

**TECHNICAL COOPERATION FOR A PROGRAM TO SUPPORT  
REGIONAL INTEGRATION IN LATIN AMERICA AND THE CARIBBEAN**

(TC-95-05-15-0-RG)

**EXECUTIVE SUMMARY**

**REQUESTER:** An IDB initiative

**EXECUTING AGENCY:** Institute for Latin American and Caribbean Integration (INTAL). No agreement required.

**BENEFICIARIES:** Borrowing member countries of the Bank.

**FINANCING:** Equivalent to US\$6,000,000, chargeable to the net income of the Fund for Special Operations; to be disbursed in Argentine pesos.

Total: US\$6,000,000

**FINANCIAL  
TERMS AND  
CONDITIONS:** Execution period: 48 months reckoned from the beginning of the calendar month following the month in which the project is approved.

Disbursement period: 58 months reckoned from the beginning of the calendar month following the month in which the project is approved.

**ENVIRONMENTAL  
CLASSIFICATION:** At its meeting of August 22, 1995, the Environment Committee classified this as a Category II project.

**POVERTY TARGETING:** This program is not directly poverty-targeted.

**OBJECTIVES:** To promote and consolidate the process of integration in Latin America and the Caribbean, at the sub-regional level and in the hemisphere, against the backdrop of new requirements associated with the Uruguay Round.

**DESCRIPTION:** INTAL will implement a program of activities for the period 1995-1999, to be funded primarily with resources drawn from the regional technical-cooperation project referred to in this document. The content of this program of activities is shown in Annex I to this plan of operations. Annual plans will be used as a basis for implementing measures in these four modules: (i) technical assistance in the form of specific programs or projects; (ii) policy

forums; (iii) integration forums; and (iv) publications and information services. The means by which the program is to be executed, and the procedures by which consultants will be selected to carry out the activities referred to above, are described in detail in chapter III of this plan of operations.

**BENEFITS AND  
RISKS:**

The fact that, in the 1990s, integration trends have been gathering momentum at the subregional level and in the hemisphere, coupled with the considerable track record which INTAL has acquired in its thirty years of operations in this field, means that the efforts to build on the integration progress already achieved in Latin America and the Caribbean can be expected to yield meaningful results. It follows that the execution of the proposed program is unlikely to pose any major risks.

**THE BANK'S  
STRATEGY:**

The Eighth Replenishment document stipulates that modernization and economic integration will be one of the three priority areas on which the Bank is to focus its operations in the years to come. Accordingly, this document serves as a basis for determining the Bank's role in relation to subregional, regional, and hemispheric economic integration processes.

**RESPONSIBILITY  
IN THE BANK:**

Technical responsibility will rest with the Integration, Trade and Hemispheric Issues Division (INT/ITD). Basic responsibility will rest with the Regional Technical Cooperation Division (INT/RTC).

The Bank's Country Office in Argentina will be responsible for administering and supervising the project. The regional departments and Country Offices of the Bank will assist in the execution of the program, as will other IDB units as and when required by the activities to be carried out.

## I. BACKGROUND

### A. The recent history of integration in Latin America and the Caribbean

- 1.1 In recent years, the process of integration has gone hand in hand with the ongoing economic reform programs implemented by the countries of Latin America and the Caribbean, and the institutional consolidation of their systems of government. The guiding principles on which these programs were based, e.g., greater efficiency in the allocation and management of these countries' resources and boosting the competitiveness of their economies in the global marketplace, have created an environment in which the ultimate success of the integration trends unfolding within the region has become an increasingly achievable goal. As these countries' economies opened up to the rest of the world, natural geographic trading areas opened up within the region itself. These trends, coupled with declining external constraints, led to rapid growth in intraregional exports, soon joined by a growing volume of investment among neighboring countries. This resurgence of activity has the potential to provide the basis for new exports to the rest of the world, given that intraregional trade is generally characterized by greater value added than trade outside the region.
- 1.2 Paralleling these trends are others which have arisen in connection with official integration mechanisms. Many new bilateral "second generation" agreements have emerged (e.g., Mexico and Costa Rica) as well as multilateral agreements (the Southern Cone Common Market (MERCOSUR), the Group of Three, the North American Free Trade Agreement (NAFTA)), thus posing the challenge of how these agreements can be most effectively established on firm institutional foundations. Meanwhile, the more traditional integration forums (the Central American Common Market, the Andean Group, and the Caribbean Community (Caricom)) have come under pressure to adapt their institutions and arrangements to reflect the new strategies for integrating their member countries into the international environment. Lastly, all of the integration forums – be they newcomers or well-established institutions – must prepare for convergence within the hemisphere, and for the task of complying with the new rules, standards, and procedures prescribed by the World Trade Organization (WTO).
- 1.3 The impact of these new integration trends is not limited to trade; indeed, considerable gains have been made in specific areas such as the coordination and harmonization of rules, standards, and policies relating to social issues (education, health, social security), the environment, science and technology, etc.
- 1.4 The technical and operational complexity of the current integration initiatives is such that the firm political resolve evinced by the governments of participating countries must be backed by

specialized technical assistance needed to ensure the long-term sustainability of the processes now under way. The consensus is that the Institute for Latin American and Caribbean Integration (INTAL) is the organization best equipped to provide such assistance for economic and social integration measures and initiatives in and among IDB borrowing member countries.

