

## TC ABSTRACT

### I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	The future of government work in Latin America and the Caribbean
▪ TC Number:	RG-T3313
▪ Team Leader/Members:	ROSETH, BENJAMIN DAVID (IFD/ICS) Team Leader; PORRUA VIGON, MIGUEL ANGEL (IFD/ICS); FARIAS, PEDRO CESAR L. (IFD/ICS); LAFUENTE, MARIANO (IFD/ICS); REYES RANGEL, ANGELA MARIA (IFD/ICS); KAGELMACHER, DARIO GUILLERMO (IFD/ICS); ROJAS GONZALEZ, SONIA AMALIA (IFD/ICS); RIPANI, LAURA A. (SCL/LMK); VALENTI LOPEZ, PAOLO (CSC/CSC); NAVARRO, JUAN CARLOS (IFD/CTI); VILLA MAR, KARELIA (IFD/ICS); THEINHARDT, JEAN ERIC (IFD/ICS); JARQUIN RAMOS, MARIA JOSE (IFD/ICS)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	31 Jan 2019
▪ Beneficiary:	Barbados, Chile, Paraguay, Panama, Uruguay, LAC region
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	\$ 350,000.00
▪ Local counterpart funding:	\$ 0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Innovation in Citizen Services Division
▪ Unit of Disbursement Responsibility:	Institutions for Development
▪ 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:	Institutional capacity and rule of law

### II. Objective and Justification

- 2.1 Generate empirical evidence and lessons learned regarding the challenges and opportunities that automation implies for governments in LAC, and support policy dialogue and capacity building on the personnel and change management aspects of government digital transformation.
- 2.2 Though the “future of work” has been widely discussed by a range of institutions, analyzing both the promise and perils of automation for the labor market, there is currently no rigorous empirical knowledge nor policy guidance on the implications for the public sector. The impact of the increasing incorporation of technology in the workplace are likely significant: the OCDE estimates that 14% of the jobs in its member countries are highly susceptible to automation; McKinsey estimates that 400 million jobs in the world could be displaced through automation. Despite the proliferation of related literature, there are gaps in areas with significant implications for public sector management and service delivery: the potential room for automation, the necessary changes in the staffing skills mix in a more digitized context, or how to manage the human side of transitioning to a more automated future. Existing knowledge on the impact of automation in the private sector is likely to be of limited utility for governments due to a number of factors that make the public sector systematically distinct, including

greater rigidity in human resources management, the important role of unions, lengthy hiring processes, and importantly, the lack of a profit motive and the imperative of generating public value.

- 2.3 Understanding how automation can affect public employment and service delivery in LAC, and how best to manage this shift - and supporting individual governments in tackling these challenges - is key for several reasons. Prime among them is that the potential impact is likely immense. A 2017 estimation for the government of the UK found that up to 16% of public sector jobs could be fully automated by 2030 (Deloitte). Governments in LAC may be even more susceptible to significant shifts, given their comparatively limited incorporation of technology to date.
- 2.4 At the same time, governments may see automation as an option to address persistent challenges. Increased investment in public services is urgent given declining citizen satisfaction – for example, from 59% to 40% satisfaction with health services from 2006-2016, and a similar decline in education. Automation of mechanical tasks may provide an opportunity to redistribute resources towards those more dependent on human interaction, such as health and education, as well as public safety. Alternatively, automation, and accompanying retrenchment reforms, may provide a partial solution for governments facing excess wage bill expenditures, particularly relevant in a region with recurrently high personnel expenditures.
- 2.5 Increasing client demand for digital transformation loans highlights the urgency for the proposed TC. Since its creation in 2015, the digital cluster in ICS has accumulated a portfolio of 12 loans for a total of US\$592 million in approvals. All of these operations – as well as others throughout the Bank with significant technological components - will cause human capital redistribution, and in many cases the topic has been a source of concern for government counterparts and cause of delay or modification in reform efforts. The IDB has yet to deliver an effective response to the concerns regarding how significant the impact of automation will be, on which jobs, the differential gender impact, the need for new talent, and how best to manage the necessary changes through strategies involving re-training, workforce redistribution, targeted recruitment, attrition or others.

