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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

REGIONAL

INTEGRATED VALUE CHAIN SYSTEM

(RG-T2813)

DONORS MEMORANDUM

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PROJECT SUMMARY
INTEGRATED VALUE CHAIN SYSTEM
(RG-T2813)

Project RG-T2813 aims to increase the exports of small and medium-sized enterprises (SMEs) in the region through the Integrated Value Chain System (IVCS) which will help to identify requirements and conditions for access to global value chains (GVCs).¹ Large multinational corporations are the main drivers of GVCs, since they have strong incentives to leverage the opportunities currently presented by the fragmentation of global production processes and international integration.² Being part of a global or regional value chain is crucial in order for SMEs to increase productivity and competitiveness, diversify exports, and offer better job opportunities. However, the existing information asymmetries prevent SMEs from identifying the purchasing requirements of large corporations and the private standards for gaining a foothold in global goods and services supply chains.

The Multilateral Investment Fund (MIF) together with the Integration and Trade Sector (INT) approved the “**Regional Facility for Innovation in Trade Information Services for SMEs**” (RG-M1218). The expected *impact* of the Facility is to contribute to increasing SME exports, and the expected *result* is the creation of information services models for innovative foreign trade that facilitates the identification of export opportunities. The project will offer services, functionalities, and information on GVC access conditions that are currently not available to SMEs, enabling them to obtain free, highly detailed information on the purchasing requirements of multinational companies that match their business profile through simple, user-friendly, smart applications that will orientate them on international supplier opportunities. For example, if an SME is looking to export a good or service, the system will provide information on large buyers, their purchasing requirements, the private certifications required, the certifying body, the certification process, and the public and private financing sources available in their country of origin.

For that, partnerships will be forged with multinational or multilatinas companies to consolidate and publish their purchasing requirements in the IVCS, and the databases of more than 60,000 SMEs registered on the ConnectAmericas.com website and their predictive intelligence capacities will be used, together with the business contacts from the Made in the Americas program and the INTradeBID databases. Upon project completion, an online information system is expected to be integrated into INTradeBID, ConnectAmericas, and third countries, with a view to creating a comprehensive regional public good that consolidates in one place all the information needed to facilitate the integration of SMEs into GVCs.

The project consists of a holistic intervention that will link three stages, promoting a sustainable ecosystem that includes: (i) the development of the integrated value chain system integrated into INTradeBID and ConnectAmericas; (ii) the regionalization of the IVCS to ensure its scalability through strategic partnerships with multinational

¹ The range of activities that add value that are necessary to produce a good or to provide a service, beginning at its conception, and continuing through the production process in different countries until final delivery to the consumer. *Synchronized Factories, Latin America and the Caribbean in the Era of Global Value Chains*. Juan Blyde (ed). Springer.

² Geographic distribution of the different activities involved in providing a final good or delivering a service in two or more countries.

companies, SMEs, and public and private institutions, providing a sustainable ecosystem for the provision and dissemination of information; and (iii) knowledge management to consolidate the lessons learned and generate knowledge products to be disseminated among key audiences.

ANNEXES

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Proposed resolution

INFORMATION AVAILABLE IN THE TECHNICAL FILES

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ABBREVIATIONS

ConnectAmericas	IDB's digital social media platform to help companies in Latin America and the Caribbean, especially SMEs, expand into international markets. ConnectAmericas offers companies access to potential clients, suppliers, partners, and investors in the region and across the world (www.connectamericas.com).
GVC	Global value chain
INT	Integration and Trade Sector
INTradeBID	Portal on integration and trade in Latin America and the Caribbean that offers a specialized database of legal frameworks, access to markets, statistics, and indicators that measure the structure and performance of trade (www.intradebid.org).
IVCS	Integrated Value Chain System
SMEs	Small and medium-sized enterprises
TPOs	Trade promotion organizations