B. INTAL and the Bank in the area of regional integration

- 1.5 INTAL was set up as a permanent unit of the IDB in December 1964, and it has been very actively involved in liaison and coordination with the main economic integration and economic cooperation agencies operating in the region. INTAL enjoys a high degree of name recognition in Latin America and the Caribbean. Indeed, the countries of Latin America and the Caribbean have acknowledged that INTAL's activities represent a major component of the IDB's contribution to promoting integration within the region.
- 1.6 However, in view of the shifting economic and institutional conditions that have emerged in the 1990s, and their direct impact on the dynamics of regional integration, the Bank has decided to reorganize INTAL from the functional and operational standpoints.
- 1.7 This reorganization is nearing completion, and basically entails the implementation of a new administrative structure consisting of a core of personnel, under the leadership of a General Coordinator, to manage the new activities to be included in INTAL's work program. Within the organization of the IDB, INTAL belongs to the Integration, Trade and Hemispheric Issues Division of the Integration and Regional Programs Department.

## II. OBJECTIVE OF THE PROGRAM

- 2.1 The overall objective of the program is to promote and consolidate the integration process in Latin America and the Caribbean, from the subregional to the hemispheric level, against the backdrop of the new obligations emanating from the Uruguay Round.

## III. DESCRIPTION OF THE PROGRAM

A. Activities

- 3.1 To achieve this objective, INTAL will carry out a program of activities for the period 1995-1999, to be funded primarily with resources drawn from the regional technical-cooperation project proposed in this document. The general configuration of this program is outlined in Annex I. As will be described below,

INTAL's work program is to be implemented on the basis of annual plans, covering the following four modules:

**Technical assistance in the form of specific programs or projects**

- 3.2 This module will provide technical assistance to foster subregional integration processes or individual country participation therein, with particular reference to programs aimed at strengthening interconnecting physical infrastructure facilities among countries, specific projects pertaining to the regional development of frontier areas between countries participating in integration arrangements, and the legal aspects of integration agreements. In addition, special emphasis will be placed on promoting the hemisphere-wide process set in motion since the Summit of the Americas and the Denver Trade Ministerial meeting.
- 3.3 The technical assistance operations envisaged in this module will pertain to specific integration issues or topics, and will encompass such other initiatives (requested by beneficiary countries or subregional integration agencies) as INTAL may administer using funds donated to it by member countries and funding from other sources.

**Policy forums**

- 3.4 "Policy forums" are to be organized at which integration issues will be discussed and debated. The private sector, including representatives of the business community, labor, and nongovernmental organizations (NGOs), will play a leading role in these forums, along with government authorities, subregional integration agencies, and experts in the specific subject area addressed at the forum. INTAL's capacity to bring diverse constituencies together will be instrumental in ensuring the success of these gatherings.
- 3.5 The policy forums will be incorporated in INTAL's annual programs, and they will be flexibly scheduled so as to adapt to changing needs and requirements. The forums will be of short duration (one or two days) and may if necessary be convened at short notice to discuss matters of an emergency nature. They will address contemporary international issues or integration-related problems. Summaries of the forums' discussions and conclusions will be published and distributed.
- 3.6 The intention is that as a result of these policy forums, the private-sector and public-sector participants, and countries interested in exchanging information and experiences, will be able to achieve a better grasp of the issues being debated at the current juncture and a clearer understanding of the problems and the range of views held by the various constituencies involved, and ultimately to achieve a degree of consensus on integration-related policy questions. Forum participants will thus be provided with a

technical or conceptual framework to facilitate the adoption of decisions in their respective spheres of activity with regard to the design and selection of policy options for governments and action strategies for private enterprise.

#### **Integration forums**

- 3.7 In this module, forums will be held to discuss basic studies of integration issues which are crucial at the subregional or national level and are still not sufficiently understood. These studies will serve as a basis for reaching conclusions that will be of practical value to governments participating in, or intending to join, the integration initiatives currently unfolding within Latin America and the Caribbean.
- 3.8 The studies will be performed by specialized private and public entities and academic research centers, operating on the basis of experience acquired through the Program of the Network of Regional Research Centers. The content of the studies will be analyzed and discussed at the forums. The participating institutions will be selected using mechanisms described later in this chapter. The studies, as well as a summary of the conclusions reached at the forum, will be published by INTAL.
- 3.9 A specialized international or subregional organization with recognized expertise in the subject area in question may be entrusted with the task of organizing and conducting these integration forums, where the nature of the issue so warrants. In addition, this module may include joint meetings with other nonregional institutions pursuing objectives similar to INTAL's to further the analysis of technical issues and others related to mutual cooperation.

