



# REGIONAL PUBLIC GOODS: AN INNOVATIVE APPROACH TO SOUTH-SOUTH COOPERATION







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# REGIONAL PUBLIC GOODS: AN INNOVATIVE APPROACH TO SOUTH-SOUTH COOPERATION

Support for regional integration and cooperation lies at the heart of the development mandate of the Bank. Article I of the IDB Charter states that the purpose of the Bank is to “contribute to the acceleration of the process of economic and social development [...] individually and collectively”. Throughout its history the Bank has fostered the horizontal transfer of knowledge, technology and the collective generation of development solutions in Latin America and the Caribbean, supporting its borrowing member countries.

In 2004, the IDB created the Initiative for the Promotion of Regional Public Goods (RPG). The Program is based on the premise that the Bank’s borrowing member countries face development challenges that can be addressed more effectively and efficiently at a regional level through South-South collective action and cooperation. The RPG Program is a prime example of the Bank’s commitment to promote South-South and triangular cooperation as a policy tool to foster sustainable growth in Latin America and the Caribbean: countries work together to conceive regional development solutions and, in the process, partner with institutions and organizations from inside and outside the region, including donors, to inform and enrich the process of regional decision-making.

This year, the Bank reaffirmed its commitment to actively foster South-South Cooperation (SSC) and the promotion of regional public goods when it approved a new Sector Strategy to Support Competitive Global and Regional Integration as part of the capital increase process. The Strategy emphasizes the importance of cooperation among the Bank’s borrowing member countries as one of the pillars for deeper and more effective integration through simultaneous investments in the *software* (policy and regulation) and *hardware* (infrastructure) of integration. SSC in Latin

***This year, the Bank reaffirmed its commitment to actively foster South-South Cooperation (SSC) and the promotion of regional public goods when it approved a new Sector Strategy to Support Competitive Global and Regional Integration as part of the capital increase process.***

America and the Caribbean is both a corollary of economic integration and the “missing link” that often allows the countries to fully realize the benefits of economic integration.

The Bank’s renewed commitment to regional SSC coincides with the participatory process building up to the Fourth High Level Meeting on Aid Effectiveness in Busan (Korea) in November 2011 and the active involvement of Latin American and Caribbean countries in that process. In view of the expanded role of SSC and Triangular Cooperation (TrC) in Busan, we take this process as an opportunity to offer an overview of an innovative SSC initiative that promotes the generation of regional public goods through horizontal cooperation and knowledge exchange and also includes TrC.

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INTEGRATION STRATEGY AND THE RPG INITIATIVE

THE IDB'S INTEGRATION STRATEGY  
AND THE RPG INITIATIVE

# IDB'S INTEGRATION

INTEGRATION STRATEGY AND THE RPG INITIATIVE THE IDB'S INTEGRATION STRATEGY

# THE IDB'S INTEGRATION STRATEGY AND THE RPG INITIATIVE

In July of 2010, the Board of Governors of the IDB approved the Report of the Ninth General Capital Increase (GCI-9), which established regional and global integration as one of five strategic priorities of the IDB, including an annual lending target of 15%. In response to this challenge, the Bank prepared a new **Sector Strategy to Support Competitive Global and Regional Integration** that outlines how the IDB will sharpen and increase its support for integration in Latin America and the Caribbean:

1. Enhance investments in the **software** of integration (support policy reforms, regulatory upgrades and institutional strengthening);
2. Ensure the regional connectivity of national investments in infrastructure, i.e. the **hardware** of integration; and
3. Promote **regional cooperation** and the generation of **regional public goods** as an essential element to leverage and link the *software* and *hardware* interventions.

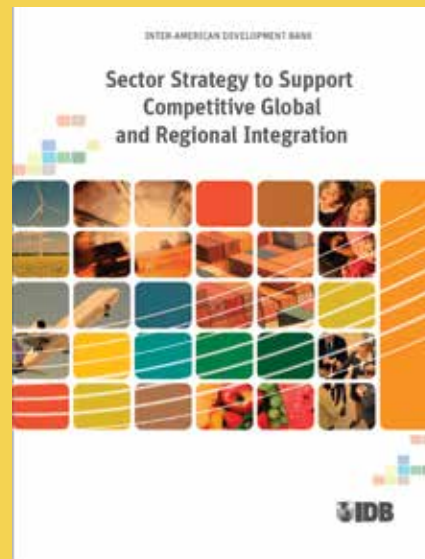
The Strategy highlights the importance of regional cooperation both as a result of integration and as a building block to further strengthen regional and global integration processes. Regional integration and cooperation allow countries to pursue more effective collective policies beyond trade integration, in particular:

» A greater voice in global fora: Regional integration and cooperation magnify the countries' positions in global negotiations for the provision of global public goods such as a balanced global financial architecture, a rules-based multilateral trading system, or a sustainable framework on climate change.

» A platform for the provision of regional public goods (RPGs): Regional integration and cooperation trigger demand for the generation of regional public goods, ranging from macroeconomic stabilization and the financing of infrastructure initiatives to education initiatives aimed at enhancing the region's competitiveness.

» A natural space to address asymmetries and promote cohesion: As global and regional integration may produce social and regional disparities, regional policy coordination is crucial in promoting balanced regional development and preserving consensus for global and regional integration in the long run.

Regional integration and cooperation are not ends in themselves but engines for growth and development. The Regional Public Goods Program demonstrates how regional cooperation can produce development solutions that have the potential to enhance the region's competitiveness, reduce asymmetries among countries, and generate regional strategies for joint action in global fora.





# WHAT IS THE REGIONAL PUBLIC GOODS INITIATIVE?



## KEY FIGURES (2004-2011)

The Regional Public Goods Initiative (RPG Program) was created in 2004 to help Latin American and Caribbean (LAC) countries address the effects that may result from an increased movement of goods, services and people across borders (for example, contagion financial crises, infectious diseases or the possibility to transfer pension benefits by migrant workers). The Program also promotes regional public goods in situations where regional collective action adds value to national interventions (for example, the collective generation and transfer of knowledge). The Program's underlying assumption is that, through cooperation, countries can make greater development gains than they would on their own, or do so at a lower cost.

The RPG Program reflects three trends in the LAC region and its role in the global architecture of development cooperation.

