Initiative for the Integration of Regional Infrastructure in South-America - IIRSA

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1. Introduction

The objective of this article is to present the IIRSA initiative as a tool of Brazil's current set of foreign policies for South-America. As such, we will explore its purposes, evolution, results obtained so far, as well as its main challenges. In the contest of creating a South-American space geared towards the construction of a cohesive block, we see the process of integrating infrastructures as the engine of an integrative project with higher aspirations.

The IIRSA was created during the I Meeting of South-American Presidents, which took place in 2000. The initiative for physically integrating South-America is part of a movement whose roots can be traced to the beginning of the 1990s, when there was a change in regional references as applied to Brazil’s international identity. We would assume and promote a state of “South-Americaness”, here to do away with the concept of Latin America, which had been losing its raison d'être in the post-Cold War international scenario.

During the 2000 Summit Meeting, several topics pertaining to democracy were discussed: illicit drugs and connected felonies; commercial integration; information, technology, and knowledge; physical infrastructure integration. To address this last point, the Initiative for the Integration of Regional Infrastructure in South-America – IIRSA - was created. A time limit of 10 years was chosen as a deadline for implementing the process of integrating regional infrastructures.

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2. Initiative for the Integration of Regional Infrastructure in South-America – IIRSA

The Initiative for the Integration of Regional Infrastructure in South-America – IIRSA - traces its origins back to the first meeting of South-American Presidents, which took place in 2000, in Brasilia. The IIRSA would be responsible for promoting basic infrastructure, and transportation, communications, and energy, providing the underlying foundation for greater commercial and social integration in the South-American subcontinent.

The Brasilia Communiqué, the resulting document of that summit meeting, ratified by all South-American countries, with the exception of the French Guiana, includes a chapter specifically on integration infrastructure. It explains the guiding principles behind the initiative being implemented then:

- identification of endeavors of bilateral and sub-regional interest;
- identification of innovative formulas for providing financial support to infrastructure projects
- adoption of normative and administrative regimes to facilitate interconnection and operation of energy, transportation, and communication systems\(^2\).

With the objective of following up on presidential agreements, Ministers of Communications, Transportation and Energy from South-American countries met in Montevideo in December of that same year. At that meeting, the Action Plan for the Integration of Regional Infrastructure in South-America\(^3\) was presented, which would set forth the three guiding principles for the initiative’s actions: coordinating plans and investments, harmoniously integrating regulatory aspects and, lastly, seeking out innovative public and private financing mechanisms. At the same time, it set forth a 10-year deadline for IIRSA.

\(^2\) The Brasilia Communiqué is available at [http://www.iirsa.org/BancoMedios/Archivos/comunicado_de_brasilia.doc](http://www.iirsa.org/BancoMedios/Archivos/comunicado_de_brasilia.doc)

\(^3\) Available at: [http://www.iirsa.org/BancoMedios/Documentos%20PDF/Plan%20de%20Acción%20Montevideo%20final.pdf](http://www.iirsa.org/BancoMedios/Documentos%20PDF/Plan%20de%20Acción%20Montevideo%20final.pdf)
The initial idea was to have the initiative guided by a council composed of infrastructure and planning ministers from the 12 participating countries, a group known as the Executive Direction Committee - CDE. It would be the CDE’s responsibility to guide technical initiatives in accordance to the priorities established by the governments. As such, the group would convene every six months to exchange guidance from the different governments and for countries to discuss the development of the work being done.

Directly under that level would be the Technical Coordination Committee - as an Executive Secretariat - which would be responsible for coordinating actions and technical groups. The CCT would be made up of three multilateral institutions: the Inter-American Development Bank – IDB; the Andean Stimulation Cooperation - CAF, the financial center of the Andean community; and the Prata Basin Development Fund – FONPLATA.

The most operational level would contain the Executive Technical Groups – GTEs, IIRSA’s most technical level, responsible for ensuring that CCT's guidance (and ultimately, CDE’s) is heeded. South-America has been divided into Integration and Development Axes, with each axis discussing and evaluating infrastructure integration projects. Each of these taxes would be the object of a specific GTE. There are currently 10 Integration and Development Axes being implemented within the scope of the IIRSA: the Amazon Axis; the Andean Axis; the Southern Andean Axis; the Axis of Capricorn; the Escudo Guianas Axis; the Paraguay-Paraná Waterway Axis; the Central Inter-Oceanic Axis; the Mercosur-Chile Axis; the Peru, Brazil, Bolivia Axis; the Southern Axes.

