

## TC Document

### I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Strengthening LAC's Competitiveness in Strategic Global Value Chains
▪ TC Number:	RG-T4575
▪ Team Leader/Members:	Mejia Rivas, Isabel (INT/INT) Team Leader; Garcia Nores, Luciana Victoria (INT/RIU) Alternate Team Leader; Leon Lara Romo Ana Sofia (INT/INT); Bonilla Merino Arturo Francisco (LEG/SGO); Freytag, Maria Veronica (INT/INL); Dorantes Gomez, Angela Carmelia (INT/INT); Blyde, Juan S. (INT/RIU); Garcia Contreras Maria Florencia (INT/RIU); Rospide, Maria De La Paz (INT/INT); Infante Barbosa, Irasema (INT/RIU); Esteves, Yasmin (INT/INT); Menendez Maria Guadalupe
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	05 Aug 2024.
▪ Beneficiary:	Costa Rica, through its Ministry of Foreign Trade; Dominican Republic, through its Ministry of Industry and Trade; Mexico, through its Secretary of Economy; Panama, through its Ministry of Trade and Industry; Uruguay, through its Ministry of Economy and Finance <sup>1</sup>
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Integration(W2D)
▪ IDB Funding Requested:	US\$950,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	September 15th, 2024
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	INT-Integration and Trade Sector
▪ Unit of Disbursement Responsibility:	INT/INT-Integration and Trade Sector
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment with the Institutional Strategy (2024-2030):	Economic integration; Productivity and innovation

### II. Objectives and Justification of the TC

- 2.1 The Americas Partnership for Economic Prosperity (APEP or Americas Partnership)<sup>2</sup> was launched at the Summit of Americas in Los Angeles, California in June 2022 as a framework for regional cooperation that seeks to provide an enduring forum for bolstering regional competitiveness; and mobilizing high-standard investment in the hemisphere; and among 12 countries. In November 2023, the inaugural APEP Leaders meeting in Washington, D.C. welcomed leaders of all 12 APEP countries

<sup>1</sup> The country's official liaison's non-objection is being processed for Costa Rica. The project team will ensure to count with the non-objection prior to initiating activities in this country.

<sup>2</sup> [Americas Partnership for Economic Prosperity](#).

(Barbados, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, Mexico, Panama, Peru, the United States of America; and Uruguay) who declared their intention to work together to support regional sustainable development; and resilient supply chains.<sup>3</sup>

- 2.2 Over the past decade, Global Value Chains (GVCs) have undergone significant reconfiguration due to a myriad of factors, including natural disasters, infrastructure shutdowns, the COVID-19 pandemic, geopolitical tensions; and wars. In response, large multinational companies have increasingly sought to source inputs from closer locations to enhance the security of their supply chains. This shift presents a unique opportunity for Latin America and the Caribbean (LAC) to bolster its participation in GVCs, particularly by reinforcing regional value chains.
- 2.3 LAC countries, with their diverse economies, strategic geographic location; and shared cultural and economic ties, are well-positioned to benefit from this reconfiguration of GVCs. The region holds significant potential to become an integral part of the reorganization of supply chains, fostering a greater presence of LAC in various global industries. This opportunity aligns with ongoing efforts to support LAC countries in designing; and implementing recovery strategies from the COVID-19 pandemic, focusing on attracting investments; and increasing participation in regional; and global value chains.
- 2.4 Since November 2020, the Integration and Trade Sector (INT) of the Inter-American Development Bank (IDB) has been supporting LAC countries in these endeavors. Following the “Americas Partnership-IDB Responsible Investment Forum”<sup>4</sup> held on November 2, 2023, INT carried out a first phase study on the competitiveness of APEP countries in three key supply chains: semiconductors, medical supplies; and critical minerals for the clean energy transition.
- 2.5 The main finding of the study indicates that several APEP countries in LAC are well-positioned to participate in global value chains across the analyzed GVCs. Regarding the **critical minerals** analyzed—copper, graphite, nickel; and lithium—some countries have viable reserves; and adequate mining regimes with opportunities to enter early stages of supply chains related to the clean energy transition. In **semiconductors**, APEP countries can complement the capital-intensive stage of wafer manufacturing, which is underway in the U.S., with the more labor-intensive stage of assembly, packaging, and testing. Regarding **medical devices and pharmaceuticals**, the study found that some APEP countries already have the global value chain manufacturing experience; and regulatory compliance needed to compete.
- 2.6 Building on the findings of these initial studies, this Technical Cooperation (TC) aims to provide a more in-depth competitiveness analysis of these GVCs; and other GVCs of interest in LAC countries through fieldwork; and interviews with public; and private stakeholders, offering further insights and tailored recommendations to enhance the competitiveness of LAC countries and facilitate their integration into critical GVCs.
- 2.7 **General objective.** This TC seeks to capitalize on the evolving landscape of GVCs by supporting LAC countries in addressing critical challenges, leveraging regional

