



Sistema Económico  
Latinoamericano y del Caribe

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Sistema Econômico  
Latino-Americano e do Caribe

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Système Economique  
Latinoaméricain et Caribéen



## Regional Cooperation in the area of Border Integration

## Economic and Technical Cooperation

*XXIV Meeting of International Cooperation Directors for Latin America and the Caribbean.  
Regional Cooperation in the area of Border Integration  
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## F O R E W O R D

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*In the "Caracas Action Plan 2012", approved during the III Summit of Latin America and the Caribbean on Integration and Development (CALC) in December 2011, the Presidents of the region committed the Latin American and Caribbean States and its cooperation and integration agencies to "foster regional integration by expanding the ongoing exchange of successful experiences and to request regional and subregional bodies and mechanisms to identify current programmes and projects on physical infrastructure, connectivity and **border integration** being complementary in the medium and long term, bearing in mind the need to have a strategy for the development and integration of physical infrastructure, connectivity and border regions in Latin America and the Caribbean."*

*In compliance with this mandate, at the Meeting of Ministers of Infrastructure, Transport, Telecommunications and Border Integration and Heads of Delegation of CELAC, held in Santiago, Chile, on 26 October 2012, SELA submitted the study "Border Integration in the Context of Integration in Latin America and the Caribbean" (SELA 2012). The Pro-Tempore Presidency of CELAC, held by the Ministry of Foreign Affairs of Chile, distributed that document to the foreign ministries of the countries in the region, as part of CELAC's reference documents.*

*For the XXIV Meeting of International Cooperation Directors for Latin America and the Caribbean, "Regional Cooperation in the area of Border Integration", SELA has deemed it necessary to draft this study, which complements the aforementioned document. The objective of this study is to offer LAC countries proposals on mechanisms and specific instruments for outlining and implementing plans and programmes for border integration, including considerations for the efficient execution of those processes already underway, so as to ensure their full sustainability. This document focuses on offering analyses and making policy proposals to optimize border integration, economic growth, social development and poverty and asymmetries reduction in borders areas in Latin America and the Caribbean, while strengthening their participation in the pursuit of regional integration goals and enhancing their role in the region's insertion into the global economy.*

*The Permanent Secretariat of SELA wishes to thank Dr. Luis Alberto Oliveros for his important contribution in drafting this document.*



## EXECUTIVE SUMMARY

### Chapter I: Border integration: Relevant "border situations" and geographic scales of intervention

- "Border integration" is a process agreed to by two States on their adjacent border territories to promote their development on the basis of joint or complementary use of their human potentials, natural resources, common needs, as well as costs and benefits shared. Meanwhile, the term "border cooperation" could be rather interpreted as the processes involved in border areas lacking population or with very little population, for the purpose of laying the foundations for the future development and integration of such spaces through the implementation of programmes, projects and actions which may initially address fields such as support to native communities, the protection of shared ecosystems, and the establishment of security and mutual confidence-building measures. In this connection, this report includes both experiences as regards "border integration" and "border cooperation", which, as in the case of "cross-border cooperation" and other usual concepts in LAC, should be understood as being related and complementary.
- The objectives and results of border integration processes in LAC should be based on a clear understanding of the current or predominant "border situations" which can be classified into eight types: 1. isolated indigenous communities; 2. indigenous communities with varying degrees of coordination with the outside world; 3. rural communities with precarious agricultural resources and critical social conditions; 4. rural communities with access to agricultural resources and moderate deficit in social services; 5. new human settlements (pioneering fronts); 6. urban centres with local functions; 7. intermediate urban centres located on bi-national or tri-national transport routes; 8. and regional metropolises. The task of delimiting a geographical area and the issues to deal with must take into account the aforementioned border situations.
- There are many natural factors and human constructions that affect borders making border integration processes expand or retract, encompassing relatively vast territorial segments in each pair of neighbouring countries: geographic features (for example, mountain ranges), infrastructure and connectivity, different productions, differentiated services, subsidized prices, and regulatory restrictions on transit. Therefore, the scale of intervention can range from the local level (border area) to the zonal and regional levels. The geographical scale of the territories to be included in border integration agreements depends on taking into account the interest of both neighbouring countries in order to improve, on the basis of a joint and coordinated effort, the social, cultural, economic, infrastructure and environmental reality of their border territories where **"everyday life"** must be the central feature of the performance. In any case, an area of intervention within the framework of a border integration process should be greater than that where a border process is currently underway.
- Tripartite border integration could also be an option for the region, depending on the natural features of such areas, the strategic location for the three countries, how large their populations are, and their economic activities. However, tripartite border integration represents an opportunity for development and integration agreed upon by the three countries.

### Chapter II: Institutional framework of border integration processes

- Usually, the institutional framework of border integration processes is led the Ministries of Foreign Affairs.
- When border integration involves broad and complex issues, vast geographical areas of intervention and decentralized government agencies, the responsibility for managing the

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specific mechanisms may be entrusted to ad-hoc entities, sectoral or government agencies at the regional and local levels. In this case, the foreign ministries usually are in charge of monitoring and supervising. In some border areas where integration is in its initial stage, the countries concerned have established mixed commissions led by the Foreign Ministries.

- There isn't a unique institutional model in the region to lead border integration and cooperation initiatives. What can be clearly noted in all cases is that the leadership of Foreign Ministries reflects the political decision of the countries to carry out the initiative as a long-term commitment.
- The regional and local stakeholders, who benefit from border integration initiatives, participate in different decision-making or operational instances of the institutional schemes. This allows for achieving better governance within the framework of the decentralization processes underway in the countries of the region.
- At the level of subregional integration organizations, the Andean Community (CAN) has a clear mandate to promote border integration, both in its constitutive treaty, the Cartagena Agreement, and through several binding instruments (decisions). The Andean Community counts on the High-Level Working Group for Border Integration and Development (GANIDF), coordinated by the ministries of Foreign Affairs of the Member countries, which can propose to the Andean Council of Ministers of Foreign Affairs programmes and action plans required for the implementation of the Community Policy on Integration and Border Development. The cases of the Common Market of the South (MERCOSUR) and the Central American Integration System (SICA) are different, since in these subregional integration groups border integration or cooperation are not envisaged in their respective constituent instruments. In general, the institutional framework for border integration in subregional integration organizations is still little effective in terms of results (CAN) or is still shaping up and consolidating itself (MERCOSUR).

#### Chapter III: Borders and free movement of factors

- Borders in LAC should operate as spaces where the flows of people, vehicles, goods and services, as well as capital flows, occur within the framework of agreements of a promoting nature, with a minimum of regulations, and with rules and procedures which do not represent a burden or generate cost overruns.
- In general, the situation of the border regime of people in LAC, within the framework of a general trend which tends to liberalize it, shows a series of heterogeneous situations, ranging from borders still substantially closed in Central America, to the very promising situation of openness that Argentina and Brazil, as part of the MERCOSUR bloc, are leading in the region. However, in all cases it can be noted that a broad opening-up occurs only in pairs of countries with similar levels of economic development.
- Essentially, South America is a space that guarantees free movement to its inhabitants, where any citizen of any country can enter the territory of another country and stay there for up to 90 days as a tourist, holding only his or her national identity document, according to an agreement adopted in 2006 by the Foreign Ministers of the then South American Community of Nations (currently UNASUR).
- Central America is going through a different situation from the one described above. In this subregion, the problems of security, the disparity in the levels of development among countries, and the exclusion of the immigration issue from the agenda of the Central American Integration System (SICA) are reflected in the little progress achieved as regards the free movement of persons. For example, the border between Costa Rica and Nicaragua attracts seasonal labour migration from Nicaragua and serves as a buffer area

that reduces the impact of the migratory and socio-economic activities taking place in the border area. Something similar occurs in the case of the land border shared by Dominican Republic and Haiti on the island of Hispaniola.

- Even though the free movement of people in cross-border areas among the MERCOSUR countries has not been dealt with at the community level, progress has been made with two innovative tools in LAC, which transcend simple tourist traffic: the Cross-Border Transit credential (TVF) and the Agreement on Linked Border Towns (LFV) between Argentina and Brazil. The LFV Agreement enables the free movement of inhabitants of the pairs of cities listed in this specific bilateral agreement and offers professionals the possibility to work in either one of the two cities and enjoy equal labour rights and social security benefits, while complying with labour, social security and tax obligations. The agreement also provides for free and reciprocal access to public education and public health care services, as well as access to the border trade regime.
- Although almost all Latin America and the Caribbean is a free trade area, in those territorial areas dominated by border situations involving indigenous communities and peasant populations, neighbouring countries should consider the advisability of signing border trade agreements that may help offset the situation of shortage of basic goods faced by those populations.
- The border investment regime is very restrictive in LAC because of its low level of demand, and for this reason the necessary public projects for those areas do not find the suitable conditions to be implemented. In terms of productive investment, the situation of instability introduced by the different legislations and regulations of two countries whose sovereign competences converge in that territory – in areas as diverse as corporate regulations, currency exchange, tax, labour and migratory regulations, among others – makes it difficult, or almost unviable, to undertake a formal entrepreneur that is based on capital or working contributions, inputs, expertise and capabilities, from either side of the border. In some cases, this situation is compounded by the creation of free trade zones or other special regimes on one side of the border, which only aggravate the differences in the current rules of the game for investment in the border area, and can even led the economy on the side where the free trade zone is established to become a “parasite” from the economy on the other side, which, within this context, the latter economy becomes dependent on the former. In this connection, it is necessary to establish regimes that encourage the implementation of public projects and the formalization of business ventures that involve contributions of all kinds on the two sides of the border.
- The intensification of controls for the movement of people in some subregions, where crime has gaining ground, notably in Central America, poses a scenario in which borders in LAC might suffer a setback in terms of the achievement in recent years and decades to liberalize the traffic of factors, particularly the movement of people. In this regard, a suggestion is made to use technological resources to have more efficient controls that are less invasive in terms of the fundamental rights of persons. This includes cooperation between migration, customs, police and judicial authorities, under bilateral or multilateral schemes, so that borders in the region remain privileged spaces for coordination between two national societies and economies, instead of turning into insecure spaces.
- Border Committees are mechanisms that tend to promote cooperation and regional development in the subregions and border areas, while providing swift and pragmatic solutions to the problems of border traffic. Their establishment has increased throughout South America countries.
- -As border linkages are deepened and strengthened, mechanisms are starting to be implemented to manage specific aspects of border regimes with a sectoral and

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specialized nature than the clearly comprehensive nature of border committees, for instance on the subject of health.

### Chapter IV: Border integration plans, programmes and projects

- Border integration plans, programmes and projects are aimed at resolving a series of situations that are relevant to the life and relations of border communities and, in this connection, they can encompass a very broad range of subjects, in line with a reality of such vast geographical dimensions and complex inter-sectoral relations as that of borders.
- A typical structure for a border integration plan should not defer much from that outlined for other territorial areas, either at the national, sub-national or bi-national levels. However, in order to design a border integration plan, it is necessary to identify the objectives, sectoral or thematic components, and the expected results applicable to each "border situation" (see the second section of the overview in Chapter I). Depending on the extent of the border, its population density, its socio-cultural complexity or its economic diversity, it might be advisable to undertake the design of a plan for the entire common border rather than for a sector of it. This is a task that should involve relatively large human, technical and financial resources. Therefore, in outlining its proposals, it will be possible to identify specific programmes and projects for the various border situations found, which will lead to prioritizing different geographical areas of intervention.
- With respect to the institutional framework for managing border integration plans, it would be wise to establish a core managing centre that ensures coherence and comprehensiveness to committed actions, such as a Bi-national Office for Management of Border Integration Plans, Programs and Projects (OBG-PIF, generic name in Spanish).
- At the borders between Andean countries, the bi-national border integration plans seek to solve the structural problems of borders and enhance their role in the integration process. However, the capacities of the mechanisms responsible for managing the projects are often limited due to the lack of technical and financial resources or when existing bilateral mechanisms require from local beneficiaries the preparation of specialized documents, which they are not prepared to draft.
- In order to overcome these limitations, in addition to conducting courses, workshops or other training activities in the area of project design, evaluation and management, it is advisable to study the option of focusing on the establishment of "incubators of bi-national projects," which could gather public and private interests and capabilities, and encourage the private sector (business associations, public and private universities) to make contributions to the process to strengthen local capacities in this area.
- The National Public Investment Systems (SNIP) and the Ministries of Finance sometimes do not fully understand what is involved in a border integration project, so they usually show little willingness to support them. In these cases, it is necessary to make arrangements at the appropriate levels in those agencies in order to overcome limitations to access to technical assistance and financing for such projects.
- It is important for investment initiatives in border territories to be promoted as border integration projects, by establishing admission criteria for projects to enter a Data Bank Border Integration Projects (BPIF). The BPIF would operate at the same level of that of the Foreign Ministry and the OBG-PIF designated for each case (as mentioned in the third paragraph of the summary of this chapter). The information on the border integration projects entered into the BPIF should include recommendations for selecting the projects and attaching priority for their financing and implementation.

- With some occasional exceptions, border integration projects involving public investments should take due account of the regulations set by the corresponding SNIP, which require different levels of study depending on the amounts to be invested.
- During the pre-investment phase of a project, from the moment when it is admitted in the OBG-PIF, all national agencies of both countries working with the project must be involved, including political and technical bodies at the national, regional or local levels. To this end, it is advisable to set up, with the support of the OBG-PIF, a Project Committee for each project, which will determine pre-investment levels and subsequent implementation.
- Nevertheless, experiences in LAC show that the plans, programmes and projects outlined by two neighbouring countries for their common border have faced huge obstacles, mainly at the level of the National Public Investment Systems, which are reluctant to single out the concept of "border" both in national project banks and in the budgets for public investments.

#### Chapter V: Financing of border integration plans

- The National Public Investment Systems often expect border integration projects to be financed with non-reimbursable resources from regional development banks in their preinvestment stage, and from international cooperation in their early implementation stages. Apparently, the rationale behind this is that if the funds to finance the project will also benefit the other national party it is preferable that financing comes from the abovementioned sources. In addition, depending on their development indicators, some countries in the region are no longer eligible to receive resources from some international cooperation sources, but they may become eligible within the framework of a partnership with a neighbouring country with lower development indicators.
- The methodologies used by SNIPs to evaluate and prioritize projects, in terms of their financing, normally do not include formulas to qualify with a "plus" some investment initiatives which, as a project unit, are to be carried out in the territories of two countries – an issue which is little intelligible for them. Therefore such projects are hardly given priority. This implies that there are restrictions in allocating resources from national budgets for projects that will be executed in two countries, each one with specific legislations on expenditures and control mechanisms. In spite of certain ingenious solutions, this problem has not been completely overcome in the region yet.
- It would be important for the foreign ministries of the region to outline proposals and try to make the respective ministries of Economy, Finance and Treasury more flexible so as to establish in the national investment budget a category called "border integration projects", or a similar term. Probably, the secretariats of subregional integration organizations (MERCOSUR, CAN and SICA) could provide support to achieve this.
- Financing plans and projects for border integration and development also requires analyzing the advisability of creating bi-national or community funds to meet such demands. One of the best-known examples of a bi-national fund is the Ecuador-Peru Bi-national Fund for Peace and Development which, in fact, is a financial mechanism of the Bi-national Plan aimed at financing small and medium-sized projects, particularly in rural areas. Between 1999 and 2011, the Bi-national Fund financed 493 projects in Peru for an amount of US\$ 52.9 million. In turn, the Structural Convergence Fund of MERCOSUR (FOCEM) is the closest thing to a community fund because it promotes structural convergence, the development of competitiveness and social cohesion, particularly in smaller economies and the less developed regions within the countries of the bloc, including border integration projects.

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- Regional development banks have different modalities for financing border integration projects. However, funds from non-reimbursable cooperation from agencies such as the IDB and CAF are always used to finance their pre-investment stage of projects but not their implementation. Within this context, the Development Bank of Latin America (CAF) counts on the Border Cooperation and Integration Fund (COPIF) which funds the pre-investment phase of border integration projects in the areas of physical integration, productive economic development and sustainable social and environmental development, for a maximum individual amount of US\$ 500,000. The Central American Bank for Economic Integration (CABEI) and the European Union (EU) implemented from 2004 to 2011 the Central American Border Zone Development Programme "program of development of areas border in America Central – ZONAF", endowed with US\$ 130.6 million, of which US\$ 40.2 million came from non-refundable contributions from the EU and US\$ 90.4 million from CABEI loans.
- During the past five years, the Andean Community received resources from the European Union amounting to 4.2 million euros and US\$ 1.2 million from the Spanish Agency for International Development Cooperation (AECID) for border integration projects. In 2012, AECID negotiated with the European Union a new initiative called "Participatory Regional Integration in the Andean Community" (INPANDES), which will allocate US\$ 8 million to finance projects in border integration zones. However, some countries find it little profitable to abide by the financing norms imposed by cooperating agencies, particularly the time frames for executing the funds, the fiscalization system and the compensation, among others.
- LAC countries should also resort to horizontal cooperation to share technical experiences, knowledge, technologies and applicable or useful skills in the field of border integration.
- The political, social, cultural and economic components of border integration should also take due account of productive development so as to promote economic growth, job generation, income improvement and better living standards of border residents in the long run. A key factor in this endeavour is pursuing competitiveness among enterprises, which should allow for consolidating efficient supply chains that really contribute to put an end to existing inequalities in border areas.

## I. INTRODUCTION

Border integration is an issue that has been discussed by Latin American and Caribbean countries within the framework of their bilateral relations or with the support and promotion of subregional integration groups. SELA has identified it as a mechanism to the objectives of regional integration.

This document deals with the following topics: the criteria and elements for defining the geographic scales of intervention within the framework of border integration initiatives; the institutional framework of border integration processes and the role that the subregional integration organizations can play; the flexibilization in the movement of factors as a fundamental requirement for border integration to prosper in Latin America and the Caribbean; the complex process of outlining and making progress in the pre-investment stage of plans, programmes and projects for border integration; and the financing of border integration initiatives, considering the contributions of national public investment systems, regional development banks and international cooperation.

The document has 14 annexes that deal with the instruments currently in force between pairs of neighbouring countries within the framework of subregional integration in Latin America and the Caribbean. They represent an initial contribution of SELA to the construction of new and better instruments for border integration.

## II. BORDER INTEGRATION: RELEVANT “BORDER SITUATIONS” IN LAC AND GEOGRAPHIC SCALES OF INTERVENTION

This chapter is aimed at facilitating the identification of the different types of “border situations” that can be recognized by pairs of countries in Latin America and the Caribbean, which could be prioritized in order to promote border integration processes. Additionally, on the basis of the geographical scale of the territories involved in the ongoing processes, the current intensity of inter-relations (concept of “everyday life”), the accessibility to the border territories from the rest of each country, and the territorial dimension of the pairs of neighbouring countries, options are proposed for better defining the spaces involved in such processes. But first of all, considering the fact that the terms “border integration” and “border cooperation” are often used with a similar connotation in Latin America and the Caribbean, this chapter also defines the differences and similarities between these two processes occurring in border areas.

### 1. “Border integration” and “border cooperation”

In the document “Border Integration in the Context of Convergence in Latin America and the Caribbean” (SELA 2012c), “border integration” is defined as follows: “the process agreed by both States in their adjacent border areas through specific agreements or treaties, which aims to encourage their development based on joint or complementary use of their potentials, resources, characteristics and common needs, as well as shared costs and benefits. It is a process that, according to this definition, represents a central component of progress and strengthening of bilateral relationship as a whole.” This definition should necessarily refer to border human communities living in border areas, which are the main objective and the real driving force of border integration processes. Therefore, the term “potentials” should be complemented with the term “human”.

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But what's the difference between "border integration" and "border cooperation"? According to the differentiation made by Tamames, integration is intended to pursue the complete removal of trade barriers in order to create a single market, while cooperation is aimed at reducing barriers to economic transactions so as to make them more flexible and generate instruments for mutual assistance and support.<sup>1</sup>

Concerning the priority attached to economic processes, experiences in LAC show that economic integration schemes in the region started in the 1960s to initially treat trade aspects which eventually led to set up free trade zones and expanded markets. After such goal was reached and even in tandem with the implementation of mechanisms to establish those free trade zones, customs unions or common markets, other areas of integration such as the social and cultural dimensions, and how to offset deficits in infrastructure, were progressively addressed. Thus, for quite a long time now, economic goals and targets are not the only ones guiding integration processes in the region.

Regional experiences seem to show that rather than gradation or intensity with respect to integration, cooperation deals with thematic areas different from trade negotiations, productive development or the harmonization of economic structures. Those issues are dealt with in a more specific but at the same time more flexible way than allowed in the complex mechanisms of integration processes. This assessment seems to be supported by the fact that other issues such as cooperation in the political, scientific and technological, and environmental areas, negotiations against third parties, are being tackled, and that significant progress has been made in the field of regional cooperation initiatives.

Moreover, integration in Latin America and the Caribbean – unlike cooperation, which is often carried out in a bilateral way – is always conceived as a multilateral process which involves groups of countries on a sub-regional scale with a view to expanding it to a regional level so as to encompass the region as a whole. In addition, given the complex and deep mechanisms of integration and its irreversible nature of its achievements, it is always a long-term process whose results will be seen in such time frame, whereas cooperation generally allows for finding solutions to issues requiring swift political and/or technical agreements, as well as the use of certain resources aimed at achieving concrete results.

Based on the above, how could we establish a definition of "border cooperation" to differentiate it from "border integration"? Fundamentally, once the definition of "border integration" is corrected to make it clearly refer to the human groups inhabiting and acting within the territories shared by a pair of countries (borders) as the objective and direct actors of border integration processes, the term "border cooperation" could refer to the processes involving the pair of countries in those sectors of their common border lacking population or with very little or diffuse population.

Thus, "border cooperation" could be defined as "the set of initiatives committed to by two neighbouring countries in their adjacent border territories, little populated and not articulated among themselves or with the rest of the territories of both countries, to lay the groundwork for the development and future integration of these spaces through the implementation of programmes, projects and actions in areas such as evaluation and coordinated management of natural resources, protection of shared ecosystems, establishment of security and mutual confidence-building measures, assistance to native communities, protection of uncontacted peoples, among others." And the following

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<sup>1</sup> "*Relaciones Económicas Internacionales e Integración*". Available at: [http://ciid.politicas.unam.mx/reestructuracion\\_sociedad/flash/3Relaciones\\_economicas.swf](http://ciid.politicas.unam.mx/reestructuracion_sociedad/flash/3Relaciones_economicas.swf) [Consulted: 6 March 2013].

could be added: "provided that such programmes, projects and actions are not included in border integration initiatives already underway."<sup>2</sup>

An example of border cooperation on a subregional scale is the case of the Amazon Cooperation Treaty Organization (ACTO). Being a subregional **cooperation** scheme that brings together the eight States that share the vast Amazon basin, ACTO develops a series of programmes with specific impact on that shared ecosystem, with an active participation of the national bodies responsible for environment; science, technology and education; indigenous affairs; health; and transport, tourism and communication. Some of those programmes have a clear impact in the territories that the countries themselves have defined as border areas or zones, usually in a different context.<sup>3</sup>

Conversely, and by way of example, an agreement reached by two States with common borders for a private company to exploit a mineral reservoir that extends, from side to side on the border line, on a sector in which mountain summits, over 5,000 meters above sea level, set the limit between each jurisdiction, and where there are no permanent populations or road access many miles away from the site, would not be tantamount to a border cooperation initiative. It would only represent a bilateral agreement that, once perfected, would make it possible to develop the first bi-national mining project of the world. In this context, both States would benefit from taxes and royalties produced by the mining exploitation once the company with the concession starts to work on a single operation. That is the case of the gold mine Pascua-Lama, which will be exploited by transnational mining company Barrick at the line of peaks of the Andes Mountain Range which constitute the border between Argentina and Chile, which, for this purpose, reached an agreement in 2009 to solve tax aspects relating to the so-called indivisible cross-border services.<sup>4</sup>

Bearing these references in mind, this report comprises both ongoing experiences and possible initiatives in the areas of "border integration" and "border cooperation". It should be recognized that sometimes countries or the various subregional integration blocs in LAC use the term "cross-border (or trans-border) cooperation" ("cooperación transfronteriza" in Spanish). These variations should also be accepted as valid since they are related to the two previous terms. However, it must be noted that, from a strictly formal point of view, according to the Spanish Royal Academy, the prefix "trans" denotes "the other side" or "through", which somehow does not fully coincide with the relevant connotation given in this document and in SELA 2012c to the concept of border, as it is recognized as a "space of shared action", i.e., a single space or a space unit.

## 2. Identifying priority "border situations"

The objectives and expected results of the border integration processes undertaken by the countries of the region, as well as their very nature, must be based on a clear understanding of the "border situations" existing or prevailing in border areas at the moment of formalizing such commitment. Section I.1 of SELA 2012c (p.10) states: "if a time period were selected to provide a snapshot of all borders, a range of situations, based on their particular problems, would be found in the diversity of their component variables and the varying degrees of coordination and integration, both internally (within the country) and externally (with the neighbouring country). This dynamic situation, established according to specific features of each sector in contiguous territories

<sup>2</sup> The fundamental notion of the proposed definition is contained in: Oliveros, Luis Alberto. (2002). *La Integración de las Fronteras Andinas*. Lima, SGCAN. SG/di 439.

<sup>3</sup> In this connection, see the "Agenda Estratégica de Cooperación Amazónica" (2010). Available: [http://www.otca.info/portal/admin/upload/apresentacao/AECA\\_esp.pdf](http://www.otca.info/portal/admin/upload/apresentacao/AECA_esp.pdf) [Consulted: 12 March 2013].

<sup>4</sup> Taken from "Chile y Argentina logran acuerdo acerca de aspectos tributarios de Pascua Lama". Available at: <http://www.sii.cl/pagina/actualizada/noticias/2009/280409noti02jo.htm> [Consulted: 15 March 2012].

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between two countries, and which prevails at a given time, may be called “**border situation**”.

That document recognized and characterized eight major types of border situations in LAC, which could be subject to distinct border agreements between pairs of countries or a single bilateral agreement. These eight border situations are illustrated below through a set of photographs (Chart 1).

Thus, it is clear that the bilateral task of defining an area for intervention in order to promote border integration processes, requires not only including the geographical delimitation, but also taking into account the different border situations that can be found on both sides of the international border, in order to establish the objectives, thematic or sectoral contents and expected results of that such joint intervention. In other words, it should consider qualitative criterion, i.e. the situation of momentary balance that exists at the border, in addition to the quantitative criterion, which is the geographical space of intervention.

For instance, if the main objective of the joint intervention is to combat poverty and exclusion affecting rural populations, the geographic area of intervention must correspond to a border situation No. 3. On the contrary, if the main purpose is to promote the modernization and consolidation of bilateral trade hubs across borders, priority should probably be given to areas with border situations No. 4 and No. 7. Perhaps, rather than defining the spaces of intervention, to be dealt with in the following section, it would be reasonable that such delimitation addresses more than one border situation: those more likely to overcome asymmetries and imbalances in terms of development, contribute to strengthening the bilateral and multilateral integration processes, and those that more effectively coordinate the pair of countries concerned with the international context (SELA 2012c, p. 20-24).

### **3. The geographic scale of border integration processes**

In principle, the geographic scale or size of those territories subject to border integration initiatives should be related to their border situations. For example, in the case of areas with border situation No. 3 it is obvious that the geographic scale of their current border integration (spontaneous, unofficial) cannot be very broad – a few kilometres from the international border – since it comprises rural communities isolated from main roads, connectivity is generally very poor and does not allow for intense border integration over a large expanse of territory. On the contrary, in border situation No. 7, the existence of urban centres that count on a variety of services linked by an efficient transport infrastructure can create the perception that “the border area” stretches out several tens and sometimes hundreds kilometres from the borderline between the two countries.

**CHART 1**

**Set of photographs depicting border situations in Latin America and the Caribbean**



**Situation 1:** Isolated indigenous communities (Yavari River, Brazil-Peru border)



**Situation 2:** Indigenous communities with varying degrees of coordination with the outside world (Awajún community, Ecuador-Peru border)



**Situation 3:** Rural communities with precarious agricultural resources and critical social conditions (Mayan community, Guatemala-Mexico border)



**Situation 4:** Rural communities with access to agricultural resources and moderate deficit in social services (Peasant community in Nariño, Colombia, border with Ecuador)



**Situation 5:** New human settlements (a family of settlers, living near the Amazonian border between Bolivia and Brazil)



**Situation 6:** Urban centres with local functions (Carmelo Peralta, Paraguay, border with Brazil)



**Situación 7:** Intermediate urban centres located on bi-national or tri-national transport routes (Rivera – Uruguay y Sta. Ana do Livramento – Brazil)

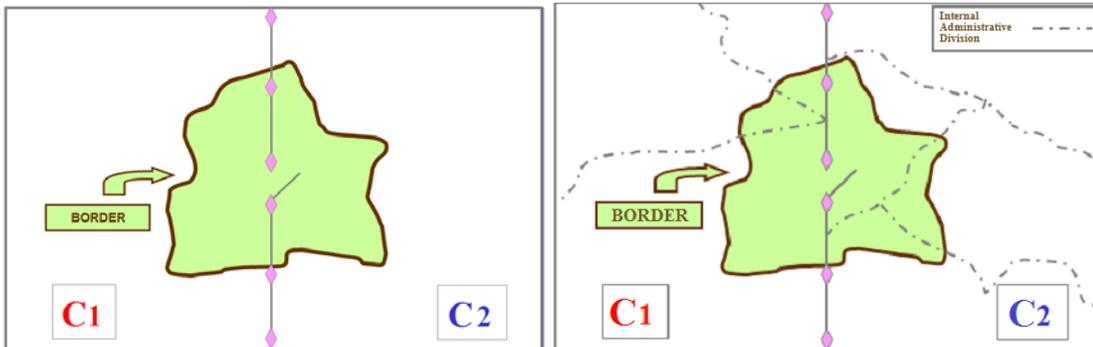


**Situation 8:** Regional metropolises. (Map of quasi bi-national conurbation Cúcuta and Villa del Rosario – Colombia; San Antonio and Ureña – Venezuela)

Generally speaking, it is necessary to bear in mind the notion of “**everyday life**”. In this regard, it should be noted that border integration increases as everyday life relations become more intense, allowing for more interdependence among the social and economic stakeholders operating in some sectors of the territory, on both sides of the border, than in other sectors. In this process, the limits of the territorial entities established by the States for administrative purposes (departments, provinces, cantons, districts) often play a minor role. The perception of the border area almost never coincides with them,

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but in view of the lack of other visible references on the ground for such administrative purposes, they are almost always taken into account to define the spaces of intervention.

**CHART 2****Border integration and subnational political and administrative units: linear and zonal notions of the border area**

Source: Oliveros, L. "Las nuevas visiones de la Integración Fronteriza en el marco de la Comunidad Andina", ppt presentation at the International Forum "Borders and Integration: Challenges and Opportunities for Education", Bogotá, Colombia, October 2005.

However, there are many natural factors and human constructions that can make border and their integration processes either expand or retract, encompassing relatively large territorial segments in each pair of neighbouring countries. The human factors most frequently seen in Latin American and Caribbean countries include the following:

- Infrastructure and connectivity. When there are first-class or paved roads and networks of telecommunication that allow for shortening times of travel and "bring closer" individuals, companies and institutions, borders expand and border integration processes become more intense. Conversely, when infrastructure is poor or non-existent, normally the borders and their corresponding integration processes become weaker and highly localized. According to this criterion, for instance, the expansion of road networks and telecommunications across the countries' borders, within the framework of bilateral agreements or as part of prioritized projects within the International Network of Mesoamerican Highways (RICAM) or the Initiative for Integration of Regional Infrastructure in South America (IIRSA) are major factors activating the borders and their subsequent integration processes, expanding and intensifying them.
- Differentiated productions. Exchanges of agricultural, livestock and manufactured products normally encourage "growth" in border areas and intensify border integration processes as long as they are differentiated or complementary on both sides of the border between the two countries and their prices offer a competitive advantage for the production of one country with respect to the other.
- Diversified services. Similarly, when there is a certain specialization in the provision of personal services or for economic activities in one sector of the border, and such services are not available (or have lower quality or variety) in the sector of the adjacent country, border integration gets a boost. Those services include: medical and recreational services, gastronomy, currency exchange and money transfers, repair and spare parts for equipment and machinery, among many others.

- Subsidized prices. In an effort to provide the population with economic activities and consumer goods or production at economic prices, and to avoid shortages and inflation, some national governments subsidize certain products such as domestic gas or wheat for bread-baking. If the neighbouring country does not apply a similar policy, those subsidized products almost inevitably will go in a significant proportion to the other country, especially if part of the border population is affected by poverty and lives in a survival mode. In this case, illegal trade across borders becomes an “asset” for the population. In these circumstances, spontaneous border integration will become unusually intense, and will decline drastically at the moment that the country providing subsidized goods decides to eliminate such policy. Table 1 explains the situation that exists with regard to trade in fuel in the border sector of the plateau between Bolivia and Peru, which is virtually equivalent to the situation seen in the borders of Bolivia with its other four neighbouring countries:

**TABLE 1**  
**Prices of common gasoline from Bolivia on the border with Peru**  
*(litre, in US\$)*

PRICES AT GASOLINE STATIONS IN THE TERRITORY OF EACH COUNTRY			PRICES IN BORDER TOWNS OF BOTH COUNTRIES (Desaguadero border crossing)		PRICES IN PERUVIAN TERRITORY (up to 140 km from the border between both countries)	
BOLIVIA	PERU	Ratio Pe / Bo		Ratio Pe / Bo		Ratio Pe / Bo
0.54	1.35	2.5	0.82	1.5	1.03	1.3

*Source: Prepared by the author.*

In this example, the Bolivian Revenue Service is seriously affected since Bolivia is not a hydrocarbon producing country (except for natural gas). For this reason, every year the public budget should provide for enormous resources to subsidize gasoline and diesel imports. This situation differs substantially, for instance, with those of Ecuador and Venezuela, where fuel prices are well below the international average, but, unlike Bolivia, they are producers and exporters of hydrocarbons. Thus, the domestic prices of fuels in those two countries can be interpreted as the expression of a “competitive advantage”, and their clandestine trade to neighbouring countries does not cause so serious damage to their tax collecting agencies as in the Bolivian case. Interestingly, in the example of Table 1 it should be noted how Bolivian gasoline becomes more expensive as it approaches the border with Peru and enters its territory. When it reaches the border with Peru it gets 50% more expensive than in Bolivia and in more remote destinations where it is marketed within Peru its price is almost the double. Consequently, taking into account, specifically, the illicit trade of subsidized Bolivian gasoline, we could state that the border area between Bolivia and Peru through the border crossing of Desaguadero extends 140 km into Peruvian territory from the borderline between the two countries.

