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MULTILATERAL INVESTMENT FUND

EL SALVADOR

**GIGES: WORKERTECH FOR INDEPENDENT AND INFORMAL WORKERS IN
EL SALVADOR**

(ES-T1341)

DONORS MEMORANDUM

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EXECUTIVE SUMMARY

EL SALVADOR

GIGES: WORKERTECH FOR INDEPENDENT AND INFORMAL WORKERS IN EL SALVADOR ES-T1341

The objective of the project is to improve the situation of independent workers, initially in three sectors: domestic services, freelancers¹ and creative industry workers, and (vehicle) drivers and (motorcycle) riders,² by developing innovative solutions that will address their needs by providing personalized benefits and protection services related to basic healthcare, savings/credit, productivity and professional development, as well as collective organization. These services are covered by the term “workertech,” which is defined as digital services offered to independent workers to help them: (i) guarantee access to social protections and basic labor rights, (ii) optimize productivity and professional development, and (iii) facilitate the collective organization of workers at trade union and professional levels alike.

The project’s intervention model focuses on creating and strengthening a new context and environment that would facilitate the emergence of innovative workertech service models in El Salvador, working with different actors in the public, private, and civil society sectors. To this end, pilot projects to test innovative workertech solutions will be promoted through challenges coordinated with key actors in the area of innovation and startups at the national and international levels. A public policy sandbox³ will be developed to conduct experiments on strengthening the regulatory framework, which would help improve the situation of independent and platform workers in El Salvador. Lastly, an observatory will be created to generate knowledge for relevant actors in the public, private, and civil society sectors involved, to address the challenges of different worker groups and help identify the problems they face, with a regional scope in the short term, and a global scope in the long term.

The project will promote a comprehensive gender strategy by launching pilot projects with innovative solutions that will facilitate personalized benefits and protection services for individuals working in the domestic services sector, where 91% are women, providing basic healthcare, savings, credit, professional development and/or collective organization services, among others. It will also seek to ensure that innovations serving the other two priority sectors (freelancers and creative workers, riders and drivers) begin with an assessment of the target population with a gender perspective that also focuses on serving women, without reproducing gender stereotypes in the workertech jobs and services promoted.

The main expected outcomes of the project include the promotion of at least six national and/or international startups or companies offering workertech services (healthcare, savings, access to finance, training, etc.) in El Salvador; 10,000 to 15,000 independent workers who have access to new workertech services (healthcare, savings, credit, productivity, collective organization, etc.); and of the total beneficiaries at least 6,000 female independent workers with access to workertech services.

¹ Independent worker.

² Rider apps that offer delivery or passenger transportation services.

³ A controlled environment for experimenting with solutions in a given public policy setting.

The project is aligned with IDB Group interventions that have clearly identified synergies, especially the operations of the Labor Market and Social Security Division (LMK) RG-T3152 “E-Lancers,” ES-T1316 “Skills to succeed in the digital platform economy,” and RG-M1277 and RG-X1247 “[Retirement Savings Laboratory](#),” as well as the E-government strategy focused on creating a digital identity, headed by the Innovation in Citizen Services Division (ICS). IDB Lab will develop and establish a framework for working together and sharing the lessons learned to facilitate the development of innovative workertech solutions, scaling them up through the private sector in the short term and through the public sector in the long term.

The total cost of the project is US\$3 million, with a contribution of US\$1.5 million from the executing agency (CASATIC) and US\$1.5 million from IDB Lab as nonreimbursable technical cooperation funds.

ANNEXES

Annex I	Results matrix
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Proposed resolution

INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF THE IDB LAB PROJECT INFORMATION SYSTEM

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Annex V	Integrity and institutional capacity assessment [includes due diligence and integrity analysis]
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ABBREVIATIONS

CASATIC	Cámara Salvadoreña de Tecnologías de la Información y Comunicación [Salvadoran Chamber of Information and Communication Technologies]
DIGESTYC	Dirección General de Estadísticas y Censos de El Salvador [Salvadoran Statistics and Census Bureau]
EAP	Economically active population
ICS	Innovation in Citizen Services Division of the IDB
ICT	Information and communication technology
IDB Lab	Multilateral Investment Fund
IDB	Inter-American Development Bank
ILO	International Labour Organization
ISSS	Instituto Salvadoreño de Seguridad Social [Salvadoran Social Security Institute]
LAC	Latin America and the Caribbean
LMK	Labor Market and Social Security Division of the IDB
MINEC	Ministry of Economy
OII	Office of Institutional Integrity
SDGs	Sustainable development goals
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

PROJECT INFORMATION

EL SALVADOR

GIGES: WORKERTECH FOR INDEPENDENT AND INFORMAL WORKERS IN EL SALVADOR
(ES-T1341)

Country and geographic location:	El Salvador		
Executing agency:	Cámara Salvadoreña de Tecnologías de la Información y Comunicación [Salvadoran Chamber of Information and Communication Technologies] (CASATIC)		
Focus area:	Knowledge economy / Talent and Employment and Financial Inclusion Verticals		
Coordination with other donors/Bank operations:	The IDB Group interventions identified as having clear synergies are: ES-T1330 and ES-T1328, two recently approved IDB Lab projects to develop the skills of the future through bootcamps and promote technology-intensive startups leveraged by data-lakes; LMK operations RG-T3152 “E-Lancers” to promote freelance work through platforms and ES-T1316 “Skills to succeed in the digital platform economy,” which seeks to develop and pilot a skills reconversion and improvement strategy for workers with a focus on two priority sectors: digital services and tourism; the lessons learned in RG-M1277 and RG-X1247 the Retirement Savings Laboratory ; as well as the E-government strategy focused on creating a digital identity, headed by the Innovation in Citizen Services Division (ICS).		
Project beneficiaries:	The project is expected to benefit 10,000 to 15,000 independent workers (40% women) in this initial phase, focusing primarily on the following sectors: riders and drivers, domestic services, freelancers and creative industry workers who may be associated with platform work or the analog gig economy, by improving their access to social protection and economic and financial security services, increasing their acquisition of new technology skills, knowledge, and abilities, improving their collective bargaining position, their access to banking and formality, and a steadier income, among other benefits.		
Financing:	Technical cooperation:	US\$1,500,000	50%
	Total funds IDB Lab:	US\$1,500,000	
	Counterpart:	US\$1,500,000	50%
	Total project budget:	US\$3,000,000	100%
Execution and disbursement period:	Execution: 36 months Disbursement: 42 months		
Special contractual conditions:	-		
Environmental and social impact review:	This operation has been screened and classified in accordance with the requirements of the IDB’s Environment and Safeguards Compliance Policy (operational policy OP-703) of 11 March 2021. Given the limited nature of the impacts and risks, the proposed category for this project is C.		
Unit responsible for disbursements:	DIS/CES.		

