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MULTILATERAL INVESTMENT FUND

MEXICO

**ACCELERATING THE DIGITAL CAPACITY OF THE
AUTOMOTIVE WORKFORCE IN THE BAJÍO REGION**

(ME-T1349)

DONORS MEMORANDUM

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PROJECT SUMMARY

MEXICO

ACCELERATING THE DIGITAL CAPACITY OF THE AUTOMOTIVE WORKFORCE IN THE BAJÍO REGION

ME-T1349

Over a period of less than 20 years, the automotive industry has grown into one of Mexico's most dynamic and knowledge-intensive industrial sectors. The Bajío region, which spans parts of the states of Guanajuato, Queretaro, Aguascalientes, and Jalisco, has absorbed major investments from all over the world, especially from Japan, the United States, and Germany. Nonetheless, the rapid transition from a predominantly agricultural economy to an industrial one has not been matched by similar progress in education or greater development of rural communities, which still live in highly vulnerable conditions. The low quality and relevance of the education and underinvestment in training programs, are limiting the potential of the region. Young people in rural communities are often unaware of opportunities in industry; they have difficulty finding formal employment, and sometimes end up in informal jobs, which makes them more likely to migrate to the United States. Businesses have high annual employee turnover rates, and there are too few skilled workers for knowledge-intensive sectors.

This project seeks to develop the skills of workers in the automotive industry and improve the employability of youth and adults in the communities around the industrial parks. Among the expected outcomes, 5,200 people will gain new job skills, and, among these, 1,400 young people will be employed in knowledge economy sectors, especially the automotive industry. The project has four components: (i) Coordination of education and training institutions with market demand and community needs; (ii) Promotion of digital distance learning and job training; (iii) Creation of opportunities for lifelong learning; and (iv) Consolidation of the model for replication. The project will be implemented in the municipios of Silao, Irapuato, and Salamanca in the state of Guanajuato on a pilot basis, with the expectation of replicability in the over 20 industrial parks of Guanajuato and the Bajío region.

The project is innovative in two ways. First, its inclusive and systemic approach engages key stakeholders such as the business sector, civil society, government, the communities, and educational institutions. The role of the IDB/MIF will play a key role in eliciting support to mobilize and coordinate the different stakeholders and promoting cofinancing, transparency, and ownership of the model by local stakeholders. Secondly, to address the automotive industry's high demand for labor and training needs, this project will promote online education and virtual ongoing training courses. This strategy will complement the formal instruction of young people in school; provide workers with new skills; foster greater use of computers, smartphones, and tablets; and facilitate upscaling. The project is strategic for the MIF's Knowledge Economy area, bringing an inclusive and systemic sector approach to bear on the human capital problems of the automotive industry, as a highly technology-intensive growth sector with demand for greater technical and technological expertise. It is also aligned with the interests of the Labor Markets Division, which is promoting a skills development agenda with strategic sectors like the automotive industry through the National Productivity Committee, and complements the Education Division's Community Education Program in Basic Education Schools (loan ME-L1162).

ANNEXES

Annex I	Results Matrix
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Proposed resolution

INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF THE MIF PROJECT INFORMATION SYSTEM

Annex III	Itemized budget
Annex IV	Diagnostic needs assessment (DNA) of the executing agency [including due diligence and integrity analysis]
Annex V	Project status reports (PSRs), fulfillment of milestones, and fiduciary agreements
Annex VI	Procurement plan

ABBREVIATIONS

AWP	Annual work plan
CLAUGTO	Clúster Automotriz de Guanajuato [Guanajuato Automotive Cluster]
CONAFE	Consejo Nacional de Fomento Educativo [National Council for Educational Development]
CONALEP	Colegio Nacional de Educación Profesional Técnica [National Technical Vocational Education College]
FCB	Fundación Comunitaria del Bajío [Bajío Community Foundation]
IECA	Instituto Estatal de Capacitación [State Training Institute]
INEGI	Instituto Nacional de Estadística y Geografía [National Institute of Statistics and Geography]
LMK	Labor Markets and Social Security Division of the IDB
NGO	Nongovernmental organization
UVEG	Universidad Virtual del Estado de Guanajuato [Virtual University of the State of Guanajuato]

