

## Technical Cooperation Abstract

### I. Basic Project data

▪ Country/Region	Mexico
▪ TC name	Strengthening Food Value Chains for Gastronomy
▪ TC number	ME-T1289
▪ Team Leader/Members	Adela Moreda (INE/RND), Team Leader; César Bustamante (RND/CME), and Rosario Gaggero (INE/RND)
▪ Operational support, client support or investigation and dissemination	Client support
▪ Number and name of the operation that will be supported by the TC	NA
▪ Request (IDBDOCS #)	#39420049
▪ Date of TC abstract	24/07/2015
▪ Beneficiary (countries or entities that will receive technical assistance)	Mexico
▪ Executing agency and contact name	IDB: INE/RND
▪ Funding requested to the IDB	US\$350,000
▪ Local counterpart, if any	NA
▪ Disbursement period	10 months
▪ Requested initiation date	01/09/2015
▪ Types of consultants (firms or individual consultants)	Firms
▪ Preparation unit	INE/RND
▪ Unit responsible for disbursement (URD):	INE/RND
▪ TC included in the Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	
▪ Sectoral priority GCI-9:	Institutions for growth and social welfare

### II. Rationale and Objective

2.1 Mexican cuisine is founded on an extended food chain (from planting and harvesting, to selling and cooking) that opens up the possibility to establish collaborative relationships with local producers and to increase a much needed social inclusion. According to FAO, both agriculture producers and production assets are concentrated in very specific areas of the country, with 10% of producers providing almost 80% of productive agricultural sales, and 75% of producers below poverty line.

2.2 On the other hand, in spite of the importance of tourism for the Mexican economy<sup>1</sup>, the country has one of the lowest tourism multiplier effects in LAC Region<sup>2</sup> due to foreign exchange leakages, and an excessive geographical concentration and dependence on sun and beach resources<sup>3</sup> which are limiting a broader spreading of tourism economic

<sup>1</sup> Tourism total contribution to GDP was 14.8% in 2014, placing the country in the 10<sup>th</sup> position in a world ranking of 184 countries<sup>1</sup>.

<sup>2</sup> DB Tourism Sector Framework.

<sup>3</sup> PROSECTUR: 43% of overnight stays in 2013 were concentrated in 5 of the 32 Mexican States; in 2012, 65% of foreign tourists stayed in sun and beach destinations.

benefits. Moreover, the country is losing global market share due to a higher international competition<sup>4</sup>. The current tourism sector program (PROSECTUR 20013-2018) advocates the need to enhance greater supply diversification and innovation, in order to both reinforce the tourism multiplier effect in consolidated destinations and to extend it to new areas and poor population strata. Among the diversification possibilities, culinary tourism stands out since Mexican cuisine was awarded with the UNESCO nomination of Intangible Heritage in 2010<sup>5</sup>.

2.3 Therefore, opportunities exist for Mexican destinations to develop a specialized local cuisine, using home-grown products to diversify and promote the uniqueness of each tourism region while providing new income opportunities to small local producers. However, to develop an efficient culinary tourism supply chain, local producers need to build effective production and distribution systems, while tourist service providers have to integrate small local producers among their regular suppliers. There are coordination failures between agriculture and tourism SMEs and several barriers that hamper a greater inter-firm collaboration that could otherwise promote innovation and greater added value for both sectors, such as: a) asymmetric market information; b) quality and capacity constraints; c) lack of distribution systems for moving local food into mainstream destinations; d) insufficient training for marketing local food; and e) uncertainties linked to regulations that may affect local production, such as those related to safety requirements, especially when targeting international visitors. Aware of these opportunities and challenges, the Government has recently prepared the National Gastronomy Policy, in an attempt to foster a systemic coordination to access new global markets, generate knowledge transfer and develop financial and regulatory instruments that otherwise would not be available to SMEs.

2.4 **This TC aims at strengthening a private collaborative framework to support food value chains under the National Gastronomy Policy.** Therefore, it is aligned with one of the priority areas of the Food Security Fund, cooperation with the private sector in food supply chains. The TC will generate the needed demand knowledge and supply mapping to feed into planning of coordinated investment from different Government entities and levels<sup>6</sup>, in order to support the strengthening of inclusive food supply chains for gastronomy, while looking for the differentiation and reinvigoration of Mexican destinations. The three states selected by the Mexican Government for this TC – Chiapas, Tabasco and Michoacán- show higher poverty rates than the national average<sup>7</sup> and produce different crops that are well positioned to generate new income opportunities for their most disadvantaged population segments: 16% of the total area of Chiapas is used in agriculture products such as corn, beans, bananas and coffee, and almost 40% of the population in the State is engaged in the primary sector; Tabasco generates 70% of cacao total production, while Michoacán crops 90% of avocados total production<sup>8</sup>.

---

<sup>4</sup> World Tourism Organization (UNWTO).

<sup>5</sup> Mexico is one of the two world countries with this UNESCO nomination (the other country is France).

<sup>6</sup> Secretaría de Economía (SE), Secretaría de Turismo (SECTUR), Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación (SAGARPA), Secretaría de Hacienda y Crédito Público (SHCP), federal and states levels.

<sup>7</sup> CONEVAL data for 2012: National absolute poverty rate of 45.4% versus 74.4% in Chiapas, 54.4% in Michoacán and 49.7% in Tabasco; National extreme poverty rate of 9.8% versus 38.3% in Chiapas, 13.5% in Michoacán and 14.3% in Tabasco.