#### **Publications and information services**

- 3.10 This module will consist of two activities: (i) Publications; and (ii) Documentation Center and Library services.
- 3.11 On the publications side, every four months INTAL will produce an integration and trade journal containing peer-reviewed articles on policy issues, with a substantial technical content. In addition, a monthly newsletter will be published providing information on subregional groups, meetings, agreements and publications relating to integration. These publications will cover integration issues in Latin America and the Caribbean, international and intraregional trade, as well as the problems and experiences of other blocs outside the region. They may also be used to announce the policy forums and integration forums mentioned earlier, and to publicize their findings.
- 3.12 With respect to documentation and library services, the existing materials will be culled and new materials selected for INTAL's

Documentation Center and Library, focusing on issues relating to trade and integration in Latin America and the Caribbean and in nonregional blocs. As part of the process of reorganizing INTAL, new approaches in the area of documentation facilities will be considered with a view to giving these services a truly regional dimension, including the circulation of data from the DATAINTAL information system, taking full advantage of the benefits afforded by the latest computer technology.

- 3.13 INTAL developed the DATAINTAL system as part of a project funded by donations from member countries. The system comprises foreign trade statistics (to the level of tariff items) on the exports and imports of Latin American and Caribbean countries in volume and value terms. In addition, the system includes a database with detailed information on INTAL's publications; additional modules, now being developed or studied, will incorporate information on the legislation governing integration processes in the region, nontariff rules and regulations, and interviews pertaining to rounds of negotiations.

B. Organization and execution

- 3.14 The program will be administered by INTAL in accordance with the procedures established in this document, with assistance from the project team, and with responsibility for execution to rest with INT/ITD. It will be carried out on the basis of annual operating plans to be devised by INTAL as part of its program of activities for 1995-1999. These plans may be amended when warranted in light of technical or operational considerations. In essence, the plans will include a list of the activities to be performed during the period they cover as part of each specific module (technical assistance in the form of specific programs or projects, policy forums, integration forums, and publications and information), as well as a preliminary estimate of the inputs required to carry out each of the activities.
- 3.15 The annual operating plans and any amendments thereto will be submitted by INTAL at a meeting of the Program Planning and Evaluation Committee (CPE), comprising one representative from the Integration, Trade and Hemispheric Issues Division (INT/ITD) of the Integration and Regional Programs Department (INT); one representative from the Regional Technical Cooperation Division (INT/RTC) from the same department; and one representative from INTAL. At this meeting, the Committee will review and approve the plan proposed by INTAL. When necessary, CPE meetings may be attended by representatives from other units of the IDB.

C. Reports and follow-up

- 3.16 In the context of the Program Planning and Evaluation Committee (CPE) and with assistance from the project team, INT/ITD will be responsible for supervising the execution of the annual operating

plans in consultation with IDB departments working in specific areas. To facilitate these supervision activities, the CPE will hold follow-up meetings at regular intervals, at least quarterly. In addition, INTAL will provide the CPE with a semiannual report describing the activities carried out during the six-month period prior to the submission of the report, as well as the activities planned for the following six-month period.

D. Operating arrangements for implementation of the program

**Technical assistance in the form of specific programs or projects**

- 3.17 The activities to be performed under this module will be identified by missions conducted by INT/ITD and INTAL staff, as a result of which actions may be selected for implementation as IDB projects; they will also be identified through requests submitted to INTAL by the governments of beneficiary countries, subregional organizations, or nongovernmental organizations. INTAL, in consultation with INT/ITD, will review these project ideas to determine whether they fall within the specific subject areas established in INTAL's work program.
- 3.18 If a proposed project is deemed to have merit, then INTAL, working in consultation with the prospective executing agency for the project, will prepare a project document that must contain the following basic components: (i) background information on the project; (ii) project objectives; (iii) description of the project; (iv) budget and detailed list of required inputs; (v) executing agency for the project; and (vi) terms of reference for the consultants to be hired.
- 3.19 If the project is part of INTAL's annual operating plan as approved by the CPE, the project document will be sent to INT/ITD for information. For projects that have not been included in the pertinent annual operating plan, INTAL will submit the project document to INT/ITD for the latter's approval and/or comments, and INT/ITD will have a period of ten days to raise objections and/or to provide feedback. Once the ten-day period has elapsed, the project document will be deemed to have been approved. If the contribution allocated for a project is equal to or less than the equivalent of US\$30,000, approval may be granted by the Office of the General Coordinator of INTAL, and the document will be sent to INT/ITD for the record.
- 3.20 INTAL will select consultants by drawing up shortlists of three individual consultants whose qualifications will be evaluated on the basis of their professional background in the areas or tasks for which consulting support is being sought.
- 3.21 If a decision is made that it would be preferable to hire consulting firms or academic or research institutions, then a shortlist of three such institutions will be invited to submit



proposals outlining the methodology and working approach they plan to use if they are selected to provide the required services. Proposals received by INTAL will be evaluated on their technical and practical merits. Based on this evaluation, INTAL will prepare a report summarizing the findings of the evaluation and recommending the firm or institution that should be selected to carry out the work. The report will be sent to INT/ITD, which will have ten days in which to indicate its approval, raise objections, or provide feedback. Once the ten-day period has elapsed, the plan will be deemed to have been approved.

