



IDB SUPPORT TO INTEGRATION IN LATIN AMERICA AND THE CARIBBEAN

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THE CARIBBEAN**

EXECUTIVE *Summary*

The Inter-American Development Bank (IDB) has promoted integration in Latin America and the Caribbean since its establishment.

The Ninth General Capital Increase of 2010 reaffirmed the institution's commitment to support integration.

The IDB is a strategic partner in the integration process, providing institutional neutrality, financial capacity, and technical knowledge.

INSTITUTIONAL SUPPORT

The IDB supports the region's major integration initiatives in collaboration with international institutions, regional organizations and national governments, as well as with representatives from the private sector, academia and civil society. In this regard, the IDB:

>Supports the Technical Coordination Committee of **IIRSA/COSIPLAN**, the largest infrastructure integration initiative in South America, and coordinates the Technical Secretariat of the initiative.

>Serves as a member of the Inter-Institutional Technical Group and the Promotion and Financing Commission of the **Mesoamerican Project**, the most comprehensive integration and development initiative in the Mesoamerican region.

>Serves as a member of the Coordination Secretariat of the **Caribbean Growth Forum**, a regional public-private platform for discussing collective policies and actions to foster sustainable and inclusive growth.

>Coordinates the Technical Secretariat of the **Annual Meeting of Finance Ministers**, a forum for high-level discussions on the region's cooperation agenda focused on financing issues.

>Leads the IDB **Regional Policy Dialogue** on integration among senior officials and experts.

>Organizes **business forums** that bring together prominent business and political leaders to promote trade and investment among participating countries.

>Provides technical support to countries engaged in **international negotiations** such as the Doha Round and the Pacific Alliance, negotiations with Europe and Asia, and negotiations at the sub-regional level.

>Develops and implements **mechanisms to monitor and assess integration processes** by means of regular publications that report on trade trends, integration policies, and institutional frameworks.

> Supports countries in **programming integration operations** to increase their ability to identify a portfolio of potential investments and policy reforms in key thematic areas of integration.

>Closely cooperates with **international and regional organizations** that share the mission of supporting integration.

TECHNICAL AND FINANCIAL ASSISTANCE

The IDB provides technical and financial assistance to projects that strengthen the regional and global integration of Latin American and Caribbean countries. The goal of the Bank is to allocate at least 15 percent of its annual financial support to integration projects.

In 2012, financing for such projects totaled US\$1,843 million, representing approximately 16.2 percent of annual approvals.

The main areas of technical and financial support are the following:

>**Trade integration**, particularly projects on trade facilitation and logistics, export promotion and investment attraction, internationalization of small and medium enterprises, and coordinated border management.

>**Physical integration**, especially of road integration corridors and energy and telecommunications systems.

>**Financial integration**, to promote and facilitate the development of a more efficient regional financial market through regulatory harmonization and stock market integration.

>**Functional cooperation**, with emphasis on supporting collective action through the Regional Public Goods Initiative and other mechanisms.

>**Financial innovation**, focused on developing instruments that offer member countries a range of options to meet their current needs.

KNOWLEDGE GENERATION AND DISSEMINATION



The IDB has a long history of generating and disseminating knowledge on innovative topics related to the integration agenda of Latin America and the Caribbean. Major research areas include the following:

>Integration of the region in the context of **growing Asian economies**, with a focus on China, Korea, Japan and India, as well as other emerging countries.

>Transformation of the **regional institutional architecture** due to the proliferation of bilateral trade agreements in the region.

>Physical integration and **transport costs**, including studies on logistics costs by country.

>**Policies to promote exports and attract foreign direct investment**, evaluating the impact of export promotion agencies.

>Integration of production and **global value chains**, with original data on the region's global positioning.

>Evaluation of the **economic and social impact** of trade agreements and integration initiatives.

>Innovations in **integration financing**, with estimates on investment returns.

>Business integration and **internationalization of small and medium enterprises**, with emphasis on international and regional best practices.

