DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

IDB-OECD SKILLS STRATEGY FOR CENTRAL AMERICA

(RG-T5003)

PROJECT DOCUMENT

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PROJECT SUMMARY		
Operation Type:	Technical Cooperation	
Sector:	EDUCATION	
Subsector:	VOCATIONAL & TECHNICAL EDUCATION	
TC Taxonomy:	Research and Dissemination	
Project Number under the Operational Support Taxonomy:	N/A	
Technical Responsible Unit:	SCL/EDU-Education	
Unit with Disbursement Responsibility (UDR):	SCL/EDU-Education	
Executing Agency:	Inter-American Development Bank	
PROJECT OBJECTIVE		
Develop and disseminate a comprehensive regional skills strategy that offers a clear path to higher productivity, broader social inclusion, and sustainable growth for Central American countries		
FINANCIAL INFORMATION		
Financing Type	**Fund**	**Amount in US$**
TCN - Nonreimbursable	P1A - OC SDP Pillar 1 - Strategic Priorities - Regional Programs & Initiatives	500,000
	Total IDB Financing	**500,000**
	Counterpart Financing	**0**
	Total Project Budget	**500,000**
Donors:	N/A	
Disbursement Period:	24 months	
Execution Period:	24 months	
ADDITIONAL FINANCIAL INFORMATION		
N/A		

I. JUSTIFICATION AND OBJECTIVE

1.1 **Diagnostic.** Central America[1] faces a pressing skills challenge that threatens both productivity and social inclusion. Nearly 20% of the region's population is between 15 and 24 years old, yet 24% of these young people are neither in education, employment, nor training (NEET) (IDB, 2025). At the same time, by 2030, 87% of Latin America and the Caribbean's (LAC) workforce will consist of individuals who are already working today (IDB, 2026). As a result, Central America confronts a dual skills challenge: a weak pipeline of new talent and a workforce whose skills are insufficiently developed or effectively used.

1.2 The talent pipeline shows significant weaknesses. Around 15% of adolescents (12–17) and 34% of youth (18–24) drop out before completing secondary education (CIMA, 2026). Among those who graduate, learning outcomes remain low: 85% of students lack minimum proficiency in mathematics and 64% in reading, compared with 75% and 55% in LAC, and far lower shares in OECD countries. These deficits disproportionately affect disadvantaged students; for instance, 97% of those in the lowest income quartile do not reach minimum proficiency in mathematics (PISA, 2022).

1.3 The existing workforce also faces substantial skills gaps. More than half of large firms report that skills shortages are the main barrier to transformation, while over 40% of workers are poorly matched to their jobs. Adult learning opportunities remain limited: only 29% of adults participate in training, well below the OECD average of 40% (IDB, 2026).

1.4 Aligning education and training systems with evolving labor market demands is a common challenge among Central American countries, to drive inclusive and sustainable economic growth. These countries face widespread skills gaps across their labor markets, especially in high-demand sectors like sustainable agriculture, cybersecurity, and logistics. Emerging industries such as technology and renewable energy require new technical and digital skills, offering more resilient and sustainable job opportunities. The rapid advancement of AI further highlights the need for skills that can harness its transformative potential to drive innovation, create high-quality jobs, and solve local challenges through technology-driven solutions (ILO, 2025). Employers report difficulty finding workers with the right mix of technical, vocational, and digital skills—as well as socioemotional skills like communication, teamwork, adaptability, and work readiness, which are often lacking and a major cause of worker turnover (IDB, In Pursuit of Employable Skills, 2012). Addressing these challenges requires an agenda to create a talent pool to support economic diversification, reskill displaced workers, and train those affected by digital changes.

1.5 To address these challenges, this proposal will apply the OECD Skills Strategy Framework instrument to develop, together with the OECD, a regional skills strategy for Central America. The strategy will generate a shared, data-driven

[1] For purposes of this TC, Central America includes Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Panama.

diagnosis of skills challenges, identify priority reforms, and strengthen collaboration among governments, employers, and education systems to support skills development across both student and worker pathways.

1.6 **Request.** The Bank is interested in carrying out this Research and Dissemination TC to generate a strong technical foundation to promote high-level dialogue around the topic of human capital development in the region, as an important pillar towards increased productivity.

