

JOB TRAINING PROGRAM FOR YOUTH AND WORKERS

(TC-94-08-14-8)

EXECUTIVE SUMMARY

EXECUTING AGENCY: Bolivia's Ministry of Human Resources (MDH), acting through an independent coordinating unit

BENEFICIARIES: The end beneficiaries of the program will be 3,600 workers employed primarily by microenterprises and small and medium-sized businesses, and 3,000 low-income young people who are school dropouts and either have not found employment in the formal sector or are new job seekers. Secondary beneficiaries under the program will include the training institutions that are awarded contracts to provide the courses, and the firms whose workers receive training.

OBJECTIVES: This program will serve as a pilot project, the principal objective of which is to test new training practices that will make it possible to design future programs that will contribute to the development and consolidation of a job training market in Bolivia capable of responding efficiently and effectively to the requirements of the productive sector.

DESCRIPTION: The program will be aimed at meeting private sector demand for more qualified workers, both among existing employees and those who would enter the job market. The program seeks to promote greater dialogue between those offering training programs and those in need of such services, by providing incentives that encourage firms to become associated with public and private training centers (ICAPs).

The program will comprise three subprograms as described below:

Training for employed workers. Training will be offered for workers already employed, preferably in small and medium-sized companies. The goals of training will be aimed at specific areas directly related to company development, so that the new abilities acquired will help to update and expand workers' knowledge, thus increasing their productivity. To this end, the courses required will involve both refresher and advanced training in

specific job categories through the acquisition of new skills, abilities and information.

Training of youth. This subprogram will generate opportunities for low-income youth who find themselves excluded from the job market to receive training, instruction and work experience which will enable them to enter the work force and take their place in the community.

Strengthening of the job training market. Under this subprogram, assistance will be provided for the various ICAPs taking part in or hoping to join the program to enable them to effectively perform the activities and provide the services required of them.

FINANCING:

Modality: grant

Local counterpart funding: US\$ 854,000

MIF: US\$3,000,000

Total: US\$3,854,000

**TIMETABLE FOR
EXECUTION:**

The program will have a disbursement period of 42 months and is expected to be completed in the first 36 months of this period.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environment Committee, at its meeting of June 14, 1995, classified this as a Category II operation.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Conditions precedent to the first disbursement (see paragraph 3.32):

- (a) The program coordinating unit (PCU) will have been duly constituted, together with an advisory council, and the members of both bodies will have been appointed.
- (b) Once the advisory council of the PCU has been created, its members, acting as the authorized representatives of their respective institutions, will have signed an interinstitutional cooperation agreement approved in advance by the Bank.

I. COUNTRY ELIGIBILITY

- 1.1 On October 6, 1993, the Donors Committee declared Bolivia eligible for all modalities of financing under the Multilateral Investment Fund (MIF).

II. BACKGROUND

- 2.1 The structural reform effort initiated by the Government of Bolivia has three major objectives and various instruments for achieving them. The objectives are: modernization and change in the State's organizational structure; decentralization of power and active participation by social sectors in the process of change; and restructuring of the country's educational system. The instruments that have been devised for bringing about this profound transformation are the Public Enterprise Capitalization Law; the Civic Participation Law; the Decentralization Law; and the Education Sector Reform Law.

- 2.2 At the institutional level, the policy approach embodied in the Education Sector Reform Law calls for improving human resources and development by reorganizing the education system to ensure greater flexibility and permit more efficient use of resources. This type of policy orientation is consistent with most of the experience accumulated at the international level with respect to the operation of educational systems, and vocational training in particular.

A. Characteristics of the labor market

- 2.3 A comprehensive analysis of conditions and trends in the labor market shows significant expansion of the urban economically active population (EAP) over the last five years, in a context of geographic concentration, with low levels of open unemployment but a substantial rate of underemployment. Two clear trends can be seen in this expansion: (i) growth in urban areas, with the corresponding depopulation of rural areas; and (ii) progressive demographic concentration in the so-called central corridor of the country, which is comprised of the departments of La Paz, Cochabamba and Santa Cruz, and contains 75% of the nation's urban population and 82% of its EAP, according to the latest Urban Household Survey.
- 2.4 The rapid migration toward cities of the central corridor is associated with a substantial influx of women and young people into the labor market, which resulted in a large supply of workers who have difficulties finding jobs and adjusting to urban labor markets by virtue of having grown up in rural areas and, in some cases, continuing to reside there during part of the year (namely, during

harvest periods). The problem of the quality of jobs available to these two groups is particularly acute, resulting in the highest rates of underemployment as well as low productivity and income levels.

- 2.5 Moreover, it is apparent that the group in the 20 to 29 year-old bracket - which represents 16% of the population - has been particularly vulnerable to open unemployment, with an above average unemployment rate. ^{1/} Bearing in mind that many of these young people are seeking to enter the job market and do not have sufficient experience, there is a clear need for access to training programs. In other cases, it is retraining that is required.
- 2.6 Among those with jobs, a high proportion are in the self-employed category, and many of these are women. The majority of the employed have jobs in the urban informal sector, which represents 57% of the urban employed EAP and consists for the most part of cottage and quasi-entrepreneurial activities. This area includes a high level of underemployment, however, along with very low productivity. The formal sector accounts for 36% or just over a third of the urban employed EAP. Domestic workers account for the remaining 7%.

B. Institutional framework of the training and development sector

- 2.7 Bolivia's vocational training system is made up of approximately 63 public and private training centers (ICAPs), most of which are located in the central corridor, with a total annual enrollment of some 26,000. Before the education sector reform, the system was tied in with three training subsystems: Servicio Nacional de Educación Técnica [National Technical Training Service] (SENET), Dirección Nacional de Educación Técnica Integrada [National Integrated Technical Training Directorate] (DINETI) and Instituto de Formación y Capacitación Laboral [Job Training and Development Institute] (INFOCAL). There is also a network of public service and community action groups that offer limited technical training programs for specific segments of the population.
- 2.8 The Education Sector Reform Law established the National Technical and Vocational Education System (SINETEC) at the post-secondary level, with a mandate to train technical professionals and teachers and to provide job training programs. In addition, this law created the Dirección Nacional de Educación Técnica, Tecnológica y de Capacitación Laboral [National Vocational, Technical and Job Training Directorate] (DINETEC) as the final authority responsible for the operation and technical contents of this system. Thus, DINETEC has been assigned the task of proposing standards for the opening, accreditation, supervision and oversight of the operations of public and private or semi-private technical institutions that

^{1/} Source: National Population and Housing Census.

provide professional development and other vocational training services.

