

PROGRAM TO SUPPORT THE DEVELOPMENT OF A PRIVATE JOB TRAINING CONSORTIUM

(TC-95-05-34)

EXECUTIVE SUMMARY

EXECUTING AGENCY: The Salvadoran Foundation for Comprehensive Education (FEDISAL)

Project activities will be executed by FEDISAL, through a technical coordinating unit, with the help of six private vocational training organizations that have joined together to form the Consorcio Privado de Formacion Profesional de El Salvador [Salvadoran Private Vocational Training Consortium]. The members of the consortium are FEDISAL, the Business Foundation for Educational Development (FEPADE), the Center for Family and Community Guidance (CREFAC), the Fe y Alegria Association, the Dr. Guillermo Manuel Ungo Foundation (FUNDAUNGO), and the Salvadoran Association for Comprehensive Development (ASALDI).

BENEFICIARIES: Members of the Consortium and the Salvadoran national vocational training system.

OBJECTIVES: To strengthen the private sector's capacity to direct and manage the supply of human resources training, facilitating a process of technology transfer and technological innovation among the private sector institutions. This will be achieved by strengthening the capacity of the institutions forming the Private Vocational Training Consortium and expanding the Consortium into a nationwide human resources training network.

DESCRIPTION: The project has two components: (1) to carry out demonstration training projects; and (2) to improve the quality of training provided by the private sector.

The objective of component one is to develop innovative, relevant, good-quality, self-sustaining training projects. This component consists of the following subcomponents: (i) updating and defining minimum standards for the work programs (curricula) of ten selected areas of specialization; (ii) training of 200 instructors from the members of the Consortium in the new work programs; (iii) development and implementation of a vocational guidance

system; (iv) implementation of demonstration training projects; and (v) development of mechanisms for contact with the private sector and placement systems.

The objective of component two is to strengthen the institutional capacity of the members of the Consortium, increase private-sector participation in providing training services, and ensure that the training offered is relevant. This component includes: (i) technical and financial audits of each Consortium member, so that the institutional strengthening requirements are defined; (ii) implementation of mechanisms of financial sustainability; (iii) development of a program of administrative efficiency; and (iv) formation of a national network of private training organizations.

FINANCING:	Type:	Nonreimbursable
	Beneficiary:	US\$1,000,000
	MIF (Window II):	<u>US\$4,000,000</u>
	Total:	US\$5,000,000

SCHEDULE OF EXECUTION:	Period of execution: 36 months
	Period for final disbursement: 42 months except for disbursement corresponding to the program's ex post evaluation, which is expected to be made 48 months after commencement of the project.

ENVIRONMENTAL CLASSIFICATION:	The Environment Committee, at its meeting of August 8, 1995, classified this as a Category II operation.
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I. COUNTRY ELIGIBILITY

- 1.1 On December 3, 1993, the Donors Committee declared El Salvador eligible for all forms of MIF financing

II. BACKGROUND

A. Economic and social background

- 2.1 After more than a decade of war and stagnation, El Salvador's economy began to recover in the 1990s and the outlook for economic growth and development is promising now that the peace agreements have been signed. As a result of the government's profound economic reforms, GDP has risen from zero growth in the 1980s to an anticipated 6.5% rate for 1995. The government is committed to an extensive program of public sector modernization that includes down-sizing, curbing and decentralizing expenditure, and modernizing the tax system and improving its administration. To supplement this program, the government is moving ahead with the restructuring and privatization of the energy and communications sectors and has been actively involved in pushing for greater community and private sector participation in education services. 1/

B. The labor market

- 2.2 El Salvador's population is about 5 million, distributed almost equally between the urban and rural areas and between men and women. The country's surface area is 20,000 km² and is organized into 14 departments and 262 municipalities. The population is young, and 39% of the population is economically active (EAP). More than half the EAP live in urban areas. Women constitute 71% of the labor force and earn less in all sectors of the market.
- 2.3 The leading areas of employment are agriculture (33%), services (20%), industry (18%), and commerce (18%). Employment has continued to move from agriculture towards industrial services. By occupational category, the EAP breaks down into permanent employees (32%), self-employed workers (25%), temporary employees (19%), and unpaid family workers (11%). Almost half of the workers in urban areas are employed in the informal sector. Approximately 80% of workers are employed in the private sector. During the last decade, open unemployment and underemployment have decreased from 17% in 1985 to 10% in 1994, and 55% in 1988 to 33% in 1993, respectively. The highest percentages of unemployed are between

1/ See loan document PR-2059. El Salvador. Loan for a project to modernize primary education.

the ages of 15 and 24. This group constitutes almost half of the total unemployed.

