DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ECUADOR

IMPLEMENTATION OF IMPACT EVALUATION OF THE JOB SKILLS CERTIFICATION PROGRAM IN ECUADOR

(EC-T1614)

PROJECT DOCUMENT

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PROJECT SUMMARY			
Operation Type:	Technical Cooperation		
Sector:	SOCIAL INVESTMENT		
Subsector:	VOCATIONAL AND WORKFORCE TRAINING		
TC Taxonomy:	Client Support		
Project Number under the Operational Support Taxonomy:	N/A		
Technical Responsible Unit:	SCL/SPL-Social Protection and Labor Markets Division		
Unit with Disbursement Responsibility (UDR):	CAN/CEC-Country Office Ecuador		
Executing Agency:	Inter-American Development Bank		

PROJECT OBJECTIVE

The objective of technical cooperation is to support the Ministry of Labor of Ecuador in carrying out the implementation of the impact assessment of the labor competencies program of the Support for Commitment to Employment program for the Effectiveness of Employment Policies funded by the BID EC-L1284 credit project.

FINANCIAL INFORMATION			
Financing Type	Fund	Amount in US\$	
TCN - Nonreimbursable	W2E - OC SDP Window 2 - Social Development	300,000	
Total IDB Financing 300,			
	0		
Total Project Budget		300,000	
Donors:	N/A		
Disbursement Period:	36 months		
Execution Period:	36 months		
Additional Financial Information			
N/A			

I. JUSTIFICATION AND OBJECTIVE

- 1.1 Diagnostic. Ecuador's labor market faces structural challenges that hinder the achievement of quality employment, especially among groups with higher barriers to workforce integration. Despite a relatively low unemployment rate of 2.7% as of December 2024. Adequate employment decreased from 38.8% to 33% between 2019 and 2024, while formal employment fell from 39.5% to 31.8%, and underemployment rose from 17.8% to 24.5% (INEC, ENEMDU 2024). As of December 2024, gaps were observed for: (i) Women, who have lower rates of labor participation (51.3% vs. 78% for men), lower rates of adequate employment (26.7% vs. 37.4% for men), and higher rates of unpaid employment (18.1% vs. 5.9% for men). In December 2024, informality was 32% for both men and women; (ii) young people ages 18-26, of whom 23.7% neither study nor work; 8.1% are unemployed and 33.1% are underemployed (compared to 2.7% and 24.5%, respectively, at the national level). Formal employment among youth fell from 27.8% to 19.9% between 2019 and 2024, and only 24.4% had adequate employment; (iii) adults ages 45-64, of whom 34.7% were formally employed; (iv) Human Mobility Population (HMP), whose unemployment is higher than the national average (4.6% vs. 3.7% - ENEMDU annual 2024) and formal employment is lower (falling from 25.1% to 19.6%); (v) persons with disabilities, whose labor participation rate is approximately 25 percentage points lower than the total population, reflecting greater vulnerability (INEC, Census 2022); and (vi) indigenous peoples and nationalities (IPNs) (8% of the total population, according to the 2022 Census), among whom only 13.9% have adequate employment and 14.7% have formal employment; 38.9% are self-employed, and 30.9% are unpaid household workers (ENEMDU annual 2024).
- 1.2 Additionally, the Labor Skills Demand Survey, conducted by the Ministry of Labor (MoL) in 2024 in the cities of Quito and Guayaquil, shows that there is a skills gap of around 40%. The main reasons are that candidates lack the necessary work experience and that there is a shortage of candidates with the required technical skills (Labor Skills Demand Survey 2024).
- 1.3 Limited information can exacerbate poor matching between workers and firms (Altonji and Pierret, 2001)¹, reduced employment (Aigner and Cain, 1977),² generate underemployment (Duan and Jackson, 2025)³ and increases in search and migration costs (Abebe, Caria, and Ortiz-Ospina, 2020; Bryan, Choudhury, and Mobarka, 2014).⁴ Providing skill certificates has been shown to increase information about the qualifications of workers and thus improve matching between firms and workers and help with worker's mental well-being. This type of policy could be particularly relevant for migrants and first-time job seekers, who often lack references or performance reviews from previous employers.