#### **Policy forums**

- 3.22 Working with the specific subject areas covered by the INTAL work program, INTAL (in consultation with INT/ITD) will identify the issues to be addressed at these forums, which will be included in the annual operating plans. As part of this process, the number and conformation of forum participants will also be determined, as will the consulting services required to organize and/or conduct the forums. On that basis, INTAL will hire the necessary consultants and take any other action necessary to ensure that the forums run efficiently. The selection procedure will be similar to the procedure specified with respect to the technical assistance facilities.
- 3.23 Once a forum has been conducted, INTAL will prepare and distribute a report setting out the results and findings of the forum, and it will also draw up a financial table giving a detailed account of the costs incurred in providing the necessary inputs.

#### **Integration forums**

- 3.24 The issues to be addressed at the integration forums will be selected by INTAL in consultation with INT/ITD and will be included in INTAL's annual operating plans. The inputs required to organize the forums will be procured, and in addition, private and public specialized institutions or individual consultants, as appropriate, will be commissioned to conduct the basic research studies. The selection procedure to be used will be similar to the procedure specified for the technical assistance facilities.
- 3.25 All goods and services will be procured in accordance with IDB procedures.

#### **E. Cost and financing**

- 3.26 The total cost of the program is equivalent to US\$6,000,000, to be financed out of the net income of the Fund for Special Operations on a nonreimbursable basis. The Bank's contribution will be disbursed in Argentine pesos, in accordance with applicable IDB procedures. A summary of the program budget is shown below. The budget itemized by investment category is given in Annex II.

ACTIVITY MODULES	CONTRIBUTION (in US\$)
Technical assistance	2,500,000
Policy forums	500,000
Integration forums	2,000,000
Publications and information	770,000
Program evaluation	60,000
Contingencies	170,000
<b>TOTAL</b>	<b>6,000,000</b>

- 3.27 The Bank's contribution may be supplemented by means of voluntary contributions from countries associated with INTAL that have an interest in the activities in question, particularly for the specific technical-assistance programs and projects module. Such voluntary contributions from countries and the projects financed by these contributions would not be part of the technical-cooperation program proposed herein.
- 3.28 The total cost of the program does not include INTAL's administrative expenses, which are estimated to be equivalent to US\$1,000,000 per year for the four years during which this technical-cooperation program is to be executed. The Government of Argentina, the country in which INTAL is based, will pay for 50% of INTAL's administrative budget for this period. The remaining 50% will be funded through the IDB's administrative budget.

#### IV. BENEFITS AND RISKS

- 4.1 The principal benefit of the program will be that the governments belonging to or desiring to join existing integration arrangements or the Free Trade Area of the Americas will be provided with technical support and information on which to base their decision-making in such matters.
- 4.2 The task of achieving these objectives will be facilitated by the institutional experience which INTAL has acquired over the many decades in which it has been involved in integration issues, and by the participation of regional and international experts and institutions of technical and professional repute.
- 4.3 In light of the considerations outlined above, no significant risks are expected to arise in the execution of the program.

## V. EVALUATION

- 5.1 At the midpoint of the program execution period, INTAL will hire an independent consultant to prepare and submit to INT/ITD a description and evaluation of the results of the program as at that date. Within 90 days after completion of the program, INTAL will again engage an independent consult to produce such a report for INT/ITD, this time containing a final evaluation of the program. INTAL is to present the terms of reference for these consultants for approval by INT/ITD before they are hired.

## INTAL PROGRAM OF ACTIVITIES

### I. OBJECTIVES

- 1.1 Building on its longstanding commitment to the economic and social integration of countries in Latin America and the Caribbean, and in accordance with the mandate received from the Board of Governors in connection with the Eighth Replenishment, the IDB is taking INTAL into the future by reframing that agency's objectives and providing it with a leaner and more efficient structure, to equip it to deal more effectively with the realities of integration trends unfolding in the latter half of the 1990s.
- 1.2 In order to achieve its objective of promoting and supporting integration in the hemisphere, INTAL will be carrying out four types of tasks: (i) it will execute technical-cooperation programs or projects intended to foster subregional integration arrangements or individual country participation in them; (ii) by means of integration forums, INTAL will sponsor basic studies of critical integration-related issues that are still not fully understood; these studies will serve as a basis for arriving at practical conclusions and promoting action at the subregional and national levels, including regional technical-cooperation programs and investment projects; (iii) INTAL will take advantage of its capacity to bring diverse constituencies together to conduct policy forums on integration, in conjunction with the private sector (representatives of business, labor, and NGOs) as well as government authorities, subregional integration agencies, and experts in the issues addressed by the forum; and (iv) INTAL will publicize studies, information, and ideas relating to integration.