Finally, the IDB promotes the dissemination of knowledge through:

>**INTrade**, a comprehensive online gateway that provides free access to detailed and disaggregated information on the implementation and utilization of trade agreements. The portal is the region's most complete source of data on this subject.

>**Training and capacity building** in key areas related to the integration process, drawing on the institutional framework and experience of the IDB Institute for the Integration of Latin America and the Caribbean

and the Inter-American Institute for Economic and Social Development.

>**The promotion of professional networks** such as the Trade and Integration Network, the Euro-Latin Study Network on Integration and Trade, the Latin America /Caribbean and Asia/Pacific Economics and Business Association, the Ibero-American Network of Trade Promotion Organizations, and the Latin-American Association of Service Exporters, among others.





STRATEGIC *Vision*

The IDB has promoted the integration process in Latin America and the Caribbean since its establishment. With the adoption of a new strategy that embraces integration as one of its foremost institutional priorities, the Bank today is uniquely positioned to act as a strategic partner for integration in the region. The IDB provides institutional neutrality, financial capacity, and technical expertise.

Integration is part of the Bank's DNA: Support for regional integration has been a foremost IDB priority since its establishment. The Bank's commitment to integration is enshrined in the first article of its Charter, and has been endorsed by all of its Presidents. In 1961 the first President of the IDB, Felipe Herrera, said "*we will be the bank of integration*". Nearly 50 years later, on the occasion of his inauguration, President Luis Alberto Moreno reiterated that "*integration is in the Bank's DNA*".

Renewed momentum for an institutional priority: In the context of the Ninth General Capital Increase in 2010, the Bank's Board of Governors established regional and global integration as one of its five institutional priorities. In addition, the Board made a commitment to direct at least 15 percent of the Bank's annual financing – an amount equivalent to approximately US\$1.8 billion – to regional integration operations by the end of 2015.

A new pragmatic approach to integration: Acting on the mandate of its Governors, the Bank in 2011 adopted a new Strategy to Support Competitive Regional and Global Integration. The strategy's overall objective is to strengthen the Bank's contribution to the regional and global integration of its member countries through pragmatic initiatives. Its strategic thrust is to simultaneously support policy and regulatory framework reforms (*the integration software*) and physical infrastructure development (*the hardware*), while ensuring consistency between national and regional interventions. 

Organizational structure and track record in support of integration: The IDB is the only multilateral financial institution with a department exclusively dedicated to integration issues () , which includes the Institute for the Integration of Latin America and the Caribbean (INTAL), whose evolution is closely associated with the historical progress of integration in the region (). Given its institutional structure and recent strategic innovations, the IDB maintains and reinforces its historical comparative advantage as the integration bank of Latin America and the Caribbean.

INSTITUTIONAL *Support*

The IDB supports the region's major integration initiatives in collaboration with international institutions, regional organizations and national governments, as well as with members of the private sector, academia and civil society.

IIRSA/COSIPLAN Technical Coordination Committee (CCT) and Secretariat: The South American Infrastructure and Planning Council (COSIPLAN) is the main forum for political and strategic discussions to advance the integration of infrastructure among the member countries of the Union of South American Nations (UNASUR). As such, it comprises the new institutional framework within which the Initiative for Integration of Regional Infrastructure in South America (IIRSA) now functions as a technical arm. At the request of its member countries, the CCT of IIRSA includes three of the region's multilateral financial institutions

– the IDB, the Latin American Development Bank (CAF), and the Fund for the Development of the River Plate Basin (FONPLATA) – and provides technical, logistical, and financial support to the initiative. In addition, through INTAL, the IDB serves as the Permanent Secretariat of the CCT, which plays a key role in coordinating activities among the three multilateral institutions and in facilitating communication with and among governments. Furthermore, the IDB independently provides its member countries with financial, technical, and human resources to support the development of physical integration projects in areas such as environmental and social assessment and border integration. [↔](#)

