
SEIZING THE COOPERATION OPPORTUNITIES

FOR ASIA - PACIFIC
AND LATIN AMERICA
AND THE CARIBBEAN

ADB and IDB Partnership for South-South Cooperation

2012-2013 REPORT

ADB



SEIZING THE COOPERATION OPPORTUNITIES

for Asia-Pacific
and Latin America
and the Caribbean

**ADB and IDB Partnership for
South–South Cooperation**

2012-2013 REPORT

South–South cooperation allows for effective sharing of experiences and best practices to address similar development challenges, with powerful demonstration effects.





NEW ENGINES OF GLOBAL ECONOMIC GROWTH: ASIA AND LATIN AMERICA

LATIN AMERICA AND THE CARIBBEAN (LAC) AND DEVELOPING ASIA HAVE RAPIDLY BECOME MORE INTERTWINED AS THE TWO REGIONS EXPERIENCE STRONG GROWTH. TRADE BETWEEN THE TWO REGIONS HAS GROWN AT AN AVERAGE ANNUAL RATE OF 20.5% SINCE 2000, REACHING AN ESTIMATED US\$442 BILLION IN 2011.

> Developing countries are an increasingly important source of investment, and are now the origin of more than a quarter of worldwide foreign direct investment (FDI) flows. Most recently, China has emerged as an important source of capital in LAC. However, while FDI between Asia and LAC is on the rise, flows remain concentrated among a few countries, and it has yet to keep pace with the robust increase in trade linkages.

> The growing trade between the two regions requires developing architecture for lowering trade costs – there are presently 20 free trade agreements (FTAs) in force between LAC and Asian economies – as well as improving compatibility among agreements. As trans-Pacific FTAs multiply attention must be paid to the interactions between them, as their rules of origin, which limit the benefits of any one agreement to its signatories, can pose obstacles to the development of broader regional supply chains, thereby undermining the value of the network of agreements.

> South–South Cooperation (SSC) presents the opportunity to share knowledge and development experiences and to engage in institutional cooperation and dialogue on best practices. In 2011, the development community highlighted the importance of SSC at the Fourth High Level Forum (HLF-4) on Aid Effectiveness in Busan, Korea, with the active participation of ADB and IDB.

> The growing economic relationship between the regions has opened up opportunities to cooperate on policy issues beyond the trade and investment agenda. The countries of the two regions have expressed the determination to engage with one another to learn from each other's experiences in developing innovative solutions to their common development challenges, and adapting them to local contexts.

> A recent example of that demand is the Pacific Alliance, signed in June 2012 by Chile, Colombia, Mexico, and Peru but with several observers that have applied for membership. Member countries view the Pacific Alliance as a new pillar in their strategy of closer economic ties and in promoting cooperation with developing Asia.



SEIZING THE MOMENT FOR ASIA- LATIN AMERICAN & CARIBBEAN COOPERATION. THE ROLE OF ADB AND IDB

Brazil, Sao Paulo

THE ADB AND THE IDB, AS MAJOR SOURCES OF DEVELOPMENT FINANCE IN THEIR RESPECTIVE REGIONS, ARE PARTICULARLY WELL PLACED TO PROMOTE SUCH DEVELOPMENT EXCHANGES WITH THE ACTIVE PARTICIPATION OF THEIR RESPECTIVE CLIENTS.

CREATING THE ADB-IDB COMMON COOPERATION PLATFORM

ADB and IDB have deepened their relationship in order to address Asia and LAC's development challenges and opportunities. In 2012, the presidents of the two institutions participated in one another's annual meetings for the first time, and the two regional development banks published a joint institutional report, *Shaping the Future of the Asia and the Pacific-Latin America and the Caribbean Relationship*.

The two banks also launched a joint South-South cooperation initiative to facilitate the exchange of knowledge and best practices between their respective regions. Combining the development experiences of developing Asia and LAC through both banks is a powerful tool for realizing innovations in development policy and investments in both regions. Activities include joint capacity-building initiatives and training programs, interregional policy dialogue, expert forums and communities of practice, sharing of best practices, and professional and operational exchanges between the countries and subregions of LAC and those of developing Asia.

AREAS OF COOPERATION

High Level Economic Policy Forum. The ADB and IDB are providing a venue to bring together leading economic policy-makers from across the Pacific to share experiences and exchange knowledge on emerging development issues, discuss topics and policy options, and forge cooperation.

Asia – Latin America: New Engines of Growth of the Global Economy?, the first forum to discuss the deepening South-South links between the two regions with an audience of policy-makers, private sector leaders and economic experts took place on October 13, 2012 at the Asian Development Bank Institute (ADBI) in Tokyo, with the collaboration of the Policy Research Institute of Japan's Finance Ministry.