EXECUTIVE SUMMARY

ACCELERATING THE DIGITAL CAPACITY OF THE AUTOMOTIVE WORKFORCE IN THE BAJÍO REGION (ME-T1349)

Country:	Mexico															
Executing agency:	Acción Comunitaria del Bajío A.C., better known as Fundación Comunitaria del Bajío [Bajío Community Foundation] (FCB)															
Focus area:	Knowledge Economy, especially geared toward developing trades and skills in the automotive industry, a high-growth sector with demand for personnel with technical and technological knowledge and skills.															
Coordination with our donors/IDB group operations:	Labor Markets and Social Security Division (LMK) and Education Division (EDU)															
Project beneficiaries:	The beneficiaries will be youth and adults of 13 communities located near four industrial parks in the state of Guanajuato, as well as youth and adults employed at the parks, including: (i) 1,030 young people enrolled in secondary education; (ii) 2,640 young people enrolled in the technical baccalaureate or out of school (up to age 24); and (iii) 2,600 young people and adults employed in the automotive industry. As expected outcomes: (i) 1,400 young people will be employed in knowledge economy sectors; (ii) 5,200 people will gain new job skills (40% women).															
Financing:	<table><tr><td>Technical cooperation:</td><td>US\$1,250,000</td><td>42%</td></tr><tr><td>Total MIF contribution:</td><td>US\$1,250,000</td><td></td></tr><tr><td>Counterpart:</td><td>US\$1,750,000</td><td>58%</td></tr><tr><td>Cofinancing</td><td></td><td></td></tr><tr><td>Total project budget:</td><td>US\$3,000,000</td><td>100%</td></tr></table>	Technical cooperation:	US\$1,250,000	42%	Total MIF contribution:	US\$1,250,000		Counterpart:	US\$1,750,000	58%	Cofinancing			Total project budget:	US\$3,000,000	100%
Technical cooperation:	US\$1,250,000	42%														
Total MIF contribution:	US\$1,250,000															
Counterpart:	US\$1,750,000	58%														
Cofinancing																
Total project budget:	US\$3,000,000	100%														
Execution and disbursement period:	Execution period of 36 months, and disbursement period of 42 months.															
Special contractual clauses:	The following will be conditions precedent to the first disbursement: (i) selection of the project coordinator; (ii) submission of the annual work plan; (iii) approval of the project Operating Regulations; and (iv) commitment letters or agreements from the project sponsors.															
Environmental and social impact review:	This operation has been prescreened and classified according to the requirements of the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703). Since impacts and risks are limited, the category proposed for the project is "C".															

**Unit with
disbursement
responsibility:**

MIF staff at the Bank's Country Office in Mexico (MIF/CME).

I. THE PROBLEM

A. Description of the problem

- 1.1 Over a period of less than 20 years, Mexico has become the world's seventh largest automobile producer; and the automotive industry has grown into one of the country's most dynamic and knowledge-intensive industrial sectors, creating the opportunity to attract other similar industries, such as aerospace. According to data from the National Institute of Statistics and Geography (INEGI), automotive industry wages are higher than average wages in the country and those of the manufacturing sector in general.¹ The automotive industry is also the largest employer within the manufacturing sector. In terms of employment and gender, women's labor participation rate in the automotive industry has risen in the past 10 years, and their wage growth has outpaced men's. Women currently represent 35.7% of the automotive industry workforce.
- 1.2 One of the country's main industrial corridors is the Bajío region, which spans parts of the states of Guanajuato, Queretaro, Aguascalientes, and Jalisco. The state of Guanajuato in the past decade has absorbed major investments from the automotive industry worldwide, especially from Japan, the United States, and Germany.² Nonetheless, the rapid transition from a predominantly agricultural economy to an industrial one has not been matched by similar progress in infrastructure, services, and education, especially in rural communities adjacent to the large industrial parks. Most of the population of these communities are highly vulnerable and do not yet have the skills to participate in the burgeoning industrial sector.³
- 1.3 The Mexican Automotive Industry Association forecasts employment in the sector to grow between 60% and 70% over the next five years in the Bajío region. However, the low quality and relevance of the education and underinvestment in job/employability training programs have created a bottleneck limiting the growth potential of the region's economy: Guanajuato has one of Mexico's lowest levels of schooling⁴ and 50.3% of senior high school students there are expected to drop out of school in 2016-2017.⁵ According to the Guanajuato Automotive Cluster (CLAUGTO), companies in the sector expect to offer 35,415 jobs in 2017, with production workers being the most in demand, followed by engineers and technicians. Current schooling and dropout trends indicate that young people have