- 2.4 In 1994, the branches of the economy showing greatest expansion and growth were financial and personal services [insurance] (11%), construction (10%), commerce [restaurants and hotels] (8.5%), and transport, warehousing, communications, and industry (8%). Employment growth is highest in construction which absorbs the largest percentage of unqualified personnel. In the manufacturing industry, the maquila subsector stands out (35%). With the exception of hunting and fishing products, poultry keeping, vegetable and fruit, the agricultural sector shows negative growth.
- 2.5 One of the main problems of operation and production facing Salvadoran companies is the lack of educated, skilled labor. There is a 26% rate of illiteracy among the population above 15 years of age. At the national level, almost two thirds (66%) of the workforce has less than grade six education and 44% has less than grade four. The lack of skilled workers is critical in the departments of Usulután, San Miguel, San Vicente, Cabañas, Cuscatlán, Santa Ana, Sonsonate, and La Libertad. A study of the National Vocational Training Program financed by the European Community shows that service and commercial occupations have the greatest demand and to a lesser extent in technical occupations.

C. The vocational training system 2/

- 2.6 There is an extensive institutional infrastructure that fails to respond to the realities of the labor market. Its social welfare concept, the lack of connection with the reality of the world of production, and the lack of information on the expansion of productive activities are perhaps the main deficiencies of the vocational training subsystem. Although the institutional base and resources directed towards vocational training in El Salvador are substantial, the current system is not effective, nor is it structured, regulated, or coordinated. More than a hundred public and private institutions are operating in the country yet their origin, areas of activity, scope, and size differ considerably. Institutional training is haphazard and often duplicated.
- 2.7 The Ley de Formación Profesional [Vocational Training Act] of February 1993 creates the Salvadoran Vocational Training Institute

2/ For an extensive analysis of the education sector in El Salvador, particularly of the technical and vocational education sector, see: Education in El Salvador as the 21st Century approaches: Challenges and opportunities (1995). Project of Harvard University's International Development Institute in collaboration with the Fundación Empresarial para el Desarrollo Educativo and the Universidad Centroamericana José Simeón Cañas. Fernando Reimers, project coordinator.

(INSAFORP), an autonomous institute under the Ministry of Labor. This institution, in the process of consolidation, replaces the centralized, bureaucratic system formerly under the Ministry of Labor and its mandate is to manage, regulate, and coordinate the Salvadoran vocational training system. INSAFORP will establish mandatory practices, minimum knowledge requirements, minimum qualifications for instructors, and a closer relationship between the training programs and producers and manufacturing companies. The Institute will not execute training programs except for purposes of experimentation. The Institute will be responsible for establishing standards and monitoring training activities. These activities will be the responsibility of private sector institutions that will be hired by INSAFORP through calls for tenders, and in this regard, the Institute must be able to take advantage of the experience obtained by private sector institutions. INSAFORP has 60 employees, and representatives from the government, the private sector, and the labor sector sit on the board of directors with 3, 4, and 3 members, respectively. Its capital is funded by State contributions and subsidies and dues of up to 1% of the amount of the monthly payroll of firms employing ten or more workers.

