

## TC Document

### I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Regional Call for Proposals to create Industry Skills Strategies
▪ TC Number:	RG-T4060
▪ Team Leader/Members:	Pavon, Fernando Yitzack (SCL/LMK) Team Leader; Ripani, Laura A. (SCL/LMK) Alternate Team Leader; Agustina Suaya (SCL/GDI); Bustelo, Monserrat (SCL/GDI); Cecilia Siccha (SCL/LMK); Gonzalez Herrera, Beatriz Maria (SCL/LMK); Mendoza Benavente, Horacio (LEG/SGO); Monica Bonilla (SCL/LMK)
▪ Taxonomy:	Research and Dissemination
▪ Operation Supported by the TC:	N/A
▪ Date of TC Abstract authorization:	25 Mar 2022
▪ Beneficiary:	Borrowing Member Countries
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Social Development(W2E)
▪ IDB Funding Requested:	US\$250,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	24 months (includes execution period)
▪ Required start date:	August 2022
▪ Types of consultants:	Firms & Individual Consultants
▪ Prepared by Unit:	SCL/LMK-Labor Markets
▪ Unit of Disbursement Responsibility:	SCL/LMK-Labor Markets
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Gender equality; Productivity and innovation

### II. Objectives and Justification of the TC

- 2.1 **The Fourth Industrial Revolution (4IR), characterized by rapid technological change, is significantly transforming the world's economic dynamics.** The development of new digital technologies including artificial intelligence, robotics, biotechnology, and blockchain, marks a period that has been referred to as the 4IR. This Revolution offers the potential to boost economic growth through increased exports from higher value-added, more digitized activities in the manufacturing and services sectors. The successful adoption of existing technologies in a country or in the world is the main source of growth for countries (McKinsey, 2015). Continuing to introduce information technologies, such as broadband, and further progress in the digitalization of processes, in conjunction with a growing use of AI and robotics, will generate essential productivity gains to sustain high growth. This is an enormous opportunity for Latin America & the Caribbean, but for that to happen industries should be able to deploy people with the right talent to lead and take advantage of investments in technology.
- 2.2 Recent studies show that as digital technologies dramatically reshape industry after industry at a global scale, many companies are pursuing large-scale change efforts to

capture the benefits of these trends or simply to keep up with competitors. Recent studies based on Global Survey ([McKinsey, 2018](#)) on digital transformations, points to a set of factors that might improve the chances of a transformation succeeding. Among the key factors, building capabilities for the workforce of the future are of top priority. The survey results confirm that developing talent and skills throughout the organization—**a fundamental action for traditional transformations**—is one of the most important factors for success in a digital change effort.<sup>1</sup>

- 2.3 Developing people with the right skills is not only crucial to deploy the right technologies; it is also key to achieve inclusive growth<sup>2</sup>. A large body of evidence suggests that technologies are changing the demands for occupations and skills, and that many workers performing routine tasks run the risk of being displaced by technology. In the region, as much as 19% of men and 21% of female may be displaced by new technologies in the coming years (Bustelo, Suaya and Viollaz, 2019). In addition, the lack of skills may create a backlash against the introduction of new technologies – much as taxi drivers resist the penetration of ride-hail companies such as UBER. As highlighted in the Skills Development Sector Framework Document ([IDB, 2020](#)), aligning skills development to a country's growth strategy and the demands of productive sectors improves the relevance of the skills being developed. To properly align the supply and demand of skills, it is important to involve industries and other social partners in the identification of skills needed, curricula design, and provision of learning (OECD, 2019; Amaral et al., 2017). Ongoing collaboration supports the continuous adaptation of curricula to labor market demands. Many developed countries have ensured employers' participation in skills development through the establishment of sector bodies or organizations that represent industries, as part of their institutional arrangements.
- 2.4 However, there is little information in Latin America and the Caribbean (LAC), on the impact the adoption of new technologies is having in industries in the region. This presents a challenge in identifying the evolution of skills needs in different industries, potential missed growth opportunities, as well as potential job displacement. This lack of information limits the ability for the training delivery ecosystem to be able to respond to industry-specific skills needs. This in turn limits industries' capacity to train new prospective employees and upskill or reskill current workforce as they embark on their digital transformation journeys.
- 2.5 It is important that the countries in the region implement policies to strengthen the recovery of their economies and achieve a sustainable rebound. To this end, this initiative will help collect information to provide decision makers with data to design more appropriate interventions in the development of skills in industries with job creation prospects. This industry specific information can help address issues such as gender imbalances. For example, Jamaica's Global Services Sector (GSS), an industry with a workforce of over 70% women that includes everything from telemedicine to IT support, the industry recognized significant gender imbalances that might negatively impact the sector's ability to grow in high value-added, global digital services. With industry specific data, leaders had the proper data to take action to mitigate gender imbalances. In 2020, the GSS industry commissioned a study to better understand career progression by gender. What the industry found was that while women dominate employment in sector, they are mostly in positions that could be

