
**PROJECT TO SUPPORT THE ACTION PLAN OF THE REGIONAL
INFRASTRUCTURE INTEGRATION IN SOUTH AMERICA INITIATIVE**

(TC-00-12-04-7-RG)

EXECUTIVE SUMMARY

Borrower:	The countries of South America		
Executing agency:	The Bank, through the Institute for the Integration of Latin America and the Caribbean (INTAL)		
Amount and source:	IDB (net resources of the FSO):	US\$750,000	
	Total:	US\$750,000	
	The IDB financing for this project will consist of defraying approximately one third of the estimated cost of the program. CAF and FONPLATA are committed to sharing equally the rest of financing (paragraph 4.4).		
Terms:	Upon approval of financing:		
	Execution period:	24 months	
	Disbursement period:	30 months	
Objectives:	The objective of this proposed technical-cooperation project is to support the creation of a process that will enable the governments of South America to make coordinated decisions, for the purpose of: (i) promoting regional physical infrastructure development in the transportation, communications, and energy sectors; and (ii) improving and reconciling regulatory frameworks. The projects that this process gives rise to will be required, for their part, to have the active financial support of the private sector, provide for environmental protection, and advance comprehensive social development through their implementation process.		
Description:	The proposed project will consist of activities that fall into the following four categories: (1) support for the Executive Technical Groups; (2) logistical support for the IIRSA Secretariat and organization of meetings and seminars; (3) technical studies on the regional integration of infrastructures; and (4) evaluation by an independent consultant.		

1. **Support for the Executive Technical Groups.** Financial support will be provided to: (a) hire Executive Technical Group managers and specialized consultants; and (b) cover the travel expenses incurred by them to attend preparatory and Technical Group meetings.

The integration and development corridors and sectoral processes that are the focus of the approach set forth in the IIRSA Action Plan to promote regional infrastructure development will, in accordance with the Plan, be organized on the basis of Executive Technical Groups. The Technical Groups will be composed of officials and experts who have been appointed by their respective governments, which will select them from among the institutions that they deem pertinent. A separate Technical Group will be created for each integration and development corridor and for each of the sectoral integration processes approved by the Executive Management Committee.

Each Executive Technical Group will be coordinated by a manager/consultant who has been hired by the multilateral lending institutions and who, in specific cases, may be supported by specialized consultants. These will be high-level professionals in the fields of transportation, communication, and energy who have been selected through an open call for proposals by mutual agreement of the three multilateral financial institutions responsible for the IIRSA. Their terms of reference will be prepared by technical specialists from the institutions.

2. **Logistical support for the IIRSA Secretariat and organization of meetings and seminars.** Logistical support will be provided to the IIRSA Secretariat by hiring an administrative professional and two assistants for the Secretariat and by designing and maintaining an IIRSA web page. The IIRSA will also be supported by financing to partially cover the costs associated with organizing Technical Group meetings and seminars for disseminating the results of the specific studies on regional infrastructure integration financed under the technical cooperation. Finally, financing will be provided to cover support services and other costs that are mainly associated with the communications, correspondence, and office-related expenses of the IIRSA Secretariat.
3. **Technical studies on the regional integration of infrastructures.** Financing will be provided for: (a) consulting

services for methodological diagnoses and studies on the financial, economic, and environmental aspects and the risks associated with the possible projects identified under the IIRSA for developing infrastructure or reconciling regulatory frameworks; and (b) mechanisms for disseminating the results of the studies via print or electronic media.

To provide the Executive Technical Groups with technical support, the multilateral institutions will engage consulting services for issues that are specific to one Technical Group or common to all of the Technical Groups, such as adaptations of regulatory frameworks to one another, methods for comprehensively evaluating multinational investment projects, research into the environmental and social aspects of projects, etc. The studies will be conducted by consultants hired in accordance with each institution's administrative procedures.

4. **Evaluation by an independent consultant.** This entails hiring a consultant to evaluate the Bank's contribution to the execution of project activities. In particular, the consultant will analyze the effectiveness of technical assistance provided to the Executive Technical Groups, the production of technical documents, the organizational management of meetings, and the dissemination of the resolutions and reports generated at meetings.

**Environmental
and social
review:**

The project team took note of the recommendation made by the Committee on Environment and Social Impact that this technical-cooperation project should ensure the inclusion of environmental and social impact evaluations in the methodological studies to be financed for projects selected and sectoral processes analyzed under the proposed project, as well as consider the possibility of reconciling the environmental regulations of the beneficiary countries (see paragraph 3.5).