¹ Altonji, J. G., & Pierret, C. R. (2001). Employer learning and statistical discrimination. The quarterly journal of economics, 116(1), 313-350.

² Aigner, D. J., & Cain, G. G. (1977). Statistical theories of discrimination in labor markets. *IIr Review*, *30*(2), 175-187

³ Duan, J.; & Jackson, P. (2025). The underemployment trap. Journal of Monetary Economics, 155, Article 103633.

⁴ Abebe, G., Caria, A. S., & Ortiz-Ospina, E. (2021). The selection of talent: Experimental and structural evidence from ethiopia. American Economic Review, 111(6), 1757-1806.

- 1.4 To address these issues, the MoL is executing the program "Support for the commitment to employment for the effectiveness of employment policies" (5774/OC-EC), which aims to improve labor insertion into quality jobs, focusing on groups facing greater barriers to employment. Its specific objectives are: (i) expanding the coverage of employment training (FT, by its acronym in Spanish) and job skill certification programs (CCL, by its acronyms in Spanish) for Ecuadorians and people in human mobility; and (ii) increasing the use of public employment services with an inclusion focus. Among other activities, the program (5774/OC-EC) will fund job skills certification programs, with the MoL contributing up to US\$65.00 per participant to training providers (conformity assessment agencies). This reduces the price of job skills certification, making it more accessible to low-employability groups and increasing demand for this service. During the four years of the project a total of 81,960 participants are expected to participate in employment training (FT) and 67,790 in job skills certification (CCL)5. Of all the beneficiaries receiving employment training or job skills certification, at least 32,269 will be women, and 14,000 will be migrants.
- 1.5 This Technical Cooperation (TC) seeks to finance an impact evaluation of the job skills certification component of 5774/OC-EC. The loan (5774/OC-EC) includes US\$80,000.00 for the implementation of the impact evaluation. These resources will finance a communication campaign aimed at generating the oversubscription required to implement the randomized impact evaluation methodology outlined in this TC.
- 1.6 Initially, the impact evaluation outlined in the program (5774/OC-EC) was planned to rely solely on administrative records, among other stages of the evaluation design, after the beneficiary received the job skills certification The main source of administrative information on employment and labor income in the country is the Ecuadorian Social Security Institute (IESS) records. However, due to potential data gaps, inconsistencies, and limited coverage - particularly among vulnerable populations - this approach may compromise the robustness of the evaluation. Social security coverage remains low and has declined from 34.1% in 2022, the year the program was designed, to 31.8% in 2024, suggesting that a considerable share of the workforce might be unrecorded or poorly represented in the available data. Furthermore, data sharing among public institutions in Ecuador has often been hindered or delayed by existing legal frameworks. Therefore, this TC has been designed to complement the use of administrative records with additional data sources and a robust impact evaluation methodology. The resources from this TC will primarily support follow-up surveys that capture the entire treatment and control groups, thereby recovering labor outcomes for those individuals who are not covered by social security These outcomes will include: labor income, job placement in a related sector, and number of hours worked. Meanwhile, for the baseline (pre-intervention) stage and the implementation of the job skills certification program, the impact evaluation will continue to use administrative data collected by the MoL.
- 1.7 The impact evaluation financed through this TC aims to determine the effects of job skills certification on labor market outcomes, specifically the probability of obtaining quality employment after receiving the intervention. Other potential

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⁵ An individual may receive both FT and CCL.

outcomes to be evaluated include overall employment, labor income, job placement in a related sector, and number of hours worked. Ideally, these outcomes will be disaggregated for low-employability groups. In addition, the credibility of skill certificates plays a crucial role in their effectiveness. Credibility refers to the trustworthiness and perceived value of the certification in the eyes of employers and other stakeholders. This evaluation aims to explore potential differences between equally credible certificates issued by both private and public entities. This approach allows the evaluation team to explore whether the source of the certification impacts its perceived value and effectiveness in the labor market, even when both sources are deemed equally trustworthy.