Mesoamerican Project (MP) Inter-institutional Technical Group (GTI) and Promotion and Financing Commission (CPF): The MP is an integration scheme comprising the countries of Central America, along with Mexico, Colombia, and the Dominican Republic. Through this mechanism member countries have been able

to reach consensus and attract resources to meet regional priorities in the areas of infrastructure, interconnectivity, and social development, thus fostering cohesion and a sense of regional identity necessary to find joint solutions to shared problems. The GTI, which provides technical and financial assistance for the identification and preparation of projects, includes the IDB, CAF, and the Central American Bank for Economic Integration (CABEI), among others. The IDB is also a member of the CPF, whose role is to secure financial resources for projects of strategic importance to the region. The CPF is comprised of the Executive Commission of the MP, and the Presidents of the IDB, CAF, and CABEI, along with the Finance Ministers of the MP member countries. [↔](#)

Caribbean Growth Forum (CGF) Coordination Secretariat: The IDB, along with the World Bank and the Caribbean Development Bank (CDB), is a member of the CGF Coordination Secretariat. The CGF is a platform for public-private dialogue on three

central issues for private sector development and growth: investment climate, skills and productivity, and logistics and connectivity. With the goal of identifying the key policy reforms needed across the three thematic areas, the CGF brings a non-traditional approach to the greatest challenge currently facing the Caribbean: creating sustainable and inclusive growth. (↔)

Annual Meeting of Finance Ministers (RFM) Technical Secretariat: The RFM is a platform for high-level discussions among the Finance Ministers of the Americas on the region's integration and cooperation agenda, with emphasis on funding issues. The IDB Integration and Trade Sector coordinates the RFM Technical Secretariat, which provides support to the country serving as the pro tempore president, coordinates the technical input of other multilateral development institutions, and ensures the continuity of the process. (↔)

Regional Policy Dialogue (RPD) on Integration: The RPD constitutes one of the Bank's main mechanisms to promote strategic knowledge sharing between high-level government officials and international experts. The Trade Integration Network gathers Ministers and vice-Ministers responsible for integration policies in the region and places at their disposal a network of international experts, with the aim of providing an impartial setting for discussing the region's policy agenda. Other networks address sector-specific themes such as transportation, energy, and innovation. (↔)

Regional Business Forums: The IDB periodically organizes business forums with the goal of promoting trade and investment. These forums, carried out at the highest political level, are attended by hundreds of business leaders, and often include business match-making sessions. Some are organized on a bilateral (e.g., Brazil-Colombia - ↔), bi-regional (e.g., Latin America-Asia), regional (e.g., CEO Summit of the Americas - ↔), or sub-regional

basis (e.g., Mesoamerica Business Forum - ↔). Others are organized by themes, such as LACFlavors, which generates business opportunities for small and medium enterprises (SMEs) in the food and agriculture sector (↔); and Outsource2LAC, which fosters the development of the global services sector. (↔)

Technical support to trade and economic integration negotiations: At the request of its member countries, the IDB supports economic integration initiatives at the global (e.g., Doha Round), regional (e.g., Pacific Alliance), extra-regional (e.g., negotiations with Europe and Asia), and sub-regional levels (e.g., Southern Common Market - MERCOSUR, Andean Community - CAN, Caribbean Community - CARICOM, Central American Common Market - CACM). In addition, the Bank provides specialized advisory services on trade issues and directs technical assistance to projects that promote and strengthen regional integration institutions.

NEW Monitoring and assessment of integration processes: The IDB offers innovative tools for monitoring integration initiatives tailored to the specific needs of government officials, entrepreneurs, or academics. INTrade is the region's most comprehensive online gateway for monitoring the implementation and utilization of trade agreements. For example, the annual Trade and Integration Monitor, which provides comprehensive data on the region's integration into the global economy, is built on the extensive body of quantitative information made available to the public through INTrade. (↔)

NEW Support for programming integration operations: In order to comply with the Strategy to Support Competitive Global and Regional Integration, the IDB is preparing Strategic Agendas on Integration (SAIs). The SAIs support IDB member countries in identifying a pipeline of potential investments

and policy reforms in the main thematic areas of regional and global integration by facilitating intersectoral coordination and ensuring alignment with the country strategy process.

