

## TC DOCUMENT

### I. Basic Information for TC

▪ Country/Region:	Regional
▪ TC Name:	Improving South-South Cooperation between Latin America and the Caribbean and Asia
▪ TC Number:	RG-T3088
▪ Team Leader/Members:	Matthew Shearer (Team Leader, INT/INT), Rodrigo Salas (Alternative Team Leader, INT/INT), Luciana Garcia, Mariela Munguia, Yannick Detchou, Claudia Valderrama (INT/INT); Margie-Lys Jaime Ramirez, Liza Lutz (LEG/SGO)
▪ Taxonomy	Research and Dissemination (RD)
▪ Date of TC Abstract authorization:	August 1, 2017
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	All IDB borrowing member countries.
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program)	The Inter-American Development Bank (IDB), through the Integration and Trade Sector (INT/INT). Contact: Contact: Matthew Shearer, Integration and Trade Senior Specialist (x1850).
▪ Donors providing funding:	OC-SDP for Integration (RIN)
▪ IDB Funding Requested:	US\$300,000
▪ Local counterpart funding, if any:	n.a.
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	September 15, 2017
▪ Types of consultants (firm or individual consultants):	Individual consultants and possibly firms or think-tanks and foundations depending on the type of activity.
▪ Prepared by Unit:	INT/INT
▪ Unit of Disbursement Responsibility:	INT/INT
▪ TC Included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	<i>Limited Economic Integration</i>

### II. Objectives and Justification of the TC

2.1 The general objective of the project is to increase economic cooperation and integration between Latin America and the Caribbean (LAC) and Asia with special focus on East and Southeast Asia.

2.2 The specific objectives are to:

- i) Foster LAC economic cooperation with major Asian economies.
- ii) Promote activities relating to SSC and regional public goods between the borrowing member countries of the Inter-American Development Bank (IDB) and the Asian Development Bank (ADB).
- iii) Monitor and support regional integration initiatives between LAC countries and Developing Asia.

- 2.3 Countries from LAC and Developing Asia share important challenges. With the rising profile of South-South cooperation (SSC) following the Fourth High Level Forum (HLF-4) on Aid Effectiveness in held in 2011 in Busan, the Addis Ababa Action Agenda from the Third Conference on Financing for Development held in 2015, the Sustainable Development Goals (SDGs) adopted in 2015, and the Belt and Road Initiative (BRI) officially launched by China in 2017, it has become evident that developing countries can act more efficiently and effectively if they cooperate in areas of mutual interest, especially those that promote better market functioning, since the applied development solutions tackle relatively similar development contexts. The two regions can benefit by exploring economic cooperation opportunities between their countries and/or their respective trade blocs, and by following up on existing cooperation efforts.
- 2.4 LAC and Asia have rapidly become more intertwined, starting with increasing bilateral trade between LAC and Asian countries that reached 20 percent a year in the last decade, followed by deepening investment ties, and more recently, the strengthening of cooperation between the two regions. The emerging challenges also present opportunities to find smarter solutions, redouble efforts to maintain momentum in existing cooperation, and find new avenues of cooperation and means of communication between the two regions. Recent inter-regional business summits between LAC and China, Japan, and Korea have also sought to deepen and broaden trade ties across the Pacific Ocean.
- 2.5 A joint ADB-IDB SSC initiative was launched in 2012 with the goal of facilitating the exchange of knowledge and best practices between both institutions. This initiative has identified opportunities to strengthen SSC across a broad range of development priority issues. Over the last five years, the initiative's achievements in these areas include: a High-Level Economic Policy Forum to discuss current economic developments and to exchange ideas; an interregional dialogue on Efficient and Secure Trade for Shared Prosperity that brought together for the first time dozens of customs leaders from both regions that is resulting in customs [Mutual Recognition Agreements](#); joint research on Universal Broadband Access; a regional forum, corporate workshop, and [publication](#) in the area of Inclusive Business; a South-South Learning Event to share LAC's experiences in Conditional Cash Transfers and the publication of [Conditions for Success in Implementing CCT Programs: Lessons for Asia from Latin America and the Caribbean](#); research on Sustainable Urban Development; two inter-regional forums bringing together communities of practice in Managing for Development Results from the two regions; and a joint workshop to review the AquaRating system and make preparations for a pilot of the system in Asia.
- 2.6 In addition, the IDB has previously completed other successful technical cooperation programs in SSC with Asia. Through one such program<sup>1</sup>, the Bank co-organized a workshop on economic development policy at the Korea Development Institute in 2013, where representatives from 12 LAC cooperation agencies and their Korean counterparts exchanged development cooperation experiences and best practices. The Bank also financed two editions of an online course on international cooperation for development. Through another program<sup>2</sup>, the Bank sponsored the T-20 Workshop on International Development Financing System for Inclusive Growth in 2016 in Peru, and two events in 2016 through the global events arm of the Financial Times, held in Bogota and in Shanghai.