- 1.8 The impact evaluation will focus exclusively on job skills certification programs (CCL). This decision aligns with the evaluation design outlined in the loan document (5774/OC-EC)⁶ and its monitoring and evaluation plan.⁷ The impact indicator for the program is defined in paragraph 3.12 of the loan document as follows "An impact evaluation associated with the general objective will be conducted to determine the final direct impact of the operation, specifically the effect of the job skills certification program on labor market outcomes."
- 1.9 Studies in developing countries have demonstrated positive impacts of skills certification on employment outcomes. In South Africa, Carranza et al. (2022)⁸ found that certifying both cognitive and non-cognitive skills increased employment probability by 5 percentage points and weekly earnings by 34%. In Ethiopia, Abebe et al. (2021) reported improvements in job formality, contract permanence, and a 25% income increase. In Uganda, Bassi and Nansamba (2021)⁹ observed an 11% increase in labor income for middle-skill first-time job seekers when certifying non-cognitive skills.
- 1.10 In general, rigorous empirical evidence on the effects of labor skills certification is still scarce for Latin American and Caribbean countries. The proposal aims to address this significant knowledge gap by evaluating the effectiveness of employment training and job skills certification programs in improving labor market outcomes for participants in Ecuador. This includes understanding how these programs impact disadvantaged groups, such as women, migrant workers, people with disabilities, and indigenous people, who face substantial barriers to workforce insertion. This impact evaluation will generate evidence and lessons learned from job skills certification programs. These insights will inform the design and implementation of future operations in the region, particularly given the limited evidence on such policies in the Latin American context.
- 1.11 **Request.** Through official communication No. MDT-MDT-2025-0567-O, the MoL, acknowledges the importance of enhancing employability in the country, and request that the Ministry of Finance carry out the necessary procedures with the relevant entities to secure non-reimbursable TC for the implementation of an

⁷ https://www.iadb.org/document.cfm?id=EZIDB0000233-2113335396-14

⁶ https://www.iadb.org/es/proyecto/EC-L1284

⁸ Carranza, E., Garlick, R., Orkin, K., & Rankin, N. (2022). Job search and hiring with limited information about work seekers' skills. American Economic Review, 112(11), 3547-3583.

⁹ Bassi, V., & Nansamba, A. (2022). Screening and signaling non-cognitive skills: experimental evidence from Uganda. The Economic Journal, 132(642), 471-511.

impact evaluation of the job skills certification program in Ecuador (5774/OC-EC). In this communication the Mol states that the TC will carry out through the Social Protection and Labor Markets Division (SCL/SPL) of the Inter-American Development Bank (IDB). Subsequently, through communication No. MEF-MEF-2025-0583-O, the Ministry of Finance grants its no-objection in order to receive support from the IADB for the implementation of the TC (Annex I).

- 1.12 **Objective.** The general objective of the TC is to support the Government of Ecuador in implementing the impact evaluation of the operation "Support for the Commitment to Employment for the effectiveness of employment policies" (5774/OC-EC), executed by the MoL.
- 1.13 The specific objective is to implement a methodology for impact evaluation that determines the effects of job skills certification (CCL, by its acronym in Spanish) on labor market outcomes of the beneficiaries, specifying the impact for migrant population and other groups facing barriers to employment (women and young people). Additionally, the study will explore the influence of the perceived credibility of certifications issued by public versus private entities, contributing to a deeper understanding of how certification source affects labor market effectiveness.
- 1.14 The expected result is a comprehensive and robust impact evaluation reporting the causal effects of job skills certification on various labor market outcomes, including the probability of obtaining quality employment, overall employment rates, labor income, job placement in relevant sectors, and hours worked.
- 1.15 Among the qualitative outcomes of the TC, an enhancement in the capacity of policymakers and the MoL is expected, enabling them to design and implement evidence-based employment programs informed by rigorous impact evaluation findings.
- 1.16 Complementarity. The TC complements the loan operation "Support for the Commitment to Employment for the Effectiveness of Employment Policies" (5774/OC-EC) which aims to improve labor insertion into quality jobs, focusing on groups facing greater barriers to employment. Its specific objectives are: (i) expanding the coverage of FT programs and CCL for Ecuadorians and people in human mobility; and (ii) increasing the use of public employment services with an inclusion focus.
- 1.17 The TC also complements the following interventions in the country: ATN/OC-19944-EC "Support to skill development in Ecuador" (in execution) and ATN/OC-21905-EC "Support for the implementation of social protection and labor markets projects in Ecuador" (in execution), both TCs also supports the loan operation; and ATN/TV-20360-EC "Job training for retraining and job integration in the TICs sector of Ecuador" (in execution) a similar initiative to evaluate the impact of job training.
- 1.18 The TC is consistent with the sector framework document for Labor (GN-2741-12), as it contributes to key action lines. First, it supports Action Line 1: Interventions to accelerate the recovery of employment and bring people back to work. The impact evaluation financed by this TC aims to generate evidence and close the knowledge gap to understand which policies and tools are more effective to support both workers and firms to recover and create employment, especially in contexts of high