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<sup>1</sup> Idem. Unlocking success in digital transformations, October 29, 2018. Survey. McKinsey & Company.

<sup>2</sup> See [Employment Action Framework with Gender Perspective](#), section 2.3.

replaced by Artificial Intelligence and therefore more likely to lose their jobs in the short-term as the industry evolves to more value-added technology-based services. The study also showed that, while there is no deliberate gender-based barriers to entry in the sector, there is a pay difference based on the type of account to which persons are assigned. Since women are underrepresented in ICT and STEM accounts, which have a higher base pay, there is a pay gap which favors men. The industry understood that to be competitive their transformation to higher value-services needed more gender balance.

- 2.6 A specific example of an industry that has expressed interest in regional initiatives such as this is the steel industry. The Latin American steel sector seeks to interconnect its ecosystem made up of universities, industries, service and equipment providers, associations, etc. to align individual efforts to support its transformation. The common language to achieve this interconnection and industry transformation are the skills that are based on the functional analysis of processes. In addition to generating permanent competence in human resources, the sector seeks to develop a standardized skills matrix for Latin America that allows the industry to identify training needs, channel investments, etc. The growth of the steel industry and its entire value chain plays a fundamental role in generating new jobs and promoting local communities; reaffirming that the steel industry is an important economic engine in Latin America. To achieve sustainable growth, it is vitally important to accompany the 1.2 million jobs in their transformation to *Green Jobs*.<sup>3</sup> The steel industry in Latin America (represented by [Alacero](#)) is working with the Bank (ENE) on a decarbonization project for the Latin American and Caribbean Steel sector. The objective is to lay the foundations for the implementation of decarbonization projects for the steel industry in Latin America and the Caribbean.<sup>4</sup>
- 2.7 Working directly with specific industries enables Bank teams to be part of the skills development process, understand what needs to exist in the industry, and how the demand for skills will continuously evolve in the coming years. This type of industry-specific collaboration will provide information enabling the generation of better knowledge products around skills development and produce better diagnostics to promote our gender (gender gaps in the labor market) and climate change (green jobs and skills) agenda, included in Vision 2025. To collect this industry-specific skills data as industries continue to evolve (which is currently difficult to identify due to this continuous evolution), a regional Call for Proposal will be launched that will allow LAC industries to finance Bank-contracted consultancies for the design of training strategies they need. This in turn will create great amounts of skills data for its use among the region, mainly on benchmarking skill gaps for the digital transformation among countries within LAC, per industry; in comparison to more advanced

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<sup>3</sup> The steel sector generates more than 1.2 million high-quality jobs in Latin America, both direct and indirect, and with higher wages than the rest of the manufacturing industry. In addition, the region has the advantage of producing much cleaner and more sustainable steel than its main competitors. Latin America emits 1.6 tons of CO<sub>2</sub> per ton of crude steel produced, into the atmosphere compared to 2.1 emitted by China. Source: [La industria siderúrgica de América Latina mantiene su recuperación estimulada por un mayor consumo de acero. Asociación Latinoamericana de Acero, 2021.](#)

<sup>4</sup> This TC will coordinate with INE/ENE with their Decarbonization Pathways for the Heavy Industry in LAC (RG-T3918) whose objective is to assess pathways for the decarbonization of the heavy industry, including cement, steel, and chemical among others in Latin-America and the Caribbean (LAC). Specifically, it could support the regional TCs component 1 to develop a regional strategy for the decarbonization of heavy industry activities based on the studies carried out for the beneficiary countries by generating a skill developing strategy for these industries should they participate in the regional call for proposals.

economies. The call for proposal will layout guidelines to contemplate a fund limit per industry, and this amount is increased if different criteria are met (*i.e. skills that contribute to environmental objectives and/or actions to mitigate gender imbalances in that industry*).