**Benefits and
beneficiaries:**

The proposed project will support the regional integration process of the 12 countries of South America. This regional integration is one of the four pillars of the Bank's institutional strategy. The objective of the project also coincides with the support strategies of the subgroups of Mercosur and the Andean Community, and the South American countries of the Caribbean Community, as reflected in their respective regional programming documents or other studies. As part of the process supported by multilateral banking sector, a heretofore unattempted effort will be made to advance a vision that comprises the three sectors involved (transportation, energy, and communications). In addition, the process will allow the region to focus on a more inclusive vision of infrastructure; will strengthen the

countries' capacities to develop policies, plans, and regulatory frameworks; and will contribute to the development of new regional mechanisms for planning, executing, and managing physical integration projects or the CCT in implementing the GTE operating plans.

Risks:

There is a risk that the beneficiary countries will not forge technical and political agreements to allow decisions to be made within the framework of the Executive Technical Groups on what projects to promote or how to coordinate efforts among the three sectors of the countries involved. However, the organizational structure of the IIRSA, which includes a high-level forum for multilateral negotiation and coordination (the Executive Management Committee) and the presence of three multilateral lending institutions, will help mitigate this risk by enabling the suggestion of alternative strategies for making the chosen infrastructure integration projects and national regulatory frameworks compatible with the stated priorities of the sectoral programs of each country. Another risk is posed by the possible inefficiency of managers and consultants in coordinating the Technical Groups. To mitigate this risk, the Technical Coordination Committee will select candidates through an open call for proposals using terms of reference designed by specialists from the three participating multilateral institutions and will supervise the activities of managers and consultants on an ongoing basis. In addition, there exists the risk that the projects identified offer less incentive for private sector participation in the initiative. To minimize this risk, the organizational structure of the initiative, which provides a space for high-level multilateral coordination and the presence of three multilateral lending institutions, will contribute alternatives that encourage private sector participation with technically sound proposals in a more stable institutional context for the undertakings. Lastly, it is possible that one of the participating institutions decides to reduce its commitment. It is important to note that up to now the institutions have been disbursing their contributions as agreed. Also, in this case, the project would continue, with its scope reduced proportionally.

The Bank's country and sector strategy:

Since its inception, the Bank has given financial and technical support to physical integration investments in Latin America, which have included the main national highway corridors, the transnational connections of power systems, and part of the regional network of gas pipelines. In addition, nearly 50% of the Bank's total financing has been for physical, economic, and social integration projects, creating synergistic effects since every dollar loaned by the Bank for these projects has been met by five dollars from other sources of financing. The Bank has established among its priorities the support of economic integration, which has ranged from trade agreements, as

in the case of the Free Trade Area of the Americas, to infrastructure integration processes, as in the case of the Puebla-Panama Plan, in which the countries of Central America and Mexico participate.

**Exceptions to
Bank policy:**

None.

I. BACKGROUND

- 1.1 Over the last two decades, a worldwide intensification of efforts to liberalize international trade and finance has accelerated the process of economic integration. On a regional level, this process has manifested itself in agreements that integrate the economies of neighboring countries, creating multinational blocs; these agreements promote international commercial transactions and tend to reconcile the national regulatory policies governing them.
- 1.2 In South America, regional economic integration has taken the form of concrete projects, such as the Andean Community and Mercosur. In the infrastructure sector, the push for integration has manifested itself in projects such as international highways, bridges, border crossings, gas pipelines, and dams, and projects to connect national electrical and telecommunication systems. The Bank has participated in all of these types of projects for more than three decades, and over the last decade, has advanced the process of integrating national infrastructures by providing more than US\$4 billion in financing for 25 projects. The productive potential of our economies and the growing demand within them for infrastructure services necessitate the creation of a mechanism by which countries can work together to benefit from each other's competitive advantages and consolidate regional markets. Such a mechanism is expected to increase economic competitiveness and productivity, accelerating economic growth and raising standards of living.
- 1.3 Regional infrastructure development is necessary in order to increase productivity and competitiveness in South America. This requires improving the physical infrastructure (overland and river transport, ports, airports, power and telecommunications systems, etc.), regulatory frameworks and sectoral processes like customs, information technology, and markets offering logistical services (insurance, freight transportation, storage, processing of licenses, etc.) within the region's countries in a way that favors integration and helps ensure sustainable development at the local level. Due to the indebtedness of the region's countries and the budgetary restrictions that their governments face, on top of a growing demand for social services, ways of increasing the private sector's involvement in both the management and financing of investments must be found. To create conditions that are more conducive to private-sector participation, this proposed technical-cooperation project will help countries in the region make their regulatory frameworks compatible and will assist them in coordinating infrastructure development plans by providing a sounder process that increases the feasibility of projects.
- 1.4 Major efforts have been made in many areas of South America to improve the physical infrastructure. These efforts have included modernizing regulatory frameworks, and in some cases, eliminating public monopolies, in order to increase private-sector participation in the management and financing of infrastructure

improvements, for the purpose of increasing economic efficiency. The proposed technical-cooperation project seeks to complement these efforts to help ensure that development is comprehensive, multilateral, multisector, and multidisciplinary.

