

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

MODERNIZATION OF PUBLIC EMPLOYMENT SERVICES II

(RG-T3149)

TC DOCUMENT

This document was prepared by the Project team consisting of: Urquidi, Manuel (SCL/LMK) Team Leader; Cravo, Tulio (SCL/LMK) Alternate Team Leader; Casco, Mario (ITE/IPS); Dias, Dulce (SCL/LMK); Muhlstein, Ethel (SCL/LMK); Gaona, Tania (SCL/LMK); and Maria del Pilar Jimenez (LEG/SGO).

MODERNIZATION OF PUBLIC EMPLOYMENT SERVICES II

RG-T3149

CERTIFICATION

I hereby certify that this operation was approved for financing under **Ordinary Capital Strategic Development Program for Social Development (SOC)** through a communication dated April 4, 2018 and signed by Mariana Mendoza. Also, I certify that resources from said fund are available for up to **US\$225,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, representing a risk that will not be absorbed by the Fund.

Certified by:

Sonia M. Rivera
Chief
Grants and Co-Financing Management Unit
ORP/GCM

Date

Approved by:

Carmen Pages-Serra
Division Chief
Labor Markets Division
SCL/LMK

Date

Technical Cooperation Document

I. Basic Project Data

▪ Country/Region:	REGIONAL
▪ TC Name:	Modernization of Public Employment Services II
▪ TC Number:	RG-T3149
▪ Team Leader/Members:	Urquidi, Manuel (SCL/LMK) Team Leader; Cravo, Tulio (SCL/LMK) Alternate Team Leader; Casco, Mario (ITE/IPS); Dias, Dulce (SCL/LMK); Muhlstein, Ethel (SCL/LMK); Gaona, Tania (SCL/LMK); and Maria del Pilar Jimenez (LEG/SGO).
▪ Taxonomy:	Research and Dissemination (RD)
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	9 March 2018
▪ Beneficiaries:	Labor Ministries of Bahamas, Barbados, Bolivia, Brazil, Chile, Dominican Republic, Haiti, Mexico, Paraguay and Peru
▪ Executing Agency:	Inter-American Development Bank, Social Sector, Labor Markets Division (SCL/LMK)
▪ IDB funding requested:	US\$225,000 OC Strategic Development Program for Social Development (SOC) OC Strategic Development Program for Social Development (SOC)
▪ Local counterpart funding:	0
▪ Disbursement and execution periods:	36 months
▪ Types of consultants:	Individual consultants and consulting firms.
▪ Prepared by Unit:	SCL/LMK
▪ Unit of Disbursement Responsibility:	SCL/LMK
▪ 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:	Social inclusion and equality; and productivity and innovation.

II. Objective and Justification

- 2.1 The Technical Cooperation (TC) objective is to promote the use of digital technologies for Labor Intermediation Systems (LIS) in the Public Employment Services (PES) and Labor Training Institutions (LTI) of the Latin America and the Caribbean (LAC) region. The TC will support the knowledge generation and dissemination regarding opportunities of new technologies and its possible uses by PES. It will also provide support to countries that are implementing new technologies for their LIS, included in the list of beneficiary countries¹. This support in the enhancement of the management information systems will consider the action plans developed by the TC Modernizing

¹ The list of beneficiary countries includes countries currently working with the Bank IDB in the implementation of digital technologies for labor markets. Any other country on the region that starts a similar process will also be able to access and benefit from the outputs of this TC.

Public Employment Services in LAC (RG-T2604; ATN/KP-15244-RG). This TC supported the identification of business needs of the public employment systems of Brazil, Barbados, Chile and Peru, building on the experience of South Korea. Technical officers of these countries met with their Korean counterparts to address the similarities and differences between their local systems and the Korean equivalent. The meetings served to: (i) mobilize key actors and create awareness of the need to modernize PES using accessible Information Technology (IT) solutions; and (ii) generate assessments of current situation and roadmaps that identified priorities to improve the PES based on local realities and national capacities. Countries are now addressing some of these priorities which will lay the foundations for RG-T3149 - Modernization of Public Employment Services II and ultimately inform potential PES reforms that includes the use of technology on countries benefit from the first project, and new countries that may implement reforms in the future.