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<sup>3</sup> <https://www.whitehouse.gov/briefing-room/statements-releases/2023/11/03/east-room-declaration-of-the-leaders-of-the-americas-partnership-for-economic-prosperity/>

<sup>4</sup> Americas Partnership - IDB Responsible Investment Forum <https://www.iadb.org/en/topics/trade/trade-initiatives/bid-americas/apec-idb-responsible-investment-forum>

strengths; and ensuring adherence to international labor standards. By providing detailed competitiveness studies, regional analyses; and targeted policy recommendations, this TC aims to drive economic growth, attract foreign investments, ensure sustainable development; and promote fair labor practices across the region.

- 2.8 **Specific objectives.** This TC aim to achieve the following specific objectives: (i) conduct comprehensive competitiveness studies for at least six LAC countries, analyzing strategic GVCs and evaluating relevant regulations to provide tailored policy recommendations; (ii) develop a regional mapping of potential value chain configurations, highlighting common challenges and opportunities; and benchmarking the region's performance against global counterparts; and (iii) organize a regional forum to foster cooperation and integration into strategic GVCs, bringing together key stakeholders to share insights on strategies and best practices.
- 2.9 **Strategic Alignment.** This initiative is consistent with the IDB Group Institutional Strategy Transforming for Scale and Impact (CA-631) and is aligned with the core objective of bolstering sustainable growth by enhancing regional integration and LAC's role in the global economy; and promoting countries' cooperation efforts and sustainable development. Recognizing that boosting productive diversification in regional and global value chains will help countries identify which industries or sectors are best suited for regional value chain development given the opportunities related to shifts in global sourcing, this TC leverages regional integration as an effective instrument to promote productive development, overcome structural asymmetries; and address social cohesion problems. The proposal is also aligned with the following operational focus areas: (i) productive development; and innovation through the private sector; enhancing countries' ability to participate in and benefit from global; and regional value chains, the TC fosters productive development and innovation; and (ii) regional integration strengthening collaboration among LAC countries to build integrated value chains, boosting regional competitiveness. By addressing these issues, the TC seeks to facilitate equitable; and sustainable growth, generating value at both national and regional levels.
- 2.10 The proposed TC is also aligned with the Sectoral Framework Document for Integration and Trade (GN 2715-11), which recommends in paragraph 5.2 "seeking to reduce market, coordination; and collective action failures in the region through the IDB Group's support for regional cooperation; and public goods projects that promote regional coordination; and provide added value to national interventions or contribute to their generation." As mentioned in the proposal description, the activities within the framework of this TC are aimed at conducting comprehensive competitiveness studies for at least six LAC countries, analyzing strategic GVCs, and evaluating relevant regulations to provide tailored policy recommendations. This involves developing a regional mapping of potential value chain configurations, highlighting common challenges and opportunities, and benchmarking the region's performance against global counterparts. These efforts aim to strengthen regional integration, enhance economic resilience, and promote sustainable development across LAC. Regarding alignment with the Country Strategy, the TC is particularly connected to each of them in areas related to trade facilitation, regional integration and productive diversification<sup>5</sup>.

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<sup>5</sup> Alignment with country strategies: Costa Rica 2019-2022 (GN-2977), by connecting with the priority area of improving productivity and reducing productivity gaps, with a focus on increasing competitiveness'; Panama 2021-2024 (GN-3055) in line with the priority area of reactivating and diversifying productive

- 2.11 This TC is also aligned with the *América en el Centro* regional program, which addresses common and cross-border challenges faced by Central America, Panama; and the Dominican Republic (CAPDR). The program aims to promote sustainable development and resilience within the region, fostering the conditions necessary for a more integrated and productive CAPDR, and this cooperation seeks to contribute to these objectives through its focus on strengthening regional competitiveness and integration into global value chains.
- 2.12 Finally, the TC is further aligned with the objectives, priorities, and activities of the Ordinary Capital Strategic Development Program (OC SDP) (GN-2819-14), Window 2, Priority Area 4: Competitive Global and Regional Integration (W2D). The TC is consistent with the following objectives: (i) supporting LAC's participation in regional and global value chains; (ii) supporting the harmonization of policies and procedures for greater productive integration; and (iii) promoting collective action and cooperation in LAC to address shared development challenges and opportunities. In particular, the TC will help generate knowledge that supports the harmonization of policies and procedures to achieve greater productive integration in the countries of the region.

