/index_en.htm

⁵ http://www.eeas.europa.eu/lac/index_en.htm

⁶ Members are: Andorra, Argentina, Bolivia, Brazil, Colombia, Costa Rica, Chile, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Portugal, Spain, Uruguay and Venezuela

learned on how Ibero-America can work together to address barriers in infrastructure to maximize their economic and business relationship. The Business Summit offers a first level platform to connect private and public interests and to work on the political and private sector visions of the challenges of the region, with the participation of diverse and important players in LAC.

- 2.7. Therefore, the objective of this project is to identify major obstacles and bottlenecks preventing private sector firms from taking advantage of the region's actual investment opportunities, and to develop sector-specific recommendations so both the public and private sector know what needs to be done to take action and make a reality those opportunities.
- 2.8. The objectives and activities of the project correspond to the Bank's Strategy for Regional Integration (GN-2469-2, GN-2470-2), as it will promote trade, investment and regional integration. In addition, the project is fully aligned with the objectives of the Fund for the Financing of Technical Cooperation for Initiatives for Regional Infrastructure Integration (FIRII) (GN-2344-8), particularly to "prepare integration infrastructure projects and facilitate their financing". The project builds upon FIRII's previous financing of trade facilitation projects (e.g. in the area of customs) and the software of infrastructure interventions, like the financing granted to solve legal, regulatory and tariff issues for the integrated electricity market in Central America (SIEPAC).

III. Description of activities and outputs

- 3.1. **Component I. Knowledge Development to Take Action.** This component will generate strategic knowledge with the objective of informing public and private sector stakeholders on specific actions to materialize the needed investments in infrastructure in the region. Based on actual investment opportunities for infrastructure integration in LAC countries, this component will identify the major obstacles and bottlenecks preventing private sector firms from investing in the region, and will provide sector specific recommendations in infrastructure, to improve the institutional and regulatory frameworks to eliminate the barriers the private sector is facing in order to create a business and investment climate that attracts investors to the region. The studies will be carried out in the region's Ibero-American countries (19 countries), subject to availability of information on each country. The studies will identify five common obstacles for the countries and provide a recommendation to address such obstacles. The studies will take into consideration the Bank's International Infrastructure Support System and other relevant work to avoid duplicity and generate synergies. These recommendations will be presented at the Ibero-American Business Summit in Cartagena to which Component II will provide support.
- 3.2. The study will give a special focus to infrastructure projects that promote regional integration, logistics and trade facilitation to create awareness of how those key projects can facilitate the region's ongoing challenge of low regional and global integration and trade by making strategic investments to physically connect the region and reduce the wide connectivity gap.

3.3. A dissemination strategy of the study will include outreach to external partners such as ANDI, SEGIB and CEOE, as well as the Bank's ConnectAmericas platform to ensure a broad diffusion of the study.

3.4. **Component II. Ibero-American Business Summit.** This component will support the organization of a two-day Business Summit, to be held in the city of Cartagena, Colombia on October 27-28, 2016 which aims at opening a new opportunity of dialogue among business leaders, policy makers, and government officials to strengthen and upgrade the economic ties between LAC and the EU. The Business Summit will constitute an ideal setting in which the private sector will have a direct channel of communication with the public sector to present recommendations that can strengthen and deepen regional integration and promote intraregional trade and investment opportunities. The event will involve a series of panels and discussions involving high-level government officials including Heads of State and Government and business leaders of leading private companies in Ibero-America where the results from Component I will be presented providing an ideal space for an effective call to action for both the public and private sector.

