

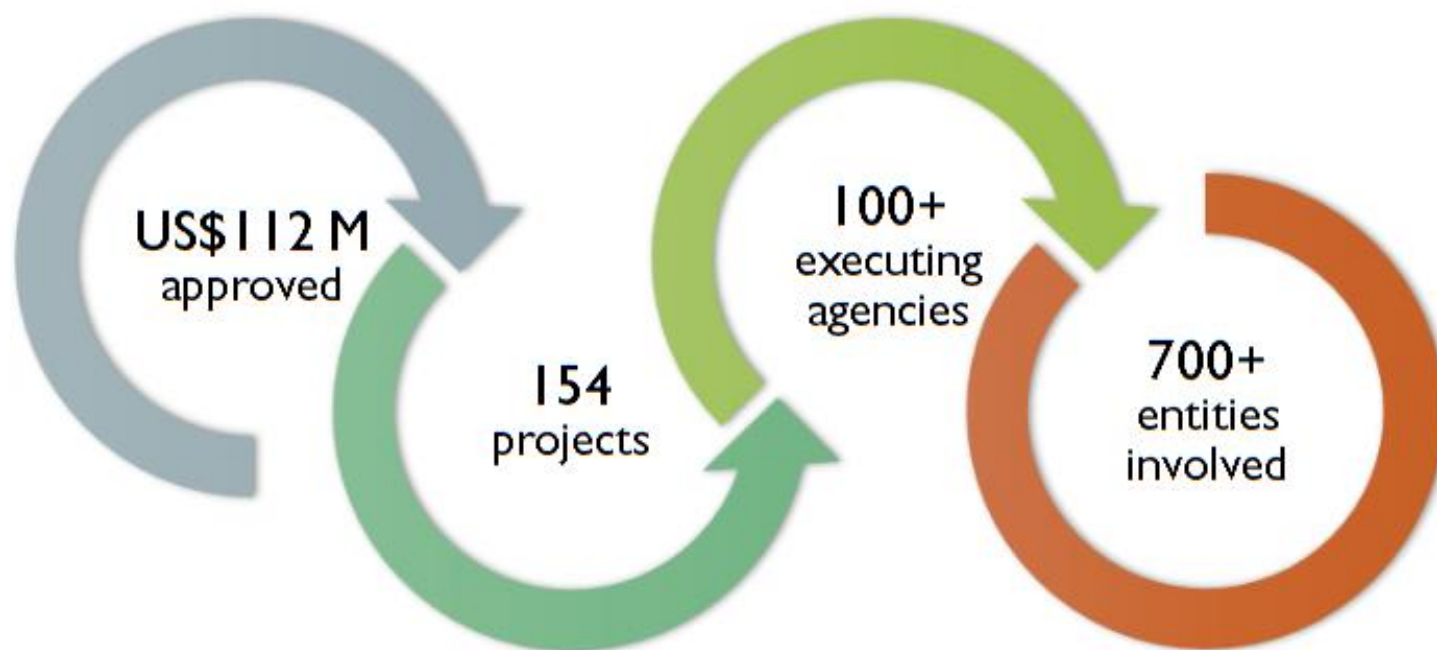
# **BENEFITS & COSTS OF RPGs: EVIDENCE & IMPLICATIONS LESSONS FROM LATIN AMERICA**

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# IDB's Regional Public Goods Initiative 2005-2017



# The Regional Public Goods Initiative in Latin America and the Caribbean

## COUNTRY PARTICIPATION





# Rationale & Objective

## Rationale

LAC countries share many development challenges and opportunities that can be addressed more effectively and efficiently at a regional level through collective action.

## Objective

To support the generation of regional public goods that have a high potential development impact in the IDB's borrowing member countries.



# Definition & Key features

## Definition

“Regional Public Goods (RPGs) are goods, services or resources that are consumed and produced collectively by the public sector and, if appropriate, the private sector in a minimum of three Latin American and Caribbean (LAC) countries”.

