

## TC Abstract

### I. Basic project data

• Country/Region :	REGIONAL/IDB
• TC Name :	Understanding Trade and Investment for Greater Partnerships
• TC Number :	RG-T2786
• Team Leader/Members :	OPERTTI,FABRIZIO - Team Leader MEJIA RIVAS,ISABEL - Team Member LARSSON,MIKAEL KRISTIAN - Team Member HOYUELA LOPEZ,RAFAEL - Team Member ESTRAZULAS DE SOUZA,FRANCISCO HUGO - Team Member RODRIGUEZ FERNANDEZ,ESTHER - Team Member HINCAPIE SALAZAR,DANIEL - Team Member ROSPIDE,MARIA DE LA PAZ - Project Assistant ESTEVEZ,YASMIN - Project Assistant FERNANDEZ DE SOTO,CAMILO - Alternate Team Leader FRANZINI,VIRGINIA - Attorney PAZ SOLDAN ANDRADE,ANA LUCIA - Project Assistant
• Indicate if : Operational Support, Client Support, or Research & Dissemination.	Research and Dissemination
• If Operational Support TC, give number and name of Operation Supported by the TC:	
• Reference to Request :(IDB docs #)	
• Date of TC Abstract :	21 Jun 2016
• Beneficiary (countries or entities which are the recipient of the technical assistance):	LAC
• Executing Agency and contact name (Organization or entity responsible for executing the TC Program) {if Bank: Contracting entity} { if the same as Beneficiary, please indicate}	US-IDB - Camilo Fernandez
• IDB Funding Requested :	\$ 100,000.00
• Local counterpart funding, if any :	\$ 0.00
• Disbursement period (which includes execution period):	12 months
• Required start date :	
• Types of consultants (firm or individual consultants):	Individuals Firms
• Prepared by Unit :	Trade and Investment
• Unit of Disbursement Responsibility :	INTEGRATION DEPARTMENT FOR RTC AND SDI
• Included in Country Strategy (y/n):	No
TC included in CPD (y/n):	No
• GCI-9 Sector Priority	Fostering development through the private sector

### II. Objective and Justification

The objective of this TC is to promote trade and investment in Ibero-America, by facilitating the public and private sector with strategic information to make decisions towards specific trade and investment opportunities and propose sector specific recommendations to dismantle the barriers that are impeding the private sector to invest in the region. Emphasis will be given on the use of public-private partnerships (PPPs) as mechanisms for successfully developing infrastructure and projects in strategic sectors and on what countries should do to effectively bring PPP projects to market.

The objectives and activities of the project correspond to the Bank's Strategies for Sustainable Infrastructure for Competitiveness and Inclusive Growth and Regional Integration (GN-2565-4), as it will promote partnerships, trade, investment and regional integration through the exchange of experiences and best practices in infrastructure development, sustainable and renewable energy, access to water and sanitation, private sector role in the region, as well as trade promotion and through the creation of trade capacity building.

In addition, the project's objectives are aligned with the sector priorities identified in the GCI-9, in particular numeral (d) Competitive regional and global international integration. The project is also aligned with the objectives of the Spanish General Cooperation Fund (FGE) as the activities proposed will promote regional integration, improvements in productivity and competitiveness, promotion of the private sector.

The IDB's vision in its Update of the Institutional Strategy (IS) is to work in partnership with the region to increase productivity and reduce inequality in a sustainable way to ultimately transform LAC into a more inclusive and prosperous society. To ultimately transform LAC, the private sector, as a key driver of economic growth, faces challenges in its effort to succeed in international markets such as low productivity and innovation, trade barriers, low investment in public goods and limited economic integration. Recent research shows that internationalization enables the private sector to become more productive, innovative and competitive, thus offering an opportunity for LAC firms to grow and generate employment for thousands of people.

By understanding the challenges LAC faces and the opportunities in trade and investment in the Ibero-American region both the public and private sector can work together to set strategies to overcome those challenges and improve the business and economic relationship in the region.

The increase of productivity in the region through investment, innovation and competitive factors is one of the main challenges that LAC countries will face in the next years. Although the region has invested and made important progress in the past decade, there is still an urgent need of reforms and investment, and the role of the private sector will be key to develop these projects.

Multiple factors lie behind the productivity lag in LAC. Some are related to the characteristics of the labor force, others to the level of development and depth of the financial sector, others to informality, and still others to the way production factors are combined. While public sector investment can foster innovation, the lack of innovation in LAC can also be explained by the low levels of private sector participation in it: fewer researchers are employed in business in LAC than in OECD countries.