- 2.9 As a result of provisions in the Education Sector Reform Law, specifically those related to SINETEC, the Ministry of Human Resources (MDH) is drafting an executive decree that will reorganize INFOCAL and the institutions belonging to the former SENET and DINETI systems, transferring control over these agencies to the private sector. Thus, the administration of INFOCAL will be decentralized to departmental bodies having autonomous legal status and their own budgets, and run by local business organizations. Meanwhile, calls for bids would be issued for administration of the former SENET and DINETI centers, with the newly formed departmental bodies free to submit bids to manage them. This restructuring of training institutions is expected to be completed in the first half of 1996.

C. Analysis of available training programs

- 2.10 According to the information gathered on training services available in Bolivia, 2/ focussing in particular on those institutions that provide professional development and formal vocational training, the system suffers from a number of general weaknesses such as: (i) geographical concentration in the cities of the central corridor; (ii) biased orientation in favor of the industrial sector; (iii) curricula that are little suited to the current demands of the productive sector in general; (iv) low sensitivity to the training needs of the self-employed and to the need for devising programs of suitable duration, depth, etc., for microenterprises and small businesses; (v) weaknesses in the areas of management and administration, and an almost total lack of experience in bidding on projects; and (vi) only "partial" training available from social and community advancement institutions, which are generally small and weak in the area of infrastructure.
- 2.11 In short, the training programs offered by many of the institutions in the sector can only be described as suffering from extreme curricular rigidity that impedes the development of effective employment promotion services. The causes of this rigidity are to be found in the absence up to now of suitable policies to stimulate the creation of more flexible programs. The financing mechanisms have been unrelated to the performance of the ICAPs as measured by the suitability, quality and efficiency of their services. Moreover, the majority of job profiles used in designing their

2/ The project team's technical files contain a study by J. P. Alberti and J. L. Castagnola entitled "Estudio de Mercado de Capacitación Laboral y Diseño Técnico del Programa" [Study of the job training market and program technical design] (September 1995), which contains the information available on Bolivia's vocational training capacity.

curricula are based on the needs of large industrial concerns, of which there are few in Bolivia. Meanwhile, the labor needs of the nation's microenterprises and small and medium-sized businesses - which make up the bulk of the country's business sector - have not been surveyed or addressed systematically. These factors have led to uniformity in training programs with services routinely aimed at the industrial sector, and specifically at the major companies within that sector, with the result that such programs are out of touch with the country's real economic structure.

D. Analysis of demand for training services

- 2.12 In preparing this operation, a series of interviews were held with entrepreneurs to assess the demand for job training. Most 3/ indicated that there is no formal procedure for identifying training needs. At present, this identification process is conducted on the basis of the lack of schooling and the low level of productivity among employees.
- 2.13 Indeed, the entrepreneurs interviewed indicated that while they have no contact with training institutions, they are nevertheless convinced that such contact is necessary, and that joint cooperation in this area would benefit both their companies and the nation. The interviews revealed that the few training programs that do exist use methods aimed at relatively high-income sectors, which are totally inappropriate for the microenterprise and small-business sector or blue-collar workers. These results indicate the existence of a problem of equity within the job training market, to which the proposed program will pay special attention.
- 2.14 The needs of the microenterprise and small-business sector are clearly expressed through the demand for new production methods and training in the use of new machinery, marketing and administrative management, and accounting. Such training, which mixes job training and business management, is much sought after by a population that has never received any instruction of this sort, which is a clear indication of the intense potential demand in this sector of the economy.

E. Rationale for the program

- 2.15 In view of the characteristics of Bolivia's labor market, the structure of its economy and the opportunity presented by the education sector reform taking place there, the proposed program will target workers employed by microenterprises and small

3/ The project team's technical files contain a study by J. J. Rivas and F. Miranda entitled "Indagaciones Cualitativas, Población Objetivo: Jóvenes y Empresarios" [Qualitative investigation, target population: youth and entrepreneurs] (October 1995), which sets out the results of these interviews.

businesses and the country's unemployed youth, and will be designed to ensure that the contents and quality of training services are based on private sector demand. While implementation of the program is not intended to resolve the sector problems described, by serving as a pilot project, it is expected that the program will contribute to the development of new and sustainable management practices. These new practices will in turn serve as guidance for Bolivia's authorities in their effort to find a medium-term solution to the above-mentioned problems as part of the reorganization of this sector.

- 2.16 The above is particularly relevant in view of the Bank's participation in the reform process, including its financing of the education sector reform under loan 931/SF-BO and the technical cooperation operation currently under consideration, 4/ which would seek to consolidate the institutional framework of the higher education subsector, including the technical instruction, technology and vocational training systems.
- 2.17 In designing the program proposed here, the experience gained in the job training program carried out in Chile with Bank financing was taken into account. Based on that experience, the subprograms of this operation were adapted to the situation in Bolivia.

III. THE PROGRAM

A. Objectives

- 3.1 The youth and workers job training program is intended as a pilot project, the principal objective of which is to test new practices under Bolivia's training system, both in the programs and activities of public and private training centers (ICAPs), and in those carried out by private employers. The program will seek to contribute to the gathering of background information needed for designing a more permanent system in future that will contribute to the establishment and consolidation of a job training market in Bolivia capable of responding efficiently and effectively to the requirements of the productive sector.
- 3.2 The introduction of these new practices will be built into the design of a training program, the activities of which have the

4/ A technical cooperation project (TC-95-03-18-8) is being processed under the Bank's operations program with Bolivia, to support the institutional framework of the higher education subsector, which also covers technical instruction, technology and vocational training.

following specific objectives: (i) to improve levels of productivity and the skills of workers already on the job, preferably those employed by microenterprises and small businesses (external training component), or by small and medium-sized enterprises (in-service training component); (ii) to ensure active involvement of employers in all phases of the training process; (iii) to facilitate the development of job skills, abilities and know-how in young people who are unemployed, underemployed or jobless but hoping to find employment; and (iv) to support development of the expertise necessary to enable the various ICAPs wishing to participate in the program to update their programs and ensure that they are demand-driven.