**REGIONAL
INTEGRATED VALUE CHAIN SYSTEM
(RG-T2813)**

EXECUTIVE SUMMARY

Country and geographic location:	Regional in the countries of the Pacific Alliance (Chile, Colombia, Mexico, Peru) and Costa Rica and Brazil.		
Executing agency:	MIF/INT		
Pillar:	Knowledge economy.		
Coordination with other donors/Bank operations:	Trade and Investment Unit (INT/TIU), a MIF strategic partner in the Facility.		
Direct beneficiaries:	25,000 small and medium-sized enterprises (SMEs) from the IDB Group's 26 borrowing member countries in Latin America and the Caribbean will use the Integrated Value Chain System (IVCS) incorporated into INTradeBID and ConnectAmericas, allowing them to access different sources of information on the main conditions to access global value chains (GVCs). Of these, 500 SMEs with export potential will join a GVC.		
Indirect beneficiaries:	Institutions and bodies that boost business competitiveness and exports, such as: trade promotion organizations (TPOs), business chambers and associations that will use the IVCS, and the large companies that will benefit from expanding their supplier network.		
Financing:	MIF contribution:	US\$450,000	50%
	INT counterpart:	US\$450,000	50%
	Total project cost:	US\$900,000	100%
Execution and disbursement period:	24 months for execution and 30 months for disbursement.		
Environmental and social impact review:	This operation was pre-evaluated and classified in accordance with the requirements of the IDB's Environment and Safeguards Compliance Policy (OP-703). Since the impacts and risks are limited, this has been classified as a category "C" operation.		
Disbursement unit:	MIF, Washington, D.C.		

I. BACKGROUND AND RATIONALE

A. Diagnostic assessment of the problem to be addressed by the project

- 1.1 According to a recent study of the IDB's Integration and Trade Sector,³ global value chains (GVCs) are allowing the countries linked to such chains to become industrialized at a much faster rate, creating opportunities to diversify production and trade. In addition, participation in GVCs is linked to faster learning, technology transfers, and knowledge dissemination.
- 1.2 Despite the progress made on trade policy and significant tariff reductions in Latin America and the Caribbean, as well as the potential benefits of the GVCs, few countries in the region are leveraging the new trends in the international organization of production. Although some Mexican and Central American companies have—to differing extents—entered value chains in North America, Latin America is generally behind in terms of GVCs when compared to other regions, such as Europe and the Asian Pacific.⁴ The region's exports are highly concentrated in commodities, and it has a low participation in GVCs, which leads to lower interregional trade—trade with the rest of the world accounts for only 18% of total trade (compared to almost 47% in East Asia, and 60% in the European Union).
- 1.3 Large multinational corporations are the main drivers of GVCs, since they have strong incentives to “deverticalize” their production by leveraging the opportunities currently offered by global production. As intermediate inputs account for half of world trade, production integration is crucial in order to achieve higher growth and development in Latin American and Caribbean countries. Being part of a global or regional value chain is crucial for companies to increase productivity and competitiveness, diversify exports, and create job opportunities.
- 1.4 The fragmentation of production has a positive impact on developing countries since in order to produce a good, rather than having to master all the phases of production, they can specialize in one or several phases where they are competitive. Small and medium-sized enterprises (SMEs) also play an important role in GVCs by becoming suppliers for large multinational corporations. In this regard, although multinational companies are the drivers of GVCs, SMEs can leverage opportunities created through this new trend and find their niche in a particular production chain.
- 1.5 There are many variables that determine participation in GVCs, such as transport and logistics infrastructure, trade policy, contractual environment, and human capital. One very important variable is information asymmetry, which technology can solve at a low cost. According to the abovementioned study,⁵ “information flows normally required to connect a buyer and a supplier to a global chain can be

³ Synchronized Factories, Latin America and the Caribbean in the Era of Global Value Chains, available at: <http://www.synchronized-factories.com/>

⁴ The exports of companies in east and southeast Asia and the European Union use between 12 and 15 percentage points more foreign value added than Latin American and Caribbean exports. “Nuevas tendencias en los tratados comerciales en América Latina, módulo III Los Acuerdos Comerciales Regionales como herramienta para acceder a mercados exteriores: Detrás de la frontera” [New Trends in Trade Agreements in Latin America, Module III, Regional Trade Agreements as a Tool for Accessing Foreign Markets: Beyond Borders] IDB 2016.