» The progressive integration of goods, services and factor markets in the LAC region has led to a higher degree of interdependence, resulting in externalities that have prompted an increasing demand for policy coordination beyond trade. Regional cooperation in areas as diverse as transport, health and climate change, in turn, tends to deepen intra-regional integration; it also enhances the countries' voice in international fora and increases their changes to successfully compete in the global marketplace.

» South-South cooperation (SSC) in the region has been intensifying, be it through collective action among a group of countries or the transfer of knowledge and technology from one country to others. The interest in SSC among the Bank's borrowing member countries is a reflection of the fact that the region is a source of innovative development solutions that can be shared and replicated by other countries.

» The IDB and other multilateral development banks can play an important role in helping their clients address the externalities of increasing regional and global interdependence. The Bank's experience with the RPG Program has demonstrated that the success of such support does not hinge necessarily or at least not exclusively on financial support. In many occasions, client countries have asked the Bank for strategic leadership and technical advice in their cooperation efforts. The IDB has responded by bringing countries together and serving as an honest broker of national interests.





# KEY FEATURES

» **Resources:** The RPG Program provides grant resources to finance technical cooperation projects that help LAC countries address a common challenge or seize an unrealized opportunity for the benefit of their (individual and collective) economic and social development.

» **Competitive allocation of funds:** Once a year, the RPG Program launches a Call For Proposals (CFP). Proposals are assessed against (i) a set of eligibility criteria; (ii) their technical merit; and (iii) alignment with the IDB's strategic priorities.

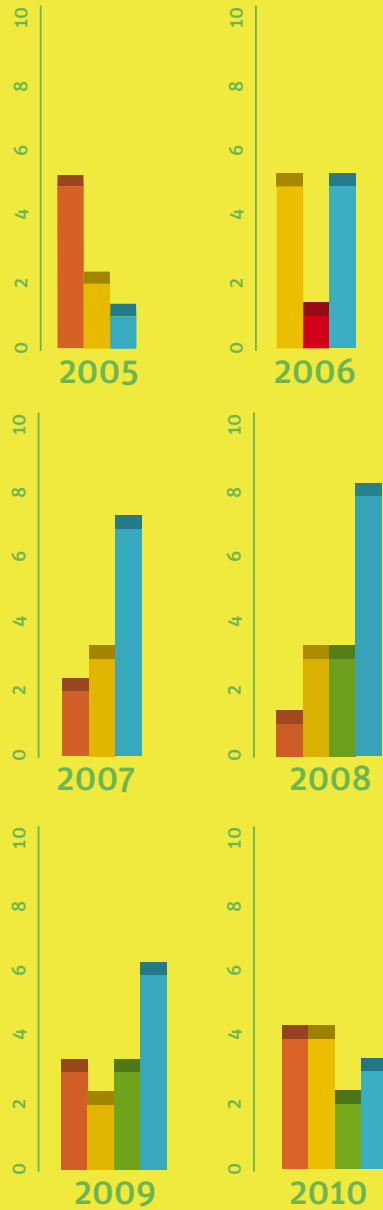
» **South-South collective action:** Institutions in the countries that participate in the projects: (i) identify the area of a development challenge or opportunity they deem a priority and would like to work on collectively; (ii) choose who they want to partner with to co-finance and provide external knowledge; (iii) prepare and present the proposal; and (iv) decide how to implement the project's activities.

» **Early stage RPGs:** Regional cooperation on new topics or with new partners is often characterized by insufficient leadership, inadequate institutional frameworks, scarce resources and/or only a partial understanding of the commitments and benefits that may result from the cooperation effort. The Initiative intervenes in the early stages of RPG generation, leveraging its resources to correct the disincentives and remove the bottlenecks that prevent an RPG from emerging.

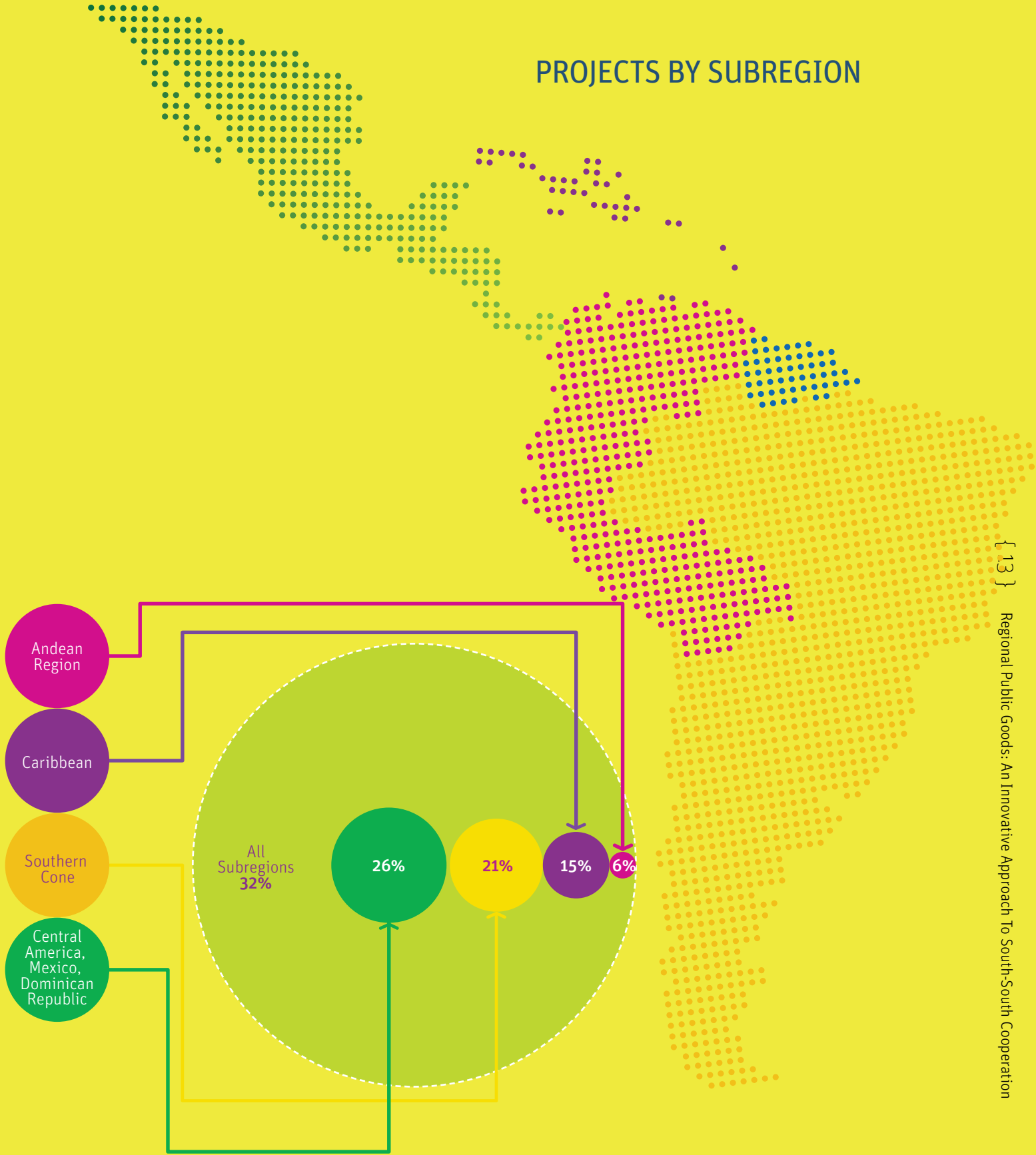
» **Triangular partnerships:** The RPG Program is based on South-South cooperation and initiatives of Latin American and Caribbean countries to conceive South-South solutions for their development needs. In most cases,