There is an historic need of investment in the region to reduce the gap in infrastructure, human capital, energy efficiency, access to water and sanitation, and sustainable agriculture management, among others. In many LAC countries, logistics and transportation costs have a higher impact than custom duties in international trade. Those costs represent between 18% and 32% of products value, while around 9% in OECD countries. In the 1980's the region invested around 3% of its GDP in infrastructure; at the beginning of the century it decreased around 1%, and although it increased in the past years, there is still a long way to reach the 4% or 6% of GDP that the region needs to invest in the next twenty years to close the gap in infrastructure and increase productivity and trade.

The XXV Ibero-American Summit of Heads of State and Government alongside with a Business Summit will be held in Cartagena de Indias, Colombia, the 28-29th of October 2016, offering 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 stakeholders in LAC. This offers a unique opportunity to present the studies conducted by this TC so the public and private sector to take action to address the challenges of LAC and engage them to take action.

### **III. Description of activities and outputs**

Component I. Analysis and recommendations on trade and investment promotion. This component will finance a series of studies on specific trade and investment promotion topics, with the objective of informing public and private sector stakeholders on sector specific reforms and recommendations in infrastructure, renewable energy, logistics-trade facilitation and agribusiness, to improve institutional and regulatory frameworks to create a world-class business and investment climate that will attract investors to the region. To that effect, this component will finance the studies in the aforementioned sectors that will subsequently also be presented at international events, particularly, the Ibero-American Business Summit to be held in Cartagena de Indias, Colombia on October 28, 2016 to which logistical support will be provided, where experts, business leaders and high level government officials including Heads of State and Government will have the opportunity to discuss them first hand.

- Investment and business climate studies. Governments, constrained by limited fiscal resources, have used public-private partnerships (PPPs) as mechanisms for developing infrastructure, enhancing access to basic services and developing projects in strategic sectors. However, in LAC, use of PPPs varies widely and a lack of knowledge and awareness of the benefits of implementing PPPs, as well as difficulties in bringing PPP projects to market, hamper PPP implementation. To foster an attractive business environment for foreign investment and development of PPP projects, countries have to provide the appropriate regulatory frameworks and incentives. Based on actual investment opportunities identified in LAC countries, in infrastructure, renewable energy, logistics-trade facilitation and agribusiness, these studies will provide sector specific recommendations to improve institutional and regulatory frameworks to create a business and investment climate that will attract investors to the region and propose specific actions to the public and private sector to promote public-private partnerships in these sectors. This study will consult both the public and private sector to ensure the recommendations have a plausible public-private implementation.

Component II. Dissemination in Ibero-America. This component will be in charge of disseminating in Ibero-America the results of the technical studies and recommendations provided in Component I. This will be done by providing data visualization, producing and translating the material, as well as assuring an effective presentation at the Ibero-American Business Summit to be held in Cartagena de Indias, Colombia on October 28, 2016.

#### Outcomes

Name:

#### Components

Name: Component I. Analysis and recommendations on trade and investment promotion

Description: Studies addressing challenges and opportunities in trade and investment

Name: Component II. Dissemination in Ibero-America.

Description: Logistics and Dissemination of Studies (translation, production, design, etc.)

#### IV. Budget

##### Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I. Analysis and recommendations on trade and investment promotion	\$ 70,000.00	\$ 0.00	\$ 70,000.00
Component II. Dissemination in Ibero-America.	\$ 30,000.00	\$ 0.00	\$ 30,000.00

## **V. Executing agency and execution structure**

This operation will be executed by the Trade and Investment Unit of the Integration and Trade Sector (INT/TIU), 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/TIU in particular, has gained invaluable know-how with operations across the region in projects supporting countries consolidate their international positioning by strengthening their infrastructure and or legal and institutional framework for attracting investment, improving trade promotion and facilitation. Among others, (PE-L1159), (NI-L1083), (PR-L1069), (PR-L1018), (CO-L1138) (UR-L1106), (TT-L1044), (CH-L1061), (AR-L1078) (ES-L1057), (RG-T2445) and (UR-L1060).

## **VI. Project Risks and issues**

The success of the project will depend on a significant level of collaboration of the private sector and government officials. To mitigate the risk, the Bank will provide assistance to the consulting firms in charge of conducting the studies in reaching out to key stakeholders which whom the Bank has works on a regular basis; engage IDB's country representatives, relevant stakeholders in the public and private sector to disseminate the activities under Components I and II so the recommendations provided in this TC have an accurate representation of the economic and business reality of Ibero-America; and use online tools such as ConnectAmericas to facilitate interaction and dissemination with the private sector.

## **VII. Environmental and Social Classification**

The ESG classification for this operation is [ C ]