I. PROBLEM ADDRESSED

A. Description

- 1.1 **Latin America and the Caribbean has one of the most vulnerable populations in the world, largely due to high rates of labor informality.** Out of 292 million people employed in the region, 158 million work in informal conditions, equivalent to a regional average of 58%.⁴ As a result of the COVID-19 pandemic, 90% of these informal workers have been severely impacted in terms of their ability to earn income. Different estimates indicate that this group of workers is losing 80% of their income. The pandemic may also increase the percentage of informal workers living in relative poverty from 36% to as much as 90%, which means that the number of informal workers living in poverty could increase by up to 140 million.⁵ In the case of El Salvador, informal labor accounts for close to 2 million people (IDB, 2020) who have little or no protection against diseases, unemployment, access to financial products and services, etc.—a gap that has widened as a result of the pandemic and contributed to a dramatic increase in inequality.
- 1.2 **Women are the most vulnerable to the impact the COVID-19 pandemic has had on the labor market.**⁶ One out of every three employed women are independent workers, including those who work for themselves with or without a commercial establishment. This means they work in vulnerable conditions, with lower incomes and less access to social security (UNDP, 2020). In addition, social isolation may cause women's domestic burden to double or triple, which negatively impacts their wellbeing. The unequal distribution of roles in the home makes them responsible for household chores, caregiving, and helping their children with school, on top of doing their paid jobs, which may impair their employability and productivity.
- 1.3 **In today's world, thinking only in terms of traditional jobs (full-time salaried job with an indefinite contract) ignores millions of people** who provide additional sources of income and shape their own lives through a wide variety of unconventional employment relations. Platform work provides income and essential opportunities for many. However, without any protection from labor laws or collective organizations, many platform workers must contend with low wages, no basic job benefits such as pension and healthcare contributions, or protections such as unemployment insurance, as well as no job security and poor and/or dangerous working conditions.
- 1.4 **El Salvador has the greatest penetration of mobile phone service in Central America, with 9.8 million devices.** The number of devices in the country rose from 74,000 cell phones in 2000 to more than 9.8 million in 2017,⁷ most of which are smart phones. These figures mean El Salvador has the highest cell phone penetration in Central America. However, in terms of connectivity (broadband access), El Salvador ranks third in Central America in internet penetration, which

⁴ Data taken from the publication "Informalidad en los tiempos del COVID-19 en América Latina: implicaciones y opciones de amortiguamiento," IDB, April 2021.

⁵ Data taken from the publication "ILO Monitor: COVID-19 and the world of work," ILO, 2020.

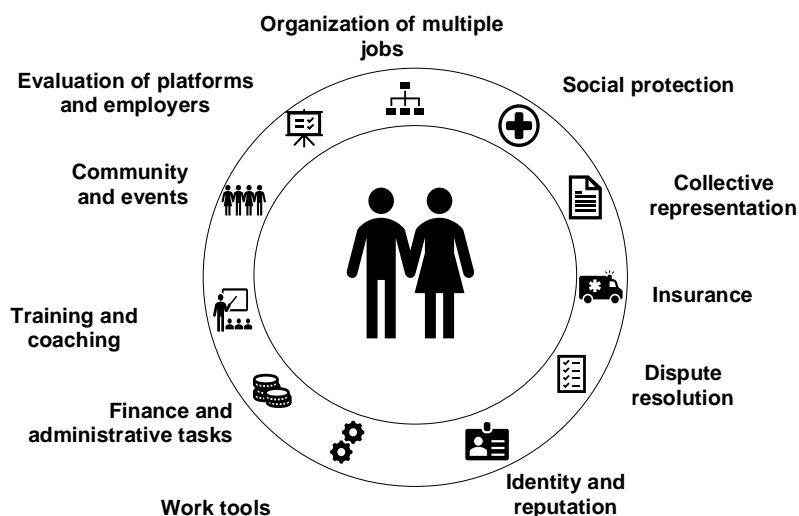
⁶ Aprender de la crisis: 10 ideas para proteger a las MYPE y recuperar los medios de vida. UNDP, October 2020.

⁷ Defensoría del Consumidor [Consumer Protection Agency], El Salvador, March 2019.

reflects a much lower access to broadband, which greatly reduces the type of activities that can be performed.⁸

- 1.5 **The workertech opportunity.**⁹ Social protection systems are conceived for traditional salaried employees. The COVID-19 pandemic has revealed how the social safety net¹⁰ fails to cover independent workers and workers in the informal sector. These new labor models pose a challenge to workers, legislators, employers, and institutions. The challenge is to develop a common labor rights and social protection system for all employed persons, regardless of their legal employment status, and it is precisely in this area that **workertech** has emerged as an alternative to **put technology at the service of workers** and help: (i) guarantee access to social protection coverage and basic labor rights, (ii) optimize productivity and professional development, and (iii) facilitate collective organization at the union and professional levels alike. The ecosystem¹¹ of private businesses and organizations that offer workertech solutions needs to be recognized and strengthened, as well as coordinated with the public sector so as to not create a parallel system.

