

## TC Document

### I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	ConnectAmericas 2021: Facilitating Inclusive Trade and Nearshoring in LAC
▪ TC Number:	RG-T3818
▪ Team Leader/Members:	Estrazulas De Souza, Francisco Hugo (INT/TIN) Team Leader; Jimenez Orjuela, July Emperatriz (INT/INT) Alternate Team Leader; Almeida Oleas, Natalia (LEG/SGO); Barron Chirino, Itzel (INT/TIN); Esteves, Yasmin (INT/INT); Ferro De Sanctis, Carlos Numen (INO/FLI); Moreno, Michelle Leonor (ITE/IPS); Piras, Claudia (SCL/GDI); Rospide, Maria De La Paz (INT/TIN); Vasquez Ochoa, Manuela (INT/TIN)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	n/a
▪ Date of TC Abstract authorization:	28 Jan 2021.
▪ Beneficiary:	Investment Promotion Agencies, foreign investors, and small and medium sized businesses from LAC
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Integration(RIN)
▪ IDB Funding Requested:	US\$300,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	24 months
▪ Required start date:	August 31st 2021
▪ Types of consultants:	Firms and Consultants
▪ Prepared by Unit:	INT/TIN-Trade & Investment
▪ Unit of Disbursement Responsibility:	INT-Integration and Trade Sector
▪ TC included in Country Strategy (y/n):	N/A
▪ TC included in CPD (y/n):	N/A
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Economic integration; Gender equality

### II. Objectives and Justification of the TC

- 2.1 The objectives of the TC are: (i) to facilitate the internationalization of Latin American and Caribbean (LAC) Small and Medium Enterprises (SMEs), with a particular focus on the inclusion of women and minority-owned businesses; and (ii) to facilitate nearshoring and Foreign Direct Investment (FDI) in LAC. To develop services and solutions that contribute to these objectives, this TC will leverage on the following ConnectAmericas.com (CA)<sup>1</sup> assets: (i) database of registered businesses registered

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<sup>1</sup> ConnectAmericas.com is a social media platform design to helps SMEs from LAC internationalize their operations. On the platform, users can find purchasing announcements from international buyers looking for LAC suppliers, information about IDB funded tenders, a searchable database of companies, information about business support services available throughout LAC, industry and geography specific business communities, information about business events, a list of banks offering financial products and services for SMEs and international trade, and learning contents which include, massive online open courses, articles, and videos.

on the CA platform, a network of local partners, its network of Anchor and Knowledge partners, and the experience of the ConnectAmericas team designing, testing, developing, and implementing technology solutions to facilitate regional integration.