### II. PLAN OF INTAL ACTIVITY MODULES ENVISAGED FOR THE PERIOD 1995-1999

- 2.1 INTAL's activities during the period in question will comprise the following:
  - a. executing ad hoc technical-cooperation programs and projects on integration-related issues;
  - b. organizing integration forums;
  - c. conducting policy forums;
  - d. publications and information services:
    - Publications:
      - Journal published every four months
      - Newsletter published monthly
    - Documentation Center and Library.

A. Regional and country technical-cooperation projects related to integration

- 2.2 INTAL will facilitate or execute technical-cooperation projects related to integration, funded with resources from the operation under consideration here, for individual countries or groups of countries, provided such projects are in accordance with INTAL's operating plan for the year in question, or are intended as a response to special circumstances should ITD and INTAL so jointly decide. In accordance with its annual program, INTAL may also provide technical assistance to individual countries or groups of countries using resources from voluntary contributions which countries make to INTAL. In addition, INTAL may execute regional technical-cooperation programs - separate from the program under consideration here - that are approved and financed by the Bank and in which INTAL is designated as the executing agency.

B. Integration forums

- 2.3 Integration forums will provide a framework for discussion of substantive issues relating to the process of integration within the region and in the hemisphere and to the linkages between Latin American and Caribbean countries and blocs or countries outside the region. The issues to be addressed at the integration forums will fall within the specific subject areas covered by the program under consideration here, which are listed in section IV below. A given forum may decide to explore the chosen subject in relation to one particular subregion, a particular group of countries within that subregion, or several subregions at once.
- 2.4 The first stage in each forum will be the commissioning of the selected basic research studies (three to five, as the case may be) from a like number of specialized private and public institutions (including academic centers). Studies may also be entrusted directly to individual consultants. With the help of a consultant or ITD, INTAL will decide on the terms of reference for the studies, supervise preparation of the studies, and organize the meeting and discussions of participants at INTAL headquarters in Buenos Aires. These forums are expected to generate important findings, which will be incorporated into a final report prepared by INTAL and ITD. The studies and final report will be published and distributed. When warranted by the nature of the subject in question, a specialized international organization with recognized expertise in that particular field may be asked to run a forum.
- 2.5 These activities may extend to the organization of meetings with other institutions, pursuing objectives similar to those pursued by INTAL, from outside the Americas, to provide an opportunity for discussion of technical issues and encourage mutual cooperation.

C. Policy forums

- 2.6 In addition, INTAL will be sponsoring regular, high-profile gatherings, here referred to as policy forums.
- 2.7 In contrast to the integration forums described earlier, policy forums will be very short events (a maximum of two days) for which no background documents will be prepared beforehand. The idea is that when important integration issues or problems (or issues or problems related to integration in some significant way) arise in the international arena, INTAL may organize policy forums, and invitations to attend these events will be sent to representatives of the private sector in a given subregion, including the business community, labor organizations, and nongovernmental organizations, as well as to representatives of governments in the subregion, representatives of subregional integration organizations, and experts and other interested parties, so that in the course of candid discussions, the various issues and related policy options can be elucidated.

D. Integration journal

- 2.8 The program of activities envisages the publication at four-monthly intervals of a high-quality journal entitled *Integración y Comercio* ["Integration and Trade"] which will take the place of the existing INTAL journal, *Integración Latinoamericana* ["Latin American Integration"]. Each issue of the new journal will include about five papers, which will discuss issues relating to integration and trade within the region and elsewhere, integration within the Americas, and trade agreements between Latin American and Caribbean countries and nonregional countries or blocs. Articles carried in the journal may also discuss trade-related issues of concern to Latin America and the Caribbean, in particular issues connected with the Uruguay Round agreements and trade strategies elsewhere in the world. Eventually, the journal could publish the best studies to come out of the integration forums.
- 2.9 Specialists of stature from any country will be invited to submit articles for the journal. Articles being considered for publication will be evaluated by a team of referees specializing in the subject-matter of the submissions. Referees will be paid a nominal fee for their work. Their evaluation will ultimately be submitted for approval to the journal's editorial board, consisting of ITD/CHF and the General Coordinator of INTAL.

E. Monthly INTAL newsletter

- 2.10 The sections entitled *Información América Latina* ["Latin American Information"], *Documentación* ["Documentation"], and *Reseñas Bibliográficas* ["Book Reviews"] in the journal *Integración Latinoamericana*, which is to cease publication, will be published

separately in a monthly INTAL newsletter [*Carta Mensual INTAL*] specially intended for that purpose. In addition, the newsletter may be used to announce upcoming integration and policy forums, and to summarize the outcome of these gatherings.

F. Documentation Center and Library Services

- 2.11 INTAL will continue to provide documentation and library services, which will include INTERNET access for users in Latin America and the Caribbean and elsewhere in the world. The intention is that the existing materials will be culled and new materials selected for inclusion in the future, so as to concentrate, with few exceptions, on the subject of integration, trade, and cooperation in Latin America and the Caribbean and elsewhere in the world, relations within the Americas, and relations between Latin America and the Caribbean and other countries and blocs outside the region. Another type of services will be designed and provided electronically through the development of databases dealing with trade and integration issues, which, in conjunction with the trade statistics information system already implemented by INTAL, will come to comprise the DATAINTAL information system.

