

LABOR UNION PENSION TRAINING PROGRAM
(TC-97-07-16-0-RG)

EXECUTIVE SUMMARY

EXECUTING AGENCY: *Fundación Interamericana para el Desarrollo y Formación de Fondos de Pensiones Laborales*
(Foundation)

BENEFICIARIES: Unionized and non-unionized labor, fund managers and advisors, as well as entrepreneurs.

OBJECTIVES: The Program's general objective is to promote the active participation of workers and their families as well as employers in the social insurance and pension reform processes occurring in the region through the design of materials and training programs that will lead to the development of informed and knowledgeable users of the social insurance systems.

DESCRIPTION: To achieve its objectives, the program consists of the following two subprograms. (1) Information & Dissemination Subprogram: establish an Information and Dissemination Center (IDC) to serve as a clearinghouse and a research center on recent changes in pension systems, which will reinforce the training subprogram by providing information and instructional materials to a cadre of trainers. (2) Training Subprogram: develop and implement education and training programs to support informed worker participation in the management of labor pension funds and other systems of social insurance.

PROJECT COST AND FINANCING:	Modality:	Non-reimbursable grant under the Human Resources Facility
	Recipient:	US\$1,240,000
	MIF:	<u>US\$2,364,000</u>
	Total:	US\$3,604,000

EXCEPTIONS TO BANK POLICIES

There are no exceptions to Bank policies and procedures (see para. 8.1).

SPECIAL CONTRACTUAL CONDITIONS:

Prior to first disbursement, the Foundation must submit evidence that (i) a meeting of the Technical Advisory Committee has been convened, and (ii) the Implementation Manual has been submitted to the Bank (see par. 9.1).

I. COUNTRY AND PROGRAM ELIGIBILITY

- 1.1 The proposed program is eligible for MIF financing because of its consistency with the general purposes of the Fund in seeking to promote the development and implementation of investment reforms in the region. Furthermore, it supports the efforts of donor countries to implement development strategies based on sound economic policies which encourage increased private investment and broadens the participation of workers and small entrepreneurs in their economies through training activities. Regional eligibility is sought in order: (i) to establish a region-wide framework for the development and implementation of standards in the creation and administration of labor pension funds; (ii) to set up a regional information clearinghouse accessible to decision-makers and the population at large on pension reform, investment funds, and social insurance trends; and (iii) to disseminate training methodologies and practices on a wide basis and to test, on a pilot basis, training materials and products with generic components in order to multiply the effect of a single investment in training curriculum.

II. BACKGROUND

- 2.1 Social security systems in some countries in the region have undergone privatization. The trend throughout Latin America is toward establishing systems similar to those instituted in Chile or Argentina. Workers and pension plan participants in general can benefit from the experiences of these two countries by playing an informed role and actively contributing to the evolution of the public pension systems in their own countries. An effective and efficient way of accomplishing workers' involvement is through the participation of unions in these systems' evolution. While this has been successfully achieved in the northern hemisphere ^{1/}, union participation in both the reform process and the management of pension funds has been, for the most part, absent throughout the region. In order to actively participate in the process, workers and their organizations need technical assistance in developing what can be termed as "pension literacy." This training as well as the development of informational materials should come from both an informed and trusted source with close ties to the worker community.
- 2.2 Although there is a wide body of literature and information on the investment and management of pension funds, it is often highly technical in nature, thereby making it difficult for the general public to understand. Moreover, when simplified information exists, it is only made available after the reform process has been completed and tends towards simply marketing the different pension

^{1/} In the U.S., the United Labor Life Insurance Company (ULLICO), created in 1927 to address the lack of coverage of unionized labor, has since expanded to become a multifaceted institution with 19 subsidiaries that are involved in (i) the provision of financial services, (ii) insurance, and (iii) benefits administration. Through direct worker participation on the Board, ULLICO's investments have been oriented toward socially-conscious but productive activities that have ensured competitive rates of return.

funds. The resulting information gap coupled with the lack of adequate training becomes a constraint to greater worker participation in pension fund management.

- 2.3 The Inter-American Foundation for the Development and Organization of Labor Pension Funds (Foundation), a private non-profit organization headquartered in Buenos Aires, was founded in 1996 by a group of labor union leaders from Argentina, Chile, and the U.S. The Foundation's goal is the development and implementation of education and training programs to support active worker participation in the management of pension funds and other social insurance systems. The Foundation has solicited resources from the MIF to strengthen its efforts to disseminate information and provide training and technical assistance throughout the region.