- 2.2 During the implementation of the previous TC (RG-T2604; ATN/KP-15244-RG), the team learned the importance of having confirmed budget to implement any digital strategy, as digital technologies change quickly, and studies can become obsolete very fast. Another good practice is to promote actions plans that include phases of implementations. The action plans prepared have been considered in the implementation of digital solutions funded by projects “Strengthening Human and Social Development in Barbados” (BA-L1032; 3542/CH-BA,3542/OC-BA) and Improvement and Expansion of employment Center Services for Formal Job placement (PE-L1152; 3547/OC-PE)².
- 2.3 As part of the context in PES of the Region, it is important to have in mind that some PES track their origins to the Post-World War II period, although most were created in the 1970s and 1980s in the context of state-directed import-substitution policies and the creations of state-based training systems, often without an orientation toward private sector demand. Not surprisingly, for example, the differences found between regions regarding to the offer of information and vacancies online by PES, where nearly all PES do it in Europe and Asia Pacific, these percentages are significantly lower for LAC countries (IDB-WAPES-OECD, 2015). In LAC Job vacancies are frequently not posted or advertised openly, which particularly affects vulnerable and low skilled workers, who usually look for jobs inefficiently through informal networks among their equally vulnerable peers (Mazza, 2011). In this sense, as new platforms from social networking sites to mobile applications open up for linking job seekers with employers, PES must consider adapting their business models.
- 2.4 The digital revolution, along with some high impact trends such as globalization, Artificial Intelligence and the emergence of world class platforms that have managed to capitalize on the best technologies and best practices aligned with international standards, have led us to rethink the labor intermediation processes and project execution strategies. This change facilitates the work of all institutions and promotes efficiency and effectiveness³. The different services provided by PES and job training institutions to job seekers can benefit from implementation of different technologies. Diagnostics and action plans developed under the TC Modernization of PES in LAC (RG-T2604; ATN/KP-15244-RG) expose a strong technological gap on PES, this gap also affects vocational training institutions that should be an integral part of LIS. To promote better services to jobseekers in the Region, it is necessary to integrate technologies into LIS

² An event to present the action plan in Brazil is scheduled for the last quarter of 2018.

³ According to the European Commission’s analytical paper “Modernizing PES through supportive data and it strategies” from 2016, “technological developments are creating new channels to deliver services and improve processes. And new possibilities to collect and analyze data have the potential to change how PES measure their performance and better serve their clients”, p 6.

that also allow PES and LTI to be brought closer to private employment services⁴, working in partnership will become even more important in order to reduce redundancies and build synergies across the private and public sectors (IDB-WAPES-OECD, 2015).

- 2.5 Emergence of technologies such as Blockchain, Artificial Intelligence and New Expert Systems represents an opportunity for institutions in the Region and these opportunities must be analyzed. The IDB is in a privileged position, considering its proximity to the PES of the Region and its knowledge of technologies and good international practices, to articulate and promote knowledge and best practices on these opportunities and their subsequent dissemination and support in the implementation of these, in order to support the improvement of services received by job seekers and workers in the Region.
- 2.6 During the implementation of information systems in the Fiscal Fund of Paraguay within the framework of the Program for Strengthening the Pension System in Paraguay (PR-T1173, ATN / OC-14763-PR); and of a system to register job seekers in the framework of the Support Program for Labor Insertion (PR-L1066; 2660/OC-PR), it was established that the need for a parallel process of change management to support the human resources of the beneficiary institution is a fundamental piece to avoid the resistance to change that can be generated by the implementation of new processes and technologies.
- 2.7 New technologies are not only an issue of developing websites for customers and clients and providing IT based services to employers and job seekers, even though these services are very important. New technologies also provide various other important functions inside PES, such as information storage, retrieval and exchange among and across strategic and operational staff in different departments and at different regional levels and service units. From this perspective, new technologies make a major contribution and is an important support tool to bring about and promote the integration of job seeker services, or, if the IT architecture allows, case-specific retrieval and follow-up (IDB-WAPES-OECD, 2015).
- 2.8 Capitalizing new technologies PES could anticipate and respond to the opportunities and challenges created by how employers and workers use technology. They could also use these same tools, increasing their ability to collect and process information, and in expanding the reach of their services to jobseekers and workers⁵.
- 2.9 Therefore, according to the aforementioned, the objectives of this TC will be, in the first place, to analyze the opportunities and challenges that the Region faces for the implementation of digital tools in LIS, LTI and Social Security Institutions (SSI) of the Region. Specifically, the digital alternatives available will be analyzed and will be combined with the implementation challenges. Secondly, there will be a promotion work on the use of digital tools in LIS, LTI and SSI of the Region, also providing technical assistance for countries that are implementing digital components.
- 2.10 The technical cooperation scheme is justified given that the proposed activities are mainly focused on generating knowledge and creating mechanisms that facilitate the transfer of information and best practices identified in other similar countries. It is expected that this work will create favorable conditions for the continuous improvement of the intermediation and job training processes in the future.