Diagram 2. Potential Areas for Workertech Services



- 1.6 One key aspect of workertech is that it is focused on people, their specific needs, and the mass customization of services that can be achieved thanks to technology and real-time responses. Many workertech services are even designed so that

⁸ In El Salvador only 8 of every 100 inhabitants subscribes to broadband, which is very low compared to the Latin American and Caribbean average of 14 out of every 100 inhabitants. [Measuring Digital Development: Facts and Figures \(2019\)](#), ITU Publications.

⁹ [WorkerTech: How Technology Can Improve Emerging Jobs in Latin America and the Caribbean \(Summary\)](#), April 2021 IDB Lab.

¹⁰ For purposes of the project, this refers not only to health and unemployment insurance but also labor rights, access to training, optimization of productivity, and facilitation of professional collective organization.

¹¹ Entrepreneurial ecosystem refers to any context and environment that facilitates the emergence of entrepreneurial businesses and projects, with the following considered to be fundamental factors: venture capital, entrepreneurial talent, entrepreneurial culture, infrastructure, support organizations, etc.

workers can access certain benefits regardless of the number of companies, platforms, and clients for which they work.¹² The sectors in which the greatest number of workertech solutions have initially emerged are financial services, insurance, and administrative tasks ([Heru](#) in Mexico or [MyAlia](#) in the United States, a mixture of fintech and insuretech), all types of training (such as [The Ride Share Guy](#) for drivers in the United States, the [Centros de Vendedores de Mercado Libre](#) [Mercado Libre seller centers] in several countries in Latin America and the Caribbean, or courses at [Domestika](#) for creative industry workers) and tools for representation and collective action (such as [AppSindical](#) in Argentina or [Acua](#) in Chile).

B. Beneficiaries

- 1.7 This project will benefit **10,000 to 15,000 independent workers (40% women)**¹³ and will focus primarily on the following sectors: **domestic services, freelancers/creative industry workers, riders¹⁴ and drivers** who may be associated with platform work or the analog gig economy, by improving their access to social protection and economic and financial security services, increasing their acquisition of new technology skills, knowledge, and abilities, improving their collective bargaining position, and their access to financial services, formality, and a steadier income, among other benefits. The profiles of the selected sectors are described in more detail below:

- 1.7.1 **Domestic services: predominated by women who work in unstable and insecure conditions.**¹⁵ In El Salvador, 10% of the female economically active population (EAP) works in this sector. Of them, 91% receive no benefits, a salary that is 45% lower than in the rest of the EAP, and only 4% contribute to social security; in other words, most of them work in unstable and insecure conditions. Of the 111,780 individuals who perform domestic work, 91.4% are women and only 8.6% are men.¹⁶ Domestic workers are mostly adult women ages 30 to 54 who on average have a 6th grade education (62.4%), and 18.8% of them are illiterate (higher than the national average of 12.4%). According to the study conducted by the Human Rights Institute of the “José Simeón Canas” University of Central America (IDHUCA/UCA), 97% of domestic workers receive less than the minimum wage (\$304 per month)¹⁷ and do not have any benefits. While there has been some progress in terms of the possibility of adding these workers to the Social Security System (ISSS),¹⁸ there are still limitations related to “voluntary” enrollment by the employer (according to ISSS data from 2019 only 1,928 female workers are enrolled in the

¹² Annex 1, Examples of workertech in Latin America and the Caribbean. [WorkerTech: How Technology Can Improve Emerging Jobs in Latin America and the Caribbean, April 2021 IDB Lab.](#)

¹³ Inhouse estimate based on the profile of workers in the different subsectors targeted by the initiative.

¹⁴ Rider and driver apps that offer delivery and passenger transportation services.

¹⁵ [Reconociendo el trabajo doméstico remunerado de El Salvador](#), [Recognizing paid domestic work in El Salvador] UCA/IDHUCA. October 2015.

¹⁶ 2012 Multipurpose Household Survey (EHPM).

¹⁷ Ministry of Labor and Social Protection, current minimum wage for the commerce and services sector, January 2018.

¹⁸ [Régimen especial de salud de salud de salud y maternidad y maternidad para los trabajadores del sector doméstico](#), ISSS. July 2010.

special system, which is 1.7% of the total), as well as their exclusion from benefits such as disability, old age, and death. Other domestic service workers such as security staff, gardeners, drivers, etc. are also considered to be part of this segment, and also face unstable and insecure conditions.

*Case study*¹⁹

Lorena (25 years old): “I’m originally from Nahuizalco, an indigenous community in the western part of the country. I completed 3rd grade in the public school in my canton and have five siblings, so to help out my family I started to work as a maid in San Salvador. I’ve been working for the Mendoza family for 5 years; I don’t have a contract or regular hours, and no healthcare, pension or paid vacation. I go back home every 15 to 30 days to visit my family.”

If Lorena were to have a contract, set hours, basic benefits (bonuses, formal vacation time, access to healthcare services, etc.), she wouldn’t have to accept or live with these working conditions.

- 1.7.2 **Freelancers and creative industry workers:** The passage of the [Ley de Regulación del Teletrabajo](#) [Remote Work Regulation Act] opens a door for the development of freelancers²⁰ and creative industry workers in El Salvador through platforms. Although there are no official figures on this sector in the country, a proxy for the Salvadoran population working in this sector is the total number of people (DIGESTYC, 2019)²¹ with temporary contracts (12.8%) and working for themselves with no office space (38.6%), which totals 1,122,534 individuals, an estimated 58.6% of whom are men and 41.4% women. The number of Salvadoran freelancers and creative workers who already work with platforms such as [Workana](#) is estimated to total more than 20,000,²² with 40% working in information technologies, 20% in graphic design, and 16% in translation services. Workana reports that since March there has been a major increase in the volume of newly registered freelancers, as well as services contracted by small and medium-sized enterprises (SMEs) in categories such as engineering, finance, administration, and legal.²³

¹⁹ These case studies are based on actual cases, with minor changes to protect privacy. Prepared by IDB Lab.