informality. Second, the TC also aligns with Action Line 2: Multi-sectoral approaches to increase productivity growth and ensure that gains are shared equitably through labor supply-side interventions such as skills development. The TC addresses the knowledge gap regarding the effects of reskilling and upskilling on employment.

- 1.19 This TC is also consistent with the sector framework document for Skills Development (GN-3012-3), in particular, the TC supports Action Line 1: Ensuring access to relevant and high-quality lifelong learning opportunities. Additionally, the TC aligns with Action Line 5: Actively promoting the generation and use of empirical evidence to guide skills development decisions. Empirical information on effective skills development actions is crucial to improving the effectiveness and relevance of policies and programs, fostering sector dialogue, and providing adequate technical support to countries.
- 1.20 **Strategic Alignment.** The TC aligns with the IDB Group Institutional Strategy 2024-2030: Transforming for Scale and Impact (CA-631) and is aligned with the objective of: (i) reducing poverty and inequality. It also aligns with the operational focus areas: (i) gender equality and inclusion of diverse population groups; (ii) institutional capacity, rule of law, and citizen security; and (iii) social protection and human capital development. The TC is designed to maximize the delivery of value and results through impact orientation (paragraph 6.2) and producing knowledge for the region (paragraph 6.11). Furthermore, the TC is aligned with the Bank's Country Strategy with Ecuador 2022-2025 (GN-3103-1), which includes the strategic objective of reducing employment precariousness and expand access to and improve coverage of basic and social services.
- 1.21 The TC is also aligned with the Strategic Development Program financed with Ordinary Capital (OC-SDP), Window 2 (W2E), Social Development, specifically within Priority Area 5 on inclusive development, as established in document GN-2819-14.
- 1.22 This project has been selected for Development Effectiveness Intelligence Fund (DEIF) under a rigorous competitive process involving VPS, VPC, and SPD. The DEIF initiative supports projects that generate knowledge and address strategic gaps in development effectiveness through impact evaluations, analysis of execution factors, and effective enhancement initiatives.

II. COMPONENTS

- 2.1 Components.
- 2.2 Component 1: Implementation of the impact evaluation of the job skill certifications programs (US\$ 286,000).
- 2.3 This component will evaluate the impact of job skill certifications on labor market outcomes of the beneficiaries, particularly focusing on the probability of securing quality employment 12 months post-certification. The evaluation also aims to estimate heterogeneous effects by gender and migration status to identify differential impacts among vulnerable groups.