⁴ In the same analytical paper, we can see that “In Finland all public (and partially private too) sector master data can be connected via a national “service way” that enables information transfers nationally”, p 30.

⁵ According to The World Bank Group’s report prepared for the G20 Employment Working Group Meeting, at Istanbul, Turkey on May 2015, PES could use smart techniques to improve understanding of how labor markets are functioning; to improve matching of employees with employers; raising awareness about digital opportunities; improve links between educators and employers; facilitating access to digital tool (facilitate access to various digital tools to help beneficiaries); strengthen networks of digital workers; assisting workers to understand risks; assist workers facing a transition, and others.

- 2.11 **Strategic alignment.** This TC is consistent with the Institutional Strategy Update (UIS) 2010-2020 (AB-3008) and is aligned with the objectives of: (i) social inclusion and equality, by promoting equal access to better job opportunities; (ii) productivity and innovation, through the modernization of PES in LAC countries. Additionally, the TC is aligned with the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6) by supporting the improvement of government efficiency through a better and more efficient use of resources by improving the capacities of the employment services. This TC is framed in the Sectoral Labor Framework Document (GN-2741-7) with the dimension of success "Citizens of the region have greater and more equitable opportunities to access a formal employment and with better salary expectations". The TC is also aligned with the Strategy for a Social Policy Favorable to Equality and Productivity (GN-2588-4) and with the objective (iii) of the Strategic Program for Social Development Funded with Ordinary Capital (SOC) (GN- 2819-1) by favoring inclusion and gender equity.

III. Description of Activities and Outputs

- 3.1 **The total cost of the TC is US\$225,000**, financed by the Strategic Social Development Program financed with Ordinary Capital (SOC, on a non-reimbursable basis). The TC does not foresee a local counterpart. The beneficiaries will be the Governments of the Commonwealth of the Bahamas, Barbados, the Plurinational State of Bolivia, the Federative Republic of Brazil, the Republic of Chile, Dominican Republic, the Republic of Haiti, the Republic of Paraguay, the Republic of Peru and United Mexican States through their Ministries of Labor, their PES, LTI, SSI or other institution that promote employment policies. The disbursement and execution periods will be 36 months. These funds will be used in the following components:
- 3.2 **Component 1: Analysis of opportunities and challenges for the implementation of digital tools in Labor Intermediation Systems in the Region.** The component seeks to analyze available digital alternatives for LIS and understand the challenges of implementing them in the region. The component will finance: (i) an analysis of digital tools available for LIS, LTI and SSI, that will include a dissemination document written in non-technical language; (ii) a best practices study change management in technology implementation processes; and (iii) analysis of minimum training requirements for human resources in PES during technology implementation processes. This information could be used as a basis for the development of Massive Open On-line Course (MOOC) later.
- 3.3 **Component 2: Promoting use of digital tools in Labor Intermediation Systems and Labor Training Institutions of the Region.** The component seeks to promote the use of digital tools as part of LIS and LTI in the region. At the same time, the component will provide technical assistance for countries that are in the process of implementing digital components in their LIS/LTI. It will finance: (i) dissemination events on advantages of incorporating technology in LIS/LTI (at least two) for policymakers and decision makers of labor ministries or PES and LTIs, according to the results of component 1 and transfers of good practices that may include study trips for PES and LTI staff; the goal of this activities is the promotion of the use of the best available technologies by institutions in the region and promote the use of technologies that may be eventually interconnected with other services⁶. (ii) expert advisors in implementing digital tools for at least three priority countries (preliminary beneficiaries of this advisors may be the Plurinational State of Bolivia, Republic of Peru and United Mexican States⁷), the expert