¹ The manufacturing sector employed 26.8% of formal workers in February 2017 and created the largest portion of formal sector jobs of any sector, according to [data available online](#) from the Mexican Social Security Institute.

² From December 2008 to February 2017, automotive industry job creation grew 129% in Mexico, and 321% in the state of Guanajuato. [Data available online](#) from the Mexican Social Security Institute.

³ According to [data from the latest available Programme for International Student Assessment \(PISA\)](#) test (2015), 56.6% of young Mexicans aged 15 who took the test received a mathematics score below the level of proficiency required to participate fully in modern society. The percentages for science and reading were 47.8% and 41.7%, respectively. Only 36% of the students who took the test reached this level of proficiency in the three domains evaluated (reading, mathematics, and science).

⁴ The average education level of the population aged 15 years or older is 8.4, ahead of only Veracruz, Michoacán, Guerrero, Oaxaca, and Chiapas. [Data available online](#) from the 2015 Intercensal Survey, INEGI.

⁵ [Data available online](#) from the Department of Public Education, General Directorate of Planning, Programming, and Educational Statistics.

difficulty finding formal employment, and 61% end up in informal jobs (with unpredictable wages and no benefits, which makes them more likely to migrate to the United States. Historically, Guanajuato has sent more migrants to the United States than any other Mexican state.⁶ Businesses have high annual turnover rates (46.55%),⁷ and there are too few skilled workers. Even those who do have qualifications face barriers to the knowledge and lifelong learning required to remain active in knowledge-intensive sectors.

II. THE INNOVATION PROPOSAL

A. Project description

- 2.1 The project's general objective is to develop the skills of workers in the automotive industry and improve the employability of youth and adults in the communities around the industrial parks.⁸ To achieve this, the project will strengthen crosscutting skills⁹ and both basic and advanced techniques, through online courses and further training, and thus demonstrate the variety of professional careers that can be pursued in the industry. Within the Bajío region, the project will be implemented in the state of Guanajuato, in the municipios of Silao, Irapuato and Salamanca, which have four industrial parks or production plants: Castro del Río, Fipasi, Las Colinas, and the Mazda plant, as well as 13 vulnerable communities located around these parks. The beneficiaries will be youth living and studying in these communities, and youth and adults employed in the four selected industrial parks. Specifically selected will be: (i) 1,030 young people enrolled in secondary education in the selected communities; (ii) 2,640 young people enrolled in the technical baccalaureate or out of school (up to age 24) in the selected communities; and (iii) 2,600 young people and adults employed in the automotive industry in the four selected industrial parks.
- 2.2 To address the multidimensional problems of the communities and business needs with an inclusive and systemic approach, a multisector partnership will be formed involving representatives from the automotive companies, government, industrial parks, communities, civil society, and educational and training institutions, which will set the strategic vision and pool efforts to achieve the shared goals and objectives of the project.
- 2.3 The project is strategic for the MIF's Knowledge Economy area, since the automotive industry is a dynamic sector where products and production processes are knowledge-intensive.¹⁰ This creates a spillover of technological capacity and dissemination of knowledge applicable in other sectors, and sets the stage for new industries that are even more complex and knowledge-intensive, such as aerospace. The project takes a systemic approach by addressing human capital

⁶ Encuesta Nacional de Dinámica Demográfica 2014 [National Survey of Demographic Dynamics 2014]. INEGI, Mexico.