Strategic alliances: The IDB closely cooperates with international and regional organizations with which it shares the mission to support integration. For example, together with the World Trade Organization, and the Organization for Economic Cooperation and Development, the IDB promotes the Aid for Trade initiative in the region. It also collaborates with international institutions such as the World Bank, the United Nations, the European Commission, the

Asian Development Bank, and the World Customs Organization on issues related to global and regional integration and South-South cooperation. In addition, it cooperates with regional organizations such as the Organization of American States, the Economic Commission for Latin America and the Caribbean, the Central American Integration System (SICA), UNASUR, MERCOSUR, CAN, and CARICOM in promoting regional economic integration.



**THE IDB PROMOTES
HIGH-LEVEL STRATEGIC
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PUBLIC AND PRIVATE
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INITIATIVES AMONG
ITS MEMBER
COUNTRIES.**



TECHNICAL AND FINANCIAL *Assistance*

In its 50 years, the IDB has financed countless operations to support the regional and global integration of its member countries. In 2012 alone, Bank funding for such operations totaled US\$1,843 million, equivalent to approximately 16.2 percent of its annual approvals.

In the past two years the Bank recorded a 60 percent increase in approvals for integration projects in the COSIPLAN portfolio, and a doubling of funding for operations related to integration in Mesoamerica.

The IDB provides financial and technical assistance to some of the most promising initiatives for the integration of Latin America and the Caribbean. The following is a partial list of such initiatives.

TRADE INTEGRATION

The IDB places special emphasis on software projects related to the modernization of policies and regulatory frameworks and to the overall process of international insertion. Areas of growing engagement include trade facilitation and logistics to spur commercial flows and reduce trade costs, export promotion and investment attraction, internationalization of SMEs, and financing of coordinated border facilities.

NEW Regulatory and institutional framework reforms: The IDB supports the implementation of programs to reform and strengthen the institutional and regulatory framework for attracting investment, promoting and facilitating trade, and building capacity for business innovation to substantially increase investment and exports (e.g., strategic international positioning program in Uruguay and institutional strengthening programs in El Salvador, Guatemala, and Nicaragua).

New export sectors: The IDB promotes a new generation of projects aimed at positioning its member countries in promising markets, such as the global services industry (e.g., promoting outsourcing in Guatemala, Uruguay, and Colombia), modernizing trade services (e.g., International Trade Single Windows in Chile, Nicaragua, and Uruguay), improving the business climate (e.g., support for the integration software in the Caribbean), implementing country branding and marketing strategies at the national and sector levels (e.g., initiatives within the framework of the Latin American Network of Foreign Trade Promotion Organizations – REDIBERO – in El Salvador and Nicaragua, and private sector development in Haiti), and democratizing the access to export channels (e.g., Exportafácil in several Latin American countries).

Internationalization of SMEs: The IDB facilitates the access of hundreds of SMEs to international markets through co-financing mechanisms for business development services that support certification, cleaner production, franchising, joint projects, and compliance with environmental and labor standards, among others (e.g., El Salvador, Guatemala, Paraguay, Argentina).

➤ **NEW** **ConnectAmericas:** The IDB is leading the creation of a regional electronic platform that offers unified and articulated services and information for the internationalization of SMEs.

➤ **FINPYME ExportPlus:** The IDB seeks to boost SMEs' competitiveness and ability to access export markets by providing direct technical assistance through a holistic approach that tackles certification, operational, and managerial processes.

NEW **Coordinated border management to facilitate trade and improve trade security:** A new generation of border projects aims at developing coordinated bi-national border posts that promote interoperability among government agencies responsible for facilitating trade and ensuring trade security, in addition to pioneering customs programs such as the following:

➤ **Authorized Economic Operator (AEO):** This program grants special status to reliable operators that possess a record of customs compliance and apply appropriate security and safety standards in their processes and facilities. The IDB finances the design, strengthening, and implementation of AEO programs, and promotes the exchange of best practices and the harmonization of programs.