Likewise, the topics of financing and streamlining regulatory frameworks in transportation, energy, and telecommunications would each account for a distinct GTE. As well as presenting their projects, countries would work around an "approximation“ agenda of regulatory streamlining, in order to reduce the risks to which investors are exposed. As such, the IIRSA would contribute towards greater regional approximation by discussing concrete aspects of physical integration, which could be used to support the awaited increases in intraregional trade, particularly due to approximation efforts.
between Mercosur and the Andean Community of Nations, as well as more regional trade, taking into account all of the potentials of promising Asian markets, especially China, by allowing grains produced in the Brazilian Midwest region to go through ports in the Pacific.

3. Project selection - conception and criticism

At a first glance, the fact that three regional financing institutions were supporting the initiative generated high expectations as to the ability of implementing infrastructure projects that were already part of each South-American country’s agenda. The use of an IIRSA seal, ensuring that differentiated treatment would be given to projects that are part of the initiative, was also discussed. It was also hoped that the risk analysis of IIRSA projects would be more advantageous for the countries, given the high degree of political convergence enjoyed by all of them.

As a result, at a first glance, the country submitted a series of integration infrastructure projects to be considered by the IIRSA. This first inventory included 335 projects, in a total value of US$ 37.47 billion. Obviously, the master list contained projects in different stages of implementation, with different possibilities for implementation in the short, medium, and long terms due to the lack of feasibility studies or studies on environmental impacts that would be the consequence of a few of these projects, as well as the lack of financing types and sources for most of them.

In order to categorize the projects hierarchically, an integrated territorial planning methodology was created, also based on the Brazilian experience of national integration and development axes. In each Integration Axis’ GTE, government technicians would separate projects into groups, identifying an anchor project for each group. The idea was to explore the synergy of a group of projects into related according groups, according to the logistics and infrastructure to be implemented in each given territory. As such, one would no longer consider only the construction itself, but all logistics services that would be a result of implementing these projects.
Meanwhile, the Initiative’s Technical Coordination Committee developed a business outlook for each axis, identifying the main economic activities and existing and potential trade as generated by the period information extracted from these diagnostics helped prioritize IIRSA’s projects.

As such, a multi-criteria analysis methodology was used, through which we expected impacts from implementing each group of sustainable development projects in the region into its economic, social, environmental aspects, as well as economic, financial, environmental, and political / institutional.

Economically, group projects were analyzed in terms of the increase in the flow of goods and services and in terms of attracting private investment in production units within each project’s area of influence and, finally, the contribution towards increasing the competitiveness of regional production. Socially speaking, we observed the impacts of employment and income generation and an improvement in the quality of life of the population. Lastly, environmental analysis was conducted based on the impact on natural resource conservation and on environmental quality in the region in question.

Aside from these aspects, other feasibility elements were observed as well, when implementing the groups. A common set of norms and regulations for all countries involved in a certain group was taken into consideration, as well as the possibility of mitigating environmental risks.

This whole process culminated in Cusco, Peru, in December of 2004 with the presentation, during the Third Meeting of South-American Presidents, of the Consensual Implementation Agenda – AIC. The 12 countries have reached a consensus about the priority programs and regional physical integration, presented in a portfolio with 31 projects, 28 of which in the transportation sector, one in the energy sector, and two in the communications sector.

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4 Available at [http://www.planejamento.gov.br/planejamento_investimento/conteudo/iirsa/index_iirsa.htm](http://www.planejamento.gov.br/planejamento_investimento/conteudo/iirsa/index_iirsa.htm)
Certain aspects of the agenda must be highlighted. A temporal deadline of six years was set forth for implementing the projects, between 2005 in 2010. This deadline is in accordance with the action plan established for the initiative. The value of projects to be implemented in this period remained below US$ 5 billion, a reasonable amount when compared to the US$ 37 billion in total. Lastly, we point out that all the countries received at least one project.

Below you can see the South-American map with the 31 projects agreed upon by the presidents.