- 1.5 With a view to making regional integration more efficient, the presidents of the 12 countries in South America attended a summit in Brasilia, Brazil in September 2000, where they approved the basic characteristics of a plan for the Regional Infrastructure Integration of South America (IIRSA) Initiative.
- 1.6 The IIRSA Action Plan establishes three organizational levels for carrying out activities to implement the **initiative**: These organizational levels are represented by an Executive Management Committee, a Technical Coordination Committee, and various Executive Technical Groups. The Executive Management Committee is composed of ministry-level representatives from the public works, energy, and communications sectors. This Committee will establish the strategic objectives of the **initiative**, recommend directives to the national governments, and conduct high-level negotiations. The Technical Coordination Committee, which will provide logistical support to the Executive Management Committee and implement its directives, represents the next organizational level. At the request of national authorities, it will be made up of representatives of the Bank, the *Corporación Andina de Fomento* [Andean Development Corporation] (CAF), and the *Fondo Financiero para el Desarrollo de la Cuenca del Plata* [Financial Fund for the Development of the Plata River Basin] (FONPLATA). The main offices of its Secretariat are located at the Institute for the Integration of Latin America and the Caribbean (INTAL) in Buenos Aires, Argentina. The main responsibilities of the Technical Coordination Committee are to coordinate the work of the Executive Technical Groups, identify projects and corresponding financing, and promote private-sector participation. The Committee will serve as the technical secretariat for both the Executive Management Committee and the entire process. It will also provide financial support to IIRSA by hiring through its member institutions a manager or a consultant for each Executive Technical Group. Based on a work plan to be agreed upon by the involved parties, these managers will coordinate the work of specialists appointed by their governments to the Executive Technical Groups.
- 1.7 The Action Plan also tentatively establishes 12 corridors for integration in South America that a Bank study identified on the basis of present and potential future flows in the public works, energy, and telecommunications sectors, and six sector integration processes that would involve all of the beneficiary countries. By targeting regional infrastructure development through the concept of integration and development corridors and sector processes, the ETGs will assume a multisector and multidisciplinary character. An integration corridor implies that transport, telecommunications, and energy networks are strategically interconnected in international corridors that permit, under a common regulatory framework with proper services, the free and efficient circulation of goods, people, information, and energy within a defined area of integration that enables production units to mutually

support one another in an effort to increase their competitiveness. Examples of integration and development corridors established under the action plan are the Andean Corridor or the Mercosur-Chile corridor. The sector processes look at specific areas of infrastructure integration. Examples of sector integration processes identified by the action plan are the harmonization of regional energy market regulatory frameworks and the facilitation of border passes.

- 1.8 The ETG operates at the technical level of government on the basis of directives issued by the EDC. To this end, they will coordinate their requirements with the TCC, which will provide support for managing technical and operational demands linked to the tasks entailed with each integration corridor or sector process. An ETG will be established for each development and integration corridor and sector process. These groups will be temporary in nature since they will meet only to discuss topics that are part of their work program and once this work has been completed they will cease to exist.
- 1.9 At an operating level, the ETG will have a manager/consultant, and if necessary specialized consultants if they are required to cover the secretariat functions of the respective group. During 2001-2002, an Executive Technical Groups will be created for the integration corridors and sector processes, in accordance with the directives and six-month calendar established by the Executive Management Committee in its meetings.
- 1.10 The heads of all the South American ministries of transportation (or public works), energy, telecommunications, and planning met in Montevideo, Uruguay, in December 2000 to approve the final IIRSA Action Plan. In April 2001, the members of the Executive Management Committee met for the first time in Santa Cruz de la Sierra, Bolivia, where they approved the operational guidelines for their own Committee and for the Executive Technical Groups, as well as the 2001 schedule for setting up the Groups. It was also announced that the IIRSA web page was now available on the Internet (www.iirsa.org).
- 1.11 The Executive Technical Groups will review the plans of governments to invest in the three aforementioned sectors and will attempt to coordinate projects in a way that allows the greatest benefit to be gained from the multinational, multisector, and multidisciplinary approach to integration. The Executive Technical Groups will determine which types of preinvestment studies (diagnostic, identification of projects, pre-feasibility, feasibility, and final design studies) and other studies are needed and will identify sources of financing for both the studies and the investment projects.