²⁰ Freelancers are independent or self-employed workers who offer professional services to different clients at the same time.

²¹ Multipurpose Household Survey (EHPM), 2019. MINEC/DIGESTYC.

²² Approximate figure based on remote interview with a Workana representative in 2020.

²³ [Workana](#) Report, 2020.

*Case study*²⁴

Majo (23 years old): “I am a graphic designer and just got married. I bought my house in late 2019 and had to recently leave it because my income was not steady, especially because of the economic shutdown with the pandemic. As a freelancer, it has been hard to clearly manage my income and expenses... and getting a loan is a total headache since the bank considers me a high-risk customer.”

If Majo had been recognized in the labor market as an independent worker and had access to support services to administratively and financially organize her business, she would not have been so affected by the pandemic.

1.7.3 **Platform drivers and riders: a growing segment in El Salvador.**

Although this sector has grown substantially in the last few months as evidenced by the number of downloads from home delivery platforms in El Salvador, which quintupled in March 2020 (IDB-LMK, 2020), there is little or no information about its economic and social contribution to the country, with an estimated 8,000+²⁵ individuals offering services as drivers and/or riders on the different digital platforms in El Salvador. There is very little or no information for this particular sector (much less sex-disaggregated data), which provides a perfect opportunity to determine the size of this sector and its economic contribution, which is currently growing and has accelerated during the pandemic, and the changes that have occurred in the population’s use habits.

*Case study*²⁶

Antonio (46 years old): “I am a taxi driver and live in Mejicanos. In the last two years I’ve also driven for Uber. My income pays for the house, food, and university for my daughter who is studying languages. In June 2020, I got COVID-19 and had to stop working for 4 months. No one wanted to hire me, even after I recovered because of the stigma associated with the virus. Fortunately, I was able to start working again in late 2020, but financially I suffered a lot since I didn’t have health or unemployment insurance. I am now working more than 15 hours a day so my daughter can continue her studies.”

If Antonio had had access to adequate insurance, he wouldn’t have to work so much and once again put his health at risk.

1.7.4 The main focus of this project is to improve the lives of people with insecure occupations as illustrated in the cases above. The project will strive to incorporate and reflect the voices of these independent and informal workers.

²⁴ These case studies are based on actual cases, with minor changes to protect privacy. Prepared by IDB Lab.

²⁵ IDB Lab inhouse estimate based on information published in secondary sources.

²⁶ These case studies are based on actual cases, with minor changes to protect privacy. Prepared by IDB Lab.

II. THE INNOVATION PROPOSAL

A. Project description

- 2.1 **The objective of the project** is to improve the situation of independent workers, initially in three sectors: domestic services, freelancers and creative industry workers, and drivers and riders, by developing innovative solutions that address needs by providing personalized benefits and protection services related to basic healthcare and savings/credit, productivity and professional development, as well as collective organization. It is also expected to generate evidence that will promote the medium- and long-term development of public policies for the new workertech industry, which refers to those new services that enable independent workers to obtain work-related benefits and protections that will improve their working conditions.
- 2.2 The **intervention model** focuses on creating and strengthening a new context and environment that would facilitate the emergence of innovative workertech service models in El Salvador, working with different actors in the public or private sectors. To this end, the following three lines of action are proposed: (i) pilot projects to test innovative workertech solutions; (ii) public policy sandbox; and (iii) an observatory to generate information and knowledge. It is important to point out that the project's executing agency has prior experience promoting initiatives that have strengthened the information and communication technology industry in El Salvador, including lobbying in that field. The proposed intervention model is expected to innovate and catapult the performance of this industry by aligning it with innovative workertech models.
- 2.3 **The innovation.** The proposed project can be considered innovative for the following reasons: First, the workertech concept is in the early stages globally and has only recently reached Latin America and the Caribbean. The concept generally develops in a country after having reached a certain level of maturity in the platform or gig economy, with wide gaps between the demand for workers and the services offered in the market. In El Salvador, however, the project seeks to develop and strengthen collaboration between startups and the public and private sectors while the platform or gig economy is growing, before wide gaps emerge. Second, unlike advanced cases in Europe or North America, this project aims to benefit people working in the informal sector which represents a significant part of the economy, who would be able to access these types of services through digitalization. Third, since this project is intended to catalyze the factors and context that would facilitate the emergence of startups, companies, and innovations from the outset, it will work very closely with the public sector (national government and potentially local governments as well). Another important innovation in the design of this project was the use of flexible methodologies and platforms that facilitate interaction and the process of structuring new operations with relevant stakeholders in the country, using the power of technology to overcome distancing obstacles.
- 2.4 **Inclusion.** Workertech job platforms and services offer a promising alternative in terms of generating income and providing benefits and protections for groups of people who face significant barriers and challenges in the Salvadoran labor market, including young people with little or no work experience, women who are normally the caregivers for children and older adults, individuals in the informal sector, people in rural areas or cities with little employment demand, persons with disabilities, and

LGBTQ+ groups. The project aims to promote interventions that will expand access to benefits and occupations for vulnerable groups so that they can have a quality job. In particular, the challenges, needs, and requirements of the priority vulnerable populations will be analyzed in the Workertech Observatory, in order to promote innovative solutions that will address these needs (Component I) based on specific pilot projects that will ensure access to project benefits. The lessons, findings, and recommendations from this process will be put into publications that will disseminate the recommendations, good practices, and lessons learned to continue developing the workertech industry in the country and region.