however, these countries also invite extra-regional partners and donors to participate. The IDB supports these efforts by: (i) serving as a co-investor in the initial critical phase of cooperation; (ii) connecting initiatives to potential partners within and outside the Bank; (iii) incubating innovative ideas; and (iv) mainstreaming successful RPG projects for potential further financing.

» **Thematic priorities:** The RPG Program is open to proposals in any thematic area in which the IDB is active. However, an important selection criterion is the alignment of a proposal with one or more of the five strategic priorities of the IDB: (a) social policy for equity and productivity; (b) infrastructure for competitiveness and social welfare; (c) institutions for growth and social welfare; (d) competitive regional and global integration; and (e) protection of the environment, responsiveness to climate change, promotion of renewable energy, and ensuring food security.



PROJECTS BY SECTOR







LATIN AMERICA AND THE CARIBBEAN

CASE STUDIES  
LATIN AMERICA AND  
THE CARIBBEAN

CASE STUDIES

LATIN AMERICA AND THE CARIBBEAN



# RPG PROJECTS: AID EFFECTIVENESS THROUGH REGIONAL COLLECTIVE ACTION

The following section presents six projects that the Regional Public Goods Program has supported over the years to spur the horizontal cooperation among Latin American and Caribbean countries: (i) Caribbean Regional Non-Communicable Diseases Surveillance System; (ii) Water Management as a Regional Public Good in the Upper Lempa River Basin in the Trifinio Region; (iii) System of Citizen Security and Violence Prevention Indicators; (iv) Single Social Security System for MERCOSUR; (v) Enhancement of Know-How and Institutional Capacity at Public Debt Management Agencies; and (vi) Regional Advisory Center for Investor-State Dispute Settlement.

The projects showcase the RPG Program as an increasingly important contribution to South-South Cooperation in the region and a demonstration of the IDB's commitment to regional integration and cooperation.





## PROJECT DETAILS

## Regional Non-Communicable Disease Surveillance System

## The Bahamas, Barbados, Belize, Guyana, Jamaica, and Trinidad and Tobago

<b>Organizations:</b>  Ministries of Health of The Bahamas, Barbados, Belize, Guyana, Jamaica and Trinidad and Tobago. Strategic partners accompanying the initiative are the Inter-American Development Bank; the University of the West Indies, St. Augustine; the Pan-American Health Organization (PAHO); Caribbean Epidemiology Centre (CAREC); the Caribbean Community Secretariat (CARICOM).	IDB-Regional Public Goods	US\$ 650,000
	Local Counterpart	US\$ 580,000
	<b>Total</b>	<b>US\$ 1,230,000</b>
	<b>Executing Agency:</b>	
	The University of the West Indies (UWI), St. Augustine Campus, Trinidad & Tobago	

IDB-Regional Public Goods	US\$ 650,000
Local Counterpart	US\$ 580,000
<b>Total</b>	<b>US\$ 1,230,000</b>

The University of the West Indies (UWI), St. Augustine Campus, Trinidad & Tobago

Chronic non-communicable diseases (NCDs) are the leading cause of death in the Caribbean. The countries of the region have accorded NCDs high priority status in regional and national agendas, recognizing the need for a comprehensive and integrated response that includes prevention, control of risk factors and treatment. A first step towards the development of such a response is the establishment of accurate, reliable and comparable data systems that present a clear picture of NCDs at the national and regional level.

The project is a response to this mandate, providing a vehicle for six Caribbean IDB member countries to work together to improve the collection, systematization and analysis of data associated with NCDs.

The purpose of the project was to develop a Caribbean Regional Non-Communicable Disease (NCD) Surveillance System, which would contribute to improved planning, delivery and monitoring of health programs and protocols targeting chronic disease prevention and control. The system aimed at improving the collection, systematization and analysis of data associated with NCDs in the countries of the Caribbean.

- i. The diagnosis and gap analysis of national registries and information systems on NCDs.

- ii. The design of the regional NCD surveillance system.

The project was executed by the University of the West Indies (UWI), a regional institution with in-house technical expertise on NCDs. A Steering Committee comprised of the Chief Medical Officers (CMOs) from the participating countries acted in an oversight and decision-making capacity. The project received additional technical support from the IDB, the Pan American Health Organization/Caribbean Epidemiology Centre (PAHO/CAREC), other UWI departments and campuses, the Caribbean Health Research Council, and the CARICOM Secretariat.

Project results include:

» Training on the dataset for all countries, putting them in a position to initiate annual reporting to the NCD System and to PAHO/CAREC (countries started reporting in 2011).

» Opportunities for capacity development and mutual learning, with partners sharing experiences and ideas on modalities of data collection, the development of heart disease and diabetes registries, and tobacco use checklists.