III. IMPLEMENTATION ARRANGEMENTS FOR INTAL ACTIVITIES

- 3.1 In order to extract maximum benefit from the resources which the IDB allocates for integration in the Americas, it was established, within the new organization of INT, that INTAL would report directly to the Integration, Trade and Hemispheric Issues Division, as this will allow for maximum coordination of efforts and thereby ensure the success of programs implemented by INTAL in Buenos Aires and by INT/ITD/RTC at Headquarters. In keeping with budgetary realities, INTAL will have a General Coordinator and a small core staff of technical and administrative personnel, as well as the funding to pay for the operating costs necessary to ensure that INTAL can operate efficiently. Accordingly, the extent to which the more substantive elements of this program can be achieved will be critically dependent on the INTAL regional technical-cooperation program proposed herein, which is to finance an INTAL program of support for integration activities in the Americas over a four-year period. Further funding for INTAL activities will be obtained from voluntary contributions from member countries, as well as other regional technical-cooperation projects that the Bank entrusts to INTAL.
- 3.2 From the human resources standpoint, given INTAL's very small technical staff, when conducting integration forums and preparing background documents for them, and in regional technical-cooperation projects and certain of the policy forums, INTAL will

have to rely on the technical assistance of consultants (be they individuals or institutions) hired on an ad hoc (project-by-project) basis, and will also depend on ITD support and input from Headquarters.

- 3.3 With ITD support and technical supervision at Headquarters, INTAL will set the objectives of the specific projects and will be responsible for detailed design of their content and their principal methodological features. INTAL will also draw up terms of reference to guide the work of the consultants or institutions responsible for carrying out the studies.
- 3.4 With technical support from ITD at Headquarters, INTAL will continually monitor the consultants' work in the project to ensure that its objectives are duly achieved and to maximize INTAL's involvement in these activities.

#### IV. MAIN THEMES FOR INTAL ACTIVITIES DURING THE PERIOD 1995-1999

- 4.1 During the period envisaged, the integration forums will focus on the following main themes:
  - a. The development of physical infrastructure as a factor in integration and participation in the global economy.
  - b. Legal aspects of integration agreements.
  - c. Small and medium-scale enterprises in a context of rapid regional integration (in conjunction with the Bolívar Program).
  - d. Macroeconomic coordination and convergence.
  - e. Integration and changing patterns of production in Latin America and the Caribbean.
  - f. Social issues in subregional integration contexts.
  - g. Integration and development in border areas.
  - h. Degree of readiness of individual countries or groups of countries to join NAFTA or link up with other nonregional groups such as the European Union and APEC (Asia-Pacific Economic Cooperation), and to participate in the hemispheric convergence process.
  - i. Flows of intrasubregional direct investment triggered by integration and complementarity agreements.



- j. Harmonization of regulations governing services markets.
  - k. Development of subregional information systems.
- 4.2 The issues falling within each main theme are those which will in all probability continue to dominate the integration agenda and international relations of countries in Latin America and the Caribbean during the program envisaged. The degree of priority attached to each individual subject area may change over the course of the program period. At all events, INTAL and ITD (at Headquarters) will work closely together when selecting studies to be conducted and the activities associated with them.
- 4.3 It is expected, however, that INTAL may produce other background papers in response to requests from governments, integration agencies, and other institutions concerned with integration issues.
- 4.4 Given the length of the program, it is not considered feasible to specify in detail each individual study project for the full four-year period. Consequently, the planning focuses on the period from the start-up of the new INTAL (expected to commence operations in October 1995) through to the April 1996 meeting of the Board of Governors of the Bank. The idea is to organize a number of main themes for the four years in question, on the basis of which INTAL's annual operating plans will be prepared. The aim is to achieve a planning system that follows a general guideline but also has the degree of flexibility needed to accommodate the changing priorities that are an inevitable feature of the integration process.

## V. THE INITIAL PLAN

- 5.1 Beginning on the date on which the program gets under way (estimated starting date, October 1995) through to April 1996, INTAL will conduct the following activities:

### a. Integration forums

During the period in question, INTAL will begin work on forums covering the following subject areas:

- (i) Convergence in respect of tariffs and rules of origin in the hemisphere.
- (ii) Physical infrastructure for integration of the Southern Cone and its positioning in the international marketplace.

These forums will be utilizing a number of basic studies to be prepared by specialized institutions or high-level research centers. A consultant/coordinator, or a specialist from INTAL/ITD, will be responsible for producing the final report, including the outcome of forum discussions.

**b. Other activities:**

(i) Regional technical cooperation (execution)

- Projects included in the INTAL regional technical-cooperation program (discussed in this proposal).
- Waterway.
- NAFTA readiness of countries in Central America and the Caribbean.
- Computerized subregional data banks on trade rules and regulations under specific trade agreements.
- World Trade Organization course on anti-dumping rules (Uruguay Round).