B. Description

- 3.3 The program will be driven by private sector demand for more highly skilled workers, including those already employed as well as those entering the job market. The program will accomplish its objectives by encouraging closer articulation between supply and demand in the job training market through incentives for entrepreneurs to become associated with ICAPs. These centers will be identified through the establishment of a Registro de Instituciones de Capacitación [Registry of Job Training Institutions] (RICAP), 5/ with which they will be required to register as a form of prequalification for offering training courses. This will make it possible to compile a list of institutions with the capacity to meet the program's requirements. The program itself will include the following three subprograms.

1. Subprogram for training of employed workers

- 3.4 This subprogram is based on tailoring training programs to meet different needs identified by individual employers. The goal is to provide training for workers who already have employment, preferably in microenterprises and small businesses, a productive activity in which, as has been indicated, the female labor force is relatively more heavily represented. The training programs offered must be designed for specific areas directly related to the company's development such that the new skills imparted will help to upgrade and expand know-how, and thereby raise the productivity of its workers. By the same token, the demands identified will involve the upgrading and refinement of job profiles through acquisition of new job skills, abilities and expertise.
- 3.5 Beneficiaries. Around 3,600 employed workers will take part in this subprogram and will be divided into two groups: (i) some 3,000 employees under the external training component; and

5/ The objective and functions of RICAP are taken up in paragraph 4.9 under program execution.

(ii) 600 employees who will participate in the in-service training component.

a. External training component

- 3.6 The purpose of this component is to offer training programs for companies that do not have the mechanisms necessary to provide internal training for their employees, primarily microenterprises and small businesses including cottage and quasi-entrepreneurial enterprises that require individualized, short training courses designed to overcome specific problems and taught outside of working hours. Information obtained during the design of this operation reveals a preference for training programs that expand, update or refine the practical knowledge that workers have acquired, by means of courses scheduled over approximately 20 to 80 hours.
- 3.7 With respect to the expansion or updating of skills, small businesses are looking to acquire new skills and competence, but are not prepared to accept programs that interfere with the performance of duties or affect their operating structure. These are fledgling enterprises organized in a makeshift way around the central figure of the owner of the business. This entrepreneur has not yet mastered the various management functions involved in the creation of a company and is seeking support services that will help him/her consolidate the initial internal organization of the business. In some cases these companies may require skills training to upgrade know-how in a specific job profile (for example, in jeans production and washing, children's clothing, designing and finishing rattan furniture, etc.).
- 3.8 The process of developing external training programs for employed workers will begin with a commitment between one or more companies and a duly-registered ICAP. This commitment will be set out in a document that specifies details such as the number of workers to receive training, the areas or specialties to be covered in the courses, the total price of the training program, and a statement on the part of the company that it is in full agreement with the training center's proposal for its workers. This document will also spell out the company's commitment to cofinance the program.
- 3.9 This document must be submitted to the program coordinating unit (PCU) for review and approval, and will then become part of the proposal presented by the ICAP. The review process will seek to ensure that the commitment set forth in the document is consistent with the proposal, and therefore with the terms and conditions of the program. In this way, while it is the ICAPs that bid to carry out the training activity, the proposals they present must first respond to the needs of the companies, thereby meeting the objective of providing training programs that are driven by demand.

- 3.10 Once the proposal submitted by the ICAP has been approved, and the written undertaking between company and ICAP reviewed, the PCU will issue a document to be forwarded to the company in which it undertakes to finance that portion of the cost for the training activities that is not covered by the company's cofinancing.

b. In-service training component

- 3.11 Under this component, which will be carried out during the second year of the program, the training of employed workers will be organized, designed and executed by the company using its own internal training facilities or through the hiring of outside instructors. In certain cases, companies will also be able to hire an ICAP directly.
- 3.12 This component is designed primarily for small and medium-sized companies in growth sectors. In-service training programs are, by definition, expensive, which is not to say that they are inefficient. For this reason, the subsidy provided under the program must use selective criteria concerning the sectors of activity that are eligible, and companies must make a greater contribution toward their costs. Indeed, this type of training will bring about a series of changes in the companies, the timing of which depends upon the existence of real potential for expansion into a given market. If the potential is not there, the owner will be incurring human resource investment costs that will be difficult to absorb.
- 3.13 The training carried out under this component is likely to take between 40 and 120 hours, not including follow-up activities. Under this form of training, the business owners will want the program to be carefully tailored to the company's needs, with instructors taking responsibility for follow-up to assess the degree to which the know-how transferred to their workers is being applied.

2. Subprogram for youth training

- 3.14 This subprogram is intended to generate opportunities for low-income youth who find themselves excluded from the job market to receive training, instruction and work experience which will enable them to enter the work force and take their place in the community. Under the program, financing necessary to cover the greater part of direct training costs would be provided and the participating ICAPs will be asked for a counterpart contribution to be included in their bids. The training process will consist of a classroom study phase and a work experience phase. The latter will be in the form of periods of practical job experience in companies. Also proposed are activities focused specifically on unemployed young women to help them overcome the difficulties they face as they try to enter and adapt to the urban labor market.