II. OBJECTIVE AND DESCRIPTION

A. Objective

- 2.1 The objective of this technical-cooperation project is to support the creation of a process that will enable the governments of South America to make coordinated decisions, for the purpose of: (i) promoting regional physical infrastructure development in the areas of transport, communications, and energy; and (ii) improving and reconciling regulatory frameworks. The projects that this process gives rise to will be required, for their part, to have the active financial support of the private sector, provide for environmental protection, and advance comprehensive social development through their implementation process.

B. Description

- 2.2 To achieve this objective, the proposed project will consist of activities that fall into the following four categories: **(1) support for the Executive Technical Groups; (2) logistical support for the IIRSA Secretariat and organization of meetings and seminars; (3) specific technical studies on regional infrastructure integration; and (4) evaluation by an independent consultant.**
- 2.3 ***Support for the Executive Technical Groups (US\$401,000).*** The Bank's support will include: (a) hiring, for a total of approximately 51 consultant-months, Executive Technical Group managers and specialized consultants to support them who will be high-level professionals in the fields of transportation, communication, and energy and will coordinate and provide technical support to the Executive Technical Groups that will be created in 2001-2002 for each of the integration corridors and sectoral processes; and (b) covering the travel expenses incurred by the managers and consultants to attend preparatory and Executive Technical Group meetings.
- 2.4 The integration and development corridors and sectoral processes that are the focus of the approach set forth in the IIRSA Action Plan to promote regional infrastructure development will, in accordance with the Plan, be organized on the basis of Executive Technical Groups. The Executive Technical Groups will be composed of officials and experts who have been appointed by their respective governments, which will select them from among the institutions that they deem pertinent. A separate Executive Technical Group will be created for each integration and development corridor and for each of the sectoral integration processes approved by the Executive Management Committee.
- 2.5 In general, the Executive Technical Groups will be multisector and multidisciplinary in nature. At an operational level, each Group will have a manager/consultant and, if necessary, specialized consultants, who will carry out the technical coordination of the work for their respective groups. Managers may

request, through the Technical Coordination Committee, support in the form of technical advisory services from regional, subregional, or international organizations whose expertise is germane to the Group's needs.

- 2.6 The Executive Technical Group managers and support consultants will be selected through an open call for proposals by mutual agreement of the three multilateral financial institutions responsible for the initiative. The terms of reference for the manager and consultant positions will be prepared by technical specialists from the three institutions. In technical matters, the managers and consultants will report to the Technical Coordination Committee, while the administrative conditions of their employment will be subject to the regulations of the financial institution that underwrites it. Consequently, the Technical Coordination Committee will define the managers' and consultants' program of work, authorize their travel and agendas, and supervise their performance and reports, as well as provide them with technical and logistical support.
- 2.7 The responsibilities of the Executive Technical Group managers/consultants will include: (a) coordinating efforts with Executive Technical Group members who are government representatives to compile existing information on sectoral plans (national, provincial, departmental, and local), studies, and projects, as well as information on the regulatory and normative aspects of the energy, telecommunications, and transportation sectors affected by the corresponding corridor; (b) establishing an inventory of projects classified by their state of preparation, based on the information compiled with the assistance of Executive Technical Group members; (c) identifying, based on the compiled information, the potential for, and the obstacles to, developing corridors in a way that is consistent with the regional, comprehensive, integrated, multisector focus of the IIRSA, seeking to ensure that the countries involved reap the incremental benefits that result from the concerted efforts; (d) preparing and proposing a work plan for developing the corridors that describes the objectives, goals, and tasks to be undertaken, and the responsibilities and task involvement that correspond to the Executive Technical Group members; and (e) advising the Technical Coordination Committee of Executive Technical Groups requests and needs for technical and financial support. In accordance with the requirements of each case, the terms of reference for carrying out the technical tasks called for in the agreed on work plan will be prepared by the Executive Technical Group manager, one or more members of the Group, or, eventually, by specialized consultants; the terms will include the estimated costs of the proposed tasks.
- 2.8 More detailed information on the basic terms of reference for the Executive Technical Group managers, as well as for the Technical-Administrative Assistant to the IIRSA Secretariat, can be found in the technical files for the project.
- 2.9 ***Logistical support for the IIRSA Secretariat and organization of meetings and seminars (US\$136,000).*** To give the Secretariat logistical support, financing by the

Bank will be provided to hire an administrative professional and two assistants to manage the office; to cover the expenses incurred by the administrative professional for required travel to meetings or seminars; and to underwrite the costs associated with designing and maintaining an IIRSA web page. In addition, support will be provided for the **initiative** to partially cover the expenses incurred for organization of working CGE and CCT meetings and for seminars to disseminate the findings on the integration corridors, sector issues, and the specific studies on integration of the regional infrastructure financed under the project. Lastly, financing will be provided for support services and other expenses, mainly communications, mail, and office expenses incurred by the IIRSA Secretariat.

