



**Latin America/Caribbean and Asia/Pacific  
Economics and Business Association**

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Cooperation and Provision of Regional Public  
Goods: The IIRSA Case

*Ricardo Carciofi*

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Institute for the Integration of Latin America and the Caribbean  
Inter-American Development Bank

**LAEBA** 2008 Fourth Annual Meeting

*Infrastructure for Trade and Integration:  
Challenges for Latin America and Asia*

*Lima, 17 June 2008*

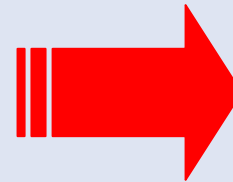
## **Cooperation and Provision of Regional Public Goods: The IIRSA Case**

*Ricardo Carciofi*

*Director  
IDB-INTAL*

# *Sections of the Paper*

- Conceptual Framework
- Project Identification and Regulatory Harmonization
- Investment and Financing: Additional Reasons for Cooperation and Involvement in IIRSA
- The Potential Market
- Pending Challenges



Some descriptive issues



Analysis





## *Some Descriptive Issues*

*Inter governmental mechanism to plan and develop infrastructure aimed at physical integration and development in South America*

It combines different elements:

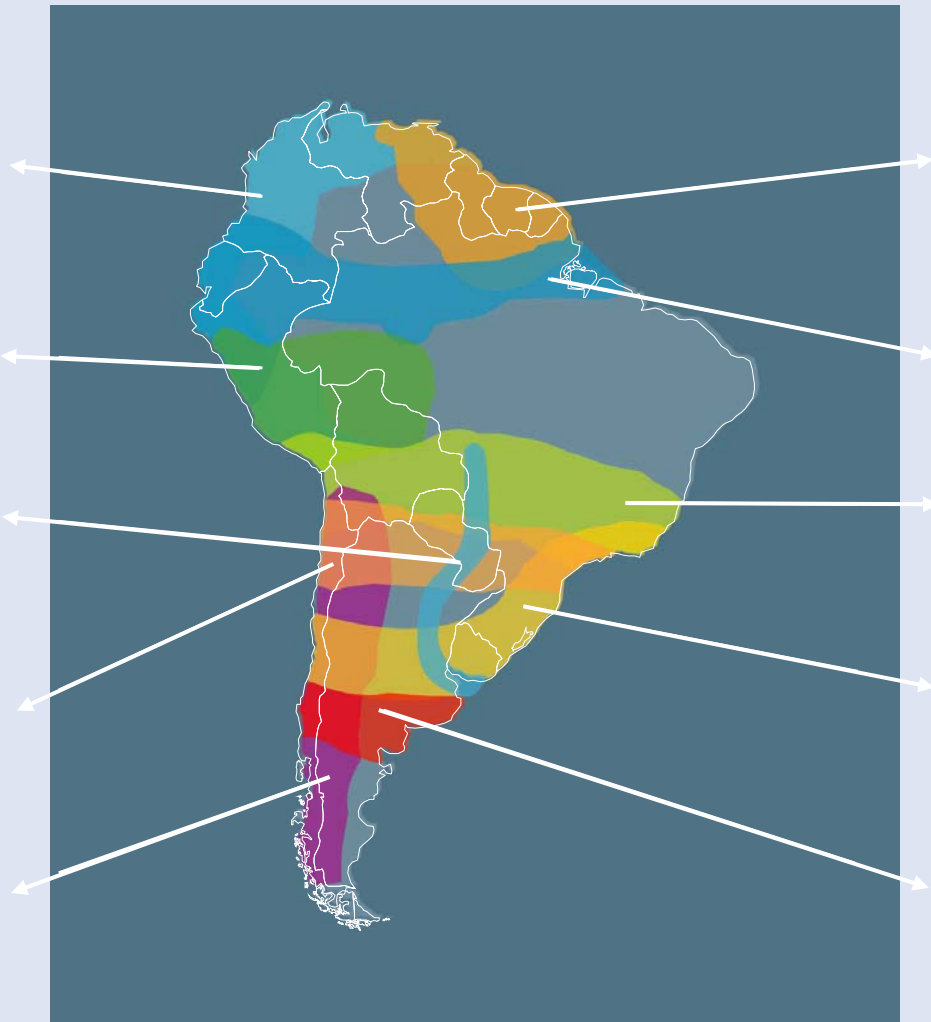
- Territorial planning, development impact, environmental sustainability
- Project analysis and implementation
- Regulatory issues