- 2.8 **Objective.** The objective of this Technical Cooperation (TC) is to launch a regional call for proposals that will allow industries in LAC<sup>5</sup> to develop their industry skill strategies. The scope of the strategy is to identify industry skills needs to be able to charter occupational pathways as the industries evolve in the next few years. The objective of the strategy is to create a pipeline of workers with the required skills companies need to fuel their digital and/or business transformation in the context of the 4IR, as well as support the upskilling and reskilling of their workforce. Furthermore, these skills strategies will provide insights to mitigate workforce displacement in industries that are adopting technologies as well as drive digital inclusion of vulnerable populations by training them in the job-readiness skills they will need to access good jobs. The information generated by these skills strategies will be useful to identify the industries and countries facing higher risks of skill gaps as a barrier for productivity as digital transformation is deployed.
- 2.9 **Strategic Alignment.** This TC is aligned with the Second Update to the Institutional Strategy (2020-2023) (AB-3190-2) to the development challenge: (i) Gender equality through the creation of gender-imbalance mitigation strategies in industries; and (ii) Productivity and Innovation through reducing the skills shortage among firms by: (i) providing fundamental knowledge to support the development of work-relevant skills throughout the lifecycle of workers; and (ii) data to design policies that enhance human capital, focusing on improving productivity, employability and/or innovation. The TC will contribute to the 2020-2023 Corporate Results Framework (CRF) through the beneficiaries of employment support initiatives indicator and is aligned to Gender Equality given that it contributes to closing gender gaps by identifying areas to increase the share of female participation in nontraditional and managerial positions in participating industries. It is also aligned to climate change as it will generate information that will provide knowledge and innovation to support nationally determined contributions and long-term strategies as part of the process to set policies towards becoming low-carbon economies and be aligned with the Paris Agreement. The TC is also aligned with the priorities of the sector strategy, “Social Policy for Equity and Productivity” (GN-2588-4) as it contributes towards efforts to promote higher labor market productivity among vulnerable persons. Additionally, this TC is aligned with the OC SDP Window 2 – Social Development (W2E) (GN-2819-14) in the priority area of Inclusive Social Development supporting the challenges of Social Exclusion and Inequality and Low Productivity and Innovation by supporting investments in human capital.
- 2.10 This TC is aligned with Vision 2025 in pursuit of the following goals: promotion of social progress fostering (i) investments in human capital to increase labor productivity; and (ii) skill development by enabling the alignment of skills development to a country’s

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<sup>5</sup> The team has embarked in a consultation process to identify industries in LAC, who express interest in participating in developing skills strategies. We have identified some industries that operate in the three selected countries and have expressed interest to participate: Brazil, Colombia, and Mexico - where these industries operate. Nevertheless, industries operating in other borrowing member countries are invited to give inputs, participate, and apply to the call for proposals as well, so we can create a more robust skills development ecosystem.

growth strategy and the demands of productive sectors and improve the relevance of the skills being developed.

### III. Description of activities/components and budget

- 3.1 The TC will launch a regional call for proposals to fund the creation of industry skills strategies in different countries throughout LAC<sup>6</sup>:
- 3.2 **Component I. Design of industry skills strategy format (US\$20,000).** This component will finance the design of minimum requirements an industry skills strategy should entail. This includes but it is not limited to: (i) industry definition, identification of industry segments/sub-segments; (ii) information regarding industry growth both globally (to understand market trends/evolution) and locally (to understand industry growth projections in terms of market share, GDP share and employment); (iii) identify potential areas where the industry in the particular country could have (or generate) a competitive advantage; (iv) define and clearly propose the prioritized skills the industry should focus on for that country; and (v) present the actual status of the labor force within such industries, in regards to skill and demographic characteristics. Stemming from this information, a report on the gaps on skills needed for easing the digital transformation for selected industries will be elaborated. This will enable the identification of industries with larger skill gaps to cover and how to close them. This minimum requirement will allow benchmarking for the region as a comparison on the gaps can be assessed by industry<sup>7</sup>. The expected output for this component is the Industry Skills Strategy format design that will be used as a minimum standard for the activities to be delivered in Component 2.
- 3.3 **Component II. Call for proposals for industries to design skills strategies (US\$210,000).** This component will finance a yearly (2023-2024) call for proposals to allow industries in LAC countries to have access to Bank-contracted consultancies to develop their industry skills strategy. Each industry (for each country) will need to be represented by their local industry association and present a proposal<sup>8</sup> identifying key partners. The final product of each selected industry will be an industry skills strategy presented as a business case given that having information of industry training needs, technical and vocational education and training (TVET) systems can become more responsive (agile) to industries as they evolve. The skills strategies can then be used as a direct input (feedback) for the skills development system allowing for the timely anticipation of skills complements, relevant skill-learning policies and interventions. Furthermore, they can guide decision-makers on how to align skills development to a country's growth strategy and the demands of productive sectors and improve the relevance of the skills being developed. Additionally, these outcomes will serve as inputs for knowledge products that position the IDB as a key knowledge and financial partner in the region.
- 3.4 Industries that propose skill strategies to integrate women in STEM occupations or to bring vulnerable groups –such as people with disabilities, youth at risk, diversities, or