⁷ CLAUGTO, Monitor de Mercado Laboral [Labor Market Monitor], November-December 2016.

⁸ The automotive industry encompasses the design, development, manufacturing, marketing, and sale of automobiles and their parts.

⁹ Teamwork, communication, problem-solving, etc. "Competencias transversales," or crosscutting skills, is the term most commonly used in Mexico, but others include soft skills or life skills.

¹⁰ McKinsey & Company, <http://www.mckinsey.com/industries/automotive-and-assembly/our-insights/how-the-convergence-of-automotive-and-tech-will-create-a-new-ecosystem>.

issues in general, not just those of youth, encompassing young people in secondary school and existing workers, to improve the sector's human talent pool now and in the future. It also seeks to involve the poor communities in the opportunities offered by the automotive sector, in terms of both employment and their professional growth and human development.

- 2.4 The project innovates in two ways. Firstly, its inclusive and systemic approach engages key stakeholders such as the business sector, civil society, government, and educational institutions in working toward a common goal. This partnership for training and human capital of the automotive industry will trigger major changes, for example, creating a sense among the communities of belonging to the industry. The starting point at the community level will be young people attending secondary school, then secondary school graduates, then youth who are not in school, and lastly adults. In the business sector, dozens of enterprises, including Japanese and German companies, are expected to participate by providing mentoring, as well as professional internships, training, and jobs, and generally by opening their doors for visits, vocational guidance talks to young people, and other contributions to the communities. Civil society is expected to work with the communities to identify challenges and opportunities for improving their education, employment, and living standards. The IDB/MIF will play a key role in eliciting support and mobilizing stakeholders and ensuring a transparent, participatory process that will ultimately leave the functioning model in the hands of the key local stakeholders.
- 2.5 Secondly, to address the automotive industry's high demand for labor and training needs, this project will promote online education and virtual ongoing training courses, fostering greater use of computers, tablets, and smartphones. For young people attending school, this strategy will complement the traditional formal education and strengthen digital skills. Employed youth and adults will receive help in completing their studies and/or learning new skills to advance in their working and professional careers. The use of online educational platforms will make it easier for solutions to be scaled up more quickly. The creation of this system for human capital formation in the communities near industrial parks will provide an innovative and scalable model that can be replicated in Guanajuato's more than 20 industrial parks and in the Bajío region.
- 2.6 The project has drawn on the experience gained under the NEO Mexico project (operation ME-M1091/ME-T1255) in the state of Nuevo León, which has developed a multisector partnership model to address the employability problems of out-of-school and unemployed youth and young people enrolled on the technical baccalaureate of the National Technical Vocational Education College (CONALEP Nuevo León). In the first case, in conjunction with the Department of Economy and Labor and the Department of Social Development, outreach workers in the most vulnerable areas have been trained to encourage and advise young people in their training and job search, putting them in touch with the State Labor Training Institute (ICET), along with counseling, scholarships, job search assistance, and social services so that young people can get their lives on track. In the case of CONALEP, a model has been developed that identifies gaps in skills that are in high demand and well paid in the market, and works with the business sector to jointly develop technical pathways based on the identified skills. Two of the five technical paths developed have involved the Nuevo León automotive cluster. This model also includes a vocational guidance system that seeks to lower the high drop-out rate

among baccalaureate students, help them to make better career choices, and support them later in finding professional internships and jobs. The FCB and the NEO Mexico executing agency, COMUNIDAR, have been sharing information on lessons learned, success factors, and challenges. This relationship is expected to continue, so that tools can be transferred from one project to another.