1.7 **Objective.** Develop and disseminate a comprehensive regional skills strategy that offers a clear path to higher productivity, broader social inclusion, and sustainable growth for Central American countries. This strategy will help governments and stakeholders develop a common, data-driven diagnosis of their skills challenges, identify priority reforms, and design collaborative mechanisms that support inclusive recovery, digital and green transitions, and long-term resilience.

1.8 **Complementarity.** The project complements operations in skills development in Central American countries from both the Education and Social Protection and Labor Market Divisions. Additionally, it complements data collection efforts already underway. Specifically, in Education, it is aligned with current technical assistance efforts to support the Ministries of Education to enhance the relevance of education programs aligned with identified skills needs and advance in the digital transformation of education (RG-T4470; RG-T4578) and to develop new secondary school TVET programs (BL-L1044; GU-L1184). It is also aligned with specific investments to improve the relevance of the primary and secondary education curriculum and instructional approaches to fit 21st century skills needs (CR-L1152; HO-L1237) and to develop the human capital needed to manage and drive economic growth and diversification in alignment with national development plans (PN-L1143; ES-L1139; BL-L1050). Moreover, the project will add valuable data to The Center of Information to Improve Learning (CIMA), which aims to improve the collection, dissemination, and use of education statistics by strengthening the data systems and the institutional capacity of education systems in the region. In Social Protection and Labor Markets, the project complements the portfolio of ongoing technical assistance, investments, and knowledge generation in Central American countries to promote economic autonomy and enhance productivity, by focusing on skills development for the labor force and strengthening national skills strategies that align training with labor market demands and access to better jobs.

1.9 **Strategic Alignment.** This TC is directly aligned with the IDB Group's Institutional Strategy: Transforming for Scale and Impact (GN-3195-8) by addressing critical knowledge gaps in Central America that currently limit the Bank's ability to provide tailored support for skills development in this region. The TC contributes explicitly to the strategy's three main objectives: (i) Reducing poverty and inequality, by systematically identifying the challenges and recommendations of interventions for skills development in Central America, with a focus on creating opportunities for vulnerable populations; (ii) Addressing climate change, by generating evidence on the skills needs for the region to advance in its goals of achieving net-zero economies; and (iii) Boosting sustainable growth, by strengthening the evidence base for programs in Technical and Vocational Education and Training (TVET) and digital skills that foster human capital and align with labor market demands. By focusing on generating evidence and recommendations on skills development, this TC also reinforces the strategic pillars of leveraging knowledge as a differentiating value and ensuring that programs are designed for impact. It also aligns with the Bank's cross-cutting strategic themes, specifically with the focus area of Social Protection and Human Capital Development, as it will develop recommendations to strengthen human capital formation services as a critical element to address poverty, economic vulnerability, and inequality, while helping countries respond to rapid technological changes in the labor market. The proposal supports Productive Development and Innovation through the Private Sector by identifying ways to improve the quality, relevance, and outcomes of skills development systems in Central America, helping close productivity gaps and laying the foundations for greater private sector competitiveness. Finally, it is aligned with the focus area of Regional Integration, which promotes coordinated operational and knowledge-based actions at the regional level to address common challenges, in this case, pressing skills gaps that require the identification of contextualized best practices and policy options.

1.10 Furthermore, the TC is fully consistent with the IDB's Education and Skills Development Thematic Framework Document (TFD) (GN-3012-7), as it will offer insights as to how countries can promote skills development and lifelong learning as a strategy to ensure that citizens can contribute productively to society, improve their well-being, and be good citizens. The TC's focus on diagnosing the skills development systems of Central American countries, generating new data, and producing concrete recommendations both regionally and at the country level directly supports the three pillars of the TFD, as it will: (i) assess the institutional capacity of skills development systems in countries, (ii) establish lines of action to promote continuous learning trajectories throughout the life cycle; and (iii) offer potential policy options to increase the quality and relevance of learning.

1.11 This TC is strategically aligned with the objectives of the Ordinary Capital Strategic Development Program (OC SDP) (GN-2819-25), specifically, with Pillar 1 – Strategic Priorities Regional Programs & Initiatives (P1A), as it contributes to the *América en el Centro* initiative (GN-3233) by generating knowledge and evidence on how to promote human capital through improved skills development in Central America; providing diagnostics and recommendations on how to strengthen the governance of skills systems; and promoting collective action and cooperation to address shared challenges and opportunities in skills development. By providing evidence on the current state of skills development systems, the TC supports the design of present and future operations that respond to client needs across these strategic areas.