- 2.4 The evaluation will be implemented as a Randomized Controlled Trial (RCT) that employs an oversubscription model and takes advantage of the program's excess demand. It modifies the allocation rule for slots within the eligible group to a random selection method. The recruitment of the population for the evaluation will be carried out through the MoL's call for applications for the employment training and job skills certification program. The Ministry will implement a communication campaign to generate interest in the job skill certification program, raising the demand for the program beyond the program's capacity and then randomly selecting beneficiaries. Because certifications are skill-specific and cannot be concurrently deployed, the intervention(s) will be staggered. This will require collecting follow-up information at multiple points, making the follow-up data collection costly. In addition to survey data, administrative records from the MoL will be integrated into the impact evaluation.
- 2.5 The planned procurement activities include both corporate and individual consultancy services to support the implementation of the impact evaluation of the Job Skills Certification Program. Specifically, corporate procurement processes (GN-2303-33) will be used to hire a consulting firm to assist with the evaluation and to conduct baseline and follow-up data collection. Additionally, individual consultants (AM-650) will be engaged to monitor the development and implementation of the evaluation, analyze its progress, and support the systematization of results. These activities are aligned with the Procurement Plan and are essential for ensuring the technical rigor and operational effectiveness of the evaluation process.
- 2.6 The expected outputs of this component are: (1) performance of an experimental impact evaluation, which includes baseline data collection and multiple follow-up surveys; and (2) a technical note with the results of the impact evaluation.
- 2.7 Component 2: Dissemination of results (US\$ 14,000).
- 2.8 The objective of this component is to support the use of evidence generated by the impact evaluation to improve government policymaking. It aims to maximize the dissemination and uptake of evaluation findings among key stakeholders.
- 2.9 Key activities include organizing, in the second year of the TC implementation, a workshop to build evaluation capacity within government agencies. After the impact evaluation is completed, a policy dialogue event will be held to discuss and disseminate the findings and their implications. During this dialogue, the technical note summarizing the evaluation results will be present to inform decision-making and future policies.
- 2.10 Procurement includes venue arrangements, materials, and expenditures related to the editing and publication of the results of the impact evaluation, in line with the Procurement Plan.
- 2.11 The outputs of this component are: (i) workshop with the objective of building evaluation capacity within government agencies; and (ii) policy dialogue event.
- 2.12 **Expected Results**. The expected result of this TC is the completion of an experimental impact evaluation of job skill certifications on labor market outcomes

- of beneficiaries of the operation loan 5774/OC-EC and maximize the use of evidence generated by the impact evaluation to improve policymaking by informing a broad set of stakeholders.
- 2.13 **Beneficiaries.** The direct beneficiaries of the TC are mainly policy makers from the MoL, as well as other relevant policy makers, who will benefit from having evidence to support decision-making and from an improved impact evaluation capacity among their staff.
- 2.14 Additionally, the indirect beneficiaries are the individuals who participate in the certification programs through operation 5774/OC-EC. During the four years of the project (5774/OC-EC) a total of 81,960 participants are expected to participate in employment training (FT) and 67,790 in job skills certification (CCL) ¹⁰. Of all the beneficiaries receiving employment training or job skills certification, at least 32,269 will be women, and 14,000 will be migrants.

III. BUDGET

3.1 Budget. The total budget of this TC is US\$300,000 financed by the Ordinary Capital Strategic Development Program (OC-SDP) Window 2 – Social Development (W2E), specifically within Priority Area 5 on inclusive development, as established in document GN-2819-14, with no local counterpart. The disbursement and execution period will be 36 months. The TC will fund the hiring of consulting firms and individual consultants. The following table details the allocation of resources for each component.

Thousand (US\$)

Components	Fund Code: W2E - OC SDP Window 2 - Social Development	Total
Component 1: Implementation of the impact evaluation of the job skill certifications programs	US\$286,000.00	US\$286,000.00
Component 2: Dissemination of results	US\$14,000.00	US\$14,000.00
Total	US\$300,000.00	US\$300,000.00

IV. EXECUTION STRUCTURE

4.1 The Executing Agency for this TC will be the IDB, through the Social Protection and Labor Markets Division (SPL/SCL), under the direction of the team leader, who will monitor the activities and outputs contracted with the support of other specialists of the SPL/SCL and the Migration Unit (SCL/MIG) divisions and the Research Department (RES/RES). Supervision will be carried out through virtual

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¹⁰ An individual may receive both FT and CCL.

and in-person meetings, communications, and in-person missions when necessary. This decision is consistent with the guidelines and requirements established in the TC Policy (GN-2470-2), Annex II of Procedures for Processing TC Operations and Related Matters (OP-619-4), and Annex 10 of the TC Operational Guide (GN-2629-01).