⁵ Synchronized Factories, Latin America and the Caribbean in the Era of Global Value Chains, available at: <http://www.synchronized-factories.com/>

enormous: the suppliers have to tailor their production to the demands of particular buyers, whereas buyers have to transmit that information to the suppliers and ensure that they are able to deliver the product with the correct specifications.” The project focuses on this last aspect: private purchasing specifications and standards.

- 1.6 The project will address the specific **problem** of the limited access of SMEs in the region to information sources that enable them to identify the requirements and conditions to access GVCs.
- 1.7 The project seeks to create an information system that provides specific recommendations on sources of support, guidance, and management in Latin America and the Caribbean to deal with the purchasing requirements of large multinational corporations, private specifications and standards, and access to financing.⁶ The project also helps to generate an important linkage between the buyer and seller of goods and services, thereby facilitating the closing of business deals and the entry of the region’s SMEs into GVCs.
- 1.8 To that end, the more than 60,000 SMEs registered on the ConnectAmericas.com website will be leveraged together with the Made in the Americas program,⁷ through which major global companies such as McDonald’s (Arcos Dorados), DHL, Grupo Britt, Genexus, GlobelIn, and Grupo Bimbo regularly publish their purchasing announcements on ConnectAmericas. More large buyers are expected to publish their requirements on ConnectAmericas through this information system and, in turn, more SMEs will join the network to take part in these opportunities.
- 1.9 The MIF Donors Committee approved the **“Regional Facility for Innovation in Trade Information Services for SMEs” (RG-M1218)**. The Facility, executed jointly by the MIF and the Integration and Trade Sector (INT), includes the financing of five pilot projects based on criteria such as: (i) the grounds and innovative nature of the proposal that make it technically, financially, and institutionally viable; (ii) the extent to which they help to solve a problem or leverage an opportunity related to access to information on foreign trade and advisory services for SMEs at the country and/or regional level; (iii) the contribution to improving the INTradeBID portal in terms of use of existing information, access to new information, and contribution to new tools and functionalities; (iv) the potential for scalability and regionalization; and (v) the alignment of the proposed knowledge products with the Facility’s knowledge objective.
- 1.10 The Facility conducted a regional study on the needs of SMEs to access international markets and mapped out the current foreign trade platforms in the region. Both studies identified the need and significant interest of SMEs and trade promotion organizations (TPOs) in accessing tools that facilitate entry into GVCs.

⁶ The IVCS will promote the IDB Integration and Trade Sector’s sovereign-guaranteed loan programs that finance access to private certifications for SMEs, as well as the public and private financing sources available to SMEs in their country of origin.

⁷ Made in the Americas is a collaborative program in which the IDB, through ConnectAmericas, comes together with large purchasing companies to help SME suppliers join their supply chains. The program offers information on real business opportunities with participating purchasers, in addition to tools and other types of support, to help SME suppliers fulfill the requirements of these supply chains and partner with other SME suppliers to meet the demands of larger volume purchases. Arcos Dorados (McDonald’s), DHL, Grupo Britt, Genexus, GlobelIn, and Grupo Bimbo are part of this program.

- 1.11 The Facility's Steering Committee recommended supporting this project and that the Bank execute it so as to draw on the capacities built up at INTradeBID (such as the database on rules of origin, tariff preferences, and the harmonized system) as well as the predictive intelligence capacities and business contacts of ConnectAmericas and the Made in the Americas program. In addition, the project will provide an opportunity to create a business module and to add new functionalities and new information to GVCs that are not currently available to SMEs, allowing business owners to focus much of their efforts on other areas such as product suitability, competitiveness, and trade promotion.

B. Beneficiaries

- 1.12 The direct beneficiaries of the project will be 25,000 SMEs in the region, who will use the IVCS. Of these, 500 SMEs that have export potential will be linked to GVCs.
- 1.13 The indirect beneficiaries will be the institutions that boost business competitiveness and exports, such as: TPOs, business chambers and associations that will be able to incorporate the IVCS into their business models to advise SMEs, and the large companies that will benefit from expanding their supplier network.
- 1.14 The project's beneficiary companies will be identified among the companies registered on ConnectAmericas (database and statistics) during project implementation. The list of the Facility's beneficiary companies will also be used.

