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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

SKILLS FOR WORK: ACTION PLANS FOR THE BAHAMAS AND EL SALVADOR

(RG-T2611)

TECHNICAL COOPERATION DOCUMENT

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SKILLS FOR WORK: ACTION PLANS FOR THE BAHAMAS AND EL SALVADOR

RG-T2611

CERTIFICATION

I hereby certify that this operation was approved for financing under the Korea Poverty Reduction Fund (KPR) through a communication dated June 16, 2015 and signed by Mr. Suyeong Yu, Director of the International Bureau, Ministry of Strategy and Finance of the Republic of Korea. Also, I certify that resources from said fund are available for up to **US\$300,000** in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount, may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk. HMS

Sonia M. Rivera

Chief

Grants and Cofinancing Management Unit
ORP/GCM

06/30/2015
Date

APPROVAL

Approved: _____

Hector Salazar
Sector Manager
Social Sector
SCL/SCL

Date

JUL 1 2015

Vo. Bo. : _____

Carmen Pagés
SCL/LMK

JUL 1 2015

Skills for Work: Action Plans for The Bahamas and El Salvador

TC Document

I. Basic information

▪ Country/Region:	Regional / Bahamas and El Salvador
▪ TC Name:	Skills for Work: Action Plans for the Bahamas and El Salvador
▪ TC Number:	RG-T2611
▪ Team Members:	Laura Ripani (SCL/LMK), Team Leader; Maria Victoria Fazio (SCL/LMK); Fernando Pavón (LMK/CES); María Elisa Arango (LEG/SGO); y Ethel Muhlstein (SCL/LMK).
▪ Indicate if Operational Support, Client Support, or Research & Dissemination:	Client Support (CS)
▪ Date of abstract authorization:	June 16, 2015
▪ Beneficiary:	The Bahamas and El Salvador, through their Ministries of Labor
▪ Executing Agency and contact name:	Inter-American Development Bank (IDB), through the Labor Markets and Social Security Unit (SCL/LMK), Laura Ripani, laurari@iadb.org .
▪ Donor providing funding:	Korean Poverty Reduction Fund (KPR)
▪ IDB funding requested:	US\$300,000
▪ Local counterpart funding, if any:	0
▪ Execution period:	24 months
▪ Disbursement period:	30 months
▪ Required start date:	July 6, 2015
▪ Types of consultants:	Individual consultants
▪ Prepared by unit:	Labor Markets and Social Security Unit (SCL/LMK)
▪ Unit of Disbursement Responsibility:	Social Sector (SCL), through (SCL/LMK)
▪ TC included in Country Strategy (s/n):	No
▪ TC included in CPD (s/n):	No
▪ GCI-9 Sector Priority:	Social policy favorable to equity and productivity.

II. Objectives and justification

- 2.1 Jobs are the main source of income for the majority of households, are key drivers of poverty reduction, and are important determinants of living standards around the world¹. For most, work is the main source of income, especially in the poorest countries. Therefore, job-related events are the most frequent factors for families to escape or fall into poverty. A recent study decomposing changes in poverty by sources of income confirm the fundamental contribution of change in labor earnings.² In 10 of 18 countries considered for the analysis, labor income explains more than half of the change in poverty, as measured by the US\$2.50-a-day poverty line. In another five countries, it accounts for more than a third of the reduction in poverty. Nevertheless, the connection between jobs and poverty reduction is not mechanical, and not all transitions out of poverty require a change in the type of work undertaken. In Latin America, it is key to

¹ 2013 World Development Report, World Bank.