Component I: Coordination of education and training institutions with market demand and community needs (MIF: US\$560,648; Local: US\$838,684)

- 2.7 The objective of this component is to clearly define the reach and responsibilities of the different educational institutions and establish mechanisms for interaction and feedback between them and the companies and communities. The educational institutions will be encouraged to address both the market demand from the industrial sector and the needs of vulnerable communities, to close skills gaps, solve problems with access to training, and address outdated training activities and other problems as may be identified.
- 2.8 The activities of this component adopt a gender approach to promote greater women's participation in the industry, such as by working with families to see industrial career choices as attractive options and helping them develop medium- and long-term life plans, improving safety in transit to the industrial parks or schools, and providing child care to lower the opportunity cost of labor market participation.
- 2.9 The activities of this component are: (i) a participatory diagnostic assessment of the assets and needs of the communities to be targeted; (ii) ongoing analysis, assessment, and communication of labor market trends; (iii) ongoing analysis, assessment, and communication of education and training offerings; (iv) development of a mechanism for the creation/adaptation of education and training offerings with a view to closing the gap between labor supply and demand in the sector; (v) transfer and/or development and implementation of tools and models for vocational guidance, crosscutting skills, and job search; (vi) analysis of the barriers to women's integration into the automotive sector and piloting of best practices; (vii) partnership-building and agreements; and (viii) training of outreach workers and other professionals (counselor, psychologist, liaison officer, etc.) in vocational guidance, gender mainstreaming, delivery of distance education, and labor market intermediation.

Component II: Promotion of digital distance learning (e-learning) and job training (MIF: US\$142,929; Local: US\$768,193)

- 2.10 The objective of this component is to offer greater access to digital platforms for better learning and acquisition of new skills among youth and adults. Work will be done with young people in secondary school to reinforce the acquisition of core skills through virtual platforms for tutorials and video classes via Quipper, a potential project partner (see paragraph 5.3). Young graduates will also be able to take virtual courses with the Virtual University of the State of Guanajuato (UVEG), such as to gain English language skills. Existing workers will seek partnerships with the UVEG Educational Access Centers to train in new skills at the companies or industrial parks themselves. To this end, teachers will be trained, spaces will be adapted for learning in the communities, and training facilities and connectivity will be improved.

- 2.11 The activities of this component are: (i) improved access to digital interconnectivity and equipment for distance education in the communities; and (ii) implementation of training for the new offerings created.

**Component III: Creation of opportunities for lifelong learning
(MIF: US\$52,368; Local: US\$41,324)**

- 2.12 The objective of this component is to create lifelong learning opportunities in both communities and businesses, through the UVEG Educational Access Centers and in the communities themselves. The State Training Institute (IECA) will also be an important provider of courses and tools to develop plans for continuous learning. Learning will be linked to the market demand of both the industry and the local communities, and will also foster integration between them.
- 2.13 The activities of this component are: (i) analysis and assessment of obstacles to lifelong learning, to be shared with the communities; (ii) development of strategies for companies to share best practices in human resources policy for professional development, recruitment, youth participation, retention, skills development, and credentialing; and (iii) pilot development for lifelong learning.¹¹

**Component IV: Consolidation of the model for replication
(MIF: US\$164,054; Local: US\$19,730)**

- 2.14 In this component, the systems of Fundación Comunitaria del Bajío [Bajío Community Foundation] (FCB) will be strengthened to monitor and track outcomes for strategic communication, which involves keeping a large number of stakeholders constantly informed; and for the collection and management of funds through trusts or other mechanisms that ensure transparent and cost-efficient management. Knowledge products will also be developed that are considered crucial for the model's replication and scaling, which may include methodological guides, manuals, case studies, etc. Scalability will be proposed first in the Bajío region and later at the national level.
- 2.15 The activities of this component are: (i) baseline-setting, measurement instruments, and online information systems; (ii) design and implementation of a communication strategy; (iii) production of guides, case studies, and methodologies, as well as workshops for the sustainability of the partnership, participation and organization of technical events, and the exchange of experiences with experts and potential replicators.

B. Project outcomes, measurement, monitoring and evaluation

- 2.16 The expected outcomes by project-end are: (i) 1,400 people newly employed in knowledge economy sectors (70% of the 2,640 young people enrolled in the technical baccalaureate or out of school, after factoring in a 25% dropout rate); (ii) 5,200 people with new job skills; (iii) 15 strategic partners such as state-level departments, educational institutions, and industrial parks; (iv) 50 businesses offering jobs, apprenticeships, or training.