## Key Features

- Regional
- Multi-sector
- Competitive Allocation of Funds
- Demand-driven
- South-South Cooperation
- Laboratory of ideas

# RPG Execution Structure

## Executing Agency

Responsible before the Bank for the execution of activities

Management & administration of the Bank's financial contribution

## Project Coordinator

Responsible for the coordination of activities and participants

## Steering Committee

(Country representatives)  
Take key decisions during project execution

## The Bank

Strategic leadership  
Technical assistance  
Honest broker

## Strategic Partners

Contribute with:  
Knowledge and technology  
Additional financial resources

# The Role for Regional Banks

- Play honest broker role that can mediate among countries
- Promote formal dialogues with their beneficiary countries and have established presence in all countries
- Have operational structure (legal department, country offices, technical sectors) that improves the efficiency of regional projects
- Offer a close match between the providing institution's jurisdictional authority and the range of benefit spillovers of the public good
- Have a financial and non-financial instruments value chain with tailored research, policy dialogue, capacity building, grants, loans & guarantees for implementation

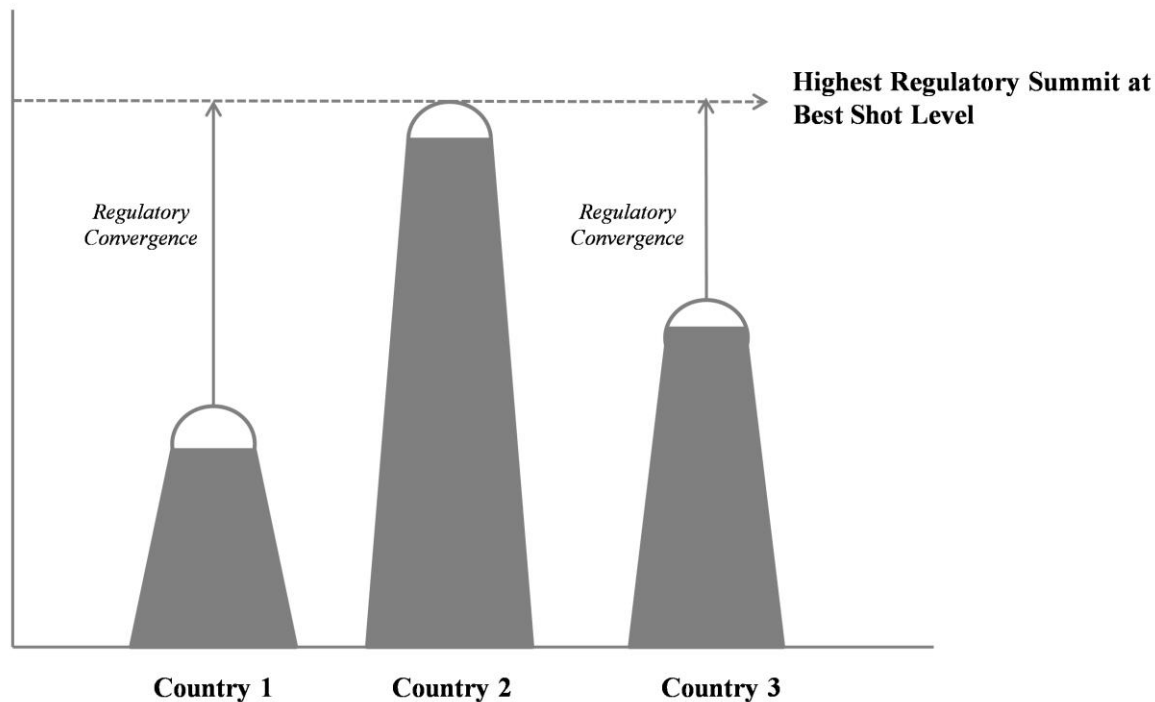
# Why support RPGs?

- Pool limited national technical capacity to produce a new and higher regional standard (*i.e. Crossborder supervision of Latin American Integrated Market MILA*)
- Lower costs by realizing economies of scale (*i.e. Central American Protocol for the Procurement of Pharmaceuticals*)
- Reduce the costs of navigating country specific regulatory environments for public agencies and companies (*i.e. Interoperability of Single Windows for Foreign Trade*)
- Curtail attempts at regulatory capture in cases of limited market competition (*i.e. Better vehicle safety standards in LAC*)
- Prevent backtracking due to the difficulty of persuading partner countries to break the regional standard (*i.e. an FTA or MRA*)
- Aim for higher regulatory standards



