

## I. Basic Information for TC

▪ Country/Region:	Regional
▪ TC Name:	Private Sector-led Integration of the Americas
▪ TC Number:	RG-T3009
▪ Team Leader/Members:	Camilo Fernández de Soto (INT/TIN); Jose Luis Irigoyen (INE/INE); Matias Bendersky (ORP/ORP); Maria Teresa Villanueva (SCL/GDI); Roberto de Michele (IFD/ICS); Nicolas Sforzini (FNA/ASM); Margie-Lys Jaime Ramirez (LEG/SGO); Liza Lutz (LEG/SGO); Yasmin Esteves (INT/TIN) and Maria Rospide (INT/INT)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination	Research & Dissemination
▪ Date of TC Abstract authorization:	November 13, 2017
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	IDB Borrower Members
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program) {If Bank: Contracting entity} {If the same as Beneficiary, please indicate}	The Inter-American Development Bank (IDB), through the Trade and Investment Division (INT/TIN)
▪ Donors providing funding (amount and Fund's name):	Ordinary Capital Strategic Development Program for Integration (RIN)
▪ IDB Funding Requested:	US\$850,992
▪ Local counterpart funding, if any:	0
▪ Disbursement period (which includes Execution period):	December 15, 2017 – December 15, 2018
▪ Required start date:	December 15, 2017
▪ Types of consultants (firm or individual consultants):	Firms and individuals
▪ Prepared by Unit:	Trade and Investment Division (INT/TIN)
▪ Unit of Disbursement Responsibility:	Integration and Trade Sector (INT/INT)
▪ TC Included in Country Strategy (y/n):	N/A
▪ TC included in CPD (y/n):	N/A
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Competitive Regional and Global Integration

## II. Objectives and Justification of the TC

- 2.1 World trade in goods, which had been stagnant since the middle of 2011, entered into a recessive phase in the second half of 2014. Since then the value of global merchandise exports has been contracting, leading to a more prolonged slowdown in trade than the one triggered by the financial crisis of 2008–2009. Likewise, trade in services fell for the first time since the crisis. In lockstep with world trade, the value of exports from Latin America and the Caribbean (LAC) also began to decline in the second half of 2014, and the fall had been accelerating since. This double-dip resulted from two factors: first, weak growth in the region's main trading partners, which

affected demand for its exports; second, a historic correction in the region's terms of trade due to reductions in the prices of key export goods<sup>1</sup>.

- 2.2 However, in 2017, global economic growth is set to rise strengthened by rising demand from the United States but with considerable uncertainty regarding its economic policies. In LAC, after four consecutive years of contraction, exports recorded a positive year-on-year growth rate at the onset of 2017. In the year's first quarter, the value of goods exports increased 17%, compared to the same period of 2016<sup>2</sup>. The region needs to find ways to boost growth without large fiscal outlays. In this uncertain world the Bank argues that deepening integration in the region will allow countries to reap the full rewards of trade<sup>3</sup>.
- 2.3 The objective of this TC is to promote opportunities for strengthening regional integration led by the private sector in specific sectors, particularly through specific policy recommendations and public-private partnerships. The project will target and provide policy recommendations and action plans for: (i) trade facilitation, (ii) infrastructure, (iii) energy and natural resources, (iv) project financing, capital markets development and financial system strength, access and inclusion, (v) strengthening of the agribusiness sector, (vi) regulatory cooperation, (vii) transparency, (viii) human capital and innovation, and (ix) digital trade and economy. Additionally, the project will consider issues that are deemed critical to accelerating and sustaining regional integration, particularly economic empowerment of women and gender equality.
- 2.4 The expertise of companies and other private organizations, rooted in the practical realities of the region, is of great value for the public sector as it seeks to develop and implement policies for self-sustaining growth. For LAC to meet its development goals, it is essential that governments team up with the private sector through public-private partnerships and promote private investment on key areas. Besides the Americas Business Dialogue (ABD)<sup>4</sup>, a private-sector driven initiative facilitated by the Bank to foster a high-level policy dialogue between the business and political leaders of the region, the Bank has supported other initiatives that recognize the central role that the private sector plays in building capacity to address the development challenges of LAC. This is, for example, the case of the Alliance for the Prosperity of the Northern Triangle, a public coalition that aims to achieve a stable and secure Central America with the participation of the private sector.
- 2.5 An important initiative that this TC will leverage on and work closely with is the newly created IDB PPP Project Preparation Facility for LAC (the "Facility") that will seek to provide a lasting and financially sustainable source of Infrastructure project preparation resources that will assist LAC's public and private entities for PPP projects and in turn lead to a significantly greater mobilization of private investment in the region. The Facility will support the preparation of sustainable infrastructure operations to be financed by the Bank and IDB Invest in partnership with regional and international

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1 Downshifting. Latin America and the Caribbean in the New Normal of Global Trade. Trade and Integration Monitor 2016.