- 2.2 The LAC region's GDP is expected to shrink between 4.6% between 2020 and 2021 because of the coronavirus pandemic<sup>2</sup>. Micro, Small, and Medium Enterprises (MSMEs) are the type of firms most vulnerable to the effects of the coronavirus pandemic. This is particularly concerning because MSMEs are a central pillar of our regional economy—they are 99.5% of firms in LAC<sup>3</sup>, employ 60% of LAC's formal workforce<sup>4</sup>, and contribute one-quarter of our region's total production value<sup>5</sup>. MSMEs that are women owned and/or managed have been disproportionately affected because these firms tend to operate in sectors that were more severely affected, such as tourism, small retail, and entertainment<sup>6</sup>.
- 2.3 At the same time, there is an opportunity. Because of the increased perception of risk due to the pandemic, Multinational Corporations (MNC) have accelerated the reconfiguration of their Global Value Chains (GVCs). Many of these corporations are looking into geographically closer locations to source supplies, relocate or outsource their operations, or invest in existing assets. Such nearshoring is a central priority of the Inter-American Development Bank (IDB) and constitutes an opportunity for LAC SMEs capable of integrating into these GVCs or becoming investment recipients. A IDB survey of 1000 SMEs showed that 38% of men owned or managed businesses are embedded in GVCs, while only 28% of women owned or managed businesses are<sup>7</sup>. This TC seeks to harness the IDB's CA assets to help MNCs invest and nearshore in LAC and help LAC MSMEs tap into this opportunity. To achieve this, this TC will implement user-centric design methodologies to produce technology tools to help MNC find qualified local suppliers and partners as they are prospecting and/or settling in a LAC country. It will also create tools to help local SMEs (i) learn about the standards and requirements that these MNCs are seeking and (ii) find resources to implement the transformative processes required for them to be compliant with what the MNCs are expecting. IDB loan operations focusing on FDI facilitation and promotion, such as UR-L1060, have shown that the availability of qualified suppliers and labor can be a critical factor in the MNCs' decision to invest in a certain country. The user centric designs to be implemented will carefully ensure the participation of women entrepreneurs and managers to be able to incorporate their perspectives and specific needs in the design and development of technology solutions and contents. Also, some of these solutions and contents will be tailored to the specific needs of women and made available on the ConnectAmericas for Women platform.
- 2.4 CA is an IDB-led initiative created to help LAC MSMEs internationalize. It consists of: (i) an online platform ([connectamericas.com](https://connectamericas.com)) where users can apply to purchase announcements from corporations and governments, contact any of the 450,000 registered business people, access e-learning tools (online courses, webinars, videos,

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<sup>2</sup> International Finance Corporation, Economic Impact Report ([LINK](#))

<sup>3</sup> OECD, Supporting SME development in LAC ([LINK](#))

<sup>4</sup> CAF, SME Policy Index: LAC 2019 ([LINK](#))

<sup>5</sup> IDB, MSME Financing Instruments in LAC ([LINK](#))

<sup>6</sup> Women employment shrank by 18% between February and September 2020, while men's employment shrank by 12%. This provides evidence that women work in sectors that were more severely affected by the pandemic. Source: Observatorio Laboral COVID-19 del BID.

<sup>7</sup> This survey was carried out by the CA team. 1031 businesspeople from 22 countries answered the survey.

articles, and self-assessment tools), and apply to receive financing from local banks; and (ii) a series of face-to-face, sector or geography-specific business matchmaking events that connect LAC SME exporters with buyers from all over the world.

- 2.5 The CA team has witnessed first-hand that online business connection tools and e-learning have become essential for LAC businesses during the pandemic. The number of new firms registered in CA in 2020 was 40% higher than in 2019. The number of people who accessed increased dramatically—CA webinars’ viewers increased by 121% in 2020.
- 2.6 Travel restrictions have drastically limited how firms meet new clients, suppliers, partners, and other opportunities. Many business events have been canceled or postponed. In response, CA, in consultation with users and local partners, put together a COVID 19 Response Strategy consisting of three key fronts of actions: Online Business Matchmaking Events, Technology for Trade Promotion Organizations, and Contents for Business Resilience. This strategy led CA to (i) host or co-host 11 online business matchmaking events generating US\$394 million in deals between March and December 2020, (ii) initiate the development of 7 white labels and made available Application Programming Interfaces for four organizations between March 2020 and August 2021, and (iii) produce 508 pieces of content designed to help LAC SME be more resilient to the pandemic between March 2020 and August 2021.
- 2.7 For these reasons, CA needs to integrate a Client Relationship Management platform into its technology architecture to manage its client relationships in a more personalized and effective way. This can be accomplished by providing complete visibility about how users (including the 100,000 users coming from CA white labels) engage with all the CA databases and solutions (business matchmaking platform, e-learning tool, content management system, authentication services, social media, marketing campaigns, among others). These insights will help CA provide better quality services to its clients.
- 2.8 IDB studies indicate that governments in LAC can help increase FDI by providing a solid digital infrastructure to promote the country as an investment destination. This infrastructure also includes managing leads, simplifying, and digitalizing procedures with national and local agencies, facilitate connections with local partners, suppliers, and clients, and other actions that increase predictability and reduce time and cost to investors<sup>8,9</sup>. Through the FDI facilitation services to be developed under this TC, the Bank will contribute to developing technology services available to Trade and Investment Promotion Agencies to better serve investors. Also, the study highlights the importance of better serving FDI made by SMEs. This is an area of focus for this TC, as it leverages the existing database of 500,000 SME users in CA.
- 2.9 This TC is aligned with several TCs that focus on SME internationalization. Many of the events to be funded under component III through this TC will be second editions of events organized by TPOs as part of RG-T3727. Also, under RG-T3727, CA developed white labels and other technology integrations with agencies that oversee FDI, as well as trade (i.e., Secretary of the Economy of Mexico, ProPanama, Rediex Paraguay, ProEcuador, Promperú). The existing integrations and experience working with these partners will facilitate the FDI-focused work to be funded by component I of this TC. Also, the CRM to be financed under component II will directly impact the way