C. Contribution to the MIF mandate and the IDB strategy

- 1.15 The project is aligned with the Bank's strategy to strengthen the private sector since it addresses barriers to increasing the competitiveness, internationalization, and exports of companies. It also supports the development of business competitiveness and export promotion agencies and institutions, such as the TPOs, business chambers and associations that will use the IVCS, thereby improving the advisory services they provide to SMEs. The integration of the IVCS into INTradeBID and ConnectAmericas helps to bridge the gap identified in the Facility in terms of difficulties in accessing information sources on GVCs, thus contributing to the MIF mandate on building private sector capacities. The development of partnerships with large multinational corporations and public-private agencies helps to bridge the knowledge gap related to learning how to establish partnerships with and among key stakeholders in impact and scaling processes.
- 1.16 **Collaboration with the IDB Group:** The project has been designed by the MIF in collaboration with the Integration and Trade Sector (INT), a MIF partner in the Facility. The collaboration with the IDB Group/INT is based on: (i) its broad experience and knowledge of export promotion agencies in Latin America and the Caribbean; and (ii) the comprehensive foreign trade databases developed by INT on the INTradeBID and ConnectAmericas platforms, which will be enhanced under the project.

II. DESCRIPTION

A. Objectives

- 2.1 The project objective at the **impact** level is to help increase the exports of the region's SMEs that are export-ready.⁸ At the **outcome** level, the aim is to establish the IVCS to help SMEs identify the requirements and conditions for access to GVCs.

B. Description of model/solution/intervention

- 2.2 The project consists of a comprehensive intervention that will link three stages, providing a sustainable ecosystem that includes: (i) the development of the IVCS and its integration into INTradeBID and ConnectAmericas, (ii) regionalization, knowledge transfer, and demonstration in different contexts or countries of the positive impacts of the IVCS and its contribution to SME exports, and (iii) knowledge management for disseminating results and lessons learned.

- 2.3 **First: Development of the IVCS.** In general terms, the system will be a solution that provides free information on the purchasing requirements and recommendations on the private specifications and standards used by companies that are large buyers in the food and beverage, communications and information technology, textile, and clothing and fashion sectors in Pacific Alliance countries (Chile, Colombia, Mexico, Peru) and Costa Rica and Brazil. The IVCS will in general terms be an easy-to-use, natural language solution for SMEs that will operate under the functional consultation logic of the following modules:

Purchasing standards module⁹ that provides two tools:

- a. **Driver of contextual recommendations.**¹⁰ Intelligently consolidates and recommends the supplier opportunities published by large purchasers in the selected sectors that match the business profiles of SME users (business profile on ConnectAmericas).
- b. **Interactive information system on purchasing standards and private certifications.** Identifies the purchasing standards and private certifications required by large companies in the selected strategic sectors. SMEs will be able to use interactive tools to identify the sectors, purchasing companies, purchasing standards, and private certifications required, and access detailed information on specific certifications, certifying companies, contacts, costs and possible sources of financing in the country of origin.

⁸ Export-ready SMEs include small and medium-sized enterprises that have overcome basic organizational and business development constraints and require information to access international markets.

⁹ Purchasing standards will be the requirements, minimum regulations, and best practices that a product or service must comply with in order to enter the value chain of a global company ("large purchaser").

¹⁰ The recommendation systems compare the data of one user with that of another user and creates a list of articles and topics to recommend. These systems, based on mathematical algorithms, are part of a specific information filtering technique, which present different information items that are of interest to a specific user (possible trade partners, news, articles, events, courses, videos, etc.). A system of recommendations generally compares a user profile with certain reference characteristics for the topics and seeks to predict the ranking that a user would give to an item yet to be considered by the system. These characteristics can be based on the relationship or closeness of the user to the particular issue or in the user's social environment.

Driver of input-product chains module that will provide:

- a. **Input-product database.** The system identifies the set of codes of the harmonized system for a specific product,¹¹ as well as the potential inputs used to prepare that product and the products that use it as an input. The user will be able to edit those lists and remove and add inputs not included in the database prior to connecting to other consultation tools.
- b. **Application tool for rules of origin.** The system will identify which countries can be exported to at preferential tariffs by combining the productive structure identified in the driver of the input-product chain with the user's export country, as well as the trade databases and rules of origin.