# Integration and Development Hubs

- Andean Hub
- Peru-Brazil-Bolivia Hub
- Paraguay-Paraná Waterwave Hub
- Capricorn Hub
- Southern Andean Hub



- Guianese Shield Hub
- Amazon Hub
- Central Interoceanic Hub
- MERCOSUR-Chile Hub
- Southern Hub



## *Governments establish Basic Agreements aimed at*

- Portfolio Composition
- Technical Studies (projects, regulation, planning)
- Annual Work Program
- Support from MDBs (IDB, CAF, FONPLATA)

# *Political Decision Making Process*

Brasilia, 2008 UNASUR Treaty is signed



Union of South American Nations - UNASUR (2005/2007)

Cusco, Dec. 2004



Implementation and Execution  
(2005/2010)

Guayaquil, 2002



Planning and Organization  
(2003/2004)

Brasilia, 2000



Launching and Design  
(2001/2002)





*Iniat*

*Analysis*

## *Basic Question*

*IIRSA cooperation mechanism has been able to keep running and make progress despite the lack of a process of deep integration in South America*

*Why?*

### Hypothesis

- Benefits derived from participation higher than costs
- Ability to maintain a well focused agenda. Decision making process based upon consensus

## *Conceptual Issues*

*Cooperation to develop physical infrastructure implies:*

1. Projects do have significant territorial impact.  
Spillover effects
2. Integration projects are subject to free riding behavior, asymmetric distribution of net benefits, long term commitment
3. Given transport costs, market size and economies of scale trigger agglomeration and center-periphery dynamics. Infrastructure projects reduce transport costs thereby helping to a more balanced economic geography
4. Trade agenda has to make parallel progress with integration projects



## *IIRSA Cooperation Agenda*

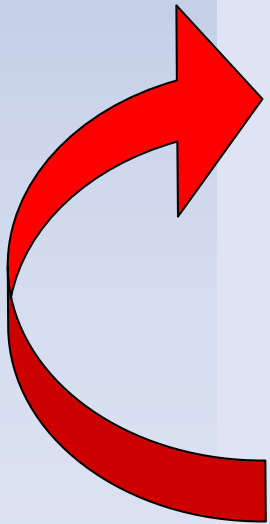
1. Development issues: Hubs,  
project selection, planning
2. Financial resources. Fiscal issues.  
Private sector involvement. MDBs
3. Market size. South America vs. other regions



# IIRSA's Projects

*Number of projects, involved amounts  
and effects on integration*

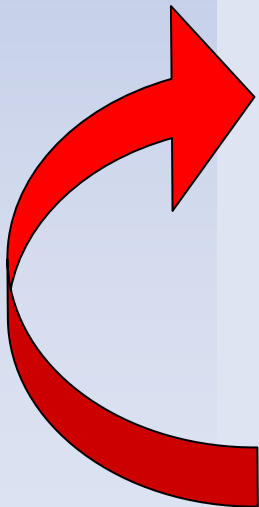
Country	Total projects		Binational projects		Effects on integration	
	Number	Amount	Number	Amount	Number	Amount
		In US\$ Billion		In US\$ billion		Percentage
	(1)	(2)	(3)	(4)	(5)=(3)/(1)	(6)=(4)/(2)
Argentina	63	6.257	22	3.241	34.9	51.8
Bolivia	40	8.025	25	4.218	62.5	52.6
Brazil	66	11.563	26	5.300	39.4	45.8
<b>Total</b>	<b>426</b>	<b>39.185</b>	<b>214</b>	<b>17.122</b>	<b>50.2</b>	<b>43.7</b>
<b>Simple Average</b>	<b>35.5</b>	<b>3.265</b>	<b>17.8</b>	<b>1.427</b>	<b>50.9</b>	<b>43.2</b>
Ecuador	35	1.035	26	0.547	74.3	52.8
Guyana	17	0.263	6	0.260	35.3	99.2
Paraguay	29	3.649	14	1.708	48.3	46.8
Peru	65	3.987	28	0.754	43.1	18.9
Suriname	8	0.166	3	0.075	37.5	45.2
Uruguay	14	0.822	5	0.412	35.7	50.1
Venezuela	25	1.426	23	0.199	92.0	13.9
<b>Total</b>	<b>426</b>	<b>39.185</b>	<b>214</b>	<b>17.122</b>	<b>50.2</b>	<b>43.7</b>
<b>Simple Average</b>	<b>35.5</b>	<b>3.265</b>	<b>17.8</b>	<b>1.427</b>	<b>50.9</b>	<b>43.2</b>





