

TC DOCUMENT

I. Basic Information for TC

▪ Country/Region:	Regional
▪ TC Name:	Understanding Trade and Investment for Greater Partnerships
▪ TC Number:	RG-T2786
▪ Team Leader/Members:	Fabrizio Operti Team Leader, (INT/TIN); Camilo Fernández de Soto, alternate team leader (INT/TIN); Isabel Mejía (INT/TIN); Rafael Hoyuela (ORP/EUR); Francisco Estrazulas (INT/TIN); Esther Rodriguez (ORP/EUR); Daniel Hincapie (ORP/PTR); Sofia Greco (LEG/SGO); Yasmin Esteves (INT/TIN); Ana Lucia Paz Soldan (INT/TIN)
▪ Indicate if: Research & Dissemination.	Research and 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:	Spanish General Cooperation Fund (FGE)
▪ IDB Funding Requested:	US\$ 100,000
▪ 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. 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.
- 2.2. 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.
- 2.3. 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.

- 2.4. 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.
- 2.5. 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.
- 2.6. 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.
- 2.7. The Bank, in particular INT/TIN, has robust experience with projects across the region to promote exports, attract investment and support reforms to develop attractive business climate. Among others, such is the case in Peru improving trade through the single window (PE-L1159), or integrating border crossings in Central America (NI-L1083), or helping Paraguay attracting foreign investment (PR-L1069) and promoting their exports (PR-L1018), or helping Colombia transition to an electronic invoice (CO-L1138) or supporting consolidate the international positioning of Uruguay by strengthening the legal and institutional framework for attracting investment, improving trade promotion and facilitation, and maximizing the local impact of that positioning (UR-L1106).
- 2.8. The objective of this TC is to promote trade and investment in LAC's Ibero-America countries, 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.

- 2.9. 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, as it will promote trade, investment and regional integration through the exchange of experiences and best practices in trade promotion and investment particularly with PPP projects for developing infrastructure that will impact the region's trade costs and create a more competitive and integrated region. 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.

III. Description of activities and outputs

- 3.1. **Component I. Analysis and recommendations on trade and investment promotion.** This component will finance a study 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 and logistics-trade facilitation, 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 a study in the aforementioned sectors from a public-private partnership (PPPs) perspective, 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 27-28, 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.
- 3.2. Public-private partnership study. Governments, constrained by limited fiscal resources, have used 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 and logistics-trade facilitation, this study 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 sectors¹. This study will consult both the public

¹ The study is aligned with the FGE as its recommendations will promote regional integration, improvements in productivity and competitiveness and promotion of the private sector particularly with PPP projects in the strategic sectors.

and private sector to ensure the recommendations have a plausible public-private implementation.

- 3.3. The study will take into consideration best practices and the economic, socio and political environment in the region so its recommendations are feasible for both the public and private sector to implement. Thus, recommendations will be given for the short, medium and long term plan to effectively bring actual PPPs projects to market.
- 3.4. **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, providing logistical support as well as assuring an effective participation of key stakeholders (including travel and per diem to facilitate their presence) at the Ibero-American Business Summit to be held in Cartagena de Indias, Colombia on October 27-28, 2016. To this end, the Bank will support the organization of the Summit by providing resources to assure the effective development of the event².
- 3.5. Any resources used to cover Staff travel will not supplement the budget of a Bank department or division for routine or customary activities, and will only be used to finance activities that specifically support the achievement of the objective of this TC.

Table 1. Indicative Results Matrix

Project Objective	The objective of this TC is to promote trade and investment in LAC's Ibero-America countries, 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.				
Expected Outcomes					
Outcome	Indicator	Base Line	Target (2017)	Means of verification	
Strengthen institutional capacity among LAC government institutions to understand the potential PPPs have as mechanisms for developing strategic projects given the constraints and limited resources Government face	% of the LAC Government officials that participated in the Ibero-American Business Summit who gained a better understanding of the opportunities well-structured PPPs projects in strategic sectors can do for the region.	0	60%	Summit Report	
	# of studies given at the Ibero-American Business Summit and through regional partners	0	350	Summit Report	
Better knowledge among business leaders on the opportunities PPPs can bring for new investment projects in the region and facilitate their investment decision	% of business leaders in the Ibero-American Business Summit gained knowledge and better understanding on the current business opportunities, in Ibero-America	0	60%	Survey at the end of the Summit	

² A Consultant will be hired to assure the effective execution, evaluation and dissemination of the Project.

Expected Outputs				
Output	Unit of measurement	Base Line	Target (2017)	Means of verification
Component I: Analysis and recommendations on trade and investment promotion				
Study addressing obstacles and recommendations	Study	0	1	Execution Annual Report
Copies of studies	Number	0	350	Execution Annual Report
Meeting to discuss study with key stakeholders	Socialization meeting	0	1	Execution Annual Report
Dissemination strategy of the results of the Study	Number	0	1	Execution Annual Report
Ibero-American External Partners that supported the dissemination strategy of the results and successful cases	Number of partners	0	3	Execution Annual Report
Component II: Dissemination in Ibero-America				
Ibero-American Business Summit organized	Summit	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	3	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	Study	0	1	Summit Report

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

IV. Indicative Budget

Component	Description	IDB Funding	Total Funding
Component I Analysis and recommendations on trade and investment promotion	Study addressing challenges and opportunities in trade and investment, with PPPs projects	\$45,000	\$45,000
	Dissemination of study in Ibero-America (strategy, partners engaged and copies of study)	\$7,000	\$7,000
	TOTAL	\$52,000	\$52,000
Component II Dissemination in Ibero- America	Corporate services for the organization of the Ibero-American Business Summit	\$27,000	\$27,000
	Participation of panelists and experts in the Ibero-American Business Summit	\$8,000	\$8,000
	TOTAL	\$35,000	\$35,000
Execution, monitoring and dissemination	Individual consultant to support execution, evaluation and dissemination of the Project	\$6,000	\$6,000
	Dissemination materials	\$4,000	\$4,000
	Component Total	\$10,000	\$10,000
Contingencies 3%		\$3,000	\$3,000
TOTAL		\$100,000	\$100,000

4.1. The direct contacting of the consulting services for the study is justified and in accordance with current Bank policies based on the firm's extensive and unique experience conducting studies of this kind, the service will be performed for a very short period of time and the amount is less than \$100,000.

V. Executing agency and execution structure

- 5.1. This operation will be executed by the Trade and Investment Division (INT/TIN) of the Integration and Trade Sector (INT/INT), 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 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).
- 5.2. Since this Project is financed by the Spanish General Cooperation Fund (FGE), specific procurement guidelines, such as the execution of 50 per cent of the resources with Spanish recipients will be taken into consideration.
- 5.3. The Bank will hire individual consultants, consulting firms and services different than consulting in accordance with current Bank policies and procedures.

VI. Project Risks and Issues

- 6.1. 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. 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 from the Bank](#)
- [Terms of Reference](#)
- [Procurement Plan](#)
- [Non-objection letter from the Government of Colombia.](#)