Indexed library module. This module will provide business owners with the trade intelligence studies conducted by TPOs¹² in the region, offering detailed information on sectors, products, and opportunity markets.

- 2.4 **Integration of the IVCS information system into INTradeBID and ConnectAmericas.** The IVCS's functional interoperability makes it possible to "communicate" (exchange information) with INTradeBID, ConnectAmericas, and with third countries by developing interfaces and integrating data and services. It will provide a platform that includes a set of generic functionalities that have been validated with partners to ensure they can be used in the whole region.
- 2.5 **Second: Regionalization of the IVCS.** Regionalization will be achieved by developing a white label system¹³ and a "mobile alerts"¹⁴ system, which will enable SMEs and partner organizations to embed the developments in their websites and/or have free, direct access from a mobile device. It also includes interagency coordination and a market, promotion, and communications campaign in close collaboration with SMEs and public and private institutions involved in the project.
- 2.6 The role of SMEs, TPOs, chambers, business associations, guilds, government agencies, and the Facility's communities of practice¹⁵ will be to participate in the design, testing, and validation of the tool, as well as in the promotion and use of the IVCS.

¹¹ INTradeBID already has a database of codes for the harmonized system commissioned under the Facility, providing support to the driver of the input-product chain.

¹² This initiative is promoted by the community of practice currently led by the Facility, making it possible to share the studies conducted by participating agencies.

¹³ The white label concept is a solution that makes it possible for other institutions to offer the tool as their own. The solution consists in a website with the same structure and content as ConnectAmericas, except with the local organization's logos, information, and color scheme in the header and footer. The owners of white label solutions will have "content editor" accounts that will allow them to directly upload four types of content related to the central topic of the project (videos, articles, services, and events) to the platform. These organizations could also organize virtual matchmaking events, conduct user surveys, and perform data analysis, etc. so that any SME, export promotion agency, business chamber, or similar institution can incorporate the system into its website (design, programming development, testing, and implementation).

¹⁴ The mobile alerts incorporate push technology, in which a server application sends a message to a client-consumer. In other words, it is a message sent by a server to alert people they have new information. It will enable users registered in the system to receive information each time that a purchasing opportunity is published that matches their business profile and main interests.

¹⁵ The Facility boosts three communities of practice by thematic areas: (i) Community of Practice on Logistics COP-SIL; (ii) Community of Practice on Assisted Exports to SMEs COP-PEA; and (iii) Community of Practice on Nontariff Requirements COP-RNA, with the participation of 50 organizations from 17 countries.

- 2.7 In terms of demand, ConnectAmericas has the capacity to register both purchasing companies and suppliers, supply analytical information on the parties, and measure the expected outcomes.
- 2.8 **Third: Knowledge management.** Lessons learned will be consolidated and knowledge products created to be disseminated among the project's target audiences.

C. Components

Component I: Development of the IVCS and its integration into INTradeBID and ConnectAmericas (MIF: US\$240,000; Counterpart: US\$348,000)

- 2.9 The objective of this component is to provide SMEs with a user-friendly tool that is integrated into INTradeBID and ConnectAmericas that enables them to identify the purchasing requirements and private certifications of large purchasing companies, facilitating their incorporation into GVCs.
- 2.10 The activities considered are: (i) consolidation of databases and statistics on the INTradeBID platform; (ii) predictive intelligence services of the ConnectAmericas platform; (iii) development of purchasing standards module; (iv) development of a driver module for input-product chains; (v) development of an indexed library module; and (vi) interoperability among platforms.
- 2.11 The expected outcomes are: (i) prototype designed and validated with SMEs and partners; (ii) IVCS developed and validated with SMEs and partners; (iii) partnerships with large purchasing companies; and (iv) interoperability among IVCS, INTradeBID, and ConnectAmericas platforms.