- 2.5 **Gender.** The workertech initiative will launch pilot projects to test innovative solutions that will facilitate personalized benefits and protection services for individuals working in the domestic services sector, 91% of whom are women, providing basic healthcare, savings, credit, professional development, and/or collective organization services, among others. It will also seek to ensure that innovations serving the other two priority sectors (freelancers and creative industry workers, riders and drivers) begin with an assessment of the target population with a gender perspective and a focus on serving women, without reproducing gender stereotypes in the workertech employment and services promoted. Lastly, another action considered to promote the gender perspective is supporting innovations in workertech services that prioritize helping women in any of the three sectors identified as beneficiaries, for example, issuing a special call for workertech innovations to serve women in the freelancer and/or creative industry worker sector.

2.6 **Component I: Development of innovative workertech models (IDB Lab nonreimbursable technical cooperation: US\$670,000; CASATIC: US\$700,000)**

- 2.6.1 The **objective of this component** is to pilot challenges through open innovation processes coordinated with key actors in the global innovation and entrepreneurship ecosystem as well as international²⁷ and national startups, in order to develop workertech initiatives that will primarily benefit workers in the areas of domestic services, drivers and riders, creative industry workers and freelancers, thereby facilitating the transfer and/or opening of models and companies already existing in El Salvador. The models the executing agency will test include existing traditional companies and entities (local and international) and entrepreneurs/startups (also local and international). The innovation challenges will leverage local, regional, and global innovation potential and select the initiatives with the greatest impact potential that are aligned with the project's purposes, and the selected initiatives will be cofinanced to ensure rapid implementation. The selected initiatives will be evaluated by an expert jury and undergo a due diligence process, and will provide a robust technical and financial proposal.

²⁷ Applicants from any of the 48 member countries of the IDB Group may participate, including emerging companies with ready-to-implement solutions, small and medium-sized enterprises, corporations, nongovernmental organizations, innovation organizations, accelerators, and others with proven experience in the project's focus area.

2.6.2 To achieve this objective, the following **activities**²⁸ will be carried out:

- Establish the context and framework for the workertech challenge;
- Prepare the guidelines and instructions for workertech challenge proposals;
- Define the communications strategy;
- Develop communication materials;
- Configure the platform for receiving applications (e.g. [you noodle](#), [Google form](#), [Airtable](#), or others adapted to the specifics of the challenge);
- Launch challenge and receive entries;
- Configure the form for juries/evaluators;
- Select the winners;
- Notify winners and formalize cofinancing to implement the proposal in the country;
- Supervise and monitor execution of the proposal; and
- Draw up the lessons learned and results of the pilot project(s) supported.

2.6.3 The main **outcomes** of this component include: (i) six actors are selected as winners of the challenges carried out in El Salvador to pilot workertech services in the country, by sector (freelancers, creative industry workers, domestic services, riders and drivers) and/or verticals (fintech, insuretech, healthtech, edutech, etc.); (ii) at least three innovation challenges are carried out in El Salvador to pilot workertech services.

2.7 **Component II: Public policy sandbox (IDB Lab nonreimbursable technical cooperation: US\$250,000; CASATIC: US\$250,000)**

2.7.1 The **objective of this component** is to facilitate an experimentation sandbox that will raise awareness among relevant public actors, in order to generate knowledge, share experiences, and build the skills of public officials and employees so as to strengthen the regulatory framework supporting independent and platform workers in El Salvador in the medium and long term.

2.7.2 To achieve this objective, the executing agency will conduct the following **activities**:

- Analyze international good practices in the area of regulation and public policy, as well as the development of sandboxes for regulatory matters;
- Conduct workshops to generate knowledge and build new capacities in regulatory agencies;
- Create annual forums/spaces to promote public-private dialogue;
- Promote the formulation of proposals and/or regulatory reforms to support the development of the workertech industry in El Salvador; and
- Submit regulatory proposals and/or reforms to key stakeholders for consideration, in order to explore potential innovations.

2.7.3 The main **outcomes** of this component include: (i) two proposals for reform/adjustment and/or new policies/regulations presented in public decision-making forums (executive and/or legislative branch) to strengthen

²⁸ The activities have been formulated taking into account the "[Guidelines to Prepare a Challenge for IDB Lab](#)".

the development of the workertech industry in El Salvador; (ii) three forums/spaces created to promote public/private dialogue on the workertech industry in El Salvador; and 60 public officials trained in new regulations and international best practices for independent and digital workers.

2.8 Component III: Workertech Observatory (IDB Lab nonreimbursable technical cooperation: US\$315,000; CASATIC: US\$300,000)

The **objective of this component** is to promote the creation of an observatory to generate not just information but especially knowledge for relevant stakeholders in the public, private, and civil society sectors involved, in order to address the challenges of different groups of workers and help identify the problems they face, with a regional scope in the short term and a global scope in the long term. This component will seek to promote a model to systematize the Workertech Observatory that will enable the distribution of and open access to the information, data, and lessons learned for actors in the local and international innovation ecosystem.

2.8.1 To achieve this objective, the executing agency will conduct the following activities:

- Develop workertech communication and publicity activities;
- Identify the beneficiary subsectors that will be used to start up the observatory, which the project will target;
- Design the observatory and select the platform, considering the [principles for digital development](#) endorsed by the IDB and other multilateral organizations;
- Select variables and/or promote the construction of indicators that will be managed and monitored from the observatory;
- Develop pilot projects for the observatory with 1-2 priority subsectors and dissemination of outcomes (e.g. domestic workers, freelancers, creative industry workers, riders and drivers);
- Facilitate publications and/or actions to disseminate the information obtained by the observatory;
- Promote discussion and learning forums that include beneficiaries, to strengthen and improve the workertech observatory; and
- Develop annual forums to disseminate the information and lessons learned.