- 2.8 The Salvadoran government has in fact been leaving work training to the private sector. The most influential non-profit private organizations in the field of vocational training, offering almost 50% of the training services available in El Salvador are the Business Foundation for Educational Development (FEPADE) and the Salvadoran Foundation for Comprehensive Education (FEDISAL). FEPADE was created in 1987 with the contributions from private businessmen. Almost 90,000 persons - professionals, technicians, and workers - have now been trained. FEPADE has good operating capacity and supports other institutions developing training programs. FEPADE has been presented by the Bank as a management model for the region because of its performance as the executing agency for the non-university higher education project (837/SF-ES). FEDISAL has the support of the private sector and acts as an umbrella organization for the management of funds and technical and administrative control of projects for the Comunidad Salesiana [Salesian Community]. FEDISAL currently administers the vocational training component of the national reconstruction plan. Other institutions that have had an outstanding role in technical education are the Fundación Agape [Agape Foundation], the Instituto Técnico Emiliani [Emiliani Technical Institute], TECHNOSERVE, the Center for Family and Community Guidance (CREFAC), the Fe y Alegría Association, the Dr. Guillermo Manuel Ungo Foundation (FUNDAUNGO), the Salvadoran Foundation for Comprehensive Development (ASALDI), and the Comunidad Segundo Montes [Segundo Montes Community]. 3/

3/ For more information on these institutions, see Harvard, op. cit.

- 2.9 Vocational training has been further promoted and acquired coverage recently as a result of the process of national reconstruction. Traditionally, vocational training has been concentrated in the San Salvador metropolitan area. This situation has changed as a result of the peace agreements, promoting the creation of nonprofit organizations (in 1992, the United Nations reported almost 200 institutions of this type), and today vocational training covers almost the entire national territory. The programs in effect are being financed with external grants. They are being offered for a limited time free of charge or at a subsidized rate to provide job skills. It is difficult to give details of the efforts and scope of the programs because the institutions do not keep records or do follow up on students.

D. Administrative Coordinating Committee (the Private Vocational Training Consortium)

- 2.10 Despite the important role that private organizations have played in the area of vocational training, historically there has been little cooperation or coordination between them. In May 1994, six private organizations representative of El Salvador's broad institutional and political spectrum, formed the Administrative Coordinating Committee (ACC), also known as the Consortium, with the objective of strengthening, through cooperative effort, their vocational training programs, and responding in an appropriate way to the private sector's growing demand for skilled labor. The Consortium's first step was to develop the concept of the operation presented in this document. The Consortium's organization is the first of its kind in El Salvador. It is formed of ASALDI, CREFAC, Fe y Alegría, FUNDAUNGO, FEDISAL, and FEPADE. These non-profit organizations have been legally established and are accordingly permitted by law to serve as executing agencies for the operation. The origin, nature, approach, training experience, resources, and results of the activities of the Consortium organizations are very different. This diversity stimulated interest in a joint project that will make technology transfer possible and strengthen its role within the labor market.
- 2.11 The Consortium organizations have a capital base that (in 1995) ranged between US\$5 million and US\$4 million for FEDISAL and FEPADE, US\$1 million and US\$500,000 for Fe y Alegría and ASALDI, and US\$150,000 and US\$50,000 for FUNDAUNGO and CREFAC. In general terms, the Consortium organizations have had more experience with training urban population; the socioeconomic profile of the populations attending is not uniform and there are no defined criteria for selection of the beneficiary population or for charging tuition fees or fees by specialization. There is no common, general practice on the systems of record-keeping and control of trainees, of information on the labor market, and of monitoring former students among the Consortium organizations.

2.12 Given the experience and results of the Consortium organizations, and for purposes of designing work strategies seeking to strengthen them, the organizations have been classified into two groups: Group I: FEPADE and FEDISAL, and Group II: ASALDI, CREFAC, Fe y Alegría, and FUNDAUNGO. The Group I institutions have accumulated methodological and organizational experience in training projects executed by the institutions themselves or through other institutions. The financial backing they enjoy allows them to influence the work of other training institutions through support for the training of instructors, design of materials, etc. The Group II institutions are recognized for their contribution to various training areas and areas of specialization although their contribution to the results of the training is relatively minor. In general, they have had the support of international organizations to finance projects.

2.13 The Consortium has been organized into a board of directors in which positions rotate among the organizations forming it. Considering that project activities would be executed by the six Consortium organizations, their management agreed to create a Technical, Administrative, and Financial Unit (UTECAF) responsible for coordinating and administering the project and acting as Bank representative. All decisions adopted by consortium members are recorded in the minutes for each meeting. Annex I gives a summary of the background of the six organizations making up the Consortium.