Opening remarks were given by IDB President and ADB President, who stressed the need to improve trade and investment between the two regions by addressing trade-related infrastructure and logistics and removing barriers to trade. Panelists included Finance Ministers and Central Bank Governors. The Dean of the ADBI gave concluding remarks. Forum participants emphasized trade and free trade agreements, connectivity including customs cooperation, mutual learning, and policy dialogue as key ingredients to seize the moment for Asia and LAC cooperation and integration.



Promoting inter-regional policy research exchange and networks (LAEBA Initiative). The Inter-American Development Bank (IDB), through the Integration and Trade Sector (INT), and the Asian Development Bank Institute (ADBI) jointly coordinate the “Latin America/Caribbean and Asia/Pacific Economics and Business Association (LAEBA).” The LAEBA Initiative results from an inter-agency Partnership Agreement signed on March 2001 with the objective to advance economic linkages between the two regions through cross-regional and comparative research.

Under the initiative the two institutions organize an annual policy research conference in order to encourage comparative and applied research in areas of mutual interest for the two regions, providing an inter-regional framework to strengthen professional research networks and informing the process of economic policy-making and private sector decisions through enhanced interaction among policymakers, academia, and the business community. The 2012 LAEBA activities supported the preparation and launching of the ADB-IDB Report “*Shaping the Future*” and the 2013 edition will focus on the emerging transpacific trade and investment architecture.





Panama Canal



Asia and the Pacific and the Americas: Customs Leaders' Partnership Dialogue, Panama 2013

Securing and reducing the costs of trade. Asia-LAC Customs Collaboration. Asia-Pacific and Latin America and the Caribbean (LAC) include some of the world's fastest growing countries, and the two regions have become powerful engines for the world economy. Bilateral trade between the two regions has grown by a factor of six since 2000, adding to the pressure to lower the cost of moving goods across borders, improve customs efficiency, and ensure the security of the supply chain.

Responding to these challenges and opportunities, customs authorities in Asia and LAC, are actively introducing customs modernization and trade facilitation and security measures. Customs managers from LAC met with their counterparts in China (2011) and Korea (2012) to exchange experiences and lessons learned on customs systems and procedures such as risk analysis and trusted trader programs. The ADB and IDB, in collaboration with the World Customs Organization, are supporting programs to further broaden and enhance collaboration between the customs administrations of both regions with the ultimate goal of reducing the cost of doing business and increasing the security of trade. It is in this context that the ADB and IDB, together with the World Customs Organization and Panama Customs, organized a joint dialogue on Efficient and Secure

Trade for Shared Prosperity, which took place in Panama April 4-5, 2013. This event brought together for the first time dozens of customs leaders from both regions to discuss common challenges and strategies in order to maximize the benefits of trade.

Faster and safer trade. Sustainable integration economic corridors. Corridors of improved transport infrastructure and connectivity across countries in a region facilitate increased trade and regional development. The explosion of trade that has taken place between Asia and LAC over the past decade, coupled with global improvements in maritime and air shipping and in inventory and delivery systems, has highlighted the importance of establishing sustainable integration corridors that lower transport and logistics costs. The two Banks' clients and specialists will benefit from exchanging the experiences of the Greater Mekong Subregion (GMS), the Central Asia Regional Economic Corridor (CAREC), the Pacific Corridor



of the Mesoamerica Project, and the Initiative for the Integration of Regional Infrastructure of South America (IIRSA). Cooperation in this area will take the form of joint research, study visits and joint conferences, will support knowledge sharing between the two regions in the development of economic corridors, with particular reference to good practices in economic corridor development; in integrated border management and border crossings; trade flows between East and South East Asia and Latin America; and factors that promote regional cooperation and integration.

Inclusive connectivity for development. Broadband access.

Broadband access and usage already contribute to economic growth and the provision of basic services including health and education in many developing countries and are sought by the remainder. Among the challenges faced by developing countries attempting to provide nationwide coverage of broadband programs, is a shortage of essential knowledge, proven strategies and effective policies.

Countries to serve as benchmarks and others for study have been identified through ADB-IDB joint research. Among the elements considered are: stocktaking of national broadband policies and universal service programs; comparisons of policies, laws, regulations and technology options; financial modalities for developing and implementing universal broadband coverage; and specific recommendations based on comparative analysis.

ADB-IDB research on universal broadband connectivity was presented at the ICT for Development Forum 2013 held at ADB February 28 – March 1. The joint report will be published at a regional event scheduled for May 2013 in Bolivia.

Preventing the intergenerational transmission of poverty. Conditional Cash Transfers.

CCTs are targeted social programs that aim to reduce present levels of poverty and at the same time try to incentivize household behaviors to prevent its intergenerational transmission. A fundamental concept behind this development innovation, which originated in LAC, is that poor households need

special help, but as such assistance is provided, over time household self-sufficiency should improve to the point that help is no longer needed.