➤ **International Transit of Goods (ITG):** This initiative entails the implementation of computer systems and standardized procedures at border posts to optimize and improve customs and quarantine procedures in international transit operations. The IDB supports the implementation of ITG in Mesoamerica (e.g., the operation of ITG at all border crossings on the Pacific Corridor from Mexico to Panama) and South America (e.g., the Iñapari border crossing between Peru and Brazil, as well as in Bolivia, Colombia, Ecuador, and Peru).

➤ **International Trade Single Windows:** In addition to serving as a tool for reducing transaction costs, single windows serve as integrated information centers that feed into risk analysis and improve international trade management. The IDB supports the design, development, implementation, improvement, and regional integration of single windows. To this end, it has financed the implementation of single windows in Chile, Nicaragua, Costa Rica, and Guatemala, as well as their interoperability in the Mesoamerican region.

➤ **Women's participation in international trade:** Launched in 2010, the Gender and Trade Initiative aims at promoting and supporting women's access to opportunities and benefits offered by international trade through knowledge generation and awareness-raising on the relationship between gender equality and trade. As part of this initiative the IDB has developed products such as the Trade and Gender Handbook, which helps identify and formulate more inclusive trade and integration projects, as well as specific actions targeted at helping women participate more effectively in global value chains.

PHYSICAL INTEGRATION

The IDB helps to finance “structured projects” for physical infrastructure that support the hardware components of integration projects.

➤ **Integration corridors:** Pioneering IDB projects aim to add value by combining financing with intangible technical assets.

➤ With IDB support, IIRSA/COSIPLAN has developed an **Agenda of Priority Projects for Integration** (↔), a collection of high-impact, strategic “structured projects” for physical integration that aim to reinforce synergies and address infrastructure deficiencies by consolidating

regional networks for physical connectivity. For example, in the case of the Tumaco-Pasto-Mocoa-Puerto Asis road corridor (Colombia, Ecuador, Peru and Brazil), the participation of the IDB was vital in obtaining the environmental permit. Also, in the Paita-Tarapoto-Yurimaguas highway (Peru and Brazil), the Bank introduced an innovative financial structure based on a public-private partnership backed by a guarantee.

➤ **NEW** With IDB financing and technical cooperation, the MP is implementing the **International Network of Mesoamerican Highways (RICAM)** (↔), focusing on the rehabilitation, maintenance, and construction of highways across five road corridors. Within this framework, participating countries have agreed to concentrate their efforts on turning the Pacific Corridor into the main logistics corridor for transport and trade integration in Mesoamerica. Included are interventions to improve road connections and a program to modernize border crossings with infrastructure and trade facilitation procedures with a regional perspective.

➤ The IDB is a key partner in the **Panama Canal expansion** project. In addition to financing part of the construction, the IDB has supported studies

on environmental and social impacts, on options for improving the management of the basin, and on the project's impact on logistics in Central America.

➤ With IDB technical cooperation and financing, the Caribbean region is developing a **Regional Strategy on Freight Logistics and Trade Facilitation**, which aims to define national and regional action plans to improve the quality of infrastructure for trade and logistics services in the region.

➤ **Energy integration:** The IDB has a long experience in financing electrical interconnection networks.

➤ For the **Central American Electrical Interconnection System (SIEPAC)** (↔), which consists of a 1,800-km high-voltage transmission line and substations and the Regional Electricity Market (MER), the IDB has provided 51 percent of the total investment, in addition to supporting the process from inception in 1996 until entry into commercial operation in 2013. The interconnection between Colombia and Panama will complement SIEPAC and represent an essential step in the development of the Mesoamerican electricity market by strengthening the physical connections between countries.

➤ **NEW** In South America, the IDB supports the development of the Andean Electrical Interconnection System (SINEA) (↔) through the financing of pre-feasibility technical studies that include infrastructure planning and regulatory harmonization.