- 3.15 Beneficiaries. Training services will be provided for 3,000 young people between 15 and 29 years of age 6/ who belong to low-income groups, 7/ have dropped out of school, and are either unemployed, underemployed or jobless and seeking employment, but find themselves excluded from the job market. The services provided will include training activities, instruction and job experience.
- 3.16 Preliminary data show that among companies, small and medium-sized enterprises are more favorably inclined towards and interested in finding young workers with the qualifications to meet their needs. Although the possibility of participation by other types of companies should not be discarded, the larger firms appear to be somewhat cool to the mentor-apprentice relationship which will be promoted through the activities of this program.
- 3.17 The training activities will be carried out by ICAPs selected through competitive bidding in which any interested center registered with RICAP can participate. These activities will be financed through payments to the ICAPs under the contracts signed with them. The training programs themselves will consist of a classroom study phase and a work experience phase.
- 3.18 The classroom study phase of job training programs will be carried out by an ICAP and must include the following modules: 8/ (i) occupational training module - 80 to 200 hours of training with an average 140 hours of instruction; and (ii) job training module - the objective here is to develop in the student the basic skills required for working, thereby enabling trainees to both obtain adequate employment and retain their positions through effective performance. The latter module may have an average duration of 80 hours, with a maximum of 100 hours.
- 3.19 The practical phase will take the form of on-the-job experience working full-time in companies for periods of two to three months. To ensure that trainees have an opportunity to obtain this practical experience, the proposals presented by the ICAPs to bid

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- 6/ It is reasonable to expect that most participants will be between 19 and 29 years of age even though the program allows for participation by those in the 15 to 18 year-old bracket. One issue raised has to do with the compulsory military service requirement which could discourage the younger age group from participating.
- 7/ As in the case of other programs being carried out in the region, and in accordance with the information gathered on the labor market and levels of schooling, low income will mean the first two quintiles of income.
- 8/ The length of time allotted for these modules is based on experience gained in carrying out the Chile Joven Program.

under this subprogram will include letters of intent from companies 9/ agreeing to the possibility of accepting student trainees.

3. Subprogram for strengthening the job training market

- 3.20 The overall objective of this subprogram is to provide general support for the various ICAPs taking part in or hoping to join the program, helping them to perform the activities and obtain the results required of them. In addition, funds provided under this subprogram will be used to support the design stage of RICAP, as well as the in-service training component.
- 3.21 Beneficiaries. It is estimated that approximately 780 professionals, representatives or staff members of the ICAPs will be the direct beneficiaries of the services. However, it is worth noting that the ICAPs registered in RICAP will also benefit from this subprogram, albeit indirectly.
- 3.22 The workshops will be grouped into thematic areas, which have been defined through observation of the new practices that are to be disseminated based on demand and the particular characteristics of the program, as explained below.
- 3.23 Relationship with companies. The object here is develop adequate coordination between the ICAPs and companies, thereby overcoming a portion of the weakness discovered in this area. In particular, focus would be placed on: (i) identifying needs, especially in relation to microenterprises and small and medium-sized businesses; (ii) designing curricula that take into account the characteristics of microenterprises, small and medium-sized businesses, and the groups targeted by the program; and (iii) developing brief job profiles appropriate for microenterprises and small and medium-sized businesses.
- 3.24 Relationship to target groups. The intent here is to develop a suitable capacity for working with the target groups specified under the program, especially unemployed youth. In particular, this portion of the program will work with aspects such as: (i) control of expectations; (ii) occupational guidance; (iii) aspects of instruction and development of employment socialization; and (iv) gender issues.
- 3.25 Project management and preparation. The purpose here is to develop the capacity to properly administer the courses that are awarded to ICAPs, as well as to formulate and properly present course proposals at the competitive bidding stage of the program. In

9/ Whether these letters of intent should be issued by individual companies or by business associations remains to be considered.

particular, the following areas will be covered: (i) external consistency between the overall framework of the program and the specific design of the proposal; (ii) internal consistency of the proposal with respect to the objectives, results, goals and content of the activities; (iii) management of the budget, costing of activities and subcontracting of services; and (iv) the design of joint operations with other institutions.

- 3.26 ICAPs will be eligible to become beneficiaries under this subprogram only if they are registered with RICAP and have submitted bids under the program (or have clearly state their intention to do so), and there is evidence that they could not qualify unless they received assistance to strengthen their capacity.
- 3.27 These institutions may apply as beneficiaries under this subprogram by submitting an application form for consideration by the PCU. This form will contain relevant information required to identify each center's areas of weakness, and thereby approve the respective personnel who will be permitted to attend the pertinent workshops. The selection of institutions will be made primarily on a first-come, first-served basis, until the funds earmarked for this purpose are depleted. In all cases the selection criteria will recognize the need to give priority to ICAPs in areas outside the country's central corridor. To pay for the activities under this subprogram, 80% of the financing will be provided by the program, with the remaining 20% coming from the participating ICAPs.

C. Cost and financing

- 3.28 The total estimated cost of the program is US\$3,854,000, of which the MIF is being asked to provide a total of US\$3 million. The counterpart funding supplied by the Ministry of Human Resources (MDH) and program beneficiaries will amount to US\$854,000, to be allocated for operating expenses and the financing of subprograms. Both the training component for employed workers and the subprogram for strengthening the job training market have cost-recovery features under which fees will be charged to beneficiaries and/or companies. The subprogram for the training of unemployed youth includes the provision of counterpart funding by the ICAPs (see paragraph 3.31).
- 3.29 Following in summary form is the estimated budget for the program (see Annex I for a detailed breakdown of the budget).

PROGRAM BUDGET

ITEM	MIF	LOCAL COUNTERPART FUNDING	TOTAL IN US\$
Subprogram for workers training	520,000	328,000	848,000
1. Fees	520,000	328,000	848,000
Subprogram for youth training	1,552,000	290,000	1,842,000
1. Fees	1,552,000	290,000	1,842,000
Subprogram for strengthening the market	332,000	29,000	361,000
1. Fees	332,000	29,000	361,000
Administrative overhead	341,000	207,000	548,000
2. Individual consultants	304,800	145,000	449,800
6. General support	31,200	62,000	93,200
7. Publications	5,000	---	5,000
8. Consultants for evaluation	240,000	---	240,000
97. Special programs: promotion and dissemination	15,000	---	15,000
Overall total	3,000,000	854,000	3,854,000
Share of total	78%	22%	100%

- 3.30 Cost recovery. The program has cost recovery features incorporated in the design of the three subprograms, in which beneficiaries will be required to provide cofinancing for the services rendered and the ICAPs will be asked to provide counterpart funding for the youth training subprogram. Under the external training component of the subprogram to train employed workers, their employers will be required to pay 20% of the costs for services which they receive from the ICAPs. Under the in-service training component, companies will provide cofinancing at an initial rate of 50% for training in a single firm, with variations in the subsidy for simultaneous training in two or more companies. In the subprogram for strengthening the job training market, ICAPs that request modernization workshops will provide cofinancing covering 20% of the tuition fees of their team of professionals.