¹¹ To develop these pilots, selection criteria will be identified, such as: (i) demand; (ii) interest among youth and adults; (iii) relevance to knowledge economy sectors; (iv) cost-effectiveness; and (v) use of technology.

- 2.17 For project monitoring and supervision, an information system will be designed that includes a baseline and measurement instruments to be managed by the FCB. The information will be broken down by age, gender, skills/certifications and registered employment contracts. The project will also include a midterm evaluation to assess its operation and identify areas for improvement. This evaluation will focus on technical areas and those that have been identified as more complex, and on the actions needed to make corrections in implementation.

III. ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND PROJECT RISKS

A. Alignment with the IDB Group

- 3.1 The Bank's country strategy with Mexico 2013-2018 focuses on stimulating productive development to boost the economy's growth potential. To this end, it seeks to support the country in the labor markets area by improving productive workforce integration in quality jobs (document GN-2749, paragraph 3.14). The strategy identifies the low quality and lack of relevance of the education system, and meager investments in vocational training and employability programs as the main reasons for the low level of human capital and poor access to quality jobs. In particular, it identifies the alignment of technical careers at the secondary and higher education levels, and training initiatives for active workers, as priority areas for action. The National Development Plan designed by the Mexican government (México Próspero), seeks to promote quality employment, greater employability and job training.
- 3.2 This operation also complements the work being done by the Bank's Labor Markets Division to improve the skills and employability of upper-secondary technical education graduates, in addition to implementing a skills development agenda in strategic sectors, such as the automotive industry, through the National Productivity Committee. It also complements the Education Division's Community Education Program in Basic Education Schools (loan ME-L1162), now in the design stage, to strengthen the new "learning based on collaboration and dialogue" educational model of the National Council for Educational Development (CONAFE), which may train instructors in the communities targeted by this project, to expand the model.¹²

B. Scalability

- 3.3 The project develops solutions that could be scaled up through the Government of Guanajuato and financial and technical support from all partners in the alliance and from the new industrial parks, communities, clusters, and states of the Bajío region. The multisector partnerships allow for greater sustainability and replication of the models, since, from the outset, the main governmental actors, employers, civil society, communities, and training institutions will be convened to sit down at the table to jointly develop solutions with them and for them. The project is designed to use, and/or direct toward the communities, public services provided by the Guanajuato state government, which will be able to institutionalize the project solutions and replicate them in other industrial parks in the state. Moreover, the

¹² The team saw no opportunity to align this project with the work of the Inter-American Investment Corporation (IIC), since there is no direct correspondence with its strategic areas: transportation, energy, financial markets, science and technology, and agroindustry.

FCB's philosophy is to accompany communities over the long haul (10 years), to ensure that the changes introduced are sustainable and the community is empowered to continue improving its living conditions. The presence in the partnership of entities such as CLAUGTO allows firms in Guanajuato's automotive sector to be involved in, and to share, the model and its results with the automotive clusters of Bajío's neighboring states, since they meet twice a month. Interest will thus be generated in other states, and partners will be sought for replication.

- 3.4 In the final phase of the project, the members of the partnership will work together to identify opportunities to take the project to other industrial parks and communities in the Bajío region—there are over 20 industrial parks in Guanajuato alone. It could also be scaled up to other regions of the country, such as northern Mexico. Since other nascent industries in the Bajío Corridor share capabilities with the automotive industry—e.g. aeronautics—the project creates the opportunity to scale up the model to these other knowledge-intensive industries, exploiting the similar knowledge and labor force skills present in these industries.