- Regulatory restrictions to border traffic: Between some countries in the region, the movement in border areas is restricted or subject to strict controls, either because of security reasons (trafficking in persons, firearms and illegal drugs) or because the differences in terms of employment opportunities and the possibility of enjoying higher living standards and higher income encourages the interest of inhabitants on one side of the border – sometimes in an excessive way – in migrating or entering the

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other country. More often than not, they are not so much interested in working on a daily basis, but in trying to stay permanently in the other country, even in illegal status. Some exceptions include the case of “cross-border workers”, who are accepted in the country that offers better income and working conditions, usually for seasonal jobs that coincide with an increased demand for labour, and within the framework of specific bilateral agreements. In such cases, border integration processes do not unfold properly because they are overwhelmed by situations marked by the differences in living conditions of the populations on the two sides of the border. This situation will be further analyzed in the third chapter of this report, which focuses on the free movement of factors at the borders in Latin America and the Caribbean.

Bearing in mind all these factors, how could a bilateral agreement define the boundaries of the territories to be involved in a border integration process promoted by the governments of two neighbouring countries? The document 2012C SELA outlines three possible scales of intervention: border area, border zone or border integration zone, and border region (SELA, 2012, p. 11-12). But, in reality, the negotiators of both neighbouring countries would have to take into account and assess the factors explained in the aforementioned situations in order to make the best possible delimitation. They should also be aware that the delimitation that they agree upon is not only valid for the day on which the agreement is signed, but that it should express a long-term intention to promote joint action on the territories involved in such an agreement. For this reason, it seems advisable to introduce a flexibility factor: the area, zone or border region should have an extension greater than the territory in which the border phenomenon is currently occurring.

Taking into account the concept of **everyday life**, probably the boundaries of the territories to be involved in border integration processes should have as a reference the extension which can be possibly covered in one day, in terms of physical movement and human activities. That is to say, if a person, a family, a merchant or businessman is interested in doing so and can move from the town where he lives in his country to another town in another country during the day, consume goods, go shopping, visit relatives or friends, conduct banking transactions, visit tourist attractions, use local services and return to his place of residence, then the potentially high intensity of his relations with communities, individuals and economic and social actors from the other country would define him as border inhabitant. In a normal situation, that kind of movement, if performed through paved roads, could require about 12 hours, i.e., a whole day, in which the person would take four hours on the trip to the other country, four hours of stay in the border sector and four hours on the return trip. If we translate this into kilometres, going along a paved road at an average speed of 70 km per hour, this would indicate that the territory that should be involved in a border integration agreement would, tentatively, extent from 500 to 600 kilometres between the end points of the road axis that allows for travelling in both countries in one day (250 to 300 kilometres for every country from the international boundary).

However, there are certain situations that go beyond this estimate which probably fits better to the reality in terms of size and shape of the countries in South America:

- One of them is the case of the seven countries of Central America (Guatemala, Belize, Honduras, El Salvador, Nicaragua, Costa Rica and Panama), which have a joint area of 522,676 km<sup>2</sup>, which makes an average area of about 75,000 km<sup>2</sup> by country. In view of the more or less symmetrical shape of those countries, the distance of 500 to 600 kilometres mentioned above could easily surpass the distance between the capitals of two neighbouring countries. Thus, the distance between Managua (Nicaragua) and San José (Costa Rica) is approximately 430 km and the distance

separating Tegucigalpa (Honduras) and San Salvador (El Salvador) is even shorter, nearly 200 km.<sup>5</sup> In accordance with the concept of everyday life, the very capitals of those countries could be defined as cities that form part of a border integration space, which does not seem to be very reasonable because they are capitals of countries that make up the “head” of national urban systems and, therefore, the notion of “border” is diluted within their other functional roles within the nation as a whole.

- The case of the Bolivian-Peruvian border is similar. The Peruvian city of Puno is 145 km away from the Desaguadero border crossing whereas La Paz, the Bolivian capital,<sup>6</sup> is located 112 km from that border crossing. Should La Paz be considered as a more “border” city than Puno? Obviously not. The case is that La Paz holds the first rank in the Bolivian national urban hierarchy. It is a multifunctional city, which governs the entire territory of that country, and in exercising its functions the border plays a marginal role. On the other hand, Puno is a third-rank city in the Peruvian urban hierarchy, whose population is equivalent to 6% of the population of the metropolitan area of La Paz, and is located 1,350 km away from the capital of Peru. In this context, the experience of the border in Puno is a real fact and takes shape in many ways: intense commercial and tourist relations with La Paz; use by the population of services not available in Puno but in La Paz (for example, certain specialized medical services); young members of families from Puno who study in universities in La Paz, among others.
- In South America, the extension of the territories that many pairs of countries have decided to involve in border integration initiatives draws attention. In Decision 501, “Border Integration Zones (BIZ) in the Andean Community” (**Annex 2**), pairs of Andean countries defined several BIZ whose extensions exceed those of several of the largest subnational territorial units of those countries (departments in Bolivia, Colombia and Peru; provinces in Ecuador).

**TABLE 2**  
**Border Integration Zones between Andean Community countries**

DATA or VARIABLE	BORDER INTEGRATION ZONES (BIZ)							
	Bolivia-Peru		Colombia-Ecuador		Colombia-Peru		Ecuador-Peru	
	2001	2007	2005	2001	2005	2007	2001	2007
Pop. BIZ (thousands)	2,765	1,728	1,196	667	57	548	1,271	2,710
Population density (inh/km <sup>2</sup> )	7	10	29	18	0,5	3	13	10
Economically active population (EAP) (thousands)	1,082	678	380	297	13	196	555	902
Employed EAP (thousands)	1,034	633	346	286	12	184	535	853
Literacy (%)	69	90	92	88	92	96	94	91
Area BIZ / country total (%)	37	13	4	15	11	12	40	22

Source: General Secretariat of the Andean Community. (2009). “Border Integration Zones of the member countries of the Andean Community. Socio-economic data: statistical analysis”. SG/de 252.

<sup>5</sup> Distances calculated on the map of Central America (Google Maps).

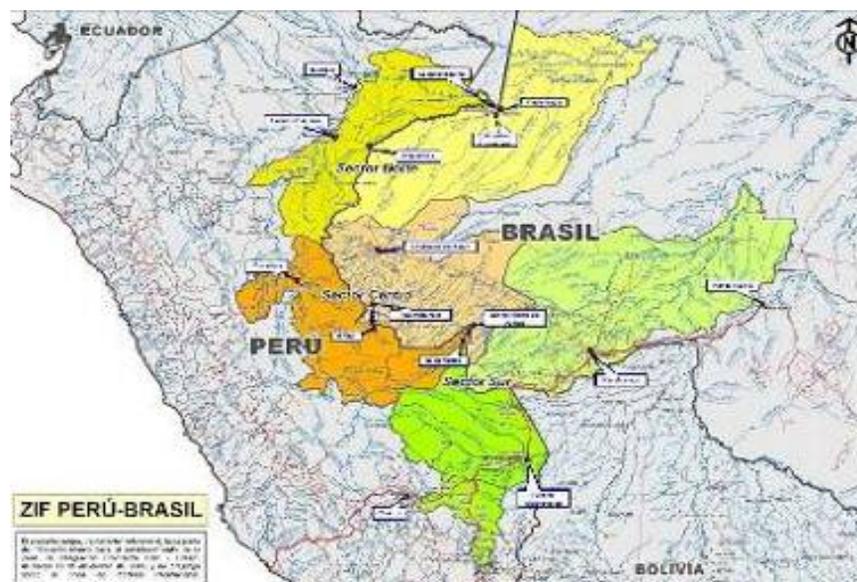
<sup>6</sup> Along with the city of El Alto, La Paz is the largest urban conglomeration of Bolivia.

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On the other hand, in the case of the BIZ between Colombia and Ecuador, and Colombia and Peru, minor areas of priority intervention were identified as "Strategic Development Areas" (Colombia-Ecuador) or "Specific and Strategic Areas" (Colombia). In these cases, the expectations of governments and other actors involved in their establishment and management were frustrated by limitations in getting financing. This led them to defined BIZs on a macro-regional scale, in many of which it is usually difficult to identify processes with the required relevance to function as appropriate scenarios for implementing the corresponding Andean Border Integration Policy and as catalysts in the border integration process among Andean countries. In this context, it is clear that the criteria for identifying and delimiting BIZs set forth in Article 6 of Decision 501 were not taken into account by the member countries of the Andean Community.

- In the case of the Brazil-Peru border, both States decided to establish their own border integration zone in 2009 with some reference to the framework established by Decision 501 of CAN, which has an area of 867,022.25 km<sup>2</sup> (Peru-MRE, 2012, p. 1). It comprises several departments of Peru (Madre de Dios and Ucayali, and part of Loreto, Cusco and Puno), and in the whole State of Acre in Brazil and a large portion of the huge state of Amazonas (Chart 3).

This, in particular, seems to establish an equivalence among three integration and development hubs (EID) of the IIRSA initiative and this BIZ: the Amazon; the Central Interoceanic and the Peru-Brazil-Bolivia Hubs. Thus, within the framework of the IIRSA Initiative the hubs are defined as follows: "A multinational territory strip that includes a certain endowment of natural resources, human settlements, productive areas and logistics services, articulated by transport, energy and communications infrastructures that facilitate the flow of goods and services, people and information, both within its own territory, as well as to and from the rest of the world" (Marcondes, 2012, p. 68). Therefore, the possibility of materializing programmes, projects and activities in order to strengthen border integration could decrease, even though those countries have established priority areas of intervention called North Sector, Central Sector and South Sector.

**CHART 3****Map of the Border Integration Zone (BIZ) between Brazil and Peru**

Source: Ministry of Foreign Affairs of Peru (2009).

In view of these reflections, it could be stated that the geographic scale of the territories to be involved in border integration agreements depends on taking into account the interest of both neighbouring States in improving, on the basis of a joint and coordinated effort, the social, cultural, economic, infrastructure and environmental reality of the territory, as well as other relevant aspects for the progress of their border territories where “**everyday life**” is the central element of its performance. However, it seems advisable for such delimitation to include a projection for certain time frame which considers the “geographical growth” that will occur at the border on the basis of such joint or coordinated actions, provided that such growth does not exceed the day-to-day nature that must characterize the interventions of all border stakeholders.

**Annex 3** contains a series of questions prepared jointly by the ministries of Foreign Affairs and Education of Peru in 2000, in order to carry out a survey among teachers of schools in border areas of that country, so as to gain knowledge about the “border situation” of the area where the school is located. The goal was to have elements to define development policies for border territories and to identify areas for possible intervention within the framework of border integration initiatives at a local level, based on the results (whose methodology and processing modality, the weighting of each one of the sections and responses, were not specified in the survey).

#### 4. Tripartite border integration

There are several places in LAC where there is a confluence of the sovereign territories of three States, which at times have become areas of intense regional or international traffic and relations, while in others they are barely recognizable on the map and ownership to either country is represented only by the presence of a military garrison or border surveillance post. This has much to do with occupation and territorial organization policies, as well as with decentralization policies implemented by the States; with spontaneous or promoted colonization processes; with the natural characteristics of those areas, which may hinder or limit their occupation (dense tropical forests, high

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mountain ranges); and the distances that in many cases separate the main urban areas of each country from the scarcely inhabited or uninhabited territories in their confines.

In South America, the border areas between Venezuela-Colombia-Brazil; Colombia-Ecuador-Peru; Brazil-Colombia-Peru; Brazil-Bolivia-Peru; and Argentina-Brazil-Paraguay are noteworthy cases. In Central America, the most significant is the one between El Salvador-Guatemala-Honduras, each one of them with specific and different situations.

In the case of the borders between Venezuela-Colombia-Brazil; Colombia-Ecuador-Peru; and Brazil-Colombia-Peru, they are all located within the large sub-continental space dominated by the Amazon tropical forest, difficult to access and where the main rivers are the main communication axis. These territories are in the furthest confines of those countries, with a low population density represented by native populations with different levels of integration to the concept of nationality, and where there is a weak presence of State institutions. In those areas, there hasn't really been substantial border integration, although in some cases they are formally part of territories inserted in defined border integration zones, like those between Colombia and Ecuador, Ecuador and Peru, and Colombia and Peru. In this scenario, the States have basically been concerned with cooperation initiatives to protect the shared ecosystems in those sectors which contain an abundant and representative Amazonian biodiversity; to protect the rivers for water production and water quality; and to prevent the activities promoted by external actors that disturb or damage the integrity of the ecosystems, as well as that of their original inhabitants, and that take advantage of the limited presence of the States and their institutions to carry out illegal activities through those borders.

Thus, Colombia, Ecuador and Peru started implementing the "Tri-national Conservation and Sustainable Development Programme for the Corridor of Protected Areas of La Paya Colombia) – Güeppí (Peru) – Cuyabeno (Ecuador)", also known as the "Putumayo Three Borders", as a model for the coordinated management of neighbouring protected areas, replicable in other places of the Amazonian region, which includes planning, learning, training, and strengthening joint operation capacities in the three natural protected areas.<sup>7</sup>

On the other hand, the tripartite Brazil-Colombia-Peru border is organized on that "highway" formed by the Amazon River: Colombia and Brazil through the cities of Tabatinga and Leticia, respectively, while Peru has jurisdiction on the western margin of the Amazon River that forms a low, flooding bank, and has not been able to establish a permanent settlement, only a police and customs station in the Island of Santa Rosa, facing the Colombian city of Leticia. In this sector, there is an intense relation between border populations, particularly between the inhabitants of Tabatinga and Leticia that have a free transit regime, just as the Peruvian inhabitants of Santa Rosa, Ramón Castilla, Islandia, and the colonizers of a religious sect, since Ramón Castilla floods during the high tide of the Amazon River. They cross to Leticia and Tabatinga in small vessels, and depend on those two cities for many of their basic goods and services.

Some official two-country agreements like the "Framework Agreement between the Republic of Peru and the Federative Republic of Brazil, to establish integrated control systems in the border areas of Peru and Brazil" signed in December 2009, regulate some of those relations and exchanges, but other activities, like the fishing of Peruvian settlers near the confluence of the Amazon and Yavarí Rivers, who then sell in the Colombian sector products that are mostly transported to the interior of Colombia by planes with

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<sup>7</sup> Taken from: "Tri-national Program Colombia-Ecuador-Peru". Available at: <http://www.programatrinacional.com> [Consulted: 27 March 2013].

refrigerated chambers, are not subject to any agreement and are not regular transactions. The above mentioned Brazilian-Peruvian agreement seems very complete, since it establishes the legal, administrative, operational, and other provisions necessary in the border area, for integrated migratory, customs, health and phytosanitary controls, and for the health of travellers and communication means.

In the tripartite border between Bolivia, Brazil and Peru, an area of the Amazonian tropics south west of that ecosystem, there has been a regional border initiative since the end of the 1990s promoted by public and private actors in the region, known as the MAP Initiative (Madre de Dios – Peru; Acre – Brazil; Pando – Bolivia) which carries out cooperation actions and projects in environmental preservation, economic development, and social equality. This initiative is a response to what those regional actors considered the abandonment of their needs, and to the development and integration expectations of national authorities. In MAP meetings, the central level authorities of the three countries are invited, to acquire knowledge and monitor the agreements and actions implemented, but not as central actors, so much so, that the three countries never established an official tripartite agreement backing or officialising said initiative. Since the beginning of 2011, the Transcontinental Amazonian Road has enabled connection through the MAP territory, between the Eastern and Western facades of the South American subcontinent, crossing the Amazon, so the expectations to strengthen the process have increased.

However, so far, exchanges between the three national regions have not increased significantly, because given their low economic and demographic weight, they would operate (at least initially) as transit areas for a supply of products that have not appeared, and even if they did, they could hardly pay for the freight to reach the far away domestic markets or ports, where those products would leave for international markets (soy, fine woods). In the meantime, since October 2009 Brazil and Peru have officially established a Border Integration Zone which is already part of a "Strategy for the development and integration of the southern sector of the Peru-Brazil Border Integration Zone 2012 – 2021", which although very positive, opens up the question of the situation of Bolivia, either as part of MAP or an official tripartite scheme that would eventually incorporate it.

In the tripartite Argentina-Brazil-Paraguay border, the three countries have made a relatively early and intense presence, through the expansion of the agricultural and livestock border, and the development of urban centres that in turn have grown and prospered thanks to trade, and the tourist attraction of the Iguazú Falls in this three border area. From Puerto Iguazú (Argentina), Foz de Iguazú (Brazil) and Ciudad del Este (Paraguay), with an urban population of approximately 700,000 inhabitants, there is a flow of tourism, trade and cultural exchanges unparalleled in any other tripartite border zone of LAC; likewise, there are presently more than fifty projects in several areas like trans-border trade and tourism, health and social cohesion policies, education, protection of the environment and cultural heritage, and the development of infrastructure and joint services (Rhi-Sausi and Odone, 2009b7, p. 23). This, however, doesn't prevent the occurrence of problems common for the three cities, specifically in Foz de Iguazú and Ciudad del Este, like poverty and unemployment, considered by politicians as the core of the evils that ravage the region (Giménez, 2011, p. 30).

Finally, the Trifinio region between El Salvador, Guatemala and Honduras, is a mountain area that establishes the political boundaries between those three States, has only 3 % of its population, but is strategically important since it is the head of the three most important rivers in Central America, the Úlua, the Motagua, and the Lempa. Since 1986, the three

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States agreed on a development plan for that region, focusing on the management and use of its natural resources, emphasizing water and the preservation of the cloud forest, in an area defined as the “La Fraternidad” Biosphere Reserve. The Trifinio plan could be defined as a tripartite border cooperation scheme, based on the management and preservation of the environment, particularly the sustainable management of shared water and forestry resources, but has been expanding to other areas such as local and territorial development, with an intense participation of local governments that since 2006 gave rise to the creation of the Trans border Municipal Commonwealth of the Lempa River (Mancomunidad Municipal Transfronteriza del río Lempa) (SELA, 2012, p. 32-34).

In sum, the examples herein presented indicate that tripartite border integration is an option for the region, but must be adapted to the natural vocation of those areas, the enhancement of their more or less strategic location of the three countries for their shared goals, the intense or diffuse population presence, and the economic activities and other peculiarities of those areas; however, it is mainly an opportunity, and taking advantage of it will depend on the will and the priorities for development and integration of the national governments, with the participation of political entities and the regional and local civil society. Thus, there are multiple options in LAC, and the concrete examples of border integration or tripartite border cooperation span a wide range of possibilities.

### III. INSTITUTIONAL FRAMEWORK OF BORDER INTEGRATION PROCESSES

#### 1. Type of institutions

Border integration is a process that occurs in territories that due to their boundaries with another country, is associated to the notion and principle of sovereignty. The States are mainly interested in establishing border integration institutions that safeguard that fundamental principle, while opening channels for dialog, coordination, and consultation, guaranteeing the presence of the different levels of the national government, particularly Ministries of Foreign Affairs. However, given the presence of different local and regional actors in those territories, the pertinence of including them in the institutional framework must also be evaluated.

The institutional framework of border integration processes may emphasize, or be led by political entities, in which case the Foreign Affairs Ministries of the countries involved almost always play a central role. In those cases where border integration involves a wide range of topics, vast geographical areas for intervention, decentralized government entities, and the implementation of activities and projects with the participation of institutions of each country in different sectors, the responsibility to manage the specific mechanisms is frequently granted to entities in different sectors from the regional and local government, and the Foreign Affairs Ministries play a less visible role, basically monitoring and supervising those other entities. In LAC, all these options are part of the institutional framework of ongoing border integration and cooperation processes.

One of the most relevant border integration initiatives in the region, because of its objectives as well as its components and achievements, is the one implemented by Ecuador and Peru since 1998, called “Bi-national Plan for the Development of the Ecuador-Peru Border Area” and whose details can be found in SELA, 2012 (p. 26-30). This project is implemented through two mechanisms: the **Bi-national Plan** per se, an entity that promotes and articulates the development of the border region; and the **Bi-national Fund**, which finances the medium and small programmes and projects of the Bi-national Plan.

The Board of Directors of the Bi-national Plan and the Bi-national Fund are formed by eight Directors, four from each country, representatives of the public and private sectors of the border region, as well as the Executive Directors of the respective national chapters that traditionally have been Ambassador-level officials of the respective Foreign Ministries, who alternate the Presidency of the Bi-national Board of Directors every year. In the case of Peru, the representatives of the border region and the private sector are elected every year directly by and between the authorities of the Regional Governments, Municipalities and regional Chambers of Commerce. Governments only appoint public sector representatives, which in the case of the Board of Directors of the Bi-national Plan for Peru, it is usually an official from the Ministry of the Economy, and in the case of the Board of Directors of the Bi-national Fund, is the Director of the Peruvian Agency for International Cooperation (APCI).

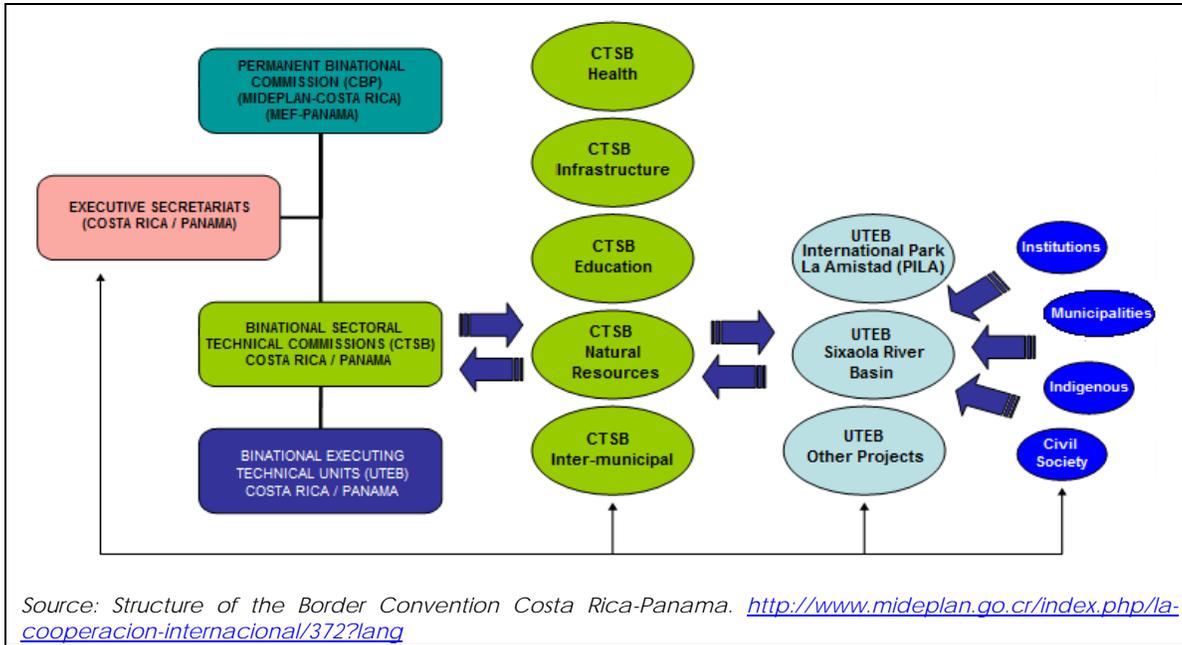
Bi-national Technical Committees have also been established, which are mechanisms to promote programs, projects and activities of interest for both countries, in matters related to the sector, or other specific matters, not necessarily related to the border issue. One of them is the Bi-national Technical Committee for Border Regime (Comité Técnico Binacional de Régimen Fronterizo - CTBRF), in charge of overseeing the implementation of the border regime (Transit Agreement) and the effective operation of Border Committees, subsidiaries of the CTBRF, established in several trans-border areas. Finally, there is also the Bi-national Group to Promote Private Investment (Grupo Binacional de Promoción de la Inversión Privada - GBPIP) which works on an entrepreneurial short term cooperation agenda, discussed at the annual meeting of its Board of Directors. All these institutions, specific for border integration and for several bilateral mechanisms, count on the Peruvian-Ecuadoran Neighbourhood Commission, the political entity whose representatives are in charge of fostering, supporting and dynamically coordinating cooperation and integration between both countries. These border institutions are complemented, for issues other than those related to the Bi-national Plan, by the above mentioned Border Committees, of which the Peruvian-Ecuadoran Neighbourhood Commission is the highest authority (Oliveros, 2000, p. 507-511).

In other border areas of LAC where border integration doesn't have such a wide scope of themes, or visible achievements such as in the Ecuadoran-Peruvian case, the countries concerned have frequently established a comprehensive institutional framework, like mixed commissions headed by the Foreign Affairs Ministries of both countries, which usually play a leading role in guiding and promoting border integration processes.

In the case of Costa Rica-Panama, for example, although the "Border Development Cooperation Agreement" was signed in 1992 by the Presidents and Ministers of Foreign Affairs of both countries, its institutional framework is headed by the Ministers of Economic Development and the Economy (Minister for National Planning and Economic Policy of Costa Rica and Minister of Economy and Finances of Panama) since they preside the Permanent Bi-national Commission, the highest authority of the Agreement. There is also an Executive Secretariat with a coordinator for each country. The institutional framework also includes the operation of Bi-national Sectoral Technical Commissions (CTSB) that represent the basic national organizations of each of the eleven sectors (agriculture and livestock, threat and risk, natural resources, tourism, infrastructure, health, education, social development, inter-municipalities, customs and migratory matters, and energy). Below them there are Bi-national Executing Technical Units (UTEB) established for each program, project or activity, and all the actors involved are incorporated to them.

**CHART 4**

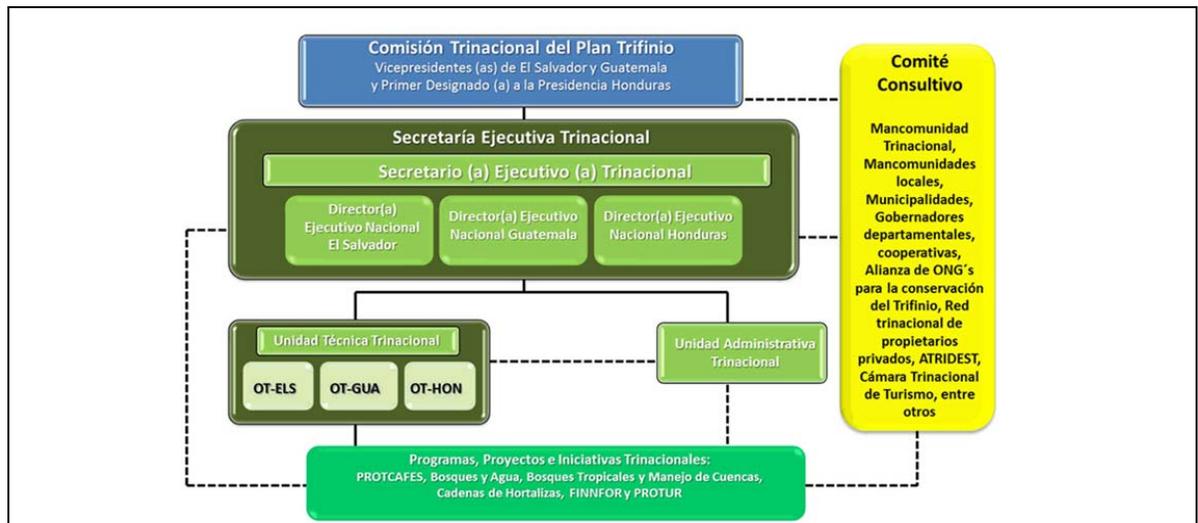
**Structure and relations of the institutional framework for Costa Rica-Panama border cooperation**



In the case of the Trifinio Plan between El Salvador, Guatemala and Honduras, the fact that the three countries have acknowledged the geographical space where this initiative is being executed “as an area of special interest for the three countries, representing an indivisible unit where only the joint and coordinated action of the three countries will give a satisfactory solution to the problems of the populations, and the sustainable management of its natural resources”,<sup>8</sup> explains that the institutional framework is headed by a Tri-national Commission formed by the Vice-presidents of Guatemala and El Salvador, and a Representative of the Presidency of Honduras. This Commission has “financial and technical autonomy, and its own legal identity”.<sup>9</sup> The Plan has a Tri-national Executive Secretariat, with an Executive Director of each country, as well as three National Technical Units (one per country) and a Tri-national Administrative Unit. It also has a Consultative Committee, with a high representation of local government organizations and the civil society of the area, especially the commonwealths (tri-national and local). Also, several commonwealths are integrated to the scheme, mainly the Tri-national Commonwealth of the Lempa River, which fosters social cohesion and the territorial integration of the border municipalities of the Trifinio area, thus contributing to better define and execute the projects promoted by the Trifinio Plan (Conato, 2009a, p. 136).

<sup>8</sup> Treaty signed by the Republics of El Salvador, Guatemala and Honduras for the Execution of the Trifinio Plan, Article 3.

<sup>9</sup> Idem, Article 5.

**CHART 5****Organizational Structure of the Tri-national Commission of the Trifinio Plan (CTPT)**

Source: Web page of the Tri-national Commission of the Trifinio Plan.

<http://www.sica.int/trifinio/ctpt/estructura.aspx?IdEnt=140>

It is worth mentioning that in Central America, special attention is given to the role municipalities must play within the framework of border integration processes, consistent with the fact that in all countries in the sub region, except Panama, the only subnational administrative level is the municipality, since departments and provinces are only geographical expressions and don't have elected authorities. Many municipalities establish spaces for trans-border coordination, usually informal, to design common plans of action in their respective jurisdictions, which are conceived as opportunities for union or the solution of common issues between local governments (Conato, 2009a, p. 110-111).

In the case of Argentina and Chile, after the tense relation between both countries in the 70's due to border disputes, and the signing of the Peace and Friendship Treaty of 1984, Border Committees were created to facilitate the circulation of people and products. In 2006 they were renamed as Integration Committees, and the border between Argentina and Chile has become a space where the action of private and public sub-national organizations (Argentinean provinces and Chilean regions), have minimized the bureaucratic character of these spaces for dialog and understanding, becoming entities directly linked to fostering productive, social, and cultural integration. At present, there are seven Integration Committees, covering the 5,500 km of common border, working on initiatives that for example have helped reinforce decentralization and State reform processes, transferring the decision on many projects from the national governments to the regional governments (Maira, 2010, p. 18).

Articles 15 to 21 of the Maipú Treaty, signed in November 2009 by the Presidents of both countries, regulates the Integration Committees, granting the bilateral relation a strategic projection. However, the Treaty doesn't consider "border integration" or "transborder cooperation" the competence of the Integration Committees, but rather, their purpose is "to achieve and promote integration in the subnational arena, with the support of national, provincial, regional, and municipal organizations" (Article 15° of the Maipú Treaty). This seems to be the correct solution to a situation of cooperation between two neighbouring countries, where the concept of border, as defined in the SELA 2012c report, and as have been used in this document, is not valid. Between Argentina and Chile, the Andes Mountain Range establishes a natural barrier of such a magnitude, that

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the relation and bidirectional flows are channelled through border passes, located in some cases above 4,000 meters above sea level, while the population and the cities are mostly in the valleys or piedmonts, hindering the everyday perception of the border phenomena; however, this doesn't prevent the integration and cooperation between both countries from being partially channelled within the framework of the Integration Committees at the subnational scale (but not the border *per se*) with headquarters on Argentinean provinces and Chilean regions whose boundaries coincide with international boundaries in sectors of the Andean mountains.

The examples mentioned in this paragraph indicate that there is no single institutional model in the region to implement border integration and cooperation initiatives. Not even the heads of the institutions are within Foreign Affairs Ministries, and a clear example is the border cooperation between Costa Rica and Panama. What can be seen in all cases is that the head of the institution reflects the political decision of the countries committed to carry out the initiative as a long term bilateral commitment. Below the decision making level, there are usually technical institutions, more or less populated depending on the scope of the issues that are part of the border integration agreement, and the plans and programmes involved.

On the other hand, something very important is that in all cases, the participation of regional-local actors, beneficiaries of border integration initiatives, is considered in several cases decisive or operational for the institutional schemes deployed. This characteristic is undoubtedly related to the increasingly active spaces of participation granted to those levels, to achieve governance within the framework of ongoing decentralization processes, in almost all the countries of the region. This characteristic is in turn associated to four acting forces: the scientific and technological revolution, state reforms, civil society demands, and privatizing tendencies, which push towards modernizing the social management of the territory (Boisier, 2004, p. 27). For example, in some borders this has led border municipalities from a country, with the same social development perspective, to create trans-border commonwealths with their peers in the neighbour country, which is complex to execute, starting from the legal restrictions. But in sum, in border areas in LAC, there is the interest and greater specific weight perceived by the participation of border societies in decisions associated to their own development, including those that refer to cooperation with neighbouring communities of the neighbouring country.

### **2. Participation of subregional integration and cooperation organizations**

The institutional framework for border integration and cooperation of sub-regional integration and cooperation organizations obviously depends on this issue becoming part of the mandates that the countries or member states have given them, whether in the founding treaty or through decisions adopted by their government entities.

In the first case, only the Andean Community, which presently gathers Bolivia, Colombia, Ecuador and Peru, has a clear mandate to promote the issue, both in its founding treaty, the Cartagena Agreement, as well as through several binding instruments (Decisions) adopted by their decision making body (SELA, 2012, p. 41-47). The cases of the Common Market of the South (MERCOSUR) and the Central American Integration System (SICA) are different, because in these groups, border integration or cooperation is not included in their respective founding instruments.

In the Andean Community, the establishment of the "Community Policy on Border Integration and Development" through Decision 459 of May 1999 (**Annex 4**) defined the institutional framework and the mechanisms to execute it. That Decision states that the Community Policy on Border Integration and Development shall be led by the Andean

Council of Ministers of Foreign Affairs (highest decision making entity of CAN) and to do so, it will have the contributions of the Commission, the Advisory Council of Ministers of Economy and Finances, and the corresponding community organizations. The "High Level Working Group for Border Integration and Development" (Grupo de Trabajo de Alto Nivel para la Integración y Desarrollo Fronterizo-GANIDF) was created, coordinated by the Ministries Foreign Affairs of member states, to promote the programs and plans of action before the Andean Councils of Ministers of Foreign Affairs, demanding the execution of the Community Border Integration and Development Policy. GANIDF will have the support of existing bi-national mechanisms in the member states, as well as of the "Andean Region Consultation Group", coordinated by the Inter-American Development Bank (IDB), and the Development Bank of Latin America (CAF), thus acquiring a clear character of entity linked to the financial demands of executing the border integration and development policy. The General Secretariat of the Andean Community (SGCAN) acts as the Technical Secretariat of GANIDF.

It is necessary to mention the work that GANIDF carries out, because since its establishment in 1999, it has been immersed in a truly outstanding dynamic for a mechanism created for a specific matter, among the many related to Andean integration. GANIDF is a forum for frequent dialog and coordination between the authorities and officials of CAN member states regarding border integration; it has held 35 meetings (32 ordinary and three special meetings), and the most noteworthy were the initial meetings held to agree on community draft rules for Border Integration Zones (BIZ) (Decision 501) and the Bi-national Centres for Attention in Border Areas, CEBAF (Decision 502). However, in this stage of the activity, there is poor follow-up and little priority given to the work and commitments adopted at the GANIDF meetings in the sectoral-national organizations of the CAN Member States, other than the Foreign Affairs Ministries.