- 2.10 ***Technical studies on the regional integration of infrastructures (US\$195,000).*** The Bank's support will consist in financing: (a) approximately 45 consultant-months of consulting services for methodological diagnoses and studies on the financial, economic, and environmental aspects and the risks associated with the possible projects identified under the IIRSA initiative for developing infrastructure or reconciling regulatory frameworks; and (b) mechanisms for disseminating the results of the studies via print or electronic media.
- 2.11 To provide the Executive Technical Groups with technical support, the three multilateral institutions will engage consulting services for issues that are specific to one Executive Technical Group or common to all of the Executive Technical Groups, such as adaptations of regulatory frameworks to one another, methods for the identification and comprehensive evaluation (financial, economic, and distributive aspects, and risks) of multinational projects, research into the environmental and social aspects of projects, etc. An analysis of regional air transport regulations carried out in connection with the sectoral integration process of Operative Systems of Air Transport is an example of a possible study. Research into the available mechanisms for publicly and privately financing infrastructure projects in the region, however, could benefit all of the integration corridors. These studies will be carried out by consultants hired in accordance with the administrative procedures of each institution and will be disseminated in publications or by electronic means.
- 2.12 ***Evaluation by an independent consultant (US\$10,000).*** This entails the hiring by the Bank of a consultant to evaluate the institution's contribution to the execution of project activities. In particular, the consultant will analyze the effectiveness of technical assistance provided to the Executive Technical Groups, the production of technical documents, the organizational management of meetings, and the dissemination of the resolutions and reports generated at meetings. The terms of reference for these consulting services are available in the project technical files.

III. PROJECT EXECUTION

- 3.1 The executing agency for the proposed project will be the Bank, through INTAL, which will have the basic responsibility. The Finance and Basic Infrastructure Divisions of Regional Departments 1 and 3 (RE1/FI1 and RE3/FI3) will be responsible for the technical aspects of the project. The Bank's Country Office in Argentina will be in charge of the administrative aspects of the project and disbursements of the Bank's contribution.
- 3.2 Activities for organizing and launching the proposed project will include selecting, hiring, and supervising Executive Technical Group managers and assistants, and administrative assistants who will give logistical support to the Secretariat of the Technical Coordination Committee; contracting for technical consulting services and support services, such as those for translation, interpretation, and communication; and procuring equipment, office supplies, etc.
- 3.3 INTAL will coordinate the proposed project with the support of the Integration, Trade, and Hemispheric Issues Division (INT/ITD). The Finance and Basic Infrastructure Divisions of Regional Departments 1 and 3 (RE1/FI1 and RE3/FI3), as the divisions in charge of the technical aspects of project execution, will be responsible for preparing and/or approving the terms of reference and the selection of consultants for Executive Technical Groups and for specific studies on regional infrastructure integration.
- 3.4 The Finance and Basic Infrastructure Divisions of Regional Departments 1 and 3, in coordination with INTAL, will provide the technical leadership for meetings held by the Executive Technical Groups and the Technical Coordination Committee. The Sustainable Development (SDS) and Private Sector Development (PRI) Departments will also participate in these meetings. Experts from Regional Operations Departments 1 and 3, in particular, and from other Departments involved will take part to ensure that each country's infrastructure development plans are coordinated more closely. This will contribute to the viability of the projects identified in the initiative and their compatibility with the projects and programs financed by the Bank and the continuity of the process of regional integration of physical infrastructure.
- 3.5 **Recommendations of the Committee on Environment and Social Impact.** While the proposed technical-cooperation project will not finance pre-feasibility, feasibility, or final design studies, an environmental evaluation will be included among the planned methodological studies. This evaluation will include design alternatives for minimizing the main environmental and social impacts, which will be incorporated into the selected projects, and alternative regulatory frameworks for the sectoral processes analyzed under the proposed project. In addition, consideration will be given to the possibility of helping adapt the environmental evaluation regulations of the countries involved in a common project or sectoral

process under analysis by national or regional institutions. The purpose of such an adaptation would be to prevent differences in environmental regulations from creating discrepancies in competitiveness between the countries, to prevent the duplication of environmental evaluations, and to reduce the uncertainty involved in handling these aspects. Finally, additional mechanisms specifically designed to encourage consultations with stakeholder communities and increase their involvement will be required for projects that could affect indigenous groups or tribal lands.