Component II: Regionalization of the IVCS (MIF: US\$200,000; Counterpart: US\$87,000)

- 2.12 The objective of this component is to make the IVCS available to the whole region, especially SMEs, business chambers, and TPOs interested in incorporating the system into their business models.
- 2.13 The activities involved are: (i) development of the white label system; (ii) development of the mobile alert system; (iii) educational resources¹⁶ on private purchasing standards-IVCS; and (iv) promotion and dissemination of the IVCS. Regionalization includes training activities and knowledge transfer for SMEs, business chambers, and TPOs interested in using the platform, as well as a promotion and dissemination campaign for the IVCS through electronic media on ConnectAmericas, INTradeBID, and the websites of the MIF and participating organizations.
- 2.14 The expected outcomes are: (i) benefits of the IVCS disseminated through the promotion campaign, launch, and dissemination at the regional level; (ii) community of practice of the Facility integrated into ConnectAmericas and supporting the regionalization of the IVCS; and (iii) SMEs and TPOs trained on the use of IVCS.
- 2.15 Regionalization includes training activities and knowledge transfer for SMEs, business chambers, and TPOs interested in using the platform, as well as a

¹⁶ Courses on private certifications and access to value chains will be offered through ConnectAmericas.

promotion and dissemination campaign for the IVCS through electronic media on ConnectAmericas, INTradeBID, and the websites of the MIF and participating organizations.

- 2.16 The expected outcomes are: (i) benefits of the IVCS disseminated through the promotion campaign, launch, and dissemination at the regional level; (ii) community of practice of the Facility integrated into ConnectAmericas and supporting the regionalization of the IVCS; and (iii) SMEs and TPOs trained on the use of IVCS.

Component III: Knowledge management (MIF: US\$10,000; Counterpart: US\$15,000)

- 2.17 The objective of this component is to systematize and document the knowledge products generated by the project.
- 2.18 The activities involved are: (i) preparation of a case study that systematizes the lessons learned from the project; and (ii) preparation of a methodological trade guide for the IVCS.
- 2.19 The expected outcome relates to sharing experiences, and disseminating knowledge products and lessons learned to ensure efficient outreach to key audiences.
- 2.20 The main audiences for the dissemination of knowledge products include SMEs, trade chambers, TPOs, business guilds, government agencies, and regional networks.
- 2.21 The main channels for reaching these audiences include the IVCS-INTradeBID-ConnectAmericas and the platforms of other strategic partners to the project, through which the knowledge products and outcomes will be disseminated.

D. Governance and execution mechanism

- 2.22 The MIF Donors Committee approved the “Regional Facility for Innovation in Trade Information Services for SMEs” (RG-M1218), executed jointly by the MIF and the Integration and Trade Sector (INT). Component II includes financing for five pilot projects¹⁷ with a maximum MIF contribution of US\$350,000 for each project. (paragraphs 3.13 and 4.2 of the Donors Memorandum).
- 2.23 It should be noted that two studies¹⁸ conducted by the Facility showed the need and significant interest of SMEs and TPOs in the region in accessing tools to facilitate entry into GVCs, as well as the low capacity of executing agencies to develop this initiative. The Facility’s Steering Committee suggests that the Bank

¹⁷ To date four pilot projects have been financed: (i) CR-M1024 “Access to Information Services Export Logistics for SMEs” in Costa Rica, executed by PROCOMER; (ii) BR-M1137 “Mapping and Systematization of Trade Processes” in Brazil by CNI; (iii) PE-M1105 “Assisted Export Platform” in Peru by PROMPERU; and (iv) CO-M1103 “Online Information System on Non-Tariff Requirements for SMEs” in Colombia by PROCOLOMBIA.

¹⁸ Two regional studies conducted by the Facility confirmed the demand of SMEs and TPOs in the value chain. The first was the *Diagnóstico regional sobre las necesidades de información de las PyMEs para acceder a los mercados internacionales* [Regional diagnostic assessment of the information needs of SMEs to access international markets] (8 countries, 127 user stories); and the second was *Mapeo de plataformas en comercio exterior* [Mapping foreign trade platforms] (22 countries in the region, 81 organizations consulted), which showed the lack of information platforms in GVCs and the importance of creating a pilot project in IVCS.

execute the pilot project so as to draw on the capacities built up in the ConnectAmericas business network and its predictive intelligence development, as well as the business contacts of the Made in the Americas program and the INTradeBID databases. The suggested value of the pilot project is US\$450,000 given its technical complexity, the interoperability, and the partnership management involved.