### III. Description of Activities and Outputs

- 3.1 **Component 1: Report generation and validation.** The expected result of this component is a reference guide on public sector automation and change management. To maximize relevance and utility, this component will also support the involvement of external experts in the design of the necessary methodologies and data collection tools, identification of case studies, and crafting of policy recommendations. Experts will be selected among governments, academia and international organizations from both within and outside the region. Report writing will be completed after the execution of Component 2.
- 3.2 **Component 2: Generation of evidence and data analysis.** The expected result of this component is to have collected and analyzed the data necessary to produce the reference guide on public sector automation and change management proposed in Component 1. This includes, among others: (i) literature review on automation and labor market impacts; (ii) adaptation of existing methodologies to estimate the potential for automation to a government context; (iii) a survey of civil servants to generate estimates regarding the potential for automation (tentatively in Chile); (iv) multi-country comparative analyses of two or more universal processes in the public sector (e.g. business registration, issuing a driver's license) to gauge potential for automation (tentatively in Barbados, Panama and Uruguay, potentially among others); (v) multi-country study of the human resources aspects of government digital teams, both in the OECD and LAC (tentatively including Uruguay, the UK, US, Spain and Denmark); (vi) multi-country study of the tools employed by leading civil service management

institutions to prepare public servants for increasing digitization of government, both in the OECD and LAC (including Panama, Canada, the UK, US, New Zealand, and Spain) ; and (vii) at least six case studies to highlight the strategies for human resources change management in light of automation, encompassing both experiences from global leaders in digital government and the private sector (including Albacete, Spain; Andalucía, Spain; the UK Department of Licensing and Motor Vehicles, SAP, AT&T, Volkswagen, India Railways, potentially among others) .

- 3.3 **Component 3: Dissemination and capacity building.** This component supports dissemination activities and policy dialogue around the challenges and opportunities posed by automation in government in the region. This includes, among others, (i) adaptations of the regional findings to specific country requests upon demand and the organization of technical workshops on automation and change management with government counterparts; (ii) the design, translation and formatting of the reference guide; (iii) production of promotional materials (e.g. infographics, videos) and campaigns (e.g. via Facebook); and (iv) participation in or organization of international events in which the reference guide will be presented.
- 3.4 Selection criteria for additional countries: (i) availability of data necessary to conduct the activities described under Component 2; (ii) Government counterpart interest; and (iii) regional balance.
- 3.5 Main results: (i) government capacity to incorporate automation and effectively manage change in the public sector workforce increased; (ii) reference guide on public sector automation and change published; and (iii) dissemination and policy dialogue conducted at both regional and country-specific venues.
- 3.6 **Component I: Report generation and validation.** Report generation and validation. The expected result of this component is a reference guide on public sector automation and change management. It will also support the involvement of external experts in the design of methodologies and data collection tools, identification of case studies, and crafting of policy recommendations. Experts will be selected among governments, academia and international organizations. Report writing will be completed after the execution of Component 2.
- 3.7 **Component II: Generation of evidence and data analysis.** The expected result of this component is to have collected and analyzed the data necessary to produce the reference guide on public sector automation and change management proposed in Component 1. This includes a series of activities described in detail in the “description of outputs/activities” section above, and in greater detail in the accompanying Word document.
- 3.8 **Component III: Dissemination and capacity building.** This component supports dissemination activities and policy dialogue around the challenges and opportunities posed by automation in government in the region, as described in detail in the “description of outputs/activities” section above.

#### IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Total Funding
Report generation and validation	US\$40.000.00	US\$40.000.00
Generation of evidence and data analysis	US\$200.000.00	US\$200.000.00
Dissemination and capacity building	US\$110.000.00	US\$110.000.00

## **V. Executing Agency and Execution Structure**

- 5.1 Bank-executed, responsibility of IFD/ICS.
- 5.2 Bank execution is the only viable execution structure for this TC for several reasons: (i) several government counterparts have requested Bank technical support on the topic; (ii) the generation of empirical evidence and lessons learned entail a number of regional activities that require the Bank's coordination capacity; and (iii) given the similar nature of multiple government requests and the possibility of generating outputs that serve both the requesting governments as well as others throughout the region, Bank execution allows for the best economies of scale.

## **VI. Project Risks and Issues**

- 6.1 The main risk of this TC is the potential lack of willingness of governments to participate in the different aspects of the research, given that each activity will require significant openness on the part of the institutions studied. This risk will be mitigated through high-level dialogue to showcase the benefits of knowledge generation on this topic, in particular for the design of future reforms, and by emphasizing the non-evaluative nature of the studies conducted.

## **VII. Environmental and Social Classification**

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