➤ **Telecommunications:** The IDB provides operational investments to accelerate access to broadband and promote its use.

➤ **NEW** **South American Fiber Optic Ring:** The IDB provides technical and financial assistance and supports dialogue among governments and with the private sector on the implementation of a telecommunications project to interconnect countries in South America through a fiber optic network. This innovative project will improve the quality and lower the cost of voice communications, data transmission, and the Internet.

>**Central America Fiber Optic Network (REDCA):** The IDB has supported the development of a business plan for REDCA, which is a subsidiary of the company that owns SIEPAC. The company is responsible for managing and operating the fiber optic networks installed on SIEPAC, and for interconnecting telecommunications systems in the region, for which additional infrastructure investments are being identified.

FINANCIAL INTEGRATION

The integration of regional financial markets is still at an incipient stage in Latin America and the Caribbean, and for this reason offers significant development opportunities. The IDB has supported countries that have launched initiatives to integrate their stock markets, particularly in Central America, Brazil, Chile, Colombia, and Peru. These initiatives aim to promote and facilitate the development of a more efficient regional financial market through regulatory harmonization and stock market integration.

NEW **Latin American Integrated Market (MILA):** MILA is a flagship project in operation since May 2011 that aims to link stock exchange operations in Chile, Colombia, and Peru through electronic routing. The IDB has supported the creation of MILA with an operation to strengthen supervision and regulation. In addition, through

the Brazilian organization BRAiN, the IDB supports efforts to develop a regional market focused on third party fund management, securities markets, and corporate debt issuance as a regional public good. [↔](#)

Alliance of Central American Market (AMERCA): AMERCA was launched in 2007 to provide brokerage firms in Costa Rica, El Salvador and Panama direct access to these countries' markets under a "remote membership" model and a common system of securities rules. The IDB has supported AMERCA since its creation, promoting the integration and development of participating countries' stock markets, and improving their attractiveness, efficiency and transparency. IDB support has been directed at building consensus on an action plan for the consolidation of the project, and at defining the integration model, operating standards, and regional regulatory framework for its operation.

FUNCTIONAL COOPERATION

The IDB works with its member countries to identify opportunities for collective action that addresses common or cross-border challenges at the regional level, while adding value to national interventions.

The IDB is the main source of support for the generation of **regional public goods** and has developed a specific instrument to promote regional integration in areas where collective action and regional cooperation are more effective and efficient than individual country action (e.g., the Caribbean Hotel Energy Efficiency and Renewable Energy Action Program; an interconnected information system for the integrated and sustainable management of water resources in the Lempa River Basin in Central America; and a common platform between the National Agencies for Industrial Property of several South American countries). [↔](#)

Given the scale and cross-border nature of crime, governments in Central America are advancing a **Comprehensive Citizen Security Strategy** with IDB support. The strategy is aimed at engaging stakeholders in various priority areas such as crime and violence prevention, prison security, rehabilitation and reintegration of offenders, and institutional strengthening, with emphasis on justice and technological innovation, as well as facilitating coordination and joint management of financial resources.

The **Salud Mesoamerica 2015 Initiative** is an innovative public-private partnership that backs the efforts of Mesoamerican governments in reaching the Millennium Development Goals related to health. The initiative's main action areas are reproductive, maternal, neonatal, and child health care, with an emphasis on nutrition and immunization. [↔](#)

The **Compete Caribbean** program aims to promote private sector development and competitiveness through the provision of technical assistance grants and investment funding to support productive development policies, business climate reforms, and clustering initiatives in the Caribbean region. [↔](#)

FINANCIAL INNOVATION TO SUPPORT INTEGRATION

Within the framework of its Strategy to Support Competitive Global and Regional Integration, the IDB is evaluating the reformulation of its instruments - loans and grants, with or without sovereign guarantees - to offer member countries a range of options suited to their current needs. Some programs already focus on the specific needs of the integration agenda.