- 2.24 The MIF office will execute the pilot project. The executing unit will be responsible for the direction, coordination, and monitoring of outcomes, and will be made up of MIF and INT employees as follows: the coordinator of the pilot project (i.e., the coordinator of the Regional Facility RG-M1218) in charge of the overall management and coordination of all activities, a specialist from the Integration and Trade Unit with knowledge of INTradeBID, a specialist from the Integration and Trade Unit with knowledge of ConnectAmericas, and an information technology advisor for ConnectAmericas. The Bank will hire individual consultants, consultancy firms, and nonconsultancy services in accordance with the procurement policies in effect.
- 2.25 The Integration and Trade Sector (INT) and the MIF will join forces for project execution and supervision. The roles and responsibilities for project execution have been defined according to the core competencies of the actors involved in the operation. INT will provide its expertise, which it acquired by creating and managing INTradeBID and ConnectAmericas, offering the project its knowledge and practical experience in providing information services on foreign trade to SMEs, managing partnerships with large purchasing companies, and promoting and disseminating outcomes. The MIF will contribute its capacities to consolidate and disseminate the knowledge generated by project, implementing a regionalization strategy aimed at scaling-up project benefits in the region, as well as performing monitoring and supervision. The people in charge of project management and execution are part of the technical and management team for Facility RG-M1218 and ConnectAmericas, as indicated in paragraph 2.24. This ensures the project is aligned with the general scope of the regional Facility as well as the technical and operational capacity required for its execution. The project Operating Regulations will include details about the interaction among the MIF, INT, and partners to ensure the necessary coordination for achieving project results and impacts.

E. Sustainability

- 2.26 Project sustainability will be ensured through the integration of the IVCS into INTradeBID and ConnectAmericas; the latter is responsible for maintenance, management, and updating the information. This will make it a public good that can be used by SMEs and export promotion organizations across the region. The Facility's communities of practice will be integrated into ConnectAmericas' thematic communities, which will be responsible for their management and maintenance, so as to draw on the network of strategic partnerships with TPOs, business chambers, and SMEs to promote the use of the IVCS. ConnectAmericas will allocate the budget and will invest in the management, development, and dissemination of future improvements to the IVCS and will design the system's sustainability plan with those involved to identify and guarantee the actions and commitments required to ensure the continuity of the services provided.

F. Lessons learned from the MIF and other institutions on project design

- 2.27 Lessons learned from certain MIF-backed value chain projects were taken into account in designing the project, in particular those from the “Supplier Development Program in El Salvador (ES-M1029),” focused on improving the bilateral relationship between a client (driver) and a supplier (SMEs), enhancing distribution throughout the chain; the project “Integrating Small-scale Producers into Honduran Agribusiness Chains (HO-S1007),” focused on increasing the income of small producers by linking them to value-added companies and integrating them into agribusiness chains; and the project “Promoting Shared Value Business Approaches with Poor and Low-Income Populations (CO-M1084),” including: (i) business development programs should be complemented by concrete offers to access a cluster or value chain that make it possible to overcome the lack of fully horizontal instruments; (ii) the programs, which are focused on identifying the public inputs lacking in clusters and chains, benefit greatly from the information contributed by private partnerships; and (iii) a central objective of cluster and chain programs is to encourage collective action among private actors and cooperation among them and public agencies and other support organizations—this coordination is crucial in ensuring project sustainability.

G. MIF additionality

- 2.28 **Nonfinancial additionality:** The MIF’s nonfinancial additionality, in strategic collaboration with INT, stems from the coordination capacity of actors and the technical support needed to elevate this project to the level of a regional public good. The MIF, as an institution that coordinates actors, and INT, as a trade and integration expert, add value and credibility since the project is based on establishing collaborative partnerships among different stakeholders. The lessons and experiences from projects based on partnerships with private companies, guilds, and government agencies give the project real benchmarks that will help to overcome challenges faced for project regionalization.
- 2.29 **Financial additionality:** The MIF’s financial participation will make it possible to finance the development and integration of the IVCS into INTradeBID and ConnectAmericas, creating a regional public good and making it possible to transfer knowledge and build capacity for the entry of SMEs into GVCs.