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<sup>8</sup> Volpe Martinicus, Christian, “How to Solve the Investment Promotion Puzzle”, OECD and IDB Publication.

<sup>9</sup> Integration and Trade Sector: Sector Framework Document.

the white labels and technology integrations developed through RG-T3727 are managed and operated. It will also have a direct effect on marketing and communication campaigns and technologies developed under RG-T3051, RG-T2813, BR-T1444, and RG-T3453.

- 2.10 RG-T3727 has helped CA confirm certain assumptions and generate lessons learned that are central to the design of this TC. Firstly, we confirmed, due to the high levels of demand and participation, that online business matchmaking events are extremely valuable to SMEs during times of travel restrictions due to COVID. Secondly, the bank found that Trade and Investment Promotion Organizations, as well as private business organizations, are very interested in collaborating with IADB in the organization and dissemination of the business events. Thirdly, the CA team has learned that, over the years, CA has built a community of businesspeople that is extremely valuable to trade and investment promotion agencies in LAC. The dissemination support provided by CA to virtual business organized by these types of organizations has ensured the participation of highly relevant buyers and sellers, and, thus, the success of these events. Fourthly, the CA team also learned that the most effective way of communicating with participants during the business events to ensure their participation in the meetings is whatsapp and SMS. Consequently, CA purchased a MessageBird license to manage communications through these channels and develop chatbots. This will be the tool used for business events organized under this TC. Fifthly, during the implementation of business events under RG-T3727, the CA team has perfected its communication strategies and user support processes to increase its effectiveness and efficiency in the implementation of business matchmaking events. Also, through the technology solutions and contents developed under RG-T3051, BR-T1444, and RG-T3453, the CA has learned to implement user centric solution design methodologies, and to combine survey tools and analytics to identify the topics and types of contents most likely to generate high levels of engagement from users.
- 2.11 IDB, through INT/RIU, is implementing nearshoring studies in several countries in the region. These studies will identify sectors with the most significant potential to attract nearshoring. As the studies become available, both the contents and technologies developed under this TC will focus on these priority sectors. This subheading should facilitate a clear understanding of the objectives and the problem the TC aims to address.
- 2.12 This TC is aligned with one of the three key development challenges stated in the Update to the Institutional Strategy 2010-2020 (AB-3190-2): Economic Integration, as the TC aims to make available (i) online services designed to facilitate and foster FDI and nearshoring, and (ii) technology tools to increase CA's efficiency and effectiveness as an international trade platform for SMEs. It is also aligned with the cross-cutting development challenge of gender equality and diversity, in that it seeks to develop (i) learning materials that address the specific challenges faced by women and minorities, and (ii) tailor-made technology solutions that seek to increase the participation of women and minority owned and managed business in Global Value Chains.
- 2.13 This TC is also aligned with the IDB Group Corporate Results Framework 2020-2023 (GN-2727-12). Specifically, it aims to have an impact on indicators 1.8 intraregional trade in goods, and 1.9 growth rate of the value of total exports of goods and services, through the activities aimed at increasing the effectiveness and efficiency of CA, and the organizations of business matchmaking events. It also aims to have an impact on

indicator 1.30 FDI net inflows as % of GDP, as it will develop tools and contents to facilitate and foster FDI.