2.8.2 The main outcomes of this component include: (i) one Workertech Observatory created and generating regular information on the industry in El Salvador, to be disseminated and to instill trust in the sector, initially just in El Salvador and at the regional and global levels in the medium and long term; (ii) 15 indicators relevant to the Workertech Observatory established in conjunction with key partners in order to begin managing, monitoring, evaluating and disseminating it for the purpose of developing the industry (e.g. occupation, gender, subsectors, income, workertech benefits, etc.); (iii) six agreements with key actors (startups and companies that offer innovative models) in the workertech industry as a data source for the Observatory; and (iv) one governance and sustainability model for the Workertech Observatory created and validated.

B. Project results, measurement, monitoring, and evaluation

- 2.9 The main indicators in the project's Results Matrix include: (i) six national and/or international startups or companies providing workertech services (healthcare, savings, access to finance, training, etc.) in El Salvador; (ii) 10,000 to 15,000 independent workers have access to new workertech services (health, savings, credit, productivity, collective organization, etc.); (iii) 6,000 female independent workers have access to workertech services.
- 2.10 A midterm and final evaluation will be conducted to shed light on the effects of this project on certain variables of interest, based on different qualitative and quantitative methodologies that will help understand the effect of the project's activities and other external actions. Since an impact assessment will not be conducted, the evaluation will be primarily exploratory in nature, which is why some of the variables are not included in the Results Matrix. The variables of interest to be explored relate to variations in income levels, productivity (measured, for example, by the number of projects implemented each year) of the workers who provide services through platforms, and access to additional services such as healthcare, savings, financing, etc. that could be associated with the implemented project. Resources have been allocated in the project's budget to conduct a midterm evaluation (1.5 years), a final evaluation (3 years) and an ex post evaluation (5 years), to be subcontracted to a provider with experience in this area. Based on the evaluation process, the data and lessons learned from the Workertech Observatory will be used initially and will be supplemented by surveys of male and female beneficiaries, interviews with key actors in the public and private sectors, and data on workertech services provided by the startups and/or companies. One of the objectives of the evaluations will be to develop and examine a cost-benefit analysis of workertech services and learn about the users' perception of these services, the perceived value added, areas for improvement, etc.

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

A. Alignment with the IDB Group

- 3.1 The proposed operation is aligned with the **IDB Group Country Strategy with El Salvador** (2021-2024), specifically the priority area "**revitalizing and restructuring production**" since the project will promote digitalization and the incorporation of information and communication technologies in both the public and private sectors through the coordination provided by the project. The project will also contribute to the crosscutting themes of "gender and diversity" and "digital adaptation" since it aims to benefit women and the vulnerable population.
- 3.2 This project is part of the workertech initiative that IDB Lab has been developing with the IDB Group. As part of this strategy, a project is being implemented in Argentina (AR-T1240) to contribute innovative solutions to the limitations encountered by workers who offer virtual knowledge-based services through platforms, to improve their careers by testing innovations in those platforms and in workertech services as well as providing input for public policy. It is important to work on the same subject in two countries with different contexts in order to find models that can be replicated in other countries of the region. This project in El Salvador will work closely with the project team in Argentina to maximize the lessons learned in both projects.

- 3.3 Other IDB Group interventions with clearly identified synergies are: (i) ES-T1330 and ES-T1328, projects recently approved by IDB Lab to build the skills of the future through programming bootcamps and promote technology-intensive startups by leveraging data-lakes; (ii) with SCL/LMK in operations RG-T3152 “E-Lancers” and ES-T1316 “Skills to succeed in the digital platform economy”, which seeks to develop and pilot a strategy to convert and improve the skills of workers, focusing on two priority sectors: digital services and tourism, and RG-M1277 and RG-X1247 “[Retirement Savings Laboratory](#)”; and (iii) the E-Government strategy focused on creating a digital identity headed by the Innovation in Citizen Services Division (ICS) and ES-L1145 “Digital and social connectivity program”.
- 3.4 The project is aligned with the following sustainable development goals (SDGs) set out by the United Nations General Assembly:
- **SDG 1 – End poverty**, since the project aims to implement workertech solutions with the objective of ensuring that people currently excluded from social protection systems have access to adequate options through nontraditional channels.
 - **SDG 5 – Gender equality**, since the project includes specific actions to increase women’s access to benefits and work through platforms.
 - **SDG 8 – Decent work and economic growth**, since the project promotes access to benefits and new employment opportunities, providing development opportunities to the vulnerable population and contributing to the country’s economic development and competitiveness.
- 3.5 The project is also closely aligned with the publication of the IDB Lab Discovery Unit launched in April 2021 titled: [WorkerTech, how technology can improve emerging jobs in LAC](#), which was developed to explore opportunities and innovative solutions that the IDB Group and particularly IDB Lab can promote to improve the lives of those who work in the analog and digital economies, with a special focus on workers with poor working conditions. Workertech services have the potential to provide rapid and large-scale formalization and protection of workers.
- 3.6 **Lessons learned.** The main lessons learned that were used to design this project stem from the project ATN/ME-15911-AR, “**Development of the Sharing Economy in Cities as a Tool to Promote Social Inclusion, Entrepreneurship, and Innovation.**” This initiative resulted in the main lesson learned from an analysis of the platforms supported by the project, which showed that although these platforms create opportunities for more efficient use of resources, and promote the circular economy and sharing of information among people, except in specific cases they do not generate opportunities to earn steady income or contribute to the accumulation of skills and abilities for workers. In addition, the lessons learned that gave rise to the project came from the LMK operation RG-T3152, called “**E-Lancers**,” which led to a pilot project in El Salvador in the last quarter of 2020 spearheaded by the Ministry of Economy. As a result of this project, it was determined that when addressing the challenges of the **gig economy**, the government is not implementing independent initiatives but rather coordinating a wide range of initiatives between the public and private sectors to develop the industry and increase the impact on the target populations. These lessons are the basis for the assertions and hypotheses underlying the current project: the platform economy has limitations in terms of providing steady income and access to benefits which would turn the work

opportunity into a quality job; and best practices show that to encourage innovative initiatives, there must be a coordination of efforts between the public, private, and civil society sectors.