In the Andean Community it is also necessary to highlight the work of its General Secretariat (SGCA) which acts as the Technical Secretariat of GANIDF. In that function, and as established in Decision 501, SGCAN is capable of supporting the countries in establishing BIZ, specifically the elaboration of plans, programs and projects to be executed within the BIZ, and the negotiations regarding their financing. SGCAN is also responsible for supporting the establishment and operation of the Border Integration and Development Projects Bank of the Andean Community (BIDPB); call on bilateral mechanisms of existing BIZ to an annual evaluation and coordination meeting, to analyze their operation; and publish in the Official Gazette of the Cartagena Agreement, the resulting agreements on the establishing of the BIZ (SGCAN, 2009, p. 1-3).

Regarding MERCOSUR, although it has been already said that border integration or cooperation is a mechanism that isn't part of its founding treaty, in time, a set of instruments have been organized to rescue, for this sub regional integration block, some important aspects of border integration. The specific institution appeared only in 2002, with the creation of the Ad Hoc Group on Border Integration (GAHIF), then the Consultation Forum of Municipalities, Federative States, Provinces and Departments of MERCOSUR (FCCR); and the Working Group on Border Integration (GTIF), but in general, these entities have met very few times and have not obtained relevant results (Rhi and Oddone, 2010, p. 41-44).

Table 3 presents the institutional structure of MERCOSUR, where the issue of border integration occurs through groups, forums, committees, or meetings, but isn't really a priority.

**TABLE 3**  
**Institutional structure for border integration in MERCOSUR**

<b>Common Market Council (CMC)</b>
High-Level Ad Hoc Group for Institutional Reform (GANRI). Dec. CMC N° 21/05.
High-Level Group to elaborate a South-South Cooperation Program (GANASUR). XXXV CMC, Document 01/08, Item 17.11
<b>Common Market Group (GMC)</b>
Working Sub-Group N° 6 Environment (SGT N° 6). Res. GMC N° 20/95, Dec. CMC N° 59/00. Ad Hoc Group Proper Management of the Hunting of Migratory Species that are Common to Transborder Areas (GAGCAT). XXXVIII SGT N° 6.
Ad Hoc Group of Experts "Funds for Structural Convergence of MERCOSUR" (GAHE-FOCEM). Dec. CMC N° 24/05. Reg. Art. 25. Coordinated by the Commission of Permanent Representatives of MERCOSUR (CRPM) created by Dec. CMC N° 11/03.
Consultation Forum of Municipalities, Federative States, Provinces, and Departments of MERCOSUR (FCCR). Dec. CMC N° 41/04. Working Group on Border Integration (GTIF). VII FCCR-CN, Document 01/08.
Specialized Meeting on the Infrastructure of Integration (REII). Res. GMC N° 89/00, Dec. CMC N° 59/00.
Ad Hoc Group on Border Integration (GAHIF). Dec. CMC N° 05/02.
<b>Trade Commission of MERCOSUR (CCM)</b>
Technical Committee N° 2 Customs Matters (CT N° 2). Dir. CCM N° 01/95, Dec. CMC N° 59/00. Technical Subcommittee on Border Controls and Operation (SCTCOF).
<b>Secretariat of MERCOSUR (SM)</b>
Direction of the SM. FOCEM Technical Unit. Dec. CMC N° 24/05 Regl. Art. 19.

*Source: Rhi and Oddone. Borders and trans border integration in MERCOSUR, p. 65.*

In short, border integration institutions within sub regional integration organizations is still ineffective in terms of results (CAN) and even in the process of acquiring form and strength (MERCOSUR). For example, in CAN the member states have never requested the cooperation of SGCAN to formulate BIZ development plans using their technical capacity, but they have requested their support to ask for resources from regional development banks or cooperation agencies for that purpose. SGCAN has not called for a meeting to evaluate and coordinate the bilateral mechanisms of existing BIZ, as established in Article 15 of Decision 501. However, it has exerted significant efforts to create, under its responsibility and management, a Border Integration and Development Projects Bank of the Andean Community (BIDPB), which worked actively between 2001 and 2004. And in MERCOSUR, through GAHIF, the creation of the "MERCOSUR Border Bylaws" was proposed to grant local border actors a special *status*, but this has not yet become a reality; while GTIF has created the "Border Integration in MERCOSUR" project, where there has been a debate on the institutional framework regarding border issues, but so far, this has not led to more concrete institutional achievements in that subregional integration scheme.

#### IV. BORDERS AND FREE FLOW OF FACTORS

Any border integration process is advantageous for the peoples and economic and social stakeholders living and working in the geographical areas where such processes take place. Therefore, it is necessary to bolster the free flow of factors by establishing a "border regime" as open as possible, for border integration to flourish and become both a catalyst for the expectations of development two countries share and a key mechanism for regional integration. In other words, common or internal borders in LAC should work as spaces where the movement of persons, vehicles, goods and services, including capital flows, takes place under encouraging agreements, with minimal or not burdensome regulations that do not involve costs for those willing to adhere to them.

It should be highlighted that the sovereign decisions of States, in the form of a set of legal rules (laws, decrees, regulations), often have actually established differences in the design, scope and implementation of domestic fiscal, monetary, customs, immigration-related, and labour mechanisms, among others, between neighbour countries. In practice, such differences lead to confrontation in the border, where the territorial jurisdictions of the two countries converge. Historically and for reasons such as centralism, hypothetical conflicts with the neighbouring country and little capacity to manage border actors, the States have postponed the implementation of development initiatives that are beneficial for border areas. In this context, and amidst the little attention the governments pay to their needs, the social and economic actors operating in the borders have found in said regulation differences a space suitable to design and establish a *modus vivendi* that allows them to overcome the lack of employment, public utilities, economic activity, and income. Thus, in many LAC borders an apparent but precarious economic dynamics is observed, based on formal and informal trade (trade of shoddy goods, small-scale trade, and smuggling), with an intense movement of factors across the border. Further, diverse services are provided in a spontaneous and informal manner. All of these activities are "survival strategies" that do not solve the current situation. They only help local actors to alleviate the impact of and adapt to the regulations each country has established individually.

Some opening, particularly to the movement of persons, is currently observed in some pairs of countries or subregional integration blocs in most of the region. However, agreements on this issue should be incentive as to promote the establishment of cross-border regimes increasingly ample, which stimulate the interests of the political, social and economic border factors. In this way, borders would not remain a limiting factor for bilateral relationships, but they would rather become an encouraging factor. Borders would therefore facilitate the movement of persons, trade, and vehicles, and even the movement of capital (cross-border investment regime).

##### 1. Agreements on the free movement of persons

In the XXI century, the movement of persons is, in general, the most advanced component of the border regime in LAC and therefore the least restrictive. In fact, in South America, beyond bilateral agreements to facilitate cross-border movement, movement of persons has extended to the whole territory of the countries in this continent. Consequently, South America is currently an area of free movement of persons, where a citizen of a country can enter the territory of the other for up to 90 days as a tourist, only with his national identity document. This agreement was validated by the foreign ministers of the then Union of South American Nations (currently UNASUR) in its third meeting, held in Santiago, Chile, in November 2006. Five years earlier, in June 2001, the Andean Community of Nations (CAN) had implemented this mechanism for the citizens of

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its Member States, under Decision 503, "Recognition of national identification documents."

This is in contrast with the current situation in Central America. In this subregion, security issues and unequal development levels among countries, as well as non-prioritization of migration as part of the agenda in the Central American Integration System (SICA), are mirrored in the little progress made with regards to the free movement of persons (SELA, 2012c, p. 53).

Undoubtedly, the most extreme case is that at the border between Costa Rica and Nicaragua, which have the highest and lowest per capita income in Central America, respectively. The foreign ministries of both countries have voiced their willingness in some cases. For example, in the minutes of the Seventh Meeting of the Costa Rica-Nicaragua Bi-national Commission in 2008, "Costa Rica proposes to issue an annual multiple visa for trade and business promotion to the citizens of both countries who carry a valid regular passport, provided that they attest to their business activity before the Consulate receiving their application" (item 2). In the same minutes, "The delegations recognize migrations as a reality and a challenge for our countries and their governments, so they reaffirm their commitment to continue taking the actions allowing an orderly movement, through the enforcement of the agreements signed between the two countries and the respective procedures for seasonal Nicaraguan workers in Costa Rica" (item 7). Beyond these initiatives, however, both countries have not still established joint bi-national strategies leading to a more comprehensive management of the movement of persons between them, particularly at their border areas. They have not even drafted a work agenda to address the issue in bi-national talks.

In this context, the main attraction for Nicaraguans at the Costa Rica-Nicaragua border is seasonal labour migration. Additionally, this border works as a buffer zone mitigating the impact of socioeconomic and migratory activities on the area; it sustains the historical and cultural links of local people; it facilitates communication and exchange of available resources; it allows the development and consolidation of survival strategies and permanent search for opportunities. Additionally, it is the social anteroom and corridor of the metropolitan area (central Costa Rica) (ECLAC, 2010, p. 16), as 5.9% of the population of Costa Rica is born in Nicaragua, according to the Costa Rica census conducted in 2000.

**Table 4**  
**Costa Rica population born in Nicaragua, according to planning region: 2000**

Planning region	Total population (1)	Population born in Nicaragua	
		Total (2)	% (2/1)
Central region	3 810 179	226 374	5.9
Chorotega region	2 446 028	138 406	5.7
Central Pacific	264 238	15 431	5.8
Brunca	267 352	8 880	3.3
Atlantic Huetar	233 366	2 678	1.1
North Huetar	339 295	24 032	7.1
Central region	259 900	36 947	14.2

Source: Adaptation from ECLAC. 2010. "Migration and Health at Border Areas: Nicaragua and Costa Rica"; p.16.

At North Huetar – the "planning region" at the Costa Rica-Nicaragua border that is most dynamic in terms of population mobility – 14.2% of the population is from Nicaragua.

Proportionally, this number almost triples the national population. The Costa Rican General Act on Immigration of 2009 and the Immigration Control Regulation of 2011 confirm the existence of restrictive measures for the management of migratory movements of its own citizens and foreigners with permanent or temporary residence, even when they are travelling in the border area with Nicaragua or Panama. Thus, Article 61 of the aforementioned Regulation provides that "The General Directorate may authorize the departure from Costa Rica for entry into Nicaragua and Panama, as well as the return to the country of Costa Rican or foreign people with permanent or temporary residence, who live on an ongoing basis at the border areas established under this Regulation, pursuant to the Bordering Neighbourhood Movement in the case of foreign residents and neighbourhood permit for Costa Ricans." Now, as recently as March 2013, during the opening of the Cultural, Agriculture and Craft International Fair at David, the capital of the Panamanian province of Chiriqui, bordering Costa Rica, the Costa Rican president announced that the passage of Panamanians and Costa Ricans across the border shared by both countries would be facilitated, with no passport, but only a license-type identification document.<sup>10</sup>

Also in Central America, on the El Salvador-Honduras border, the roads leading from San Salvador to Tegucigalpa, over a distance of some 200 km, have only four lanes in a 50 km stretch, while the rest is a simple two-way road. This does not help to consolidate a logistical corridor on this axis, but hinders and discourages cross-border flows (Rodas, 2010, p. 39).

A situation similar to that recorded at the Costa Rica-Nicaragua border is taking place currently at the Dominican Republic-Haiti land border. The gap between the living standards in both countries has driven a high number of Haitian migrants to search for employment opportunities in the Dominican Republic. Estimations show that Haitians represent up to a quarter of the workforce in the Dominican Republic. On average, Haitians' salary is 60% lower than the salary earned by Dominican nationals, as the former are unskilled labour and have an irregular migration status, among other reasons (World Bank, 2012, p. 15-16). These two bordering countries are small, but their populations are almost the same size – some 10 million people. However, the Dominican Republic gross domestic product is 8.5 times higher than Haiti's GDP and the Dominican Republic unemployment rate stands at 14% versus 70% in Haiti. Therefore, the proposals for allowing free transit across their common border have been rejected almost bluntly by the Dominican Republic, whose authorities and citizens believe that rather than opening the border, the implementation of better border controls on both sides<sup>11</sup> should be considered.

Conversely, MERCOSUR Member States have not addressed jointly the issue of cross-border free circulation of persons in light of the Brazilian proposal entitled "MERCOSUR Border Statute" (SELA, 2012c, p. 47). However, progress has been made through two mechanisms that, in the LAC context, represent a major breakthrough in transcending the mere tourist transit: the Border Local Transit (TVF) and the Agreements on Cross-border Localities.

The agreement on the Border Local Transit was reached in Decision N° 19/99 of the Common Market Council (CMC). The card granted to legal residents in border localities in two or more States Parties allows the holder to cross the border into the neighbour locality

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<sup>10</sup> Source: "[Panamá y Costa Rica facilitarán tránsito fronterizo sin pasaporte a nacionales de ambos países](http://quinchamali.americaeconomia.com)". Available at: <http://quinchamali.americaeconomia.com> [Consulted: 26 March 2013].

<sup>11</sup> Source: "[Rechazan idea de libre paso por la frontera](http://www.listin.com.do)". Available at: <http://www.listin.com.do> [Consulted: 27 March 2013].

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in a prompt and smooth process that is different from other migration mechanisms. States sharing common borders can define the geographical outreach of the card as well as the corresponding time of stay. Regarding the enforcement of the agreement on TVF, some States Parties have implemented IT technologies for application for the card and special means at border cross points allowing authorities to differentiate international transit from border local transit. Further and, most interesting in terms of the reduction of the restrictions on the supply and yearly value of goods from the neighbour country to border areas' inhabitants, is the fact that some pairs of countries have approved the use of lists of goods and yearly value of goods that a holder of the TVF card can carry when returning to his own country.

The agreements on Cross-border Localities are entered into bilaterally. Specifically, Argentina and Brazil signed one of such agreements in 2005. In practice, these agreements actually deepen the TVF agreement. In addition to enabling the free movement of persons across the pair of cities listed in the specific bilateral agreement, the agreement opens the door for persons to work or exercise their profession with equal labour rights and benefits and labour and tax obligations. It also provides for access to public education and health care, in a free and reciprocal manner, and access to the border trade regime of subsistence goods or products. Additionally, it enables eligible citizens to cross the border in vehicles of their own, which are actually registered in other country. Since it is viewed as an important reference for improving the different regimes of cross-border transit of persons in force in LAC, the agreement and its two annexes are included in this document in **Annex 5** of this report.

To conclude this section, it should be noted that the situation of the border regime for persons in LAC, as part of a general liberalizing trend, is experiencing a set of heterogeneous situations, ranging from the borders in Central America, which are still closed in substance, to the very promising Argentina and Brazil, as part of the MERCOSUR bloc, have been leading in the region. In all the cases, however, it is observed that this opening occurs only between pairs of countries with similar or equivalent development levels.

Now, the example of Brazil and Argentina prompts a question: Why Paraguay and Uruguay, also members of MERCOSUR, are not parties to a potential agreement of the bloc or a trilateral agreement? When there are two neighbouring countries and one of them has a relatively high development level in the region, while the other has a lower development level, there is a trend to restrict the free movement of persons. This is due to the fact that the country with better social and economic indicators will be a magnet for all the people from the neighbouring country and not just for the people in the border localities. Against this backdrop, it is important that subregional integration processes, beyond the country individual efforts, do not lose sight of the need to establish or deepen mechanisms to reduce structural asymmetries. In this case, it would be an opportunity to guide people's border dynamics based on the real competitiveness of each country, and not as an option outside the law and the agreements, thus evading "the fence" on the road to find opportunities to improve the quality of life of individuals and families.

### 2. Border trade

Since LAC already works basically as a free trade zone under subregional integration agreements or Partial Scope Agreements negotiated by pairs of countries within the framework of ALADI, a question emerges: What is the meaning and importance of border trade agreements, which were relatively frequent in the countries in the region until the 1960s? This question becomes even more important as it is easy to attest to the progress the countries of the region have made in terms of transport and communications

infrastructure, which has shortened considerably in many cases the distances and travel times domestically and between border areas and border countries. In the past, such roads were not linked or poorly connected to each other. The IIRSA Initiative in South America and the Mesoamerica Project in Central America have contributed substantially to this achievement. In addition, it is even more important to pose such question as many countries in the region have found that increased competitiveness in their economies depends on the opening to competition with products and services from other countries, and not just with those involved in integration processes. Consequently, they have started to dismantle much, but all, the structure of tariffs and other trade barriers.

To this we must respond that, given the vastness of the LAC territory, in certain sectors there are still some indigenous communities and rural populations occupying rural areas. They often live on mountain ranges or plateaus, which include settlements in the foothills and tropical regions, where the benefits of connectivity (roads, telecommunications) have not yet arrived. Basically, these populations are facing the border situations 2, 3, and 5 described in Chapter 4 of this report. It is therefore proposed a set of sectoral and thematic objectives and components that could be prioritized as part of border integration initiatives. In some densely-settled indigenous remote areas, such as the Bolivian-Peruvian Andean Plateau or the Sierra Madre on the border between San Marcos, Guatemala, and Chiapas, Mexico, where fairs and events have taken place since ancient times and barter was the only form of trade in the past, currently surplus agricultural and livestock production are increasingly exchanged under the monetary economy.

In these sectors, neighbour countries may find it convenient to sign and enforce border trade agreements that help ease the shortage of basic staples people are facing in their own countries. An important reference for drafting such agreements could be the principles contained in the first article of the Resolution 10 of the Latin American Free Trade Association (LAFTA) of 1960, included in **Annex 6**, even though it has been in place for more than 50 years now. However, it appears irrelevant to create a sort of “border strip” for enforcement of such agreements (for example, 50 kilometres from the border line. As established in Chapter I, the border as a notion of day-to-day interrelation among human communities may be longer or shorter in some sectors than in others. Consequently, given the intense life on border areas, in potential border trade agreements it would be more adequate to refer to minor political-administrative units or relation axes between two populated hubs.

### **3. The border investment regime**

The backwardness and marginalization that is often observed in LAC borders is partly because they are not attractive for investment, whether public or private. The reasons include differences in investment-related regulations and promotion initiatives in each country; economic instability stemming from the sovereign decisions neighbouring States make with little consideration of the social and economic reality at the border; lack of infrastructure to support productive activities; poor business management skills and qualification of the workforce, and, until recently, the potential conflicts that threatened some borders, to the extent that neighbouring countries did not resolve their outstanding border issues.

Overall, serious limitations remain in LAC borders to implement public projects, which are investments initiatives by public or private institutions and intended in general to provide people or the goods and services sector with infrastructure, equipment and support services free of charges or on payment of a fee.

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In many countries, national government border agencies, regional or local, continue to allocate meagre investment budgets that prevent the execution of infrastructure works or the increase in the supply of public services to people and the economy (roads, generation and distribution of electric power, telecommunications, sanitation, health and education centres, among others). In some countries, efforts have been made to bridge this gap by allowing private investment in infrastructure and public services, via mechanisms such as concessions, privatizations and public-private partnerships (PPP).

However, for LAC borders, this situation should raise the alarms. Shrinkage of public investment seriously hits borders because, from the geographical standpoint, the cuts in the investment budgets of national government agencies, regional or local (or their precariousness) usually begin in the regions where the population is sparse or scattered. In these areas, the organizations advocating people's interests have limited capacity to put pressure on the central authorities who determine the investment budget allocations.

Additionally, under the system of privatization or concessions for the construction and management of infrastructure and services for public use, the private enterprise hardly finds it attractive to start business in border areas (except in the most dynamic border hubs). This is due to the fact that in border areas the level of demand, the economic growth rate and people's ability to pay is usually considerably lower than in the metropolitan areas of the respective countries. One example is the development of telecommunications (telephone, internet). They are usually lagging behind in remote rural areas and border areas because they are not an attractive market for concessionaires. Further, the national public investment systems (SNIP) lack a mechanism that allows them to address public investment needs in border areas in a different and specific manner. For example, the item of "border integration project" does not exist in the budgets they manage.

In this context, it would be appropriate to note the importance of border integration as a factor stimulating the construction of regional public goods – a concept devised by the Inter-American Development Bank (IDB), which defines them as a response to the many problems that have not been solved individually or that do not involve enough incentives for a single country to bear the costs. The production of such goods at the borders and the consequent strengthening of cross-border governance can offer an effective solution to these problems, while promoting the integration of the countries involved (Bocalando and Villa, 2009, p. 4).

On the other hand, in terms of productive investment, a deterrent factor is the precarious balance and instability of the border economy. This comes as result of different laws and regulations in the two countries whose sovereign jurisdictions converge in this territory, in areas as diverse as corporate, foreign exchange, tax, labour, and migration regulations, among others. All of this makes it difficult and virtually unfeasible to undertake a formal venture that relies on contributions of capital, labour, raw materials, knowledge and skills from both sides of the border. Informally, these forms of association are common but must take the risks and extra cost of such ventures. The other choice is the establishment of two parallel companies, one at the border of each country, with the respective extra cost and inefficiencies.

In general terms, central governments have sought to compensate the precariousness and instability of border economies by adopting emergency regimes through fiscal and tax incentives, employment promotion measures, subsidies for certain services (electricity, water supply), construction of access roads, fitting out of sites for the construction of buildings, installation of logistics services, among others. These regimes are known as "free

zones", "special economic zones", "special treatment areas" and others. They are intended to attract productive investment, in a way to offset the debt the States admit to have with their border regions. However, often such measures have proved inadequate and, by contrast, have only accentuated the differences in the rules of the game on both sides of the border, thus worsening the precariousness and vulnerability of the economies in these areas.

In fact, since the borders are shared action spaces, the solutions mentioned above are aimed at tackling the problem of economic growth and development of only one of the two parties, from a strictly national view. This leads to a "parasite economy" of the border of the country implementing these models with respect to the border of the neighbouring country that does not take part in this scheme of economic stimulus.

The free zones and similar regimes have gone from just an export promotion mechanism in many LAC countries to instruments for production diversification, attraction of foreign investment and technology transfer (SELA, 2012b, p. 44). However, this works when the economies of the countries in the region are viewed as a whole, with greater efficiency and participation in the global economy. Therefore, in this context, it makes sense to facilitate their consolidation as a political mechanism of regional trade integration, while in the border regions the disparities mentioned can be caused.

At this moment, regional integration processes are gaining new momentum with the creation of support or consultative bodies to recognize LAC as an integrated regional space, such as the Union of South American Nations (UNASUR), the Bolivarian Alliance for the Peoples of Our America (ALBA), the Pacific Alliance or the Community of Latin American and Caribbean States (CELAC). A scenario favouring the strengthening of border economies is taking shape so that the borders, as shared action spaces, gradually reach higher levels of socio-economic development through the establishment of regimes that encourage the establishment of business ventures involving contributions from the two sides of the border. This will be mirrored by a stable environment for productive investment (replacing the speculative investment), with a positive impact on the growth and regulation of trade, the capitalization of the companies, the growth and formalization of employment. In short, it will favour the progressive evolution of many LAC borders from "backward regions" or "peripheral regions" to "active regions" within regional integration.

**Annex 7** includes two proposals – one for investment in public projects and another for productive investment – that could become a reference of the operative part of border investment promotion regimes. Such proposals may see the light in the form of bilateral or multilateral agreement, for example, as a subregional integration bloc, for attracting investments to create public goods or produce goods and services.

#### **4. Borders and security**

The report SELA 2012, p. 52-53, voices concern that, particularly in Central America, despite significant progress in physical integration within the Mesoamerica Project and especially with the International Network of Mesoamerican Highways (RICAM), borders are at risk of going from spaces favouring subregional integration to security spaces.

Recently, this trend has spread to other areas of LAC. In South America, for example, the huge distances between the main cities require routes that go through unpopulated mountain passes, the vast Amazon rainforest or the Chaco forest, without border checkpoints. This is fertile ground not so much for activities such as traffic of unregistered persons from one country to another, which has occurred persistently for a long time in

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those places, but for the increasingly intense activities of organized crime gangs involved in illegal traffic and trade of persons, illegal drugs, weapons, flora and fauna, and for environmental crimes such as deforestation or informal mining. These problems are usually found primarily in the territories where the border situations 1, 2, 3 and 5 described above occur.

For example, in the Amazonian border area between Brazil and Peru, far from the axis of the Amazon River, terrestrial routes (trails) through the Amazon forest intended for drug traffic have been detected. In July 2008, on the occasion of the celebration of the Colombian national holiday, at the Amazonian border city of Leticia, the presidents of Colombia, Brazil and Peru, signed a "Memorandum of Understanding on Combating Illicit Activities in Border and / or Common Rivers." They undertook to "call the first tripartite meeting for border coordination of Colombian, Brazilian and Peruvian anti-drug institutions during the second half of 2008, in the city of Iquitos, Peru." Against this backdrop, the three countries have been working on the organization of joint operations and for purposes of enhancing the effectiveness of the measures to control illicit drug trafficking and related crimes, especially money laundering, comparative analysis of legislation related to the matter, and illicit drug trafficking (Colombia – Foreign Affairs Ministry, 2009, p. 163).

The member countries of the Andean Community are also beginning to create Border Bi-national Commissions (COMBIFRON), for pairs of countries. While their names can be mistaken as mechanisms capable of addressing the far-reaching issue of bi-national development and integration in border areas, COMBIFRON are actually a mechanism for cooperation and timely exchange of information and intelligence to strengthen border security. They were established at least between Colombia and Ecuador and between Bolivia and Peru, but only recently. Therefore, it is not possible to assess their progress but to state that looking at the borders from the point of view of security is also gaining ground among the countries of the Andean Community.

In the Argentina-Brazil-Paraguay tripartite border, a high tourist traffic and intense trade area, the Tripartite Command has been operating since 1996. It comprises police and security forces from the three countries sharing this border, which was particularly active over the past decade.

In Central America, in October 2012, the European Union (EU) and the General Secretariat of the Central American Integration System (GS-SICA) presented the Regional Border Security Program in Central America (SEFRO). The total cost amounts to six million euros, provided by more than 90% by the European Union (EU). SEFRO seeks to improve border security (internal and peripheral borders) at the institutional, technical and technological levels, as well as strengthen the capacity of the various national institutions, especially police, customs and immigration, in order to promote common work methodologies and ensure connectivity, communication and inter-institutional coordination. Among the actions being implemented are the harmonization of procedures and the introduction of new knowledge in the field of integrated border management, modernization of border posts in the region so that they contribute effectively to curb international organized crime and promote regional development of trade and tourism (Ovalle, 2012). Thus, "security" is one the driving factors behind the modernization and integration of services and integrated controls at border crossings in Central America. This would mean that the sum of immigration policies that have been defined and enforced individually by several countries in the subregion, plus safety initiatives, are a more or less restrictive scenario for free movement of persons in that subregional space.

In this context, it is worthy to express concern that the borders in LAC could lost some of the ground that has been gained in recent years and decades in liberalization of transit of factors, particularly the movement of persons, as long as crime gains ground in the region through the borders. In this sense, the intensification in the use of already available advanced technological resources to implement controls that are more efficient and less invasive of people's fundamental rights, while increasing cooperation between immigration, customs, police and judicial authorities under bilateral or multilateral schemes, are the best guarantees to ensure that the borders in the region preserve their character as privileged spaces of articulation between two national societies and economies instead of evolving into security areas.

#### **5. The institutional framework of the border regime**

Since the border regime involves the interests of social, political and economic factors that act day to day on the border, it needs a permanent and constant supervision. This allows its efficient implementation and a communication channel between those responsible for its implementation at the border and the national bodies responsible for adopting and adapting it to the changing reality at the border. In this way, efficient instruments will be always available to ensure the fluidity of movement and exchanges on both sides of the border.

In South America a mechanism called "Border Committees" was established bilaterally. Launched in the 1980s among the Southern Cone countries that currently make up the MERCOSUR, the Border Committees were defined as "agencies composed of representatives of the public sector that tend to promote regional cooperation and development in sub-regions and border areas and provide flexible and pragmatic solutions to the problems of border traffic" (Recondo, 1988, p. 35). These Border Committees generally consisted of different authorities from each country, with the consul in the border city of the other country heading the national delegation. This can give an idea of the involvement of this mechanism in the solution of the problems around the flow of persons, vehicles and goods on either side of the border. Further, several committees were given additional responsibilities such as border cooperation in cases of natural disasters, emergencies, etc. (Valenciano, 1990, p. 44). Currently, Border Committees also exist between countries of the Andean subregion. Therefore, this is a widespread recurrence mechanism among South American countries, whose agenda generally addresses local issues, immigration, customs, border transport and environmental issues. Sometimes these committees are also given the responsibility to identify, promote and manage projects.

As border ties become closer in LAC, mechanisms to manage specific aspects of the border regime with a more sectoral character than the clearly comprehensive character of the Border Committees are starting to operate. Thus, there is the emerging need to standardize public policies in health on both sides of the border, as a prerequisite for achieving socio-territorial balance. Therefore, on borders with high mobility of persons, it is important to outline joint programs. For example, in order to tackle bilateral epidemiological risks, ad hoc committees would be set up. Such committees would draft epidemiological reports and strengthen common care protocols, implement common and functional health diagnostic laboratories as well as design compensation systems to resolve the asymmetries in infrastructure, inputs, availability of medical specialties, among others (Rhi-Sausi and Odonne, 2009a, p. 79-80).

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**V. BORDER INTEGRATION PLANS, PROGRAMMES AND PROJECTS**

After defining a geographical intervention area, the establishment of the institutions and the implementation of a regime to flexibilize the circulation of factors across the borders, the indispensable prerequisites for establishing an organization and designing a strategy for outlining, enforcing and managing the border integration plans are met.

**1. Outlining the border integration plans**

The drafting of border integration plans involves the organization of expert teams that properly interpret the objectives set by the governments signing a border integration agreement, identify the programmes and projects to be included in the plans, set the timing of the plans, propose strategies and define modalities of financing. Expert teams are also expected to define the role of sub-national government agencies in the drafting, implementation and management of border integration plans, including the needs of strengthening their capacities.

Some exceptions, such as the conservation of ecosystems, and border integration plans, programmes and projects, cannot be defined and grouped as "a topic" or be managed as relevant to an administrative sector. They are designed to solve a set of problems relevant to the life and relationship of border communities and, in that connection, they may cover a broad range of topics, pertaining to the border – a reality that involves vast geographical dimensions and complex relationships. Additionally, it is necessary to take into account other factors and elements that cannot be managed exclusively by the actors of a country, but also by the actors of the neighbouring country, which in many cases involve various aspects of the local foreign policy of both States.

An important matter when preparing a border integration plan is to estimate the real possibilities of obtaining financing for implementation. It is not about drafting bombastic plans that "cover everything" when one lacks baseline criteria on the real possibility of financing, whether via the countries' own resources, international cooperation, internal and external debt, or the cooperation of friendly countries. At least since the beginning, all operating expenses should be part of the contribution of countries and reflect their commitment to move seriously in achieving the objectives of the border integration process.

A model structure for a border integration plan – including the contents of "The Plan", properly speaking – should not differ much from that drafted for submittal to other territorial authorities, whether national, sub-national or bi-national. Such contents must relate to options to optimize the joint action of the two States, based on the natural and human potentials, and the use of infrastructure, services and technology resources available on both sides of the border, to promote complementarity and achieve the development and integration goals. The singularities are rather determined by management mechanisms (institutions, financing strategy) and the applicable legislation which, unlike the development plans of a national or sub-national territorial entity, requires recourse to bilateral and / or community agreements. The structure of a border integration plan could be similar to the following example:

1. DEVELOPMENT PLAN
  - a. Vision, Objectives, Lines of Action, Goals and Indicators
  - b. Strategies
  - c. Programmes, Subprogrammes and Projects
  - d. Risk Assessment
  - e. Investment Schedule
  - f. Profiles of Prioritized Projects

2. PLAN MANAGEMENT MECHANISMS
  - a. Institutions
  - b. Financing Strategies and Modalities
3. APPLICABLE REGULATIONS
  - a. Community Regulations (from the subregional integration agreement, if applicable)
  - b. Bi-national Regulations
  - c. National Regulations: country A; country B.
4. MONITORING, AUTOMATION, FOLLOW-UP AND ASSESSMENT SYSTEM

A border integration plan usually contains not only “border integration” projects but also “border development” projects (SELA, 2012, p. 10-11). The relevance of the latter depends on the interest of the parties to seize the opportunity of launching a Bi-national Plan, which will probably require technical and budgetary prioritization, as well as international cooperation resources. Therefore, many of these plans are called “**Border Development and Integration Plan of \_\_\_\_\_**,” thus highlighting the fine line between “development” of “integration” in this context.

Based on the concept of “border situation” described in section 2 of Chapter I of this report, we will try to identify the potential objectives, sectoral or thematic components, and the expected results of a border integration plan formally undertaken by two neighbouring countries:

***Border Situation 1 – Isolated indigenous populations***

Objective: To preserve the ecosystems that are representative of the biological diversity and natural resources, so as to ensure the provision of environmental services (generation of oxygen, water) that are important for both countries and the provision of livelihood for the isolated native populations.

Sectoral or thematic components:

- Coordinated establishment and management of conservation units or protected natural areas, adjoining and intangible (or with severe restrictions for use), on either side of the international boundary.
- Implementation of coordinated monitoring mechanisms on the outer perimeter of such protected areas, in order to prevent illicit or illegal activities that disturb the integrity of local ecosystems and populations (illegal loggers; traffickers of wildlife species; agribusinesses in environmentally vulnerable areas, actors enabling new routes for human trafficking, and illicit drugs and weapons traffic).
- Joint assessment of the area's natural resources potentialities and harmonization of criteria for ecological-economic zoning (EEZ) in the face of a future and possible human occupation and economic exploitation of localized and specific sectors of the area.
- Restocking with flora and fauna species that are critical for survival in other similar areas or ecosystems.

Expected results: To ensure the inviolability of ecosystems representative of both countries while ensuring the survival and not disruption of uncontacted native populations.

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***Border Situation 2 – Indigenous populations with varying degrees of coordination with the outside world***

Objective: To better the quality of life of the peoples in this border situation by improving their health, optimizing the exchanges based on their resources and production and preserving their common language and other inherited cultural values.

Sectoral or thematic components:

- Assistance in the area of food security, based on the proprietary products of the ecosystems where these populations live.
- Joint or coordinated Implementation of health programs to address and prevent deficiency and infectious diseases.
- Initiatives to affirm and preserve the ethnic-cultural heritage (literacy in native language; radio programs reaffirming the cultural values of the social group).
- Technical assistance for increasing productivity in the activities meeting the basic needs of the group (crop rotation and livestock breeding).
- Organization of assistance programmes to help indigenous peoples obtain higher economic benefits from the organized trade of biodiversity products (medicinal plants and roots, natural dyes, processing of fish and products of hunting, handicrafts, and forest fruits and seeds).
- Programmes to promote culture / family reunion and the development of projects to rebuild relations between communities separated by the consolidation of borders (in its meaning linked to the principle of sovereignty) between neighbouring States.