Despite the fact that the GTEs and the Sectoral Integration Processes that work with issues of regulation and financing were not equally effective, AIC’s presentation represents a landmark in IIRSA achievements. The fact that all 12 countries made up a
list of 31 projects symbolizes the level of cohesion that exists in the area, as applicable to shared development priorities.

Effectively, hiring research and consulting companies to guide country decision-making about projects and advances in the sectoral integration process falls under the purview of the CCT. As such, we hope to enjoy greater agility amongst those institutions that make up the technical committee thus leaving escaping budgetary and legal restrictions - mainly related to hiring processes - imposed by the National States.

4. Latest advancements

With the presentation of the Consensual Implementation Agenda, the IIRSA has concluded the planning stage and entered the project execution stage. As such, concerns about strategic monitoring of project implementation, as well as their impacts on the territory have become priorities in discussion agendas. Also, another objective strategy agreed upon by the different countries for the year 2006 was a change in focus when treating sectoral integration processes.

Obviously, as of the moment when the AIC was presented, projects gained different levels of visibility. Therefore, concentrating on strategic monitoring and in managing restrictions for each one of the 31 projects becomes paramount. We highlight that, one year after the agenda was presented, a project has already been inaugurated - the bridge over the Acre River, between Brazil and Peru; 10 additional projects were also being executed.

But with the implementation of these projects, the question that arises pertains to the impact of these projects and regional development. Therefore, the countries agreed to include a second stage in the planning process, after the conclusion of the construction of the strategic South-American view. The objective would be to prove the quality of the planning process applied when selecting the 31 projects, with specific

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5 Minutes from the 7th Meeting of the Executive Direction Committee - CDE, available at http://www.iirsa.org/BancoMedios/Documentos%20PDF/cde7_acta_%20asuncion_%20esp.pdf
Strategic Environmental Evaluation actions and the integration analysis of productive chains and logistics\textsuperscript{6}.

In reality, the purpose is to ensure that projects will not become great exporting or corridors and that they will be able to generate development in their areas of influence. Even before an inter-oceanic connection can be made by integrating South-American infrastructures, we focus on the importance that these projects can have stimulating development in the center of the continent which, by being far away from the coast, is not very connected to regional and global flows.

The work referring to streamlining regulatory frameworks had not made satisfactory advancements. As a result, the countries decided to limit its scope. Instead of trying to promote regulatory streamlining it all initiative participants, focus was given to concrete problems that were the result of specific project treatments and the integration and development axes.

Special attention must be given to the issue of project financing. Investment feasibility is still the main bottleneck to be faced by the initiative, which is always seeking innovative financial mechanisms to be our ties in projects that make up the consensual agenda. There are certain initiatives towards consolidating funding for financing feasibility projects. Recent discussion on the creation of the Bank of the South, even if it falls outside the scope of the IIRSA, may also contribute towards making financing for infrastructure projects in the region more feasible. Additionally, another possibility seems to be making better use of the Reciprocal Credits and Payment Covenants – CCR, created in 1982 by the Latin American Integration Association – ALADI, which fosters formal cooperation between different Central Banks in order to compensate, in terms of accounting, for payments made between countries of the region, thus reducing the risk of contracting financing for implementing projects.

Finally, countries agreed to promote, as of 2006, a process of widely divulging the initiative. First of all, this reflects the interest by the governments in attracting the private sector towards IIRSA projects, which constitutes yet another way of trying to make the

\textsuperscript{6} Idem
implementation of certain projects feasible based on interests of the private sector. On the other hand, by intending to "generate mechanisms to ensure the direct participation of the productive, entrepreneurial, and social sectors in the planning process and in identifying integrated or complementary productive chains between countries\(^7\), countries also respond to the needs of an organized civil society seeking more effective participation in the initiative.

As such, as the IIRSA became more and more consolidated, a critical evaluation of the paths followed until then became necessary. Proposals for advancements point towards a revision of some of its most controversial aspects. Furthermore, the IIRSA’s link to the South-American Community of Nations and, later, to the Union of South-American Nations, Unasu, in its regional integration strategy confers a higher level of importance to the initiative, thus making constant tracking of its evolution a very relevant point.

\(^7\) Ibid.
5. Bibliographical References


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