On October 19, in Manila, the IDB Vice President for Sectors and Knowledge shared insights on Latin America's experiences in conditional cash transfers and their relevance for Asia-Pacific at the ADB Eminent Speakers Forum event on The Role of Social Protection in Advancing Inclusive Growth.

More recently, IDB and ADB organized a South-South Learning Event on Conditional Cash Transfers to share LAC's experiences in CCTs design and implementation. The event, which was held in April 2013, brought together representatives from planning, finance, labor, and social welfare ministries and national CCT programs from 11 countries in Asia and the Pacific, as well as ADB staff. The program included three full days of presentations and discussions and a one-day field visit to selected sites that are part of the Philippines' national CCT program, Pantawid Pamilya.



Shanghai, People's Republic of China

From the margins to the mainstream. The role of Inclusive Business.

Traditional entrepreneurs are motivated by profit but the private sector can also serve the public interest as major providers of employment, goods, and services. Inclusive Business brings low-income populations into the formal economy as producers through integration into the supply chain, workers by creating jobs, and as consumers of goods and public services.

In November 2012, the ADB, in partnership with the IDB and SNV – the Netherlands Development Organization, hosted the Investing in Inclusive Business in Asia regional forum in Manila. The Forum highlighted innovative inclusive business models in various country contexts; assessed the growing interest of investors in this marketplace; and discussed the important role of development partners in promoting inclusive business. A keynote address on the IDB's Inclusive Business experiences in LAC was provided by the Vice President for Private Sector and Non-Sovereign Guaranteed Operations.

More recently, an Inclusive Business Corporate Leadership Workshop was held in Tokyo on implementing IB models in LAC and developing Asia. Companies also had the opportunity to discuss their inclusive business proposals with teams from ADB and IDB.

Sustainable Cities. Developing countries are urbanizing at the speed of light, posing important sustainability concerns. The ADB and IDB are working together to generate, share and disseminate cutting-edge research and knowledge on measuring and improving sustainable development in a sample of Asian and LAC cities to be widely disseminated to others.

Case studies include the Aburrá Valley Metropolitan Area of Medellín in Colombia, Santiago and Valparaíso in Chile, Metropolitan Region of Rio de Janeiro in Brazil, three Mexican Cities (Cuernavaca, Pachuca and Toluca), and Caracas Metropolitan Region of Venezuela in LAC; and in Asia-Pacific, Bangalore, Shanghai, Seoul, Bangkok, Manila and Ho Chi Minh. Results are being presented at seminars in ADB and IDB headquarters.

Improving Development Outcomes. Managing for Development Results.

Improving development effectiveness is critical for reducing poverty in developing countries. In many developing countries the public sector operates without an overall strategy of specific objectives and accountability. The managing for development results (MfDR) approach utilizes information to arrive at better decisions, with the goal of achieving tangible and sustainable development outcomes.

Both Asia-Pacific and LAC have regional communities of practice that bring together government officials, academics, and other development professionals. These two networks are now participating in inter-regional forums to promote the exchange of experiences between their respective practitioners and experts. The first seminar, Decentralization and the Changing Role of Central Finance Agencies, took place in Manila November 28-29, 2012. The second, on Decentralization: Political and Fiscal Challenges, is scheduled to take place in Mexico City in May 2013.

THE PARTNERSHIP IS COORDINATED BY ADB'S STRATEGY AND POLICY DEPARTMENT, IDB'S INTEGRATION AND TRADE SECTOR, AND ADBI. IDB'S PARTICIPATION IN THE INITIATIVE IS FINANCED BY THE INSTITUTIONAL CAPACITY STRENGTHENING THEMATIC FUND.

ABOUT THE INTER-AMERICAN DEVELOPMENT BANK

IDB supports efforts by Latin America and the Caribbean countries to reduce poverty and inequality. It aims to bring about development in a sustainable, climate-friendly way.

IDB is the largest source of development financing for Latin America and the Caribbean, with a strong commitment to achieve measurable results, increased integrity, transparency and accountability. It has an evolving reform agenda that seeks to increase its development impact in the region.

It provides loans, grants, technical assistance and develops research. Its shareholders are 48 member countries, including 26 Latin American and Caribbean borrowing members, who have a majority ownership of the IDB.

ABOUT THE ASIAN DEVELOPMENT BANK

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

ABOUT THE ASIAN DEVELOPMENT BANK INSTITUTE

ADB I, located in Tokyo, is a subsidiary of ADB. It was established in December 1997 to respond to two needs of developing member countries: identification of effective development strategies and improvement of the capacity for sound management of agencies and organizations in developing member countries. As a provider of knowledge for development and a training center, the Institute serves a region stretching from the Caucasus to the Pacific Islands.

ADB