The project provides an example of both South-South cooperation and triangular cooperation. It is being spear-headed by Southern countries with financial, technical and institutional support from multilateral and international organizations.

» SSC: Acting as a block allowed the countries to (i) maximize their technical and financial resources; (ii) combine regional collective action with bilateral capacity building on NCDs; and (iii) access as well as leverage the resources and knowledge of strategic partners in a way that would not have been possible had they acted separately.

» Triangular cooperation: The project has been careful to build on existing data collection mechanisms and systems, particularly ensuring close coordination with PAHO/CAREC as the established institutional framework for reporting on NDCs.



# WATER MANAGEMENT AS A RPG IN THE UPPER LEMPA RIVER BASIN IN THE TRIFINIO REGION

## PROJECT DETAILS

**Project Name:**

Water Management as a Regional Public Good in the Upper Lempa River Basin (ULRB) in the Trifinio Region of Central America

**Countries:**

El Salvador, Guatemala and Honduras

**Organizations:**

45 Municipalities from the three countries that comprise the Trifinio Region’s Upper Lempa River Basin; the Plan Trifinio Commission; the three national governments through the Vice-President’s offices; the 13 National Associations of Municipalities (Mancomunidades); the tri-national Association of Municipalities (Mancomunidad Trinacional); municipal environmental units; other national, departmental (sub-national entity) and municipal education units; associations and entities in the private sector; and local NGOs and civil society.

**Sources of Funding:**

IDB – Regional Public Goods  
Local Counterpart  
**Total**

**US\$ 830,000**  
**US\$ 110,100**  
**US\$ 940,100**

**Executing Agency:**

Plan Trifinio Tri-national Executive Secretariat

## THE DEVELOPMENT CHALLENGE

The Lempa River Basin comprises an area of 18,311 km2, which is shared by El Salvador (56%), Guatemala (14%), and Honduras (30%). An estimated 4.7 million people (2001) live in the Lempa River Basin, with its population expected to double over the next 25 years. This will exacerbate the existing problems of pollution, lack of safe water, and an overall poor management of the hydrological resources. El Salvador in particular depends heavily on the Lempa watershed, since more than 50% of its territory (10,255 km2) lies within the basin, including the San Salvador metropolitan area and Santa Ana, the country’s two largest population centers. San Salvador relies on the Lempa River for 40% of its water needs.

## THE PROJECT

The project sought to develop and promote tri-national mechanisms for the integrated and sustainable management of water as a regional public good in the Upper Lempa River Basin (ULRB) by promoting horizontal cooperation among El Salvador, Guatemala and Honduras. The project had three components: (i) the generation and management of information on water resources; (ii) human resource training in water management; and (iii) strengthening of the tri-national institutional framework for water management.

The execution of the project relied primarily on the existing organizational framework of associations of municipalities at the national level and the association of municipalities at the regional level, which includes the 45 municipalities of the Trifinio Plan. Government agencies at the national and state level, as well as the private sector and civil society were integral part of the process throughout the implementation of the project. Stakeholders met periodically to discuss the problems of the ULRB, share experiences and knowledge, and conceive solutions on water management in areas such as tourism, monitoring water quality and water use for farming.

## RESULTS

The project, which concluded in May of 2010, produced the following results:

» The design and implementation of the ULRB tri-national information system that will support decisions regarding water management in the region.

» The approval of decrees to manage water resources in 17 municipalities. Together with the three municipalities that already had a legal framework in place, all 20 municipalities of the ULRB now have decrees to regulate the use and conservation of the region’s natural resources, with special emphasis on water for human consumption.

» The development of an educational program that was implemented in 200 schools in the three countries, to teach children and teenagers how to use the water resources of the ULRB in a responsible and sustainable manner. The experience of the educational program triggered a dialogue among the three Education Ministries, teachers and the Plan Trifinio Tri-national Commission, which in turn gave rise to an education plan and materials to support environmental education within the Trifinio Region as a whole. Several elements of the Trifinio plan have been integrated into the regular environmental education curricula in the three countries.

» By means of an extensive process of consultation and capacity building, the preparation of a tri-national agenda for the sustainable management of water resources of the ULRB that constitutes a shared vision among public and private stakeholders at the local, regional and national level about the importance of preserving and protecting water as a regional public good.

As a result of the project, in 2011, the tri-national Association of Municipalities of the Río Lempa has started to implement a cross border public policy called “Shared Waters” ([www.aguasinfronteras.com](http://www.aguasinfronteras.com)). The objective of “Shared Waters” is to guarantee the joint and integrated management of the region’s hydrological resources.

## SOUTH-SOUTH/ TRIANGULAR COOPERATION

Tri-national water management in the ULRB as part of the Plan Trifinio is an example of SSC within an established institutional framework that lends sustainability to the cooperation among the three partners. The innovative organizational structure of tri-national cooperation at the municipal level has attracted the interest of bilateral and other multilateral donors, such as the German Corporation for International Cooperation (GIZ) and the International Atomic Energy Agency.



# REGIONAL SYSTEM OF STANDARDIZED CITIZEN SECURITY AND VIOLENCE PREVENTION INDICATORS

## PROJECT DETAILS

**Project Name:**

Regional System of Standardized Citizen Security and Violence Prevention Indicators

**Countries:**

Argentina, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Paraguay, Peru, and Uruguay.

**Organizations:**

Colombia-National Planning Department; Dominican Republic-Secretary of State, the Interior and Police; Ecuador-Ministry of Government and Police; Honduras-National Police; Paraguay-Ministry of the Interior, Vice-Ministry of Internal Security; Peru-Ministry of the Interior; and Uruguay-Ministry of the Interior. Strategic partners supporting the initiative are the Inter-American Development Bank and the Institute for Research and Development on Violence Prevention and Promotion of Social Coexistence, CISALVA.