2 Trade Trend Estimates. Latin America and the Caribbean. INTradeBID, Inter-American Development Bank, 2017.

3 Routes to Growth in a New Trade World. Latin America and the Caribbean Macroeconomic Report, 2017.

4 The Americas Business Dialogue (ABD) is a private sector driven initiative facilitated by the Bank since 2014, aimed at fostering a high-level public-private policy dialogue among the business and government leaders of the Americas to discuss the region's priorities, challenges, and opportunities. It seeks to build an agenda that promotes social and economic development in the region through public private collaboration.

investors. The Facility seeks to accelerate the development and lower the transaction cost of sustainable infrastructure investment projects by partially financing the various stages of project preparation.

- 2.6 The objectives and activities of the project correspond to the Bank's Strategy for Regional Integration (GN-2469-2, GN-2470-2, GN-2565-4) in that they seek to further trade, investment and regional integration. Likewise, the project is aligned to the Corporate Results Framework indicators and the Bank's Update to the Institutional Strategy 2010-2020 (AB-3008). Furthermore, the project is entirely consistent with the objectives set out for the Ordinary Capital Strategic Development Program for Integration Fund as set out in document GN-2819-1 and its results matrix, specifically that of supporting "the harmonization of policies and procedures for greater productive integration; (ii) strengthen the Bank's borrowing member countries' capacities to engage in regional initiatives; (...) and, (v) deepen knowledge in global and regional integration" by promoting multi-stake holders consultations, developing sector and sub sector assessments and proposing policies and actions plan developed through public-private dialogue and particularly through the ABD's ten working groups. Likewise, the project also seeks to promote transparency with strong institutions, and promote gender equality and economic empowerment of women which are consistent with the Bank's priorities also through ABD's recommendations.

### **III. Description of activities/components and budget**

- 3.1 The TC is organized around three different components that, while in constant interplay, will address different challenges that are necessary in order to develop an ongoing and sustainable dialogue between public and private sector leaders in order to provide specific policy recommendations and public-private partnership proposals to build a regional agenda that promotes social and economic development for the Americas.
- 3.2 **Component I. Facilitation of private sector interaction and decision-making.** The first component of the TC has the objective of facilitating the interaction of the private sector of LAC for the purposes of identifying the opportunities for strengthening integration in the region and developing policy recommendations and public-private partnerships to address them to ultimately coalesce around a set of proposals and facilitate their implementation. This interaction will take place in the framework of the ABD, who has demonstrated an active private sector participation and is currently the private sector consultation mechanism within the Summit Implementation Review Group (SIRG) for the Summit of the Americas. It will be organized around cross-regional sector-specific working groups, involving both business associations and key business leaders, that will target regional integration and attempt at generating a consensus about the strategic priorities to increase trade and investment opportunities, foster human capital, promote transparency and strengthen institutions, promote gender equality and economic empowerment of women, encourage regulatory cooperation and improve infrastructure in the region and the specific policies that are required to build a regional agenda that promotes social and economic development for all LAC countries. The Bank will provide operational and substantive support to ABD to allow participants to engage in a concrete and technically substantiated exchange of ideas to provide specific policy recommendations and public-private partnership proposals.
- 3.3 Facilitation and support by the Bank will be also aimed at ensuring that the exchange of ideas within ABD is mindful of other strategic initiatives currently underway (such as the SIEPAC, and IIRSA, B-20 among others) and attempts at developing policy

proposals that are able to generate synergies with them and positively reinforce each other. The policy recommendations and public-private partnerships proposals developed within ABD will likewise be socialized with the Bank sectors responsible for the implementation of those projects, the IIC and MIF (especially regarding recommendations and partnership proposals related with project financing, capital markets development and regional financial regulatory cooperation and integration) and, when applicable, country departments. The Bank will also socialize ABD's recommendations and with other public-private cooperation mechanisms currently promoted by the Bank, including the Compete Caribbean Program and PPPAmericas, among others.