- 3.6 The execution and disbursement schedules for the project will be twenty-four (24) and thirty (30) months, respectively, and will begin on the date that Bank financing is approved.
- 3.7 Consultants will be hired in accordance with Bank procedures and the corresponding terms of reference.
- 3.8 Every six months, the Technical Coordination Committee, in accordance with the directives issued by regional cabinet ministers in Executive Management Committee meetings, will develop a schedule of activities for the initiative, identify the resources needed to execute them, and determine the type of financing to be provided by the three multilateral institutions. Accounting procedures carried out by the IIRSA Secretariat to record expenses generated by project activities will enable all project-related expenses and disbursements made by the three institutions involved in the initiative to be tracked and monitored, with the exception of compensation and travel expenses of managers which will be subject to the administrative procedures of each institution and the disbursements made by the three institutions involved.
- 3.9 The ETG will carry out its activities according to the timetable of meetings scheduled by the TCC on the basis of the plan of activities agreed on by the Executive Management Committee. The ETG will be able to invite representatives from national, regional, and international private companies to attend the meetings in order to contribute to the analysis and present their views and thus facilitate their eventual participation in developing, carrying out, and/or financing the projects. In addition, the TCC will organize a road show that provides relevant information on initiatives being promoted in order to facilitate access by private agents interested in standardized and organized information.

IV. COST AND FINANCING

- 4.1 The total estimated cost of the proposed project is US\$750,000, in nonreimbursable foreign exchange from the net income of the Fund for Special Operations. The IDB financing for this initiative will consist in defraying approximately one third of the estimated cost of the program. CAF and FONPLATA are committed to sharing

equally in the remainder of the financing and have now begun to make disbursements as agreed.

- 4.2 **Bank financing** will be used for activities called for under: (a) ***Support for the Executive Technical Groups (US\$401,000)***, which will cover: (i) the fees of Executive Technical Group managers and assistants, for a total of 51 consultant-months; and (ii) their expenses for required travel to preparatory and Executive Technical Group meetings, for a budgeted total of 40 trips at US\$1,100 each; (b) ***Logistical support for the IIRSA Secretariat and organization of meetings and seminars (US\$136,000)***, which will cover: (i) the partial cost of hiring an administrative professional and two assistants to manage the IIRSA Secretariat, for the duration of the project; (ii) the administrative professional's expenses for required travel to meetings and seminars when deemed necessary by the IIRSA Secretariat; (iii) the design and maintenance of the IIRSA web page; (iv) the costs associated with organizing preparatory and Executive Technical Group meetings in the various countries and seminars for disseminating Executive Technical Group findings on both integration corridors and sectoral processes and the technical studies on regional infrastructure integration; and (v) support services and other costs that are mainly associated with the communications, correspondence, and office-related expenses of the IIRSA Secretariat, which is located at INTAL in Buenos Aires, Argentina; (c) ***Technical studies on the regional integration of infrastructures (US\$195,000)***, which will cover: (i) the cost of hiring consultants, for a total of approximately 45 consultant-months, to carry out methodological diagnoses and studies on the financial, economic, and environmental aspects and the risks associated with the possible projects identified under the IIRSA initiative for developing infrastructure or reconciling regulatory frameworks; and (ii) the cost of publishing the studies via print or electronic media; (d) ***Evaluation by an independent consultant (US\$10,000)***, which will cover the cost of hiring a consultant to evaluate the execution of project activities, the proposed terms of reference for which can be found in the technical files for the project; and (e) ***Contingencies (US\$8,000)***.
- 4.3 The itemized budget for the estimated portion of the proposed project that the Bank will finance is presented in Annex II.
- 4.4 CAF and FONPLATA are each committed to contributing US\$825,000 to the initiative. Their contributions will be used to cover the same types of costs indicated in the paragraph 4.2; both institutions have already begun to make disbursements. If any of the participating institutions decides to reduce its commitment, given its modular nature the project will continue to be implemented but its size will be reduced proportionally.
- 4.5 In addition, a local contribution in kind from the participating countries with an estimated value of US\$200,000 will be made to cover the travel expenses of

authorities and specialists from beneficiary countries who attend Executive Management Committee and Executive Technical Group meetings.

- 4.6 The estimated cost of the project, broken down by category of investment and source of financing, is presented in the following table.

