Early Warning System

IFC-609045

Nearshoring and FDI Diversification in LAC

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Quick Facts

Countries	Guatemala
Financial Institutions	International Finance Corporation (IFC)
Status	Approved
Bank Risk Rating	U
Voting Date	2024-07-28
Sectors	Finance, Technical Cooperation
Investment Type(s)	Advisory Services
Project Cost (USD)	$ 1.84 million

Project Description

According to the IFC, this project will build on the findings from the previous activities through AS 607870. The program will use the in-depth assessment of sectors/sub-sectors along with the identified recommendations in CACM countries. This will support selected countries in the development of FDI attraction strategies and enhance supply chain development to maximize the development impact and sustainability of nearshoring investments. The goal is to improve national competitiveness, prioritize and strengthen strategic industries, define a clear value proposition aligned to nearshoring trends, and adopt best practices to attract investment.

Using these insights and strategic discussions with internal and external counterparts, the project will define countries to develop sub-projects. Through these IPs, country-specific TA will be provided to support enabling environment reforms identified and to build the private sector institutional capacity to leverage nearshoring and attract FDI.

Though the activities for this program will vary by country, they will include the provision of TA designed to strengthen the countries' institutional capacities to attract higher quality FDI and support supplier development activities necessary for a sustainable nearshoring.

Investor targeting and firm-level upstream or advisory support through sub-projects will also be important to ensure high quality FDI, for example avoiding sectors associated with considerable carbon emissions and focusing on target investors with a proven track record to greening their supply chain end-to-end.

The project expects to deliver this advisory through the following components (tailored to each country):

1.1 Institutional Impact Assessment
To complement the investor survey developed during the DnS, the team will carry out an assessment of Investment Promotion Agencies (IPA) or other relevant institutions in selected countries. This assessment will set an institutional benchmark from which the impact of TA to be provided can be measured. Specifically, this assessment aims to:
-Determine institutional priorities and level of support needed.
-Emphasis on building on strengths than minimizing weaknesses while establishing a framework optimizing donor cohesion.
-Draw linkages between investor survey conclusions and IPA or other relevant institutions' strategies and institutional priorities.

1.2. Country Analysis and Nearshoring Feasibility
This subcomponent will combine insights from the Nearshoring D&S and activity 1.1. to determine country and industry readiness for nearshoring. Using these conclusions, feasibility will be determined based on the competitive advantages, political context, business environment, private sector perceptions and trends, logistics and production infrastructure, priority industries, IPA/other relevant agency strategy and capacities, and national priorities (government expression of interest).

1.3 Specific industry studies to focus SME program.
This activity will be done for Mexico, and may be replicated at a later stage in other countries to be identified.

1.4 Preparation of Implementation Plans
Using the outputs from the previous activities and the country's expression of interest, the team will select the countries for IPs. These will consider strategic sectors and key stakeholders for the provision of TA assistance, training, and capacity building, to create a feasible and sustainable nearshoring attraction strategy.

Investment Description

- International Finance Corporation (IFC)

Contact Information

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