- 3.7 **Integrity analysis.** The project team, with the assistance of the Office of Institutional Integrity (OII), conducted the integrity due diligence process in accordance with the Guidelines (OP-474-1) for the project ES-T1341. The project team and OII found that certain aspects of the project had not yet been defined, specifically the winning innovations selected from the challenges in Component I, which will be done once this project is approved but could pose an integrity and/or reputational risk for IDB Lab when the participating entities are identified. The project team and OII feel that this risk is sufficiently mitigated because: (i) an integrity assessment of the winners of the challenge will be performed in accordance with the Integrity Due Diligence Guidelines (OP-474-1), and (ii) if high integrity risks are identified with respect to these participants, such risks will be duly disclosed to the Donors Committee.

B. Scalability

- 3.8 The plan to scale up the project will take place at two levels, national and international. The national scale-up plan is based on the fact that key actors in the public and private sectors will be involved starting in the design stage, so they will participate in the key stages of defining the project and can capitalize on the lessons learned and information generated from the outset. The sustainability of the different workertech services to be tested is expected to come from the digital ventures, startups, and traditional companies involved in their development since they will contribute to the business model. The virtual knowledge-based service platforms that participate as anchor companies for the project may continue and expand career guidance and market access, adding new functionalities developed in connection with the project, thereby ensuring the sustainability of this line of action. In particular, [Soyfreelancer](#), [Niñeras SOS](#), [Pulpo](#), [Sostengo](#), and [Hugo](#), have been identified as excellent partners to drive the first stage of the project, and internationally [MASTERCARD](#), [ALIA](#) and others have been identified for their ability to be scaled up in the future. Lastly, the participation of the public sector (through the Ministry of Economy) on the project's Strategic Advisory Committee may entail scaling up the lessons learned and knowledge generated, leading to policies and regulations that could contribute to the promotion of the sector, the protection of its workers, and the inclusion of vulnerable groups. This synergy with the public sector may lead to scalability in the medium and long term in the area of public policies and/or programs, which could potentially turn into an IDB operation with the government.
- 3.9 In addition, international scaling up will primarily occur through the private sector through partnerships or by raising additional capital for expansion. Certain innovative models are expected to be replicated in other Central American countries or elsewhere in the region as an expansion of the business operations of digital companies and startups for which IDB Lab can connect them with its partners at venture capital funds and in the startup and innovation ecosystem. At the same time, the models and lessons learned will be shared with national and local governments in other countries of the region to facilitate the development of the workertech industry.

C. Project and institutional risks

- 3.10 **Cultural risk.** First, there is the cultural risk related to behavioral change among independent or informal workers. Some of the workertech services that would provide medium or long-term benefits such as training or insurance against accidents may require financial contributions to pay for them, depending on the business model. Compared to other services that may have short-term benefits such as access to finance, it may be difficult for the workers to invest for the medium and long-term benefits. To mitigate this risk, training could be offered on the value of workertech services in terms of each solution identified in Component I and the observatory framework described in Component III.
- 3.11 **Regulatory risk.** Second, there is a risk with the policy-making and regulatory framework associated with the need to adapt to standards not suited to experimentation in the public policy sandbox based on evidence from the pilot projects, which could put a constraint on the development of Component II. To mitigate this risk, conversations began with the public sector (Ministry of Economy and Department of Innovation, among others) starting in the project's design stage, and these agencies are expected to be part of the Strategic Advisory Committee to discuss and reflect on the industry and the actions included in the project.
- 3.12 **Institutional risk.** If there is no coordination between the stakeholders in the public and private sectors, there could be a delay in the execution of Component III and achievement of the respective outcomes. This risk is mitigated by the active involvement of these actors in the implementation of the project, as evidenced by the execution of specific agreements at the beginning of the project and the participation of these actors on the project's Strategic Advisory Committee, as well as in the development of strategies in which all involved actors identify incentives for participating in the project.

IV. INSTRUMENT AND PROPOSED BUDGET

- 4.1 The project's total cost is US\$3 million, with US\$1.5 million (50%) to be contributed by IDB Lab and US\$1.5 million (50%) by the local counterpart, at least 50% of which is to be in cash.
- 4.2 The instrument to be used is nonreimbursable technical cooperation funds, since that is best suited to the objective of testing an innovative intervention to benefit independent and self-employed workers, based on the coordination and development of an environment that would facilitate the emergence of startups and innovations. If successful, it could be scaled up through sustainable models from the private sector in the short term, and from the public sector in the medium to long term.