Estimated costs and sources of financing
(in U.S. dollars)

Categories	IDB (FSO)
1. Support for the Executive Technical Groups	401,000
Executive Technical Group managers and consultants:	357,000
a) Fees (51 months at US\$7,000)	44,000
b) Travel expenses (40 trips at US\$1,100 each)	
2. Logistical support for the IIRSA Secretariat and organization of meetings and seminars	136,000
3. Technical studies on the regional integration of infrastructures	195,000
a) Studies (45 consultant-months)	180,000
b) Dissemination/publication of the studies	15,000
4. Evaluation by an independent consultant	10,000
5. Contingencies	8,000
Total	750,000

V. REPORTS AND MONITORING

- 5.1 The Finance and Basic Infrastructure Divisions of Regional Departments 1 and 3 (RE1/FI1 and RE3/FI3) will be responsible for supervising the technical aspects of the proposed project, while INTAL, with the support of the Integration, Trade, and Hemispheric Issues Division (INT/ITD), will coordinate the project.
- 5.2 Technical leadership for the proposed project will be the responsibility of the Finance and Basic Infrastructure Divisions of Regional Departments 1 and 3, which will work in coordination with INTAL, the Infrastructure, Financial Markets, and Private Enterprise Division of the Sustainable Development Department (IFM/SDS), and the Private Sector Department (PRI).
- 5.3 The Bank's Country Office in Argentina will be in charge of the administrative aspects of the project and disbursements of the Bank's contribution.

VI. EVALUATION

- 6.1 Using Bank resources, INTAL will hire an independent consultant to evaluate the implementation of the proposed project for a period of up to two weeks 18 months after commencement of the project, in accordance with the terms of reference, and the performance indicators described in the logical framework (Annex I).
- 6.2 The consultant will evaluate the following aspects of the project: (a) the level of technical assistance provided to the various Executive Technical Groups (for integration corridors and sectoral processes); (b) the production of technical documents on the procedures used to evaluate the financial, economic, distributive, and environmental aspects, and risks associated with the integration projects; on the adaptation of regulatory frameworks; and on the mechanisms for financing infrastructure projects that are available in the international markets; (c) management with regard to organizing meetings, conferences, and seminars and publishing their results; and (d) the execution of the schedules of activities emerging from the directives issued by regional cabinet ministers during meetings of the Executive Management Committee.

VII. BENEFITS AND RISKS

A. Benefits

- 7.1 The proposed project will support the regional integration process of the 12 countries of South America. Support for this integration process and for competitiveness are pillars of the Bank's institutional strategy. The objective of the project also coincides with the support strategies of the subgroups of Mercosur and the Andean Community, and the South American countries of the Caribbean Community, as reflected in their respective regional programming documents or other studies. As part of the process supported by this operation, a heretofore unattempted effort will be made to advance a vision that comprises the three sectors involved (transportation, energy, and telecommunications). In addition, the process will allow the region to focus on a more inclusive vision of infrastructure that embraces all of the sector's components and synergies, placing all of the projects into a strategic planning framework that provides for regional development. Furthermore, it will strengthen the countries' capacities to develop policies, plans, and regulatory frameworks, enabling them to be adapted to one another. Finally, it will contribute to the development of new regional mechanisms for planning, executing, and managing physical integration projects and will optimize the use of financial resources for implementing shared strategies.

B. Risks

- 7.2 There is a risk that the beneficiary countries will not forge technical and political agreements to allow decisions to be made within the framework of the Executive Technical Groups on what projects to promote or how to coordinate efforts among the three sectors of the countries involved. However, the organizational structure of the IIRSA initiative, which includes a high-level forum for multilateral negotiation and coordination (the Executive Management Committee) and the presence of three multilateral lending institutions, will help mitigate this risk by enabling the suggestion of alternative strategies for making the chosen infrastructure integration projects and national regulatory frameworks compatible with the stated priorities of the sectoral programs of each country. Another operational risk is posed by the possible inability of managers and consultants to propel Executive Technical Group activities forward due to their lack of leadership or suitability for the job. To mitigate this risk, the Technical Coordination Committee has established mechanisms to select candidates through an open call for proposals and stipulated that the terms of reference for consultants be designed by sector specialists from the three multilateral institutions to help ensure that the most qualified individuals are hired. In addition, as the project coordinator, the Technical Coordination Committee will develop the Executive Technical Groups' action plans and supervise their implementation, including the management of the manager and consultant contractors.
- 7.3 In addition, the TCC as coordinator of the initiative will establish the ETG action plans and will supervise their implementation, including administration of the managers and consultants hired. Also, the projects identified may offer less incentive for private sector participation. However, the organizational structure of the initiative, which provides a space for high-level multilateral coordination and negotiation and the presence of three multilateral lending institutions, will contribute alternatives that encourage private sector participation with technically sound proposals in a more stable institutional context. Lastly, one of the participating institutions may decide to reduce its commitment, although it is important to note that up until now these institutions have been disbursing their contributions as agreed. Also, in such an eventuality, the project would continue, with its scope reduced proportionally.