III. THE PROGRAM

- 3.1 Objective. The Program's general objective is to promote the active participation of workers and their families as well as employers in the process of social insurance and pension reform occurring in the region through the development of materials and training programs that will lead to the development of informed and knowledgeable users of the social insurance systems.
- 3.2 The Program's specific objectives are to: (i) establish and maintain a regional information center and clearinghouse that will provide up-to-date facts and figures to decision-makers and the population at large, on pension reform, investment funds, and social insurance trends; (ii) develop a specialized curriculum in social insurance systems including private pension programs, and (iii) train a cadre of trainers who will, in turn, train labor leaders, delegates, fund administrators and advisors, workers, and employers in the region in social security systems, pension funds, and related financial and investment principles.
- 3.3 The Program consists of the following two subprograms: Information and Dissemination Subprogram and a Training Subprogram.
- 3.4 Information and Dissemination Subprogram. The purpose of the Information and Dissemination Center (IDC) is to serve as a clearinghouse as well as a research and information center to reinforce learning promoted through the training activities by providing support to the cadre of trainers. In this Subprogram, the following activities will be financed: (i) data collection; (ii) technical support; (iii) research; and (iv) identification of professional standards criteria incorporating best practices.
- 3.5 The IDC will collect information including detailed catalogues of workers' assets, private pension plans, public retirement systems, and other supplementary social insurance programs. In addition, data will be collected on social and worker-enhancing investments that benefit the community of working families. The IDC will

identify professional standards and incorporate best practice criteria in social insurance administration and fund investment for both publicly or privately managed funds.

- 3.6 The IDC will support the pension fund field by conducting studies and analyses of social insurance and pension reform programs as they are adopted or enacted into law in the region; evaluations and critiques of new investment mechanisms and vehicles; standardized forms and templates for information reporting requirements for service providers who sell or otherwise provide services to funds; model investment guidelines for money managers, which can be incorporated into individual fund guidelines; and guidelines for effective participant involvement in defined-contribution plans.
- 3.7 The IDC will also support the pension and social insurance training program. These support activities will include conducting a needs assessment among potential participants and educators, and coordinating focus groups to determine appropriate educational modalities for each target population (workers, shop stewards, local leaders, administrators, technicians, and union trainers and educators). The completion of this analytical work will be a prerequisite to the design of the dissemination program and the development of curricula for the training of pension participants and workers, labor leaders, investment professionals, and trainers.
- 3.8 Among the other activities of the IDC will be the launching of a broad public information campaign aimed at working families to promote a shared consciousness of the values of social insurance systems administered in ways in which beneficiaries and workers, in particular, can have a voice in order that they may participate in securing their own and the broad public good.
- 3.9 The following activities are contemplated as part of the public information campaign: (i) engagement by local leaders and union delegates at the workplace level in advancing the educational program through one-on-one discussions with workers, encouraging those workers in turn to discuss matters with fellow workers and friends. These discussions will be conducted in "real time", i.e., union delegates will be enlisted in a form of polling which will carry workers' views and ideas back to union leadership; (ii) the IDC will develop educational materials appropriate for the general workforce and their families for distribution by union delegates; (iii) utilization of the web site of the Argentinean construction union, the *Unión de Obreros de la Construcción de la República Argentina* (UOCRA), to disseminate ideas, standards, and guidelines; (iv) development of a newsletter, special reports and other resources promoting policies and investment practices that generate long-term value for working families; and (v) conducting conferences and seeking to publish ideas generated at such conferences in public media and professional journals.
- 3.10 Training Subprogram. Development and execution of education and training programs to support active worker participation in the

management of labor pension funds and other systems of social insurance. The following activities are financed under this subprogram: (i) identification of a core faculty (8 individuals during the pilot phase) among the target population of union officers and staff as well as fund administrators and advisors who have the aptitude, experience and motivation to become lead trainers of other local leaders who in turn will train workers; (ii) identification and recruitment of 80 trainers who can be equipped to deliver the training courses to workers; (iii) assessment of appropriate learning modalities for each of the target populations; (iv) identification and recruitment of subject matter experts to assist in the development of the training and education programs; (v) curriculum design; (vi) pilot test of the train-the-trainer program; (vii) evaluation and assessment followed by revisions to the curriculum; (viii) implementation of the training programs at a national scale in Argentina and Chile; and (ix) recruitment, development, design and execution of the program with adaptation of the curricula in three additional countries in the region.

