Multi-year Expert Meeting on
TRADE, SERVICES AND DEVELOPMENT
Geneva, 15-17 April 2014

SESSION 6:
REGIONAL COOPERATION ON INFRASTRUCTURE SERVICES
AS KEY INSTRUMENT FOR DEVELOPMENTAL INTEGRATION

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Senior Specialist
Management Sector Analysis and Programming
Development Bank of Latin America
Developing Regional Infrastructure Services

Latin America experience and current work
1

About CAF

- Areas of Action
- Model for Regional development
- CAF Financial mechanisms
- CAF Publications

2

Infrastructure Sector

- CAF objectives within infrastructure sector
- Important challenges in infrastructure / Transport Sector
- Latin America Infrastructure Agenda and Investment Needs

3

Conceptual Approach to Value Chain Analysis

- Mapping Value Chains in Latin America
- Value Chain Participation Conceptual Analysis
- Strategic Ambition Levels in Value Adding Services
The Development Bank of Latin America
Multilateral Bank of the Year 2013 (Latin Finance)

• CAF – Development Bank of Latin America

• Multilateral Bank of the Year 2013 (Latin Finance)

• Leading multilateral financial institution mobilizing financial resources from international markets to Latin America and the Caribbean

• Provides multiple banking services to both public and private sector within shareholder countries
Infrastructure financing in Latin America
Multilateral financing 2000-2012

Infrastructure sector approvals in Latin America 2000-2012
(USD Millions)

- WB: $24,122
- IDB: $36,043
- CAF: $33,974
Energy Sector Financing in Latin America
Multilateral financing 2000-2012

Energy sector approvals in Latin America 2000-2012
(USD Millions)

- WB: 8'904
- IDB: 10'496
- CAF: 11'704

Multi-Year Expert Meeting on TSD
UNCTAD 2014
Areas of Action

Three-Pillar Strategy for a Prosperous Latin America

Source: Latin America 2040 (CAF, 2013)
Areas of Action
Three-Pillar Strategy for a Prosperous Latin America

1. Productivity
2. Inclusion
3. Competition and Openness

Governance
Shared Vision of Higher Growth

Prosperity

Source: Latin America 2040 (CAF, 2013)
Towards economic and social development

The challenge of high, sustained and quality growth

Infrastructure  Social Development  Environment  Public Policies  Corporate Sector

Equality and Social Inclusion

Macroeconomic Stability

Sustained Quality Growth

Microeconomic Efficiency

Environmental Balance

Investment in all forms of capital  Productive Transformation  Smart International Insertion  Institutional Quality

Source: IDeAL (CAF, 2011)
Towards economic and social development
The challenge of high, sustained and quality growth

Investment in all forms of capital  Productive Transformation  Smart International Insertion  Institutional Quality

Equality and Social Inclusion

Macroeconomic Stability  Sustained Quality Growth  Microeconomic Efficiency  Environmental Balance

Infrastructure  Social Development  Environment  Public Policies  Corporate Sector

Source: IDeAL (CAF, 2011)
Financing Infrastructure Development
Some financial mechanisms CAF is currently using

- Direct loans to central governments with and without sovereign guaranteed (urban transport, roads, railways)
- Direct loans to sub-national entities (cities and states)
- Structuring of PPPs (ports and airports, roads)
- Co-financing with other IFIs (IDB, World Bank, etc.)
- Co-financing with other regional development banks and agencies (AFD, KFW, BNDES, CDB, etc.)
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Infrastructure Sector Objectives

Transport – ICT – Energy – Education - Water

Source: CAF Logistics Development Programme (2014)
Infrastructure Sector Objectives
Transport – ICT – Energy – Education - Water

Projects and programmes financing
• Proposals of high technical quality for financing infrastructure projects and programmes relevant to regional integration and sustainable development.

Leadership in infrastructure development
• Strengthen CAF leading role in infrastructure development, support physical integration in Latin America and foster competitive regional Logistics Systems.