- 3.4 The following activities would be carried out in pursuance of the goal set out for Component I: a) organization meetings of cross regional sector-specific working groups; b) identification of leaders and development of agenda; c) drafting and dissemination of preliminary reports and recommendations; d) presentation of preliminary results emerging from working groups; and e) elaboration and dissemination of policy recommendations and public-private partnership proposals and action plans.
- 3.5 **Component II. CEO Summit of the Americas.** As in previous editions under the leadership of the Bank, in Cartagena in 2012 and in Panama in 2015, hosting more than 850 CEOs and 13 Heads of State on each occasion, the aim of this component is to provide the institutional setting for an ongoing, constructive and effective dialogue between high-level government officials and business leaders that can translate into public-private partnerships to act upon opportunities to improve and strengthen regional integration. This objective involves the organization and hosting of a summit of high-level business leaders and Heads of State to be held in parallel to the VIII Summit of the Americas that will take place in Lima, Peru in 2018.
- 3.6 This forum will be attended not only by CEOs of leading companies from the Americas but also by Heads of State and other high-level government officials and policy makers. It will constitute an ideal setting in which the private-sector will present the policy recommendations and public-private partnership proposals developed in the framework of the ABD, thus initiating a constructive and effective exchange of ideas and interaction with the public sector through which a consensus can be developed about the key strategies and policy proposals that can strengthen and deepen the regional integration and promote intraregional trade and investment opportunities. The III CEO Summit of the Americas will be structured around a series of panels and discussions involving Heads of States and the leaders of the largest and most well renowned private companies in the region, covering energy integration and cross-border infrastructure, logistics and connectivity, women empowerment, transparency, trade facilitation and efficient border management, infrastructure and human capital for the agribusiness and information technology sectors, financial integration, and implications for social development in LAC.
- 3.7 For the upcoming edition of the Summit of the Americas, the Summit Implementation Review Group (SIRG) (core management body of the Summits Process, comprised of government officials of the countries of the hemisphere), has open the space for ABD to present its recommendations to the Heads of State within the framework of the CEO Summit of the Americas. This represents a unique opportunity to identify specific opportunities to implement ABD's recommendations and coordinate efforts by the public and private sectors.

- 3.8 **Component III. Knowledge Development: Working papers and Action plans.** The final component aims at developing the knowledge that will allow participants in the Americas Business Dialogue to properly identify substantive policy recommendations and public-private partnership proposals during their interaction with high-level public officials. The component will conduct research and draft working papers and action plans assessing the critical inadequacies and inefficiencies in the areas mentioned above as well as other factors hindering the maximum exploitation of intra-regional trade and investment opportunities to promote economic growth and development in the region. Working papers and action plans shall be prepared for specific economic sectors to adequately reflect and differentiate the challenges that are peculiar to them and to offer tailored advice and proposals. The working papers and action plans will be prepared by technical experts working together with the private sector and the specific Divisions of the Bank in charge of the topic.
- 3.9 This component will involve the execution of the following activities: a) assessment of the knowledge and expertise requirements of ABD Working Groups, b) selection of specific economic sectors and sub-regional areas to address, c) research activities, such as surveys, in-depth interviews, literature reviews, gap analysis etc., d) data systematization and analysis; e) drafting of working papers and action plans; f) presentation and validation of preliminary results among experts and stakeholders, including key actors within the Bank and ABD; g) elaboration of final reports; and h) dissemination.
- 3.10 **Monitoring and Evaluation.** This TC will be supervised by INT/TIN. We will make at least two missions to Peru to ensure the progress is going according to plan and following the roadmap established for the CEO Summit and conduct constant follow up activities with ABDs working groups and other stakeholders to ensure the construction of the recommendations will be finished according to the set timeline.