**Sources of Funding:**

IDB – Regional Public Goods	US\$ 2,550,000
Local Counterpart	US\$ 1,190,000
<b>Total</b>	<b>US\$ 3,740,000</b>

**Executing Agency:**

Institute for Research and Development on Violence Prevention and Promotion of Social Coexistence, (Instituto de Investigaciones y Desarrollo en Prevención de Violencia y Promoción de la Convivencia Social– CISALVA), Universidad del Valle, Colombia

## THE DEVELOPMENT CHALLENGE

Many LAC countries face a level of crime and violence that has eroded the public trust in the capacity of law-enforcement agencies to deal with the problem, exacerbating the sense of insecurity in the public opinion and weakening the countries’ social fabric. On several occasions, LAC governments have underscored the need for regional coordination in conceiving intervention strategies and policies to improve citizen security. However, South-South policy coordination, knowledge transfer and capacity building require, among others, data that are comparable and allow countries to work together based on standardized information.

## THE PROJECT

The objective of the project was the development and launching of a regional system of standardized citizen security and violence prevention indicators in the LAC region. The process of developing the standardized regional system started in each country with an assessment of their data gathering mechanisms. The results of the national diagnostics were discussed in a regional forum, which recommended a set of 19 indicators to be included in the system. The indicators were selected on the basis of their pertinence, functionality, availability of data, reliability and usefulness. Country representatives subsequently prepared and agreed on methodological protocols for each indicator.

## RESULTS

Projects results include:

»Design and implementation of a regional system of 19 standardized indicators to measure levels of crime and violence affecting the citizens of the participating countries. The system will facilitate the identification, monitoring and comparison of regional phenomena linked to crime and violence.

»Information of better quality that will enhance public policy design and evaluation.

» Strengthening of the participating institutions in each country both in terms of inter-agency collaboration and technical capacity to collect and process data.

»Formulation of cooperation agreements among agencies of different countries to ensure sustainability of the regional effort and continue to improve the generation of data.

## SOUTH-SOUTH/ TRIANGULAR COOPERATION

An unexpected outcome of the project has been the South-South capacity building effect on each countries’ institutions involved in crime and violence data generation. The regional effort provided an opportunity to improve national information systems and strengthen collaboration among the different agencies responsible for gathering data at the national level.



# SINGLE SOCIAL SECURITY SYSTEM FOR MERCOSUR

## PROJECT DETAILS

**Project Name:**

Single Social Security System for MERCOSUR

**Countries:**

Argentina, Brazil, Paraguay and Uruguay

**Organizations:**

National Social Security Administration of Argentina (ANSES), the Ministry of Social Welfare of Brazil, the Social Welfare Institute of Paraguay, and the Social Welfare Bank of Uruguay. Strategic partners accompanying the initiative are the Inter-American Development Bank and the Ibero-American Social Security Organization.

**Sources of Funding:**

IDB – Regional Public Goods  
Local Counterpart  
**Total**

**US\$ 1,300,000**  
**US\$ 930,000**  
**US\$ 2,230,000**

**Executing Agency:**

Administración Nacional de la Seguridad Social (ANSES), Argentina



## THE DEVELOPMENT CHALLENGE

In 1997, the members of the Southern Cone Common Market (MERCOSUR) - Argentina, Brazil, Paraguay and Uruguay - signed a Multilateral Social Security Agreement that recognized the rights and obligations of MERCOSUR citizens who work in one or more member countries. However, for many years the agreement lacked implementation mechanisms that would produce the intended benefits. In 2004, the MERCOSUR member countries proposed themselves to create a single data base among social security institutions that would contribute to protecting the social security rights of migrant workers of the region.

Among the challenges that the countries saw themselves confronted with were the political decision to share sensitive data and the incompatibility of systems that needed to receive and validate data of other countries.

## THE PROJECT

The objective of the project was to integrate the social security systems of MERCOSUR member countries by developing and implementing a Data Transfer and Validation System (DTVS) to process retiree benefits under MERCOSUR's Multilateral Social Security Agreement.

The DTVS was developed by representatives of the four national social security systems— the National Social Security Administration of Argentina (ANSES), the Ministry of Social Welfare of Brazil, the Social Welfare Institute of Paraguay, and the Social Welfare Bank of Uruguay. As part of project, the countries created the Multilateral Social Security Commission (MSSC) as a permanent institutional framework for regional cooperation on social security matters.

## RESULTS

Projects results include:

» Implementation of the DTVS that now covers more than 2,000 migrant workers. The System has significantly reduced (i) the time it takes a retiree to receive benefits (from 3-8 years to 3 months, on average); (ii) the number of workers evading social security contributions; and (iii) the number of erroneous payments.

» An agreement reached with financial institutions not to charge transfer fees to the beneficiaries.

» Annual meetings among the information system departments/divisions from the social security agencies of all four countries to ensure that the DTVS continues to run smoothly.

» Chile´s request to join the System.

» The SDSI being selected as a model and the basis for an Ibero-American Pension System.

## SOUTH-SOUTH/ TRIANGULAR COOPERATION

This project is notable for:

»The transfer of knowledge among MERCOSUR members countries, particularly regarding the technological and legal aspects of the DTVS, which helped to level the playing field among the partners and allowed the less developed countries to fully participate in the DTVS; and

» The importance of triangular cooperation with the IDB and the Ibero-American Social Security Organization (ISSO) that brought in valuable experience from outside the region and contributed to establishing an atmosphere of trust among the MERCOSUR partners.





# ENHANCING KNOW-HOW AND INSTITUTIONAL CAPACITY OF PUBLIC DEBT MANAGEMENT AGENCIES

## PROJECT DETAILS

**Project Name:**

Enhancing Know-How and Institutional Capacity of Public Debt Management Agencies

**Countries:**

Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay and Venezuela.

**Organizations:**

National Debt Management Offices of the Ministries of Finance and Economy of Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Trinidad and Tobago, Uruguay and Venezuela. Strategic partners: the Inter-American Development Bank, the Monetary Council of Central America (CMCA), the Caribbean Regional Technical Assistance Centre (CARTAC), the International Monetary Fund (IMF) and the World Bank.