1.12 The project is strategically aligned to *America en el Centro* through its two pillars of (i) productivity and economic integration, and (iii) social development of the youth and its cross-cutting pillar of institutional strengthening and capacity building. The OECD Skills Strategy for Central America will contribute to the first pillar by providing recommendations on how to enhance the productive sector's access to a skilled workforce and to the second pillar on how to equip youth with skills for work and life and enhance employability by reducing strategic sectoral skills mismatches. Finally, it will provide policy recommendations to strengthen the governance/institutional framework of skills systems in Central American countries.

II. COMPONENTS

2.1 **Component I: Development of Skills Strategy for Central America (US$440,000).** This component will finance the development of a Skills Strategy for Central America, including associated technical inputs, making use of the OECD's analytical framework to help countries identify policy priorities and develop concrete and tailored policy recommendations for building more effective skills systems. First, a data mapping exercise will be conducted to highlight gaps and develop a Central American Data Framework on Skills, providing guidance on feasible steps to progressively improve coverage, comparability, and periodicity of data. To complement this effort, a Skills Strategy Dashboard will be produced to display publicly available comparative data - to be validated by government and private sector stakeholders - on the performance of countries in the region with respect to the development and effective use of skills and the governance of skills systems based mainly on existing international and national data, with additional inputs from targeted requests to government counterparts or surveys where appropriate. Second, a report on the Skills Strategy for Central America, along with brief country-specific notes, will be developed and include the following pillars: (i) Developing relevant skills over the life course under the logic that to thrive in a rapidly changing world, all people need access to opportunities to develop and maintain strong proficiency in a broad set of skills. High quality VET can play a crucial role in providing relevant training opportunities to young people and adults; (ii) Using skills effectively in work and society given that to ensure that countries gain the full economic and social value from investments in developing skills, people also need to use their skills fully and effectively at work and in society; and (iii) Strengthening the governance of skills systems due to the fact that the success of skills systems require strong policy co-ordination across the whole of government, effective stakeholder engagement throughout the policy cycle, integrated information systems and aligned financing arrangements. Third, a macroeconomic analysis of skills gaps in the region will be conducted, establishing an analytical framework that positions skills mismatches as a structural constraint on productivity, economic growth, productive transformation, and labor inclusion in Central American countries. This analysis will include: (i) a systematic review of international and regional evidence on the impacts of skills mismatches on productivity, technological adoption, innovation, competitiveness, and inequality; (ii) the compilation and harmonization of comparable aggregate indicators across participating countries, such as labor productivity, employment and value-added sectoral structures, human capital indicators, informality, NEET rates, youth unemployment, and unemployment among skilled workers; and (iii) the development of an integrated conceptual framework that identifies the main transmission channels of skills mismatches, including unfilled vacancies, low-quality employment, reduced productivity, and slower growth. Building on this analytical foundation, the component will define a focused policy agenda to address skills mismatches, including a rapid mapping of existing policies and the identification of priority interventions. This will directly inform policy simulations of selected skills reforms to estimate their costs, expected benefits, and impacts on productivity and broader economic outcomes. The **expected outputs**, therefore, are: (i) a Skills Data Framework for Central America (ii) a Skills Strategy Dashboard; (iii) a report on the Skills Strategy for Central America; (iv) brief country notes containing main findings and recommendations per participating country; (v) a database of comparable labor market indicators across Central American countries to assess skills mismatches and their macroeconomic implications, and (vi) regional and country-level publications presenting an operational policy agenda to reduce skills mismatches in Central American countries. To achieve this, the TC will finance the hiring of the OECD and of a PEC consultant.