Sectoral or thematic components:

- Construction of road infrastructure to ensure permanent communication, throughout the year, between communities on either side of the border, and among them and a third order town within the urban hierarchy in their own country. Setting up and permanent access to phone and internet service.
- Approval and implementation of border trade agreements allowing the provision of scarce or high price goods from the border area of a country to the inhabitants of the equivalent area in the other country. It may be noted, in this regard, the principles and concepts contained in Resolution 10 of the Latin American Free Trade Association (LAFTA) in 1960, whose basic principles, contained in Article 1, have been transcribed in Annex 6.
- Recovery of ancestral techniques, or, in some cases, introduction of new technological processes that increase the productivity of agricultural activities (reforestation of hillsides, improvement of water management, land reclamation, practices to deal with pests or diseases, housed livestock).
- Promotion of associations in similar socio-economic areas, for distribution and marketing of surplus production outside the border area.

Expected results: To ensure the group's survival, improved quality of life and the persistence of their cultural identity in the context of cross-border cooperation.

***Border Situation 3 – Rural communities with precarious agricultural resources and critical social features***

Objective: To improve the standards of living of the population by overcoming deficiencies in accessibility; to develop technological processes enhancing the productivity of the economic activities undertaken and provide additional services to the population and economic activities.

Sectoral or thematic components:

- Construction of road infrastructure to ensure permanent communication, throughout the year, between communities on either side of the border, and among them and a third order town within the urban hierarchy in their own country. Setting up and permanent access to phone and Internet service.
- Approval and implementation of border trade agreements allowing the provision of scarce or high price goods from the border area of a country to the inhabitants of the equivalent area in the other country. It may be noted, in this regard, the principles and concepts contained in Resolution 10 of the Latin American Free Trade Association (LAFTA) in 1960, whose basic principles, contained in Article 1, have been transcribed in Annex 6.
- Recovery of ancestral techniques, or, in some cases, introduction of new technological processes that increase the productivity of agricultural activities (reforestation of hillsides, improvement of water management, land reclamation, practices to deal with pests or diseases, housed livestock).
- Promotion of associations in similar socio-economic areas, for distribution and marketing of surplus production outside the border area.
- Promotion of cultural activities strengthening the bonds between neighbouring communities that share the same ethnicity (fairs, festivals, celebration of anniversaries).
- Strengthening of primary health systems and cooperation agreements for the free access of border residents to public health services of another country if they are not available in their own country.
- Introduction of basic bilingual education (if applicable), with reference to educational programmes harmonized in substantive aspects.

Expected results: To improve the quality of life of border towns that often face poverty (and in some cases, extreme poverty), by strengthening their ties, interdependence and shared cultural values.

***Border Situation 4 – Rural communities with access to agricultural resources and moderate deficit in social services***

Objective: To support the transition to modernity of rural communities settled in the vicinity of major roads interconnecting two countries, by increasing the provision and efficiency of services and encouraging social accumulation and conservation of cultural values, to the extent possible.

Sectoral or thematic components:

- To organize complementary production programmes related to activities where the border region as a whole has comparative or competitive advantages over other areas in both countries or even internationally.
- Programmes aimed at improving the operational efficiency and the economic benefits for border communities of the distribution circuits of agricultural goods, livestock, agro-industrial products or crafts produced by them.
- Programmes for cooperation or complementation in activities aimed at the conservation of productive resources (water management, soil and pasture conservation, fishing techniques and resource management).
- Broad access, to the extent possible, to public education and health services on the border area of the neighbouring country, if faced with deficiencies or shortcomings in their own country.
- Outlining and execution of annual schedules of activities to strengthen the shared cultural ties.

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- Establishment of schedules of meetings and organization of schedules of joint mutual cooperation activities between local authorities and the community.

Expected results: Governance of the transit of rural communities to modernity in border areas and their conversion into the leading actors of border integration processes, which involves a number of projects and activities to improve their quality of life.

### ***Border Situation 5 – New human settlements***

Objective: To achieve an orderly settlement of migrants in the territory, based on their vocation and potential; to avoid activities that undermine the integrity of the environment and illicit practices across borders.

Sectoral or thematic components:

- Studies of ecological-economic zoning (EEZ) and design of territorial planning policies, coordinated or jointly drafted by the appropriate technical agencies from the concerned country pair.
- Assistance programmes favouring the settlers, especially in the areas of health, education, supply of agricultural goods and training on labour skills
- Assistance programmes for refugees, who are people displaced from their place of origin in the neighbouring country due to violence, natural disasters and other events having a significant social impact.
- A regime facilitating the provision of consumer goods required by settlers that cannot be supplied in their own country, from the border area in the neighbouring country, in a way that such exchanges are not viewed as unregistered operations (smuggling).
- Implementation of priority infrastructure projects of roads, electricity and telecommunications, including the adequate interconnection with the rest of each country and across the border
- Creation of participative cooperation mechanisms comprising local and sectoral authorities intended to prevent environmental damage: bi-national councils for basin management, mutual assistance to fight forest fires, bodies for denunciation and filing of complaints related to environmental crimes (illegal logging, poaching).

Expected results: To ensure rational settlement of the territory on the pioneer border areas, while providing basic services and technical assistance to the settlers involved in these processes and ensuring adequate standards of quality of life.

### ***Border Situation 6 – Urban centres with local functions***

Objective: To strengthen border urban centres having local functions by improving accessibility, diversification and densification of services to the population and economic activities in these centres and their rural environment.

Sectoral or thematic components:

- Improvement of communications between populated centres and third order towns within the urban hierarchy of each country (paved roads and telecommunications available 24 hours a day)
- Coordinated or complementary urban services (water and electricity supply, treatment and disposal of sewage and solid waste, interurban public transportation)

- Coordinated or joint environmental management of both peoples and their environment.
- System of facilities for transit, with no restrictions on documentation, of people from a border town to the other border town (use of national identity document).
- Public social services available in each local town for meeting the needs of the inhabitants of the neighbouring local town in the other country.
- Cooperation agreements among local town authorities in the areas of personal security, natural disasters, local government and organization of fairs and cultural events.

Expected results: Better provision of the services required by the population and economic activities in the border local towns and their rural environment, as reflected in more efficient operations, greater satisfaction of the beneficiaries, and strengthened cooperation and integration.

***Border Situation 7 – Intermediate urban centres located on bi-national or tri-national road hubs***

Objective: To strengthen and leverage the external economies generated by the pairs of border cities, as well as the strength and dynamics of their relationship, to turn them into hubs boosting and supporting integration processes and border cooperation.

Sectoral or thematic components:

- Deepening of agreements or enactment of border regimes as broad and flexible as possible.
- Diversification and specialization of services for the population and economic activities, both for their own use and for provision to the flows of persons passing through these urban centres from one country to another.
- Joint work of local authorities for urban and zoning plans and joint implementation of such plans, taking into account the need to promote the smooth operation of cities in relation to bi-national border care centres or unified border care centres.
- Coordinated design and construction of service roads, traffic avoidance routes, and overpasses, among others, to prevent obstacles to the flow of persons, vehicles and goods from one country to another.
- Design of border bi-national tours and promotional activities to operate and generate profits for the border area as a whole.
- Implementation of initiatives of exchange of experiences (best practices, successful experiences) in the field of local management or governments.
- Development of joint programmes in the field of citizens' security, disaster prevention and management, and other cooperation areas between police and civil protection authorities.
- Assessment of a possible "bi-national city" regime (see **Annex 8**).

Expected results: The pairs of border towns work as efficient "hinges" that articulate the flows of tourists, vehicles and bilateral trade, fully complemented by the provision of the services required by persons and economic activities. Therefore, they operate as emblematic hubs of border integration within a framework of close solidarity, cooperation and joint undertaking of development and integration challenges.

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### *Border Situation 8 – Regional metropolises*

Basically, in LAC there are not border city pairs of second order within the national urban hierarchy (regional metropolises) to support a border integration process provide additional qualitative or more specialized elements than those already identified in the border situations described above. The case of the cities of Cúcuta-Villa del Rosario and San Antonio-Ureña, at the Colombia-Venezuela border, is a project that was taking shape in the first half of the last decade. However, it was postponed upon the withdrawal of Venezuela from the Andean Community (2006) and amidst political differences between the governments of both countries, which are now on the way to be overcome.<sup>12</sup>

As regards intervention areas for border integration, as noted in Section 2 of Chapter 1, it might be more profitable to work on more than one border situation at the common border. In this sense, the commitment to outline the border integration plan must involve assessment and decision making. Depending on the border extension, population density, socio-cultural complexity or economic diversity, it is probably desirable to undertake the development of the Plan for the entire common border rather for a sector. This task involves human, technical and financial aspects of some magnitude. Therefore, the proposals may identify specific programmes and projects for the different border situations encountered. This will certainly lead to define various geographical intervention areas. It is a decision that pertains to the managers and coordinators of the Plan<sup>13</sup> or the competent authorities of the Foreign Ministries.

As for the timing of the Plan, it is usually convenient to envisage a medium-term horizon, which is suitable to achieve concrete, tangible and thus measurable results. This does not preclude the advisability of including a long-term vision of the border region and certain guidelines showing the path both countries want to take in implementing the Plan. Moreover, the resources for the implementation of the Plan are not obtained overnight, but within a period of time that sometimes exceeds a year, whether they are public funds of resources provided by regional banks or international cooperation agencies. Meanwhile, operational plans will be the specific tool that will guide the actions towards completion of the projects and activities to be executed in one-year term.

Concerning the institutions related to the Plan, in the last few years the borders have gained ground as a matter of concern and priority for the countries. Therefore, the Foreign Affairs Ministries are usually (yet not always) the national agencies in charge of the State's actions to meet the requirements of the management and implementation of border integration plans and projects.

However, the work done so far by Foreign Ministries in the region is at an experimental stage in many cases, and faces many challenges and unsolved questions. Firstly, it seems wise to define a managerial centre providing consistency and a comprehensive character to the commitment made by two border States, such as the Bi-national Office for Management of Border Integration Plans, Programmes and Projects (OBG-PIF). This Office may adopt any name, but a preliminary, general approach, including its objectives, functions and structure, is included in **Annex 9**.

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<sup>12</sup> In this regard, see: "*Propuesta de Definición y Delimitación de la Zona de Integración Fronteriza: Área Norte de Santander (Colombia)-Táchira (Venezuela); Informe Final*", prepared by Universidad de los Andes (Venezuela), Corporación Universidad Libre de Colombia and Universidad Francisco de Paula Santander (Colombia), 2004.

<sup>13</sup> For example, it could be proposed by the Bi-national Office for Management of Border Integration Plans, Programmes and Projects (OBG-PIF), whose creation is suggested later in this chapter.

In the case of the Trifinio Plan for El Salvador, Guatemala and Honduras, the operation of a Tripartite Commission pursuant to a Treaty with the force of law in each of the three countries has enabled the implementation of a large number of trilateral projects with cross-border integrated management, free from the administrative, institutional and bureaucratic problems that usually hinder these efforts. However, beyond the positive results in regard to the management of natural resources, the decision making and implementation process, which is substantially vertical, has been questioned, while the participation of local communities is still weak. Moreover, the objectives and contents of the projects, most of which refer to environmental conservation and management of water resources, have had a limited impact on the living conditions of border communities, which hope for a momentous change stemming from the operation of the Tri-Border Commonwealth Lempa River (Conato, 2009, p. 132).

As part of the integration among the Andean countries, the processes being prioritized at the borders are those focused on joint, multisectoral or comprehensive programs. This has translated into the adoption of or negotiations on, by pairs of countries, but with reference to the community policy,<sup>14</sup> Bi-national Border Integration Plans. This is a reflection of the political will to address structural border problems and enhance their role in the Andean integration process in a comprehensive and simultaneous manner. However, progress has been dissimilar across borders: between Colombia and Ecuador, various border integration projects are running, particularly in Ipiales (Colombia)-Tulcán (Ecuador); Colombia and Peru recently completed the development of a proposed Plan pending for final approval at the time of concluding this report.<sup>15</sup> Additionally, at the border between Bolivia and Peru, the BIZ Bi-national Working Group met four times between 2002 and 2010, but it has not met again since then. Therefore, this BIZ Development Plan is still a project to be completed.

The CAN Member Countries have not requested technical support from the General Secretariat to develop Border Integration and Development plans, programmes and projects, under Decision 501. This would respond to the fact that, prior to the adoption of this Decision, they had already established, by pairs of countries, some bi-national institutional mechanisms to advance border integration and development initiatives at their common borders. Consequently, the ZIF Plans, where they have been formulated, reflect the result of a work supported strictly by bilateral technical capabilities. As already mentioned, some of these efforts have been undertaken with the financial support of the Border Cooperation and Integration Fund (COPIF) of the CAF.

Having identified the priorities that are outlined in those plans, the capabilities of the mechanisms responsible for managing projects are often limited, especially when backed by local authorities that have few financial and technical resources or where, despite the existence of established bilateral mechanisms, end local beneficiaries are asked to prepare profiles or other more advanced documents, even though they lack capabilities to complete such task. The situation becomes even more critical when the technical and financial assistance allows projects to advance in their pre-investment stage, but then it is necessary to prepare technical reports, establish management committees for the implementation phase of the projects, or prioritize or obtain funds from the national public investment systems.

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<sup>14</sup> Except between Ecuador and Peru, whose Border Region Development Plan was undertaken and implemented before the approval of such community policy.

<sup>15</sup> The "Colombia-Peru Border Integration Zone Development Plan," drafted in 2011-2012 with resources provided by the Border Cooperation and Integration Fund (COPIF) of CAF.

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In this regard, the countries and subregional integration organizations that run or support border integration initiatives in the region or that may support them in the future should focus on strengthening the capacities of border integration project managers, so that they can successfully face the challenge of starting the wheels of the projects in the pre-investment, execution and follow-up stages.

Besides taking courses, workshops or other training activities related to the development, assessment and management of projects whose beneficiaries are officials in relevant areas of regional or local government agencies in border areas, it is adequate to ponder the possibility of encouraging the installation of “bi-national projects incubators.” This calls for state-run and private bodies (business associations, private universities) to make their contributions to this process. Some experiences in this regard exist in the region, including the Itaipu Technological Park (PTI), operating since 2004 in the town of Hernandarias, Paraguay, next to the plant. It has incubated several companies operating in the sector of information and communication technologies and provides services to Itaipu as well as to other companies of Brazil and Paraguay.<sup>16</sup>

Moreover, at the Colombia-Ecuador border, at the town of Ipiales, in Colombia, a bi-national company incubator that was installed in 2003 began field activities to identify new projects to support the corporate reorganization needs of the border area, which also included the Ecuadorian border town of Tulcán. This incubator also implemented awareness programs for the target population and called upon entrepreneurs to take part in the process of incubation. In 2004, it had some 100 projects, but to date it is unknown whether it continues in place.

The capacity building of authorities and technical staff of regional and local government agencies in prioritized border districts must be generated and conducted through technical assistance (from the countries themselves, international cooperation, and research and training institutions on Latin American integration). Technical assistance will be provided in the areas of identification, design, implementation, follow-up and assessment of bi-national border integration projects and could include the following topics:

- a) Assessment of the conditions for implementation and follow-up of prioritized bi-national projects in the localities involved in border integration agreements.
- b) Technical assistance to local stakeholders to ensure optimum and effective development, implementation, operation and assessment of prioritized bi-national border integration projects (bi-national workshops and courses).
- c) Identification of administrative obstacles and definition of requirements to expedite management of prioritized bi-national border integration projects.
- d) Advising both public officials and representatives of regional governments and organizations in border areas on the operation of the National Planning and Public Investment Systems (SNIP), on requirements, methodology, stages and other requirements that investment projects must meet to be included in those Systems and obtain budget prioritization for implementation.
- e) Participation in meetings and works agreed by the local authorities for the design and coordination activities leading to the implementation of prioritized bilateral projects by each geographical intervention zone, defined bi-nationally.
- f) A balance of the best practices of bi-national project management that can be taken into account in other projects.
- g) Progress follow-up of the identified and prioritized projects, as well as advisory during the initial phase of project management.

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<sup>16</sup> Taken from “Parque Tecnológico Itaipu”. Available at: [www.itaipu.gov.br](http://www.itaipu.gov.br) [Consulted: 8 April 2013].

However, we must not lose sight of the project cycle. Particularly, when projects are implemented as public projects, it is necessary to go through “the filter” of national public investment systems and ministries of treasury and / or finance for prioritisation from the technical and budgetary standpoint. These agencies currently have little general capabilities to support the progress and implementation of border integration projects. Therefore, it is necessary to take steps before the adequate instances of such agencies in order to overcome the restrictions on access to technical advisory and funding for these projects. If necessary, such move should be made with the support of the highest political authorities of the countries concerned or the highest levels of subregional integration initiatives. It is advised to prepare training programmes on project development, evaluation and management which the public investment system shall teach to project planners and managers on the border. This is the best initial way for SNIP officials to become knowledgeable with the principles and dynamics of such projects, and to understand the uniqueness of the challenges, the importance of investment initiatives in the form of border integration projects and a mutually beneficial relationship.

Additionally, having outlined the border integration plans, it may be appropriate to review the priorities and content, as new needs emerge or other priorities are set for development and integration. For example, in the first half of 2007, Costa Rica and Nicaragua agreed to resume their “Border Development Program,” signed in 2005. They undertook to review and update the 28 project profiles included in their programme, which comprises five areas: economy-production, infrastructure, social environment, and governance and furtherance of institutions (Costa Rica - MIDEPLAN, 2007, p. 2 and 19). The result is shown in the table below:

**TABLE 5**  
**Review of the Costa Rica-Nicaragua Border Development Programme: Status of projects as of June 2007**

Projects	Number	%
Not modified	4	14
Modified	23	82
Removed	1	4
<b>TOTAL</b>	<b>28</b>	<b>100</b>
New draft project profiles to be included in the Border Development Programme	7	-
New projects to be submitted to Nicaragua (by Costa Rica)	2	-

*Source: Costa Rica - MIDEPLAN. Adaptation from “Programa de Desarrollo Fronterizo Costa Rica-Nicaragua 2007-2010, II Etapa,” p.19.*

As a corollary of this section, it may be said that the formulation of development plans in LAC bilaterally prioritized border areas is an ongoing task. It is a long and tedious process, not only because it involves negotiations between two parties that must attain consensus on the priorities such plans should interpret and mirror, but also because it involves methodological difficulties, the participation of agencies with dissimilar skills, and generally scarce technical skills.

## **2.Border integration project banks**

A starting point for identifying border integration projects are the contacts and talks between bilateral mechanisms that include border local and regional stakeholders, especially regional and municipal government authorities, but also with leaders and delegates from other organizations such as producer associations, business associations, rural and indigenous communities or organizations, and with national public sectors'

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border project staff as well. Such contacts have always been useful in identifying priority border integration problems and solutions. Then, through an interactive work, they have enabled drafting of the initial documents outlining the basic parameters of a border integration project. Now, many projects promoting bilateral mechanisms or OBG-PIF draft their basic document based on the initial elements of two national projects, from both sides of the border, which are oriented to solve (in the initial national perspective) similar or complementary problems. For this reason, they are promoted as border integration projects.

All that work has to be organized and systematized in a database which can be given the name of Border Integration Project Bank (BPIF). This is defined as an information system for border integration projects which, based on valid technical criteria for the two parties involved, allows the definition and standardization of the requirements for project prioritization and funding, as well as the systematic monitoring of their progress at all stages of the project cycle.

A starting point to determine which investment initiatives in border territories can be promoted to as border integration projects is to define the criteria for admission to the BPIF. Then the BPIF will operate at the instance the Foreign Ministries may designate as responsible for the management of this type of project (in the previous section, it was said that it was convenient to establish a Bi-national Office for Management of Border Integration Plans, Programmes and Projects (OBG-PIF). The admission criteria are a first set of general references allowing a project appraiser to ascertain, in a first approach, the value of a border integration project at any level of development, including the most basic; the criteria to be met for initial input into the project database or bank of the body leading the border development and integration initiatives. These admission criteria should be consistent with the development and integration objectives established in the Border Integration Zones Development Plans, or with the prioritized intervention areas, or with the priority objectives and intervention areas outlined in minutes, declarations and other instruments adopted bilaterally in the context of the work of Neighbourhood Committees, Bi-national Technical Committees and Border Committees, among others.

Compliance with the admission criteria should be ascertained by a project appraiser based on the review of the basic datasheet presented or prepared by the project promoters, in a format defined by the Foreign Ministry. Below there is a preliminary listing of some criteria for admission of border integration projects into the project database or bank:

- A bi-national character, i.e. the two neighbouring countries undertake to provide capabilities, resources, inputs, institutions, and other items in order to meet a common need on their common border.
- Suitability for the strategy and objectives of the bi-national plan or programme, and for its priority areas of action.
- In line with the legal framework of the two countries and the community rules, if both neighbouring countries are parties to a subregional integration agreement and the project pursuant to the agreement.
- Located in a Border Integration Zone (BIZ) or other geographic intervention area recognised by both border countries as a scenario for enforcement of border integration projects.
- Non-duplication of existing works and inclusion of innovative aspects, such as contribution to the stabilization and legitimation of the social and economic processes taking place at the border.

- Presentation of specific expected results, consistent with the objectives and priorities defined in the bi-nationally defined plans or programmes.
- Projects should not have been completed as of the date the application for admission was filed.
- Projects should not have been previously funded with resources from the same programme expected to finance the project this time.
- Projects should have a total cost in line with the minimum and maximum fundable amount by the programme supporting their execution.

The stage of identification of border integration projects lacks an element: homogenous data collection. This element enables systematization of basic project data; comparison with other data related to the same or similar economic sector; grouping with other projects in the same area; early evaluation of the project benefits, particular in terms of the contribution to solve the targeted problem; and above all, homogenous data collection is a tool for data treatment (follow-up, statistics generation, dissemination).

As stated above, project data collection is necessary for project admission or input into the BPIF. Therefore, the contents of a border integration project basic information datasheet should be defined. A draft datasheet is included in **Annex 10** of this report. This datasheet should be proposed and completed by any agency empowered to propose investment projects. However, even though it could be eventually completed mainly by regional and local border development agencies or bilateral management mechanisms of border integration initiatives, this datasheet should be filed and systematized in the relevant section of the national OBG-PIF.

Having completed the project basic datasheet and once it is input into the enabled database or OBG-PIF, the technical team of this Office shall analyze the datasheet to determine whether its elements qualify for prioritization of project funding and execution. This process requires a number of criteria to fully ascertain the project's consistency with national development policies, regional and local development plans and border integration objectives and strategies as defined by the pairs of countries concerned. For such purpose, it is advisable to conduct the analysis based on the four strategic perspectives listed below:

Results: Project effectiveness and quality in terms of contribution to border integration.

Relations: Project impact on the related exchange relations (for example, comparative use and origin of materials and products from both countries; capital formation in both countries). Further, project role in encouraging or favouring the commitment of the countries involved and in fostering leadership among the beneficiaries.

Activity: Context to obtain elements measuring the project proactivity in using available or existing tools or whether scale economies will be created for both countries.

Future: Project breakthroughs in using existing tools or promoting new tools; project capacity to spur changes, committees, innovation, growth and strategic strength with a vision of future. Project proactivity vis-à-vis the institutions.

A matrix similar to that in **Annex 11** can be used for such analysis. As an example, for each perspective the matrix includes a set of desirable selection criteria. A series of questions can be added to the matrix. Answers can be provided in the matrix. Scores (points) can be included in the last column, and the "grades" can be weighted, if deemed necessary.

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The suggested analysis is not free from subjectivity as it is basically qualitative, subject to the appraiser's criteria. However, in the end, such analysis should help gather a critical mass of border integration projects that will be identified and prioritized as qualifying for pre-investment studies. *Stricto sensu*, at that stage, a border integration project portfolio would be available.

Regarding the subregional integration processes, noteworthy is the experience of the Border Integration and Development Project Bank (BPIF) created under Article 10, Decision 459 of the Andean Community. However, BPIF structure, powers, and governing boards, among others, are not outlined in the abovementioned regulation or in any other Andean regulation. Said Decision only provides for the establishment of BPIF at the General Secretariat and that BPIF will be supported, among others, by the Inter-American Development Bank (IADB) and the Development Bank of Latin America (CAF). BPIF operated for some more than two years, in November 2001-May 2004, in an implementation unit at the General Secretariat with non-reimbursable cooperation resources from the IDB and CAF.

The basic BPIF team prepared a methodological proposal for BPIF operation (SGCAN, 2002), which describes BPIF as a mechanism where the supply and demand of resources for border integration and development projects interact. This proposal took note of the operation of public investment national systems (SNIP) and project banks in place in all the other member countries, either attached or closely linked to SNIPs.

However, BPIF faced serious hurdles in identifying projects that could be bankable by the IDB and CAF. In particular, BPIF found delays and few worthy elements in the project datasheets and profiles submitted by various national, regional and local bodies of the CAN member countries. However, some projects, generally very small, were taken to the pre-investment level using cooperation resources from IDB and CAF within the framework of the so-called "experimental stage" of BPIF. Actually, during the two and a half years BPIF was in place, it faced difficulties in the communication channels between the General Secretariat, the depositary of BPIF, and the bilateral mechanisms of the border integration zones. Additionally, the advisability of establishing an investment fund for border integration and development projects that could easily replace BPIF prevailed. In the meantime, the IDB and CAF spokespersons said the fund was not necessary and that their institutions intended to finance projects as long as they were mature and bankable.

In this context, the Public Investment National Systems (SNIP) were never open to find formulas to input border integration projects into the Project Banks of the respective countries, for prioritization for purposes of financing. Meanwhile, BPIF was coordinated and monitored by the so-called "BPIF Committee," which comprised the IDB, CAF and the General Secretariat, but lacked representatives from CAN member countries or from the bilateral mechanisms of BIZ. The so-called "experimental stage" was implemented with modest resources –at some US\$ 62,000. Such funds supported a few projects in the pre-investment stage at the Bolivia-Peru border and the Colombia-Ecuador border, as well a study to outline the Colombia-Venezuela BIZ, when the Bolivarian Republic of Venezuela was a member of the Andean Community.

Currently, within the framework of their work at GANIDF, both SGCAN and the Andean Community member countries are making efforts to reactivate BPIF. In their view, this process requires its institutionalization within the structure of the General Secretariat.

### 3. Coordination between project banks and public investment systems

Strictly speaking, border integration projects are public investment projects. With some occasional exceptions, such as the cases where non-reimbursable cooperation funds finance the entire cost of a small project or private investment projects are fully funded, the border integration projects must be subject to the regulations provided for under the respective SNIP in order to achieve viability and consequently obtain financing. There are some examples of border integration initiatives that have obtained funding from the public budget because they met the regulations established by the SNIP. Renowned and recent examples are the Peru-Ecuador Bi-national Fund for Peace and the Peru - IIRSA Border Crossings Programme. Funded by IDB, the latter is building Border Bi-national Centres (CEBAF) in different areas of southern Peru with its neighbouring countries, as established under Decision 502 of the Andean Community.

In this connection, it is considered that the scope of border integration projects and the flexibility or adaptation of SNIP regulations would be better understood if such projects were input into such system from their early drafting phase, rather than trying, at an earlier stage, to modify or flexibilize the SNIP to "understand" the *sui generis* nature of border integration projects. Probably the fact that border integration projects are input into the SNIP and try to comply with existing national regulations would help develop a closer coordination with officials. At some point, this process could favour the adjustments or adaptations of the existing national regulations, considering the particularity of this type of project.

This does not mean that ongoing efforts from outside the SNIP to achieve the recognition of the specificity of border integration projects are deemed inappropriate. For example, among the countries of the Andean Community, one of those spaces for dialogue, coordination and negotiation should remain the High-Level Working Group for Border Integration and Development of the Andean Community (GANIDF).

Once the projects that will be part of the border integration plan have been identified, supported and selected, and therefore prioritized for management, it is necessary to implement the different preliminary investment phases of the project pipeline. Therefore, it will be necessary to adapt to the requirements (or negotiate specific requirements) that make it possible to finance the studies, as suggested by the funding body, which in some cases may be a cooperation agency, but in many other cases it may be the Treasury. In this case, SNIP regulations in the countries in the region require different levels of study according to the size of the investment demanded. Thus, according to the country in question, for small projects, whose investment amount is, for example, up to US\$ 100,000, a Simplified Profile is required. When the investment involves a medium amount (for example, from US\$ 100,001- US\$ 2,000,000), a Project Profile is required. For relatively large amounts (for example, from US\$ 2,000,001- US\$ 4,000,000) a Pre-Feasibility Study is required. For large investment amounts (over US\$ 4,000,000), a feasibility study is required.

Importantly, from the moment a project is undertaken by the OBG-PIF, all the national bodies of the two countries related to the project, with political or technical functions or having local, regional or national jurisdiction, must be involved in the pre-investment stage of the project. This brings about the question whether it is advisable to establish and implement, within the scope and under the supervision of the OBG-PIF, a Project Committee for each project that is taken to the pre-investment level and then executed.

Since the above may bureaucratize excessively the project management in the pre-investment stage, another option that can be considered is grouping projects based on geographic area or economic sector. For example, a "Development and Border

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Integration Project Committee for the... Integration Zone" or a "Border Integration Committee for the... Sector". Each of these options has both advantages and disadvantages that need to be weighted, as some of the functions of these committees could be as follows:

- To contribute to the overall planning of the project drafting process;
- To provide input and technical criteria that contribute to proper project drafting.
- To assess the progress of the project studies, from the technical and institutional standpoints and to determine whether they mirror the interests of the beneficiaries, etc.
- To review and recommend the approval by the relevant national section of the OBG-PIF of the project studies in various stages of pre-investment or suggest adjustments or modifications as necessary.
- To prepare technical reports on the project for validation by the OBG-PIF and approval by the (financial cooperation) bodies to which such reports need to be submitted.
- To keep fluid coordination with their counterparts in the other country, through the national section of the OBG-PIF, for all aspects related to the project progress, other than the strict components of local foreign policy.

Each Project Committee to be established would be governed by a Regulation, with its members appointed by the head of the relevant (national, regional, or local) sector or body through a resolution or similar document.

During the operation of the Project Committee, the participation and contributions of local and regional actors of development should be given a special relevance. It is important that they take "ownership" of the project, which in the vast majority of the cases is beneficial for them. Further, this is a key process to create synergies and strengthen capacities for the proper management of the project cycle that would otherwise hardly be nailed down.

Experiences in LAC show that the plans, programmes and projects drafted by two neighbouring countries for their common border have encountered enormous obstacles, mainly at the National Public Investment System (SNIP). The SNIPs are reluctant to identify the concept of "border" both in national project banks and in the structure of public investment budgets, which should include an item or category called "Border Integration."

Consequently, these bodies have a limited understanding of the characteristics of the border phenomenon, its scope, importance and projections. Hence, they have a poor assimilation of the bilateral agreements and / or community standards promoting the border phenomenon. Therefore, it is important to take steps to encourage the appropriation of this framework promoting border integration among key instances in SNIP, and drive a proactive stance vis-à-vis the demands for management and financing of priority projects in LAC borders.

The enormous institutional, technical, and financial efforts, among others, involved in the establishment, financing, implementation and monitoring of border integration plans, in order to nail down initiatives that contribute to the development of the borders as well as their more effective participation in subregional integration processes and their projection to the world, are mirrored in the "Action Plan of Santa Cruz." This document was signed by the member countries of the Andean Community on the occasion of the XX Regular Meeting of the mechanism, in April 2009. The Action Plan can be considered a sort of

“snapshot” of the current issues of concern in relation to border integration in the subregion and the choices or solutions that they agreed to undertake, as part of a joint reflection (**Annex 12**).

## **VI. FUNDING OF BORDER INTEGRATION PLANS**

Overall, proper and convenient funding of border integration plans, programmes and projects is one of the critical aspects of any border integration initiative in the region, due to either the low priority given by the head agencies of the national public investment systems in each country to the border phenomenon; the shortage of resources in the investment budgets or because it is considered that, since border integration initiatives result from agreements among countries, these are priorities that can be handled with non-reimbursable international cooperation resources.

### **1. Border integration and public budget**

In the previous chapter, it has been explained that the relations of the promoters of border integration plans, programmes and projects, (including their correspondent funding requests) with the national public investment systems are not always very fluid in the countries of the region.

On the one hand, frequently, the SNIP reckon that such projects should be funded with non-reimbursable resources from regional development banks (in the pre-investment stage) or international cooperation (in the execution stage); apparently, on the grounds that if the funding for the project is to benefit another national party as well, then it is better that such funding comes from that type of sources. Besides, according to their development indicators, some countries of the region do not qualify to receive international cooperation resources from certain sources anymore; however, such countries are able to get those resources in the framework of an association with a qualified bordering country featuring lower development indicators. Notwithstanding, funding from those sources at a global level features limitations and a demonstrative character in most of the cases, or it represents a preliminary allocation of resources waiting for a strong commitment later on from the States through the public budget.

On the other hand, the methods used by the SNIP to evaluate and prioritize projects in terms of funding, usually do not include formulas to award a “plus” to investment initiatives that, as a project unit, are executed within the territory of two countries. The SNIP deem this matter hardly understandable, hence, such projects barely get to be prioritized. In addition, a practical matter arises: how to invest public resources in a project that, as a project unit, will be partly executed in the territory of a different country? Some aspects related to these insufficiencies have been discussed in section 3 of Chapter III of this report, which refers to the investment regime in border, and in Annex 8, which contains a proposal to execute public projects and for the undertaking of production of goods and services in the nature of border integration projects.

The issue of allocating resources from the public budget that then will be executed in two different countries, each one with specific regulations for expenditure undertaking and its control mechanisms, etc. is a restriction that has not been overcome in the region, in spite of certain clever solutions. In the past, the most common solutions consisted in reaching agreements by which a country funds and executes a bi-national public project, while the other bordering country signs an equivalent agreement, in balanced terms. This has occurred, for instance, when the bridges crossing the Táchira River, which separates the bi-national conurbation of Cucuta-Villa del Rosario (Colombia) and San Antonio-Ureña (Venezuela), had to be refurbished. In that case, an agreement was

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reached: Colombia would repair the Simón Bolívar international bridge, linking the Colombian side of the conurbation with San Antonio, Venezuela; while Venezuela would fix the Francisco de Paula Santander international bridge, linking the city of Ureña, Venezuela with the city of Cúcuta, Colombia.

A similar case occurs in the Bi-national Centres for Attention in Border Areas (CEFAF) or Unified Border Centres (CUF) that operate in many borders of the region nowadays in the second decade of the 21<sup>st</sup> century: in most cases, featuring the nature of bi-national centres, a "single headquarters" model is commonly employed, that is to say, a single building housing public service officials (customs, migration, agricultural health, among others) from both countries, who are in charge of, first, authorizing the traffic output from the country of origin (people, goods or vehicles) and, then, the entry to the destination or transit country. That single building is frequently located in the territory of one country (as an exception, on the bridge crossing the river whose thalweg constitutes the limit between two countries). This implies that both parties have to reach an agreement to allow the authorities of the country in which the CEBAF or the CUF is not established to carry out the functions they fulfil in their country of origin without any restrictions; and also to establish that the country where the headquarters is going to be settle will afford the construction costs of that infrastructure. Usually, since in the pairs of bordering countries more than one border crossing is enabled along the common border, the country that did not afford the construction costs of the first CEBAF or CUF, affords the cost of the second one.