<sup>8</sup> AGARPA.

- 2.5 The TC is aligned with the objectives of the current National Development Plan (NDP) and PROSECTUR, as it will contribute to a more efficient use of existing agriculture resources and to the expansion of tourism development opportunities into new regions and beneficiaries. The TC contributes to the GCI-9 goal of institutions for growth and social welfare, since it will generate market knowledge, will support innovation by SMEs and greater inter-firm linkages. The TC is also aligned with the productivity axis of the Bank's strategy in the country, as it will support the effective integration of rural food SMEs in global chains related to Mexican gastronomy and the tourism sector.

### III. Activities and expected results

- 3.1 The TC integrates three modular components that will be implemented in a sequential way:
- a) **Component 1: Analysis of Current and Potential Demand.** The component will achieve a rigorous study on current and potential tourism demand for gastronomic services in Mexico, allowing a subsequent efficient allocation of resources. The study will help meet the socio-demographic and psychographic profile of different source markets and demand segments, including determinants and preferences, as well as willingness to pay for the creation of new gastronomic products in the three states selected for the TC. Two activities will be achieved: (i) Qualitative demand analysis: Review of secondary sources, interviews with gastronomic services providers and local producers, and focus groups with key gastronomic stakeholders in the domestic and international markets; and (ii) Quantitative demand analysis: achievement of surveys statistically significant of current and potential market trends, at a national and international level. The result will be the design of a strategic portfolio of tourism demand segments and gastronomic products where to concentrate future investments and collaborative efforts.
  - b) **Component 2: Strengthening of the Gastronomy Value Chains.** The component will seek to maximize the local capture of tourism benefits, reviewing current production models and designing new formulas of public-private partnerships and local participation. The component will include two activities: (i) Diagnosis of social inclusion in current gastronomic value chains, in order to identify those nodes where greater local participation and social inclusion is possible, and to evaluate the volume of local producers currently supplying those chains; and (ii) Analysis of culinary tourism products currently offered in the three selected states, based on the demand preferences and willingness to pay identified in the previous component. The result of the component will be the evaluation of local links between tourism service providers and local producers and the characterization of gaps in the competitive capacity of local MSMEs along the gastronomy value chain. The component will therefore identify the loci of the developmental and inclusion bottlenecks, with a special focus on market information and marketing activities, professionalization and formalization of human resources, new technologies, finance access and regulatory constraints.
  - c) **Component 3: Investment Plans.** This component will support the design of an investment plan to reinforce the gastronomy tourism value chains in each of the three selected states. The activity will integrate the development of these three plans, based on the information gathered in the two previous components. The plans should include measurable objectives, strategic lines and specific investment

actions, responsible entities, schedule and monitoring indicators. The result will be a clear roadmap on priorities and investment opportunities for public and private sectors. These plans will be the framework that the Bank will use in the context of a future support to implement the recommendations arising from this TC.

#### IV. Budget

##### Estimated Budget

Activity/Component	Description	IDB/Fund US\$	Local counterpart To be determined	Total US\$
<b>C1: Demand Analysis</b>		<b>185,000</b>		<b>185,000</b>
Qualitative analysis	Secondary sources, interviews, focus groups	35,000		35,000
Quantitative analysis	Significant surveys in key markets	150,000		150,000
<b>C 2: Strengthening of Gastronomy Value Chains</b>		<b>90,000</b>		<b>90,000</b>
Diagnosis of social inclusion in tourism value chains	Evaluation of level of participation of poor local producers	60,000		60,000
Analysis of culinary tourism products	Gaps between current supply and demand preferences and main barriers faced by MSMEs along the value chains	30,000		30,000
<b>C3: Investment Plans</b>		<b>75,000</b>		<b>75,000</b>
Investment Plan Chiapas	Plan	25,000		25,000
Investment Plan Michoacán	Plan	25,000		25,000
Investment Plan Tabasco	Plan	25,000		25,000

**V. Executing agency and structure:** This operation will be executed by the Environment, Rural Development and Disaster Risk Management Division (INE/RND) at the Inter-American Development Bank, in accordance with the Bank's Technical Cooperation Policy (Document GN-2470-2). The main reason that justifies the execution of the project by the Bank is that INE/RND has gained invaluable know-how with the preparation and execution of a significant amount of tourism operations in Latin America and the Caribbean, which has allowed to extract important learned lessons and identify market trends that are key for the management and results of this technical assistance. The contracting of project consultants will be carried out by the Bank in accordance with document GN-2350-9 (Policies for the Selection and Procurement of Consulting Services Financed by the IDB) of March 2011.

**VI. Project Risks:** The success of the project will depend on a significant level of engagement and participation of the relevant public and private stakeholders and potential outbound markets during the demand study phase, in order to obtain valuable inputs to establish feasible and sustainable culinary tourism investments in the three selected states. The operation will mitigate the risk by engaging government officials and private sector representatives in the foreseen activities and through an intensive dissemination strategy during the preparation of each of the CT Components.

**VII. Environmental and Social Classification:** It is not anticipated that the activities to be financed in this TC will have negative direct social or environmental impacts. Therefore the team considers that, according to the Bank's Safeguards Screening Toolkit, this operation should be given a classification of Category "C" because: (i) there are no environmental or social risks; and (ii) there is direct contribution to solve social issues.