D. Disbursements

- 3.31 The disbursement of MIF resources will be subject to the submission of evidence by the MDH that: (i) the program coordinating unit (PCU) has been duly constituted together with an advisory council, and the members of both bodies have been appointed; and (ii) once the program advisory council (PAC) has been created, an inter-institutional cooperation agreement has been presented, signed by

its members as the authorized representatives of their respective institutions.

- 3.32 The program will have a disbursement period of 42 months and is expected to be completed in the first 36 months from the date on which the agreement between the Bank and the executing agency takes effect.
- 3.33 The resources for the operation will be disbursed according to the Bank's procedures and the MIF's eligibility policies. Disbursements will be administered by the PCU. To this end and upon written request, a revolving fund will be established in an amount equivalent to 10% of the grant.

IV. PROGRAM EXECUTION

A. The executing agency

- 4.1 The executing agency for the program will be the Ministry of Human Resources (MDH), 10/ which will delegate its direct administration to the program coordinating unit (PCU). The PCU will enjoy administrative autonomy, while remaining under the supervision of the MDH.
- 4.2 The PCU will operate in an institutional setting in which it receives the political support necessary for the normal discharge of its duties, and in which the results of its operations can be analyzed and "captured" in the design and implementation of the new institutional structure established under the Education Sector Reform Law. This suggests that execution of the program be entrusted to a unit with sufficient administrative flexibility (i.e. small and autonomous) to devise its own operating procedures, and with a high degree of expertise (administrative and technical) that will permit it to meet its goals with the required quality and within the timeframe specified in the program.
- 4.3 This program will be carried out in accordance with operating regulations approved by the Bank, a copy of which appears in Annex IV.

10/ Articles 7(k) and 19(g) of Executive Branch Ministries Law 1,493 of September 17, 1993, authorize the MDH to establish, negotiate and administer foreign financing for the purpose of conducting job training programs for workers.

B. The program coordinating unit

- 4.4 The program will be administered by the PCU, which will bear technical responsibility for it as an entity reporting to the MDH. The PCU will have ample powers for carrying out its tasks, including the full administration of the program's resources.
- 4.5 The PCU will exercise its responsibilities through a small central group consisting of a coordinator and two division heads (administrative and technical) who will constitute the executive team in charge of the program. ^{11/} In addition, the PCU will have regional or district representatives in the form of departmental and district extension officers in La Paz/El Alto, Santa Cruz, Cochabamba, Oruro, Sucre and Tarija.
- 4.6 The coordinator will have the support of the PAC, which will be comprised of four members representing the MDH, the Private Sector Business Association of Bolivia, the Bolivian Federation of Small Industries, and the country's trade unions. A representative of the Bank will also attend meetings of this council with the right to be heard but not to vote.
- 4.7 The PAC will play an important role vis-à-vis public opinion, the business sector and the various parties involved in the program, by ensuring legitimacy and public control of the program, as well as transparency in its operational procedures. However, it will not be involved in the administration of the pilot project. The duties of the PAC are advisory and consultative in nature, primarily with respect to: strategies regarding implementation; execution; definition of promotional strategies and their implementation; and impact studies and findings.
- 4.8 The PAC will be convened at the suggestion of the coordinator of the PCU, or by the Minister of Human Resources or an official designated by same. In addition, two regular meetings will be held each year: (i) one meeting at the beginning of the year to announce and discuss the goals and operating plan, and (ii) a close-of-business meeting for a report on operations.

C. Program execution

- 4.9 Program execution provides for the creation of a Registry of Job Training Institutions (RICAP), which will constitute a means by which training centers can prequalify for competitive bidding, thus providing a list of institutions that meet minimum quality standards for conducting training activities to be offered under the program. The PCU will be responsible for designing the RICAP

^{11/} Annex III contains the terms of reference of the members who would make up the PCU team, along with the duties of principal officials.

and for inviting institutions to register by issuing an international public call for proposals, to which organizations originating from member countries of the Donors Committee of the MIF will be free to respond. Registered institutions will be eligible thereafter to participate in bidding competitions held within the framework of the agreement.

- 4.10 The RICAP will remain open on a permanent basis, whether for the updating of data on registered entities or the registration of new firms, and will not include requirements that make it difficult for foreign companies to participate, or prevent them from doing so or fail to respect the principle of equal treatment of bidders. Annex II contains an analysis and the legal provisions that will govern the RICAP.

1. Subprogram for training of employed workers

a. External training component

- 4.11 The training activities under this component will be carried out by ICAPs duly registered in RICAP, and access to financing for these activities will be by means of public bidding in which the ICAPs will be allowed to compete.
- 4.12 The program will subsidize the direct costs for training (honoraria for teaching staff, teaching materials, organization costs and the expenses incurred in preparing courses), less amounts collected by way of cost recovery via tuition fees which will cover 20% of these costs. This element constitutes a policy instrument for the consolidation of the training services market. The tuition policy must be flexible and designed to seek the optimal level of subsidization (the necessary minimum).

b. In-service training component

- 4.13 The execution of this component is scheduled for the second year of the program inasmuch as, in contrast to the external training component, it will involve new design requirements that have not yet been tested. For this reason, during the first year of the program a plan of action will be devised for determining: (i) the prequalification requirements that must be met by those ICAPs and individual instructors who wish to provide services under this component; (ii) the bidding terms and conditions; (iii) the actions that can be taken to help centers formulate programs and submit bids; and (iv) how to create incentives for various companies to form an association for purposes of submitting joint bids and achieving economies of scale.

2. Subprogram for youth training

- 4.14 In order to interest small and medium-sized companies in this subprogram, ICAPs will offer short courses based on relevant job

profiles and designed to find solutions to specific problems, using dynamic teaching methods strongly oriented toward meeting the actual needs of companies.

- 4.15 As an incentive to ensure that the activities included in the practical phase in companies are carried out and that the young people join the work force, the final payment (5%) to the ICAPs would depend on the number of participants employed after completing the work experience part of their training.
- 4.16 The counterpart requirement that the ICAPs assume a portion of the costs, while a desirable feature, warrants final testing. The counterpart portion will be a factor in the first bidding competitions and will be assigned a weighting under the terms and conditions for the courses. The premise at the start will be that the ICAPs can provide up to 20% as their own contribution, but as this is an innovative approach, the optimal subsidy is expected to be found in the fullness of time.