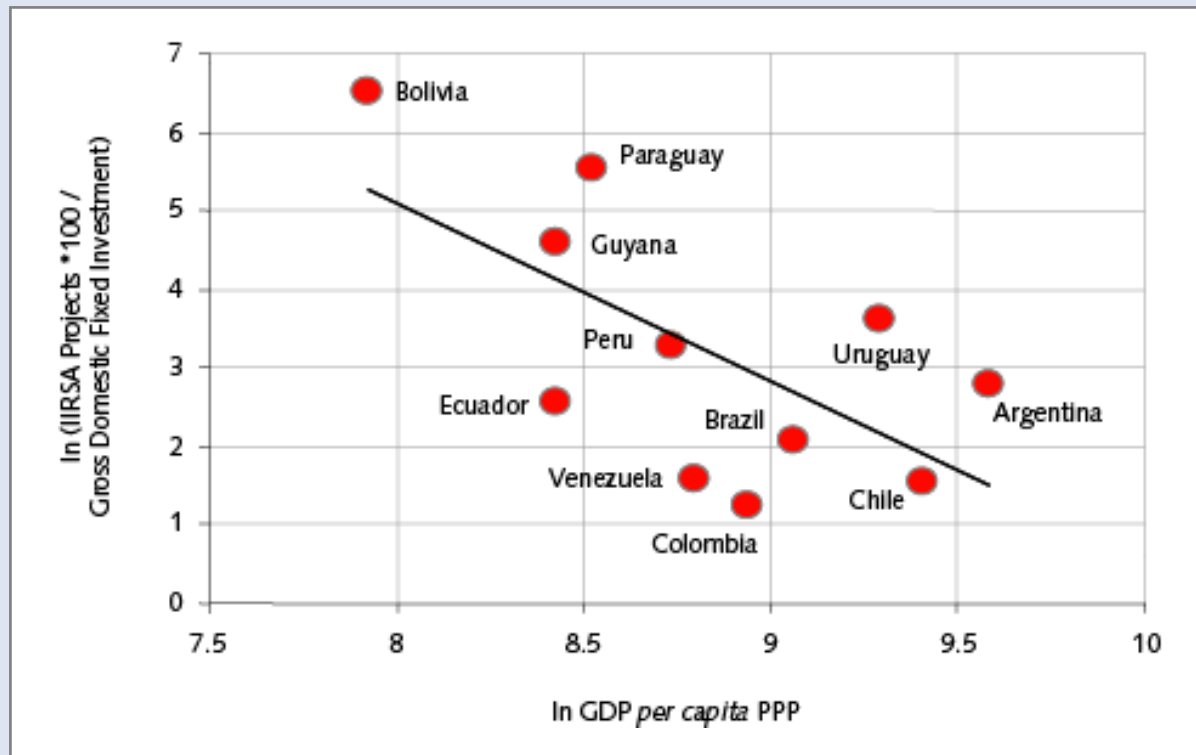
# Total Investment, Public Investment, and IIRSA's Projects

Country	Gross Domestic Fixed Investment / GDP	Central Government's investment / Gross Domestic Fixed Investment	Total IIRSA's Projects	
	Percentage	Percentage	In US\$ billion	Percentage of Investment
Argentina	21.5	9.4	6.257	15.9
Bolivia	12.5	81.0	8.025	679.3
Brazil	16.3	31.9	11.563	8.1
Chile	20.6	8.8	1.145	4.7
<b>Total</b>	<b>18.0</b>	<b>25.1</b>	<b>39.185</b>	<b>13.6</b>
Guyana	34.8	65.9	0.263	98.5
Paraguay	19.3	25.5	3.649	252.6
Peru	18.8	9.9	3.987	26.6
Suriname	N/A	N/A	0.166	N/A
Uruguay	13.1	10.3	0.822	37.8
Venezuela	20.2	28.5	1.426	4.9
<b>Total</b>	<b>18.0</b>	<b>25.1</b>	<b>39.185</b>	<b>13.6</b>



