

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	REGIONAL/CID - Isthmus & DR
▪ TC Name:	Strengthening Regional Value Chains in the Northern Triangle countries
▪ TC Number:	RG-T3973
▪ Team Leader/Members:	GARCIA NORES, LUCIANA VICTORIA (INT/RIU) Team Leader; BRAUN, MIGUEL (INT/RIU); MADAY, MONICA (INT/INT); VITALI, MARIA VICTORIA (INT/INL); RECIO, MARGARITA M. (INT/RIU); BARRAGAN CRESPO, ENRIQUE IGNACIO (LEG/SGO); ESTEVES, YASMIN (INT/INT); ROSPIDE, MARIA DE LA PAZ (INT/TIN)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	30 Jul 2021
▪ Beneficiary:	El Salvador, Guatemala and Honduras
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$350,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	INT/RIU - Regional Integration Unit
▪ Unit of Disbursement Responsibility:	INT/RIU - Regional Integration Unit
▪ 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 The objective of this TC is to implement finishing school programs in Northern Triangle (NT) countries to provide workers with basic skills in English and Information Technology (IT) certification to enable them to work successfully in the Contact Centers and Business Process Outsourcing (BPO) sectors, and to strengthen the participation of the NT in regional and global value chains (RVC/GVC).
- 2.2 The reconfiguration of value chains provides an opportunity to strengthen NT's participation in RVC/GVC, as multinational companies seek to diversify their suppliers to reduce geopolitical risks and bring them closer together to reduce their carbon footprint. There are opportunities for new investments by attracting segments of those chains into the NT.
- 2.3 The NT counts with traits that make them appealing as destination for further investments: (i) Time zone: companies in the region operate at hours similar to those of larger markets in US; (ii) Distance: geographical location offers proximity to the largest US markets; (iii) Talent: low cost of human capital with a growing and young workforce; (iv) Market Access: free trade agreements with the US (DR-CAFTA) and other relevant partners; and (v) Logistics: maritime transport with access through the Atlantic and Pacific.

- 2.4 Due to the COVID-19, the International Monetary Fund estimated that in 2020, the GDP of El Salvador, Guatemala and Honduras declined -8.6%, -1.5% and -8%, respectively. For 2021, a recovery of 4.4% on average is estimated. However, as GVC contribute to half of global trade, increasing the participation of NT will act as a catalyzer to economic recovery.
- 2.5 Additionally, the NT is a strategic priority for the region. The US is willing to provide technical and financial assistance, both directly and through the International Financial Institutions, beyond historic levels. The IDB brings expertise to leverage and pool resources efficiently to achieve results, where past efforts have fallen short.
- 2.6 Based on the analysis carried out by the Regional Integration Unit (RIU) under the framework of the initiative to strengthen regional value chains (nearshoring), opportunities have been identified in the textile and in the knowledge-based services sectors. This TC will address the latter. The Contact Center and BPO sectors offer opportunities to create 35,000 jobs per year in the short term if proper conditions are met.

### III. Description of Activities and Outputs

- 3.1 **Component I: Finishing schools on English and IT certification.** This component will provide results in the short term. It will finance talent development on English and IT to attract investment. It will be addressed jointly with companies in the Contact Centers and BPO sectors that have not been able to invest in the NT due to the lack of trained talent. Activities will include: (i) identify investors and potential candidates to receive the training; (ii) develop the curricula; (iii) organize and carry out the training courses.
- 3.2 **Component II: Institutional strengthening to attract investment in the Contact Centers and BPO sectors.** This component will finance activities to identify and develop a plan to address additional institutional barriers that hinder investment, in areas such as, trade and investment facilitation and promotion, infrastructure, access to finance, etc. Activities will include: (i) carry out a diagnostic, and (ii) develop recommendations of public policy to foster investment in these sectors.

### IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Finishing schools on English and IT certification	US\$200,000.00	US\$0.00	US\$200,000.00
Institutional strengthening to attract investment in the Contact Centers and BPO sectors	US\$150,000.00	US\$0.00	US\$150,000.00
<b>Total</b>	<b>US\$350,000.00</b>	<b>US\$0.00</b>	<b>US\$350,000.00</b>

### V. Executing Agency and Execution Structure

- 5.1 This TC will be executed by the Integration and Trade Sector (INT) through RIU of the Inter-American Development Bank (IDB), in accordance with the Bank's Technical Cooperation Policy.
- 5.2 A primary reason that justifies the execution of the project by RIU is that it has been key to implement IDB's Vision 2025 regarding strengthening regional value chains. RIU has accumulated significant experience by developing 14 national strategies to enable the countries analyzed to seize the benefits from the once in a lifetime opportunity that the reconfiguration of GVC presents. In accordance with the annex II

of the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4).

**VI. Project Risks and Issues**

- 6.1 A risk to the project is that firms will not engage actively in the technical cooperation by providing data and information. To mitigate the risk back up firms will be identified to participate in this project. The Integration and Trade Sector has developed expertise in finishing school programs which also mitigates the possible risks.

**VII. Environmental and Social Classification**

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