C. Project and institutional risks

- 3.5 **Lack of interest among young people to participate in the activities proposed in the different components.** To mitigate this risk, it is planned to develop vocational guidance activities that will help both young people and families to see the different opportunities offered by the industry, to inform themselves about the wages and career paths available, and to emphasize the link between aspects of technology that may be of interest to young people and jobs in the sector, as well as organizing visits to companies, talks with young people already working in the industry, and professional internships.
- 3.6 **Technical problems that prevent regular access to the internet, problems with computer equipment, tablets, etc.** Better connectivity is fundamental for offering online courses and continuous training. To mitigate this risk, it is hoped to combine a variety of training modalities, ranging from those available in community computer rooms, to internet mobile classrooms and Educational Access Centers that could be set up in industrial parks or communities. Solutions that do not need permanent connection to the Internet but allow for work on offline content to make progress in learning will also be encouraged.
- 3.7 **Operation and sustainability of the partnership.** The multisector partnership is an essential part of the initiative, but with the changes of authorities in institutions, especially in public entities, there is a risk that interest, participation, and contributions by members will wane over time. The work of the partnership will play a key role in keeping educational offerings up to date and closing the gap between labor supply and demand. To mitigate this risk, a governance agreement will be developed that defines rules of operation, commitments, and reporting requirements, along with a variety of workshops to strengthen unity and trust among members and create a group identity. Another mitigating factor was selecting the FCB as executing agency and coordinator of the alliance, given its standing in the public and private sectors and strong ability to act as liaison and coordinate the different sectors.

IV. INSTRUMENT AND BUDGET PROPOSAL

- 4.1 The project has a total cost of US\$3 million, US\$1.25 million (42%) of which will be contributed by the MIF, and US\$1.75 million (58%) by the counterpart. The counterpart funding will come from various public agencies of the state of Guanajuato, individual companies, associations of the industrial parks, and private foundations.
- 4.2 Retroactive recognition of counterpart funds. Up to a total of US\$49,000 may be recognized as counterpart funds for diagnostic assessments of six communities conducted by the FCB from May 2016 onward.

Project components	MIF (US\$)	Counterpart (US\$)	Total (US\$)
Component 1: Coordination of educational and training institutions with market demand and community needs	560,648	838,684	1,399,331
Component 2: Promotion of digital distance learning (e-learning) and job training	142,929	768,193	911,122
Component 3: Creation of opportunities for lifelong learning	52,368	41,324	93,692
Component 4: Consolidation of the model for replication	164,054	19,730	183,784
Execution unit	232,432	59,314	291,746
Evaluation	30,811		30,811
Ex post reviews	12,000		12,000
Strengthening of the organization	28,108	9,730	37,838
Contingencies	26,650	13,026	39,676
Total	1,250,000	1,750,000	3,000,000

V. PROJECT PARTNERS AND IMPLEMENTATION STRUCTURE

A. Description of project partners

- 5.1 To develop the partnerships for the training and human capital system, it is essential to work with the most relevant partners in both the private and public sectors, and to establish a flexible and efficient mechanism for collaboration. The Bajío Community Foundation (FCB, <http://fcbajio.org/>) has been selected as this project's executing agency, and it will sign the agreement with the Bank. The FCB is a local nongovernmental organization (NGO) founded in 1997 which works with several vulnerable communities in the Bajío region to promote local development with civil society participation. It has relevant experience working in partnership and mobilizing resources for community welfare; and it also forms part of the country's Network of Community Foundations. Due to the rapid growth of industry in the region and its influence on local communities, the FCB sees the need to work closely with the business sector. A recent achievement has been the Collaboration Agreement for Social and Human Development, which was signed in October 2016 with the Business Directors Association of the Castro del Rio Park, an industrial park in

Irapuato, with the Governor of the State of Guanajuato standing as witness of honor. The FCB has the administrative and managerial infrastructure needed to attain the project's objectives.