- 2.14 The TC is also aligned with the Sector Strategy for Competitive Global and Regional Integration (GN-2565-4). Specifically, it is aligned with the *software* priorities of export promotion and investment attraction (“promoting the use of new instruments for export promotion and investment attraction (export single windows, online promotion services, e-commerce, and e-marketplaces, regional, country and sector image promotion strategies, investment after care units, etc.)”<sup>10</sup>). The CA platform serves to promote exports from SMEs in LAC by enabling firms to post information about their products and services, apply to purchasing announcements from buyers abroad, and connect with foreign clients and suppliers through business communities. Also, the online services to be developed under component 1 aim to attract FDI and nearshoring into LAC.
- 2.15 This TC is aligned with the Strategic Development Program for Integration (RIN) (GN-2819-1) in that it supports “the development and dissemination of knowledge products, including innovative approaches, methodologies, data, and practices”.
- 2.16 **Sustainability.** The technology solutions and contents developed under this TC will reside in CA servers on AWS and be available on connectamericas.com and connectamericas.com/women. Therefore, there will be no need for recurring hosting and support expenses beyond the duration of this TC, as these will be treated as part of ongoing CA costs<sup>11</sup>.
- 2.17 **Beneficiaries.** The beneficiaries of this TC will be: (i) foreign investors who will have access to new technology solutions to connect with local suppliers and partners, and learn about investment destinations and opportunities in LAC, (ii) small and medium sized businesses from LAC who will have access to contents and tools to help them become part of the supply chains of foreign investors, and (iii) Trade and Investment Promotion Agencies, which will be able to use CA to make information available to investors, organize business matchmaking events, and disseminate their different initiatives and events. Also, existing CA users will benefit from the more tailored communications strategies that will be implemented via the CRM proposed for this TC.

### III. Description of activities/components and budget

- 3.1 **Component I: Develop CA services focusing on FDI and Nearshoring.** CA will use the funds to implement technology solutions that leverage existing CA assets to facilitate FDI and Nearshoring in LAC. CA will engage consultants to carry out activities that include: (i) user perspective analysis methodologies through interviews, focus groups, and surveys with foreign investors, local suppliers, government agencies, and others to identify needs, co-design the solutions, validate prototypes, carry out beta-testing, and design dissemination plans and materials, (ii) technology design and implementation (algorithms, visualizations, self-assessment tools, etc.), (iii) marketing strategy design and implementation, (iv) content production (articles, videos, and massive online open courses) that responds to knowledge needs identified through activity I of this component. The exact technology solutions to be developed under this component have not been identified yet. They will be identified and designed through user perspective analysis methodologies during implementation. However, these

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<sup>10</sup> Sector Strategy for Competitive Global and Regional Integration, p. 23.

<sup>11</sup> These costs are covered yearly by the Banks Ordinary capital.

solutions may include algorithms that help investors identify and contact qualified local partners and suppliers in LAC countries, tools to inform local companies about standards and requirements that investors are looking for, self-assessment tools for local firms to assess their readiness to be suppliers or partners of specific investors, algorithms that will help local partners and suppliers find resources to strengthen their processes and become compliant with the standards and requirements sought by investors, among others. The contents may include information about requirements sought by private investors, information on support available to local firms in each country, information about incentives and other investment attraction measures available in LAC countries, and the like. During the user perspective analysis phase, the team will ensure the participation of women and minorities to identify specific technology and knowledge needs to be addressed by this TC. Some of the contents will be made available in the ConnectAmericas for women platform, and the Growing Together in the Americas Initiative.