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<sup>1</sup> *Strengthening Trade Relations Between Korea and Latin America & the Caribbean* (RG-T1985).

<sup>2</sup> *China-IDB Exchange and Scholarship Program* (RG-T1973).

- 2.7 Beyond the ADB and IDB, other cooperation frameworks also link the two regions, such as the 2015-2019 Cooperation Plan (also known as the '1+3+6 framework') between China and the Community of Latin American and Caribbean States (known by its Spanish acronym CELAC). The five-year plan commits funds to inter-regional cooperation in 6 fields – energy, infrastructure, agriculture, manufacturing, scientific innovation and information technology – across three economic engines – trade, investment and finance. The end goal of this framework is to widen and deepen cooperation between the two regions.
- 2.8 The present project aims to build on the important foundation laid by the various activities that have taken place between LAC and Developing Asia. It will do so by exploring the possibility of channeling additional resources to the fields of mutual interest, and by incorporating lessons learned from previous initiatives into its own activities. In addition, the project endeavors to identify new areas of economic cooperation, including between East and Southeast Asia and LAC's sub-regions.
- 2.9 **Alignment.** This project is aligned with the Bank's Update to the Institutional Strategy 2010-2020 (AB-3008) challenge of *Limited Economic Integration*, as well as the Corporate Results Framework (CRF) Country Development Results Indicator 23: *Regional, sub-regional and extra-regional integration agreements and cooperation initiatives supported*. The project is consistent with the Ordinary Capital Strategic Development Program for Integration (OC-SDP) objectives of *Strengthening borrowing member countries' capacities to engage in regional initiatives and Promoting LAC's physical integration and connectivity*.

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

- 3.1 The proposed project will create a knowledge base on South-South cooperation between LAC and Developing Asia. The aim is to use this knowledge to inform the development and implementation of relevant activities between the two regions. The project will consist of four components, as follows:

- i) **LAC economic cooperation with major Asian economies with a focus on East and Southeast Asia.** This component will finance two reports and two technical workshops. At the regional level, the activities contemplated in this component will identify specific areas of economic cooperation in trade, trade facilitation and financial integration, including: investment in infrastructure connectivity to reduce trade costs; trade disciplines in free trade agreements with a higher potential development impact for Bank clients; opportunities for foreign trade single window interoperability, Authorized Economic Operator (AEO) Mutual Recognition Agreements (MRAs), and cooperation in trade facilitation more generally; financial integration initiatives in Asia with relevance for LAC; and countries with a solid pipeline of infrastructure connectivity projects and legislation allowing for FDI in their Public-Private Partnerships.

At the sub-regional level (Caribbean, Central America, South America), this component will assess the current state of integration – including the progress of Bank-supported sub-regional strategies and trade facilitation programs – as the basis for enhancing cooperation with East and Southeast Asia. Opportunities to strengthen this cooperation by channeling resources into sub-regional projects and programs in areas of strategic interest for broader LAC-Asia cooperation such as border integration and regional logistics infrastructure will be explored as well.

- ii) **Promotion of South-South cooperation between LAC and Asia.** This component will conduct research on the progress and/or outcomes of existing and previous SSC efforts and will highlight good practices, focusing on trade facilitation and regional economic integration. The research will also identify opportunities to promote and strengthen cooperation activities including institutional cooperation between the ADB and IDB, such as on the provision of regional public goods and inter-regional public goods. Focal areas will include coordinated border management and other measures to simplify customs procedures, digital connectivity and e-commerce, the trade-related aspects of intellectual property, and cross-cutting issues such as inclusion.

The research will aim to help the LAC countries or blocs that are more deeply engaged with Asia enhance their cooperation with their partners across the Pacific. At the same time, particular attention will be paid to LAC countries seeking to open channels of cooperation with Asia, or countries that stand to gain from wider and deeper cooperation with Asian counterparts. The products of this research will be two reports.