² Covarrubias and others (2012), for the World Development Report 2013.

address lagging productivity for a great part of the population to be able to escape poverty and increase their income. This will require more productive firms using more productive workers with better labor force skills: according the “Program for International Student Assessments” (PISA) in 2009 from Latin America and the Caribbean countries, 48% of the students entering the labor market are unable to comprehend a basic text and 62% cannot perform simple numerical calculations (OECD, 2010a). Manpower Inc. reports Latin America as the region of the world where the “skills gap” problem has worsened the most during the past 12 months.³

- 2.2 Recent surveys conducted by the IDB in LAC in 2012 show that employers find the lack of skills as a clear obstacle to increasing productivity and report difficulties in finding a number of specific skills for the jobs. In particular, surveys point to a deficit of soft skills (i.e. attitude to work, responsibility, teamwork), and basic numeracy and literacy skills for the job (i.e. problem solving, critical thinking). Another study published by the IDB in 2012 found 88% of the firms in a representative survey in Argentina, Chile and Brazil (State of Sao Paulo) were not able to find workers with the skills they needed.⁴ In Honduras, Bahamas, Panama and Uruguay the majority of firms declared that the deficiencies in terms of skills are the main challenge they face in the human resources selection processes.⁵ Similarly, a recent study from Manpower (2012) shows that employers in Latin America are having more difficulties recruiting talent than the global average (37% vs. 34%). The study also points that a larger share of firms in Latin America are using foreign talent than in any other region (32% vs. 24% on average).⁶
- 2.3 Latin American and Caribbean education and training institutions are remarkably impervious to their need to respond to the growing skill gap and make education and training relevant to the real world. Education and training is supply- rather than demand-driven, with little connection to the types of skills most demanded by firms. As a consequence, many firms need workers they do not find, and at the same time many workers do not find jobs. This mismatch between the talent available and the skills that the employers need is affecting the region’s potential levels of productivity, and results in lower economic growth. In turn, and given the relative young age of the region’s population, addressing the skills challenge offers an opportunity to succeed in the global economy.
- 2.4 In Latin America and the Caribbean, 140 million workers (58% of employment) are working in the informal sector. Promoting human capital is then essential for productivity growth, while more skilled workers makes possible the development and adoption of technological and organizational changes that cause productivity to increase. Higher skills are associated with higher earnings and a higher probability to remain on the job. Promoting better skills, particularly at the middle and low end of the distribution, also improves the distribution of income, particularly because skills gaps are highest among the poor and vulnerable. Additionally, developing permanent exchange forums between employers, education providers and the Government, in order to jointly design skills development systems where employees can reinforce and learn new skills will be fundamental. In this sense, the association and collaboration between public and private

³ 2014 Talent Shortage Survey www.manpowergroup.us.

⁴ Bassi, M., M. Busso, S. Urzúa y J. Vargas (2012), *Desconectados: Habilidades, educación y empleo en América Latina*. Banco Interamericano de Desarrollo. Washington, DC (in Spanish).

⁵ Flores Lima, R. C. González, y D. Rosas. (2014), “Nueva Evidencia sobre la Capacitación en las Firms en América Latina y el Caribe”.

⁶ 2012 Talent Shortage Survey www.manpowergroup.us

sectors (e.g., co-financing training of workers) can play an essential role in developing and enhancing skills in Latin America and the Caribbean. Successful examples in other regions (i.e. UK, USA, New Zealand, Australia and Korea) have shown that the combination of efforts and dialogue between the private and the public sector can lead to more pertinent training and better employment outcomes.