E. Justification for the operation

2.14 Despite the government's decision and its efforts to transfer responsibility for the vocational training programs to the private sector and to maintain only a regulatory function in the subsector, to date there has not been significant progress towards full implementation of this new policy. On the one hand, INSAFORP does not have a strategy that effectively transfers responsibility for human resource training to the private sector. On the other, there are also weaknesses in the private sector which basically require two efforts. The first is to develop, disseminate, and transfer experience that could contribute to establishing a policy and strategy for strengthening a national training system. The second is to strengthen institutional capacity from a technical and administrative standpoint to ensure an adequate supply of skilled manpower. If these efforts are successful, INSAFORP, as a policy-setting institution, will have valid input to define its policy and a large number of institutions capable of executing relevant, decentralized training programs.

2.15 The Bank's support to the Consortium organizations, will make it possible to systematize and standardize technical training experience to overcome the random and makeshift nature of available skills, initially with a small number of institutions. In addition, through the Consortium institutions, it will be possible to

create and consolidate a human resource training network with an increasing number of private organizations. This training network will make it possible to develop and fulfill curriculum guidelines, training methods, and minimum requirements for the job programs that will be able to serve as the basis for the creation of a national accreditation and certification system, and to consolidate a national training system.

- 2.16 Administrative efficiency is crucial to rational, sustainable programs. Given the need for the Consortium organizations to concentrate limited resources on training efforts, it is evident that the organizations have not dedicated sufficient resources to strengthening and updating their administrative systems. The opening up of the economy and the changes in the style of public administration require that private training organizations improve their administrative efficiency so that they can become more competitive and sustainable. It is essential to have an information system based on appropriate, standard indicators to improve the relevance and quality of the institutions offering training programs. Strengthening the Consortium institutions and establishing appropriate mechanisms to ensure their sustainability and future financing will act as demonstration experience for the design of the national training system.

III. THE PROJECT

A. Objectives

- 3.1 The project's objective is to strengthen the private sector's capacity to direct and administer the supply of human resource training, facilitating a process of technology transfer and technological innovation among private sector institutions. This will be achieved by strengthening the capacity of the institutions linked to the Private Vocational Training Consortium and extending the Consortium's influence in a national private network for human resource training.

B. Components

- 3.2 The project has two components: (1) demonstration training projects; and (2) improvement of the quality of training offered by the private sector. A table of the components, subcomponents, objectives, activities, goals, those responsible for execution, and performance indicators is given in Annex 2.

1. Component 1: Demonstration training projects

- 3.3 The objective of this component is to develop innovative, relevant, high-quality, sustainable training projects. This component has the

following subcomponents: (i) updating and defining minimum standards of the work programs (curricula) of ten selected specializations; (ii) training of instructors from the Consortium organizations in the new work programs; (iii) development and implementation of a vocational guidance system; (iv) implementation of demonstration training projects; and (v) development of mechanisms for contact with the private sector and placement systems.

a. Subcomponent 1(a): Curricular development

- 3.4 The objective of this subcomponent is to update and standardize the study programs of ten selected specializations, making them more relevant and flexible enough to meet the needs of the beneficiary population and the private business sector. In this subcomponent, the minimum requirements for each specialization will be set out for them to become competitive in the market and so that there is comparability between institutions. This subcomponent will finance: (i) technical assistance for a review of the work programs for ten areas of specialization and the design of updated, standardized programs; (ii) design, production, and distribution of learning materials and textbooks for the ten areas of specialization; (iii) design, production, and distribution of teaching materials; and (iv) purchase of training equipment and tools.
- 3.5 This subcomponent will be executed on the basis of five general criteria. First, ten specializations will be offered in three sectors that respond to the needs of economic growth and the prospects for development in terms of generation of salaried employment and self-employment. The specializations, by sector, will be: construction: bricklaying, electricity, and carpentry; industry: carpentry, general mechanics, automotive mechanics, and manufacturing; and services: electronics, computing, and business administration. Secondly, there will be two forms of technical training: job training and specialization (more advanced courses). Third, the programs will be carried out using a system of modules. Each training module will consist of 80 hours of training in classrooms and workshops of the Consortium organizations. Job training will be offered for 400 hours, in five modules. Specializations will be given for 240 hours, in three modules. ^{4/} Fourth, the teaching methodology will seek methods enabling the trainee to make contact with the world of production before his training is completed, through visits to companies and contracts with importers of new technology and trade associations. Fifth, training will include, as required, instruction on improving the environmental impact of productive activities.