In addition to this type of agreements, there are some important achievements in this matter. For instance, the Peru–Ecuador Border Region Development Programme, which is part of the Peace Agreements signed by both countries in 1998. The Programme is funded with resources from fellow countries, international cooperation, and regional development banks, but mostly with national resources, including contributions from the Public Treasury of both countries. The investment totalled over US\$ 3.16 billion throughout 12 years (SELA, 2012, p. 29). As for Peru, the public budget for 2013 allocates resources worth 7,920,000 Peruvian soles, US\$ 3.05 million (Peru - Public Budget Law 2013), for the execution of the Bi-national Plan, plus contributions from the regional and local governments.

However, it is worth recalling the circumstances in which the Peace Agreements between both countries were signed: these agreements were the end point of a conflict that lasted more than a century and a half, which many times led to armed conflicts due to border disagreements. Therefore, both countries considered the Bi-national Plan a high priority from the very beginning, a crucial factor to rectify the bi-national relations and to compensate the bordering populations for the instability, negligence and lack of investment they suffered for many years due to conflict hypothesis that had prevailed in the past. Not only have both countries' governments allocated an important amount of resources for its execution, also the international cooperation, on behalf of the Donors Board convened in March 2000 and backed by the IDB, provided approximately 50% of the resources from that source (which simultaneously represents 15% of the total investment in the Peruvian sector of that border). The following table reports the main investments in the Peruvian sector within the framework of the Ecuador-Peru Bi-national Plan until 2011.

Some projects of the Bi-national Plan are effectively defined as Bi-national Projects, that is to say, border integration projects strictly speaking. Among these projects, the most important are the five bi-national road axes, out of which, three have been executed and the fourth is under construction, covering 2,176 km in both countries. The design of

those axes and their pre-investment stage have been carried out in close coordination between both countries, while the execution is responsibility of the corresponding Ministries of Transportation. Until 2011, the investment in those road projects in both countries amounted to US\$ 368.24 million, out of which US\$ 42.64 million (11.6%) come from international cooperation, while the rest comes from public funds (Peru - Bi-national Plan, 2011, p.18).

**TABLE 6**  
**Investments of the Peru–Ecuador Border Region Bi-national Development Programme**  
*by source and sectors, Peruvian sub-region, 1999-2011 (US\$ million)*

Sectors	Non-reimbursable cooperation	National resources	TOTAL
Water and Sanitation	26.52	328.50	355.02
Education	13.45	18.20	31.65
Electrification	2.99	172.12	175.10
Environment and Agriculture	64.79	47.80	112.60
Health	9.54	19.84	29.38
Transport and Communication	43.02	460.75	503.77
Multi-sectoral and others <sup>1/</sup>	29.45	20.25	49.70
<b>Total general</b>	<b>189.76</b>	<b>1,067.47</b>	<b>1,257.23</b>

<sup>1/</sup> Productive, tourism and institutional reinforcement, among others.

Source: adapted from "Peru-Ecuador Bi-national Plan", 2011, p. 9.

Beyond these projects, it is important for the Foreign Affairs Offices of the region's countries to formulate and discuss proposals and persuade the corresponding ministries of economy, finance or treasury with the purpose of setting an item in the investment national budget named "Border Integration Projects" or a similar term. The justification, purpose, structure and operative features of that item will have to be reconciled with its equivalent to be established in the countries that develop border integration initiatives, which is a quite difficult task. A better way to do so would probably be within the framework and the assistance of the secretariats of sub-regional integration agencies (CAN, MERCOSUR, SICA), as means to set this scheme and a method as part of a communitarian commitment.

It is also challenging to preserve the collective nature of a border integration project towards its monitoring and assessment during the execution and operation stage that respect such collective nature. Therefore, it is also crucial to discuss creative solutions allowing for overcoming the impasse that might arise when it comes to physical works, equipment, facilities and other assets that have been charged to a specific project and yet are distributed in the territory of two bordering countries. This situation confirms the importance of establishing an OBG-PIF that, in addition to manage the cycle of border integration projects, proposes solutions and designs methods for those needs arising in the execution of every investment project of that nature.

## 2. Establishing bi-national or community funds for border integration projects

In order to fund border development and integration plans and projects, in addition to the resources that can be obtained from the public treasury through the "procedures" set by the SNIP in each country and from international cooperation, it is important to outline the convenience of creating bi-national or community funds to effectively fulfil funding needs. The bi-national or community nature of such funds is grounded in the fact that, one way or another, border integration projects are related to

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development and integration issues and their possible solutions involving two neighbouring countries.

One of the best known examples in operation is the Bi-national Fund for Peace and Development Peru-Ecuador, which is actually a financial mechanism of the Bi-national Plan signed by both countries. This plan is aimed at funding small and medium sized works, especially in rural areas, and managing the non-reimbursable international cooperation resources allocated to fund programmes and projects. (SELA, 2012, p. 29). The submission of projects to the Bi-national Fund entails certain requirements, one of the most important ones is that the SNIP have to confirm the project's viability (if it involves, partially, public funds). The Bi-national Fund also works in four intervention areas: 1. Preparation of projects to foster private investment and especial studies; 2. Execution of social, productive, environmental and services infrastructure projects; 3. Execution of citizen participation and community development projects; and 4. Promoting micro, medium and small-sized enterprises. Until January 2012, the Bi-national Fund had funded 493 projects in the Peruvian sector of the border, amounting to US\$ 52.9 million (Peru-Bi-national Fund, 2012, p. 11 and 16).

In contrast, there are no reports of the creation and functioning of community funds, established against the backdrop of the sub-regional integration agencies, specifically to foster border integration projects. The Fund for Structural Convergence of MERCOSUR (FOCEM) is the closest to that and was created in 2007 to foster structural convergence, develop competitiveness and promote social cohesion, in particular within the minor economies and the less developed regions of the bloc's countries. Indeed, it includes border integration among its main areas of support (SELA, 2012, p. 48). FOCEM takes into account the principles of every integration process: solidarity and the certainty that integration implies to receive benefits, but also to **share** them.

The Fund is made up by contributions from all the countries, but in a greater proportion from those countries with significantly greater product (Brazil and Argentina). Instead, the resources that the fund receives and allocates among the countries of MERCOSUR are inversely proportional to the size of their economies. Hence, Uruguay and especially Paraguay are the most benefited countries. Those resources amount to US\$ 100 million annually and they will total US\$ 1 billion in 10 years time. This is particularly relevant because, without dismissing the possibility of obtaining resources from third countries or international cooperation,<sup>17</sup> FOCEM's main source of resources is made up by transfers from the public treasury of each country as non-reimbursable contributions. The Decision N° 18/05 of the Council of the Common Market (CMC) of MERCOSUR in June 2005, the top decision-making authority of that integration bloc, stipulates that while Brazil must provide 70% of the Fund's resources, it only has the right to receive 10% of those resources; instead, Paraguay must provide 1%, and can receive almost half of the fund, 48% (**Annex 13**).

Since the member countries of the Andean Community, as a sub-regional integration bloc, have been deeply engaged in funding border integration projects, the likely creation of a Fund for border integration projects in those countries should be contemplated as an "Andean Community Fund". For that purpose, the founding documents of the FONCEM would be a first-hand reference. In the meantime, the member countries of the CAN could respond to an important amount of funding requests

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<sup>17</sup> Article 8 of Decision CMC N° 18/05 establishes this possibility.

for border integration projects, which by 2007 those countries calculated in US\$ 182 million for the initial stage.<sup>18</sup>

Even if the establishment of community funds for border integration projects might seem difficult to implement without will and an explicit political decision from the high-level government, it should not be completely dismissed. If the fund relies on the probable initial contributions from the governments of the countries involved, it might be very difficult to accomplish. However, there are examples of international cooperation providing considerable amounts of capital in the nature of "seed funds" to other integration or cooperation initiatives. If that is the case, such funds could also be provided to support border integration and development projects. This requires a comprehensive analysis and assessment, as well as consistent decisions, following a corresponding viability study.

To conclude this section and under the perspective of setting out the convenience of sub-regional community funds (CAN, MERCOSUR, SICA) to support border integration projects, a preliminary approach of the topics that might be included in the possible agreement of such Fund is presented in **Annex 14**.

### **3. The role of regional development banks and international cooperation**

In different moments and under diverse modalities, regional developing banks have showed their interest in supporting the funding of border integration projects. Nevertheless, since organizations such as the IDB and the CAF began to approach the issue of border integration and development, the non-reimbursable cooperation funds they have established to cope with this issue have always been allocated to fund the pre-investment stage of the projects, but not their execution. This is because they both are financial institutions and that forces them to show to their shareholders the profitability of the resources they allocate. Therefore, the investment or execution stages of the projects are always carried out under the credit modality that the countries obtain from those institutions. Besides, when the IDB and the CAF were consulted within the framework of the Andean Consultative Group meetings at the beginning of the last decade in order to know their capacity and willingness to establish a Fund for border integration with capital contributions from those banks, they did not agree with that possibility and they rather showed their willingness to act as trustees of the funds that the countries might constitute for that purpose within the sub-regional integration block.<sup>19</sup>

In the case of the Inter American Development Bank (IDB), its work supporting border integration projects dates back from the beginning of the integration processes in the region. Thus, several border integration programmes signed by pairs of countries were funded with non-reimbursable cooperation resources through the "Special Funds" (SF) that were disbursed in the pre-investment stage. Among these projects was the "Programme to Support Border Integration between Bolivia and Peru" (PAIF/B-P), executed between 1987 and 1989 thanks to funds allocated under this modality with a non-reimbursable contribution from the IDB amounting to US\$ 1,870,000.

The Regional Public Goods Initiative (IBPR) of that institution is in force since 2004 and it funds initiatives submitted for at least three countries under a contest system. The IBPR has also approved some projects featuring a clear incidence in the border; among them is the "Aymaras without Borders" project, which supported the communities of the Aymara

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<sup>18</sup> Estimated figure in the II Special Meeting of the High-Level Working Group for Border Integration and Development (GANIDF), held in Cartagena de Indias, Colombia, in April 2007.

<sup>19</sup> That was the proposal made by the IDB and the CAF back in 2002 when they started to hold meetings with the Andean Consultative Group, set forth in Article 5 of Decision 459 of the Andean Community.

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nation in the bordering high plateau between Bolivia, Chile, and Peru during 2011. This project was intended to strengthen border integration as a development mechanism to improve the levels of economic, social, cultural and environmental well-being in the territories where those ethnics are settled. To achieve that goal, projects were developed in accordance with five pragmatic guidelines: logistics and cross-border transportation; customs procedures; sanitary measures; productive entrepreneurships; touristic development; and economy and traditional commerce (Aymaras without Borders Strategic Partnership, 2011, p-5 and 7).

The IBPR is based on the premise that the countries of Latin American and the Caribbean share many challenges and development opportunities that can be tackled more effectively at a regional level through collective action and cooperation. This initiative is also an answer to the increasing importance of the South-South Cooperation (CSS) in the agenda for development of the LAC countries and reflects the commitment of the IDB to be an active partner in the development of the region. Until 2012, the IBPR had approved 84 projects, 10 of them in 2012, totalling US\$ 67.5 million.<sup>20</sup>

The IDB also supports the funding to conclude the border crossing that some of its member countries have been executing. The funding also allows building the integrated centres for attention in border areas, which are crucial to modernize and achieve a fluent attention of the increasing road traffic among the countries of the region. However, although these projects are located in the land borders among the LAC countries, their main objective is not to contribute to border development and integration. Finally, since 2005, the IDB holds the "Regional Infrastructure Integration Fund – RIIF", a non-reimbursable cooperation fund worth initially US\$ 20 million (and it might reach US\$ 40 million). It funds the pre-investment stage of projects of the IIRSA initiatives or the Mesoamerica Project for up to US\$ 1.5 million in each case. By the end of 2010, the RIIF had allocated 23% of the approved resources for border integration and trade facilitation projects (Gómez, 2010, p. 5 and 7).

For his part, the CAF offers three mechanisms to support border integration and development in its member countries:

- IIRSA, the Initiative for Integration of Regional Infrastructure in South America, an initiative to get funding intended to strengthen planning and execution of projects of productive and logistics infrastructure in order to promote integration and development in the region's countries. Pilot projects in the border have been identified (roads, bridges, CEBAF). Most part of the allocated resources are credits requested by the governments (reimbursable funds). However, there are non-reimbursable contributions for the studies component.
- The Fund for the Promotion of Sustainable Infrastructure Projects (PROINFRA) finances the preparation (studies) of high impact sustainable infrastructure projects in local economies to promote regional integration. The resources of the Fund are intended to give a high social and environmental impact to infrastructure projects (road, energy, and telecommunications). The eligibility criteria include: the projects must be sponsored by the public sector; incorporate project planning, preparation and funding elements; and strengthen the capabilities of regional and local organizations. The allocated resources are reimbursable and non-reimbursable. Non-reimbursable funding is limited to projects submitted by the public sector. This mechanism is hardly employed in border projects.

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<sup>20</sup> Source: "El BID aprueba la financiación de las propuestas seleccionadas en la convocatoria de Bienes Públicos Regionales 2012". Available at: [www.iadb.org](http://www.iadb.org) [Consulted: 18 April 2013].

- The Programme to Support Border Integration and Development (PADIF) contributes to the design and start-up of Border Integration and Development Bi-national Plans and to reinforce physical and social development infrastructure projects in the borders of the Andean countries y other countries of the region. To achieve a more effective cooperation, in March 2008, the CAF created and regulated the Border Cooperation and Integration Fund – COPIF throughout the Directory Resolution N° 1794/2008, with a 10-year period of validity. The Fund has initial resources amounting to US\$ 4 million, which come from the CAF net profit of 2007 and it will be gradually increased up to US\$ 25 million. According to the Resolution, the COPIF has been created to "Fund programmes fostering sustainable human development and integration in the border areas of two or more member countries throughout projects in the areas of physical integration, investment for productive economic development, social development and sustainable environmental development". As such, COPIF funds the identification, preparation and execution of high impact projects (not investment projects) that promote sustainable human development in border regions and contribute to fortify bilateral and multilateral cooperation, dialogue, mutual trust and border integration.
- COPIF provides funding for a maximum of US\$ 500,000 and the projects must be submitted to the CAF either by public entities in charge of the creation, design and execution of projects and programmes in border areas between two of more member countries of the Corporation, or by international organizations promoting cooperation and integration programmes and projects in two of more member countries. The COPIF's operational modalities are non-reimbursable funding and contingent-recovery funding. In 2012, the COPIF approved funding for projects worth US\$ 1.58 million in several pairs of countries in the region and for sub-regional integration agencies, according to the following list:

TABLE 7

List of border integration projects or activities that have benefited from contributions from the Border Cooperation and Integration Fund (COPIF) of the CAF-Development Bank of Latin America - 2012

<b>Projects with medium and long term strategic vision</b>
<ul style="list-style-type: none"> <li>- Plan for Border Integration and Development Argentina – Bolivia</li> <li>- Plan of the Colombia-Peru Border Integration Zone</li> <li>- Development and integration strategy in the southern area of the Brazil-Peru border</li> <li>- Territorial connectivity between Argentina and Uruguay</li> <li>- Diagnosis of the border between Colombia and Panama</li> <li>- Diagnosis of border integration and development in Brazil-Colombia</li> </ul>
<b>Sectoral bi-national projects and initiatives</b>
<ul style="list-style-type: none"> <li>- Support to the border bi-national agenda Brazil-Uruguay</li> <li>- Best practices to build peace and development between the Chile-Peru and Ecuador-Peru borders</li> <li>- Support to the extension and training of Early Education in the Region of Chaco, Brazil-Paraguay</li> <li>- Establishment of networks among shared border regions: Argentina-Bolivia-Paraguay</li> <li>- II Latin American and Caribbean Conference on Social Sciences, FLACSO</li> <li>- Best practices for peace and development in the Chile-Peru border</li> <li>- Detail engineering of the new Tienditas international bridge, Colombia-Venezuela border</li> <li>- Observatory of the Argentina-Uruguay border</li> <li>- Promotion of human rights and best practices in the Arica-Tacna border (Chile-Peru)</li> <li>- Improved epidemiological surveillance in the Colombia-Ecuador border area</li> <li>- Prevention and control of foot-and-mouth disease in border areas</li> <li>- Economic complementarity in the textile and dressmaking sector, Colombia-Venezuela</li> </ul>
<b>Border projects within the framework of regional integration</b>
<ul style="list-style-type: none"> <li>- Health agenda for integration (UNASUR)</li> <li>- Andean plan for health in the border (PASAFRO)</li> <li>- Health, a Bridge for Peace and Integration (PASAFRO II)</li> <li>- Support for the MERCOSUR Working Group on Health discussing the topic of sanitary technologies</li> </ul>

Source: CAF-Development Bank of Latin America, 2013.

Furthermore, the Central American Bank for Economic Integration (CABEI) signed an agreement with the European Union (EU) in 2004 to reallocate the resources that were originally directed to the Central American Export Strengthening Fund (FOEXCA) to the execution of a "Central American Border Zones Development Programme (ZONAF)", which was executed from that year until July 2011. The main objective of the ZONAF was to contribute to poverty reduction and environment protection within the framework of the integration of the Central American countries. To achieve that, two funds were structured: the Special Fund for the Social Transformation of Central America (FETS) and the Central American Environmental Fund (FALIDES), featuring two important components: the integrated development of bordering municipalities and the management of multinational basins.

Funds worth US\$ 130.6 million were made available in the ZONAF, out of which, US\$ 40.2 million came from non-reimbursable contributions from the EU and US\$ 90.4 million came from credits granted by the BCIE, mainly allocated for the two international roads in Honduras and Nicaragua. More than 100 cross-border projects were executed against the backdrop of the ZONAF. These projects were oriented to improve the access to basic services such as education, health, infrastructure, food security, water and sanitation, electrification, production and commercialization; and also for the protection,

preservation and rational use of natural resources, especially water, focused on gender and ethnic groups.<sup>21</sup>

Some pairs of countries have also obtained important support from international cooperation to carry out their border integration initiatives. In the border areas between Costa Rica and Nicaragua, specifically in the Costa Rican border area, 59 projects were identified in 2009 in the following sectors: production; environment; energy and telecommunications; health; education; tourism; infrastructure and transports; employment and social security; monetary policy and financial monitoring; public safety and crime prevention; and culture, science and technology. Out of these projects, in 2009, 31 were in the execution stage, 12 were in negotiations, and 16 were in an intermediate stage. The considerable amount of projects that were in an intermediate stage was because most part of the projects implied the development of infrastructure, and despite the fact that they were negotiated and their terms and funds were approved, their execution was pending because other pre-execution requirements (permissions, guarantees) were lacking. As for their modality, 30 projects received non-reimbursable financial cooperation, while 16 projects qualified as technical cooperation, and the remaining projects qualified as reimbursable financial cooperation or a mixed modality. As for the nature of the cooperation source, the bilateral cooperators supported the largest amount of projects, totalling 49 projects, accounting for 83% of the total; the remaining 17% corresponded to resources from multilateral sources supporting the other 10 projects in the area. Finally, as for the amount of cooperation funds in US dollars, Germany provided US\$ 8,956,875, the greatest amount; the European Union allocated US\$ 1,514,820. Spain provided € 3.456.000; and the Netherlands allocated around 100 million colones (Costa Rica – MIDEPLAN, 2009, p. 42 and 46-47).

In the Andean Community, during the last five-year period, the General Secretariat of the Andean Community has led financial management efforts before international cooperation agencies and has managed to obtain resources favouring border integration initiatives from alternative sources different from the ones obtained directly by the Member Countries throughout their governments or their bilateral mechanisms: 4.2 million Euros from the European Union and US\$ 1.2 million from the Spanish Agency for International Development Cooperation (AECID) (SELA, 2012, p. 45). These resources would probably had been greater if the mechanisms and instruments for Andean border integration were consolidated and their operation were more fluent; but the reality nowadays is that the initiatives that receive those resources and have been prioritized by the Member Countries have to face the challenge of using those resources in an more efficient way and within the conditions and terms established in the agreements signed between the General Secretariat and those cooperation agencies.

In 2012, the SG-CAN negotiated with the European Union a new initiative called "Participatory Regional Integration in the Andean Community (INPANDES)" (SELA, 2012, p. 46), framed within the Andean Social Development Objectives (OANDES) and approved by the Andean Council of Ministers of Social Development (CADS, 2011, p. 2-3). These objectives are mostly referred to overcoming poverty and inequalities; overcoming territorial asymmetries and ensuring social investment, but highlighting the funding for projects in the border integration areas. The project contemplates funding amounting to US\$ 8 million from the EU and a counterpart worth US\$ 500,000 corresponding to the CAN countries, for its execution in four years. Nevertheless, in the last meeting of the GANIDF (XXXII Meeting, December 2012), the delegates of some CAN countries expressed their concerns about the sum of the counterpart funds required and also about the different

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<sup>21</sup> Taken from: "Central American Border Zones Development Program". Available at: [www.programazonaf.org](http://www.programazonaf.org) [Consulted: 20 April 2013].

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aspects of project management they considered complex, bureaucratic or inconvenient. As of the final date in which this report was prepared, Colombia had informed to the SGCAN that it would not take part in this initiative for the time being. However, it would announce its "no objection" notice in order to avoid blocking the approval of the initiative by the EU, since the other three countries of the group had accepted the conditions agreed upon.

In addition, the Spanish Agency for International Development Cooperation (AECID) has allocated US\$ 315,000 to the SGCAN for the period 2012-2014 so as to tackle two action lines: Proposal of a bi-national management model for the execution of border projects (US\$ 15,000); and the Execution of Development Projects in the Andean Community Integration Zones (US\$ 300,000). Although it is a small figure, it is consistent with the current crisis that the Spanish economy faces nowadays. Besides, the last meeting of the GANIDF decided that a remainder amounting to US\$ 300,000 from the funds provided by the AECID in the previous period would be used in three bi-national/tri-national projects worth US\$ 100,000 each; or a single project of US\$ 300,000. The benefited projects will be chosen by the GANIDF and the eligibility criteria establish that the projects must have finished the pre-feasibility stage and have a detailed budget, in order to finish their execution by October 2014 (SG-CAN-GANIDF, 2012 b, p. 4).

To accomplish a more effective intermediation between the CAN and the international cooperation agencies, regulations allowing for perfecting the institutionality on this matter and the basic action instruments must be promoted within the framework of the Community Policy for Border Integration and Development. These instruments and regulations include, among others, the regulations of the Border Integration and Development Projects Bank (BIDPB); support for the creation of development plans in BIZ; the study-proposal for the establishment of the Community Fund; and overall, strengthening the General Secretariat of CAN to qualitatively increase its capability for actioning.

In the Andean Community, border integration projects are usually small and to some extent demonstrative (solid waste management, bi-national health networks, for less than US\$ 1 million), and they are executed throughout funding agreements between the SG-CAN and the cooperating entity. Next, against a backdrop of prioritization of border integration projects, the GANIDF takes the responsibility of endorsing delegation or grant agreements with the beneficiary institutions (for instance, bordering municipalities). In those agreements, one of those municipalities is designated to be in charge of managing the donation resources, submitting reports to the agency that allocates the resources, ensuring the payment of counterpart funds, monitoring the correct use of funding, etc. This type of agreement was signed in 2009 between the Andean Community General Secretariat and the Tulcán (Ecuador) and Ipiales (Colombia) municipalities to execute the project called "Management Model for the Integral Solid Waste Management in the Colombia-Ecuador border". Another example is the agreement signed in the same year between the Andean Community General Secretariat and the Cajamarca (Peru) Regional Government and the Bi-national Fund for Peace and Development Ecuador-Quito to execute the "Bi-national Health Network between Zumba (Ecuador) and San Ignacio (Peru)" in the border between both countries. In each case, the projects received resources donated by the European Union worth 425,000 Euros.

Monitoring investment projects any time during their execution stage is absolutely required to ensure their appropriate technical and financial execution. In this regard, the project's funding institution can request or perform technical and accounting inspections, as well as access to the books, documentation, and facilities in order to collect

information proving the proper execution of the project and the correct use of the available resources, especially in the case of donated resources like the ones provided by the EU or the AECID. Likewise, an external audit of the project will be required following the completion of its execution. The monitoring and assessment methods might be very different depending on each financial institution. This situation might pose certain difficulties to the work of an entity like the OBG-PIG, suggested in section 1 of chapter IV. Despite this issue, the only choice is to adapt to it because the financial institution is supposed to be responsible for ensuring the proper use of the allocated resources and achieving the purpose for which they were granted.

Nevertheless, it is also true that for some countries it is not profitable enough to meet the funding regulations (including the execution terms of the funds, audit systems, counterpart funds, etc.) imposed by the cooperating entities. This situation took place recently in the negotiations of the INPANDES agreement between the Andean Community and the European Union. As previously remarked, Colombia has decided to refrain from participating for the reasons that have been already mentioned.

Finally, in the subject of international cooperation for border integration, it would be appropriate to conduct it not only in a bilateral modality or by triangulation, as the CAN experience has shown. Instead, LAC countries should also seek horizontal cooperation, which implies the mutual exchange – eventually alongside the triangulation of sub-regional integration agencies – of technical experiences, knowledge, technologies and useful abilities or capabilities that can be used to tackle the border integration issue. For example, some of the instruments mentioned in this report, such as the Agreement on Linked Border Towns between Argentina and Brazil (mentioned in item 1 of chapter III; included as annex 5) might be a matter of horizontal cooperation operations or Technical Cooperation among Developing Countries (TCDC) – among other current matters and instruments between some pairs of countries in the region. This would spare costs and secure common interests concerning shared issues, in which some countries have made more progress than others. In this regard, it would be crucial that the LAC countries include the issue of border integration in their supply and demand listings of international cooperation.

#### **4. Border integration and productive investment**

Although the political, social, cultural and economic components of border integration are important, productive integration should also be taken into account because it would offer long-term sustainability to the options that favour economic development and would allow for improving income levels and living standards of inhabitants in border zones.

It is advisable to remind that borders in Latin America and the Caribbean, beyond the fact that they are traditional peripheral spaces in the region's countries, have always been subject to fluctuations due to the convergence of dissimilar legislations between bordering countries. Therefore, the economy and the way of life of their populations had to be adapted to the resulting instability; surviving by exploiting the differences in national regulations, but within the framework of an uncertain balance that might change any time. On this subject, it is important to apply in the border promotional national regulations and also agreements and rules favouring investment focused on transforming their productive base by reinforcing their natural resources, as well as the advantages of their strategic locations regarding market access; and also by generating employment for a population that nearly always is heavily hit by unemployment or underemployment. This would allow for the capitalization of borders, guide the incorporation of their economies to the formal circuits – including the incorporation of goods and services produced in

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those regions to the regional and global trade flows – and finally, the eradication or reduction of the asymmetries, which are usually intensified in the borders in comparison with the “active regions” in the integration process (Moncayo, 2003).

A fundamental factor for that purpose is the search for a competitive entrepreneurship allowing for consolidating efficient productive chains, simultaneously framed in fair trade initiatives that really contribute to the eradication of inequalities persisting in the borders. It is also important to considerate the need for innovation, efficiency and technology incorporation in the productive processes as conditions to compete in the world of contemporary enterprise. This requires the development of a differential approach in the borders in terms of the productive dimension; which implies the existence of clear national policies and bi-national agreements that really support the enterprises and do not overlook the principles of solidarity and complementation attached to the integration processes (EU-CAN, 2012, p. 75).

In the border between Brazil and some of its bordering countries, there are recent interesting initiatives, focused on dynamizing the cross-border productive chains. These initiatives depart from the concept of “border belt” (*faixa de fronteira*), included in Article 20 of the Political Constitution of Brazil, which explains that such belt “...of up to 150 kilometres wide throughout the land borders... is considered fundamental for the defence of the national territory.” However, over time, that definition closely linked to the concept of sovereignty has evolved towards the integration dimension with the launching of the Programme to Promote Border Development in Brazil (PDFF), coordinated by the National Integration Ministry of Brazil.

Hence, within the framework of the PDFF, several actions in the matter of cross-border productive chains have been developed, backed up by the Brazilian Service to Support Micro and Small-sized Enterprises (SEBRAE). These initiatives started by identifying the vocations and the cross-border complementarities; following, throughout the SEBRAE Paraná, with other aspects including: generation, adaptation, development and transfer of technologies; support for the development of projects fostering cooperation and development of businesses in the border regions of Brazil with the other MERCOSUR countries; training of technicians, entrepreneurs, employers and public and private managers concerning the conduct in border and cross-border environments; and finally, support and/or development of programmes of cross-border corporate cooperation projects focused on small and medium-sized enterprises. All these efforts have allowed the creation of the “Technology Development Centre for Cross-Border Integration of Micro and Small Enterprises of MERCOSUR and Latin America” also boosted by the SEBRAE and prioritizing Brazil's border areas with Argentina, Paraguay, Bolivia and Uruguay (Rhi-Sausi y Odone, 2009a, p. 71-74).

In recent years, other initiatives have been launched in the region and they are in a consolidation process, such as the Bolivarian Alliance for the Peoples of Our America (ALBA), currently consistent of eight LAC countries. The ALBA is a strategic political alliance, but at the same time, it is a new integration modality leading to the transformation of the Latin American society in a more equitable, supportive and participating way. The ALBA envisages the development and shaping up of Supranational Projects and Supranational Enterprises, the latter in contrast with the transnational enterprises. Therefore, their economic dynamics will be oriented to prioritize the production of goods and services to meet human needs, against the logic of profits and capital accumulation.<sup>22</sup>

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<sup>22</sup> Available at: <http://www.alianzabolivariana.org> [Consulted: 22 April 2013].

A fundamental tool to carry out the initiatives promoted within the framework of the ALBA is the creation of the Bank of the South, whose Founding Convention was signed in September 2009 by seven countries (Argentina, Brazil, Bolivia, Ecuador, Paraguay, Uruguay, and Venezuela) in the scope of the UNASUR, whose members are only South American States. Some of the functions assigned to the Bank of the South are very interesting under the perspective of regional border integration: the possibility of funding state-run or self-governing entities, joint ventures, private enterprises, cooperatives, associative and community enterprises of the member countries; technical assistance for the preparation and execution of development plans, programmes and projects; creation and management of a Social Solidarity Special Fund for the Funding of Social Projects featuring a reimbursable and non-reimbursable nature; finally, support for the creation of Funding Funds for Regional Development.

As of the date in which this report was prepared, the contributions made to the Bank of the South's capital by their member countries are in the execution process; but knowing that the authorized capital totals US\$ 20 billion and that at least 20% must be deposited a year following the enforcing of the Convention, it seems that the region is about to have a financing instrument available that is qualitatively different from the ones that have existed so far in the region and very important in quantitative terms for the funding of its development,<sup>23</sup> including its bordering regions. Notwithstanding, due to the convergence in the LAC borders of the initiatives promoted by the ALBA plus the financial resources that the Bank of the South might provide, the number of member countries of those institutions must be increased, because the current eight member countries of the ALBA do not share land borders among themselves.

In the current circumstances, productive integration is very likely to be accomplished in the border zones called border crossings, which refers to the spots and facilities on which the pair of countries has agreed upon to legalize the exit from a country and the entrance to the other country of people, goods, and vehicles. The CEBAFs or CUFs (referred to in section 1 of this chapter) offer the best conditions to carry out goods and services productive processes; transformation, splitting, packaging, and storage of loads; install logistics services to support the processes of import, export and transit of goods; operation of transport agencies and load consolidation enterprises; mechanic vehicle services; and accommodation and food services for crew members and passengers. However, it is appropriate to ensure better alternatives in every border sector so the border can prosper on the basis of the efforts carried out by social and economic parties from both sides of borders.

## VII. CONCLUSIONS

1. "Border integration" and "Border cooperation" are complementary and related terms. Both indicate a commitment between two neighbouring countries to promote, in areas where their territorial boundaries are, joint processes aimed at meeting the needs of their populations, linked to their survival, their development and their recognition as the forefront of the bilateral integration process. Conservation of shared ecosystems and natural resources are also part of this definition. The term "cross-border cooperation" is also similar to the above-mentioned concepts.

2. Borders may vary in extension and land area, according to a series of natural conditions and human constructions or decisions. In general, it spans from the international border to the interior of each border country where the concept of

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<sup>23</sup> Taken from "The Bank of the South". Available at: <http://alainet.org> [Consulted: 22 April 2013].

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**everyday life** is valid, i.e., where social, cultural and economic activities take place in association with actors from the other side of the border.

3. Among countries that have defined spaces of intervention to promote border integration processes are the Andean nations (Bolivia, Colombia, Ecuador and Peru). However, they have delimited their border integration zones (BIZ) exceeding the zonal criteria recommended by Decision 501 of CAN, which deals with this situation. Several Central American countries have also defined border integration zones, but this is not the case for MERCOSUR members. The only exception is Brazil, which established a BIZ with Peru in 2009.

4. The tripartite integration is a choice of border integration that takes place more frequently among LAC countries as a result of population growth and economic progress, but it could take on very diverse characteristics, suitable to the natural physical, social, cultural, economic and environmental reality and the provision of infrastructure and services in these territories. In the case of the Trifinio Plan between El Salvador, Guatemala and Honduras, there is a tripartite agreement on boundary demarcation based on specific projects.

5. The institutions created to promote border integration manifest themselves as a bilateral initiative in most borders of the region, but there is no single institutional model. While such institutions are usually under the responsibility of Ministries of Foreign Affairs, this is not always true, as is the case between Costa Rica and Panama. Furthermore, the participation of the various actors and authorities of regional and local governments is increasingly evident in institutional mechanisms and, in some cases, in line with the advance of national decentralization processes, with the head of institutions assuming the role of monitoring the development of such processes.

6. Subregional integration bodies offer different types of contribution to institutions in charge of border integration. While they have consolidated in the Andean Community, they are relatively new in MERCOSUR. For its part, SICA does not have institutions responsible for this topic.

7. The border regime, in particular the component of movement of people, includes heterogeneous situations according to the subregion or pair of countries. In South America, within the framework of UNASUR, an agreement was signed in 2006 for citizens of this subregion to travel as tourists without restrictions, only with their national identity document. On the contrary, pairs of countries in Central America face serious constraints, fuelled by differences in level of development or security problems at a time when the immigration issue is not dealt with by the Central American Integration System (SICA).

8. The cross-border trade in Latin America and the Caribbean, which represents a free trade zone at the level of subregional integration blocs, is still effective between predominantly rural communities that are far from the main interconnection axes, where difficulties could be faced to meet some basic consumption needs in the country itself.

9. Latin American and Caribbean borders, as peripheral territories, usually show lower levels of development than metropolitan areas and other regions of the country. Indeed, border territories are subject to changing and differentiated rules in the economic area imposed by central governments (policies and rules on corporate, tax, labour and currency issues, among others) and precarious provision of public goods. In addition, they usually subsist under "survival strategies," supported by unregistered informal trade or open smuggling; associative enterprises between entrepreneurs from one side and the

other of the border; and even the creation of obstacles to the movement of people, vehicles and goods. On the contrary, in a few border crossings that have become vital for foreign trade in some countries, governments have made efforts to radically change this situation through investments in infrastructure and services and incentives to private and associative enterprises.