3. Subprogram for strengthening the market

- 4.17 Activities to strengthen the ICAPs will be designed to support the development of methods that can be used in the program, and at the same time serve as a learning tool that will help to further the strategy for the modernization of the education system that is now under way. None of the recommended practices are entirely new to Bolivia. However, since they are not yet in common use and have not spread to all areas, they represent a weakness that the program can offset by ensuring that they remain consistent with its objectives, benefits, coverage and budget. In addition, half of the funds under this subprogram will go to support the design phase of RICAP and the research for the in-service training component through the hiring of international consultants.
- 4.18 The activities to strengthen the market will take the form of workshops which it is estimated will: (i) have a duration of 30 hours spread over four or five consecutive workdays; (ii) accommodate groups of approximately 30 participants; (iii) adopt a highly interactive format which allows the sharing of experiences with varying degrees of success related to the program; (iv) be led by monitors or facilitators; and (v) take place in various departments throughout the country.
- 4.19 The execution of the activities specified under this subprogram will be subcontracted by the PCU using competitive and transparent procedures. In view of the amount of funds involved, the selection of subcontractors would be made from requests for at least three quotes, based on terms of reference developed by the PCU itself. The PCU will receive help from the Bank's Country Office and the MIF in identifying the international consultants to provide assistance in designing RICAP and in the in-service training component.

D. Level of subsidy for the subprograms

- 4.20 The order of the instruments that will be used to award the resources under the various modalities of the program – project bidding or resource auction by tender – will be arranged based on the level of development of the specific markets, but in all cases will respect two basic principles: not to distort supply; and lead to the guidance of demand. The development of a market is a complex process that needs to be gradual in terms of the number of instruments and policies to be applied. The same thing applies to finding the optimal subsidy level for training activities. As a result of surveys conducted of private sector representatives, it was determined that businessmen and ICAPS are willing to pay part of the training cost. There is no information, however, on the appropriate subsidy level for the market. In the subprograms involving employed workers, youth, and market strengthening, the bidding will therefore begin with a subsidy of 80% and on the basis of the response on the part of businesses and ICAPs, this level will be adjusted in subsequent calls for bids. For the in-service training component of the subprogram for training of workers, which will take place in the second year, the initial subsidy level will be 50% of the cost of the courses. This subsidy will also be adjusted gradually on the basis of the results of the calls for bids.

E. Monitoring and supervision

- 4.21 A monitoring system will be established in the first four months of the project with the support of the consultant on project evaluation (see chapter IX). In addition to collecting the data necessary for evaluation, the monitoring system will serve as a mechanism for control of training activities, for monitoring teaching personnel and participants, the scheduling of program activities (courses, assessments, certifications, etc.) and companies participating in the program.

F. Environmental measures

- 4.22 The subprograms for youth and worker training will include rudiments of occupational health and methods for proper disposal of solid, liquid and gaseous waste generated by productive activities.

V. FEASIBILITY, SUSTAINABILITY AND RISKS

A. Feasibility and sustainability

- 5.1 As a pilot project intended to carry out, observe and validate a series of new training practices, the sustainability of this program will depend on its ability to capture these results for

subsequent medium- and long-term expansion. See chapter IX for information on the evaluation procedures planned under the program.

- 5.2 The new institutions to be established under the Education Sector Reform Law and the future executive decrees containing its implementing regulations will not become effective during execution of this program. For this reason, it is neither recommended nor in fact possible for the pilot project to operate through these agencies or receive its mandate and powers from them. Moreover, any effort to coordinate the program with the new institutions that will be created under that law, or to alter these training activities to permit their linkage to the rest of the curriculum structure as laid out in plans for creation of the National Technical and Vocational Education System (SINETEC), are likewise deemed ill-advised. The reason for this is that any attempt in this direction would delay the beginning of the operation by several years, and the opportunity to observe and analyze the results of its execution as a means of contributing to the final design of the subsystem, and of the system as a whole, would be lost.
- 5.3 Nevertheless, the program is deemed to be consistent with the Education Sector Reform Law from the institutional point of view in that it is consistent with certain key aspects of the changes planned for the job training subsystem, to wit:
 - a. Redefinition of the role of the State and the private sector, in which the former will concentrate on its subsidiary role of setting and controlling policy, while the latter will focus on executing the activities.
 - b. Creation of regulatory agencies to oversee the quality of training services that will validate the subsystem for the various participants (companies, workers, youth) and strengthen the country's "market" of dynamic, flexible training programs, while ensuring appropriate attention to Bolivia's needs.
 - c. Decentralization and splitting up of existing public job training services as a means of ensuring that they better reflect the local situation and needs, and creation of a system in which training institutions can compete on equal terms for public and private funding, based on quality of service and price.
 - d. Design and implementation of registries for prequalified institutions on the basis of technical quality and institutional reliability. Such registries will make it possible to ensure quality of service and build a job training system that can provide decision-makers (i.e. the purchasers of these services: workers, companies and the State) with relevant information.

- e. Enhancement of the role of private enterprise in defining training activities to be carried out, and ensuring their incorporation into a recognized and well-organized training system.
 - f. Generation of incentives (primarily subsidization of demand) appropriate to the agents making decisions concerning training.
- 5.4 In view of the various types of demand identified, the capacity of the program to help strengthen the nation's training services will be subject to its ability to match its offerings to the demands expressed by significant segments of the business community. This ability to match the needs of business will be decisive in determining the level of satisfaction among company owners with the products offered in this pilot project and, therefore, a necessary condition for inducing such owners to contract for additional training services in the future.