^{4/} Duration will vary depending on the area of specialization and whether it involves job training or specialization.

b. Subcomponent 1(b): Training of instructors

- 3.6 The objective of this subcomponent is to update the knowledge and capacities of instructors from the organizations responsible for the ten selected specializations. This subcomponent will finance: (i) updating the vocational training for 30 specialist instructors who will act as a source of information to update the curriculum and training multipliers; (ii) design of plans and programs for training 200 instructors; (iii) training of up to 200 instructors (an average of 20 per specialization) in the new training programs; and (iv) development of six updating workshops and harmonization of the Consortium organizations.

c. Subcomponent 1(c): Vocational guidance

- 3.7 The objective of this subcomponent is to develop a vocational guidance system that makes it possible to evaluate the skills, abilities, and aptitudes of the candidates for the specializations taught under the project, and to provide guidance on demand for the specializations taking into consideration the job market opportunities and the appropriateness of redirecting demand by women towards more competitive specializations by disseminating reliable information. This subcomponent will finance: (i) the design of a vocational guidance system; (ii) design, production, and distribution of vocational guidance material in all Consortium organizations; (iii) training of 100 instructors within the organizations, who will be responsible for guidance, job placement, and employment follow-up at each institution; (iv) vocational guidance for 9,000 participants in training courses, and (v) acquisition of equipment. The instructors to be trained will be selected from among the instructors trained in subcomponent 1(b) on the basis of criteria laid down in the design stage.

d. Subcomponent 1(d): Implementation of demonstration training projects

- 3.8 The objective of this subcomponent is to develop demonstration training experience in various localities and specializations. During the second and third year of the project, the six Consortium institutions will carry out training activities in seven of the country's departments and in ten specializations. Nine thousand persons will be trained, 80% at the level of job training and 20% at an advanced level of specialization. In job training, 2,160 persons will be trained in construction; 2,160 in industry, and 3,680 in services. At the level of specialization, 540 will be trained in construction, 540 in industry, and 720 in services. This component's schedule of execution and the distribution of goals by department, organization, and specialization are given in Annex 2.
- 3.9 The project will be carried out in seven departments selected on the basis of population density and productive activity, the demand

for trained human resources, availability of infrastructure and equipment for training, the presence of other institutions with similar objectives, and the prospects for development throughout the department. To ensure that the efforts are focused and complement each other, institutional responsibility will be organized as follows: CREFAC will carry out its training activities in Cuscatlán; Fe y Alegría in San Salvador, La Libertad, and Santa Ana; FEPADE in Chalatenango; ASALDI in San Miguel; FUNDAUNGO in Usulután; and FEDISAL in San Salvador, La Libertad, and Santa Ana.

- 3.10 Given the nature of the training being offered by the Consortium, the requirements of the job market, and the location of productive activities in the departments served by the project, the following general criteria have been defined to select the beneficiary population: beneficiaries must be members of the urban, semiurban, or rural population; they must be between 15 and 24 years of age and be unemployed or underemployed; and they must have the ability to finance at least 10% of the direct cost of the course. Grade three will be a requisite for job training and grade six or successful completion of a training course offered by a member of the Consortium will be a requisite for advanced specialized training. To attend a specialized training course, a student must either have passed the basic training course or be able to demonstrate proven experience. To attend a course in business administration (which is being offered at the specialization level), a participant must have successfully completed a course in basic or specialized training and be evaluated on the basis of his/her experience as having an aptitude for business.

e. Subcomponent 1(e): Contact with the private sector and the placement system

- 3.11 The purpose of this subcomponent is to set up mechanisms for establishing contacts with organizations and the Consortium as a whole, and with businessmen in different communities in order to bring the training offered into line with the requirements of the market and to provide job placement service for graduates. Under the project, financing will be provided for: (i) the design of a system of job placement and follow up; (ii) training of ten labor market specialists (two for both FEDISAL and Fe y Alegría, one for each of the other members of the Consortium, and two for UTECAF); (iii) a pilot project in which businessmen will participate, whereby opportunities for practical training will be offered to 300 persons in different companies; (iv) administration of a labor exchange and job placement service for 9,000 persons; and (v) the establishment of other mechanisms that could include conducting market studies, organizing advisory committees made up of businessmen from the communities, and incentives to encourage training organizations to ensure that the training offered is linked to demand in the market. An example of an incentive of this kind would be to make payment of part of the total training cost

conditional on the number of graduates who actually find employment.