- 5.2 Synergos Institute, a global NGO based in the United States, will support the project as a strategic partner with two functions: (i) to facilitate the inclusive and systemic approach; and (ii) to raise financial resources. Synergos has been working with the FCB for two years in diagnosing and engaging the participants in this project. It has a systemic approach methodology and multisector partnerships deployed in several continents, including Africa, Asia, and Latin America. In Mexico, it has set up partnerships to reduce poverty and inequality, targeting high-school education in particular. Drawing on its international and national connections, it will also work with the FCB to open the doors to its philanthropist network.
- 5.3 From the business sector, several industrial parks and automotive firms will be key system allies. For example, Marabis, a developer and owner of several industrial parks in the state will participate in the project. NHK, a Japanese-based supplier with presence in one of the Marabis parks, will not only participate, but offers to mobilize other companies in the parks in collaboration with the FCB. Mazda, which started producing automobiles at its new Salamanca plant in 2014, is also weighing participation in the project, with a special interest in working with vulnerable communities and hiring young people. The Guanajuato Automotive Cluster (CLAUGTO), a 75-member association that includes firms and academic and governmental institutions in the automotive industry, is pursuing initiatives in areas such as human capital and asset security, with an interest in pooling efforts to build on and enhance activities and the social impact of the project. In addition, Quipper, an edu-tech subsidiary of Recruit, one of the largest media companies in Japan, will be a strategic partner of the project. It has the capacity to develop and provide educational content to supplement secondary education; and it has already had a successful experience with public schools in Mexico City. Lastly, the Japanese Chamber of Commerce and Industry of Mexico will assist the project, especially in obtaining participation from the Japanese companies.
- 5.4 For the public sector, the Government of the State of Guanajuato has expressed support for the project; and several state departments will be allied to it, including the Departments of Education, Economic Development, and Social Development. Educational institutions such as IECA, CONALEP, and the Irapuato Higher Technological Institute (ITESI), will participate, to improve training quality and increase the number of young people trained. The Virtual University of the State of Guanajuato (UVEG) will play a key role through its network of Education Access Centers. In these centers, which are set up in public places or in firms, people can access online courses, thereby affording the project a major advantage in terms of economy and scalability.

B. Implementation structure and mechanism

- 5.5 The FCB will set up an execution unit and the necessary structure to implement the project's activities and manage the resources effectively and efficiently. The unit will also file status reports on project implementation. Details of the structure of the execution unit and the requirements of the status reports can be found in Annex V in this operation's technical files.

- 5.6 As part of the project's governance, a Project Steering Committee with representatives from the FCB, MIF (Mexico Office), IDB/LMK/EDU and key partners such as industrial parks, representatives of some of the firms, Guanajuato state departments, educational institutions, and others. The Committee will meet periodically to make decisions on, and review, important issues such as resource use.

VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will commit to the standard MIF arrangements for results-based disbursements (triggers), and the Bank's procurement and financial management policies as specified in Annexes V and VI. The executing agency will follow IDB policies (documents GN-2349-9 and GN-2350-9) for the procurement of goods and consulting services.
- 6.2 Synergos may be engaged via single-source selection to strengthen the partnership, given its technical knowledge and years of previous work with public and private actors in Guanajuato and with the FCB. The Bank has assured itself that the estimated costs of this procurement are approximately market costs for this type of work and experience, and that the terms of the respective contract are equitable and reasonable to the benefit of the project.
- 6.3 Additionally, an execution unit will be established within the FCB with the following responsibilities: (a) prepare the annual work plan (AWP), to be updated annually and approved by the MIF prior to implementation; and (b) assess progress on each component via the six-monthly report. The execution unit within the FCB will be comprised of the project director, a general coordinator, an administrative assistant, and a technical assistant. The project director will have the following primary duties: (a) coordination of planning, execution, and monitoring of progress on each of the different components; (b) validation of the AWP; (c) oversight of all administrative and financial processes; and (d) contracting of consulting engagements and other service providers. The project director will draw on the existing network of consultants on other FCB projects to fill these positions at the execution unit as direct hires, subject to the principles of economy and efficiency in the best interest of the project.

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 **Access to information.** This document is publicly accessible under the Bank's Access to Information Policy.
- 7.2 **Intellectual property.** The Bank owns the intellectual property on all work and results obtained under the project, and will grant a non-exclusive and free license to the executing agency, including the rights of dissemination, reproduction, and publication of any product in any medium. Any such dissemination, reproduction, or publication must indicate that it has been financed by the MIF. To that end, if the executing agency wishes to use the name or logo of the Inter-American Development Bank or the Multilateral Investment Fund, for any purpose, it will require prior written authorization from the Bank.