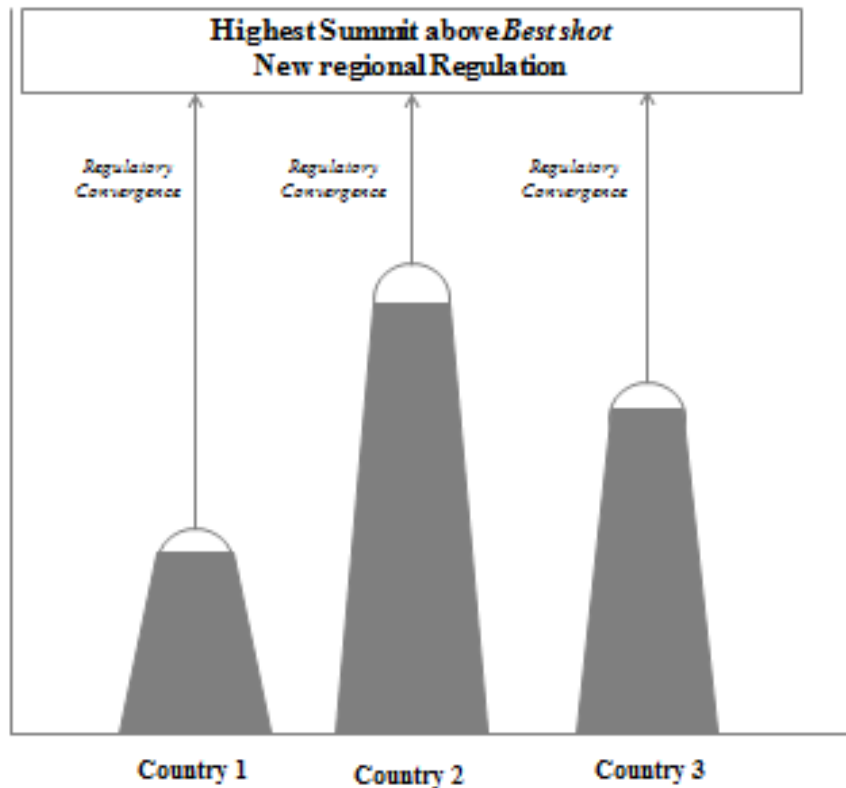
# High Regulatory Summits

Countries converge towards the highest existing regulation  
*i.e. financial integration in the stock markets (MILA)*



# High Regulatory Summits

Countries converge towards a new, higher regulation  
*i.e. new regional protocol for the procurement of pharmaceuticals*



# Benefits vs. Costs

- Operational structure of the bank improves implementation
  - Ability to finance RPGs from the non-profit private sector allows for innovative projects
  - Common language (Spanish & English) and cultural identity makes project execution easier
- Greater alignment with Bank's agenda may increase the risk of capture by Divisions
  - Greater number of proposals to be reviewed make open Call for Proposals more costly
  - Countries tend to participate in RPGs of their same language (2 blocks clearly defined in LAC)

# Turning RPG Policy Lessons into RPG Operational Good Practices

## Policy

Political will is key for executing RPGs

Technical focal points in RPG project with close ties to policymakers may be more effective in promoting reform t' national implementation

RPGs should support different moments of the policy cycle (from identification, design & regulatory convergence to implementing 2<sup>nd</sup> phases)

## Operational

→ Up to 36 months to avoid political turnover that jeopardizes execution

→ Commitment letters & counterpart resources required & relevant actors included into governance structure

→ Flexibility to finance 2<sup>nd</sup> phases and existing national projects that want to converge

# Learning in 21st Century Schools



## Challenge & objective

- **Challenge:** Countries educational infrastructure needs to be more conducive to learning.
- **Objective:** Generate data, guidelines and standards at the regional level that countries can use to upgrade and modernize their educational infrastructure.

## Results

- A regional comparative inventory of school construction standards and regional norms for school maintenance.
- Best practices for school design and construction that resist natural disasters.
- Recommendations for community involvement and school designs that foster security and an environment conducive to higher learning.

# Protocol for Procurement & Quality Control of Medicines



## Challenge & objective

- **Challenge:** Improve access to quality pharmaceuticals for public hospitals at better prices.
- **Objective:** to create common rules, and a regulatory framework in Central America for quality control and the acquisition of pharmaceuticals through joint price negotiation and efficient supply.

## Results

- A Regional Protocol for Procurement and Quality Control of Medicines in place.
- Adoption and implementation of a regulation for joint negotiation of pharmaceuticals to generate economies of scale in Central America.
- The five first rounds of negotiations resulted in savings of ~US\$38M.

THANK YOU!

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