- 3.11 With the advice and assistance of participating union staff and officers and the Program's Technical Advisory Committee, an analysis of the target population of trainers and workers will be conducted, employing survey instruments and focus groups, in order not only to identify the most appropriate staff and leaders to serve as trainers of other teachers, but also to develop an information base to identify the most suitable educational techniques for each target population. This preliminary research will assess general education levels, and preferences for classroom experience including such techniques as small group discussions, independent reading, audio-visual material, interactive computer learning, lecture, classroom discussion, and role play. Approximately 50 participants will be recruited for the train-the-trainer pilot in Argentina and 30 in Chile.
- 3.12 Subject matter experts will be identified and their work coordinated with an educational design consultant to prepare a set of educational materials consisting of a train-the-trainers manual, a student workbook and additional educational materials for independent reading and home study. Additional materials will be prepared for distribution to delegates and shop stewards who function at the workplace level so that the material may be utilized by local trainers in performing their work among the general membership.
- 3.13 Training materials will be continuously updated, improved, and adapted as the Program conducts its pilot efforts in Argentina and Chile, and later extends to three additional countries in the region.

IV. EXECUTION, DEGREE OF PREPARATION AND BENEFICIARIES

- 4.1 Program execution will be the responsibility of the Inter-American Foundation for the Development and Organization of Labor Pension Funds through a Program Coordinating Unit (PCU). The PCU will consist of five professionals: the Coordinator (General Manager of the Foundation), the Director of the Information and Dissemination Center, the Training Director, a communications and data base specialist, and a logistics assistant. A Director for Regional Affairs will be hired during the second year. Subject matter experts, faculty, and training staff will be hired on short term consultant contracts. (Terms of reference for the PCU are included in the Implementation Manual, which is available in the MIF's technical files).
- 4.2 The PCU will work under the general guidance of a Technical Advisory Committee (TAC) whose members will include: (i) one member of the Foundation's Board of Directors with expertise in comparative pension and social insurance systems; (ii) the Executive Director of the UOCRA Foundation for Training & Education; (iii) the Director of the Chilean Worker's Training Center (CEDUC); (iv) an international expert in education design with experience in train-the-trainer models; and (v) the Executive Director of the US-based Center to Protect Workers' Rights, who will serve as Chairman of the Committee. The Committee's membership may expand during the Program's implementation phase to accommodate representatives from countries which request assistance under the Program and/or join the Foundation as members.
- 4.3 The TAC will meet every semester and its functions will include but are not limited to: (i) the review of the Program's annual operating plan prior to its being sent for approval to the Bank; (ii) the development of criteria to assign resources and review requests for training and technical assistance from other countries in the region; and (iii) approval of curriculum materials, and (iv) provide guidance in establishing a user fee schedule for those who wish to access data and utilize services provided by the IDC.
- 4.4 **Beneficiaries.** The Program's target population will be trainers drawn from union membership and from pension fund staff who will be responsible for conducting training activities to their constituencies. Beneficiaries include: (i) union leaders, union advisors, and shop stewards, (ii) pension fund board members and staff, (iii) small and medium businessmen, and (iv) pension participants and their families.

V. COST AND FINANCING

- 5.1 The total cost of the Program is estimated at US\$3,604,000, of which US\$2,364,000 would be financed with MIF resources, and US\$1,240,000 from the Foundation and its partners as local

counterpart. The Program costs and financing are summarized in the following table (in US\$ thousands):

COMPONENTS	MIF	FOUNDATION	TOTAL
1. Program Coordinating Unit	314,210	359,865	674,075
a. Consultants	297,200	145,800	443,000
b. Equipment	8,010	18,690	26,700
c. General support		195,375	195,375
d. Travel & perdiem	9,000		9,000
2. Information & Dissemination Subprogram	447,800	414,525	862,325
a. Consultants	437,800	324,000	761,800
b. Equipment	10,000	20,625	30,625
c. General support	-	32,400	32,400
d. Travel & perdiem	-	37,500	37,500
3. Training Subprogram	1,497,590	465,610	1,963,200
a. Consultants	754,955	-	754,955
b. Training	120,400	421,160	991,560
c. General support	41,935	44,450	86,385
d. Travel & perdiem	130,300	-	130,300
4. Evaluation	104,400	-	104,400
a. Consultants	104,400	-	104,400
TOTAL	2,364,000	1,240,000	3,604,000