H. Project outcome

- 2.30 Proposed outcome indicator:
- a. 25,000 SMEs will use the IVCS (CRF 160100).
 - b. 500 SMEs and 50 export promotion organizations will benefit from knowledge transfer/training on the IVCS.

I. Project impact

- 2.31 Proposed impact indicator: 500 SMEs will join global export chains (CRF 330101).
- 2.32 To consolidate the project’s impacts and outcomes and its contribution to the Facility, measurements will be gathered of IVCS usability and the number of SMEs that join GCVs, through statistics consolidated by the ConnectAmericas information systems.

J. Systemic impact

- 2.33 The systemic impact of the project is linked to the transfer of knowledge acquired at the IVCS to other public and private organizations participating in the project; the scaling of the tool as a regional public good through its integration into INTradeBID and ConnectAmericas; and the promotion and dissemination of outcomes.

III. MONITORING AND EVALUATION STRATEGY

- 3.1 **Baseline:** The project baseline will be established taking into consideration the indicators set out in the logical framework for measuring outcomes and impacts.
- 3.2 To establish the baseline for the project's beneficiary companies, a list will be obtained with information about multinational and multilatinas corporations that publish purchasing requirements on the ConnectAmericas database, the companies participating in the Made in the Americas program, and other companies identified in managing partnerships with large purchasing companies interested in expanding their supplier chain in the identified sectors. On the demand side, a list will be compiled of export SMEs registered in ConnectAmericas, INTradeBID, and the baseline of the Facility's beneficiary companies. To monitor the baseline and expected outcomes, data collection and survey techniques will be used and the various predictive analysis tools of ConnectAmericas will be used to perform an annual performance evaluation, which will make it possible to assess the number of SMEs linked to GVCs, verifying whether the proposed impact and outcome indicators are being met.

IV. COST AND FINANCING

- 4.1 The project has a total cost of US\$900,000. Of this amount, the MIF will contribute US\$450,000 (50%) and INT will contribute US\$450,000 (50%). The execution period will be 24 months and the disbursement period, 30 months.

Description	MIF	Counterpart	Total
Project components			
Component I: Development of the IVCS and its integration into INTradeBID and ConnectAmericas	240,000	348,000	588,000
Component II: Regionalization of the IVCS	200,000	87,000	287,000
Component III: Knowledge management	10,000	15,000	25,000
Total	450,000	450,000	900,000
% of financing	50%	50%	100%

- 4.2 The Integration and Trade Sector's counterpart contribution will be in kind, including a technological contribution related to INTradeBID databases and statistics that will be used to identify trade agreements, rules of origin, and the products that could be exported with tariff preferences, as well as the investments made by ConnectAmericas in the predictive intelligence system to intelligently consolidate and recommend supplier opportunities published by large purchasers in the selected sectors that match the business profiles of the 25,000 SMEs that are users under the project. In addition, it will contribute three INT employees who will attend to the technology development activities of the IVCS, the management

of strategic partnerships with large buyers, the interoperability of the system, and regionalization and dissemination, among other things. The project resources will not supplement the budget of each department.

V. RISKS

- 5.1 The project risks identified are: (i) *Risk of technical incompatibility* (technological structures are unable to be integrated) prevents the creation of an interoperability linkage between ConnectAmericas, INTradeBID, and the IVCS and the information systems of the countries interested in using the platform. To mitigate this risk, generic functionalities will be used in development, based on the development of interfaces and the exchange of open information, as well as testing activities. (ii) *TPOs are not interested in adopting the IVCS in their business models to provide advisory services to SMEs*. To mitigate this risk, cutting edge technological tools will be developed to create direct value for SMEs, which are ultimately the beneficiaries and/or direct members of these organizations. (iii) *The lack of updated information could discourage the private sector from using the platform*. To mitigate this risk, interagency agreements will be established with private partners and with companies in the Made in the Americas program.

VI. ENVIRONMENTAL AND SOCIAL EFFECTS

- 6.1 The project was reviewed by the Environmental and Social Review Committee and was approved and classified as a category “C” operation.