**Sources of Funding:**

IDB – Regional Public Goods	US\$ 500,000
Local Counterpart	US\$ 200,000
<b>Total</b>	<b>US\$ 700,000</b>

**Executing Agency:**

Inter-American Development Bank

## THE DEVELOPMENT CHALLENGE

In 2005, when this RPG project was approved, the principal concern of national debt management offices was to modernize the institutions so that they could respond creatively to a dramatically altered structure in monetary markets in many LAC countries. Financial deregulation and more open financial markets, the adoption of flexible exchange controls, reduced inflation and fiscal deficits, and public pension reforms had significantly expanded the pool of domestic savings available in the medium and long term. When the project concluded in May of 2010, the discussions of the debt management offices focused on the impact of the global financial crisis on the region. In the interim, the project helped the agencies to create a network that provided technical input, exchange of experiences and, ultimately, a forum to coordinate public debt strategies at a time of financial turmoil.

## THE PROJECT

The objective of the project was to support the LAC countries in creating mechanisms to share know-how and best practices, thereby strengthening the technical capacity of their public debt management agencies.

The project´s activities concentrated on:

- » Research to enhance public debt management.
- » The creation of a regional public debt information system.
- » Mechanisms to share and disseminate information.
- » The organization of intra- regional workshops and capacity building.

The project was executed by the IDB, who modeled the implementation mechanism on the Bank´s Regional Policy Dialogue (RPD). The RPD consists of a series of thematic networks that bring together high-level officials from the Bank´s borrowing countries to analyze best practices, exchange experiences and coordinate policy. Following the example of the RPD, the public debt management offices decided on the agenda of their cooperation, with the project providing resources for the preparation of technical input, the organization of specialized seminars and intra-regional capacity building.

## RESULTS

Project results include:

- » A system of public debt statistics that has been functional since 2009 and that provides information based on standardized criteria and reporting methodologies agreed upon by all countries.
- » A LAC Debt Group website made available to the public that provides public debt statistics, documents, and information on activities of the group.
- » The creation of a network among debt management agencies that has proven to be of such value that efforts are now underway to continue the cooperation.

## SOUTH-SOUTH/ TRIANGULAR COOPERATION

This project from the first round of operations approved under the RPG Program included aspects of South-South and triangular cooperation that have subsequently been replicated in many other projects:

- » South-South capacity building: In 2008, public debt officials from the region visited Brazil´s Ministry of the Treasury to learn about that country´s experience with public debt management.
- » Triangular cooperation: The support of the IDB was crucial in coordinating, facilitating and guiding the project´s activities. In addition, many other multi-lateral and regional institutions concerned with financial management were consulted and/or provided important inputs at different stages of the project.





# REGIONAL ADVISORY CENTER FOR INVESTOR-STATE DISPUTE SETTLEMENT

## PROJECT DETAILS

### Project Name:

Regional Advisory Facility for Investor-State Dispute Settlement

### Countries:

Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and Peru.

### Organizations:

Ministries of Trade or entities responsible for foreign direct investment of Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and Peru. Strategic partners: UNCTAD, OAS, Columbia University and Academia de Centroamérica.

### Sources of Funding:

IDB – Regional Public Goods	US\$	300,000
Local Counterpart	US\$	80,000
<b>Total</b>	<b>US\$</b>	<b>380,000</b>

### Executing Agency:

Academia de Centroamérica (Costa Rica)

## THE DEVELOPMENT CHALLENGE

One of the key developments in international economic relations in recent years has been the proliferation of international investment agreements (IIAs), including bilateral investment treaties (BITs) and free-trade agreements with investment chapters, in response to the increasing global competition faced by national economies for resources and markets.

Since the early 1990s, Latin American countries have concluded approximately 500 BITs and more than 70 economic cooperation agreements with investment provisions. The increase in IIAs has been paralleled by a rise in the number of cases brought under the investor-state dispute settlement (ISDS) provisions of these agreements. The growing number of investor-state disputes has economic, administrative, institutional and policy implications, especially for developing countries.

These agreements are intended to promote economic development by providing a stable, predictable and transparent environment for foreign investment. However, host countries have discovered that: (i) investment disputes require highly specialized technical know-how; (ii) they are costly to conduct; and (iii) the arbitral decisions of awards can have an important impact on the budget and/or a country's reputation as an investment destination.

It was against this background that five Latin American countries joined together to present a proposal under the RPG Program to explore the possibility of creating an advisory facility that would help the countries in case of investor-state disputes.

## THE PROJECT

The project was implemented between January 2009 and July 2010. Several distinct factors characterized its execution:

1. Incentive for cooperation: Not only the original five, but all 10 countries that eventually formed part of the project, participated actively and continuously in the meetings and were in constant contact virtually between meetings. This allowed for a swift, on-time implementation of the project. The cohesiveness of the cooperation process was a reflection of the commitment of the countries to the initiative and the awareness that the project provided a unique opportunity to forge a consensus on an issue of high priority for all of them.

2. Collective action: In line with the governance structure of a typical RPG project, high-level representatives of the trade ministries or government agencies responsible for foreign direct investment issues joined together in the project's Executive Committee that met regularly, discussed and analyzed every aspect of the proposed facility, and took all the important decisions.

3.Strategic partners: The Executive Committee worked hand-in-hand with the project's Advisory Group that provided technical inputs on a broad range of issues, including options regarding the legal personality of the proposed facility and possible cost scenarios. The Advisory Group included the IDB, the United Nations Conference for Trade and Development (UNCTAD), the Organization of American States (OAS), Columbia University and Academia de Centroamérica, which also served as executing agency.

## RESULTS

The principal outcomes of this RPG project are:

1. The draft for an international treaty to create a Regional Advisory Center for Investor-State Dispute Settlement. According to the draft treaty, the Center will provide member countries with services including the full-fledged defense of cases, advice for the management of cases, and training of defense teams in the countries' line ministries.

2. The agreement on the Center includes decisions on key issues, such as its governance structure and a business plan. With respect to the latter, the members of the Executive Committee signed a resolution committing each country to an initial contribution of US\$200,000 towards the establishment of the Center.

3. The spill-over effect of the initiative in terms of geographical scope. The fact that the number of countries participating in the project doubled not only highlights the importance of investor disputes as a regional issue; it also clearly enhances the regional legitimacy and financial viability of the Center.