**Table 3.1. Indicative Budget<sup>5</sup>**

Activity/Component	Description	IDB/Fund Funding	Total Funding
<b>Component I. Facilitation of private sector interaction and decision-making</b>	Support and coordination to the ABD	\$100,000	\$100,000
	<b>TOTAL</b>	<b>\$100,000</b>	<b>\$100,000</b>
<b>Component II. CEO Summit of the Americas</b>	Logistic Organization of the Summit (venue, translation, transportation, audiovisual materials, dissemination, etc.)	\$500,000	\$500,000
	Travel expenses of panelists	80,992	80,992
	Follow up and evaluation of results	20,000	20,000
	<b>TOTAL</b>	<b>\$600,992</b>	<b>\$600,992</b>
<b>Component III. Knowledge Development: Working papers and Action Plans</b>	Working papers and action plans of policy recommendations and public-private partnership proposals	\$130,000	\$130,000
	<b>TOTAL</b>	<b>\$130,000</b>	<b>\$130,000</b>
<b>Monitoring and Evaluation</b>	Design and execution of a strategy to evaluate the results and communicate them effectively	\$20,000	\$20,000
<b>TOTAL</b>		<b>\$850,992</b>	<b>\$850,992</b>

<sup>5</sup> The total amount of the Project is \$850,992 and will be finance with resources from the Ordinary Capital Strategic Development Program for Integration (RIN).

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

- 4.1 This operation will be executed by the Trade and Investment Division of the Integration and Trade Sector (INT/TIN), in accordance with the Bank's Technical Cooperation Policy (GN-2470-2). Two major reasons justify the project execution by the Bank:
- a. As a regional project that involves coordination with several public and private sector stakeholders in LAC, the Bank is in a unique position to manage and coordinate the activities given its presence in all of the member countries;
  - b. The Bank, through INT/TIN in particular, has gained invaluable know-how in the execution of international initiatives in partnership with the private sector in order to implement public-private dialogue forums and knowledge development projects, including 2007, 2011 and 2017 Korea–LAC, 2008 Asia–LAC, 2010 and 2013 China-LAC, 2013-2015 JAPAN–LAC, Outsource2LAC 2011-2017, the 2012 & 2015 CEO Summit of the Americas; the 2014 LAC Global Summit; the 2016 Ibero-American Business Summit and the 2017 Brazil Investment Forum, among others.
  - c. We will continue to coordinate with PPP/VPC and IDB Invest in the execution of this TC and in the work of the recommendations of the ABD.
- 4.2 The Bank, will contract individual consultants, consulting firms and other services in accordance with current Bank procurement policies and procedures. Specifically, Section AM-650 of the Administrative Manual “Complementary Workforce” will be applied in the case of individual consultants, the Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-1) and its Operational Guidelines (OP-1155-4) for hiring consulting services of intellectual nature and the Corporate Procurement Policy (GN-2303-20) for other services.

#### **V. Major issues**

- 5.1 The success of the project will depend on a significant level of engagement and participation of the private sector representatives and government officials. To mitigate the risk, the Bank will execute an aggressive and extensive dissemination campaign and follow-up of the invitations to ensure that government officials and private sector leaders actively participate in the activities under Component II and by engaging relevant stakeholders and private sector representatives in the activities from the start of the TC and through an intensive follow-up strategy to also ensure the success of components I and III.

#### **VI. Exceptions to Bank policy**

- 6.1 This TC does not involve or require any exception to the Bank's policies.

#### **VII. Environmental and Social Strategy**

- 7.1 This operation has been classified under the "C" category in accordance with the Environment and Safeguards Compliance Policy (OP-703) (see [Safeguards Analysis Report](#) and [Safeguard Policy Filter Report](#)).

#### **Required Annexes:**

- [Request from the client](#)
- [Results Matrix](#)
- [Terms of Reference for activities/components to be procured](#)
- [Procurement Plan](#)

PRIVATE SECTOR-LED INTEGRATION OF THE AMERICAS

RG-T3009

CERTIFICATION

I hereby certify that this operation was approved for financing under **Ordinary Capital Strategic Development Program for Integration (RIN)** through a communication dated November 13, 2017 and signed by Goro Mutsuura (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$850,992** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project until December 13<sup>th</sup>, 2017. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

CERTIFIED BY:	Original signed	12/5/17
	Sonia M. Rivera	Date
	Division Chief	
	Grants and Co-Financing Management Unit	
	ORP/GCM	

APPROVED BY:	Original signed	12/7/17
	Antoni Estevadeordal	Date
	Sector Manager	
	Integration and Trade Sector	
	INT/ INT	