Knowledge generation and dissemination
• Share knowledge and Latin America experiences about infrastructure and services development at local, regional and international level, aimed at improving the management of development projects and programmes.

Source: CAF Logistics Development Programme (2014)
Important challenges in infrastructure
Significant investment is needed

- To overcome the deficit in infrastructure and keep up with growth and development, the region needs to invest annually between 4% and 8% of GDP
- This does not take into account maintenance expenditures
- For the period 2011-2040, infrastructure financing requirements are around US$ 13 Trillion for the period 2011-2040 (US$ 9 Trillion in Energy Sector)
- We need important efforts by the public and private sectors with the support of IFIs
Possible scenarios for Latin America

Investment Requirements: All Sectors 2011-2040

Source: CAF LATIN AMERICA 2040 (2013)
Possible scenarios for Latin America

Investment Requirements by Sector 2011-2040

Source: CAF LATIN AMERICA 2040 (2013)
Possible scenarios for Latin America

Investment Needs by Sector as % of GDP: 2011-2040

Source: CAF LATIN AMERICA 2040 (2013)
Possible scenarios for Latin America

Investment Needs by Sector as % of GDP: 2011-2040

Source: CAF LATIN AMERICA 2040 (2013) www.caf.com
The Way Forward
Latin America Infrastructure Strategic Agenda

Increase Investment
Sustainable Development Paradigm
Strengthen Institutions
Multiple Financing sources and modalities
Incentives to Infrastructure Services Enterprises
Best Practices monitoring and sharing

LATIN AMERICA Infrastructure Strategic Agenda

Source: CAF IDeAL 2013
www.caf.com
The Way Forward
Example: Transport Sector

Context
Growing Demand
Urban Expansion

Challenges
Urban transport financing
Ports capacity
Climate change issues
Management capacity

Priorities
- Finance construction
- Systems required: MRT, Urban Rails, BRT.
- Subsidies for operation
- PPP Schemes
- Define role of central and local governments
- Investment in ports capacity expansion
- Increase productivity
- Intermodal connectivity
- Access to cities
- Facilitation
- Port Community Systems
- Rio +20 Agenda to advance in mitigation derived from transport
- 8 Multilaterals have committed to finance investments of about USD 175k Million in sustainable transportation projects
- Management capacity building in public and private sector
- Main needs in Logistics and urban Transport
- Mapping future demand
- Action plan to close the gap

Source: CAF IDeAL 2013
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Source: CAF Logistics Development Programme (2014)
Knowledge generation and dissemination
Transport – ICT – Energy – Education - Water

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Source: CAF Logistics Development Programme (2014)
Supply Chain and Value Chain
Value-adding and Cost-adding activities

(*) Concepts presented are Speaker’s responsibility. CAF not necessarily agree with it.

Source: Own conception
Supply Chain and Value Chain
Value-adding and Cost-adding activities

INFRASTRUCTURE
PRIMARY SOURCING

SERVICES
MANUFACTURERS

REGULATIONS
BUYERS

INFORMATION
PROCESSES
INSTITUTIONS

FINAL CONSUMERS

Sourcing
Manufacturing
Distribution
Sales

(*) Concepts presented are Speaker’s responsibility. CAF not necessarily agree with it.
Source: Own conception
Value Chain Downstream Process
Value-adding and Cost-adding activities

VALUE-ADDING

Utility in Place, Time and Quantity
Production
Finish Goods Inventory
Transport to Port
Port Procedures
Sea Transport

COST-ADDING

(Production, Storage, Transport, Inventory, Procedures)

Sales

Port Procedures
Transport and Local Distribution

(*) Concepts presented are Speaker’s responsibility. CAF not necessarily agree with it.