2.2 **Component II: Dissemination and Communication (US$60,000).** This component will finance the development of activities to disseminate and communicate the results from the Skills Strategy for Central America as well as the organization of events to communicate findings and promote regional collaboration and sharing of best practices. Specifically, the **expected outputs** are: (i) a technical workshop with IDB and OECD specialists on the Skills Strategy Framework; (ii) a regional online international workshop with experts and policy makers to a) discuss the key determinants of the identified skills policy priorities; b) solicit ideas from government and stakeholders on how best to take action in these priority areas; c) build awareness of the challenges and opportunities in each priority area; and d) identify potential areas and mechanisms to foster regional cooperation; and (ii) a high-level regional or international conference to raise awareness of the project and develop a broad base of support for future action in improving the skills system for Latin America. To achieve this, the TC will finance the hiring of the OECD and corporate procurement processes for the organization of dissemination events.

2.3 **Expected Results**. The expected results for Component 1 are: (i) a comparative in-depth assessment of performance in developing and effectively using skills across Central America in relation to OECD countries and an identification of key policy priorities and general recommendations for the region and (ii) identification of international good practices that have been successful in tackling the resulting challenges along with policy guidance to facilitate their implementation. The expected results for Component 2 are: (i) wide dissemination of the report and (ii) generation of spaces for dialogue to identify actions to strengthen skills development systems in Central America and to foster regional collaboration.

2.4 **Beneficiaries.** The direct beneficiaries will be Central American countries, including Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Panama. Specifically, decision-makers from the Ministry of Education and Ministry of Labor and other relevant stakeholders will gain access to comparative data and analysis on how skills development system are performing in their countries, best practices from OECD countries inside and outside of the Latin American region, and policy recommendations and opportunities for regional cooperation based on the three pillars of the Skills Strategy methodology, namely (i) developing relevant skills, (ii) using skills effectively, and (iii) strengthening the governance of skills systems. The final beneficiaries will be citizens of these countries who will be able to reap the benefits of strengthened skills development systems that can result in more responsive education and training systems with stronger alignment between labor market demand and supply and thus citizens' higher levels of employability. The sustainability of the TC lies in the continued use of the Skills Strategy Dashboard that will constitute a key product of this effort and that will be updated periodically with new data both from the OECD countries and from the beneficiary Central American countries. This will help ensure that future investments around skills development are more evidence-based across the region and provide a basis for regional cooperation on shared challenges and opportunities.

III. BUDGET

3.1 **Budget.** The total cost of the TC, needed to achieve the expected outcomes and outputs, is US$500,000 to be financed by the PIA-OC SDP Pillar 1 – Strategic Priorities – Regional Programs and Initiatives. There is no local counterpart funding anticipated. The indicative budget is shown in the table below.

Activity/Component	Description	IDB/Fund Funding (P1A-OC) (US$)	Total Funding (US$)
Component I: Development of Skills Strategy for Central America	- Report on the Skills Strategy for Central America - Skills Strategy Dashboard - Data Framework - County Notes - Macroeconomic analysis of skills mismatches, including a database of comparable labor market indicators across Central American countries - Policy simulations of priority skills reforms to estimate costs, benefits, and productivity impacts, informing an operational policy agenda.	440,000	440,000
Component II: Dissemination and Communication	- Technical workshop with IDB and OECD specialists on the Skills Strategy Framework - International workshop with experts and policy makers - High-level regional or international conference	60,000	60,000

IV. EXECUTION STRUCTURE

4.1 The TC will be executed by the Inter-American Development Bank (IDB) in accordance with the Bank's Technical Cooperation Policy (GN-2470-2) and the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4), through the Education (SCL/EDU) and Social Protection and Labor (SCL/SPL) Divisions. Both Divisions will have overall responsibility for the direction, supervision, coordination, and evaluation of this TC. Specifically, the Bank will execute the project given the TC's regional nature and the fact that a regional entity with legal capacity to execute the TC can't be identified. The Bank is well positioned, through its Regional Country Department for Central America (CID), to establish the necessary dialogue with key counterparts to produce, disseminate, and sustainably make valuable use of the knowledge that will be generated through this regional public good effort. The Bank, in its capacity as

Executing Agency, will coordinate the consultancies and approve the products associated with such procurements. Given the OECD's vast experience in developing skills strategies, the TC will hire the OECD to adapt its Skills Strategy methodology to the Central American context, ensure periodic follow-up meetings with the IDB team, and submit regular updates on the progress of the project. The Bank will provide context, data, and focal points of key public, private, and academic stakeholders in the selected Central American countries to facilitate the work of the OECD's Centre for Skills. Details of the division of labor between both institutions can be found in the Terms of Reference.

