

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/CSC - Southern Cone
▪ TC Name:	Fostering the Internationalization of LAC Tech-Companies
▪ TC Number:	RG-T3331
▪ Team Leader/Members:	Larsson, Mikael (INT/TIN) Team Leader; Mejia Rivas, Isabel (INT/TIN) Alternate Team Leader; Gomez Decker, Federica (INT/TIN); Beitler, Ady (INT/TIN); Villota, Alejandra (INT/TIN); Rospide, Maria De La Paz (INT/TIN); Yoo, Seongjun (INT/TIN); Nam, Suk (IFD/CMF); Maya Iglesias, Viviana Mariela (LEG/SGO); Valderrama-Celaya, Claudia (INT/INT); Amat Y Leon Secada, Mariana (INT/INT); Imana, Zaida Victoria (INT/TIN); Gomez Gonzalez, Maria Margarita (INT/TIN)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	24 Jul 2018
▪ Beneficiary:	Trade and Technologie Ministers
▪ Executing Agency:	Inter-American Development Bank
▪ IDB funding requested:	US\$730,000.0
Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Trade & Investment (INT/TIN)
▪ Unit of Disbursement Responsibility:	Integration & Trade (INT/INT)
▪ 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:	Productivity and innovation; Economic integration

II. Objective and Justification

- 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) in Latin America and the Caribbean (LAC), and the creation of global business networks and opportunities of cooperation and investment between Korea-LAC tech companies.
- 2.2 The arrival of the fourth industrial revolution is accelerating the transformation of how we interact with each other in our everyday life and business landscapes. In the LAC region, the impact is even more powerful as LAC is one of the regions that has one of the highest internet penetration growth rates in the world, climbing from less than 5% of the population with internet access in 2000, to over 50% in 2015. Unlike on former industrial revolutions, LAC companies are taking an active role in this phenomenon proving that the region can create added value to the industry with the incorporation of new technologies, which in hand may lead to an era of inclusion and sustainable growth for the region. A recent study shows that there are thousands of technology-based private companies born in the region and among them 124 companies worth over 25 million dollars whose total collective value is over 38 billion dollars. It is expected that these companies will play a catalytic role in promoting the trade of services in the region, creating more highly qualified jobs as entrepreneurship and innovation brings new opportunities and continues to open new markets.

- 2.3 While establishing technology-based companies require less resources than manufacturing, mining or agricultural companies that are conventionally dominant in the region, many of these companies face other types of sometimes more complex challenges as they are expected to be born global or initiate their internationalization process from a very early stage. A survey by McKinsey shows that 86% of tech-based start-ups have had some form of foreign business interaction or cooperation from their inception. Creating a service, product or solution that could have world-wide impact requires extensive knowledge and vast experience, local and global partners, access to financing, amongst others. For this reason, many countries provide various types of support to their technology-based companies and entrepreneurs. For example, Korea, the number one country on the Bloomberg Innovation Index for past four years, has established an institution that solely dedicates to the globalization of these tech-companies called Born2Global Center, and is established within the Pan-gyo Techno Valley.

III. Description of Activities and Outputs

- 3.1 Component I: Knowledge & Experience Sharing to support the internationalization of LAC tech-companies. The team will review the experiences from Korea and LAC countries in the process to support the internationalization of tech-companies. Specifically, the case of Korea will be reviewed in depth as Korea provides institutional support and trade promotion services not only to Korean firms but also to international companies. From within the region, the cases of Ruta N from Colombia, Distrito Tecnológico of Argentina and Uruguay Global of Uruguay, amongst other cases will be explored and disseminated. The team will focus on the diverse experiences of fostering 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. The team will organize various workshops in IDB H.Q. and LAC countries to share the experiences of said institutions and the testimonials of their clients, as well as specific recommendations of how to apply said instruments and innovations in LAC trade promotion agencies. Government officials and private sector stakeholders will benefit from these workshops and will gain useful insights for the application in their own countries. Component II: Institutionality for the internationalization of LAC tech companies will assist selected countries of the region to develop their own strategies for the establishment or strengthening of internationalization promotion organizations for tech-companies. A maximum number of 3 countries will be selected, measured by the criteria of the level of readiness for the globalization of the business community and government commitment.
- 3.2 Based on this, a feasibility study for the establishment of internationalization promotion institutions will be conducted for each country. The study will suggest whether the country requires a new institution or strengthen exiting institutions to increase global presence of their companies, including a detailed road map to achieve this goal. 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. Participating countries will be given an opportunity to have a global partner institution in Korea as a regional hub to enter the Asia Pacific and the study will also propose cooperation initiatives: Sharing the facilities and resources, co-hosting regular-joint events, facilitating collaboration between the two regions, amongst others. Additionally, a study tour to Korea will be designed and executed for LAC stakeholders. Component III: Global Partnership Building for Tech-companies. In addition to components 1 and 2, the team will organize partnership building activities between Korea and LAC. First, in consultation with regional stakeholders, strategic cooperation areas such as smart cities or fin-tech will be defined and second, the team will

organize a 'Demo-Day' or 'Pitching-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 marketing for global market, marketing barter, creating joint venture, amongst others. Investors, including IDB Invest, and accelerators will be invited to support financing.

- 3.3 **Component I: Knowledge & Experience Sharing to support the internationalization of LAC tech-companies.** (i) Benchmark Study on experiences of supporting tech-companies in Korea and LAC; (ii) Korea-IDB Innovation Day (workshop of best practices in Korea and LAC countries, held in D.C.); and (iii) Workshops on the best practices on LAC countries' tech-companies globalization support.
- 3.4 **Component II: Institution building for the globalization promotion organization.** (i) Consultation on the establishment of globalization promotion agency for tech-companies (for 3 countries); and (ii) Study Tour to Korea.
- 3.5 **Component III: Global Partnership Building for Tech-companies.** Invest Promotion 'Demo-day' for Tech-companies from Korea and LAC countries (held in Korea or one of LAC countries; 50 companies and investors participating)

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Knowledge & Experience Sharing to support the internationalization of LAC tech-companies	\$ 151,000.00	\$ 0.00	\$ 151,000.00
Institution building for the globalization promotion organization	\$ 383,000.00	\$ 0.00	\$ 383,000.00
Global Partnership Building for Tech-companies	\$ 196,000.00	\$ 0.00	\$ 196,000.00

V. Executing Agency and Execution Structure

- 5.1 Given the regional character of the project and acknowledging that it needs a significant level of coordination between several regional public and private sector stakeholders, the Bank will be the project's executing agency, through the Trade and Investment Division (INT/TIN) of the Integration and Trade Sector (INT/TIN).
- 5.2 The Bank is positioned as an ideal actor to execute this project with its presence in every country and extensive knowledge of trade promotion organizations in the region.

VI. Project Risks and Issues

- 6.1 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 and private sector leaders involved in this project.

VII. Environmental and Social Classification

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