- iii) **Monitoring and supporting** LAC integration efforts with Asian economies. This component will finance a consultancy to monitor and support:
- a. Cooperation between the Pacific Alliance and its Associate Members in Asia; and
  - b. LAC relationships with sub-regional groupings in Asia, including the Forum for East Asia-Latin America Cooperation (FEALAC), Asia Pacific Economic Cooperation (APEC), Association of South-East Asian Nations (ASEAN), Trans-Pacific Partnership (TPP) signatories and countries currently negotiating the Regional Comprehensive Economic Partnership (RCEP).
- iv) **Dissemination.** This component will consist of sharing the results of the activities in Components 1-3, specifically digital content to be hosted on the web, and the layout and printing of key reports.

3.2 A total budget of US\$300,000 is requested for this project from the OC-SDP for Integration (RIN).

#### Indicative Budget

Activity/Component	Description	Unit Cost	Quantity	IDB/Fund Funding
<b>Component 1</b>	<b>LAC economic cooperation with major Asian economies with a focus on East and Southeast Asia</b>			
	Commissioning of reports	\$35,000	2	\$70,000
	Technical workshops	\$27,500	2	\$55,000
<b>Component 1 subtotal</b>				<b>\$125,000</b>
<b>Component 2</b>	<b>Promotion of South-South cooperation between LAC and Asia</b>			
	Commissioning of reports	\$37,500	2	\$75,000
<b>Component 2 subtotal</b>				<b>\$75,000</b>
<b>Component 3</b>	<b>Monitoring and supporting LAC integration efforts with Asian economies</b>			
	Monitoring and support to Pacific Alliance cooperation with Associate Members in Asia	\$45,000	1	\$45,000

	Monitoring and support to LAC cooperation with sub-regional groupings in Asia	\$45,000	1	\$45,000
<b>Component 3 subtotal</b>				<b>\$90,000</b>
<b>Component 4</b>		<b>Dissemination</b>		
	Digital content	\$3,000	2	\$6,000
	Layout and printing of key reports	\$2,000	2	\$4,000
<b>Component 4 subtotal</b>				<b>\$10,000</b>
<b>Grand Total</b>				<b>\$300,000</b>

- 3.3 INT/INT will execute this TC project. Matthew Shearer, Integration and Trade Senior Specialist, will be responsible for its execution and supervision. The supervision costs are included within the budget of INT/INT.
- 3.4 Program monitoring will take place through brief reports at the time of the interventions, and in some cases, presentations. A final report will be prepared measuring and evaluating the results achieved.

**IV. Executing agency and execution structure**

- 4.1 The Bank, through the Integration and Trade Sector (INT/INT), is the executing agency for this project. Two main reasons justify the execution of this project by the Bank. First, this is a regional project that involves the coordination of public sector (and relevant private sector) institutions from countries across the region, in addition to the ADB, and the Bank is in an ideal position to do so, given its presence in every LAC country and its capacity to act as an honest broker. Second, the project seeks consistency with the Bank’s GCI-9 and the Bank Institutional Update priorities and operational program, and Bank specialists are in the best position to ensure this.
- 4.2 INT/INT, given its responsibility for South-South Cooperation in the Bank, would be responsible for serving as a liaison with the ADB through existing channels. Each Bank would be responsible for coordinating with its own public- and private-sector stakeholders.
- 4.3 **Procurement.** The operation will contract: (a) individual consultants in accordance with the guidelines set out in the AM-650 and; (b) consulting firm services of an intellectual nature only, in accordance with GN-2765-1 and related Operational Guidelines (OP-1155-4) and (c) logistics and other services in accordance with GN-2303-20.

**V. Major issues**

- 5.1 The main risk foreseen for this project is that given the relatively short timeframe of the project, it is important that activities are completed in a timely manner. One of the lessons learned by the Bank in similar projects it has previously undertaken is that research activities tended to take longer. Detailed project planning, clear delineation of team member roles and allocation of tasks, regular progress check-ins (virtually or in person), and efficient communication between team members are among the measures that will be taken to ensure timely conclusion of the project.
- 5.2 Another lesson learned is the importance of strategic and operational relevance to maximize strategic impact. Thus, the areas addressed by the TC will seek consistency with the three challenges laid out in the Update to the Institutional Strategy 2010-2020 (social exclusion and inequality; low productivity and innovation; and limited economic integration).

**VI. Exceptions to Bank policy**

6.1 This TC does not involve any exceptions to the Bank's policies.

**VII. Environmental and Social Strategy**

7.1 According to the ESG classification, this operation entails no environmental and social risks whatsoever, as it is only dealing with the organization of dissemination and capacity - building activities. Based on the [Safeguard Policy Filter Report](#) and [Safeguard Screening Form](#) the TC was classified as category "C".

**Required Annexes:**

- Annex I: [Terms of Reference](#)
- Annex II: [Results Matrix](#)
- Annex III: [Procurement Plan](#)