(ii) Policy forums

- To commemorate INTAL's 30th anniversary (IDB Annual Meeting, Buenos Aires).
- A policy forum, agenda to be determined.

(iii) Publications

- The journal *Integración y Comercio* ["Integration and Trade"]: Every four months. Issue No. 1, April 1996 (to be distributed at the Buenos Aires meeting).
- *Carta Mensual INTAL* ["INTAL Monthly Newsletter"]: Issue No. 1, April 1996.

(iv) Library and Documentation Center

- Reorganization of the Library and Documentation Center, which is expected to begin regular operations in March 1996.

**ITEMIZED BUDGET FOR THE PROGRAM**

<b>CATEGORY CODE</b>	<b>BUDGET CATEGORY BY ACTIVITY MODULE</b>	<b>CONTRIBUTION (in US\$)</b>
1.1	Compensation for firms or institutions (A) and (G)	2,385,000
2.1	Fees for individual consultants (B) (D) and (H)	660,000
2.2	Compensation for individual consultants (B) (H) and (L)	772,000
2.5	Business travel – individual consultants (B) (D) and (H)	122,000
5.1	Business travel – forum participants (E) and (I)	864,000
6.5	Computer services (M)	50,000
6.6	Support staff (C) (D) (J) and (N)	178,000
7.1	Preliminary printing costs	30,000
7.2	Translation	70,000
7.3	Printing of publications	429,000
7.4	Distribution	130,000
8.1	Fees for evaluation consultants	60,000
96.1	Costs of organizing forums (F) and (K)	80,000
	<b>SUBTOTAL</b>	<b>5,830,000</b>
98	Contingencies	170,000
	<b>T O T A L</b>	<b>6,000,000</b>

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- (A) The average cost per technical-assistance operation in respect of the hiring of specialized firms or institutions, including academic or research centers, was estimated in the following way:

Professional fees (60 consultant/months x US\$5,000 per month)	US\$ 300,000
International and local travel (six int. trips x US\$3,000 per trip + nine local trips x US\$1,000 per trip)	US\$ 27,000
Administrative expenses (10% of total remuneration)	<u>US\$ 30,000</u>
TOTAL	US\$ 357,000
Estimate for five technical assistance operations using this operating approach	US\$1,785,000

- (B) The average cost per technical-assistance operation in respect of the hiring of individual consultants was estimated in the following way:

Compensation for lump sum contracts:

Professional fees (30 consultant/months x US\$5,000 per month)	US\$ 150,000
International and local travel (six int. trips x US\$3,000 per trip + three local trips x US\$1,000 per trip)	<u>US\$ 21,000</u>
Estimate for two technical-assistance operations using this operating approach	US\$ 342,000

Professional fees (30 consultant/months x US\$5,000 per month)	US\$ 150,000
International and local travel (six int. trips x US\$3,000 per trip + three local trips x US\$1,000 per trip)	<u>US\$ 21,000</u>
Estimate for two technical-assistance operations using this operating approach	US\$ 342,000

- (C) On the assumption that nine technical-assistance operations would be carried out, the costs of hiring technical support personnel were estimated, including temporary secretaries, administrative assistants, translators, or other support personnel.

Compensation (average cost US\$2,000/month x 45 assistant/months) on the basis of one support staff assistant per operation and an average execution period of five months per operation	US\$ 90,000
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- (D) The following assumptions were used to estimate the costs of hiring individual consultants and support personnel for logistics, organizational, and administrative tasks in connection with the policy forums:

Professional fees (two consultant/months x US\$5,000/month)	<u>US\$ 10,000</u>
Estimate for eight policy forums	US\$ 80,000
Local travel (three local trips x US\$1,000/trip)	<u>US\$ 3,000</u>
Estimate for eight policy forums	US\$ 24,000
Compensation (average cost US\$2,000/month x 1 assistant/month) on the assumption that one support staff assistant is hired per operation and that eight policy forums are held	US\$ 16,000

- (E) The travel costs of policy forum participants were estimated in the following way:

International travel (12 participants x US\$3,000/trip)	<u>US\$ 36,000</u>
Estimate for eight policy forums	US\$ 288,000

- (F) The general costs of organizing the policy forums have been estimated at an average of US\$5,000.

