

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	CHILE/CSC - Southern Cone
▪ TC Name:	Strengthening Investment, Data and Human Capital for the Global Services Sector in Chile
▪ TC Number:	CH-T1328
▪ Team Leader/Members:	LARSSON, MIKAEL (INT/TIN) Team Leader; GOMEZ DECKER, FEDERICA (INT/TIN) Alternate Team Leader; CRUZ CORTES CAROLINE NATALIA (CSC/CCH); HELGUERO MARIA (INT/TIN); ESTEVES, YASMIN (INT/INT); ROSPIDE, MARIA DE LA PAZ (INT/INT); BAFUNDO BARTELLONE FIORELLA (INT/TIN); DIAZ GILL VIRGINIA MARIA (LEG/SGO); VATEVA VESSELINA KOSTADINOVA (CSC/CCH)
▪ Taxonomy:	Operational Support
▪ Number and name of operation supported by the TC:	Chile Global Export Services II - CH-L1181
▪ Date of TC Abstract:	29 Feb 2024
▪ Beneficiary:	Chile
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$400,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	INT/TIN - Trade & Investment
▪ Unit of Disbursement Responsibility:	INT/TIN - Trade & Investment
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation ; Economic integration; Indigenous People; Persons with Disabilities; Gender equality; Diversity

### II. Objective and Justification

2.1 This Technical Cooperation (CT) aims to support the design of the CH-L1181 loan operation, by strengthening the institutional framework and mechanisms related to the attraction of investments, data, and human capital for the global services sector in Chile. The specific objectives are: Modernize tools to streamline processes of investment attraction and export promotion, which require innovations and are linked to economic growth and productivity increases; Collect and analyze data from the services sector that allow us to make adjustments to the public policy supporting the export of knowledge-based services, a sector that contributes to the diversification of the economy and productivity increases; Streamline processes of training and development of specific human capital skills, which contribute to increases in the country's competitiveness and productivity. This Technical Cooperation also seeks to expand economic integration through the internationalization of Chile by increasing investments and exports, as well as greater integration of the country's subnational divisions (regions) into regional or global value chains. In terms of Gender and Diversity, the activities of the Technical Cooperation will aim at strengthening tools that allow an

increase in the presence of exporting companies led by women and the reinforcement of training tools, including a focus on women.

- 2.2 During 2022, Chile saw a GDP growth of 2.4%, aligning with pre-COVID-19 rates. However, due to internal structural factors like a non-diversified economy, the country experience close to zero growth in 2023 and moderate growth in the following years. Inflation is on a decline, projected to hit the target of 3% by mid-2024. The country faced a current account deficit in the third quarter of 2023, primarily due to the net payment of incomes abroad and a deficit in the trade balance of services, despite a positive balance in goods trade. Meanwhile, the financial account saw net capital inflows. In early 2024, Chile broke a 15-month decline in foreign trade, indicating a positive shift. Despite a drop in exports in 2023, service exports in January 2024 saw a significant increase, marking a historical high for the beginning of a year. This sector also saw an increase in companies engaging in exports, suggesting growth and a potential shift towards diversification. The increase in the number of tariff codes for service exports indicates a broader range of services being offered internationally. Moreover, Chile has been recognized by the OECD for its regulatory performance in services trade, ranking among the top ten globally. Chile's export matrix remains unbalanced, heavily skewed towards mining and non-knowledge-intensive goods and services. Efforts are being made to diversify exports both in terms of the type of products/services exported and destinations. This is part of a broader strategy, including public policies for productive transformation, investment process improvements, and labor training and reconversion as outlined in the Government of Chile's Productivity Agenda. The labor market faces structural challenges, necessitating policies that align work training with productive needs, especially in the global export services sector. The lack of technical and socio-emotional skills and specific certifications is a key issue. The IDB and the Government of Chile are working on the "Program to Support Chile's Global Services Export Sector" (CH-L1138) to develop the sector, focusing on increasing exports, foreign direct investment (FDI), improving human resources, and strengthening the sectoral ecosystem. Despite challenges, progress is visible, and a follow-up loan, "Global Export Services of Chile II," aims to deepen efforts towards regional and sustainable economic growth, emphasizing FDI, exports, and qualified human capital in knowledge-intensive sectors. The regional approach highlights Chile's political and fiscal decentralization, aiming to reduce regional asymmetries and strengthen territorial equity. However, the lack of regional data and the difficulties of strict attribution of program results in execution, due to a broader institutional action horizon, complicate the obtaining and systematization of reliable, relevant, and timely data and measurement of impacts. The deficiency of available data underscores the need for activities that support the strengthening of global service exports, FDI, and valuable human capital in a regionalized context.

### III. Description of Activities and Outputs

- 3.1 **Component I: Generation of new knowledge for the design, monitoring, and evaluation of interventions that contribute to the promotion of regional and sustainable economic growth in Chile.** The objective of this component is to support via studies and other instruments the gathering of evidence in the form of reliable, relevant, and timely data, which provides a robust baseline in terms of increases in global service exports, Foreign Direct Investment (FDI) in the global services export sector, and direct employment in the same sector.
- 3.2 **Component II: Development of human talent - technical and digital - in the global services exports sector with a focus on the subnational level (regions).** The objective of the second component is the design and pilot implementation of training programs in technical and digital skills, with a focus on developing opportunities at the subnational level (regional governments), in line with the political, fiscal, and productive

decentralization process that the Government of Chile is undertaking. Priority will be given to profiles from sectors identified with high internationalization potential.

#### IV. Budget

##### Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Generation of new knowledge for the design, monitoring, and evaluation of interventions that contribute to the promotion of regional and sustainable economic growth in Chile.	US\$280,000.00	US\$0.00	US\$280,000.00
Development of human talent - technical and digital - in the global services exports sector with a focus on the subnational level (regions).	US\$120,000.00	US\$0.00	US\$120,000.00
<b>Total</b>	<b>US\$400,000.00</b>	<b>US\$0.00</b>	<b>US\$400,000.00</b>

#### V. Executing Agency and Execution Structure

- 5.1 INTER-AMERICAN DEVELOPMENT BANK: The Inter-American Development Bank (IDB) will be the executor of the project, through its Trade and Investment Division (INT/TIN). The execution and disbursement period will be 36 months, and the Disbursement Responsible Unit will be the IDB office in Chile.
- 5.2 This Technical Cooperation aims to support the design of the CH-L1181 loan operation, by strengthening the institutional framework and mechanisms related to the attraction of investments, data, and human capital for the global services sector in Chile. Therefore the Bank will be the most appropriate executor of the Technical Cooperation (TC), by virtue of its institutional capacity and operational experience, its effective role in coordination and impartiality, as well as its knowledge and technical experience that will contribute to a better selection and hiring of the studies and inputs that this TC will finance, in accordance with Annex II of the document "Procedures for the processing of technical cooperation operations and related matters" (OP-619-4).

#### VI. Project Risks and Issues

- 6.1 The anticipated risks include the inter-institutional coordination and the commitment of officials required to carry out the project activities. In order to reduce or mitigate the risks, the project team contemplates the following actions: (i) inter-institutional articulation between actors from the public and private sectors, at the national and subnational levels, to ensure the project's execution pace; (ii) implementation of digital platforms for close monitoring through video conferences and work meetings, strictly respecting all the protocols of the Bank and the government; and (iii) signing of minutes from each of the meetings with the commitments undertaken and next steps agreed upon to allow detailed tracking of progress.

## **VII. Environmental and Social Aspects**

- 7.1 This TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).