- 4.2 The decision to have the Bank execute the TC responds to the client's request, as stated in communication No. MDT-MDT-2025-0567-O (Annex I); in which the MoL indicates that the TC will be executed through the SCL/SPL Division of IDB. This decision also reflects the Bank's extensive experience in conducting research and dissemination agendas of this nature.
- 4.3 **Conditions Prior to First Disbursement.** There are no conditions precedent to the initial disbursement.
- 4.4 **Procurement.** All procurement to be executed under this TC 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.
- 4.5 **Execution and Disbursement Period.** The disbursement period (including the execution period) was estimated at 36 months.
- 4.6 **Financial Management.** The TC project's financial management will be based on the financial management guidelines for IDB-financed projects (GN-2811-1). The expenditure financed with this operation must be: (i) necessary for the project and in line with its objectives; (ii) comply with the applicable Bank policies and legal agreements; and (iii) are properly recorded and adequately supported in the Bank's systems. All expenses will be made in US dollars.
- 4.7 **Monitoring, Reporting, and Supervision.** The Bank will supervise the consulting services, and the beneficiary may provide technical input to the consultancy reports. The Ecuador Country Office (CAN/CCE) will be responsible for disbursement. The overall supervision of the TC will fall under the responsibility of the designated Team Leader (TL) and the SCL/SPL project team. The MoL will support the implementation of the plans, including specific consultancies, for their supervision and validation. The project team will be responsible for preparing and submitting project reports using the Technical Cooperation Monitoring and Reporting System (TCM), in accordance with the provisions of the Grants and Cofinancing Management Unit (ORP/GCM).

V. POTENTIAL RISKS

5.1 The evaluation relies on the oversubscription of the job skills certification program to enable random assignment. If demand does not exceed supply - either because beneficiaries do not meet the certification profile requirements (education and experience), or due to insufficient outreach - the evaluation design may be compromised. This risk is especially high for migrant population due to the difficulty

- of obtaining those records. To address this risk, a strong communication campaign, financed through the 5774/OC-EC operation, will be launched to generate interest in the certification program and ensure oversubscription. This will enable random selection and preserve the integrity of the evaluation design.
- 5.2 Changes in government priorities and in the execution of the loan operation "Support for the Commitment to Employment for the Effectiveness of Employment Policies" (5774/OC-EC), may affect the continuity of the TC activities, and the dissemination of the results of the impact evaluation. The loan operation had two years of extended budget due to two consecutive years with electoral scenarios. The ceiling was defined by retroactive spending carried out between the eligibility of the loan profile and the signing of the credit agreement, totaling \$197,000, which limited implementation capacity. This restriction was lifted in May 2025, allowing the budget ceiling to increase to half a million, with expectations that it will be further expanded in 2026. The MoL is working on the version for the signing of the first job skills certification agreement with SECAP and is making progress in defining topics and geographic areas for certification with private entities in 2026. To mitigate the risk that the evaluation will have to be delayed, continuous communication and coordination with MoL and other stakeholders will be maintained. Regular updates and strategic communication with decision-makers will be prioritized to reinforce the relevance of the TC activities and secure continued support.
- 5.3 The staggered implementation of certifications and the need for multiple follow-up surveys may lead to delays. Furthermore, logistical challenges in reaching beneficiaries especially migrants or those in remote areas could affect data collection efforts. To mitigate this risk, a firm with extensive experience in data collection and analysis, especially with vulnerable populations, will be contracted. This firm will be required to present a plan for potential drawbacks. The evaluation team will closely monitor progress through intermediate reports and maintain regular communication with the firm.
- 5.4 The use of personal data for the evaluation may face restrictions. Limitations in data sharing between MoL and the stakeholders involved in the implementation of the evaluation could cause delays, to mitigate this risk formal agreements will be developed to facilitate secure and timely data exchange between relevant entities, ensuring compliance with privacy regulations and minimizing delays.
- 5.5 **Intellectual Property.** Integrity clauses and special intellectual property agreements that need to be included in TC agreement, if any, should be specified in this section.

VI. EXCEPTIONS TO BANK POLICIES

6.1 No exceptions to the IDB's policies have been identified.

VII. ENVIRONMENTAL AND SOCIAL ASPECTS

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 Bank's Environmental and Social Policy Framework (ESPF).

REQUIRED ANNEXES:

Annex I: Request from ClientAnnex II: Results Matrix

Annex III: Terms of ReferenceAnnex IV: Procurement Plan