- (G) The average cost per integration forum in respect of hiring specialized firms or institutions, including academic or research centers, was estimated in the following way:

Professional fees (six consultant/months x US\$5,000/month)	US\$ 30,000
International and local travel (two int. trips x US\$3,000/trip + one local trip x US\$1,000/trip)	US\$ 7,000
Administrative expenses (10% of total compensation)	<u>US\$ 3,000</u>
TOTAL	US\$ 40,000
Estimate for 15 basic studies using this operating approach	US\$ 600,000

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- (H) The average cost per technical-assistance operation in respect of the hiring of individual consultants was estimated in the following way:

Compensation for lump sum contracts:

Professional fees (six consultant/months x US\$5,000/month)	US\$ 30,000
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International and local travel (two int. trips x US\$3,000/trip + two local trips x US\$1,000/trip)	<u>US\$ 8,000</u>
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Estimate for 10 basic studies using this operating approach	US\$ 380,000
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Professional fees (eight consultant/months x US\$5,000/month)	US\$ 40,000
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International and local travel (two int. trips x US\$3,000/trip + two local trips x US\$1,000/trip)	<u>US\$ 8,000</u>
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Estimate for seven basic studies using this operating approach	US\$ 336,000
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- (I) The cost of travel by integration forum participants was estimated in the following way:

International travel (20 participants x US\$3,600/trip)	<u>US\$ 72,000</u>
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Estimate for eight integration forums	US\$ 576,000
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- (J) On the assumption that eight integration forums were to be held, the costs of hiring technical support personnel were estimated, including temporary secretaries, administrative assistants, translators, and other support personnel

Remuneration (average cost US\$2,000/month x two assistant/months) on the basis of two support staff assistants per operation	US\$ 32,000
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- (K) The general costs of organizing the integration forums have been estimated at an average of US\$5,000.

- (L) Individual consultants will be hired to help design databases that will be used for the new services that are to be provided by INTAL's Documentation Center. They will also work on systems for the layout, publication, and distribution of INTAL publications:

Compensation for lump sum contracts:

Professional fees (10 consultant/months x US\$5,000/month)	US\$ 50,000
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- (M) The sum of US\$50,000 was budgeted for computer services to be engaged for the installation, testing, and implementation of new computer systems.

- (N) The Documentation Center and the issuance of INTAL publications are expected to require the hiring of technical support personnel, including temporary secretaries, administrative assistants, translators, and other support personnel.

Remuneration (average cost US\$2,000/month x 20 assistant/months)      US\$    40,000

PERFORMANCE INDICATORS  
(Benchmarks)

OBJECTIVES	INDICATORS <sup>1/</sup>	MEANS OF VERIFICATION	ASSUMPTIONS
<u>Objective</u>  Consolidation of integration process in Latin America and the Caribbean at the hemispheric and subregional level	Freer-flowing intraregional trade, owing to removal of institutional and physical barriers	Agreements, instruments setting forth resolutions, or other types of instruments documenting progress in subregional and hemispheric integration	* Political commitment on part of governments to support long-term pursuit of integration in region  * Technical support on part of governments for adoption of decisions needed to consolidate the integration process
<u>Purpose</u>  Enhance government decision-making on integration and trade issues	Free trade areas or customs unions enhanced and operating effectively	Agreements, instruments setting forth resolutions, or other types of instruments documenting progress in subregional and hemispheric integration	* Technical and political commitment on the part of governments participating in the regional integration process  Governments assume new obligations emanating from Uruguay Round and those associated with progressive hemispheric integration process
<u>Components</u>  1. Technical assistance  2. Policy forums  3. Integration forums  4. Publications and information	1. Nine technical assistance operations to be carried out during the four years of the program  2. Eight policy forums to be held during the four years of the program - Forums to examine and put forward conclusions in areas that can facilitate decision-making on design and selection of policy options in public and private spheres  3. Eight integration forums to be held during the four years of the program - Studies on integration issues in areas such as preinvestment for physical integration projects; legal aspects of integration; regional development of frontier areas; advances in hemispheric integration  4. Publication every four months of a journal specializing in integration and trade issues - Publication of monthly newsletter on integration issues - Operation of a Documentation Center to provide services at the regional level	1., 2., 3., and 4 - Content and conclusions of independent consultant's midterm evaluation report  1., 2., and 3 - Meetings of the Programming and Evaluation Committee (CPE) for the program - Preparation and review of INTAL's annual operating plans - Publication of findings and conclusions of research studies, courses, seminars, and forums  4.- Implementation of a mechanism for the review of articles by referees and the Editorial Board - Distribution of the INTAL journal and monthly newsletter	* Consistency of the actions to be taken in pursuit of the Bank's strategy and government actions on the integration front in the region  * Continuing political commitment and technical backing of governments in the region with respect to integration

<sup>1/</sup> Benchmarks to be reviewed, broken down and quantified in concert with INTAL and EVO within three months after this operation is approved by the Board.



PROPOSED RESOLUTION

REGIONAL. NONREIMBURSABLE TECHNICAL COOPERATION FOR THE EXECUTION  
OF A PROGRAM TO SUPPORT THE REGIONAL INTEGRATION OF  
LATIN AMERICA AND THE CARIBBEAN

The Board of Executive Directors

RESOLVES:

1. That the President of the Inter-American Development Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to take such additional 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 the execution of a Program to Support the Regional Integration of Latin America and the Caribbean.

2. That up to the equivalent of US\$6,000,000, in pesos argentinos, is authorized for the purpose of this resolution, chargeable to the net income of the Fund for Special Operations.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.