

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Consolidation of the strategy to strengthen regional value chains in Latin America and the Caribbean
▪ TC Number:	RG-T4106
▪ Team Leader/Members:	GARCIA NORES, LUCIANA VICTORIA (INT/RIU) Team Leader; RECIO, MARGARITA M. (INT/RIU); ESTEVES, YASMIN (INT/INT); VILA SAINT-ETIENNE, SARA (LEG/SGO); MIGUEL BRAUN (INT/RIU); BLYDE, JUAN S. (INT/RIU); OSCAR DARIO VASCO HENAO (INT/TIN)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	23 Jun 2022
▪ Beneficiary:	All 26 borrowing members of IDB
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$600,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	INT/RIU - Regional Integration Unit
▪ Unit of Disbursement Responsibility:	INT/INT - Integration and Trade Sector
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Economic integration

II. Objective and Justification

- 2.1 The main objective of this Technical Cooperation (TC) is to continue supporting the coordinated effort being carried out by the IDB Group to strengthen regional value chains in Latin America and the Caribbean (LAC), through the implementation and dissemination of national and sector diagnostics (at LAC level, and deep dives in specific countries where applicable) of opportunities to attract investment, promote exports and improve the insertion of LAC countries in the region in value chains with a specific focus on the sectors identified in US Executive Order 14017.
- 2.2 Today, more than 50% of global trade happens within global value chains. However, LAC is lagging behind other regions in its participation in them. The current context represents an opportunity for LAC to improve its participation in global value chains. The reconfiguration of global value chains is accelerating in response to various factors, including the trade conflict between the United States (US) and China, the COVID-19 pandemic, and the recent war in Ukraine.
- 2.3 All of this has brought to the forefront the discussion of diversifying supply chains, since if strategic input providers in key industries are concentrated, the risk of chain disruption is high and could lead to serious economic damage. To ensure greater resilience to future disruptions, as well as reduce their environmental impact and cut costs by shortening transit distances, global companies are taking steps to align closer supply options, which has been called nearshoring. IDB estimates show that the potential gain for LAC from nearshoring opportunities in the short and medium term could represent

an increase of up to US\$78 billion in exports. Findings from prior studies on the reconfiguration of global value chains identified significant opportunities for the region in the automotive, textile, pharmaceutical, and other industrial value chains that could lead to an upgrading of skills and technologies.

- 2.4 Furthermore, on February 24, 2021, the US, LAC's most important trade partner signed Executive Order 14017, mandating a 100-Day Supply Chain Review for: (i) semiconductor manufacturing and advanced packaging supply chains; (ii) high-capacity batteries, including electric-vehicle batteries; (iii) critical minerals and other identified strategic materials, including rare earth elements; and (iv) pharmaceuticals and active pharmaceutical ingredients. Even when the review on these 4 supply chains was published in June 2021, US Executive Order 14017 also requested sectoral supply chain assessments on the following supply chains to be conducted within 1 year of the date of the order: (i) defense industrial base; (ii) public health and biological preparedness industrial base; (iii) critical sectors and subsectors of the information and communications technology (ICT) industrial base; (iv) energy sector industrial base; (v) transportation industrial base; and (vi) agricultural commodities and food products.
- 2.5 The IDB has been at the forefront of the support to take advantage of this opportunity for its borrowing member countries, by offering financial products to implement its proprietary 3i strategy with structural reforms and investments in: (i) investment attraction; (ii) infrastructure; and (iii) integration. In terms of technical assistance, the IDB is in the process of completing national promotion strategies for 20 borrowing member countries that identify sector and product-level opportunities, bottlenecks, as well as specific policy recommendations and actions to address them, and connecting international companies and investors with businesses across the Americas. In addition, IDB has completed 9 vertical sector studies in value chains of strategic importance to LAC. All this abundance of information from national promotion strategies and vertical sector studies should be disseminated among borrowing member countries to better capitalize on the opportunities for the region.

III. Description of Activities and Outputs

- 3.1 **Component I: National Nearshoring Strategies and Vertical Studies.** At least 3 national nearshoring strategies that will: (i) identify products and companies to improve insertion in global value chains, (ii) survey specific pain points and existing government tools; and (iii) policy recommendations; and at least 3 consultancies analyzing global value chains in prioritized sectors under US Executive Order 14017, that include analysis of: (i) situation and trends; (ii) competitive position and main opportunities and threats; and (iii) policy recommendations.
- 3.2 **Component II: Dissemination of Knowledge.** At least 3 virtual events to present the opportunities and competitive advantages to multinational companies. The component will also finance the design and development of a dedicated and integrated platform (the "strengthening LAC value chains hub") and the production of user-friendly contents (videos, factsheets, graphics, etc.) to disseminate the findings of national promotion strategies and sector vertical studies among internal and external audiences (governments, think tanks, companies).
- 3.3 **Component III: Coordination.** Coordination

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
National Nearshoring Strategies and Vertical Studies	US\$375,000.00	US\$0.00	US\$375,000.00
Dissemination of Knowledge	US\$125,000.00	US\$0.00	US\$125,000.00
Coordination	US\$100,000.00	US\$0.00	US\$100,000.00
Total	US\$600,000.00	US\$0.00	US\$600,000.00

V. Executing Agency and Execution Structure

- 5.1 The Bank will execute the TC through the Integration and Trade Sector's Regional Integration Unit.
- 5.2 This TC will be executed by the Bank for the following reasons: (i) This is a regional R&D project that involves coordination with several regional public and private sector stakeholders, and the Bank is positioned as an ideal actor to execute this project, given its presence in every beneficiary country; and (ii) INT has gained invaluable know-how in terms of global value chains, investment attraction and regional integration, and is the Bank Unit leading the comprehensive support to strengthening regional value chains that the Bank is deploying as part of its priorities under Vision 2025.

VI. Project Risks and Issues

- 6.1 The main risk is lack of availability of data to conduct the studies contemplated in Components I and II, however, this risk will be mitigated by the methodology set in place by INT/RIU to conduct such studies in already 20 countries and 9 sectors at the regional level, closely following hired consultants and working in coordination with Country Offices to ensure consulting firms and individuals hired are granted access to information by relevant stakeholders.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".