- 2.5 Along these lines, a previous TC - RG-T2402, ATN/KP-14149-RG⁷ - contributed to the formal launching of the program “**TransFormation: Skills for Productivity**”, through which a series of knowledge exchanges and dialogues on the topic of training for employment were held in six countries including Colombia (April 22-24), Brazil (April 24-25), Mexico (April 28-29), Chile (June 5-6), Peru (June 12-13), and Panama (October 22-23). These dialogues included the participation of a wide array of actors from the civil society, private and public sectors, including representatives of Ministries of Labor, Finance, and Education. Additionally, a regional study tour trip to Korea in September 2014 served as a valuable platform for high-level government figures from Latin American countries to learn from the Korean experience on the topic of skills development, focusing on the Employee Training Program (skills development programs for business owners, employees, and SMEs) and the in-company Qualification Examination Support Program for Korea’s Sector Council. Concomitantly, analyses were conducted to: (i) assess the skills development systems in the six countries, understanding the cooperation between the public and private sector, government and enterprises, and government and employees with regards to vocational training; and (ii) evaluate practices around the world in vocational training through a study of practices in Australia, Austria, Czech Republic, England, Germany, Korea, Switzerland and the United States. This TC aims to continue the support of the Bank in this area, this time focusing on the materialization of action-oriented plans for the beneficiary countries in the topic of skills-building.
- 2.6 From the lessons learned from the execution of the TC RG-T2402, there are two aspects that can be highlighted: (i) it is essential to promote better collaboration between the private and the public sector in the area of skills for work, and to learn from international experiences that could bring light to what can be done; and (ii) this collaboration should be cemented in concrete action plans, and pilots should be developed in order to innovate in this area. In order to do that, this TC will thus include two new countries: El Salvador and The Bahamas. Furthermore, the progress that has been achieved through this initiative and the lessons learned thus far must now be translated into action. The next step is to assist in the design of demand-driven action plans and roadmaps to potentiate beneficiaries’ strengths and address the challenges they face in the skills-building space.
- 2.7 Specifically, in cooperation with the Republic of Korea, the Australian Government, the Council on Australia Latin America Relations, the British Council, and the EU-LAC Foundation, this TC will consist of two main components: (i) the development of concrete action plans for the beneficiary countries that will consist of roadmaps on the topic of skills development and training for employment at a systemic level; in-country workshops with high-level stakeholders to validate the feasibility of the action plans and

⁷ This TC’s main components were: (i) understand the main causes of the skills and productivity gaps in the region; and (ii) analyze obstacles for change, and potential regional innovations to overcome them through PPPs, with the support from countries outside the region that have experience in the development of these strategies (such as European countries, Australia, New Zealand and Korea).

roadmaps; and (ii) pilot projects to materialize agreed-upon elements contained in the action plans and roadmaps. The support of the different international partners aims to bring elements of success of a diverse set of countries that are good examples in the area of skills development.

III. Description of activities, components and budget

- 3.1 Component 1: Action Plan Development, plan feasibility and validation workshops.** This component will include (i) assessments of the current state of labor market and skills development systems in the two countries under consideration (El Salvador and The Bahamas); and (ii) the design of action plans and roadmaps for each country, taking into consideration specific challenges such as youth unemployment and female labor force participation. The assessments will be concentrated in understanding how pertinent the labor market and skills development systems are in reaching the needs of the productive sector through in-country dialogues. They will also try to understand the cooperation between the public and private sector, government and enterprises, and government and employees with regards to vocational training. Specific constraints faced by women when entering or re-entering the labor market should be considered, such as the existence of child-care facilities. The analyses will be performed for each country under a unified methodology, procedure, and guideline. Based on these results, initial action plans and corresponding roadmaps will be developed for each of the countries, taking into account opportunities and challenges and best practices in other countries, which have been identified through the previous TC and which will continue to be explored in more depth through this new initiative.
- 3.2** This component will also include a more focused dialogue with representatives from the public and private sectors and civil society within each country. The objective of this dialogue will be twofold: (i) to validate the findings from the assessments described under this component; and (ii) to evaluate the feasibility and timing of the action plans and roadmaps and their associated policy options. This component is particularly important given that the workshops will help capture the real bottlenecks and implementation challenges in order for the action plans and roadmaps to be translated into pilot projects with tangible results and will be strategic in prioritizing interventions.⁸ Moreover, the dialogue generated between sectors during this exercise will provide a lens into the cross-sector collaboration dynamics that are necessary for a comprehensive approach to skills-building initiatives at the national level. Among other things, these dialogues aim to produce practicable action plans that will include elements such as: (i) creation and strengthening of programs and mechanisms that allow on-the-job training in a structured manner and following pre-established and regulated contents; (ii) creation of information mechanisms about the opportunities and returns to education in the labor market by occupation and sector; and (iii) better links between the technical education centers and the national employment services.