4.2 **Eligibility Criteria to Select Beneficiaries**. Given the sub-regional nature of the TC, the following member countries under the *America en el Centro* initiative have been included: Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Panama. Any activities under the TC that are to be carried out within the territory of any of the beneficiary countries will require a corresponding non-objection letter from the Bank's liaison entity in each country prior to the commencement of such activities.

4.3 **Procurement.** All procurement to be executed under this Technical Cooperation have been included in the Procurement Plan (Annex IV) and will be hired in compliance with the applicable Bank policies and regulations as follows: (a) Hiring of individual consultants, as established in the regulation on Complementary Workforce (AM-650) and (b) Contracting of services provided by consulting firms in accordance with the Corporate procurement Policy (GN-2303-33) and its Guidelines.

4.4 **Non-Competitive Method: Single Source Selection.** The Organization for Economic Cooperation and Development (OECD) has been selected to carry out all the activities described herein based on the criteria established in the Bank's Policy for the Selection and Contracting of Consulting Firms for Bank-Executed Operational Work (GN-2303-33) and its Operational Guidelines (OP-1155-4), specifically due to the fact that only the OECD is qualified and has experience of exceptional worth for the assignment (application of the Skills Strategy Framework in Central America, development of the Skills Strategy Dashboard, and complimentary targeted dissemination activities) and as such presents a clear advantage over any competition. Moreover, the IDB has entered into a Partnership Agreement with the OECD.

4.5 **Execution and Disbursement Period.** The TC will be implemented over a period of 24 months. The UDR will be in SCL/EDU.

4.6 **Financial Management.** All financial management of the TC will be done in accordance with the OP-273-12.

4.7 **Monitoring, Reporting, and Supervision.** The TC will be supervised jointly by the Education (SCL/EDU) and Social Protection and Labour (SCL/SPL) Divisions. The project team will be responsible for the supervision, monitoring, and progress of the TC. The project team will prepare the annual progress reports for the TC's indicators. Supervision will be conducted on an ongoing basis, reviewing intermediate and final consulting products.

4.8 **Evaluation.** The TC does not contemplate any additional evaluation arrangements other than the annual progress reports and as such, there will be no additional related costs.

V. POTENTIAL RISKS

5.1 Given the importance of high-quality data to carry out the TCs activities, one of the most important risks lies in the potential inability to obtain sufficient comparable data to conduct in-depth analyses at both the national and regional level vis-a-vis data from the OECD. This could potentially negatively affect the quality of the Skills Strategy and the accompanying Skills Dashboard. To mitigate this risk, the project will include the identification and gathering of databases and surveys that are not publicly available. Another risk identified is related to the lack of appropriation of the Skills Strategy by Central American countries, which could limit the impact of the derived findings and recommendations on policymaking. This risk will be mitigated by activities that are already contemplated in the TC, including the organization of an international workshop with experts and policy makers to convene officials from Central America, as well as other relevant public agencies and a broad cross-section of stakeholder representatives (e.g. employer associations, student associations, trade unions, training providers, VET schools and colleges, employment and economic development agencies), as well as international high-level regional or international launch events with participation from government officials, international organizations, and relevant stakeholders from the private sector, academia, and civil society to raise awareness of the project, disseminate key findings, and establish a foundation for its continued support.

5.2 **Intellectual Property.** The knowledge products generated by the activities executed by the Bank within the framework of this TC will be the property of the Bank and may be made available to the public under a Creative Commons license. However, upon specific request from the beneficiaries and in accordance with the provisions of AM-331, the intellectual property of such products may also be licensed through specific contractual commitments that will be drafted with the advice of the Legal Department.

VI. EXCEPTIONS TO BANK POLICIES

6.1 There are no exceptions to any Bank policy.

VII. ENVIRONMENTAL AND SOCIAL ASPECTS

7.1 This Technical Cooperation 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 Bank's Environmental and Social Policy Framework (ESPF).

REQUIRED ANNEXES:

- Annex I: Request from Client
- Annex II: Results Matrix
- Annex III: Terms of Reference
- Annex IV: Procurement Plan
- Annex V: GDI Checklist