## SOUTH-SOUTH/ TRIANGULAR COOPERATION

The project represents an example of collective South-South cooperation, in which the incentive structure (perception of the problem) and the expectation regarding the benefits of a regional solution (i.e. benefits that the countries could not achieve on their own) were very much aligned among the participating countries. This alignment produced results that went beyond what the countries had themselves proposed to achieve at the outset of their cooperation. In addition, the project illustrates the role of strategic non-regional partners as facilitators of the South-South process, resulting in a successful triangular partnership. In particular, the engagement of the Bank, as a trusted partner and honest broker in the region, was viewed by the countries as a key factor during the negotiations of the treaty to establish the Center.





FOLIO BY YEAR RPG PORTFOLIO BY YEAR  
RPG PORTFOLIO BY YEAR  
RPG PORTFOLIO BY YEAR RPG PORTFOLIO BY YEAR RPG PORTFOLIO BY YEAR

RPG **PORTFOLIO**  
BY **YEAR**



2005 APPROVED RPG PROJECTS		
TITLE	Sustainable Management of the Amazonas' Biodiversity	BO, BR, CO, EC, GY, PE, SU, VE
	Latin American Network of Education Portals	AR, BO, BR, CH, CO, CR, EC, ES, HO, GU, MX, NI, PN, PR, PE, UR, VE
	Improving Public Administration through Best Practices in E-Government	AR, BA, BE, BH, BO, BR, CH, CO, CR, EC, ES, GU, GY, HA, HO, MX, NI, PN, PR, PE, DR, SU, TT, UR, VE
	Enhancing Know- How and Institutional Capacity of Public Debt Management Agencies	AR, BA, BH, BE, BR, BO, CO, CH, CR EC, ES, GU, GY, HA, HO, JA, MX, NI, PE, PN, PR, SU, TT, UR, VE, DR
	Strengthening of the Regional Stock Market	AR, BO, BR, CH, CO, CR, EC, ES, MX, PN, PE, UR, VE
	Improvement of Statistics for Measuring Living Conditions	AR, BO, BR, CH, CO, CR, EC, ES, GU, HO, MX, NI, PN, PR, PE, DR, UR
	Water Management as a Regional Public Good in the Upper Lempa River Basin (ULRB) in the Trifinio Region of Central America	ES, GU, HO
COUNTRIES	Single Social Security System for MERCOSUR	AR, BR, PR, UR

2006 APPROVED RPG PROJECTS		
TITLE	Strengthening CLARA Academic Network	AR, BO, BR, CH, CO, CR, EC, ES, GU, HO, MX, NI, PN, PE, UR, VE
	Common Framework for Population Census in CARICOM	BH, BA, BE, GY, HA, JA, SU, TT
	Management of the Trinational Selva Maya Ecosystem (ME-GU-BE)	BE, MX, GU
	Food Fortification with Folic Acid and other Micro-Nutrients	BE, CR, GU, ES, HO, NI, PN, DR
	Central American Climate Data Base	BE, CR, ES, GU, HO, NI, PN
	Conservation of the Environmental Patrimony of the Gran Chaco	AR, BO, PR
	Regional Disaster Risk Management for Sustainable Tourism in the Caribbean	BH, BA, BE, GY, JA, TT, HA, SU, DR
	Regional Program for the Control of Chagas Disease in Latin America	AR, BO, CO, EC, ES, GU, HO, NI, PR, UR
	Regional Information System for Agriculture Development of the Southern Cone Countries	AR, BO, BR, CH, PR, UR
	Regional System for the Evaluation and Development of Citizen Competencies	CH, CO, GU, MX, PR, DR
	Climate Information Applied to Agricultural Risk Management in the Andean Countries	BO, CO, CH, EC, PE, VE
COUNTRIES		

2007 APPROVED RPG PROJECTS		
TITLE	Regional System of Standardized Citizen Security & Violent Prevention Indicators	AR, CH, CO, CR, EC, ES, GY, HO, JA, MX, NI, PE, PR, UR, DR
	Trafficking of Children and Adolescents for Sex Exploitation in Mercosur	AR, BR, UR, PR
	Regional Engineering Accreditation System for the Greater Caribbean Region	JA, PN, DR
	Program to Erradicate the Cattle' Screwworm in MERCOSUR Countries	AR, UR, BR, PR
	Micro SME Regional System for the Public Policy Design	AR, BR, CH
	Development of a Caribbean Broadband Network c@ribNET	BH, BA, DR, GY, HA, JA, SU, TT
	Natural and Cultural Aymara Heritage	BO, CH, PE
	Central American Protocol for Procurement and Quality Control of Medicines	BE, CR, DR, ES, GU, HO, NI, PN
	Capacities to Improve the Competitiveness of Caribbean Agricultural Sector	BA, DR, GY, SU, TT
	Monitoring and Evaluation Biodiversity Program for Central America	BE, CR, ES, GU HO, NI, PN
	Enviromental Health Surveillance System in the Amazon Region	BO, BR, CO, EC, GY, PE, SU, VE
COUNTRIES	Regional Non-Communicable Diseases Surveillance System	BH, BA, BE, GY, JA, TT

- Finalizing
- Finalized
- Executing



2008 APPROVED RPG PROJECTS		
TITLE	Regional Strategic Framework for Protection of Non-Contacted Indigenous People	BO, BR, CO, EC, GY, PE, PR, SU
	Regional Framework Against Trafficking of People	CR, ES, GU, HO, NI
	MERCOSUR Higher Education Accreditation System	AR, BO, BR, CH, PR, UR, VE
	Regional Regulatory Policy to Consolidate Telecommunications in the PPP	BE, CO, CR, ES, GU, HO, MX, NI, PN
	Common Framework for Statistics Production in CARICOM	BH, BA, BE, GY, HA, JA, SU, TT
	Regional Protocols on Telehealth Public Policy	BR, CH, CO, EC, ES, MX, UR
	Regional Program for Entrepreneurship and Innovation in Engineering	AR, BR, CH, UR
	Accreditation of Architecture and Engineering Programs in Central America	BE, CR, ES, GU, HO, NI, PN
	Central American Program for Competitiveness of the Fruit Sector	BE, CR, ES, GU, HO, PN, NI, DR
	Management System for the Sustainable Use of Fishery Resources of the Marine Corridor of the Tropical East Pacific	CO, CR, PN
	Protection, Monitoring and Regulation of Migrant Workers in LAC	AR, BO, BR, CH, CO, CR, DR, EC, ES, GU, GY, HO, NI, PN, PR, PE, UR
	Advisory Facility on Investor-State Dispute Settlement	DR, CO, CR, ES, GU, HO, MX, NI, PE, PN
	Regional Information System for Energy	AR, BR, CH, CO, CR, DR, EC, ES, GU, GY, HO, JA, MX, NI, PN, PR, PE, UR
	Mechanism for the Professional Accreditation in Fiscal Public Control	AR, BO, BR, CH, CO, CR, DR, EC, ES, GU, HO, MX, NI, PN, PR, PE, UR, VE
	Meso-American System for Disaster Management	BE, CO, CR, ES, GU, HO, MX, NI, PN
COUNTRIES		