⁸ For these purposes, the Labor Markets Unit of the Inter-American Development Bank has developed a methodology and practical tool to systemically assess countries' capacity to link supply and demand of human resources and address the productivity gap through an analysis of institutional, programmatic, and operational factors, among others. Skills-mapping methodologies are also being developed and are applicable to this component of the TC.

- 3.3 **Component 2: Sectorial pilot projects in beneficiary countries for the action plan and roadmap Implementation.** The next step is to design pilot projects in both countries that will address critical challenges for their labor markets and skills development systems along a series of criteria such as urgency, timing, importance, financial considerations, and overall buy-in from relevant stakeholders. Under this component, pilot projects will be designed jointly with key actors from the public, private and civil society sectors to ensure a demand-driven approach when defining the projects' objectives, target sector, population, and scope, among others. Throughout this process, a certain number of elements in both countries should be considered, including the existence of other training programs, the participation of the private sector in training, the institutional capacity of the Ministry of Labor, and the legal framework regarding PPP pilots in training and other related topics. It is important to note that for the implementation of these pilots, partnerships will be established with both the Government and the private sector. Contingent upon the results generated by these pilot projects, lessons learned could be contextualized in the future to other countries in the region.
- 3.4 The proposed activities are aligned with the Country Strategy of El Salvador 2015-2019 that is in development, under the priority area Increasing Human Capital, and the Country Strategy of the Bahamas 2013-2017 (GN-2587) under the area of Private Sector Development that aims to improve alignment between the labor supply and the needs of employers and preparing individuals for self-employment. The proposed activities are also aligned with the ninth General Capital Increase (GCI-9) under the priority area of Social Policy for Equity and Productivity and with the update to the Institutional Strategy 2010-2020 under the objective of developing quality human capital. The execution of the TC will take into consideration Regional Strategies that might be relevant for the studies, action plans and policy dialogues. Special attention will be given to the coordination of the actions of this TC with the development of the Action Plan of the Northern Triangle, in the area of improving labor markets with special emphasis in youth employment. At the same time, the TC will coordinate activities with specific country programs such as Ciudad Mujer in El Salvador, which aims to support women, improving their labor market participation.

Indicative Results Matrix

Component	Product	Result	Verification Method
Component 1: Action Plan Development			
1.1 Assessment of the current state of labor market and skills development systems	Assessment of macro economy, industry and employment structure, and the current state of labor market and skills development systems (challenges and opportunities) in El Salvador and the Bahamas	By the end of the project, two studies for two Latin American countries with an analysis of macro economy, industry and employment structure, and the current state of labor market and skills development systems will be available for policy design and implementation.	Study approved by the IDB
1.2 Development of Action Plans and Roadmaps	Action Plans and Roadmaps for El Salvador and The Bahamas to strengthen their labor market and skills development systems	By the end of the project, concrete proposals with elements of action and timeline will be used by the countries to improve their skills development systems	Action Plans and Roadmaps approved by IDB
1.3 Action Plan Feasibility and Validation Workshops	Workshops held with representatives from the private, public, and academic sectors to evaluate the feasibility and validate the proposed	Content of the Action Plan and Roadmap agreed upon by relevant stakeholders	Agreement letter from representatives from the private, public, and civil society sectors

Component	Product	Result	Verification Method
	Action Plan and Roadmap		
Component 2: Pilot Sectorial Pilot Projects for the Action Plan and Roadmap Implementation			
2.1 Design and Implementation of Two Sectorial Pilot Projects	Design and implementation of two concrete sectorial pilot projects with the objective of strengthening the labor and skills development systems in El Salvador and The Bahamas	By the end of the project, pilot project design and feasibility studies for El Salvador and The Bahamas will be available for implementation.	Project design and feasibility studies approved by the IDB; implementation metrics included within project design

Indicative Budget (US\$)