**PROJECT TO SUPPORT AN ACTION PLAN FOR REGIONAL INFRASTRUCTURE INTEGRATION IN SOUTH AMERICA
(TC-00-12-04-7-RG)**

LOGICAL FRAMEWORK

	Indicators	Means of verification	Assumptions
Project			
regional physical development and to improve the regulatory frameworks	Active participation in the EDC by high-level representatives from the public and private sectors from 12 countries of South America	Minutes of EDC meetings	That the countries reach technical and political agreements within the framework of the ETGs That resources that have been allocated to the project will be available on a regular basis There is consultation with agencies and the private sector in formulating a strategy for identifying projects
the decision-making process by the governments of the member countries on integration of infrastructure projects (communications, energy, and transport)	Preparation of a list of 12 projects identified for each integration corridor in certain sectors Completion of feasibility studies for at least 3 infrastructure integration projects in 24 months	Annual reports from each ETG on physical infrastructure integration projects in the sectors identified	
for the ETGs senior managers to coordinate the ETGs consultants with a focus on specific areas of communications, and energy	Hiring of at least 8 managers for ETGs in 24 months Assignment of a manager to each principal ETG in the first 12 months after commencement of the project	Timetable and action plans approved semiannually by EDC Contracts finalized by each ETG	Coordination and consultation between the TCC and the countries
support for IIRSA administrative support for IIRSA Secretariat and seminars to disseminate integration corridors	Hiring of all support personnel within 6 months after commencement of the project At least 12 meetings held to disseminate results obtained in corridors on sector issues in 24 months	Contracts finalized by administrative personnel in IIRSA Secretariat	

	Indicators	Means of verification	Assumptions
ment of mechanisms to e results			
Technical studies to identify projects for integration of infrastructure in South countries	Preparation of at least 3 studies on infrastructure integration projects, their financing mechanisms, and the harmonization of their regulatory frameworks	List and information on technical studies prepared by consultants	
Consultants for diagnostic and methodological studies of economic, environmental, and of potential regional projects and harmonization frameworks identified	Completion of all contractual work by consultants during project execution in accordance with action plans for each ETG.	Consultants' terms of reference approved by TCC with help of the three institutions (IDB, CAF, and FONPLATA)	
Potential regional physical infrastructure integration projects (viable for development in long terms) by integration country, sector, and specific	An itemized list of at least 35 regional infrastructure integration projects qualified by sector, integration corridor, required studies, diagnostic assessments and studies.	Reports prepared by ETGs and countries by the respective integration corridor	That the consultants hired for comply with approved terms of
and a private sector promotion incentive mechanism	At least four road shows to facilitate access by private sector and the dissemination of systematized and organized information	Consultants' reports submitted to each ETG as well as the number of consultants to be hired in each year of project	There are consultants with an private sector for the projects

**BUDGET OF THE BANK'S CONTRIBUTION TO THE PROJECT TO SUPPORT THE
ACTION PLAN OF THE REGIONAL INFRASTRUCTURE INTEGRATION IN SOUTH
AMERICA (IIRSA)**

**Estimated costs
(in U.S. dollars)**

Categories	IDB (FSO)
1. Support for the Executive Technical Groups	401,000
Technical Group managers and consultants:	
(a) Fees (51 months at US\$7,000)	357,000
(b) Travel expenses (40 trips at US\$1,100 each)	44,000
2. Logistical support for the IIRSA Secretariat and organization of meetings and seminars	136,000
(a) Technical-administrative assistant fees (16 months at US\$2,000)	32,000
(b) Travel expenses of the technical-administrative assistant (20 trips at US\$700 each)	14,000
(c) Web page design and maintenance	25,000
(d) Logistical costs of organizing meetings and seminars	30,000
(e) Support services and other office-related expenses (communications, correspondence, office supplies)	35,000
3. Technical studies on the regional integration of infrastructures	195,000
(a) Studies (45 consultant-months)	180,000
(b) Dissemination/publication of the studies	15,000
4. Evaluation by an independent consultant	10,000
5. Contingencies	8,000
Total	750,000

PROPOSED RESOLUTION

REGIONAL. NONREIMBURSABLE TECHNICAL COOPERATION FOR A
PROGRAM TO SUPPORT THE ACTION PLAN FOR THE INTEGRATION
OF REGIONAL INFRASTRUCTURE IN SOUTH AMERICA

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to adopt such measures as may be pertinent for the execution of the plan of operations referred to in Document AT-____, with respect to a nonreimbursable technical cooperation for a Program to Support the Action Plan for the Integration of Regional Infrastructure in South America.
2. That up to the sum of US\$750,000, or its equivalent in other convertible currencies, is authorized for the purposes of this resolution, chargeable to the net income of the Fund for Special Operations of the Bank.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.