VI. PROGRAM JUSTIFICATION AND RISKS

- 6.1 The proposed Program is consistent with the general objective of the Foundation to provide educational opportunities for workers, employers and beneficiaries so that they may become knowledgeable users of social insurance systems in Latin America. The overall goal, which is to engage workers and working families in exercising their voice in the ongoing review processes underway in many of the region's countries as well as in the management of the pension funds to which they contribute will be advanced by creating an accessible information center and providing training services. These activities are designed to increase the transparency of pension programs and other social insurance systems.
- 6.2 Furthermore, the Program will enable workers and their families to evaluate the purpose to which private and public pension assets are used. The Program has been designed to reveal opportunities to finance job creating investments in small- and medium-sized businesses, to maintain and further labor standards and conditions through sound investment decisions, and to utilize pension assets to advance public purposes as well as secure individual pensions.

- 6.3 **Risks.** It is important, given the long-term goals of this Program, that the information and training activities be sustainable. Outside of Argentina, it is doubtful that significant union resources will be available to fully cover the cost of these services. However, the fact that the Program is regional in nature and fills an important information and training gap, makes it likely that it will mobilize resources from multiple sources including foundations, international union subsidies. Finally, Program sustainability is enhanced by establishing fees for services for its varied clients.
- 6.4 Another risk is that materials and training programs will be perceived to be tied to the leadership of unions in Argentina and thus lack a broad regional perspective. In order to minimize this risk, Program activities will be conducted with significant outside review through the TAC, particularly in curriculum design and assessment. As the Program expands, it will benefit from experiences and perspectives from unions in other countries. Furthermore, during the needs assessment and training activities the Program will incorporate the ideas and opinions of a wide range of leaders, social scientists, and working people in both the operation of the IDC and the training programs offered.

VII. PERFORMANCE INDICATORS AND PROGRAM EVALUATION

- 7.1 Performance indicators and benchmarks are presented in detail in the Logical Framework (see Annex A-VII-1).
- 7.2 **Evaluation.** There will be two external evaluations of the Program: the first will be a review of the activities conducted during the pilot phase of operation. A consultant or a consulting firm will be hired by the Foundation in order to: (i) review the needs assessment activities conducted under the information and dissemination subprogram and make recommendations, (ii) design the methodology to be used in the final evaluation, and (iii) design the evaluation instruments which will be used to gather information during the regional activities. The evaluation will be both formative and summative reviewing the efficiency of the institutional mechanisms and their impact on Program execution as well as the accomplishments to date. The evaluation report will include recommendations for adjustments to the proposed organizational design of the PCU, but most importantly will provide guidance in the preparation of the Regional Activities Plan for years two and three of operations.
- 7.3 The second and final evaluation will be conducted during the final two months of Program execution. This evaluation will consider: (i) the general and specific objectives of the Program, (ii) whether effective use was made of the budgeted resources, (iii) the impact of the Program on the training participants, (iv) the Program's ability to expand its services beyond the MERCOSUR region, (v) the sustainability of the Foundation's activities.

VIII. EXCEPTIONS TO POLICIES AND PROCEDURES

- 8.1 There are no exceptions to Bank policies and procedures.

IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 Prior to the first disbursement of the Bank's contribution, the Foundation will submit to the Bank evidence that: (i) a meeting of the Technical Advisory Committee has been convened within three months after signature of the agreement, and (ii) the implementation manual has been presented to the Bank.

X. ENVIRONMENTAL AND SOCIAL IMPACT

- 10.1 The draft Donors' Memorandum was considered by the Committee on Environment and Social Impact at its meeting on September 11, 1998.