### III. Description of activities/components and budget

- 3.1 **Component I. Competitiveness studies (US\$600,000).** This Component seeks to finance the in-depth analysis of LAC countries' competitiveness in strategic GVCs<sup>6</sup>. The analysis will include data collection and analysis; and evaluation of specific regulations that affect competitiveness, such as labor and environmental regulations<sup>7</sup>. This will incorporate qualitative and quantitative information from diverse sources such as government reports, industry databases, on-site and virtual stakeholder interviews, and surveys for at least six LAC countries<sup>8</sup>. The process will begin with the beneficiary countries of this TC—Mexico, Dominican Republic, Panama, Costa Rica and Uruguay—and will extend to other LAC countries within the APEP Alliance that formally request to participate. The country studies will develop tailored policy recommendations to drive economic growth, attract foreign investments, and ensure sustainable development through actionable strategies and best practices in strategic GVCs.

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activity; Mexico 2021-2024 (GN-2982), through it focuses on contributing to more balanced and sustainable territorial development, aiming to create stronger linkages with more dynamic productive sectors by leveraging the sophistication and internationalization of the national productive matrix; Dominican Republic (GN-3084) the TC is linked with the strategic area of sustainable and inclusive productive reactivation as it aims to support the integration into key value chains. Uruguay 2021-2025 (GN-3056), through its focus area sustainable productive development by fostering business innovation and promoting strategic sectors with high value added by emphasizing development and adoption of digital and green technologies.

<sup>6</sup> All products of this TC will fully adhere to the IDB Group rules, ensuring strict compliance with data privacy regulations.

<sup>7</sup> This review will be coordinated with the Social Sector's Labor Markets Division (SCL/LMK) and Climate Change Division (CSD/CCS) to ensure adherence to legal frameworks and promote fair practices essential for sustainable economic development and competitiveness in GVCs.

<sup>8</sup> The country studies will begin with those countries that formally request the Bank's support for this second phase. To date, the Bank has received formal requests from Mexico, the Dominican Republic and Uruguay. Studies are expected to also take place in Panama and Costa Rica (formal request pending). No studies will be conducted without the prior written approval and non-objection from the respective official country liaison with the Bank.

- 3.2 The studies will employ a mixed-method approach combining quantitative data analysis with qualitative insights. Surveys and interviews with key stakeholders, including government officials and industry experts, will provide a comprehensive understanding of the business environment and regulatory framework. Advanced data analytics and quantitative information on competitiveness and integration potential from diverse sources such as government reports and industry databases will be used to identify patterns, strengths, and weaknesses in the current GVC participation of each country.
- 3.3 The country studies will result in tailored, pragmatic, and evidence-based policy recommendations to each country's context. These recommendations will identify barriers and challenges to enhance competitiveness and integration in prioritized GVCs and suggest strategies for leveraging regional strengths.
- 3.4 **Component II. Comprehensive regional analysis (US\$200,000).** Based on the results of the country studies carried out under Component I, this Component will develop a regional mapping of potential LAC regional value chain configurations in key sectors based on each country's comparative advantage. The analysis will highlight common challenges and opportunities and compare the region's performance with other global counterparts to identify best practices and leverage regional strengths. Additionally, specific regional recommendations will be formulated and, where relevant, elevated to existing regional dialogue mechanisms and institutions to promote coordinated actions at the regional level. These recommendations will aim to enhance regional competitiveness and integration potential.
- 3.5 The regional mapping will identify clusters of industries that could form integrated value chains across multiple countries. This will involve analyzing each country's strengths, weaknesses, and potential for collaboration in strategic sectors. The regional analysis will benchmark LAC countries against similar regions globally to identify successful strategies and practices that can be adapted for the LAC context. This comparative analysis will help in understanding the competitive positioning of the LAC region and formulating strategies to close gaps.
- 3.6 **Component III. Regional Forum (US\$100,000).** This component will support a high-level forum to foster regional cooperation and integration into strategic GVCs. The event will gather public officials, private sector representatives, investors, and thought leaders from LAC countries to share insights on strategies, best practices, and policies to attract foreign direct investment (FDI). The forum will facilitate cooperation to address shared challenges and leverage regional strengths for economic growth.
- 3.7 The forum is expected to provide ample networking opportunities to foster partnerships between LAC countries and international investors. This will create a platform for dialogue and collaboration, enabling participants to build relationships and explore investment opportunities.
- 3.8 **Other costs: Execution and monitoring (US\$50,000).** These costs involve the execution of resources, coordination, and monitoring of products. It ensures efficient allocation and utilization of resources, oversees the coordination of activities, and monitors the progress and outcomes of the initiatives to achieve the desired objectives.
- 3.9 **Budget.** The total cost of this project is US\$950,000 financed by Ordinary Capital Strategic Development Program (OC SDP) (GN-2819-14), Window 2, Priority Area 4: Competitive Global and Regional Integration (W2D). There is no counterpart financing for this technical cooperation.