10. In LAC, there is a worrying trend to lead the evolution of border policies, designed for development and integration areas, to security areas. To that end, strict operational controls were introduced, infringing the rights of people with all it entails as loss and obstacle to the consolidation of Latin America and the Caribbean as an integrated region. The case of the Regional Border Security Programme in Central America (SEFRO), recently implemented, could represent one of the largest concrete expressions in this direction.

11. In addition, border committees among South American countries have been gradually institutionalized as a mechanism to monitor the functionality and implementation of the border regime agreed upon by countries with common border. The Agreement on Linked Border Towns between Argentina and Brazil represents the most advanced expression of the willingness of countries in the region to liberalize the movement of factors at their common borders.

12. The development of border integration plans is a key stage of the border integration process. This reflects the political will to solve the structural problems of borders and enhance their role in the bilateral and subregional integration. As part of this work, an effort should be made to identify programmes and projects in this area, their duration, financing strategies and modalities, institutions (including the participation of the various instances of government), among other aspects. The Bi-national Office for Managing Integration Plans, Programmes and Projects at Borders (OBG-PIF) and the Border Integration and Development Projects Bank (BIDPB) are tools with different names that are being put into practice by neighbouring countries to manage their border integration plans and systematize and prioritize the information on their projects. However, LAC falls short in providing capacity-building for the management of the project cycle and the administration of plans undertaken by officials and institutions, mainly those of local nature.

13. National Public Investment Systems (SNIP) are still barely identified and committed to border integration in LAC, despite its importance for the strengthening and achievement of bilateral policy objectives, as in regional integration.

14. A significant portion of border integration projects in LAC receives financial support from the international cooperation. So national economic and financial institutions seem to understand that using the non-reimbursable international cooperation is a plausible way of achieving it. To that extent, such entities do not follow methodologies to grant a "plus" to the qualification of border integration projects for the prioritization of financing, treatment as project unit or creation of a specific item in the national budget that could be called "Border integration projects."

15. The establishment of bi-national funds to finance border integration plans is a figure that has not been frequently used in the region. Nor are there specific subregional funds, although the experience of the Structural Convergence Fund (FOCEM) of MERCOSUR, in operation since 2007, includes demands for border integration projects.

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16. Regional development banks (IDB, CAF, and CABEL) have supported and continue to support, with non-reimbursable funds, border integration projects in the region at their pre-investment stage, which is consistent with their character as institutions that are required to show positive financial results. To finance their implementation, these projects must enter the corresponding SNIP and obtain the prioritization necessary to realize them, via the investment budget, which could involve financing with resources granted by those banks that add up to public debt. Among those regional financial institutions, the only one that has a specific fund to finance pre-investment or other activities or projects for border integration is CAF, through the Border Cooperation and Integration Fund (COPIF), which in 2012 approved funds for US\$ 1.58 million.

17. The financing of border integration projects in the region using the non-reimbursable international cooperation has mainly been provided by the European Union (EU) and the Spanish Agency for International Development Cooperation (AECID). However, as a result of the administrative requirements, investment of counterpart funds, monitoring of the performance of local beneficiaries, etc., some countries in the region, in particular middle and large-income economies, are finding few concrete benefits from the adoption of "delegation agreements" or "subsidy agreements" that these entities establish with the beneficiaries (municipalities, subnational government bodies). In this process, the management of some subregional integration schemes, such as the General Secretariat of the Andean Community, is increasingly relevant, since it helps build an experience in cooperation fund management that can be useful to be transferred to other subregions.

18. Except for workshops or seminars, there are no experiences in horizontal cooperation among LAC countries in the field of border integration, which is little consistent with the principles, objectives and mechanisms referred to in subregional integration agreements and with the capabilities and experiences gained by some countries in the region in this matter.

19. Border integration projects in the region are often confused with the provision of infrastructure, facilities and services at borders to deal with the bi-directional traffic that is channelled through them, but has no source or destination in those territorial boundaries. If such projects do not have a dynamic and multiplier effect on border economies, then their only link with borders is the fact to be placed in them, and thus they should not be called "border integration and development projects."

20. After addressing the most critical social demands, it seems reasonable to expect for border integration projects to enhance the productive base of these regions, which does not seem very clear, except for isolated projects and actions seeking to consolidate productive cross-border linkages, such as those promoted by SEBRAE of Brazil at its borders with other countries of MERCOSUR.

## VIII. RECOMMENDATIONS

1. An agreement to be signed by a pair of countries to formalize the border integration process should recognize and take into account "border situations" between them, though such agreement does not have to refer specifically to one of them, but may involve them or deal with them as a whole. One option is that, after recognizing the different border situations (border diagnosis), an intervention programme is designed in those areas or on those topics that both States consider of priority to improve the living conditions of the border population, strengthen bilateral integration, and jointly design the border economy.

2. The definition of spaces of intervention, i.e. territories involved in border integration processes, must be accurate from the start to respond to the concept of border from the view of their inhabitants. In addition, the definition of large spaces of intervention, covering several hundreds of thousands of square kilometres, has the disadvantage of diverting attention towards those territorial areas that actually have high potential for integration. However, to define spaces of intervention, it seems advisable to rely on the administrative territorial units of certain hierarchy established by countries, since the administration of the territory is based on them. Among countries of small territorial dimension, for example, less than 100,000 km<sup>2</sup>, this general criterion should be suitable to the geographical reality of the pair of countries concerned.
3. Tripartite border integration should deserve special attention from countries where such processes operate at germinal stage or more or less spontaneously. This is about the same perceptions, experiences and needs characterizing the bilateral border integration with the addition of a third party, which could lead to greater complexity in promotion, formalization and management. Assistance from subregional integration bodies, as well as from international cooperation, seems especially relevant when the central topics of these tripartite processes focus on the management of shared ecosystems, or the sustainable conservation and exploitation of certain natural resources, such as water resources, whose quality and quantity for the users in the area or "downstream" is vital to ensure.
4. Considering that border integration is dealt with by institutions at most borders in the region and there is no single institutional model, it is important to establish or strengthen this process to involve substantive aspects that are related to shared development goals. This could enhance the progress of areas covered by border integration agreements. Border institutions that only focus, for example, on managing the movement of people through the borders or on coordinating joint actions on a shared ecosystem – regardless the importance of these two activities – would reflect a level of relatively basic commitment to the needs and demands of their border populations. Moreover, such institutions should consider the importance of the participation of actors and government authorities at the regional and local levels.
5. Except for the Andean Community, border integration is not top on the agenda of other subregional integration blocs. An analysis and reflection on each integration process should be encouraged at this point. For its part, the Andean Community is expected to evaluate the efficiency and level of contribution of the existing mechanism to border integration and to perform the adjustments that may be considered necessary. In the context of MERCOSUR and SICA, it would be advisable to analyze if the creation of a specific subregional mechanism to promote the topic is necessary, besides certain instances already created, such as the Ad Hoc Group on Border Integration (GAHIF) of MERCOSUR.
6. Given the problems related to the movement of people across borders in Central America, participants considered it advisable for the Central American Integration System (SICA) to promote a consultation meeting in pursuit of a subregional consensus that eventually could result in an agreement on free movement of people similar to that signed in 2006. In view of the size of Central American States and the high density of population, it may not be necessary to promote the establishment of a border regime to control the movement of people in that subregion, but a general policy suitable to the specific characteristics of Central America.

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7. In addition, it seems important to ease the movement of people across borders when it relates to employment, temporary or seasonal migration. In this connection, bilateral negotiations should be undertaken with the broadest integrationist spirit, a process for which agreements on Linked Border Towns (**Annex 5**) among the countries of MERCOSUR are an important reference.

8. Each pair of neighbouring countries should assess the relevance of establishing border trade regimes in those sectors of border territories that are away from the main roads and inhabited by predominantly rural populations, affected by shortfalls in social services and critical poverty situations. In that context, they face difficulties to meet their needs with basic goods from their own territory. The principles set forth in Resolution 10 of LAFTA (**Annex 6**), despite having been issued more than 50 years ago, seem to be still valid today as a reference.

9. The economic standstill or backwardness affecting much of the border areas in LAC requires the introduction of mechanisms that stimulate investment for the generation of public goods and production of goods and services, as a substantial factor to gradually reduce, and eventually remove, asymmetries in development that are still evident in LAC (central regions – peripheral regions; winning regions – losing regions). In those regional situations where the establishment of free trade zones or other areas labelled under the name of “special regime” has been promoted by some countries at their borders, these policies should be adjusted to avoid the aggravation of the precarious economic situation of the border area not benefited by the introduction of this system (**Annex 7**).

10. While recognizing the importance of effective controls on the movement of people, vehicles and goods for the sake of security, it is not advisable for them to turn from areas of development and integration into areas of security. Thus, in Central America, where a Regional Border Security Programme (SEFRO) favours that concept at borders, another programme should also be adopted to **facilitate** the transit of factors across common borders. The experience of the European Union shows that the movement of citizens can be facilitated without physical or documentary controls, while the citizens of third countries only register their entry to and exit from the territory of the EU, or at the first point of entry, but not in every country they visit. Technological resources help maintain the security at borders without the need for authorities to require too many documents, repetitive procedures and even control measures that are degrading or invasive of the rights of citizens. In this regard, participants suggest that LAC convenes a regional meeting on this topic and adopts a regional plan for the harmonization of measures facilitating the movement of people.

11. The region's countries without border committees or agreements on linked border towns as tools for the promotion and administration of the border regime could request technical assistance to those nations that use them through horizontal cooperation, so that to incorporate them as part of the tools to be implemented for the better administration of cross-border flows.

12. As regards border integration plans, it would be suitable for the pairs of LAC countries wishing to strengthen border integration to establish Bi-national Offices for Managing Integration Plans, Programmes and Projects at Borders – OBG-PIF, a generic term that could be adopted at the discretion of each pair of border countries (**Annex 9** contains a basic proposal for objectives, functions and structure of such Bi-national Office). Its position within the respective Ministries of Foreign Affairs or in very close coordination with them is a recommended condition, because they conduct foreign policy and bilateral dialogue with neighbours.

13. Border integration projects must be based on admission criteria, for which it is advisable to draft a basic information sheet on the project (**Annex 10**). These sheets, properly systematized, would be part of the Border Integration and Development Projects Bank (BIDPB) – to be established at the level of the OBG-PIF – of the subregional integration body of which each pair of countries is part or of the National Public Investment Systems (SNIP). For the purposes of technical and budget prioritization, it would be appropriate to manage selection criteria, whereby the project would get a score that determines its priority (**Annex 11**) and leads to its promotion from pre-investment stage to financing and implementation.

14. With respect to the establishment of banks for border integration projects in subregional integration institutions, it would be useful to conduct studies on each bloc to determine the advantages of creating such banks. In principle, a great advantage easing management and financing during the pre-investment stage and project implementation, compared to their performance in the context of national institutions or bi-national mechanisms.

15. In developing the cycle of border integration projects, participants recognized the need to establish project committees and agreed on the need to give an active role to local managers, despite their limitations in technical capacities to effectively fulfil their role. In this regard, regional cooperation could contribute to the training in the formulation and management of border integration projects. In addition, attention should be paid to the “incubators of projects” for border integration operating at some borders in the region by evaluating them and, if considered relevant, promoting them as “open schools” for the management of border integration projects, mainly those financed by private enterprises and associative organizations.

16. It would be important to engage National Public Investment Systems (SNIP) in the identification of formulas or technical solutions so that border integration projects can be admitted in national banks of projects for their selection and funding. The SNIP must prioritize this type of projects in line with the national interest, as long as they contribute to the national development goals, decentralization, reduction of asymmetries, promotion of bilateral relations, and strengthening of integration processes, among other contributions.

17. It would also be important for LAC countries to work – in pairs or at the level of subregional integration schemes – in the design of methodologies that encourage national SNIPs to raise the score of border integration projects while preserving their character as “project unit”, in order to reach financial close at the implementation stage.

18. Rather than the establishment of bi-national funds, the creation of Community funds at the level of subregional integration schemes represents an important option to support the financing of border integration projects in the region. From this perspective, Decision No. 18/05 of the MERCOSUR Council, which establishes the Structural Convergence Fund of MERCOSUR (FOCEM), can constitute a core reference since, besides including border integration projects that will likely benefit from such funds, it is based on principles consistent with those aimed at setting objectives and structuring mechanisms of integration agreements in LAC (**Annex 13**). In this context, it would be necessary to advance in discussions leading to the definition of the basic parameters of such funds (**Annex 14**), including their mission and objectives, the way resources would be provided and implemented (types of programmes and projects whose funding will be prioritized), the procedure for managing funds, and the strategy for resource intake.

19. Regional development banks should review their policies in support of plans, programmes and projects for border integration at those borders with a especially critical economic and social situation through the establishment of a fund whose resources will come from surplus profits and be granted as sunk costs, of revolving nature or any other modality that makes a difference compared to the conventional methods of financing. Other modalities could be taken into account, such as trustees of border integration funds that countries decide to establish at the bilateral level or within the framework of subregional integration processes. In addition, they could participate in triangulation processes to obtain and manage grant proceeds of international cooperation organizations. Finally, they could provide countries and integration schemes with assistance in the search and definition of the best international financing options or in the creation of subregional border integration funds.

20. Horizontal cooperation is a tool that offers broad prospects in the region as a result of the learning achieved in the matter and successful experiences and specific solutions with proven positive results reported by some countries.

21. When the minimum conditions to promote the implementation of border integration plans are satisfied, the priority, after addressing the most critical socio-economic factors, should be productive projects, i.e., those that make it possible to increase wealth, generate jobs, improve the quality of life of inhabitants at borders and strengthen them as supportive and prosperous societies, and promote cross-border production chains.

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*A N N E X E S*



**ANNEX 1****ACRONYMS**

<b>ACTO</b>	Amazon Cooperation Treaty Organization
<b>AECID</b>	Spanish Agency for International Development Cooperation
<b>ALBA</b>	Bolivarian Alliance for the Peoples of Our America
<b>APCI</b>	Peruvian Agency for International Cooperation
<b>BIDPB</b>	Border Integration and Development Projects Bank (Andean Community)
<b>BIZ</b>	Border Integration Zone (originally established between countries of the Andean Community through Decision 501)
<b>CABEL</b>	Central American Bank for Economic Integration
<b>CADS</b>	Andean Council of Ministers of Social Development
<b>CAF</b>	Development Bank of Latin America
<b>CAN</b>	Andean Community
<b>CEBAF</b>	Bi-national Centre for Attention in Border Areas (Andean Community)
<b>CELAC</b>	Community of Latin American and Caribbean States
<b>CMC</b>	Council of the Common Market (MERCOSUR)
<b>COMBIFRON</b>	Bi-national Border Commissions (in the field of security along borders between some South American countries)
<b>COPIF</b>	Border Cooperation and Integration Fund (CAF)
<b>CUF</b>	Unified Border Centre (MERCOSUR)
<b>ECLAC</b>	Economic Commission for Latin America and the Caribbean
<b>EID</b>	Integration and Development Hubs (IIRSA Initiative)
<b>EU</b>	European Union
<b>FALIDES</b>	Central American Environmental Fund
<b>FCCR</b>	Consultative Forum of Municipalities, States, Provinces and Departments (MERCOSUR)
<b>FETS</b>	Special Fund for the Social Transformation of Central America
<b>FOCEM</b>	Structural Convergence Fund of MERCOSUR
<b>FOEXCA</b>	Fund for Strengthening Central American Exports
<b>GAHIF</b>	Ad Hoc Group on Border Integration (MERCOSUR)
<b>GANIDF</b>	High-Level Working Group for Border Integration and Development (Andean Community)
<b>GTIF</b>	Working Group on Border Integration of MERCOSUR
<b>IDB</b>	Inter-American Development Bank
<b>IFCALC</b>	"Border Integration in the Context of Convergence in Latin America and the Caribbean" (document prepared by SELA in October 2012, SP/Di N° 21-12/Rev. 1).
<b>IIRSA</b>	Initiative for Integration of Regional Infrastructure in South America
<b>INPANDES</b>	Participatory Regional Integration in the Andean Community
<b>LAC</b>	Latin America and the Caribbean
<b>LAFTA</b>	Latin American Free Trade Association
<b>LVF</b>	Agreement on Linked Border Towns between Argentina and Brazil
<b>MERCOSUR</b>	Common Market of the South
<b>OANDES</b>	Andean Social Development Objectives
<b>OBG-PIF</b>	Bi-national Office for Managing Integration Plans, Programmes and Projects at Borders (generic term proposed)
<b>ORIF</b>	Regional Border Integration Observatory (proposed)

<b>PADIF</b>	Programme to Support Border Integration and Development (CAF)
<b>PAIF/B-P</b>	Programme to Support Border Integration between Bolivia and Peru (financed and implemented by the IDB)
<b>Pdff</b>	Programme to Promote Border Development in Brazil
<b>PPP</b>	Public-Private Partnership
<b>PROINFRA</b>	Fund for the Promotion of Sustainable Infrastructure Projects (CAF)
<b>RICAM</b>	International Network of Mesoamerican Highways
<b>RIIF</b>	Regional Infrastructure Integration Fund (IDB)
<b>SEBRAE</b>	Brazilian Service to Support Micro and Small-sized Enterprises
<b>SEFRO</b>	Regional Border Security Programme in Central America
<b>SELA</b>	Latin American and Caribbean Economic System
<b>SF</b>	Special Funds (IDB)
<b>SG-CAN</b>	General Secretariat of the Andean Community
<b>SG-SICA</b>	General Secretariat of the Central American Integration System
<b>SICA</b>	Central American Integration System
<b>SNIP</b>	National Public Investment Systems
<b>SSC</b>	South-South Cooperation
<b>STI</b>	Internal Revenue Service of Chile
<b>TCDC</b>	Technical Cooperation among Developing Countries
<b>TVF</b>	Cross-Border Transit (in the context of MERCOSUR)
<b>UNASUR</b>	Union of South American Nations
<b>ZONAF</b>	Central American Border Zone Development Programme

**ANNEX 2****ANDEAN COMMUNITY - DECISION 501****Border Integration Zones (BIZ) in the Andean Community**

THE ANDEAN COUNCIL OF FOREIGN MINISTERS

HAVING SEEN: Articles 3, 16, 144, and 155 of Chapter XI of the Cartagena Agreement, the Act of Cartagena, the Act of Lima, Decision 459, and General Secretariat Proposal 49;

WHEREAS:

The Cartagena Agreement states that the Member Countries shall take measures to boost the comprehensive development of the border regions and make them an effective part of the national and Andean economies;

The Act of Cartagena adopted by the Eleventh Andean Presidential Council included the establishment of the Common Market and the execution of a Community Border Integration and Development Policy among the priority tasks for furthering Andean integration;

The Act of Lima adopted by the Twelfth Andean Presidential Council gave instructions based on the guidelines and provisions issued by the Andean Council of Foreign Ministers, to carry out comprehensive programs for the development of the Border Integration Zones and to approve a Community Provision on Border Integration Zones in the context of Border Integration and Development, as part of the program of action for the formation of the Common Market;

The Act of Lima provides for the establishment of the Border Development Projects Bank in the General Secretariat with the assistance of the IDB and the CAF;

The cited Community policy adopted through Decision 459 stipulates that the Member Countries in implementing its guidelines and general objectives shall define and demarcate the Border Integration Zones;

Sustainable development, for bi-national border areas and in particular for the Border Integration Zones, requires the shared responsibility of the Member Countries to ensure the conservation and sustainable use of their ecosystems and natural resources of common interest, as well as the harmonious well-being of their inhabitants; entails the strengthening of a culture of peace in those areas; calls for implementation of the most developed Andean integration mechanisms; and requires converting those border spaces into areas that will boost shared development;

The perfecting and intensification of bi-national efforts and of Community support should make these border zones into territorial areas where Community interaction with third countries is promoted, with a view to its playing a better and larger part in the international economy;

Bi-national action and Community support in the border zones should boost and encourage respect for and the preservation of the ethnic and cultural identity of the

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inhabitants of those territorial areas and contribute to their economic and social development; and

The High-Level Working Group for Border Integration and Development created by Decision 459 at its Fourth Meeting reviewed the pertinent Draft Decision and recommended its approval, given the importance of the BIZs for border integration and development.

**DECIDES:**

**Article 1.-** For purposes of this Decision, "Border Integration Zones" (BIZs) are territorial areas located on the borders of adjacent Andean Community Member Countries, for which policies shall be adopted and plans, programs, and projects shall be executed jointly and coordinately to boost sustainable development and border integration for their mutual benefit in accordance with the characteristics of each of them.

**Article 2.-** The Andean Community Member Countries may establish Border Integration Zones between themselves and with third countries, if they consider it advisable, by using the appropriate bilateral mechanisms.

**Article 3.-** Already existing Border Integration Zones, Border Integration Regions, and Special Zones may adjust their provisions to the stipulations of this Decision.

**Article 4.-** Border Integration Zones are established in order to create optimum conditions for sustainable border development and for border integration between Andean Community Member Countries, considering the following criteria:

- a) **In the area of social development:** encouraging and promoting efforts aimed at satisfying the basic needs of the inhabitants of border zones;
- b) **In the area of economic development:** fostering the growth, modernization, and diversification of production in the border zones by benefiting from the possibilities offered by integration mechanisms and the advantages of the location of those zones in terms of the Subregional, regional, and international markets;
- c) **In the area of environmental sustainability:** ensuring that the economic and social development improve the people's quality of life, considering the limitations of the environment and making the most of the advantages it offers;
- d) **In the institutional area:** encouraging the active involvement of public and private institutions in the BIZs in the planning, follow-up, and evaluation of the plans, programs, and projects for consolidating development in those zones, in an effort to share obligations and responsibilities; and
- e) **In the area of integration:** contributing to the free circulation of persons, vehicles, goods, and services in the BIZs and harmonizing and simplifying immigration, customs, and plant and animal health formalities.

**Article 5.-** The objectives of the BIZs are:

- a) To contribute to the diversification, strengthening, and stabilizing of economic, social, cultural, institutional, and political links among the Member Countries;
- b) To help create and launch, through the appropriate national or bi-national entities, economic and institutional mechanisms that will give these territorial zones more free-flowing trade and interconnect them with the rest of the Andean economies and the world market;
- c) To streamline and boost economic transactions and trade, as well as the circulation of persons, goods, services, and vehicles in those territories and between them and third markets;
- d) To set up effective mechanisms for jointly establishing and administering border labour markets and for managing bi-national and international immigration traffic in the BIZs;
- e) To give local associations preference by removing the obstacles to the attainment of their capacities for production, trade, culture, and peaceful coexistence;
- f) To contribute to the intensification of national administrative and economic decentralization processes;
- g) To formalize and boost the longstanding social, economic, cultural, and ethnic processes and relations existing in those zones;
- h) To adequately meet the economic, social, and cultural demands of the people living in the BIZs;
- i) To increase and reinforce the supply of basic and or/social services for common use, such as aqueducts, electrification, communications, road infrastructure, health, education, and sports and tourist recreational facilities;
- j) To investigate and use the contiguous natural resources in a sustainable manner and to promote mechanisms for their appropriate conservation;
- k) To contribute to the conservation and sustainable use of the natural resources, with particular attention to the biological diversity;
- l) To carry out horizontal cooperation programs that promote the transfer of technical expertise among Member Countries or with border regions, aimed at the adoption of joint technological packages and the performance of production activities that combine or complement efforts; and
- m) Any other activities that may be agreed upon bilaterally.

**Article 6.-** Member Countries shall identify and demarcate the BIZs in accordance with the following criteria:

- a) That they be regions where the legal, administrative, and functional conditions to be promoted will streamline, liberalize, boost, step up, and formalize the production and trade capacities and the creativity and cultural wealth of the people living in the border areas between Member Countries;

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- b) That the border area include, in both countries, towns that spur or could spur development, with a view to their being made a pillar of integration, as well as hubs of road systems that are in operation or whose construction is planned for the near future;
- c) That they incorporate, in both countries, economically and socially depressed areas requiring a uniting of efforts to bring them out of their backward state and prepare them to play an active role in integration processes;
- d) That they foster the interconnection of border zones with a large potential in resources that are not a part of the active frontier at present; and
- e) That they contribute to the development of bi-national water basins where projects and activities of shared interest can be carried out and encourage the coordinated management of protected natural areas.

**Article 7.-** The Member Countries shall establish appropriate bilateral mechanisms in order to set up the BIZs to which Article 2 refers and may request the technical assistance of the General Secretariat for this purpose. The resulting agreements are to be reported by the Member Countries to the General Secretariat of the Andean Community for publication in the Official Gazette of the Cartagena Agreement.

**Article 8.-** The participating Countries shall jointly draw up the Border Development plans, programs, and projects to be carried out in the BIZs, guided by a criterion of their sustainability and may request the technical assistance of the General Secretariat of the Andean Community for this purpose.

**Article 9.-** The Member Countries shall seek to take the following actions in the BIZs that are created:

- a) Commit the participation of the social actors, business people, workers, private foundations, and civil associations in the Andean integration project and to the strengthening of relations with the neighbouring country, encouraging them to work to further the development of the BIZs;
- b) Stimulate local, national, bi-national, and foreign private investment in accordance with the individual inclination of each BIZ and guide it into new activities of a regional nature, in order to open up spaces or enlarge the existing ones for the systematic growth of the local and bi-national business sector, with close links to the economies of the other Member Countries;
- c) Promote initiatives aimed at producing strategic business alliances and creating Andean Multinational Enterprises (AMEs) in the BIZs;
- d) Establish or improve, as pertinent, systems for the traffic of persons, vehicles, and goods, in order to boost border integration processes and help to build up border markets;
- e) Further participatory ecological, economic, social, and cultural zoning processes;
- f) Boost the coordinated overall management of shared ecosystems;

- g) Conduct joint tourism programs that will make better use of border resources and boost economic activities linked to the tourist circuits that are promoted;
- h) Undertake joint programs for valuing and strengthening the common cultural identity;
- i) Reinforce national and bi-national bodies on border issues, in such a way that Member States are able to engage in an uninterrupted exchange of information and combine objectives of mutual interest;
- j) Promote the gathering of and exchange of viewpoints and initiatives among local officials, regional development bodies, and legislative representatives of the Member Countries, without prejudice to existing national policies;
- k) Conduct shared or complementary basic, road, telecommunication, and energy infrastructure projects and projects for improving production, among others; and
- l) Promote the shaping of an urban – regional structure that would contribute to the growth and diversification of the roles and functions of border cities so that they can offer appropriate support for consolidating border development and integration initiatives.

**Article 10.-** The Border Integration and Development Projects bank is hereby established in the General Secretariat of the Andean Community, with the assistance of the Inter-American Development Bank (IDB) and the Andean Development Corporation (CAF), among other bodies.

**Article 11.-** Member Countries shall obtain financing for the BIZ plans, programs, and projects by:

- a) Taking steps bi-nationally and, if deemed advisable, with the participation of the Andean Community General Secretariat, to get Subregional, regional, and multinational financing organizations to set up funds for executing BIZ plans, programs, and projects; and
- b) Studying and agreeing upon bilateral and/or Community financing systems that will make it possible to recover financially, administratively, and technologically, public and private regional development investments that are at a standstill and/or are deteriorating.

**Article 12.-** The Member Countries shall take the necessary steps to incorporate Investment Budgets in their respective National Development Plans and such development plans, programs, and projects as they may agree upon in their National Border Policies.

**Article 13.-** The bilateral agreements for the establishment of BIZs referred to in Article 2 shall provide for the areas of responsibility in the management and execution of the plans, programs, and projects that have been identified or agreed upon.

**Article 14.-** The Member Countries shall arrange, within the BIZs, for treatments that are more favorable than those established in the various Andean Community legal mechanisms for the rest of the Subregional territory, provided that such treatments are not in violation of that body of law.

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**Article 15.-** The Andean Community General Secretariat shall summon the existing bilateral BIZ mechanisms annually to a BIZ Evaluation and Coordination Meeting, at which their operation shall be studied, information shall be exchanged about the plans, programs, and projects that have been designed and/or are underway, and the existing accomplishments and difficulties shall be verified. The Member Countries and the competent Subregional bodies shall be informed of the conclusions and recommendations of these Meetings.

**TEMPORARY PROVISIONS**

**First.-** The Member Countries shall establish or bring at least one BIZ on each of their common borders into line with the terms of this Decision, within a period of one year after this Decision enters into effect.

**Second.-** Such Member Countries as are carrying out border development and integration plans, programs, or projects on the date this Decision is approved, may bring them into line, if convenient, with the system of Border Integration Zones established by this Decision.

Signed in the city of Valencia, Venezuela, on the twenty-second of June of two thousand and one.

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**ANNEX 3**

**MINISTRY  
OF EDUCATION  
National Defence Unit**

**MINISTRY  
OF FOREIGN AFFAIRS  
National Directorate for Border  
Development and Boundaries**

**INFORMATION SHEET ON LOCAL DYNAMICS AT BORDERS**

This information sheet has been designed, with the participation of teachers working on the Special Project with Schools in the Border Area (PECEF), to collect information on the situation of the population in border zones and the process of integration with neighbouring populations. Thanks to the valuable collaboration of principals and teachers, the Ministries of Education and Foreign Affairs will have important information for the design of policies aimed at the development of the border populations.

To that end, the sheet contains a series of questions about the possible situations that occur in the daily life of two nearby towns, but belonging to different countries. The teacher must answer in accordance with the reality of the community where he/she works, enclosing the letter corresponding to the response that he/she deems appropriate in a circle (for some questions, several answers are possible); in other cases, the dotted spaces must be completed.

**A. ABOUT THE EDUCATIONAL CENTRE (EC) AND THE ORIGIN OF THE TEACHER**

- A.1. EC No: ..... Modular code: .....
- A.2. Educational level: a. Initial b. Primary c. Secondary d. Other: .....
- A.3. Name of the community where you work: .....
- Indigenous community: .....
- Ethnic group: ..... Mother tongue: .....
- A.4. Under which administrative division does the educational centre fall?
- a. Town b. Village c. Community d. Dependency e. Other: .....
- A.5. Location of the community where you work:
- Department: ..... Province: .....
- District: .....
- A.6. Name of the place of origin of the teacher: .....
- Indigenous community: ..... Ethnic group: .....
- Mother tongue: .....

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A.7. Location of the place of origin of the teacher:

Department: ..... Province: .....  
District: .....

A.8. Under which administrative division does the place of origin fall?

a. Town b. Village c. Community d. Dependency e. Other: .....

1. ABOUT ACCESS TO BORDERS

1.1. How do the people usually move from the community where they work to the district capital?

- a. In a motor vehicle (truck, bus, motorcycle, etc.)
- b. In an animal-powered transport
- c. Walking
- d. Navigating on a river or lake
- e. By plane
- f. Another type of transport, such as: .....

1.2. The land route linking the district capital with the community where you work is: (Several options can be checked according to the different stretches of the road)

- a. Paved road
- b. Packed dirt road
- c. Drivable trail
- d. Dirt road or path
- e. Another type of road, such as: .....

1.3. The land route is passable:

- a. All year round
- b. Only during the dry season, in the months of: .....

1.4. Is there public transportation (buses, collective transport, combi vans, taxis, etc.) from the district capital to the community where you work?

- a. Yes, every day of the week
- b. Yes, but only some days such as: .....
- c. There is no public transportation

1.5. If moves by river, it is navigable:

- a. All year round
- b. Only during the rainy season, in the monts of: .....

Name of the river: .....

- 1.6. How long does it take to travel from the district capital?
- Less than one hour: ..... minutes
  - Less than one day: ..... hour
  - Less than one week: ..... days
  - Less than one month: ..... week
  - More than one month
- 1.7. What is the approximate cost of travelling from the community to the district capital?  
..... soles
- 2. ABOUT THE AREA OF INFLUENCE OF POPULATED CENTRES**
- 2.1. To which town or city do the people in the community where they work generally travel to purchase products or to make use of services that are not found in the community?
- To the district capital, which is called:  
.....
  - To another town or city in Peru, which is called:  
.....
  - To towns or cities in neighbouring countries, such as:  
.....
  - People do not need to get outside the community, because there they find all they need
- 2.2. Why do the people in the community where you work travel to the aforementioned towns or cities? (You can check several options)
- To buy foodstuff
  - To go to the doctor or buy medicines
  - To go to the bank
  - To visit relatives
  - To settle legal affairs
  - To work
  - For family reasons
  - Other reason, such as: .....
- 2.3. How long does it usually take to travel to that town or city from the community where you work?
- Less than one hour: ..... minutes
  - Less than one day: ..... hour
  - Less than one week: ..... days
  - Less than one month: ..... week
  - More than one month
- 2.4. The road linking the community where you work with that town or city is:  
(Several options can be checked according to the different stretches of the road)

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- a. Paved road
- b. Packed dirt road
- c. Drivable trail
- d. Dirt road or path
- e. Another type of road, such as: .....
- f. A river called: .....

2.5. Do you know if the people in the community where you work travel to a village or indigenous community in neighbouring countries? (you can check several options)

- a. Yes, to buy products such as foodstuff and take them away
- b. Yes, to buy other products, such as: .....
- c. Yes, to go to the doctor or buy medicines
- d. Yes, to go on an outing
- e. Yes, to visit relatives
- f. Yes, for other reason, such as: .....
- g. Generally, they do not go there because:  
.....

2.6. What is the name of that town or city in neighbouring countries?  
.....

If it is an indigenous community, which one is it?  
.....

2.7. How long does it usually take to travel to that town or city in the neighbouring country?

- a. Less than one hour: ..... minutes
- b. Less than one day: ..... hour
- c. Less than one week: ..... days
- d. Less than one month: ..... week
- e. More than one month

2.8. The road linking the community where you work with that town or city in the neighbouring country is:  
(Several options can be checked according to the different stretches of the road)

- a. Paved road
- b. Packed dirt road
- c. Drivable trail
- d. Another type of road, such as: .....
- e. A river called: .....

2.9. People in the community where you work usually go to the district capital in order to: (Several options can be checked)

- a. Buy foodstuff or domestic products
- b. Go to the doctor or buy medicines
- c. Settle legal affairs
- d. Go to banks
- e. Go to primary school
- f. Go to high school
- g. Go to a higher education institution

- h. They do not go there because there is no way to get there
- i. They do not go there because it is a very costly trip or takes too long
- j. They do not go there because they cannot find what they need there
- k. They mainly go to another town or city in Peru, such as:  
.....
- l. They mainly go to another town or city in neighbouring countries, such as:  
.....
- m. They normally do not leave their community
- n. Other:  
.....

2.10. Where do the people in the community where you work travel to more frequently?

- a. To the department capital
- b. To the province capital
- c. To the district capital
- d. To another town or city in the country, such as: .....
- e. To a town or city in neighbouring countries: .....

Why or for what purpose do the people in the community where you work travel to the aforementioned place?  
.....

**3. ABOUT BORDER INTEGRATION**

3.1. Do the families in the community where you work have relatives or friends in the neighbouring country?

- a. Just some of them, less than 10% of families
- b. Yes, approximately 25% of families
- c. Yes, approximately 50% of families
- d. Yes, more than 50% of families
- e. None of the families

3.2. Are trade fairs conducted in the community where you work with the participations of people from the neighbouring country?

