

Technical Cooperation (TC) Document

I. Basic Project Data

▪ Country/Region:	Regional
▪ TC Name:	Fostering the Internationalization of LAC Tech companies
▪ TC Number:	RG-T3331
▪ Team Leader/Members:	Mikael Larsson (INT/TIN), Team Leader; Isabel Mejia Rivas (INT/TIN), Alternate Team Leader; Seongjun Yoo (INT/TIN); Ady Beitler (INT/TIN); Federica Gomez (INT/TIN) Suk Nam (IFD/CMF); Alejandra Villota (INT/TIN); Viviana Mariela Maya Iglesias (LEG/SGO) y Maria Rospide (INT/TIN)
▪ Taxonomy:	Research & Dissemination
▪ Date of TC Abstract Authorization	August 13 th 2018
▪ Beneficiary:	Trade Ministries, Trade Promotion Agencies, Entrepreneurs, SMEs from IDB Borrowing Southern Cone Member Countries and Colombia
▪ Executing Agency:	Inter-American Development Bank (IDB), through the Trade and Investment Division (INT/TIN)
▪ Donors providing funding:	Knowledge Partnership Korea Fund for Technology and Innovation (KPK)
▪ IDB funding requested:	US\$730,000
▪ Local counterpart funding:	US\$0
▪ Disbursement period:	36 months (execution period: 36 months)
▪ Required start date:	September 14 th , 2018
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Trade and Investment Division (INT/TIN)
▪ Unit of Disbursement Responsibility:	Integration and Trade Sector (INT/INT)
▪ Included in Country Strategy:	Yes
▪ TC Included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and Innovation; Economic Integration

II. Objectives and Justification of the TC

- 2.1. **Objective:** This technical cooperation will foster the internationalization of technology-based companies through the strengthening and capacity building of trade promotion organizations (TPOs) and other government agencies in Latin America and the Caribbean (LAC), and the creation of global business networks and opportunities for cooperation and investment between Korea and LAC tech companies.
- 2.2. The arrival of the fourth industrial revolution¹ has accelerated the transformation of our everyday lives as well as the global business landscape. The impact is felt even more powerfully in the LAC region, which boasts one of the highest internet penetration growth rates in the world, having climbed from less than 5% of the population with internet access in 2000 to over 50% in 2015. More so than in economic transformations of the past, LAC companies are taking an active

¹ The 4th industrial revolution is a concept first mentioned by Klaus Schwab, the founder and executive chairman of the World Economic Forum. In this 4th revolution, the physical, digital and biological worlds would be fused by a range of new technologies such as artificial intelligence, robotics, the Internet of Things, autonomous vehicles, 3-D printing, biotechnology and quantum computing. It is expected that the 4th industrial Revolution has the potential to raise global income levels and improve the quality of life for populations around the world.

role in this phenomenon, proving that the region can add value to the industry through the incorporation of new technologies. With the proper institutional supports and safeguards in place, the digital revolution can be expected to lead to an era of greater international economic integration and sustainable growth for the region.

- 2.3. A recent study² reveals the thousands of technology-based private companies that have been launched in the LAC region,³ including among them 124 companies worth over 25 million dollars and whose total collective value is over 38 billion dollars. It is expected that these companies will play a catalytic role in promoting trade in services in the region, creating high quality jobs through innovation and entrepreneurship and continuing to reach new external markets.
- 2.4. While launching a technology-based company may require fewer resources compared to other industries that dominated the economy in the past (such as manufacturing, mining or agriculture), tech companies face new and complex challenges. For instance, the borderless nature of the digital market necessitates that tech startups be “born global” or initiate their internationalization process from a very early stage in order to succeed. A survey by McKinsey shows that 86% of tech-based startups have had some form of foreign business interaction or cooperation from their inception.⁴
- 2.5. Launching a service, product or solution that could have world-wide impact requires extensive knowledge and vast experience, local and global partners, and access to financing, among other resources. To help entrepreneurs overcome these significant barriers to entry, many countries provide various types of support to tech startups. For instance, Korea, the number one country on the Bloomberg Innovation Index for the past four years, has established an institution solely dedicated to the internationalization of tech companies called the Born2Global Center,⁵ established within the Pan-gyo Techno Valley.
- 2.6. This TC will leverage inter-regional institutional cooperation to achieve the objective of LAC tech company internationalization via a dual approach of institutional capacity-building and establishment of new global business networks. Components I and II focus on strengthening the institutional capacity within LAC to support a thriving tech sector, first via benchmarking and sharing of best practices, followed by the development of an actionable strategy for each LAC participant country for the establishment of a public promotion institution to support the unique needs of LAC tech startups with global aspirations. Building on the institutional ties developed through knowledge-sharing, the Korean and LAC agencies will collaborate in Component III to establish enduring economic ties between the region by connecting Korean and LAC entrepreneurs, investors and support institutions through an innovative matchmaking event.