Table 1. Indicative Results Matrix

Project Objective	The main objective of the project is to identify major obstacles and bottlenecks preventing private sector firms from taking advantage of LAC's investment opportunities, and develop recommendations so both the public and private sector know what needs to be done and make a reality those opportunities.			
Expected Outputs				
Output	Unit of measurement	Base Line	Target (2017)	Means of verification
Component I: Knowledge Development to Take Action				
Study addressing specific obstacles to actual infrastructure projects and recommendations to overcome them	Number	0	1	Execution Annual Report
Copies of studies delivered to public and private leaders	Number	0	350	Execution Annual Report
Meeting to discuss study with private sector	Number	0	1	Execution Annual Report
Dissemination strategy of the results of the study	Number	0	1	Execution Annual Report
Ibero-American External Partners (i.e. ANDI, SEGIB, CEOE) that supported the dissemination strategy of the results of the infrastructure projects with the databases	Number	0	3	Execution Annual Report
Actual investment opportunities for investors disseminated (identified, explained and specifically showcased in the study)	Number	0	10	Execution Annual Report
Component II: Ibero-American Business Summit				
Ibero-American Business Summit held in Cartagena Colombia	Number	0	1	Summit Report
Government officials, policy makers and business leader from Ibero-America who participated as panelists in the discussion sessions of the two-day Summit	Number	0	6	Summit Report
Number of young entrepreneurs at the Summit	Number	0	10	Summit Report
Government officials, policy makers and business leader from Ibero-America who participated in the two-day Summit	Number	0	250	Summit Report
Study presented at the Ibero-American Business Summit	Number	0	1	Summit Report

3.5. **Monitoring and Evaluation.** This TC will be supervised by INT/TIN.

IV. Indicative Budget

Component	Description	IDB Funding	Counterpart Funding	Total Funding
Component I Knowledge development to take action	Studies addressing bottlenecks and recommendations to consolidate investment opportunities in LAC	\$60,000	\$0	\$60,000
	Dissemination of Studies in Ibero-America (translation, printing, design)	\$9,000	\$0	\$9,000
	Component Total	\$69,000	\$0	\$69,000
Component II Ibero-American Business Summit	Corporate services for the organization of the Ibero-American Business Summit	\$60,000	\$0	\$60,000
	Travel expenses of experts for discussion of studies at Business Summit	\$30,000	\$0	\$30,000
	Individual consultant to provide support for Business Forum	\$10,000	\$0	\$10,000
	Component Total	\$100,000	\$0	\$100,000
Execution, monitoring and dissemination	Individual consultant to support execution, evaluation and dissemination of the Project	\$15,000	\$0	\$15,000
	Dissemination materials	\$10,000	\$0	\$10,000
	Component Total	\$25,000	\$0	\$25,000
Contingencies 3%		\$6,000	\$0	\$6,000
TOTAL		\$200,000	\$0	\$200,000

V. Executing agency and execution structure

5.1. This operation will be executed by the Trade and Investment Division of the Integration and Trade Sector (INT-TIN), in accordance with the Bank's Technical Cooperation Policy (Document GN-2470-2). Two major reasons justify the project execution by the Bank:

- (i) As a regional project that involves coordination with several public and private sector stakeholders in LAC, the Bank is in a unique position to manage and coordinate the activities given its presence in all of the member countries;
- (ii) The Bank, through INT-TIN in particular, has gained invaluable know-how in the execution of international initiatives in partnership with the private sector in order to implement public-private dialogue forums and knowledge development projects, including 2007 and 2011 Korea–LAC, 2008 Asia–LAC, 2010 and 2013 China–LAC, 2013 JAPAN–LAC, Outsource2LAC 2011-2015, the 2012 & 2015 CEO Summit of the Americas (the first in Cartagena giving us knowledge of how to conduct such an event in that city and the budget required); and the 2014 LAC Global Summit.

VI. Project Risks and Issues

6.1 The success of the project will depend on a significant level of engagement and participation of the private sector representatives and government officials. To mitigate the risk, the Bank will execute an aggressive and extensive dissemination campaign and follow-up of the invitations to ensure that Ibero-American government officials and private sector leaders actively participate in the activities under Component II; engage IDB's country representatives, relevant stakeholders in the public and private sector to disseminate the activities under Components I and II; and use online tools such as ConnectAmericas to facilitate interaction and dissemination of the study with the public and private sector of Component I.

VII. Exceptions to Bank policy

7.1. There are no exceptions to Bank policy in this project.

VIII. Environmental and Social Strategy

8.1. This project has been classified under the category "C" according to the Policy Environment and Safeguards Compliance Policy (OP-703). See [Safeguard Policy Filter Report](#) and [Safeguard Screening Form](#).

Required Annexes:

- [Letter from Colombia's Minister of Foreign Affairs requesting support.](#)
- [Terms of Reference.](#)
- [Procurement Plan.](#)
- [Non objection letter from the Government of Colombia.](#)