- a. Yes
- b. No

3.3. How often are these trade fairs held?

- a. At least once a week
- b. Once a month
- c. Some times per year
- d. Once per year
- e. Specify frequency: .....

3.4. What type of products are sold at these fairs? (Several options can be checked)

- a. Foodstuff
- b. Cattle
- c. Handicrafts

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- d. Electrical appliances and/or machinery
- e. Clothes and domestic utensils
- f. Other products such as: .....

3.5. What other type of activities are conducted with participation of people from the neighbouring country?  
Which are they? (Several options can be checked)

- a. Meetings of professionals, such as:  
.....
- b. Meeting of students, such as:  
.....
- c. Cultural activities, such as  
.....
- d. Sports activities, such as:  
.....
- e. Religious festivals, such as:  
.....
- f. Other activities, such as:  
.....
- g. No activities with the participation of people from the neighbouring countries are conducted

3.6. Out of the activities mentioned above do you consider to be the most important one? Why?  
.....  
.....  
How many people from the neighbouring countries participate in that activity?  
.....  
How many times a year is this activity conducted?  
.....

3.7. Are trade fairs conducted in the neighbouring countries with the participation of people from Peru?

- a. Yes
- b. No

3.8. ¿What other type of activities are conducted in the neighbouring countries with the participation of people from Peru? Which are they? (Several options can be checked)

- a. Meetings of professionals, such as:  
.....
- b. Meeting of students, such as:  
.....
- c. Cultural activities, such as  
.....
- d. Sports activities, such as:  
.....
- e. Religious festivals, such as:  
.....
- f. Other activities, such as:  
.....

- g. No activities with the participation of people from Peru are conducted in the neighbouring countries
- 3.9. In addition to the aforementioned fairs, are there products coming from the neighbouring country being sold in the community where you work? Which products? (Several options can be checked)
- a. Foodstuff
- b. Electrical appliances and/or machinery
- c. Clothes
- d. Fuels
- e. Handicraft
- f. Medicines
- g. Other type of products, such as:  
.....
- h. No products from the neighbouring country are sold
- 3.10. What currency is used to buy and sell products and services in the community where you work?
- a. Only soles
- b. Soles and other currencies    Which currencies? .....
- c. Only other currencies        Which currencies? .....
- d. Barter exchange
- e. Other types of exchanges or payment, such as:  
.....
- 3.11. What Peruvian products are sold in the neighbouring country? (Several options can be checked)
- a. Foodstuff
- b. Electrical appliances and/or machinery
- c. Clothes
- d. Fuels
- e. Handicraft
- f. Medicines
- g. Other type of products, such as:  
.....
- h. No Peruvian products are sold in the neighbouring country
- 3.12. Do people from the neighbouring country travel to the community where you work?
- a. Yes, every day
- b. Yes, one day a week
- c. Yes, on weekends
- d. Yes, some times during the month
- e. Yes, some times during the year
- f. Generally they do not travel there
- 3.13. What are the main reasons why those persons come to Peru? (Several options can be checked)

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- a. To sell their products
- b. To buy products
- c. To visit relatives
- d. To go to school
- e. To study
- f. To go to the doctor or buy medicines
- g. To have access to other services, such as:  
.....
- h. For trade exchanges
- i. To go on an outing
- j. To work
- k. For extraction of natural resources such minerals, wood or fish
- l. To participate in social events or religious festivals
- m. Other reasons, such as:  
.....

3.14. Are there people from the neighbouring country working in the community where you work? (Several options can be checked)

- a. Yes, in the agriculture and/or cattle sectors
- b. Yes, in extractive activities (wood, minerals, among others)
- c. Yes, they are professionals, such as doctors, teachers, lawyers, among others
- d. Yes, they are workers
- e. Yes, they are traders
- f. Yes, they work in other areas, such as:  
.....
- g. There is none

3.15. Do the people in the community where you work travel to the neighbouring country? (Several options can be checked)

- a. Yes, to sell their products
- b. Yes, to buy products
- c. Yes, to visit relatives
- d. Yes, to go to school
- e. Yes, to participate in events and fairs
- f. Yes, to go to the doctor or buy medicines
- g. Yes, to study in a higher education institution
- h. Yes, to have access to other services, such as:  
.....
- i. Yes, for trade exchanges
- j. Yes, to go on an outing
- k. Yes, to work
- h. Yes, for extraction of natural resources such minerals, wood or fish
- i. Yes, for other reasons, such as:  
.....
- j. They do not travel

3.16. ¿Are there people in your community working in the neighbouring country? (Several options can be checked)

- a. Yes, in the agriculture and/or cattle sectors
- b. Yes, they work as doctors, teachers, lawyers, among other professions

- c. Yes, as workers
- d. Yes, they are traders
- e. Yes, they work in other areas, such as:  
.....
- f. No

3.17. In which places of the neighbouring country do they work?  
.....

3.18. Are there children from the neighbouring country studying in the school of the community where you work?

- a. Yes, less than five
- b. Yes, more than five but less than ten
- c. Yes, more than ten
- d. There is none

Do you know the reason why they study in the community where you work and not in their country of origin?  
.....

3.19. Usually, at which educational level are there more children from neighbouring countries?

- a. Kindergarten
- b. Primary
- c. Secondary

3.20. Are there children from the community where you work who study in schools in neighbouring countries?

- a. Yes, less than ten
- b. Yes, more than ten
- c. There is none

Do you know the reason why they do not study in the community where you work?  
.....

3.21. Usually, at which educational level do Peruvian children study in neighbouring countries?

- a. Kindergarten
- b. Primary
- c. Secondary

3.22. Do you know if the people from the community where you work face any problem to travel to the neighbouring country? (Several options can be checked)

- a. Yes, with Peruvian authorities
- b. Yes, with authorities of the neighbouring country
- c. Yes, with the people of the neighbouring country
- d. Specify which are the problems, and with which national authorities or authorities from the neighbouring country  
.....  
.....
- e. No, they have not faced problems

3.23. Please write down the name of the places where people cross the border  
 .....  
 .....  
 .....

3.24. Which national authorities are there in the community where you work? (Several options can be checked)

- a. Police
- b. Customs
- c. Migration
- d. Agricultural and livestock sanitation
- e. Military
- f. Other authorities .....

3.25. Which authorities are there in the neighbouring country at the border crossings? (Several options can be checked)

- a. Police
- b. Customs
- c. Migration
- d. Agricultural and livestock sanitation
- e. Military
- f. Other authorities .....

3.26. Do the people from neighbouring countries face problems to enter Peru? (Several options can be checked)

- a. Yes, with Peruvian authorities
- b. Yes, with authorities of their own country
- c. Yes, with Peruvian people
- d. Specify which are the problems, and with which national authorities or authorities from the neighbouring country  
 .....  
 .....  
 .....
- e. No, they have not faced problems

**4. ABOUT SERVICES IN THE COMMUNITY**

4.1. Is there electric power supply in the community where you work?

- a. Yes, it is interconnected
- b. Yes, it has a power generator of its own
- c. Yes, it has a mini hydroelectric plant of its own
- d. Yes, electric power is supplied by the neighbouring country
- e. It has another system: .....
- f. It does not have electric power supply

- 4.2. Are there drinking water supply and drainage systems in the community where you work?
- a. Yes, there are drinking water supply and drainage systems
  - b. Yes, only drinking water supply
  - c. Yes, only drainage systems
  - d. No, neither drinking water supply nor drainage systems
- 4.3. At which level are educational institutions in the community where you work? (Several options can be checked)
- a. Kindergarten      b. Primary      c. Secondary      d. Higher Education
- 4.4. Which health services are there in the community where you work? (Several options can be checked)
- a. Hospital
  - b. Medical post
  - c. Only private medical clinics
  - d. Other services, such as: .....
- 4.5. Which banks or financial agencies are there in the community where you work?  
 .....  
 .....
- 4.6. Which mass media are available in the community where you work? (Several options can be checked)
- a. Radio stations:
    - a.1. Only national      a.2. National and foreign      a.3. Only foreign
  - b. Television channels:
    - b.1. Only national      b.2. National and foreign      b.3. Only foreign
  - c. Newspapers:
    - c.1. Only national      c.2. National and foreign      c.3. Only foreign
  - d. Other media, such as:  
 .....
- 4.7. Which communication media are available in the community where you work? (Several options can be checked)
- a. Telephone
  - b. Radiotelephony
  - c. Postal service
  - d. Internet
  - e. Local radio stations, such as:  
 .....
  - f. Local television stations, such as:  
 .....
  - g. Other media, such as:  
 .....

5. OTHERS

5.1. How many children are studying in the community where you work?

.....

5.2. Which are the main products of the community where you work?

.....

5.3. What is the destination of the aforementioned products? (Several options can be checked)

- a. All the products are consumed within the same community
- b. Some of the products are sold or exchanged outside the community
- c. Some of the products are sold or exchanged in the neighbouring country
- d. Some of the products are lost due to the lack of access to markets
- e. They have other destinations, such as:

.....

5.4. How would you describe the relations between the inhabitants of your community and those of the neighbouring countries, in terms of their quality?

- a. Very good relations
- b. Good relations
- c. Poor relations
- d. Bad relations
- e. There are no relations

Explain why:

.....  
.....

5.5. How would you describe the relations between the inhabitants of your community and those of the neighbouring countries, in terms of their intensity?

- a. High-intensity relations
- b. Medium-intensity relations
- c. Low-intensity relations
- d. There are no relations

Explain why:

.....  
.....

5.6. How long have you been working as a school teacher or principal in the community?

- a. For less than one year
- b. Since last year
- c. For ..... years

5.7. ¿Do you live in the community where you work?

- a. Yes
- b. No

5.8. Apart from teaching, are you engaged in another work activity in the community where you work?



**ANNEX 4****ANDEAN COMMUNITY - DECISION 459****Community Policy on Border Integration and Development****THE ANDEAN COUNCIL OF FOREIGN MINISTERS,**

**HAVING SEEN:** Chapter XI of the Cartagena Agreement, the Act of Guayaquil (Ecuador) of the X Andean Presidential Council, and the "Bases for a Community Policy on Border Integration and Development," adopted on April 16 of this year in Lima by the High-Level Group on that subject;

**WHEREAS:** In keeping with the effort to perfect and reinforce the subregional integration process, the Andean Presidential Council has instructed the Andean Council of Foreign Ministers to intensify border integration and development;

Consolidating this process in the Andean Community calls for improving the quality of life of the inhabitants and modernizing the institutions located in border areas, in consonance with the progress made toward building the Common Market, starting-up a Social Agenda, and implementing the Common Foreign Policy;

The Andean Community requires the implementation of a Community Policy on Border Integration and Development as an essential element for strengthening and consolidating the subregional and regional integration efforts;

It is desirable for the bodies of the Andean Integration System to contribute to this undertaking by setting up a stable High-Level Working Group comprised of competent national authorities on this subject, which would help to advance and follow-up the implementation of this Community Policy;

**DECIDES:****CHAPTER I  
PRINCIPLES**

**Article 1.-** This Community Policy is geared toward the following ends:

- Consolidating subregional confidence, peace, stability and security;
- Intensifying the relations of solidarity and cooperation among Member Countries on the basis of mutual benefits;
- Developing the economic complementarity of the Andean countries in their border integration zones by first putting to use their respective comparative advantages;
- Contributing to the social and economic development of the Border Integration Zones (BIZ);
- Consolidating subregional integration and contributing to its regional influence.

## CHAPTER II GENERAL GUIDELINES

**Article 2.-** The following General Guidelines shall orient the execution of this Community Policy:

- It is a part of the basic Andean Integration Agenda;
- It is based on existing bilateral actions and national policies and is complemented and enlarged by the incorporation of the element of subregional development;
- It is aimed at incorporating border zones as dynamic territorial spheres of the integration process that contribute to the balanced and harmonious development of the subregion;
- It respects the cultural identity of the border populations and promotes their integration by helping to strengthen links of understanding and cooperation among them; and
- It marks out, designs, and organizes the Border Integration Zones (BIZ), as well as the basic scenarios for execution of the programs and projects that have been prepared to respond to the specific needs of each territorial sphere.

## CHAPTER III OBJECTIVES

**Article 3.-** The basic objective of this Community Policy is to enhance the quality of life of the inhabitants and the development of their institutions within the border areas of the subregional Member Countries.

**Article 4.-** The specific objectives of the Community Policy of Border Integration and Development are:

- To facilitate the free circulation of persons, goods, capital, and services over border crossings through Community efforts with regard to: physical infrastructure, customs, migrations, and the harmonization of Member Country provisions and legislation.
- To further the economic development of the Border Integration Zones (BIZ), taking into consideration the unique features of each BIZ in the strategies that are designed to ensure the creation of jobs, increase earnings, and raise the living standards by promoting viable production activities and encouraging microenterprises and small and medium business.
- To ensure that actions are taken to meet the need for health, educational, labour training, and environmental maintenance and conservation infrastructure in the Border Integration Zones.
- To reinforce dialogue, consultation and cooperation among authorities in the Border Integration Zones so that joint actions may be defined to advance integration and economic and social development, as well as to consolidate peace, stability and security in the subregion.

**CHAPTER IV**  
**INSTITUTIONAL ORGANIZATION AND MECHANISMS**

**Article 5.-** The Community Policy on Integration and Border Development will be directed by the Andean Council of Foreign Ministers, with contributions from the Commission, the Advisory Council of Ministers of Economy and Finance, and the corresponding Community bodies, as appropriate.

The High-Level Working Group for Border Integration and Development is hereby created under the coordination of the Ministries of Foreign Affairs of the Member Countries, with the Andean Community General Secretariat as its Technical Secretariat. The Member Countries give their assurance that their competent national sectors will participate actively in this effort. The High-Level Working Group will be responsible for proposing to the Andean Council of Foreign Ministers and coordinating the action programs and plans needed to carry out the Community Policy on Border Integration and Development.

- The High-Level Working Group will be supported by the bi-national mechanisms that exist in the Member Countries, as well as the Andean Regional Advisory Group coordinated by the Inter-American Development Bank (IDB) and the Andean Development Corporation (CAF).

Promulgated in the city of Cartagena de Indias, Colombia, on the twenty-fifth of May of nineteen ninety-nine.

**ANNEX 5****AGREEMENT BETWEEN THE ARGENTINE REPUBLIC AND THE FEDERATIVE REPUBLIC OF BRAZIL ON RELATED BORDER LOCALITIES**

The Republic of Argentina and the Federative Republic of Brazil, hereinafter the "Parties",

Considering that they agree on their willingness to create instruments to promote greater integration in border communities, seeking to improve living standards of their people;

Considering that the fluidity and harmony of the relations between such communities constitute one of the most important and emblematic aspects of the bilateral integration process;

Aware that the history of those relations precedes the integration process, and that the authorities of Argentina and Brazil are proceeding to deepen and dynamize such relations; and

In order to facilitate the co-existence of linked border towns and promote their integration through a differential treatment to people in economic matters, transit, working arrangements, as well as access to public services and education;

Agree:

**ARTICLE 1****Beneficiaries and implementation scope**

This agreement applies to citizens domiciled in the Party countries, in accordance with the legal provisions of each State, in the border areas listed in Annex I of this agreement, provided that they are holders of the Border Neighbourhood Transit Card granted according to the provisions of the following articles, and only when they are domiciled within the limits provided for in this agreement.

The Parties may agree to extend the benefits of this agreement in their respective countries to permanent residents of other nationalities.

**ARTICLE II****Border Neighbourhood Transit card**

1. Nationals of one of the Parties, domiciled within the limits provided for in this Agreement, may request the issuance of the Border Neighbourhood Transit card to the respective authorities of the other Party. This card will be issued when submitting the following documents:

- a) Passport or other valid identity document provided for in Resolution GMC 75/96;
- b) Proof of residence in the related border locality of the issuing country, duly identified in Annex I to this Agreement;
- c) Certificate confirming the lack of judicial, criminal and/or police records in the country of origin;
- d) Affidavit of lack of national and international criminal or police records;
- e) Two 3 x 4 photos; and
- f) Proof of payment of the corresponding fees.

2. The Border Neighbourhood Transit card will include the address, within the limits provided for in this Agreement, and the locations where the holder shall be entitled to exercise his/her rights referred to in it.

3. The Border Neighbourhood Transit card will be valid for 5 (five) years, which may be extended for an equal period, at the end of which it may be extended indefinitely.

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4. This Agreement shall not benefit people who have suffered criminal convictions or are responding to criminal prosecution in any of the Party countries or in a third country.
5. In the case of minors, the order will be formalized through appropriate legal representation.
6. Authorities responsible for the issuance of the card are:
  - a) The Argentine Republic, National Direction of Migration;
  - b) The Federative Republic of Brazil, Federal Police Department.
7. The issuance of the card will be voluntary and will not replace the identity document issued by the Parties, which may be required to the holder.
8. For the granting of the Border Neighbourhood Transit card, documents will be equally accepted in Portuguese or Spanish, in accordance with provisions set forth in the agreement to exempt administrative documentation from translation for purposes of migration between the MERCOSUR member countries adopted by Decision CMC 44/00.
9. The design of the card shall be established in an operational agreement between the respective enforcement authorities.

### **ARTICLE III**

#### **Rights granted**

1. Holders of the Border Neighbourhood Transit card shall enjoy the following rights in related border localities of the Party issuing the card, as set forth in Annex I:
  - (a) Exercise of work, trade or profession under the laws aimed at nationals of the Party where the activity is developed, including the requirements of training and professional practice, enjoying equal labour and social security rights and fulfilling the same labour, social security and tax obligations arising from them;
  - (b) Access to public education, under conditions of reciprocity and cost-free service;
  - (c) Medical care in public health centres, under conditions of reciprocity and cost-free service;
  - (d) Access to the regime of cross-border trade of goods or livelihood products, according to the specific rules contained in Annex II; and,
  - (e) Any other rights that the Parties may agree to grant.

### **ARTICLE IV**

#### **Cancellation of the Border Neighbourhood Transit card**

1. The Border Neighbourhood Transit card will be cancelled at any time by the issuing authority when any of the following situations occurs:
  - (a) Loss of the condition of resident in the related border locality of the Party that granted the right;
  - (b) Criminal conviction in any of the Parties or in a third country;
  - (c) Finding that a fraud was committed or false documents were used to request the card;
  - (d) Repeated attempt to exercise the rights provided for in this Agreement out of the related border localities of Annex I; and
  - (e) Conviction for customs violations, as set forth in regulations of the Party where the infringement occurred.
2. The cancellation of the Border Neighbourhood Transit card will entail its immediate confiscation by the respective authority.
3. The parties may agree to other grounds for cancellation of the Border Neighbourhood Transit card.
4. Once the cause of cancellation has been removed in the case referred to in subparagraph (a) and in the cases referred to in subparagraphs (d) and (e) and after more than a year has elapsed, the issuing authority may, at the request of the person concerned, consider the issuance of a new Border Neighbourhood Transit card.

**ARTICLE V****Circulation of motor vehicles for private use**

1. The beneficiaries of the Border Neighbourhood Transit card may also require the corresponding authorities that their motor vehicles for particular use to be identified, indicating that the vehicle is owned by a holder of the aforementioned card. For the identification document to be granted, the vehicle must be covered by an insurance policy effective in the related border localities.
2. Motor vehicles identified in the terms of the preceding paragraph may circulate freely within the related border locality of the other Party, without conferring the right for the vehicle to remain permanently in such territory, in violation of the customs legislation.
3. As regards movement of vehicles, the user shall comply with the transit rules and policies of the country where vehicle is conducted. As for the characteristics of the vehicle, rules of the registration country will be applied. Transit authorities shall exchange information on the concerned features.

**ARTICLE VI****Transports within the related border localities**

1. The parties commit themselves, by mutual agreement, to simplify the existing regulations on transport of goods as well as public and private passenger transport when the origin and the target of the operation are within the limits of the related border localities identified in Annex I of this agreement.
2. The transports of goods described in the preceding paragraph, in light commercial vehicles, are exempted from the authorizations and additional requirements described in Articles 23 and 24 of the Agreement on International Road Transport.
3. The parties commit themselves, by mutual agreement, to amend the regulations on operations of transport of goods and public and private transport of passengers, described in paragraph 1 of this Article so that they reflect the urban characteristics of such operations.

**ARTICLE VII****Cooperation areas**

1. The public institutions responsible for preventing and combating diseases, as well as epidemiological and health surveillance of the Parties, must collaborate with their counterparts in related border localities for joint work in those areas. Such work shall be carried out in accordance with harmonized standards and procedures between the parties or, in their absence, with the respective national laws.
2. The Parties shall promote cooperation in the educational field between the related border localities, including exchanges of students, teachers and educational materials. The teaching of History and Geography will be conducted with a regional perspective favouring integration. In teaching Geography, an effort will be made to highlight the common aspects, rather than the political and administrative boundaries. In teaching History an attempt will be made to underscore the positive facts that historically united peoples across borders, while promoting in students a vision of their neighbours as being part of the same community.

**ARTICLE VIII****Joint Urban Development Plan**

1. The Parties shall promote in an agreement the preparation and execution of a "Joint Urban Development Plan" for related border localities, wherever it is possible or advisable.
2. The "Joint Urban Development Plan" of each one of the border localities will have the following main objectives:
  - a. The rational integration of both cities, so as to set up a single conurbation in terms of infrastructure, services and equipment.

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- b. The planning of their expansion.
- c. The conservation and recovery of natural spaces and public use areas, with special emphasis on preserving and/or recovering the environment.
- d. The strengthening of their common cultural identity and image.

### ARTICLE IX

#### Other agreements

1. This agreement does not restrict the rights and obligations established by other existing agreements between the Parties.
2. This agreement does not affect the application, in the towns comprised by it, of other existing agreements between the parties which favour closer integration.
3. This agreement applies only to the related border localities which are expressly included in Annex I.

### ARTICLE X

#### List of Related Border Localities and suspension of the agreement

1. For the purposes of the application of this agreement, the list of related border localities is included in Annex I and can be expanded or reduced through exchange of notes. Expansions or reductions shall become effective within ninety (90) days after exchanging the corresponding diplomatic notes.
2. At its discretion, each Party may temporarily suspend the implementation of this agreement in any of the locations contained in Annex I, informing the other Party thirty (30) days in advance. The suspension may also temporarily refer to any of the subparagraphs of Article III of this agreement.
3. The suspensions of the implementation of the agreement envisaged in the previous paragraph do not prejudice the validity of already issued border neighbourhood transit cards, or the exercise of the rights acquired with them.

### ARTICLE XI

#### Promoting integration

1. The Parties shall be tolerant to the use of the language of beneficiaries of this Agreement, when they go to public agencies to apply for the benefits of this Agreement.
2. The Parties shall not require legalization or consular action or translation of documents that are required to obtain the Border Neighbourhood Transit card or to identify vehicles, as referred to in Article V.
3. The parties will monitor the progress and difficulties identified for the implementation of this Agreement through the existing Border Commissions. To that end, they also promote the creation of border commissions in related border localities where they do not exist.

### ARTICLE XII

#### Validity

1. This agreement shall become effective thirty days from the date of the last note, by which the Parties inform each other about the compliance with the internal legal formalities for its entry into force.
  2. Annexes I and II are an integral part of this Agreement.
- DONE in Puerto Iguazú, Argentine Republic, this thirtieth day of November, two thousand and five, in the Spanish and Portuguese languages, both texts being equally authentic.

#### Annex I

##### List of related border localities

- Puerto Iguazú – Foz do Iguazú
- Andresito – Capanema
- Bernardo de Irigoyen – Dionisio Cerqueira / Barracão

- Alba Posse – Porto Mauá
- San Javier – Porto Xavier
- Santo Tomé – São Borja
- Alvear – Itaquí
- Paso de los Libres – Uruguayana
- Monte Caseros – Barra do Quaraí

### Annex 2

#### Annex to the Agreement on Related Border Localities that refers to the neighbourhood transit of goods for subsistence of border locations: Border Neighbourhood Transit

Article 1 – Beneficiaries of the regime set forth in this annex include those people defined in Article I of this Agreement.

Article 2 – Goods or livelihood products refer to food items, hygiene and toiletries, cleaning and household articles, clothing, shoes, books, magazines and newspapers intended for personal and household use and consumption, provided that they do not reveal, by their type, volume or quantity, commercial destination.

Article 3 – At the discretion of each State party importer, other types of goods may be included in the list of products eligible for the preferential treatment granted to subsistence trade.

Article 4 – The entry and exit of goods or livelihood products shall not be subject to an import/export declaration. To facilitate customs control, items shall be accompanied by tax documents issued by the regular authorities of the border locality and containing the number of Border Neighbourhood Transit card.

Article 5 – Livelihood products subject to this regime will not be liable to import and export duties.

Article 6 – Goods subject to this simplified procedure, and acquired by the recipient of the neighbouring country, will be considered national or nationalized in the buyer's country.

Article 7 – Excluded from this regime are goods or products whose entry to or exit from the territory of each of the Parties is prohibited.

Article 8 – Livelihood products that benefit from the simplified treatment set for in this Annex shall be transported or accompanied by the acquirer.

Article 9 – As regards procurement in border locations, the tax treatment applied to baggage according to Decision CMC N° 18/94 shall not be levied on beneficiaries of this regime.

Article 10 – Persons who violated the requirements and conditions for the simplified procedure governed by rules established in this Annex shall be subject to the application of penalties, as provided for in the legislation of the State Party where the infringement occurred.

Article 11 – This regime, which simplifies customs procedures, shall not prevent the performance of non-customs control bodies, which should frame their actions in accordance with the spirit of cooperation of Article VII of this Agreement.

Article 12 – The Parties may agree to specific schemes for the subject matter of Article 11 for certain related border localities



**ANNEX 6**

**RESOLUTION 10 OF THE LATIN AMERICAN FREE TRADE ASSOCIATION (LAFTA), 1960:  
BORDER TRAFFIC - ARTICLE 1°**

**Article 1.** - Border traffic refers to the movement between neighbouring countries when the following characteristics are met:

- a) It takes place between neighbouring locations and adjacent areas or between locations that, by their geographical position, at least one of them fails to be regularly supplied from its own territory.
- b) It consists of goods intended exclusively for the local use and consumption, and excludes the traffic that is aimed at the entry of the goods to the rest of the country.
- c) It is made up of low-volume and value operations and the global traffic is proportional to the local needs.

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**ANNEX 7****PRELIMINARY PROPOSAL FOR AGREEMENT ON FREE MOVEMENT OFFACTORS ACROSS BORDERS: PROMOTING INVESTMENT IN PUBLIC PROJECTS AND PRODUCTIVE PROJECTS****1. PUBLIC BORDER INTEGRATION PROJECTS****CHAPTER I  
SCOPE OF APPLICATION**

**Article 1.-** For the purposes (of this Agreement) (of this Decision), “Public Border Integration and Development Projects – PPIF” means any projects implemented jointly by (two countries) (two bordering member Countries) in the Border Integration Zones (BIZs) that they have established, including:

- a) Investment initiatives as promoted and implemented by public entities of national or sub-national jurisdiction (from two countries) (from two bordering member countries), which results in the construction of transport, energy, telecommunications, irrigation, water supply and sewerage, environmental protection, urban and rural planning, health, education and culture infrastructure, as well as in investment in infrastructure, facilities and services in all other areas that they may have identified or enabled for public investment;
- b) The commissioning or expansion of public services for the benefit of the population and economic activity of the Border Integration Zone in which they are provided, and to which the public, national or sub-national entities can allocate public investment funds according to the national legislation of each (country) (member country), but whose conception, design, implementation and operation require a bi-national border commitment;
- c) Infrastructure and facilities for public use developed through private investment – or with the participation of the private sector – in the Border Integration Zones under the schemes of privatization, concessions, public-private partnerships or other modalities identified by the member countries to enable the participation of the private sector in the development of infrastructure for public use; and
- d) Expansion, modification, modernization and/or maintenance of the infrastructure, facilities and services referred to in the preceding paragraphs.

**CHAPTER II  
ON PUBLIC BORDER INTEGRATION AND DEVELOPMENT PROJECTS EXECUTED WITH PUBLIC FUNDS**

**Article 2.-** In the case of Public Border Integration and Development Projects to be executed with public funds, each border member country shall designate the organs, institutions or entities that will have the following responsibilities in the Border Integration Zones (BIZs):

- a) Adopt an “Annual Programme on Infrastructure Projects and Public Services for Border Integration and Development” in coordination with the corresponding organs, institutions or entities of the other border member country. Such annual programme should identify the organs responsible for the execution of projects in both bordering countries, whether they have national or sub-national competition; and

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- b) Act as a liaison with the competent national organizations concerned.

**Article 3.-** Considering their autonomy, competence and budget capacity, the organizations responsible for providing the budget to implement the projects that form part of the "Annual Programme of Infrastructure and Public Service Projects for Border Integration and Development" in (both countries) (both bordering member countries) shall allocate resources, in accordance with their respective annual investment budgets, for implementing such projects.

**Article 4.-** The Ministries of Finance, or equivalent authorities, in each (country) (bordering member country) responsible for prioritizing projects and allocating public funds to different national or sub-national organizations, shall subscribe to the respective national banks in charge of projects, or any equivalent institution, those projects that have been selected by the entities referred to in Article 2 (of this Agreement) (of this Decision).

The prioritization of such projects shall follow the procedures and meet the requirements set forth in the national legislation of each (country) (member country).

**Article 5.-** The Ministries of Finance, or equivalent authorities, shall introduce the concept of "border integration" for the allocation of investment funds for Public Border Integration and Development Projects. To the extent that these projects are prioritized in accordance with Article 4, they will bring about benefits which in no case shall be less than the additional percentage of XX resulting from the implementation of geographical or social criteria, such as "border area," "economically depressed area," "priority economic sector" or other criteria which may be already provided for in the corresponding national legislations.

**Article 6.-** (Countries) (member countries) shall make efforts, through its Ministries of Finance or equivalent authorities, for Public Border Integration and Development Projects, already prioritized, to be included in the list of projects to be financed with resources from internal and external public debt, in case that public resources are insufficient to ensure their implementation in accordance with the characteristics and within the time frames set forth in the "Annual Programme of Infrastructure and Public Service Projects for Border Integration and Development."

**Article 7.-** Any contribution of public resources for the purpose of financing Public Border Integration and Development Projects shall be consistent with the participation of each (country) (member country) in the project. Amounts to be contributed or financed by each Party shall be determined by pre-investment studies and white papers on the projects.

### CHAPTER III

#### ON PUBLIC BORDER INTEGRATION AND DEVELOPMENT PROJECTS PROMOTED BY PRIVATE INVESTMENT

**Article 8.-** Any Public Border Integration and Development Projects to be implemented with the involvement of private investment must have been prioritized in the "Annual Programme of Infrastructure and Public Service Projects for Border Integration and Development," but they shall not adhere to the provisions of Articles 3 to 7 (of this Agreement) (of this Decision). To develop them, the project-executing entity may be or become a (bi-national) (multinational/grand national) Border Integration and Development Corporation (COMAF), as set forth in (the Agreement) (the Decision).

**Article 9.-** National bodies responsible for the promotion of investments and Border Integration Zone organizations referred to in Article 2 shall promote – through any means available to them and subject to their competences and responsibilities – the inflow of private investment capital and the establishment of public-private partnerships for the implementation of those public projects included in the “Annual Programme of Infrastructure and Public Service Projects for Border Integration and Development.”

## **2. REGIME ON THE PROMOTION OF PRODUCTIVE INVESTMENT IN BORDER INTEGRATION ZONES**

### **CHAPTER I DEFINITIONS AND REQUIREMENTS**

**Article 1.-** For the purposes of this (Agreement) (Regime), the (Bi-national) (Multinational/Grand National) Border Integration Corporation, hereinafter “COBIF,” means any entity that meets the following requirements:

- a) Its main domicile, administration, and operation, production or business headquarters is really and effectively located in a Border Integration Zone (BIZ), as set forth in this (Bilateral Agreement...) (Decision...).
- b) It is legally constituted as a legal entity, in any corporate or non-corporate form, with or without profit, in accordance with the domestic legislation of the (country) (member country) of its domicile or production and business headquarters.
- c) Capital or assets must be represented by registered securities of equal value granting equal rights and obligations to holders. At least 60% or more of the nominal capital shall be held, at all times, by holders having the nationality of the (two countries) (two bordering member countries), and no less than 10% shall correspond to one of those holders.
- d) The Statute or founding instrument shall regard as the main corporate purpose the execution of activities or projects for border integration.

**Article 2.-** For the purposes of the provisions of the preceding article, in the case of natural persons constituting the COBIF, the nationality shall be determined according to the domestic legislation (in that country) (of the respective member country). In the case of legal persons constituting the COBIF, the nationality shall be determined in accordance with the place of incorporation, main domicile, place of establishment, or the place of business and in compliance with the formalities laid down for this purpose in the national legislation of the respective (country) (member country).

### **CHAPTER II ON ESTABLISHMENT AND OPERATION**

**Article 3.-** Legal persons legally constituted in any of the two (countries) (member countries) can be transformed into a corporation, in compliance with the provisions of this Regime.

**Article 4.-** The COBIF is governed by the following rules:

- a) The Statute or founding instrument, which must be compliant with the provisions of this Regime.
- b) This Regime in everything that has not been established in the Statute.
- c) In areas not covered by the Statute or this Regime, the following instruments will be applied:

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- The legislation of the (country) (member country) of the Border Integration Zone where it is located; and
- Where appropriate, the legislation of the (country) (member country) where legal actions and transactions of the Corporation shall take effect.

**CHAPTER III  
SPECIAL TREATMENT**

**Article 5.-** The COBIFs that are constituted or transformed according to this Regime and its branches or subsidiaries shall enjoy the benefits provided for in... (benefits in terms of taxes, tariffs, exchange rate, transfer of net profits, hiring of staff, etc. that may be already established in a regime for the whole territory of the countries, whether this has been adopted as a bilateral regime or within the framework of a subregional integration agreement).

The release of restrictions and barriers to the import and export of originating goods that represent (the other country's) (subregional) contributions to the COBIF's capital refers, in the context (of this Agreement) (of this Decision), to the technical restrictions and barriers to trade not related to phyto and zoosanitary measures, anti-dumping or countervailing duties, or prohibited or restricted goods, applied by (both countries) (member countries).

**Article 6.-** The COBIFs shall enjoy national treatment in the bordering (country) (member countries) where it carries out its operations.

**Article 7.-** Goods or services produced or generated by the COBIF will be considered, for all legal purposes, as products originating (from any of both countries) (from bordering member countries), provided that...<sup>24</sup> In this regard, they shall not be subject to the ordinary legal regime of import, export, customs transit and other foreign trade operations, when such goods or services are marketed in the territory of (both countries) (two bordering member countries) where the COBIF is domiciled. (Both countries) (member countries) shall submit a single document for the declaration of goods to the respective customs authorities.

**Article 8.-** The COBIFs shall have access to development credit in the most favourable conditions granted by (both countries) (member countries) making up the Border Integration Zone where it operates.

**Article 9.-** Border workers who are under a contract of employment with the COBIF shall comply with the specific provisions on work and delivery of services (in each country) (contained in the existing Community legislation on labour migration).

