

TC ABSTRACT

I. Basic Project Data

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| ▪ Country/Region: | REGIONAL/IDB |
| ▪ 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; BLYDE, JUAN S. (INT/RIU); ROSPIDE, MARIA DE LA PAZ (INT/INT); MENENDEZ MARIA GUADALUPE; INFANTE BARBOSA, IRASEMA (INT/RIU); GARCIA CONTRERAS MARIA FLORENCIA (INT/RIU); ESTEVES, YASMIN (INT/INT); FREYTAG, MARIA VERONICA (INT/INL); LEON LARA ROMO ANA SOFIA (INT/INT); DORANTES GOMEZ, ANGELA CARMELIA (INT/INT); BONILLA MERINO ARTURO FRANCISCO (LEG/SGO) |
| ▪ Taxonomy: | Client Support |
| ▪ Number and name of operation supported by the TC: | N/A |
| ▪ Date of TC Abstract: | 05 Aug 2024 |
| ▪ Beneficiary: | Costa Rica, Dominican Republic, Mexico, Panama |
| ▪ Executing Agency: | INTER-AMERICAN DEVELOPMENT BANK |
| ▪ IDB funding requested: | US\$950,000.00 |
| ▪ Local counterpart funding: | US\$0.00 |
| ▪ Disbursement period: | 36 months |
| ▪ 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 to the Update to the Institutional Strategy 2010-2020: | Economic integration |
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II. Objective and Justification

- 2.1 General objective: Building on the findings of the initial studies carried out by INT during 2023 and 2024, this Technical Cooperation (TC) aims to provide a more in-depth competitiveness analysis of the Global Value Chains (GVC) of: semiconductors, medical supplies, and critical minerals for the clean energy transition; 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. This TC seeks to capitalize on the evolving landscape of GVCs by supporting LAC countries in addressing critical challenges, leveraging regional strengths, and ensuring adherence to international 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. This initiative aligns with the broader IDB Group's Institutional Strategy core objective of bolstering sustainable growth by enhancing regional integration and LAC's role in the global economy.

- 2.2 The Americas Partnership for Economic Prosperity (APEP or Americas Partnership) 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 (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.
- 2.3 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.
- 2.4 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.
- 2.5 Since November 2020, the Integration and Trade Sector of the Inter-American Development Bank (INT) has been instrumental in assisting LAC countries in these endeavors. Following the “Americas Partnership-IDB Responsible Investment Forum” held on November 2nd, 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.

III. Description of Activities and Outputs

- 3.1 **Component I: Competitiveness studies.** This component consists of an in-depth analysis of LAC countries' competitiveness in strategic GVCs, including data collection and regulation evaluation (labor, environmental). It incorporates qualitative and quantitative data from government reports, industry databases, stakeholder interviews, and surveys across at least six LAC countries. The studies will provide tailored policy recommendations to drive economic growth, attract foreign investment, and ensure sustainable development.
- 3.2 **Component II: Comprehensive regional analysis.** Based on Component I results, this component develops a regional mapping of potential LAC value chain configurations in key sectors, leveraging each country's comparative advantage. The analysis highlights common challenges, opportunities, and compares the region's performance with global counterparts to identify best practices and leverage strengths. It also formulates specific policy recommendations to enhance regional competitiveness and integration potential.
- 3.3 **Component III: Regional forum.** 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.

- 3.4 **Component IV: Execution and monitoring.** This component involves 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.

IV. Budget

Indicative Budget

| Activity/Component | IDB/Fund Funding | Counterpart Funding | Total Funding |
|---------------------------------|-----------------------|---------------------|-----------------------|
| Competitiveness studies | US\$600,000.00 | US\$0.00 | US\$600,000.00 |
| Comprehensive regional analysis | US\$200,000.00 | US\$0.00 | US\$200,000.00 |
| Regional forum | US\$100,000.00 | US\$0.00 | US\$100,000.00 |
| Execution and monitoring | US\$50,000.00 | US\$0.00 | US\$50,000.00 |
| Total | US\$950,000.00 | US\$0.00 | US\$950,000.00 |

V. Executing Agency and Execution Structure

- 5.1 In response to the request from the beneficiaries, this TC will be executed by the Bank, through the Integration and Trade Sector (INT/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).
- 5.2 The Integration and Trade Sector (INT/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/INT's experience and established stakeholder relationships ensure effective project execution.

VI. Project Risks and Issues

- 6.1 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 reduces the risk of misalignment or lack of commitment.

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.

VII. Environmental and Social Aspects

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