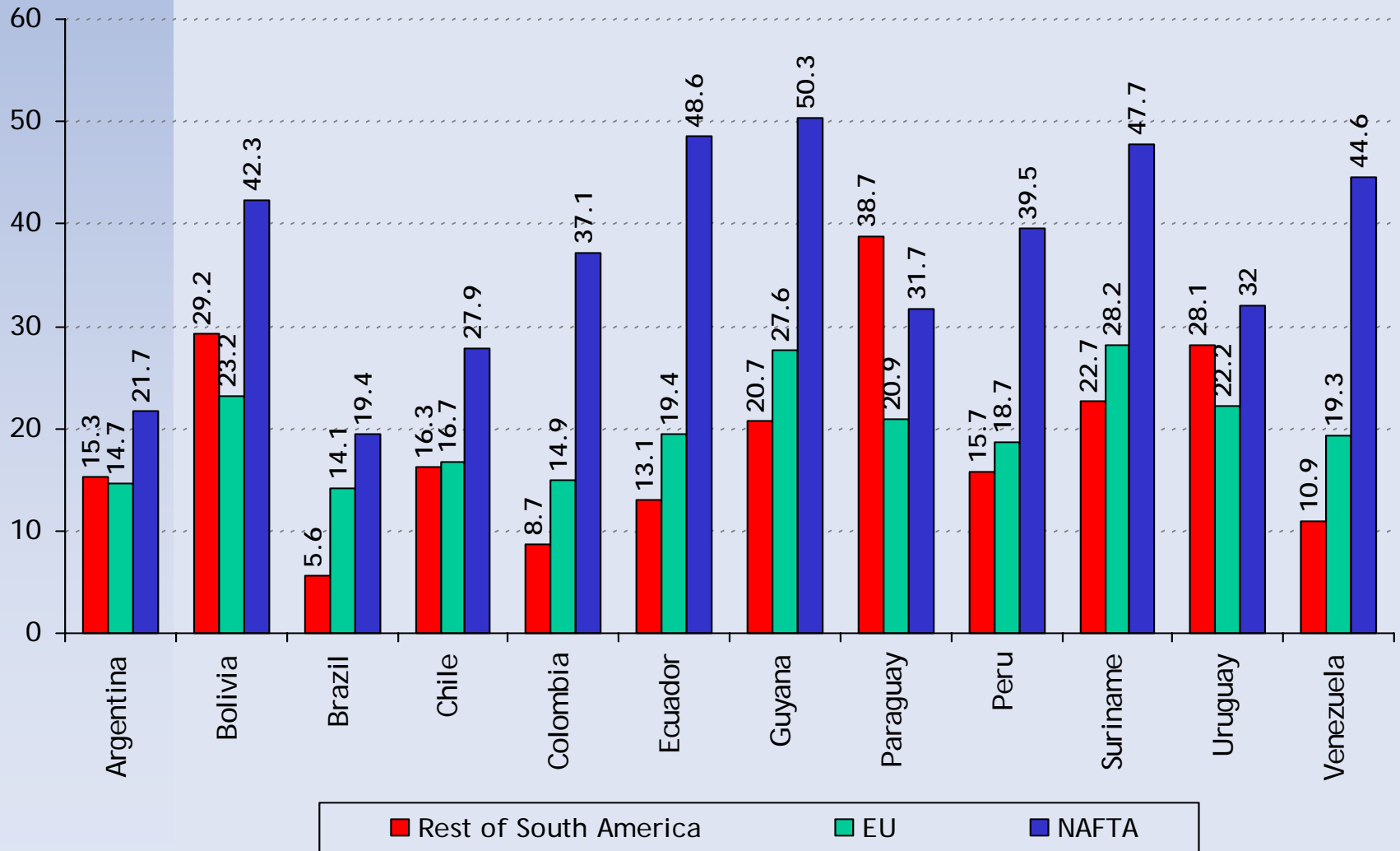


# Ratio of GDP per capita to IIRSA's Investment Projects





# Potential Markets for South American Countries

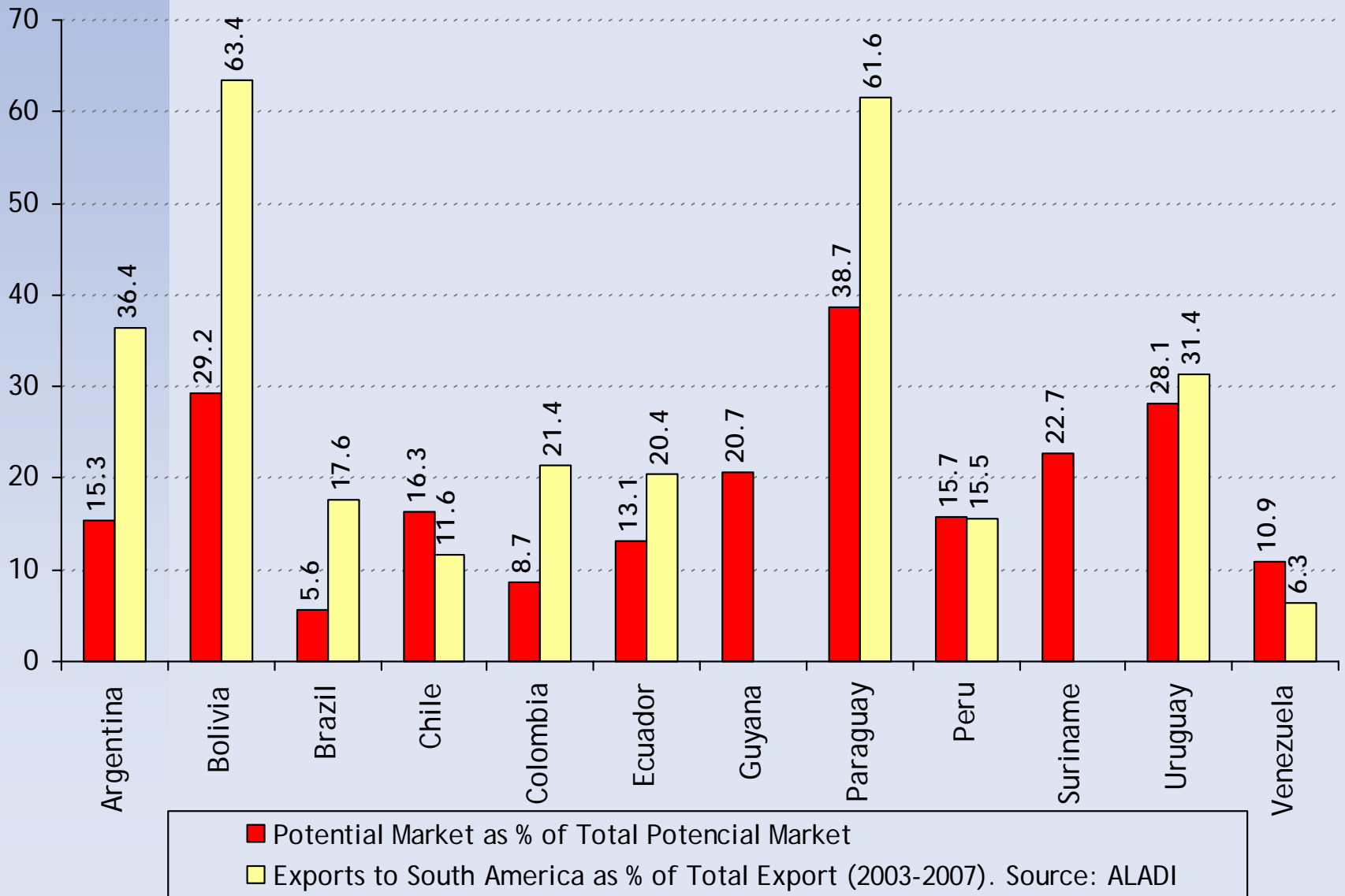






# South America

## Potential Markets and Export Destination





## *Future Challenges*

1. Agenda aimed at specific outputs associated with tangible benefits
2. The scope for deeper integration
3. UNASUR



Institute for the Integration of Latin America and the Caribbean  
Inter-American Development Bank

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Lima, 17 June 2008