**Article 10. -** In order to develop their activities, the COBIFs shall be registered in the respective registry under the control of (...), which shall issue the corresponding registration certificate attesting this fact, prior demonstration of compliance with the requirements established in this (Agreement) (Decision).

(The national organization XX) (The General/Permanent/Executive Secretariat of...) shall notify the competent national organizations in the field of investments, customs, migration, taxes and labour rights (of the country) (of the bordering member countries), for the purpose of issuing the corresponding acknowledgements and certifications pursuant to provisions set forth in (this Agreement) (this Decision).

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<sup>24</sup> Preferential origin conditions could be established.

## **ANNEX 8**

### **“BI-NATIONAL CITY” REGIME AND FORMULATION OF REGULATORY PLANS FOR BORDER CITIES MAKING UP BI-NATIONAL CONURBATIONS** **General Approaches**

#### **I. INTRODUCTION**

The proportions that urban development has reached in the contemporary world are really impressive. In a universe of more than two dozen countries, 90% or more of their population live in cities.

In the future, almost all of the world's population growth will be reported in urban areas of developing countries. By 2015, the United Nations forecasts 21 “megacities” of at least 10 million inhabitants; and all, with the exception of 4, will be in developing countries. However, while large cities operate as a sort of “stars” that attract investment and promote dynamic exchanges of people, goods and mainly services at national and international levels, most of the world's urban population still live in smaller settlements.

Thus, the city is one of the most prominent spatial phenomena of the early 21<sup>st</sup> century and will be even more so in the context of globalization. Therefore, it is important to learn about an increasingly relevant aspect of urbanization represented by bi-national conurbations.

#### **II. DEFINITION OF CONURBATION**

The term “conurbation” defines a region comprising two or more cities which, depending on their demographic and spatial growth, are geographically close to one another, raising thus the need of planning and meeting most – if not all – demands for urban services in a jointly or closely coordinated matter. The main objective is to seek appropriate economies of scale that generate a community of interests among their inhabitants, authorities and economic actors, and contribute to improved quality of life and development options, insofar as the problems limiting the achievement of these goals are faced on the basis of contributions and efforts made within the framework of joint urban development plans and coordinated management of urban services.

Conurbations have been a reality for many decades in developed economies. In France, for example, a concrete conurbation is that formed by the industrial cities of Lille, Roubaix and Tourcoing, in the Flanders region, near the Belgian border.

However, conurbations in developing countries are not controlled or institutionalized, unless provided for by national territorial policies, which is usually an exception. In the context of rivalries among neighbouring cities in those countries, benefits arising from conurbations are usually not understood by local authorities and actors responsible for development. In addition, conurbations are not recognized by the planning legislation as an option to jointly face urban problems and to strengthen urban subsystems in interior regions, in order to counteract the weight of the centralist model of metropolitan areas and regions, build agglomeration economies that make cost-effective investments in infrastructure and urban services, and create alternatives to strengthen the regional role of some cities.

### III. BINATIONAL CONURBATIONS: ADVANTAGES OF A "BI-NATIONAL CITY" REGIME

The term bi-national conurbation ("bi-national city") does not technically imply major differences with respect to what was stated in the preceding section, a perspective that changes if a neighbourly foreign policy approach is accordingly introduced with the coordination of the bordering country concerned. In principle, if an improved legal framework governing bilateral relations on a permanent basis were implemented between two countries, there would be no limitations to propose – if both countries consider it appropriate – an option of bilateral cooperation aimed at supporting the configuration and organic operation of a bi-national conurbation (city), a scheme which obviously would involve the border cities of the two countries located on the border line or close to a border crossing enabled by them.

Benefits and projections of an option of this nature, adequately developed, would be enormous and could have a decisive impact on the quality of the activities of the urban society and economy and the common border region, as well as on the improvement of the living standard of the population. A "bi-national city" regime would create an alternative for cities concerned to capitalize on the advantages of their geographical proximity to jointly plan their urban development, jointly manage public services and functionally complement each other, as well as become a milestone for strengthening cooperation and integration between the two countries.

### IV. TOPICS OF A "BI-NATIONAL CITY" REGIME ON BORDER

Among others, the issues that need to be addressed in a bilateral agreement enabling a "bi-national city" regime are as follows:

- Formulation and implementation of a joint urban development plan (Regulatory Plan), which includes a component of environmental sustainability.
- Total relaxation of the border regime: no restriction or demand that could limit the free movement of people, vehicles and goods in the area to be included under the concept of "bi-national city."
- Urban services and activities that would be addressed in a jointly or closely coordinated manner: urban cadastre; harmonization of urban regulations (zoning, licenses); collection and treatment of urban waste; interurban transport; regulation and management of local trade; storage and warehousing; supply of drinking water and wastewater treatment; maintenance of natural water bodies (rivers, lakes) and infrastructure associated with their use (channels, locks); promotion and regulation of international trade in services other than those offered by national bodies (transfer centres, dry ports).
- Strengthening and free access to public services in both cities: health, education and recreation; and, among others,
- Definition and implementation of infrastructure projects to strengthen the economic development of both locations: electrification, telecommunications, infrastructure and equipment for the provision of drinking water, border land transportation terminals.

Obviously, an agreement involving these or other issues will entail that both parties assume costs and management of what is their corresponding responsibility, provided that each specific component is located in their own territory.

In addition, topics that shall be clearly defined in a likely bilateral agreement are those related to sovereignty of the States concerned. They shall be perfectly granted

beforehand or in the agreement establishing the bi-national city regime. Among others, these aspects are as follows:

- Full exercise of sovereignty of both parties in their respective territories through national authorities: armed forces, national public services (prefecture, customs, police); as well as the entry into force of national laws.
- Immovable property regime within the area defined under the concept of "bi-national city."
- Treatment of investment in the fields of trade, industry and services, and aspects associated with them, such as tax treatment, labour system, etc.

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## ANNEX 9

### **GENERAL MODEL TO ESTABLISH THE OBJECTIVES, FUNCTIONS AND STRUCTURE OF A BI-NATIONAL OFFICE FOR MANAGEMENT OF BORDER INTEGRATION PLANS, PROGRAMMES AND PROJECTS (OBG-PIF)**

**Objective:** The general objective in establishing the Bi-National Office for Management of Border Integration Plans, Programmes and Projects, hereinafter OBG-PIF, with two national sections (incorporated into or attached to the Ministries of Foreign Affairs, in the capitals of the countries or in the border cities), is to achieve an adequate implementation of the plans and phases of border integration projects that have been attached priority within the framework of the agreements signed in this regard, and that are being implemented by two neighbouring countries, by carrying out the necessary actions for their efficient design and implementation, in coordination with all relevant national agencies, regional integration organizations and agencies, as well as financial and international cooperation institutions.

**Functions:** The functions of the OBG-PIF are as follows:

- Design and apply selection criteria to determine the coherence of the projects related with border integration processes and national (and possibly community) policies which regulate them.
- Register and classify the border integration projects that have been selected by the relevant (national) (bilateral) mechanisms.  
Promote, assist and supervise the work of the Project Committees which will conduct the studies related to the pre-investment stage of the selected projects (relevance, social profitability, sustainability).
- Outline and propose formulas that allow for harmonizing, complementing and dynamizing the work of the various bodies with competence in the management of border integration projects.
- Register border integration projects in the Bank of Projects of the National Public Investment Systems (SNIP) of each country and maintain close coordination with them.
- Design and conduct courses, workshops or other training activities as regards formulation, evaluation and management of border integration projects, aimed at officials in charge of the relevant fields of regional and local government agencies in border areas.
- Maintain close coordination between the two national sections in order to ensure the most efficient management of these projects.
- Outline and propose financial mechanisms for the implementation of border integration projects.
- Analyze and propose the advisability for border integration projects to be implemented through the Ministry of Foreign Affairs, or otherwise transfer them to other national, regional or local agencies.
- Conduct the definitive studies and prepare the technical documentation of those projects to be executed by the Ministries of Foreign Affairs.
- Strengthen local capacities in border regions for formulating and executing border integration projects.
- Offer support and advice to bilateral mechanisms of border integration zones, as long as they are already established and operating.
- Monitor border integration projects, by carrying out impact studies to correct defects in their implementation and operation, and to document replicable successful cases.

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**Structure:** The OBG-PIF can adopt a structure as simple or complex as it deems necessary, depending on the number or the (physical and financial) dimension of the projects entrusted to it for their management. Considering that the OBG-PIF is not expected to have many projects in their pre-investment stage and even less projects in their execution phase at the start of operation, in general, for the first year of operation, it is advisable for this office to have a very basic structure, which could progressively be enlarged. Initially, in each national section, it could have a Coordinator of the Management Unit, a Specialist in Project Design and Evaluation, a Specialist in Project Follow-up and Control, and a Secretary.

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**ANNEX 10**

**MODEL OF BASIC INFORMATION SHEET ON BORDER INTEGRATION PROJECT**

**1. PROJECT IDENTIFICATION**

<p><b>PMU CODE:</b></p>	<table border="1" style="margin: auto;"> <tr> <td style="width: 20px; height: 20px;"></td> </tr> </table>								
<p><b>NAME OF THE PROJECT:</b> .....</p> <p>.....</p>									
<p><b>OBJECTIVE :</b></p> <p>.....</p> <p>.....</p>									
<p><b>LOCATION</b></p>									
<p><b>COUNTRY (COUNTRIES):</b> ..... <b>BIZ:</b> .....</p> <p>.....</p>									
<p><b>REGION:</b> ..... <b>PROVINCE:</b> ..... <b>DISTRICT:</b> .....</p>									
<p><b>PROJECT PROPONENT:</b></p> <p>.....</p>									
<p><b>PERSONS RESPONSIBLE FOR:</b></p>									
<p><b>- PRESENTATION:</b> .....</p>									
<p><b>ADDRESS:</b> ..... <b>TEL:</b> .....</p>									
<p><b>FAX:</b> ..... <b>E-MAIL:</b> .....</p>									
<p><b>- SECTORAL ENTITY:</b> .....</p>									
<p><b>ADDRESS:</b> ..... <b>TEL:</b> .....</p>									
<p><b>FAX:</b> ..... <b>E-MAIL:</b> .....</p>									
<p><b>- BORDER AREA:</b> .....</p>									

**2. CLASSIFICATION OF THE PROJECT**

<p><b>2.1 RELATIONSHIP WITH SOME EXISTING DEVELOPMENT PLAN:</b></p>		
<p><b>AGREEMENT BETWEEN COUNTRIES:</b> .....</p>		
<p><b>NATIONAL PLAN:</b></p>		
<p>    <b>PROGRAMME:</b> .....</p>		
<p>    <b>SUB-PROGRAMME:</b> .....</p>		
<p><b>REGIONAL PLAN:</b></p>		
<p>    <b>PROGRAMME:</b> .....</p>		
<p>    <b>SUB-PROGRAMME:</b> .....</p>		
<p><b>MUNICIPALITY PLAN:</b></p>		
<p>    <b>PROGRAMME:</b> .....</p>		
<p>    <b>SUB-PROGRAMME:</b> .....</p>		
<p><b>2.2. LEVEL OF SPECIFICITY / PHASE OF STUDY (ENCLOSED WITH A CIRCLE)</b></p>		
<p>PLAN</p>	<p>IDEA</p>	<p>FINAL STUDIES</p>
<p>PROGRAMME</p>	<p>PROFILE</p>	
<p>SUB-PROGRAMME</p>	<p>PRE-FEASIBILITY</p>	
<p>PROJECT</p>	<p>FEASIBILITY</p>	

22.3. TYPE OF INVESTMENT AND SECTOR		
TRANSPORT	ROAD	—
	RAIL	—
	RIVER	—
	AIR	—
POWER	GENERATION	—
	TRANSMISSION	—
	SUB-TRANSMISSION DISTRIBUCIÓN	—
COMMUNICATIONS	MAIL	—
	TELEPHONY	—
	INTERNET	—
	RADIO	—
BORDER	CUSTOMS	—
	MIGRATION	—
	POLICE	—
	ARMY HEALTH	—
EDUCATION	PRESCHOOL	—
	PRIMARY	—
	TECHNICAL	—
	HIGHER	—
HEALTH	PREVENTION SERVICES	— —
BASIC SANITATION	AQUEDUCT	—
	SEWAGE SYSTEM	—
	SOLID WASTE	—
	LIQUID WASTE	—
URBAN DEVELOPMENT	PATHWAYS	—
	URBANIZATION	—
	PARKS	—
ENVIRONMENT	CONSERVATION	—
	MANAGEMENT	—
	ADAPTATION	—
	MITIGATION	—
PRODUCTIVE	AGRICULTURAL	—
	INDUSTRIAL	—
	AGRO-INDUSTRIAL	—
	LIVESTOCK	—
	FORESTRY	—
	FISHERIES AND AQUACULTURE	—













**ANNEX 11****MATRIX OF PROJECT SELECTION CRITERIA:  
COHERENCE WITH BORDER INTEGRATION PROCESSES**

<b>Results</b>	<b>Meets</b>	<b>Does not meet</b>	<b>Comments</b>				
<b>Admission criteria</b>							
1. Geographical location on border 2. Endorsement of the corresponding national / bi-national institutions or presentation by a qualified body							
<b>Results</b>	<b>Weighting Weight</b>	<b>Not applicable NA</b>	<b>Poor 1-2-3</b>	<b>Acceptable 4-5-6</b>	<b>Good 7-8-9</b>	<b>Outstanding 10</b>	<b>Weighted note</b>
<b>Desirable criteria</b>							
<p><i>A. Perspective of results</i></p> 1. Consistency with objectives and strategies of border integration 2. Coherence with policy of border integration  <p><i>B. Perspective of relations</i></p> 3. Promotion of trade relations 4. Conditions to negotiate 5. Localization 6. Commitment of participants 7. Leadership processes  <p><i>C. Perspective of activity</i></p> 8. Proactivity in the use of existing instruments 9. Economies of scale 10. Bi-national management / operation							

<p><i>D. Future perspective</i></p> <p>11. Innovation in the use of existing instruments</p> <p>12. Proactivity towards the institutionalization of the process</p> <p>13. Training of the population</p> <p>14. Generation of border-related potential</p> <p><b>TOTAL PROJECT</b></p>							
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## ANNEX 12

### **“SANTA CRUZ DE LA SIERRA” PLAN OF ACTION OF THE HIGH-LEVEL WORKING GROUP FOR BORDER INTEGRATION AND DEVELOPMENT OF THE ANDEAN COMMUNITY**

The representatives of the Governments of the Andean Community's Member States, making up the High-Level Working Group for Border Integration and Development (GANIDF), gathered at their twentieth regular session in the city of Santa Cruz de la Sierra, Plurinational State of Bolivia, ten years into the Andean Community's Border Integration and Development Policy. As a result of the Workshop on Strategic Planning of Border Integration and Development in the Andean Community, which focused on the situation and perspectives of the process, participants expressed the following:

The conviction that the Andean border zones are privileged places for strengthening the Andean subregional integration process. Integration materializes every day thanks to the work of the economic and social actors who live and operate in those spaces, reflecting their enormous potential to break new ground in territorial coordination and development of the Member countries.

There are serious limitations on political, social, economic and administrative conditions in the Andean border areas, which could be a potential barrier to successful deployment of potentials. In a context marked by the situation of poverty affecting a significant part of their population, the lack of productive investment and the weak presence of the State and institutions, the Andean border areas continue to be marginal, unstable and unappealing territories for public and private investment.

The legislation, as well as the mechanisms and instruments designed in the past ten years to promote and strengthen border integration and development in the Andean Community, have failed to reverse significantly the picture of backwardness and marginalization prevailing in our border areas.

The High-Level Working Group for Border Integration and Development (GANIDF), responsible for coordinating the Community's policy on the matter, met twenty-three times during that period, demonstrating the political will of member countries to make progress in the formulation and implementation of this policy. However, its level of coordination with the Andean Council of Ministers of Foreign Affairs has lacked the necessary continuity and depth.

Border Integration Zones (BIZs), whose creation was adopted by Decision 501, have been established in all Andean border areas. In that context, some projects and initiatives for border integration and development have been implemented. However, for the most part, these actions have proved to be limited and isolated.

Member countries have made efforts to formulate plans for the development of BIZs, with the participation of national technical bodies and international cooperation.

The construction and operation of the Bi-national Centres for Attention in Border Areas (CEBAF) have been the focus of bilateral agreements in several Andean border areas, in compliance with provisions of Decision 502 “Bi-national Centre for Attention in Border Areas (CEBAF) in the Andean Community.” However, none of them has entered into operation to date, which maintains the perception that Andean border crossings are

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places where the movement of goods and people faces legal and administrative difficulties.

Some instruments established to support border integration and development, as the Border Integration and Development Projects Bank (BIDPB), allowed for identifying and providing initial support to some projects of unquestionable importance for Andean border areas, but their lack of institutionalization and formal coordination with national project management mechanisms and regional financial organizations have hindered the implementation of such projects.

In this context, a limitation of the border integration and development process has been the non-availability of financial resources for the formulation and implementation of plans, programmes and projects, which is the result of several factors, including the lack of prioritization and coordination of these initiatives with public investment programmes in member countries.

Aware of this situation, the members of the High-Level Working Group for Border Integration and Development (GANIDF) ask the Council of Ministers of Foreign Affairs of the Andean Community to reaffirm the decision of the Governments of the member countries, which recognized border integration and development in the Andean Community as a fundamental process that involves the commitment and support from the highest level of political decision.

Therefore, the GANIDF agreed to develop the following plan of action:

- I. Institutions in charge of Andean Border Integration:
  1. Strengthen the Technical Secretariat of the GANIDF, which operates at the General Secretariat of the Andean Community, providing it with the necessary human resources and budget adjustments to include the subject of border integration on the agenda of the Andean Community, coordinate cross-cutting initiatives of the General Secretariat about this issue and encourage their active links with existing bilateral and multilateral mechanisms, pursuant to the objectives of the Andean Community's Border Integration and Development Policy.
  2. Strengthen the technical equipment of member countries, under the coordination of the Ministries of Foreign Affairs, for the GANIDF topics to be dealt with by authorities of each country. If deemed necessary, a national coordination unit shall be created to address the issues of border integration and development that considers the participation of regional and local authorities.
  3. Establish, within a period of one year, the necessary bi-national/tri-national institutional entities in BIZs with the participation of local and regional authorities and civil society representatives who are responsible for the formulation, execution and monitoring of plans, programmes and projects for BIZs.
  4. Design mechanisms that facilitate the participation of civil society in the border integration and development processes.
  5. Promote the dissemination of the border integration and development processes, legislation, institutions and advances, for the analysis of this topic at every level (educational curriculum, local policies, media, other).
  6. Decide that the General Secretariat of the Andean Community should develop a system for following up and monitoring commitments and agreements approved by member countries within the framework of the Andean Community's Border Integration and Development Policy.
  7. Replicate best practices in the field of border integration and development in the countries of the Andean Community to strengthen border institutions through, for

example, model projects for horizontal cooperation, internships, among others, in order to share institutional experiences for border integration and development.

- II. BIZ plans and management of investment projects:
  1. As part of a bilateral effort, renew the commitment of member countries to the development of plans related to BIZs, which should include proposals for land-use regulations as a fundamental component to launch development and integration initiatives. For this purpose, countries may receive the technical assistance of the General Secretariat of the Andean Community.
  2. Revise the territorial delimitations of Border Integration Zones, where necessary, for them to be operational and appropriate to the dynamics of each zone. Accordingly, the General Secretariat of the Andean Community could offer their technical support to establish, within the scope of the existing BIZ, geographical priority areas of intervention.
  3. Establish at the General Secretariat a system of geographical information on BIZs, which should make a comprehensive characterization and include updated information with standardized indicators.
  4. Design and implement a strategy of disclosure and dissemination of BIZs, objectives, programmes and projects, as well as linked Andean regulations, to sensitize public opinion and institutions inside and outside that area.
  5. Promote coordination between the GANIDF and the IIRSA Initiative.
  6. Structure and launch a programme to strengthen the institutional capacities of local, national, bi-national and subregional Andean authorities in charge of borders, in general, and the management of BIZs, in particular.
  7. Recommend the General Secretariat to convene, as soon as possible, a meeting of an *Ad Hoc* Working Group, with the participation of representatives of the Ministries of Foreign Affairs and National Planning and Investment Systems, in order to define the scope, objectives and operational structure of BIDPB, taking into account both agreements from the Workshop on Strategic Planning and the proposal introduced by the General Secretariat of the Andean Community for that purpose. This proposal will be submitted for consideration of the GANIDF.
- III. Facilitation of border crossings transit:
  1. Intensify efforts aimed at starting up operations of at least one Bi-national Centre for Attention in Border Areas (CEBAF) on each common border in the Andean Community.
  2. Request the General Secretariat of the Andean Community to analyze, in coordination with the member countries, the need to formulate rules to facilitate cross-border movement of people, goods, services and capital, through the Andean border crossings.
  3. Recommend the member countries to define the fields of application of the border workers regime.
  4. Request the General Secretariat to recommend the Member States the best way to implement Decision 463, on the Regime for Development and Integration of Tourism within the Andean Community, in border areas, considering that such activity is a potential source of resources for Border Development and Integration.
- IV. Financing:
  1. Promote the necessary changes and adjustments in the regulations of the national public investment systems (SNIPs) of the member countries, so as to attach priority to funding the projects agreed to for the respective border integration zones.
  2. Manage the incorporation of the heading / item / category "Border Integration and Development" into public investment budgets, thus enabling to meet the

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demand for financing the projects identified in BIZs and provide counterpart resources for projects financed by external sources.

3. Promote a more efficient use of available financial resources (national agencies, cooperation institutions, international development banks), with emphasis on capacity-building for managing projects in the BIZs.
4. Review the mechanism of the Consultative Group so as to take advantage of the opportunities to fund border projects offered by international cooperation institutions, such as the Inter-American Development Bank, the Development Bank of Latin America and the European Union, among others.
5. Make arrangements to expand financing from the IDB and CAF for bi-national projects in BIZs.
6. Explore new opportunities to finance investment initiatives in border areas, such as debt swap for investment and payment for environmental services, among others, and disseminate information on international cooperation offers to local governments for projects in borders areas.
7. Outline a strategy to promote private, national and foreign investment in the BIZs.

Santa Cruz de la Sierra, Plurinational State of Bolivia, on the twenty-ninth of April of two thousand and nine.

**ANNEX 13****MERCOSUR/CMC/DEC N° 18/05****INTEGRATION AND OPERATION OF THE STRUCTURAL CONVERGENCE FUND  
AND STRENGTHENING OF THE INSTITUTIONAL STRUCTURE OF MERCOSUR - FOCEM**

**HAVING SEEN:** The Treaty of Asuncion, the Ouro Preto Protocol, Decisions N° 11/03, 27/03, 3/04, 19/04 and 45/04 of the Common Market Council.

**CONSIDERING:**

That the Treaty of Asunción signed by the States Parties establishes the Common Market of the South (MERCOSUR).

That the consolidation of the process of convergence towards the Common Market could be ensured by promoting the integration process based on the principle of solidarity.

That developing actions aimed at promoting the competitiveness of the States Parties and the structural convergence is top priority.

That the benefits resulting from the expansion of markets may not be fully reaped by smaller economies, as long as remaining marked asymmetry conditions prevail.

That States Parties have decided to establish the Structural Convergence Fund of MERCOSUR (FOCEM) to promote structural convergence; develop competitiveness; boost social cohesion, in particular of smaller economies; and strengthen the institutional framework of MERCOSUR.

**THE COMMON MARKET COUNCIL****DECIDES:**

Objectives of the FOCEM

Art. 1 – The Structural Convergence Fund of MERCOSUR (FOCEM), created by Decision CMC N° 45/04, is intended to fund programmes to promote structural convergence; develop competitiveness; boost social cohesion, in particular of smaller economies and less developed regions; and strengthen the institutional framework and the integration process.

Art. 2 - Based on the provisions of the preceding Article, the following programmes will be developed:

I. Structural Convergence

II. Competitiveness Development

III. Social Cohesion

IV. Strengthening the Institutional Framework and the Integration Process.

Art. 3 – Projects of Programme I shall contribute to the development and structural adjustment of smaller economies and less developed regions, including the improvement of border integration systems and communication systems in general.

Projects of Programme II shall contribute to the competitiveness of the various types of production of MERCOSUR, including production and labour restructuring processes that facilitate the creation of intra-MERCOSUR trade, and projects for integration of productive chains and strengthening of public and private institutions in aspects related to quality of production (technical standards, certification, conformity assessment, animal and plant

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health, etc.) and to research and development of new products and production processes.

Projects of Programme III shall contribute to social development, in particular in border areas, and may include projects of community interest in the areas of human health, poverty reduction and unemployment.

Projects of Programme IV shall pay attention to the improvement of the institutional structure of MERCOSUR and its eventual development. Once the objectives of all projects are met, structures and activities that might arise will be financed in equal parts by States Parties.

### Funding of the FOCEM

Art. 4 - The FOCEM will be financed with annual contributions by States Parties, made half-yearly. Such contributions shall be deposited in a financial institution of the States Parties, selected in accordance with the criteria and procedures set down in the FOCEM's Regulations, provided for in Articles 19 and 20 of this Decision.

Art. 5 - Contributions by States Parties to the FOCEM will be non-reimbursable.

Art. 6 – Total annual contributions by States Parties to the FOCEM shall amount to \$US 100 million and will be made in accordance with the following rates, which have been established taking into account the historical average of MERCOSUR GDP:

Argentina: 27%

Brazil: 70%

Paraguay: 1%

Uruguay: 2%

Art. 7 – The first bi-annual contribution of States Parties to the establishment of the FOCEM must be made within ninety days after transposition of this Decision into their national legislations and approval of the corresponding budgetary allocations in the four States Parties.

In the first budget year of the FOCEM, States Parties shall contribute 50% of their annual contributions for the implementation of pilot projects provided for in Article 21. In the second budget year of the Fund, they must pay 75% of their annual contributions. From the third year on, they must make 100% of their annual contributions.

Art. 8 – The FOCEM may receive contributions from third countries, institutions or international organizations for the development of projects.

Art. 9 – Putting the FOCEM into operation will require that initial contributions by the four States Parties be made. Thereafter, States Parties must keep abreast with their bi-annual contributions to the FOCEM, and the quotas set for the operation of the institutional framework of MERCOSUR, for their projects to be approved.

### Distribution of resources

Art. 10 – The Resources of the FOCEM aimed at the financing of projects included in Programmes I, II and III, provided for in Article 2 of this Decision, will be distributed among the States Parties according to the following percentages:

Projects presented by Paraguay: 48%

Projects presented by Uruguay: 32%

Projects presented by Argentina: 10%

Projects presented by Brazil: 10%

Resources not allocated during each budget year will be added to the resources for the following year, and they will be distributed in accordance with the scheme presented in the preceding paragraph.

The FOCEM shall also allocate the necessary resources for the financing of activities in the field of the MERCOSUR Secretariat, provided for in Article 15 of this Decision.

Art. 11 – The States Parties shall participate in the financing of projects approved in their favour by the Common Market Council of MERCOSUR, with their own equivalent funds, at least 15% of the total value of such projects.

Art. 12 – During the first four years, the FOCEM resources will be mainly targeted at Programme I, Article 2 of this Decision. During that period, up to 0.5% of the resources of the Fund may be assigned for Programme IV.

Art. 13 - During the first four years, the FOCEM financial resources allocated to projects of the Programme I shall be primarily used to increase the provision of physical infrastructure of States Parties, in order to facilitate the integration process.

From the fourth year of the effective operation of the FOCEM, States Parties shall conduct an overall assessment of the Fund and a review of priorities, whose results will be applicable as of the fifth year of operation.

Art. 14 - The FOCEM resources targeted at approved projects shall be of non-reimbursable character. However, they may be considered alternatives to the granting of loans.

Procedures and institutional aspects

Art. 15 – The regulation of procedural and institutional aspects of the operation of the FOCEM shall include the following bases:

- a) Projects included in the Programmes provided for in Article 2 of this Decision shall be submitted by States Parties to the Commission of Permanent Representatives of MERCOSUR, which shall be assisted by the representatives that each State Party deems appropriate and verify compliance with the requirements for the presentation and eligibility of projects.
- b) A technical unit within the scope of the MERCOSUR Secretariat, together with an Ad Hoc Group of Experts offered by the States Parties, shall be responsible for the assessment and monitoring of the implementation of projects.
- c) Such technical unit shall draw up a preliminary draft budget of the FOCEM; provide for the disbursements of resources in favour of States Parties; evaluate outcome of external audits provided for in Article 17 of this Decision; and send reports on its activities, along with the preliminary draft budget, to the Commission of Permanent Representatives of MERCOSUR.
- d) The Commission of Permanent Representatives of MERCOSUR shall submit the received reports and its own to the MERCOSUR Common Market Group.
- e) The MERCOSUR Common Market Group shall submit the preliminary draft budget and projects, accompanied by its own report, for consideration of the MERCOSUR Common Market Council, in accordance with the criteria set down in the Regulation.
- f) The MERCOSUR Common Market Council shall approve the FOCEM budget and the projects to be financed and allocate the resources according to the ranges of percentages established in Article 10 of this Decision.

Art. 16 – States Parties benefited from the transfer of resources shall send bi-annual reports to the corresponding unit about the status of implementation of each project, in accordance with the specifications established in the Regulation of the FOCEM.

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Art. 17- Projects that are implemented shall be subject to accounting and management external audits, in compliance with the terms set forth in the Regulations of the FOCEM.

Art. 18 - For the implementation of projects financed by the FOCEM, priority will be given to companies and entities based in MERCOSUR.

### Regulations of the FOCEM

Art. 19 - The High-Level Group for Structural Convergence and Financing of the Integration Process of MERCOSUR shall draw up the draft Regulation of the FOCEM no later than 30 November 2005. The project shall be submitted for consideration of the Common Market Council of MERCOSUR, prior examination by the MERCOSUR Common Market Group.

Art. 20 - The regulations of the FOCEM shall govern all procedural and institutional aspects of its operation, in accordance with this Decision. In particular, it shall specify the procedures to be complied with by the MERCOSUR Secretariat and shall establish the limit of resources of the Fund, which can be used for its management.

Art. 21 - The FOCEM shall implement the pilot project methodology, which makes strong emphasis on citizens of MERCOSUR. The Regulations shall establish transitional procedures for the implementation and evaluation of such projects. This experience shall guide the definitive formulation of procedures and institutional aspects of the FOCEM.

### Validity and incorporation

Art. 22 – This Decision will be valid for ten years from the first contribution to the FOCEM by one of the States Parties. On expiry of that period, States Parties shall evaluate the effectiveness of Programmes of the FOCEM and decide on their continuity.

Art. 23 – States Parties must incorporate this Decision into their national legal systems.

**XXVIII CMC – Asunción, 19/VI/05**

## ANNEX 14

### **SUBREGIONAL COMMUNITY FUND FOR BORDER INTEGRATION: PRELIMINARY PROPOSAL FOR OBJECTIVES, STRUCTURE AND OPERATION**

**Mission and objectives:** The mission of the Community Fund would have to be consistent with the principles of the policy on border integration set forth in the agreement on subregional integration (Decision 459 of the Andean Community), including, among others, the need to strengthen a mutually-beneficial solidarity and cooperation relationship among the Member States; the importance of developing the complementary nature of the economies making up the subregional bloc in their border areas, contributing to their social and economic development; and the significance of strengthening subregional integration.

In turn, the objectives of the Community Fund must be related to the need for adequate financial resources – in sufficient volume and in accessible terms – to finance border integration projects, appropriately prioritized according to the objectives established for areas of intervention (Decision 502 of the Andean Community) and in line with the objectives and goals of approved development plans. In this connection, efforts could be made to establish the Fund's central goals, linked to the financing of projects, and secondary objectives, aimed at the consolidation of political, institutional and information frameworks, to ensure efficiency and adequate levels of commitment and disclosure of actions.

**Contributions:** The Community Fund should be initially set up with contributions from member countries of the subregional integration bloc, taking as a reference a portion of the amount needed to finance the implementation of border integration projects that could have been prioritized in a prior meeting related to this type of project. A first effort could lead to the establishment of an initial fund of 10%-15% of estimated demand for the first stage. Fifty percent of such demand might be met through contributions from the Public Treasury of the countries making up the subregional bloc, proportional to the economic size of each of them (for example, based on the average GDP of each country during the last five years), and the other 50% might be met through non-reimbursable resources provided by an agency for cooperation of a friendly country, several countries or a prominent integration scheme, such as the European Union. That volume of financial resources would allow the Fund to start operations and offer support to a priority portfolio of projects, whose efficient implementation would be the best reference to continue replenishing it with more resources, according to the growth in demand.

**Programmes to be funded:** The agreement establishing the Community Fund shall define the programmes to be funded. Obviously, such programmes must be consistent with the mission and objectives of the Fund and based on the social, economic, cultural and environmental reality of borders between countries of the subregional bloc. If all "border situations" are present in intra-bloc borders (see Section 2, Chapter I), a number of programmes should be probably addressed to meet demands in the field of transport and communications infrastructure, social sectors and productive options at border areas, among others.

**Investment of resources:** Resources of the Community Fund will be used to finance each of the approved projects, to replace the contingency reserve (avoiding any disruption of ongoing projects where problems with financing through the Community Fund occur) and to support the costs of operation of the Fund. At least in the start-up phase of the

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Fund, resources should be non-refundable. Top priority would be given to projects related to border areas facing critical socio-economic issues, such as: high proportion of population living in poverty, modest per-capita GDP, insufficient diversification of the economy with a predominance of primary activities, and marked deficits in infrastructure.

**Institutional framework:** The Community Fund would be governed by a Board of Directors made up of one delegate from each Member State of the integration bloc. In each country, a technical unit would be responsible for the formulation, presentation, evaluation, and execution of projects, in close coordination with a Community Fund Technical Unit (UTFC), which would be based on the General Secretariat / Secretariat of the subregional integration bloc. Such Unit could be initially composed of a minimum of specialists in evaluation of investment projects, nationals of the Member States of the bloc and appointed by their governments, who would assess the projects submitted by the countries by verifying compliance with the eligibility criteria set down in regulations.

**Management:** As for management, member countries would have to decide between two options. The first option is to create a self-management unit, hiring a full management team and designing their own management tools (for example, operation manuals, procurement procedures, accounting systems), to manage their own assets, develop their own set of guidelines for investment, implement an investment control process and select the asset manager that will take care of the patrimony. The second option is to outsource the entire range of necessary management and investment services to a financial institution (e.g., multilateral banks in the region). This approach would considerably accelerate the implementation of the Community Fund and would make it more flexible, but in this case it would be necessary to determine if the member countries of the bloc and regional banks would be interested in such a scheme.

**Strategy for resource mobilization:** Considering that the expansion of the Community Fund would be one of the main objectives of the Member States, the development of a solid fund-raising strategy will be a priority from the beginning. In this connection, the Board of Directors, in one of their first meetings, shall commission the UTFC to formulate this strategy and provide it with the necessary guidelines to that end.

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