### Indicative Budget (US\$)

Component	Description	IDB/W2D	Total Funding
<b>I. Competitiveness studies</b>	In-depth analysis of LAC countries' competitiveness in strategic GVCs.	600,000	600,000
<b>II. Comprehensive regional analysis</b>	Regional analysis on common challenges and opportunities to leverage competitiveness and integration in GVCs	200,000	200,000
<b>III. Regional forum</b>	Regional Forum to foster regional cooperation and integration into strategic GVCs	100,000	100,000
<b>Other cost. Execution and monitoring</b>	Execution coordination and monitoring of products	50,000	50,000
<b>Total</b>		950,000	950,000

#### **IV. Executing agency and execution structure**

- 4.1 In response to the request from the beneficiaries, this TC will be executed by the IDB, through INT, given the highly technical nature of the activities and the fact that it needs a high level of coordination and interdependence, engaging multiple countries levels of government, several agencies, and entities. Moreover, INT has gained invaluable know-how and experience in the execution of regional integration activities. This is in accordance with Annex II of the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4).
- 4.2 INT has coordinated the first phase of studies within the framework of the APEP Alliance and has a proven track record in value chain studies, also a demonstrated expertise in managing multi-country initiatives. INT's experience and established stakeholder relationships ensure effective project execution.
- 4.3 The execution will be carried out in close coordination with the relevant counterparts in the Ministries of Economics, Trade, Foreign Affairs, Finance, and the Trade and Investment Promotion Agencies of the TC beneficiary countries. To ensure proper oversight, appropriate coordination will be maintained with the IDB representations in each country.
- 4.4 Since the Bank will be the executing entity of this TC, the Team Leader will carry out all the contracts, receiving inputs from the beneficiaries, in accordance with the provisions of the Technical Cooperation Policy (GN-2470-2).

- 4.5 **Procurement.** All procurement will be carried out in accordance with the Bank's policies; and procedures: (i) hiring of individual consultants, as established in the AM-650 standards; (ii) hiring of consulting firms for services of an intellectual nature; and (iii) hiring of logistical services and other non-consulting services, in accordance with policy GN-2303-33.
- 4.6 The knowledge products generated within the framework of this TC will be the property of the Bank and may be made available to the public under a Creative Commons license. However, at the request of the beneficiaries, the intellectual property of these products may also be licensed to the beneficiaries.

## **V. Major issues**

- 5.1 The success of the studies will depend on a significant level of engagement and participation of the relevant stakeholders across beneficiary countries. To mitigate these risks, the operation will actively involve government officials from the beginning of the implementation of the TC through the designation of a focal point in each counterpart that requests support in carrying out competitiveness assessments and periodical progress meetings. Local counterparts will also play a critical role in facilitating the in-situ and virtual interviews and surveys to be conducted by the consultants hired under Components I and II. This approach ensures that the stakeholders are committed and aligned with the project goals from the outset. It is worth noting that since this TC builds on the results of a first phase study, and according to the letters of request of beneficiaries, the activities were thoroughly discussed with beneficiary countries. This preemptive engagement will foster a collaborative environment and reduce the risk of misalignment or lack of commitment.
- 5.2 By addressing these risks through proactive stakeholder engagement, robust coordination, and adaptive management, the project aims to effectively enhance the competitiveness and integration of LAC countries in key global value chains.

## **VI. Exceptions to the Bank's Policies**

- 6.1 This TC does not imply or require any exceptions to the Bank's policies.

## **VII. Environmental and Social Strategy**

- 7.1 This TC is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework (ESPF).

### **Required Annexes:**

[Request from the Client\\_87346.pdf](#)

[Results Matrix\\_10845.pdf](#)

[Terms of Reference\\_61382.pdf](#)

[Procurement Plan\\_29067.pdf](#)