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<sup>6</sup> The call for proposals will be coordinated with Country Offices when ready to be launched. The process will be open to all Borrowing member countries.

<sup>7</sup> This component will build up on previous work generated by LMK and work developed in the region to capitalize on lessons learned and previous experiences in these types of reports for benchmarking skills gaps in the region.

<sup>8</sup> Proposal format to be designed with component I of this TC.

indigenous people– into higher paying jobs in these industries will have higher priority in the allocation of resources for the Bank-contracted consultancies. Industries will be allocated up to US\$60,000 to finance Bank-contracted consultancies to develop their strategies. Should they focus on *green jobs* as part of the industry strategy, they could opt to expand the allocation up to US\$80,000 to finance Bank-contracted consultancies. The expected outputs for this component are: (i) guidelines of the parameters industries will have to follow to allow for a call for proposals; and (ii) at least two skills strategies drafted for two different industries in LAC. This component will also fund an awareness campaign or online promotion of the Call for Proposal.

- 3.5 It is estimated a budget of US\$250,000 to be executed up to 24 months (2022-2025). The funding source of this TC is the OC SDP Window 2 – Social Development (W2E) (GN-2819-14).

#### Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Total Funding
<b>Component I. Design of industry skills strategy format</b>	Design and propose a minimum standard each Industry Skills Strategy should entail. This will allow benchmarking.	<b>US\$20,000</b>	<b>US\$20,000</b>
<b>Component II. Call for proposals for industries to design skills strategies</b>	Funding to have a yearly call for proposals for industries in LAC to develop their industry skill strategy. <sup>9</sup>	<b>US\$230,000</b>	<b>US\$230,000</b>
<b>TOTAL</b>		<b>US\$250,000</b>	<b>US\$250,000</b>

#### IV. Executing agency and execution structure

- 4.1 The Labor Markets and Social Security Division (SCL/LMK) of the Inter-American Development Bank (IDB) will be responsible for the management, supervision, coordination and evaluation of the TC. This is a Regional TC that has as its objective to develop knowledge and strategic products on skills development working with different industries. Given the experience of the Labor Markets Division of the IDB in these areas, SCL/LMK will be responsible for the execution, procurement and supervision of the products included within it.
- 4.2 The activities to be executed in this operation have been included in the Procurement Plan (Annex IV) and will be executed in accordance with the Bank's established procurement methods, namely: (i) Contracting individual consultants, as established in the AM-650 standards; (ii) Contracting of consulting firms for services of an intellectual nature according to GN-2765-4 and its associated operational guidelines (OP-1155-4); and (iii) Procurement of logistics services and other services other than consulting, in accordance with policy GN-2303-28.

#### V. Major issues

<sup>9</sup> The skills strategies can then be used as a direct input (feedback) for the skills development system of different countries, allowing for the timely anticipation of skills demands, relevant skill-learning policies and inform current and future interventions (both investment or policy based), on the best practices, cost and replicability related to skills development.

- 5.1 There is a minor risk that industries do not apply to the Regional Call for Proposals due to lack of interest in developing skills development strategies. Notwithstanding, the team has embarked in a consultation process identifying industries in LAC expressing interest in such process as highlighted in footnote #5. Integrity clauses and special intellectual property agreements that need to be included in TC agreement, if any, should be specified.

**VI. Exceptions to Bank policy**

- 6.1 There are no exceptions to bank policy considered in this TC.

**VII. Environmental and Social Strategy**

- 7.1 This TC is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them. Therefore, this TC does not have applicable requirements of the Banks Environmental and Social Policy Framework (ESPF).

**Required Annexes:**

[Results Matrix - RG-T4060](#)

[Terms of Reference - RG-T4060](#)

[Procurement Plan - RG-T4060](#)