

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Regional Competitive Fund to create Industry Skills Strategies for post-COVID
▪ TC Number:	RG-T4060
▪ Team Leader/Members:	PAVON, FERNANDO YITZACK (SCL/LMK) Team Leader; RIPANI, LAURA A. (SCL/LMK) Alternate Team Leader; GONZALEZ HERRERA, BEATRIZ MARIA (SCL/LMK); CECILIA SICCHA (SCL/LMK); SEBASTIAN PENAHERRERA (SCL/LMK); MENDOZA BENAVENTE, HORACIO (LEG/SGO)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	25 Mar 2022
▪ Beneficiary:	Mexico, Brazil, Colombia
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$250,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ 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:	Productivity and innovation

II. Objective and Justification

2.1 The objective of this TC is to establish a regional competitive fund that will allow industries in LAC to apply for funds to develop their industry skill strategies (for specific countries). 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. TC is aligned with the Second Update to the Institutional Strategy (2020-2023) (AB-3190-2) to the development challenge: 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.

- 2.2 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. 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.
- 2.3 Developing people with the right skills is not only crucial in order to deploy the right technologies; it is also key to achieve inclusive growth. A large body of evidence suggests that technologies are changing the demands for occupations and skills, and that many workers performing routine task run the risk of being displaced by technology. 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.
- 2.4 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. 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.
- 2.5 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 demands, 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.

III. Description of Activities and Outputs

- 3.1 **Component I: Design of industry skills strategy for.** This component will finance the design of minimum requirements an industry skills strategy should entail.
- 3.2 **Component II: Call for proposals for industries to design skills strategies.** This component will finance a yearly (2022-2024) call for proposals to allow industries in LAC countries to apply for funds to develop their industry skills strategy. Each industry (for each country) will need to be represented by their local industry association and present a proposal⁵ identifying key partners.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Design of industry skills strategy for	US\$20,000.00	US\$0.00	US\$20,000.00
Call for proposals for industries to design skills strategies	US\$230,000.00	US\$0.00	US\$230,000.00
Total	US\$250,000.00	US\$0.00	US\$250,000.00

V. Executing Agency and Execution Structure

- 5.1 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.
- 5.2 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.

VI. Project Risks and Issues

- 6.1 There is a minor risk that industries do not apply to the fund 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 paragraph 2.5.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".