Trade financing programs: Launched in 2005, the Trade Finance Facilitation Program (TFFP) is a tool to support economic growth through the expansion of financing for international trade activities. Under

the TFFP, the IDB provides loans and guarantees to cover letters of credit, bills of exchange, promissory notes, and other instruments used in international trade transactions. The program has supported more than 3,300 trade transactions to date for a total of more than US\$3 billion in financing. In addition, the IDB has developed Trade Finance Funds to support SME exporters through innovative tools that offer access to finance for enterprises with limited access to traditional sources. Through this mechanism, the IDB has supported more than 125 SMEs in 12 countries in the region through the execution of more than 11,000 trade transactions.

NEW **Integration funds for technical cooperation:** The IDB maintains funds for technical cooperation dedicated specifically to preparing integration lending operations, both for physical integration (hardware) and for regulatory reforms (software).

>**NEW** The **Multi-Donor Regional Infrastructure Integration Fund (RIIF)** is the Bank's first multi-donor fund with contributions from Latin American countries, making it an innovative platform for South-South cooperation to strengthen the region's integration processes and to promote regulatory harmonization and infrastructure investments. Financial support is provided by Canada, Colombia, Spain, United States and Mexico.

>The **Fund for Regional Integration Infrastructure (FIRII)** is a window that finances the preparation of integration infrastructure projects, with special emphasis on projects included in IIRSA and MP. [↔](#)

>The **Aid for Trade Fund** supports the implementation of the Aid for Trade initiative, which seeks to develop infrastructure and strengthen productive capacities in the private sector to enable countries to benefit from trade liberalization and increase their participation in global trade. [↔](#) Contributors to this fund include Canada, Chile, United Kingdom and Switzerland.

> **Other funds** support the IDB integration and cooperation agenda, with contributions from Korea, Spain and Japan, among others.

NEW **Financial instruments:** The IDB continuously revises its financial instruments to better suit its clients' needs. The Bank has recently emphasized the development of new modalities for private sector support, including the co-financing of projects with institutions such as Brazil's National Bank for Economic and Social Development (BNDES) or other development agencies of non-borrowing member countries.

A photograph of two large offshore oil rigs at night, illuminated by numerous bright lights. The rigs are situated in a body of water, and their lights create a strong reflection on the calm surface. The sky is a deep blue, suggesting twilight or early night. The overall scene conveys a sense of industrial activity and energy.

“ THE OPERATIONAL EXPERIENCE OF THE IDB HELPS TO IDENTIFY BEST PRACTICES, SHARE SUCCESSFUL MODES OF INTERVENTION AMONG COUNTRIES, AND FINANCE PROJECTS USING INNOVATIVE INSTRUMENTS TAILORED TO THE REGION’S NEW INTEGRATION AGENDA. ”

GENERATION AND DISSEMINATION *of Knowledge*

The IDB has a long history of generating and disseminating knowledge on innovative topics related to the integration agenda of Latin America and the Caribbean. The Bank's major research areas include the following:

Integration of the region in the context of growing Asian economies: In the last decade, a number of IDB publications have systematically addressed the integration of Latin America and the Caribbean with Asian countries, particularly with China, Korea, Japan and India. Topics included trade and investment relations and South-South cooperation among countries of the two regions. (↔)

Transformation of the regional institutional architecture: The proliferation of bilateral trade agreements in the region has resulted in a transformation of the institutional integration framework, with profound impacts on the geopolitical balance

among States and on the economic incentives for the internationalization of firms. The empirical research developed by the IDB is the most detailed documentation available on the dynamics of the new trade architecture in the region. (↔)

NEW Physical integration and transport costs: Given the progress made in liberalizing trade, physical barriers to integration and logistics costs now constitute the greatest barriers to integration. In a series of pioneering studies, the IDB documents international and domestic transportation costs faced by the region's exporters to integrate into the global economy. This analytical work is complemented by technical cooperation initiatives aimed at establishing a network of freight and logistics observatories as a regional public good. (↔)

Policies to promote exports and attract foreign direct investment: The governments of the region have implemented a variety of programs to support firms in finding new markets and increasing export

volumes. Several pioneering IDB studies analyze the effects of export promotion policies and institutions on countries' trade performance, and document best practices and lessons learned in increasing their firms' participation in regional and global trade. The theme of foreign investment attraction will be addressed in a forthcoming report. (↔)

NEW Integration of production and global value chains: The spread of globalization has led to a radical transformation of production processes and modes of integration into global value chains. Based on unpublished data, the IDB analysis presents an original assessment of the region's productive integration (Forthcoming).