Finalized

Executing

2009 APPROVED RPG PROJECTS		
TITLE	Monitoring & Evaluation Framework for Disaster Risk Management in Tourism Sector	BH, BA, BE, GY, HA, JA, SU, TT, DR
	Common Framework for a Literacy Survey	BH, BA, BE, GY, HA, JA, SU, TT
	Harmonized System of Bovine Traceability in Central America, Belize, Panama and the Dominican Republic	BE, CR, DR, ES, GU, HO, NI, PN
	Plan of Action for Roaming Services in Mobile Telecommunications	AR, BO, BR, CO, MX, PE, UR
	Regional Instruments for Adaptation to Climate Change by the Health Sector	BR, BO, CO, MX, PR
	Operational Framework for Statistics	BR, CH, CO, EC, ES, HO, MX, PR, PE, DR, UR
	Regional Framework to Control Contagious Diseases in Children	AR, BR, PR, UR
	Institutional Framework for Scientific Publications	AR, BR, CH, CO, EC, MX, PE, VE
	Regional Strategy for Tertiary Education in Applied Economics	CR, DR, ES, GU, HO, NI, PN
	Cooperation System on Operational Information and Industrial Property	AR, BR, CH, CO, EC, PR, PE, UR, SU
	Regional Strategy for Management and Trade of Chemical Products	AR, BR, CH, UR, PR
	Regional Strategy of Export Promotion and Investment Attraction	AR, BO, BR, CH, CO, CR, DR, EC, ES, GU, MX, NI, PN, PR, PE, UR
	Institutional and Normative Framework for a Regional Competition Policy	CR, ES, GU, HO, NI, PN
	Government Procurement Policy	AR, BO, BR, CH, CO, CR, EC, ES, GU, HO, MX, NI, PN, PR, PE, DR, UR, VE, GY, BE, HA, TT, BA, JA, SU, BH
COUNTRIES		



2010 APPROVED RPG PROJECTS		
TITLE	Grazing Lands Conservation in Southern Cone Rural Establishments	AR, BR, UR, PR
	Data Bases for a Regional Network to Monitor Climate Change in the Wider Caribbean Region	BE, BH, BA, JA, GY, TT, SU, HA, Saint Lucia, Dominica
	Regional Strategy for the Regulation and Supervision of Stock Markets in Central America	ES, CR, PN
	Strengthening and Harmonizing Banking Resolution and Security Deposit Processes in CA, DR and PN	CR, ES, GU, HO, NI, PN, DR
	Caribbean Regional Tourism Satellite Account (TSA) Implementation Initiative	BH, BA, JA, TT, BE, GY
	Micro/SME Regional Information System for Central America	BE, CR, ES, GU, HO, NI, PN
	Strategy to Increase Agricultural Productivity Using Satellite Information	AR, CH, UR, PR
	Climate Change and Biodiversity Information in the Tropical Andes	BO, EC, PE
	Regional Strategy for a Citizenry with Social Security Culture	AR, BH, BE, BO, BR, CH,CO, CR, EC, ES, GU, HA, HO, MX, PN, PR, PE, DR, UR, OECS
	Interactive Center for Peace and Conflict Resolution	CR, CO, ES, GU, PN
	Regional System for Information and Methodological Harmonization of the Service Sector in Latin America	AR, BO, BR, CH, CO, CR, EC, ES, GU, MX, NI, PN, PR, PE, UR
	Forest Sanitary Framework for the Southern Cone Countries and Bolivia	AR, BR, CH, BO, UR, PR
	Regional Epidemiology Protocol for Border Areas	AR, PR, UR
COUNTRIES		

Executing

2011 APPROVED RPG PROJECTS

TITLE	Latin American Regional Network to Strengthen Competition Policy	AR, CH, CO, CR, EC, ES, GU, HO, MX, NI, PE, DR
	Longitudinal Social Protection Survey (LSPS)	CO, CR, EC, ES, HO, MX, PR, UR
	Learning in the Schools of the 21st Century	AR, BA, CH, CO, CR, HO, MX, PR, DR
	Broadband Development for Competitiveness and Integration	CR, ES, GU, HO, PN
	Caribbean Hotel Energy Efficiency and Renewable Energy Action - Advanced Program	BA, JA, BH, SU, TT, BE, HA, DR, GU
	Observatory for Entrepreneurial and Productive Integration in MERCOSUR	AR, BR, PR, UR
	Regional System to Evaluate the Impact of Public Policies in the Area of Citizen Security in Latin America	AR, CH, CO, CR, ES, HO, MX, UR
	Development and Strengthening of Official Environmental Statistics for the Formulation of Public Policies in Latin America and the Caribbean	CO, CR, MX, PN, RD, VE
COUNTRIES		

COUNTRY ACRONYMS

- AR
- BA
- BE
- BH
- BO
- BR
- CH
- CO
- CR
- DR
- EC
- ES
- GU
- GY
- HA
- HO
- JA
- MX
- NI
- PE
- PN
- PR
- SU
- TT
- UR
- VE
- ARGENTINA
- BARBADOS
- BELIZE
- BAHAMAS
- BOLIVIA
- BRAZIL
- CHILE
- COLOMBIA
- COSTA RICA
- DOMINICAN REPUBLIC
- ECUADOR
- EL SALVADOR
- GUATEMALA
- GUYANA
- HAITI
- HONDURAS
- JAMAICA
- MEXICO
- NICARAGUA
- PERU
- PANAMA
- PARAGUAY
- SURINAME
- TRINIDAD AND TOBAGO
- URUGUAY
- VENEZUELA





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