⁶ Interconnection with other social services provided by the state or private labor training or intermediation institutions.

⁷ This list of beneficiaries is tentative. Final beneficiaries of the advisory services will be determined once the studies of component 1 are finished and will depend on confirmed funding (from sources different from this TC) to implement reforms by each of the countries and a formal request from the country by a letter of non-objection from the appropriate institutions within the country. No intervention in any country will be done without the above-mentioned letter.

advisors will be specialized consultants in advanced technologies (such as blockchain, artificial intelligence, systems integration) to support implementation of digital tools in LIS and LTI. The component will also finance a contractual to support the studies and dissemination activities.

Indicative Budget (US\$)

Actividad / Componente	BID/Financiamiento SOC	Financiamiento Total
Componente 1: Análisis de oportunidades y retos para la implementación herramientas digitales en Sistemas de Intermediación Laboral de la Región	100,000.00	100,000.00
Componente 2: Promoción del uso de herramientas digitales en Sistemas de Intermediación Laboral de la Región.	115,000.00	115,000.00
Imprevistos	10,000.00	10,000.00
TOTAL	225,000.00	225,000.00

IV. Executing Agency and Execution Structure

- 4.1 **Execution.** The Executing Agency will be the Inter-American Development Bank (IDB), through the Social Sector, Labor Markets Division (SCL/LMK), considering it is a Research and Dissemination project, in accordance with the guidelines and requirements established in the Technical Cooperation Policy (GN-2470-2) and the TC Operating Guidelines (GN-2629-1).
- 4.2 This execution arrangement is due to the regional nature of the project and the experience and capacity of the Bank in executing this type of project and its ability to hire high-level international consultancies, with added value, in addition to the Bank's greater options for use tools to transfer lessons learned from other countries, as well as organize activities to promote the transfer of best practices from within and outside the region. The Bank will supervise consulting services and beneficiaries will be able to provide technical inputs to the consultants' reports. Ownership of intellectual property rights of products resulting from the execution of the TC belongs to the Bank. However, a license to use these products will be granted to the beneficiary governments, when applicable.
- 4.3 In this regard, the Team Leader in charge of the administration and execution of the TC is Manuel Urquidi (manuelu@iadb.org, *057757).
- 4.4 **Procurement.** The Bank will hire individual consultants, consulting firms and various consulting services in accordance with policies and procedures in the bank. For this purpose, Section AM-650 of the Administrative Manual "Complementary Work Force" for individual consultants will be applied; the Policy for the Selection and Contracting of Consulting Firms for Operational Work Executed by the Bank (document GN-2765-1) and its operational guidelines (OP-1155-4); and the institutional procurement policy of the IDB GN-2303-20 for different consulting services.

V. Project Risks and Issues

- 5.1 The team has not identified substantial risks at accountability, public administration, macroeconomic, or fiduciary level. Due to its nature, it is not expected that the execution of this TC will result in a significant negative impact on the environment or social level.

VI. Exceptions to Bank Policies

6.1 None.

VII. Environmental and Social Classification

7.1 Classification C -- According to the nature of the project, it is estimated that activities that cause a significant negative environmental or social impact will not be carried out. See safeguards in [SPF](#) and [SSF](#).

Required Annexes:

Annex I: Not applicable for R&D

Annex II: [Results Matrix](#)

Annex III: [Terms of Reference](#)

Annex IV: [Procurement Plan](#)