B. Risks

- 5.5 Carrying out an innovative pilot project such as that proposed here is inevitably subject to risks. In this case, however, the impact of these risks is expected to be minimal owing to: (i) the desire of the MDH and the private sector - as demonstrated by their active participation in the preparation of this program - to obtain verifiable results that can be used in developing a consistent training policy adaptable to the country's situation; (ii) the special care taken to include in its design certain lessons learned by the Bank in other programs; and (iii) the fact that a certain degree of flexibility has been built into the program in order to permit adjustments to be made while it is being carried out, should the need for these be identified.
- 5.6 There are two types of risk that could arise under the program: (i) risks associated with the internal aspects of its execution (while the PCU has sufficient human, material and financial resources to properly carry out the program, it is a recently created institution and has no direct experience in managing this type of program); and (ii) risks associated with a possible lack of response on the part of agents outside the program (execution of the program will depend upon the quantity and quality of the bids tendered by the ICAPs, and the willingness of the private sector to participate).
- 5.7 The first type of risk is considered manageable in that its most likely consequence would be to delay the program schedule. To avoid such delays, support activities and close monitoring will be provided by the MIF and the experts in the Bank's Country Office. The second type of risk is more problematic inasmuch as its occurrence has to do with the principles that have guided the design of the program: decentralization, outsourcing and efficiency pay. It is therefore an unavoidable risk, although

controllable through the promotional activities and strengthening of the market that have been included in the program. During the design process, the project team conducted extensive interviews with the so-called outside agents (representatives of the private sector, young people and training institutions) that are expected to take part in the program. In these interviews the designs and mechanisms proposed for the program were examined and verified as acceptable to them. Nevertheless, once the execution of the program begins the mechanisms to be tested will be monitored and, where warranted, changes can be made in successive tenders.

VI. COMPLIANCE WITH ELIGIBILITY CRITERIA UNDER THE PROGRAM

A. General criteria for eligibility under the program

- 6.1 Bearing in mind the objectives and results expected from the program, the financing allocated for training and helping young people to find jobs, as well as the training of workers in order to meet the demands of investors and the need for a more diversified private sector, is fully compatible with the overall objective of the MIF, particularly as stated in Article I(d)(ii), which refers to the need to bear certain costs associated with the implementation of development strategies that promote private sector expansion and thereby increase job opportunities, help to alleviate poverty and improve income distribution.

B. Eligibility criteria for the Human Resources Facility

- 6.2 This proposal is fully compatible with the eligibility criteria for financing under the Human Resources Facility, particularly as stipulated in Article III, sections 3(b) and 3(e), concerning the training of workers to meet the need for a more diversified private sector, and the strengthening of vocational training centers and other similar institutions.

VII. COMPATIBILITY WITH THE BANK'S STRATEGY FOR THE COUNTRY

- 7.1 The proposed operation is consistent with the Bank's strategy for Bolivia in that it identifies raising the country's human resource potential and the competitiveness of its job market as priority areas. This strategy consists of: (i) improving social conditions through continuing support for a strategy of community participation, investment in and reform of education, health care and housing (especially basic levels of service in these areas), and programs designed to benefit the lowest income groups; (ii) promoting sustained development of the economy, by facilitating both private investment in the productive sectors and public spending

designed to promote such investment, and channelling investments toward increasing production for exportation and domestic consumption alike, using criteria of sustainable development; and (iii) promoting the modernization of the State and the strengthening of civil society.

VIII. AVAILABILITY OF MIF RESOURCES

- 8.1 Financing modality. The project is to receive partial financing by means of a grant based on the following considerations: (i) on October 6, 1993, the Donors Committee declared Bolivia eligible for all forms of MIF financing; (ii) the country eligibility memorandum specifies that Bolivia complies with the grant eligibility criteria at the country level; and (iii) the proposed project will have an important catalytic effect on job training policy as required under Article 3, Section 5(a) of the Agreement Establishing the MIF, in terms of its objective of supporting significant expansion of the private sector. The validity of these criteria was confirmed by the Donors Committee at its March 30, 1994, meeting (MIF-GN-23).

IX. EVALUATION

- 9.1 The methods to be used in evaluating the results of the project will be studied by individual consultants or consulting firms hired for this purpose during the first two months of the program. A monitoring system and a specific set of indicators will be designed during the first four months of the project, to be implemented by the PCU for the purpose of compiling the data that will be used in evaluating the project. The results of the project will be assessed at two different times: (i) an interim evaluation will be carried out at the end of the first 18 months of its execution or when 50% of the resources provided by the Bank have been committed; and (ii) an ex post evaluation will be carried out when six months have transpired following completion of project execution.
- 9.2 In both cases, the measurement variables designated in the monitoring reports will be used and applied as well to a control group. In the case of the youth training subprogram, this control group will consist of a population similar in age, sex, socio-economic status, level of education and geographical location. And in the subprograms for training employed workers and strengthening the market, the control groups will contain companies in similar conditions as to number of employees, capitalization, number of years in operation and geographical location.
- 9.3 In the interim evaluation, the development of the bidding system used in awarding contracts for training services will be analyzed

to verify that it affords equal opportunity to all. Both its positive aspects and any obstacles in its execution will be studied for purposes of redirecting or adjusting its actions so that it contributes to the smooth operation of the program.

- 9.4 The consultant or consulting firm will establish the methodology to be used in the evaluations, and these will include the surveying of graduate trainees to study both the teaching methods (curriculum design) of the program in relation to the activities in which they are engaged, and the proper selection of beneficiaries and the impact this has. The topics and indicators to be analyzed include: (i) the process by which participants are selected, in order to verify the suitability of the terms and conditions of bidding competitions and the recruitment programs designed by the PCU; (ii) the effect on employment, productivity, quality of production, etc.; and (iii) its ultimate impact in terms of improving or strengthening activities designed for transference of the results.
- 9.5 In the ex post evaluation, the degree to which the objectives of the program have been met will be measured and its impact observed based on the application of the set of actions specified in the program.