Source: Own conception based in Christopher, Martin (2011)
Value Chain Downstream Process

Value-adding and Cost-adding activities

**Value-Adding**
- Production
- Finish Goods Inventory
- Transportation to Port

**Cost-Adding**
- Port Procedures
- Sea Transport
- Port and Local Distribution

**Domestic Segment**
- Production
- Inventory
- Procedures

**International Segment**
- Sales

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Source: Own conception based in Christopher, Martin (2011)
Value Chain Downstream Process

Value-adding and Cost-adding activities

Value-adding:
- Production
- Storage
- Transport
- Inventory
- Procedures

Cost-adding:
- Port Procedures
- Sea Transport
- Port and Local Distribution
- Transport and Local Distribution
- Inventory
- Port

Moving Up the Value Chain
Moving Down the Value Chain

Domestic Segment → International Segment

Sales

% Value Share

Utility in Place, Time and Quantity

Production

Finish Goods Inventory

Transport to Port

Port Procedures

Sea Transport

% Value Share

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Source: Own conception based in Christopher, Martin (2011)

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Value Chain Participation Analysis

Cas Study: Fresh Asparagus exports Perú to USA

1.25 1.80 1.84 1.88 4.38 4.38 4.42 4.44 4.53 4.75 4.77 6.57

Cosecha y corte 19%
Procesamiento y empaque 1%
Transporte 1%
Pre-embarque (frío aéreo) 1%
Transporte 4.38 4.38%
Desembarque y despacho 1%
Fumigación 0.4%
Transporte 1%
Consolidación y despacho 3%
Transporte 0.4%
Entrega local 0%
Venta 27%

Source: Study for a Distribution Centre in Miami (MEF/MINCETUR Perú-CAF, 2009)

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Value Chain Participation Analysis

Case Study: Fresh Asparagus exports Perú to USA

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Source: Study for a Distribution Centre in Miami (MEF/MINCETUR Perú-CAF, 2009)
Value Chain Participation Analysis

Cas Study: Fresh Asparagus exports Perú to USA

<table>
<thead>
<tr>
<th>Country of Origin</th>
<th>Share in Services</th>
<th>Country of Destination</th>
<th>Share in Services</th>
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</table>

High Season Scenario

(*) Concepts presented are Speaker’s responsibility. CAF not necessarily agree with it.

Source: Analysis based on data from the Study for a Distribution Centre in Miami (MEF/MINCETUR Perú-CAF, 2009)
LATIN AMERICA
KEY VALUE CHAINS MAPPING
• International logistics networks
• Logistics value added services
• Transportation services
• Trade operations financing
• Domestic logistics services
• International logistics services
• Cross-border physical flows
• Cross-border logistics services
• Location of service facilities
• Manufacturing location
• Regulatory frameworks
• Institutional frameworks
• Management capacity
• Information Systems
• Trade facilitation processes
• Etc…

Source: CAF Logistics Development Programme (2014)
Strategic Ambition Levels
Gaining Participation in Value Adding Services

Strategic Ambition Levels in Services

Level 1
- Competitiveness at National Logistic System Level

Level 2 (inicial)
- Services Provider to Other Countries
  - Capture International Trade Flows
  - Value Adding Services Platform

Level 2 (ampliado)

Level 3
- Global Competitor in Services and Logistics Technology

Strategic Actions

- Positioning in Global Value Chains
- Home Global Logistics Services Providers, 4PL, etc.
- Foster World Class Services Companies (logistics)
- Knowledge Generation Institutions

- Modules or Kits assembly
- Postponement for Regional Markets
- Repairs and Sparepart stock, reverse logistics
- Customer service, call centers, telemarketing, others

- Transhipment Activities
- Consolidation of cargo
- Cargo Fragmentation and customer service

- Physical Infrastructure and intermodal connections
- Processes optimization and facilitation
- Services quality and management practices
- ICT utilization

Source: Own elaboration based in CAF IDeAL 2013
Multi-Year Expert Meeting on Trade, Services and Development
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