Activity/Component	Description	IDB/Fund Funding (US\$)
Component 1: Action plan development 170,000		
1.1 Assessment of the current state of labor market and skills development systems	Assessment of macro economy, industry and employment structure, and the current state of labor market and skills development systems (challenges and opportunities) in El Salvador and The Bahamas	35,000
1.2 Development of action plans and roadmaps	Action Plans and Roadmaps for El Salvador and The Bahamas to strengthen their labor market and skills development systems	45,000
1.3 Action Plan Feasibility and Validation Workshops	Workshops held with representatives from the private, public, and academic sectors to evaluate the feasibility and validate the proposed Action Plan and Roadmap	90,000
Component 2: Pilot sectorial pilot projects for the action plan and roadmap implementation 130,000		
2.1 Design and implementation of two sectorial pilot projects	Design and implementation of two concrete sectorial pilot projects with the objective of strengthening the labor and skills development systems in El Salvador and The Bahamas	100,000
Communications	Design and implementation of communication strategy to disseminate the results achieved in the project.	20,000
Monitoring and Incidentals		10,000
Total		300,000

- 3.5 The budget under communication strategy will finance the development and execution of an appropriate communications strategy disseminating the results achieved in the project among the key stakeholders in the two countries in the two countries, including the dissemination of the main findings of the labor market assessments, the process to develop the action plans and roadmaps including lessons learned, and the main results from the workshops, among others. The monitoring and incidentals budget, on the other hand, will finance the gathering of data to follow-up on the main results of the TC. The eligible expenses include gathering of information on the advance of the products and evaluating the final products of the TC with the Governments.

IV. Executing agency and execution structure

- 4.1 The Labor Markets and Social Security Unit (SCL/LMK) will be responsible for the direction, supervision and coordination of this TC. This is a Regional TC that has as an objective to do a range of studies, feasibility analyses and events on skills, training and public-private partnerships. El Salvador and The Bahamas have been pre-identified as the beneficiaries of this TC based on their interest in receiving collaboration from South Korea in terms of expertise and knowledge about their labor

information and skills development systems. In the case of the Bahamas, the country is very interested in WorkNet as a relevant example on how to put together a strong labor intermediation and labor information system. In the case of El Salvador, they find fundamental to follow the example and learn from Korea in terms of the importance given to the skills development systems within the Korean National Development Plan. A second reason for the selection of the countries was the urgent need for a reform in the skills development systems to address the skills gap, especially for vulnerable/poor youth. Given the experience of the Labor Markets and Social Security Unit of the IDB in these areas, upon request of the beneficiary countries, this SCL/LMK will be responsible for the execution, procurement and supervision of the products included within it (see letters of request in annexes).

- 4.2 For the selection of individual consultants, the Human Resources procedures will apply (AM-650); for the selection of consultancy firms, the Policies for the Selection and contracting of Consultants Financed by the IDB (GN-2350-9), using e-sourcing. And, in the case of contracting services other than consultancies, the procedures and the Institutional Procurement Policy (GN-2303-20) will apply.
- 4.3 Each country will have as a focal point to monitor the activities planned in this TC, the specialists of the Labor Markets and Social Security Unit (SCL/LMK). If there is a need to travel to these countries, the staff will cover their travel expenses with the Bank's supervision budget for this TC. SCL/LMK specialists will be in charge of the submission of progress reports, completion reports (6 months after the date of completion of the operation), consulting services reports and others regarding this TC, as required by the Korean Poverty Reduction (KPR) Fund (document GN-2373-4) and the Grants and Cofinancing Management Unit (GCM).
- 4.4 The execution period will be 24 months and the disbursement period will be 30 months.

V. Major issues

- 5.1 There are no risks associated with the execution of this technical cooperation. The only exception to that could be that for the execution of the TC is very important that the public and private sectors participate actively in the discussion of the work plan. To mitigate this risk, this TC will support the development of the action plans, starting with a mapping of the key stakeholders and will monitor the participation of these stakeholders in the different stages of the action plans.

VI. Exceptions to Bank policy

- 6.1 None.

VII. Environmental and Social Strategy

- 7.1 Based on the Environmental and Social Safeguard Filter, the proposed technical assistance has been classified as category C. See [Safeguard filters](#).

Required Annexes:

Requests from the clients – [El Salvador](#) and [The Bahamas](#)
[Terms of Reference](#)
[Procurement Plan](#)