Project components	IDB Lab	Counterpart	Total	%
Component I: Development of innovative workertech models	670,000	700,000	1,370,000	46%
Component II: Public policy sandbox	250,000	250,000	500,000	17%
Component III: Workertech Observatory	315,000	300,000	615,000	21%
Project administration	180,000	250,000	430,000	14%
Midterm and final evaluation	30,000		30,000	1%
Ex post reviews	30,000		30,000	1%
Contingencies	25,000		25,000	1%
TOTAL	1,500,000	1,500,000	3,000,000	
% of financing	50%	50%	100%	100%

V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

A. Description of the executing agency

5.1 [The Cámara Salvadoreña de Tecnologías de la Información y Comunicación](#) [Salvadoran Chamber of Information and Communication Technologies] (CASATIC) will be the executing agency for this project and will enter into an agreement with the Bank. The Chamber was founded in 2010 as a nonprofit association for entities in the country's technology sector, with the objective of promoting information and communication technologies (ICTs) as a factor in the country's development. To date, 65 entities have joined, including companies in the ICT industry (multinationals, large, small, and medium-sized enterprises) as well as academia. It has a streamlined Board of Directors and organizational structure (four officials) that base their actions on an institutional strategy comprised of four pillars: (i) public policy, (ii) exports and business, (iii) human talent, and (iv) innovation. To monitor and execute the institutional strategy, CASATIC is structured in the form of committees comprised of representatives of the associations selected on the basis of their strengths and experience. The association's main achievements include the following: (i) The Software Development Centers Project (promoted by the United States Agency for International Development—[USAID](#)) which benefitted more than 3,000 young people in vulnerable situations; (ii) execution of an agreement with [Fomilenio II](#), whereby an investment of nearly US\$1 million was received to develop four careers (project management, cybersecurity, UI/UX, and Python), and set up a laboratory in CASATIC facilities; (iii) relevant participation in the legislative bills discussed in the legislative branch (E-commerce Act and the Personal Data Act) and the IDB Group's Civil Society Committee in El Salvador; and (iv) the execution in February 2020 of a cooperation agreement with the Department of Innovation of the Office of the President to strengthen the industry and promote access to technology in general in El Salvador. The Chamber manages an annual budget of approximately de US\$100,000 which is primarily financed by contributions from its members ([Applaudostudios](#), [503 Estudio](#), [CASS](#), [SVNET](#), [CISCO](#), [VALDEZ](#), [EJJE](#), [KADEVJO](#), [Pagadito](#), [Legalitika](#), [Microsoft](#), [PBS](#), among others), and grants from organizations such as [USAID](#), [Fomilenio II](#), [Embassy of France](#), [British Salvadoran Chamber](#), among others. It has two important international partners that back the

Chamber's value proposition and could also be relevant partners in the project: (i) the [Asociación Latinoamericana de Exportadores de Servicios](#) [Latin American Association of Service Exporters] (ALES) and (ii) the [Federación de Asociaciones de Latinoamérica, el Caribe, España y Portugal de Entidades de Tecnologías de la Información y Comunicación](#) [Federation of Latin American, Caribbean, Spanish, and Portuguese Associations of Information and Communication Technology Entities] (ALETI).

B. Implementation structure and mechanism

- 5.2 CASATIC will set up an executing unit and the structure required to execute project activities and efficiently and effectively manage its resources. The executing unit will be comprised of a project manager, a project coordinator, and an administrative/accounting assistant. The main duties of the executing unit will be to: (i) ensure achievement of and report on progress and outcomes; (ii) direct the execution of activities and procurement of technical assistance services; (iii) coordinate and bring together public and private entities to achieve the project's objectives; (iv) manage the budget and mobilize resources to achieve the objectives and outcomes; (v) convene and manage the initiative's advisory committee; and (vi) contract a team to execute the initiative.
- 5.3 In addition, it will set up a **Strategic Advisory Committee** comprised of relevant entities in the workertech industry from the public, private, and civil society sectors, who will address the subject and may coordinate additional activities, and build synergies that will increase the project's outcomes and impacts. It will explore the option of having the following participation on the advisory committee: Ministry of Economy, Department of Innovation, a gig economy company, an independent and/or informal workers organization, and academia or the civil society sector. The committee will meet on an ad hoc basis to: (1) strengthen the planned activities to create a dynamic environment for workertech services in El Salvador; (2) make recommendations on the proposed strategy and activities; (3) support the performance of the initiative to achieve the desired impact; and (4) publicize and promote the workertech industry, and participate in publicity events and activities.
- 5.4 The Strategic Advisory Committee is considered an important project coordination mechanism that will connect with key entities in the public, private, and civil society sectors to promote dialogue, coordination, and project impact. With respect to the public sector, in addition to contemplating coordination with the Department of Innovation and the Ministry of Economy, it would be relevant to gradually add entities, including the Ministry of Labor, the Salvadoran Social Security Institute (ISSS), the Salvadoran Professional Training Institute (INSAFORP), and the Development Bank of El Salvador (BANDESAL).
- 5.5 CASATIC will be responsible for submitting status reports on the implementation of the project. The requirements for preparing status reports can be found in Annex V in the technical files for this project.

VI. COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will agree to IDB Lab's standard arrangements on results-based disbursements, the Bank's procurement policies,²⁹ and financial management policies³⁰ set out in Annex V and VI. The project will adhere to the provisions set out in Appendix 4 of documents GN-2349-9 and GN-2350-9, applying the executing agency's procurement policies to the goods and services procured under the project, based on an analysis conducted on such goods and services and verification of compliance with the conditions stipulated in the aforementioned Appendix.

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 **Intellectual property.** All works and results obtained in connection with the project will be the intellectual property of the executing agency, which will grant the Bank an irrevocable, worldwide, perpetual, royalty-free and non-exclusive license. Notwithstanding the foregoing, agreements will be entered into during the project with consultants, companies, agencies, and institutions to develop innovative solutions for workertech platform services. There may be situations in which the solutions to be developed and piloted warrant that they remain the intellectual property of the third parties involved in the coordination and development of these ideas, particularly in innovative solutions that the project executing agency will finance. These cases will be discussed and agreed in writing with the Bank prior to any disbursement to the third parties in question. It is also possible that the innovative solutions to be piloted will include intellectual property elements that had been previously developed by those third parties, in which case written agreements will also be drawn up with the Bank prior to any disbursement to the third parties in question.

²⁹ Link to [Policies for the Procurement of Goods and Works Financed by the IDB](#).

³⁰ Link to [Financial Management Guidelines for IDB-financed Projects](#).