- 3.12 As a result of the project, it is expected that nearly 10% of the persons trained will become self employed and nearly 65% will be placed as salaried workers.

2. Component 2: Improvement of the quality of the private training supply

- 3.13 The objective of this component is to strengthen the institutional capacity of the Consortium's members, increase private-sector participation in providing training services, and ensure that the training offered is relevant. The quality of training offered by the private sector will be improved by the strengthening of the Consortium organizations and the formation of a national network of private training organizations. The formation of a Consortium provides an opportunity to standardize and strengthen the institutional capacity of its members through mutual cooperation and coordination, and the transfer of technology as well as to draw on the pool of experience in designing a national work training and accreditation system under INSAFORP's policy-setting responsibility. The strengthening of these organizations is the first step in making available to INSAFORP a number of different institutions that are able to compete for future services contracts. Given the differing levels of development of each member of the Consortium, this component will develop a mechanism that allows experience and expertise to be transferred on an ongoing basis to take advantage of the comparative advantage of each member organization. This effort will be supported with the experience of international experts or firms. This component includes the following subcomponents: (i) technical and financial audits of each Consortium member; (ii) implementation of mechanisms to ensure that the project is financially sustainable; (iii) development of a management efficiency program; and (iv) formation of a national network of private training organizations.

a. Subcomponent 2(a): Technical and financial audits

- 3.14 The analysis made during preparation of the operation has generated sufficient information to define, in general terms, each organization's institutional strengthening requirements. As an initial project activity, individual technical and financial audits will have to be done to obtain more detailed information that serves to refine the activities and review the budget for institutional strengthening. The audits would be performed by experts who will evaluate, among other things, institutional mission and objectives, organization and operation, technical capabilities, facilities, equipment and materials, the selection process and guidance for trainees, the programs for each specialization, the human resource profile, cost recovery mechanisms, and the financial accounting and bookkeeping systems. The terms of reference for the audits must be

approved by the Bank as a condition for the first disbursement, and audits must be done within the first four months of the operation.

b. Subcomponent 2(b): Mechanisms of financial sustainability

- 3.15 The sustainability of the activities carried out by Consortium members will be ensured by two factors: the quality and relevance of the training offered and the availability of resources to cover the cost of institutional strengthening, research, and training. Under this subcomponent, the project will finance a study to analyze mechanisms of financial sustainability and recommend viable options for financing the organizations. Options to be evaluated will include sales of products and services relating to the training, registration fees, contributions by private business, and association with INSAFORP. The study will be made during the first six months of project execution so that the findings can be tested through demonstration training projects and included as part of the regular training programs of the members. As a condition precedent to the first disbursement, the Consortium must submit, the terms of reference for this study.

c. Subcomponent 2(c): Management efficiency

- 3.16 Under this subcomponent, the project will provide: (i) technical assistance to the Consortium organizations for administration of resources; (ii) development and implementation of simple, flexible, and state-of-the-art systems of planning, information, communications, internal control, monitoring, and evaluation; (iii) management training for 50 professionals who will be handling the planning, information, communications, internal control, monitoring, and evaluation systems; (iv) 12 traineeships to learn about experiences with human resources training in other countries; and (v) acquisition of equipment, materials, and supplies. This subcomponent will be executed within the project's first year. At the end of that time, there will be six modern organizations with standardized systems for registration and control of trainees, follow-up on graduates, collection and generation of information on the labor market, and with the capacity to design a strategic development plan allowing them to forecast their future requirements and sources of financing.

d. Subcomponent 2(d): Formation of a national network of private training institutions

- 3.17 With the objective of disseminating the program's benefits nationally, the members of the Consortium will offer, starting in year three, technical assistance to other private training organizations, seeking to form a network of private training organizations. In the future, this network could become the basis for broad participation by businessmen, workers, study centers, and others, in the area of job training for the labor market. At least twenty institutions will receive technical assistance in

administrative and technical areas such as the updating of work programs, training for instructors, and contact mechanisms between these organizations and private sector companies. The selection criteria for the organizations forming the network include institutional training, experience, activities (by subject and geographic area), and ability to assimilate and take advantage of technical assistance activities.