- 3.2 **Component II: Technology tools increase CA's efficiency and effectiveness.** CA will use the funds to incorporate a Client Relationship Management software in its technology architecture. CA will engage consultants to carry out activities that include mapping CA requirements, assessing the CRM options, and supporting interactions with the CRM provider. The component will also fund the adaptation, integration, and licensing of the CRM solution.
- 3.3 **Component III: Business Matchmaking Events.** CA will use this TC's funds to engage MyBusinessMatches.com through a single sourcing contract to license 10 business matchmaking events. This business matchmaking events involve: identifying the sector(s) focus of the event, tailoring the business matchmaking platform to the specificities of the selected sector(s), designing and implementing an outreach campaign, providing support to participants during the registration, creation of profiles and scheduling of meetings, following up via whatsapp and SMS during the event to ensure that participants attend the meetings, implementing a satisfaction surveys at the end of the event, and six months after the events. CA will also use the funds to engage consultants that will implement the tasks previously mentioned.
- 3.4 **Budget.** The total cost of this project is US\$300,000 to be financed by the Strategic Development Program for Integration (RIN).

**Indicative Budget (in US\$)**

Activity/Component	Description	IDB/RIN	Total Funding
Component I	Develop CA services focusing on FDI and nearshoring	100,000	100,000
Component II	Technology tools increase CA efficiency and effectiveness	150,000	150,000
Component III	Business Matchmaking Events	50,000	50,000
<b>Total</b>		300,000	300,000

- 3.5 All activities to be executed under this TC have been included in the Procurement Plan (see Annex) and will be contracted under Bank policies as follows: (i) AM650 for Individual consultants; (ii) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms

for services of an intellectual nature; and (iii) GN-2303-28 for logistics and other related services.

- 3.6 The firm that provides the online business matchmaking platform will be engaged through a single-sourcing contract. Firstly, this is the case because the work will be a “continuation of previous work carried out by the firm” since CA has been working with MBM for over 10 years. This means that CA has already developed the manuals and training sessions on how to use the platform offered to the Trade and Investment Promotion Agencies. Secondly, it is because only “one firm is qualified or has experience of exceptional worth for the assignment, and it presents a clear advantage over competition”. MBM’s database is integrated with the CA database; therefore, all participants can automatically become CA users. Developing such integration with a different platform would entail an unnecessary cost and delay.
- 3.7 INT/TIN will be responsible for the technical aspects of the project and basic administration.

#### **IV. Executing agency and execution structure**

- 4.1 This operation will be executed by the Integration and Trade Sector (INT/INT) through the Trade and Investment Division (INT/TIN) of the Inter-American Development Bank, under the Bank’s Technical Cooperation Policy.
- 4.2 The primary reasons that justify the implementation of the project by the IDB’s Integration and Trade Sector (INT/INT) are: (i) INT has designed, developed, disseminated, and managed the CA platform; (ii) INT/INT has successfully designed and deployed CA Whitelabels, and its Whitelabels; and (iii) INT/INT has over 10 years of experience implementing face-to-face and virtual matchmaking events.

#### **V. Major issues**

- 5.1 The project’s success will depend on ensuring a significant level of engagement and participation of MNC and MSMEs both, in the short term, during the design and development of the solutions, and in the medium and long term, once the solutions are operational. The operation will mitigate the risk by engaging these users and stakeholders in designing the solutions from the start and by an intensive promotion strategy during the Components’ preparation.

#### **VI. Exceptions to Bank policy**

- 6.1 No exceptions to Bank policies were identified.

#### **VII. Environmental and Social Strategy**

- 7.1 This operation does not present environmental and social risks. This operation has been classified category “C” under the Environment and Safeguards Compliance Policy (OP-703).

#### **Required Annexes:**

[Results Matrix - RG-T3818](#)

[Terms of Reference - RG-T3818](#)

[Procurement Plan - RG-T3818](#)