Evaluation of the economic and social impact of trade agreements: The Bank has a long tradition of assessing the impact of integration agreements, both in purely economic terms and also relative to their social and distributive dimensions. Employing different and

novel methodologies - including an internally-developed computable general equilibrium model - the IDB has sought to provide policymakers information on the economic and social impacts of trade agreements, as well as on the potential benefits of a policy agenda that goes beyond formal integration agreements. [↔](#)

NEW **Regional financing and returns on integration investments:** The new integration policy agenda aims to promote combined investments in the hardware and the software of integration. IDB analyses have projected the returns to investments in this new integration policy agenda, quantifying the benefits of the hardware-software complementarity by estimating the integration gap of Latin America and the Caribbean, the trade potential of greater regional and global integration, and the dollar-for-dollar return on investments. [↔](#)

NEW **Business integration and SME internationalization:** SMEs are an important segment of the economies in Latin America and the Caribbean. Yet, persistent structural problems hinder their full participation in international trade. A new IDB research project focuses on the main challenges faced by countries in the region in the fields of finance, information and logistics, and proposes interventions to address them (Forthcoming).

In addition, the Bank promotes the dissemination of knowledge through:

NEW **INTrade: a comprehensive online gateway to harness integration:** The availability of accurate information is vital for taking full advantage of integration agreements. INTrade provides free access to detailed and disaggregated information on texts of trade agreements, preferential and non-preferential tariffs, tariff-rate quotas, rules of origin, sanitary regulations, import and export

flows, and indicators of economic integration. Based on INTrade, the IDB publishes the annual Trade and Integration Monitor (June) and Trade Trend Estimates (December). [↔](#)

Training and capacity building on integration: IDB training programs aim at strengthening the ability to negotiate and implement trade agreements, improve efficiency in trade facilitation and security, support the participation of SMEs in global value chains, and reinforce the capacity of governments, private sector, and civil society to fully benefit from integration processes. The programs include online mentored courses and communities of practice of integration professionals, combined with face-to-face courses and exchange programs with strategic trade partners in Asia. [↔](#)

Promotion of professional networks: The IDB supports and coordinates networks of experts to stimulate the exchange of ideas among researchers, practitioners, and policymakers. The networks are either regional (Trade and

Integration Network; LACEA-IDB-CAF-Trade, Integration, and Growth Network), bi-regional (Euro-Latin Study Network on Integration and Trade; Latin America/Caribbean and Asia/Pacific Economics and Business Association), or thematic (Ibero-American Network of Export Promotion Agencies; Network of Experts on Economic Modeling with Computable General Equilibrium). Meetings are usually sponsored in partnership with other multilateral development institutions. [↔](#)



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**THE IDB PRODUCES
AND DISSEMINATES
KNOWLEDGE ON
INNOVATIVE TOPICS
TO SUPPORT THE
REGION'S INTEGRATION
AGENDA, COORDINATES
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INTERNATIONAL
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AS A BRAIN TRUST FOR
THE REGION.**

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This document summarizes some of the activities being carried out by the Inter-American Development Bank (IDB) to support integration in Latin America and the Caribbean.

The document was prepared by the Integration and Trade Sector and the Infrastructure and Environment Sector, of the Vice Presidency for Sectors and Knowledge with input from the Office of the Vice President for Private Sector and Non-Sovereign Guaranteed Operations and the Country Departments. As such, it does not constitute a comprehensive official activity report of the IDB.

For additional information visit:
www.iadb.org

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