² Technolatinas Radar Report: An initiative of Surfing Tsunamis, Nxtp.Labs and sponsored by Multilateral Investment Fund

³ These companies are called Technolatinas and they are described as entrepreneur-driven digital ventures with an international footprint. They are found in multiple sectors such as biotechnology, digital medicine, renewable energy, software security, space tech, fintech and agtech.

⁴ McKinsey Global Institute, “[Digital Globalization : The New Era of Global Flows](#),” March 2016.

⁵ Founded in September 2013, Born2Global is a major Korean government agency under the Ministry of Science, ICT and Future Planning (MSIP) contributing to the national startup ecosystem and beyond. Each year, Born2Global selects over 100 startups with high potential for entering the global market. Born2Global provides services such as professional consulting in law, patents, accounting, marketing, investment and business development. Over 50 startups are selected to reside in the business space “K-Global Startup Hub” and receive consulting services at the Startup Campus. The Startup Campus in Pangyo is the “Silicon Valley” of South Korea, emerging as the latest hot spot in the thriving startup ecosystem. The 582K square feet Startup Campus is the future home for tech startup stars to connect with the global market.

- 2.7. The objectives and activities of the TC correspond to the Sector Strategy to Support Competitive Global and Regional Integration (GN-2565-4), as it will promote trade, investment and regional integration through the inter-regional exchange of experiences and best practices.
- 2.8. The TC objectives are also in line with the Country Strategies for all three LAC beneficiary countries of the project, specifically supporting:
 - a) priority area (ii) of the IDB Country Strategy with Argentina (GN-2870-1): “strengthening of private-sector integration and insertion into value chains,” and specifically “supporting the development of business and business clusters in export areas with high added value” (3.21, iii).
 - b) strategic areas (i) economic productivity and (ii) public management effectiveness of the IDB Country Strategy with Colombia (GN-2832, 4.7), supporting Colombia’s objectives to increase the capacity of public agencies to leverage private investment and to restructure the institutional framework (4.14).
 - c) priority area (i) of the IDB Country Strategy with Uruguay (GN-2836), which seeks to “boost productivity and competitiveness by promoting innovation... [and] supporting an integrated and coordinated policy for international positioning,” including “programs that foster innovation and technology-related entrepreneurship, as well as SME access to business development [and] technical assistance” (3.8).
- 2.9. In addition, the project is aligned with the objectives of the Knowledge Partnership Korea Fund for Technology and Innovation (KPK), as one of the objectives of this Fund is “to promote project preparation and implementation in the areas of technology and scientific innovation”⁶ and the activities of the Project will support institutional strengthening in support of tech companies which will result in increased competitiveness of LAC countries in the technology sector.

III. Description of Components, Activities and Budget

- 3.1 **Component I: Knowledge & Experience Sharing to Support the Internationalization of LAC Tech Companies (US\$151,000).** The objective of this component is to support the capacity building of LAC TPOs through benchmarking current capabilities and sharing best practices from Korea as well as from within the LAC region. To achieve this objective, the component will finance the following activities:
 - Activity 1: Benchmark Study on policies to promote the internationalization of Tech Companies in Korea and LAC (Argentina, Colombia, Uruguay) (one report)
 - Activity 2: Workshop at IDB headquarters: Impact of the startup ecosystem on the national economy (one workshop)
 - Activity 3: Workshops in LAC countries: The role of startup support organizations – challenges and success stories (three workshops)
- 3.2 This component will enable detailed knowledge sharing on the importance of nurturing a startup ecosystem and highlight experiences from Korea and within the LAC countries in implementing international promotion strategies. The Korean case will be studied in depth, as Korea provides institutional support and trade promotion services not only to Korean firms but also to international

⁶ Article 2, Section 1 of the Addend No. 2 to the Agreement dated July 27th, 2005 between the IDB and the Korean Government for the establishment of the Knowledge Partnership Korea Fund for Technology and Innovation.

companies. From within the region, the cases of Argentina, Colombia, and Uruguay, amongst others will be explored and disseminated. To this end, a benchmarking study will be done with the following aspects:

- (i) Report on internationalization of Korean technology companies (startups):
 - a) Research on Korea startup ecosystem (status, characteristics, composition, etc.).
 - b) Trends in Korean technology startup policy (environment, support policy, investment trends, history, etc.).
 - c) Korea Startup's success story (focused on overseas market entry cases).
 - d) Appendix: Global major startup policy trends (US, Europe, China, etc.).
 - (ii) Report on the status of the participating LAC countries (Argentina, Colombia, Uruguay).
 - a) Research on the LAC startup ecosystem (status, characteristics, composition, etc.).
 - b) Research on the startup support programs in the country (Colombia, Argentina, Uruguay).
 - c) Case studies on representative startups in LAC (successful overseas market entry).
- 3.3 The team will focus on the diverse promotion strategies including entrepreneur consulting, marketing activities, access to capital (venture capital, initial public offering, lending, etc.) and networking opportunities given by institutions to investors, accelerators or international partners.
- 3.4 The team will organize workshops in IDB H.Q. and LAC countries to disseminate lessons learned from past experience from the perspectives of the promotion institutions as well as their clients, as well as specific recommendations for how to apply new strategies and innovations within LAC trade promotion agencies. Government officials and private sector stakeholders will benefit from these workshops and will gain useful insights for application in their own countries. To this end, the workshops will include the following topics:
- (i) IDB HQ workshop topics: *Role of the startup ecosystem on the national economy.*
 - a) Manpower: Job creation effects of startup promotion policy
 - b) Technology: R&D technology commercialization and startup incubating cases.
 - c) Financial: Financial support programs (Angel Investment, VC, mother fund, etc.).
 - d) Challenges: Unique challenges faced by tech startups and possible solutions.
 - e) Case studies: Global startup success stories.
 - f) Discussion: How to promote greater cooperation between Korea and LAC region in promoting internationalization of tech companies.
 - (ii) LAC workshop topics: Role of startup support organizations and success stories.
 - a) The roles and activities of Korean startup support organization
 - b) Korean startup success stories
 - c) Benchmarking startup support agencies from LAC and the other countries
- 3.5 **Component II: Institutional Support for Internationalization of LAC Tech Companies (US\$383,000).** The objective of this component is to develop

institutional capacity to support the tech sector in the participating LAC countries. To achieve this objective, this component will support each of the selected countries (Argentina, Colombia and Uruguay) in developing a strategy for the establishment or strengthening of an entity to support internationalization of tech companies. The following activities will support this objective:

- 3.6 Activity 1: Institutional Strategy Reports: Conduct an institutional analysis to assess the needs gap in support centered on tech company internationalization, proposing options for the strengthening, restructuring, or creation of a new entity to promote internationalization of the country's tech sector. The new or strengthened institutions will be expected to have various functions, including supporting access to capital (angel funds, venture capital, initial public offering, lending), consulting, marketing and mentoring programs. Each report will include a detailed roadmap for implementation as well as a cost-benefit analysis (three reports).
- 3.7 Activity 2: Study Tour: To further leverage Korean institutional knowledge and support the development of inter-regional institutional ties, the LAC stakeholders involved in the development of the Institutional Strategy Reports will participate in a study tour in Korea. The participants will include public officers from trade and technology-related ministries and public entities and team members of this TC (13 participants).
- 3.8 Participating LAC countries will be given an opportunity to be matched with a global partner institution in Korea, which will serve as their regional ambassador and point of entry to greater institutional ties with Asia Pacific. The partner institution(s) will host the LAC stakeholders on their Korean study tour, sharing challenges overcome in promoting the internationalization of startups, and working together to propose solutions to the challenges identified for each LAC country in the Institutional Strategy Reports.
- 3.9 The LAC and Korean partners will also have working sessions on the Study Tour with the goal of jointly proposing cooperative initiatives, such as: sharing facilities and other resources, co-hosting regular joint events, or other innovative methods to facilitate collaboration between the two regions. The proposed collaborations will then be fleshed out and included in the action plans of the final Strategy Report.
- 3.10 **Component III: Global Business Network Building for Tech Companies (US\$196,000).** Building on the institutional ties developed through knowledge-sharing in Components I and II, the Korean and LAC agencies will collaborate in Component III on an innovative inter-regional business matchmaking event for tech companies. The objective of this component is to establish enduring economic ties between the regions' tech sectors by connecting Korean and LAC entrepreneurs, investors and support institutions (including TPOs and accelerators).
- 3.11 Activity 1: Startup 'Pitch Day' for Korea-LAC Tech companies (one event): To that effect, first, in consultation with regional stakeholders, strategic areas for cooperation such as smart cities or fin-tech will be defined; and second, the team will organize a 'Pitch Day' where companies from LAC and Asia may share their innovative services and solutions and later have an opportunity to connect as business partners in technology transfer, joint global marketing, marketing barter, creation of joint ventures, among other business links and cooperative endeavors. Investors, including IDB Invest, and accelerators will be invited to support the financing needs of these companies and joint initiatives. This event may take place in Korea or Latin America.