SIMPLIFIED LOGICAL FRAMEWORK AND PROGRAM PERFORMANCE INDICATORS

OVERALL PROGRAM OBJECTIVES	VERIFIABLE INDICATORS BY PROGRAM COMPLETION	MEANS OF VERIFICATION	ASSUMPTIONS
Develop informed and knowledgeable users of social insurance systems	Greater percentage of the population demonstrates understanding about pension systems and related services.	Final evaluation (public opinion surveys, interviews, focus groups)	Macroeconomic conditions remain stable and privatization of social insurance systems continues to advance in the region.
A. INFORMATION AND DISSEMINATION SUBPROGRAM			
Provide accessible and updated information on pension reform, investment funds, and social insurance trends in the region.	Information and Dissemination Center (IDC) established and easily accessible to population at large.	Program Progress Reports by Program Coordinating Unit (PCU)	
Activities: 1. <i>Data collection system:</i> Detailed catalogues of workers' assets, private pension plans, public retirement systems and other supplementary social insurance programs as well as existing training courses and promotional material. 2. <i>Technical support:</i> Conduct analyses of trends in the region and assist training faculty by conducting a needs assessment to determine appropriate training modalities and methods. 3. <i>Public Information Campaign:</i> Develop educational materials, utilize UOCRA web site to disseminate information, design newsletter, conduct conferences.	Products: Data base system and information clearinghouse in operation 6 months after first disbursement. Reports written and available through IDC. Diagnostic report written and recommendations for dissemination plan and curricula development included. Publication and distribution of informational materials. Up to 20 conferences attended and/or seminars organized during pilot phase.	Program Progress Reports Program Progress Reports Progress and Monitoring Reports	

OVERALL PROGRAM OBJECTIVES	VERIFIABLE INDICATORS BY PROGRAM COMPLETION	MEANS OF VERIFICATION	ASSUMPTIONS
3. TRAINING SUBPROGRAM			
Develop a specialized Training of Trainers curriculum in social insurance systems.	Curriculum designed and in place and Faculty under contract to deliver the course.	Program Progress Reports	
<p><u>Activities:</u></p> <p>1. <i>Identification & recruitment of trainers:</i> To further enhance networking and management capacity of participating PTOs as well as train additional course instructors.</p> <p>2. <i>Design of curriculum:</i> Contracting of a curriculum design firm and identification of subject matter experts.</p> <p>3. <i>Pilot test of curriculum:</i> Recruitment of Faculty, and identification of trainers. Revisions to curriculum.</p> <p>4. <i>Implementation of training activities:</i></p> <p>5. <i>Design of Regional Activities Plan:</i> Based on evaluation of training activities during pilot phase, develop plan to conduct training in at least 3 other countries in the region.</p>	<p><u>Products:</u></p> <p>Focus groups organized and outreach activities conducted with labor unions to identify future trainers in Argentina and in Chile, for pilot phase.</p> <p>Instructors' Manual, Participant Workbook, and background material ready.</p> <p>25 trainers participate in pilot test of curriculum before the end of year 1</p> <p>50 trainers complete course in Argentina and 30 in Chile by the end of year 2</p> <p>100 courses delivered by trainers in Argentina and 60 in Chile with a minimum of 15 participants per course. A total of 2,400 participants will have attended the course.</p> <p>Agreements signed with labor unions in a minimum of 3 countries in the region to deliver course and conduct training activities. An average of 30 trainers trained in each country (90 trainers total). 60 courses delivered in each country with a minimum of 15 participants per course. A total of 2,700 participants attended the course.</p>	<p>Program Progress Reports</p> <p>Program Progress Reports</p> <p>Participant evaluations and Program Progress Reports</p> <p>Participant evaluations and Program Progress Reports</p> <p>Participant evaluations and Program Progress Reports</p> <p>Agreements signed with Foundation, participant evaluations, and Program Progress Reports</p>	

PROPOSED RESOLUTION

REGIONAL. NON REIMBURSABLE REGIONAL TECHNICAL COOPERATION FOR
THE LABOR UNION PENSION TRAINING PROGRAM

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Fundación Interamericana para el Desarrollo y Formación de Fondos de Pensiones Laborales and to take such additional measures as may be pertinent for the execution of the plan of operations referred to in Document MIF/AT- with respect to a regional technical cooperation for the Labor Union Pension Training Program.
2. That up to the amount of US\$2,364,000 or its equivalent, is authorized for the purpose of this resolution, chargeable to resources of the Human Resources Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a non reimbursable basis.