ITEM	MIF	LOCAL COUNTERPART FUNDING	TOTAL
Subprogram for training of employed workers	520,000	328,000	848,000
1.1 Fees	520,000	328,000	848,000
External training component	256,000	64,080	320,080
In-service training component	264,000	261,000	528,000
Subprogram for youth training	1,552,000	290,000	1,842,000
1.1 Fees	1,552,000	290,000	1,842,000
Subprogram for strengthening market	332,000	29,000	361,000
1.1 Fees	332,000	29,000	361,000
Administrative expenses	341,000	207,000	548,000
2. Individual consultants	304,800	145,000	449,800
2.1 Project coordinator (36m/\$3,000/m)	72,000	36,000	108,000
2.1 Administrative division chief (36m/\$1,800/m)	43,200	21,600	64,800
2.1 Technical division chief (36m/\$1,800/m)	43,200	21,600	64,800
2.1 Attorney (9m/\$2,000/m)	12,000	6,600	18,600
2.1 Regional promoters (4 x 18m/\$1,700/m)	81,600	40,800	122,400
2.1 Secretaries (2 x 36m/\$600/m)	28,800	14,400	43,200
2.5 Travel on official mission	12,000	-	12,000
2.5.2 Offices (members of the PCU)			
2.5.2.1 Air fares (40 flights/\$250)	6,000	4,000	10,000
2.5.2.2 Per diems (100d/\$60/d)	6,000	-	6,000
6. General support	31,200	62,000	93,200
6.1 Offices			
6.1.1 PCU office (36m/\$1,000/m)	-	36,000	36,000
6.2 Furniture and equipment			
6.2.2 Rental of furniture	-	11,000	11,000
6.3 Equipment			
6.3.2 Purchase of computer equipment	-	10,000	10,000
6.4 Supplies	5,400	-	5,400
6.7 Auditing services (\$5,000/year)	15,000	-	15,000
6.9 Other expenditures	10,800	5,000	15,800
7. Publications	5,000	-	5,000
8. Consultants to conduct evaluation	240,000	-	240,000
97. Special programs	15,000	-	15,000
Promotion and dissemination of the program	15,000	-	15,000
TOTAL	3,000,000	854,000	3,854,000

SUMMARY

ITEM	MIF	LOCAL COUNTERPART FUNDING	TOTAL
Subprogram for training of employed workers	520,000	328,000	848,000
Subprogram for youth training	1,552,000	290,000	1,842,000
Subprogram for strengthening the market	332,000	19,000	351,000
Administrative expenses	341,000	207,000	548,000
Evaluation	240,000		240,000
Special programs: promotion and dissemination	15,000		15,000
TOTAL	3,000,000	854,000	3,854,000
Share of total	78%	22%	100%

LOGICAL FRAMEWORK

OVERALL OBJECTIVE	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>practices in the country's job ('market' being understood as public and private training centers supply services and the private who demand them) that will be to construct a more design capable of responding effectively to the requirements of the sector.</p>	<p>Analysis of the impact of participating institutions:</p> <ul style="list-style-type: none"> (a) Subprogram for workers: job stability, new skills, greater productivity, etc. (b) Subprogram for youth: number of jobs generated, new skills, etc. (c) Subprogram for strengthening the market: quality of proposals, relationships with companies, etc. <p>Institutional analysis of the relationships and links created between private companies and ICAPs; continuation of the project activities.</p>	<p>Follow-up studies for comparison of direct beneficiaries with members of the control group.</p> <p>Qualitative study of goals, of cases of inter- institutional coordination and expansion of the youth program.</p>	<p>GDP growth of 3% per year.</p> <p>The Education Sector Reform Law effect.</p> <p>Demand for updated training pro on the needs of the private sector</p>

PROGRAMS AND COMPONENTS	BENEFICIARIES/SELECTION CRITERIA	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	RESULTS EXPECTED COMPONENT
employed workers	Beneficiaries: workers employed in microenterprises, small and medium-sized companies		(i) number of courses awarded	1. Involve business owners in training exercises and a high level of productivity of employed workers through
al training	Criteria: proposal submitted by ICAP after obtaining commitment from one or more companies; cost of courses (subsidy covering 80%)	(a) Training for 3,000 workers	(ii) number of registrations and number of workers completing the course	
ce training	Criteria: proposal submitted by one or more companies; cost of courses (subsidy covering 50%)	(b) Training for 600 workers	(iii) evaluation of workers and business owners	
youth	Beneficiaries: unemployed, under-employed or jobless youth seeking employment Criteria: belong to low-income family, incomplete secondary education, between 15 and 29 years of age	Training for 3,000 young people	(i) number of courses awarded (ii) number of registrations and number of youths completing the course (classroom phase). (iii) number of youths completing the course (practical phase). (iv) evaluation of youths and businesses owners	2. Facilitate the development of abilities and competencies of unemployed, underemployed and jobless youth
ing of the market	Beneficiaries: ICAPs that submit applications	(i) number of workshops carried out	Internal records with: (i) number of proposals received; (ii) number of persons registered for the workshops; (iii) improvement in the placement of bids submitted by ICAPs that have attended workshops; (iv) evaluation of the participants and the ICAPs	3. Develop the ability of training institutions to improve their programs and a high level of quality of courses
provide technical curriculum and preparation of various areas such as: projects with companies and target groups of projects management	Criteria: (i) must be registered in RICAP; (ii) must have participated in bidding competitions or indicated an intention to do so; (iii) must present evidence that they would not qualify without attending the workshops; and (iv) must pay 20% of the cost of the workshop	(ii) 780 representatives of registered ICAPs		

SCHEDULE OF ACTIVITIES
(quarters)

ITEM	1	2	3	4	5	6	7	8	9	10	11	12
Registry of Job Training Institutions (RICAP)												
RICAP: design	xxxx											
RICAP: execution		xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
Subprogram for employed workers training												
External training component: execution		-xx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
In-service training component: design		-xx	xxxx	xxxx								
In-service training component: execution					xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
Subprogram for youth training												
Execution		-xx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx
Subprogram for strengthening the market												
Technical assistance provided by international consultant	xxxx	xxxx	xxxx	xxxx								
Workshops	--x	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	xxxx	
Evaluation												
Design and methods	xxxx											
Interim and final evaluations						xxxx						-xx
Promotion and dissemination	-xxx	xxxx	xxxx	xxx-	xxxx	xxxx	xxxx	xxx-	xxxx	xxxx	xxxx	xxxx

PROPOSED RESOLUTION

BOLIVIA. NON-REIMBURSABLE TECHNICAL COOPERATION
FOR A PROGRAM FOR THE JOB TRAINING
OF YOUNGSTERS AND WORKERS IN FIRMS

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 Republic of Bolivia 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 technical cooperation for the job training of youngsters and workers in firms in Bolivia.

2. That up to US\$3,000,000 is authorized for the purpose of this resolution, chargeable to the resources of the Human Resources Facility of the Multilateral Investment Fund on a non-reimbursable basis.