- 3.12 **Budget:** The total estimated cost of the technical cooperation is US\$730,000, financed by the Knowledge Partnership Korea Fund for Technology and Innovation (KPK) on a non- reimbursable basis.

Table 1. Indicative Budget (US\$)

Activity/ Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1. Knowledge & Experience Sharing to Support the Internationalization of LAC Tech Companies				
(i) Benchmark Study	Benchmark Study on policies to promote the internationalization of Tech Companies in Korea and LAC (ARG, COL, URY)	40,000	0	40,000
(ii) IDB HQ workshop	Role of the startup ecosystem on the national economy (held in DC)	30,300	0	30,300
(iii) LAC workshop	Role of startup support organizations and success stories (held in ARG, COL, URY)	80,700	0	80,700
Component 2. Institutional Support for Internationalization of LAC Tech Companies				
(i) Institutional Strategy Reports	Consultations on the strengthening, restructuring, or creation of a promotion agency for tech companies (x3)	270,000	0	270,000
(ii) Study Tour	Study Tour to Korea (13 people)	113,000	0	113,000
Component 3. Global Business Network Building for Tech Companies				
(i) Investment Promotion 'Pitch Day'	'Pitch Day' for tech companies from Korea and LAC countries and one-on-one business meetings (held in Korea or LAC; 50 companies and investors participating)	196,000	0	196,000
Total		730,000	0	730,000

IV. Executing Agency and Execution Structure

- 4.1 This TC will be executed by the Inter-American Development Bank (IDB) through the Trade and Investment Division (INT/TIN) in conformity with the Policy and Operational Guidelines for Technical Cooperation Products (GN-2629-1, GN-2471-1 and GN-2472-2). The justification for the Bank's execution of the TC is based on the knowledge, experience and capacity of the Bank to build consensus with different government authorities and the private sector. Moreover, INT/TIN has been institutional coordinator, mediator, and interlocutor for activities related to financing export promotion programs, private sector development, establishment of trade & investment promotion agencies, and institutional capacity building. Of particular relevance, INT/TIN has been organizing bi-annual or annual business forums between LAC and economic partners including Korea, China and Japan, where the tech companies have an enabling environment and great access to international markets. INT/TIN is also operating a B2B matchmaking site 'ConnectAmericas' in which LAC tech companies connect with global business partners and acts as the technical secretary for the American Business Dialogue, a private sector driven initiative aimed at fostering a high level public-private policy dialogue among the business and government leaders on the priorities, challenges, and opportunities for the economic and social development of the region.
- 4.2 The activities to be executed are included in the Acquisition Plan and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-1 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-20 for logistics and other related services."
- 4.3 For the execution of the above Components, the project team will collaborate with the Born2Global Center. This agency will contribute with technical expertise

but the IDB will be the only one responsible for the execution of the activities of the project.

V. Project Risks and Issues

- 5.1 Implementation of a regional project implies a higher level of complexity, as well as risks related mainly to inter-institutional coordination and asymmetries in information. It is expected that these risks will be mitigated by having the IDB as the executing agency, especially considering that the Bank has and will continue coordinating relevant and related activities with the different public institutions responsible for trade and investment promotion in the LAC region.

VI. Exceptions to Bank Policy

- 6.1 There are no exceptions to Bank policy in this project.

VII. Environmental and Social Classification

- 7.1 As this TC involves the procurement of consulting services, it does not pose environmental and social implications. Therefore, classification under Category C is suggested, per the Environment and Safeguard Compliance Policy (OP-703). (see [Safeguard Screening Form](#) and [Safeguard Policy Filter Report](#)).

Required Annexes:

- Annex I: [Request from the client](#)
- Annex II: [Results Matrix](#)
- Annex III: [Terms of Reference](#)
- Annex IV: [Procurement Plan](#)

FOSTERING THE INTERNATIONALIZATION OF LAC TECH-COMPANIES

RG-T3331

CERTIFICATION

I hereby certify that this operation was approved for financing under the **Knowledge Partnership Korea Fund for Technology and Innovation (KPK)**, through a communication dated August 13, 2018 and signed by Byoung Kim. Also, I certify that resources from said fund are available for up to **US\$730,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, representing a risk that will not be absorbed by the Fund.

Certified by:	Original signed	09/25/2018
	Sonia M. Rivera	Date
	Chief	
	Grants and Co-Financing Management Unit	
	ORP/GCM	

Approved by:	Original signed	09/27/2018
	Antoni Estevadeordal	Date
	Gerente	
	Sector de Integración y Comercio	
	INT/INT	