- 3.18 The project will finance: (i) two two-day national workshops in which requirements will be analyzed and the Consortium and the network's experience will be reviewed; (ii) production and distribution of material; (iii) training of 200 instructors from the 20 network organizations; and (iv) technical assistance to 20 organizations to create mechanisms for establishing contacts with private sector firms.

IV. COST, FINANCING, AND ACQUISITIONS

- 4.1 The estimated cost of the project will be approximately US\$5 million, of which US\$4 million will be financed with nonreimbursable MIF funds (Window II), and US\$1 million in local counterpart funds. Project costs were estimated at October 1995 prices and include a 10% markup for contingencies. The counterpart funding will be covered by contributions from Consortium members and the training programs' participants, who would pay 10% of the cost of each course. A summary of project costs is given in the table below. Annex 3 gives the estimated detailed budget.

Costs
(in US\$)

	MIF	Counterpart	Total
Component 1	2,936,950	859,150	3,796,100
Component 2	223,300	104,000	327,300
Administration	394,400	14,000	408,400
Evaluation	150,000		150,000
Contingencies	295,350	22,850	318,250
Total	4,000,000	1,000,000	5,000,000

- 4.2 The project will be made financially sustainable by cost-recovery and fund-raising mechanisms that will be designed under the project; and by strengthening the Consortium and network organizations' contact with INSAFORP and the private sector in order to

obtain funds for training. As a result of the project, the Consortium and network organizations will be strengthened and trained to attract a greater flow of private sector resources, enabling them to finance their regular training activities and give continuity to their activity.

- 4.3 This project takes into consideration that although Consortium activities make it possible to achieve an acceptable level of cost recovery, the training of unemployed youth always requires subsidies, which in El Salvador will be achieved through dues from businesses for membership in INSAFORP. INSAFORP is expected to collect some US\$2.8 million annually which will be used by private organizations specialized in training.

V. ORGANIZATION AND EXECUTION

A. Organization

- 5.1 Considering that the project activities would be executed by the six Consortium organizations, their management endorsed the May 1994 decision to create a Technical, Administrative, and Financial Unit with responsibility for coordinating and administering the project in accordance with the guidelines set by the Consortium's board of director's (paragraph 2.13). The UTECAF will operate in FEDISAL during the life of the project and will serve as a contact with the Bank.
- 5.2 FEDISAL will sign the technical-cooperation agreement with the Bank and will be responsible to the members of the Consortium and to the Bank for the administrative and financial management of project funds. FEDISAL, through the UTECAF, will administer the project funds. Based on the guidelines of this plan of operations, and as condition precedent to the first disbursement, FEDISAL will sign with each of the Consortium organizations an agreement laying down the responsibilities of each organization in execution of the operation. FEDISAL's responsibilities will be set out in the technical-cooperation agreement with the Bank. FEDISAL, in performing its function, will have the support of the Consortium organizations, and will subcontract its duties if required. Subcontracting will be governed by the provisions of this document.
- 5.3 The UTECAF will serve as a source of information for the Consortium's decision-making and will have a team made up of a coordinator, a specialist assistant, a financial manager, and a secretary. 5/ This team will be selected by the management of

5/ This structure may be modified according to the project's requirements and by mutual agreement with the Consortium organizations.

the Consortium and contracted by FEDISAL with the approval of the Consortium's board of directors, and when its members so require, it will report to them on its activities. The Consortium will submit to the Bank the terms of reference of the project personnel and a proposal concerning the personnel selected for this purpose. The project execution period will be three years. Annex 2 gives a schedule of execution for each of the project activities.

B. Procurement and disbursements

- 5.4 The awarding of contracts for goods and services for the project and the disbursement of funds will be done in accordance with the Bank's technical-cooperation operation disbursement procedures. As a condition for the first disbursement, the Consortium, through the Technical Unit, will submit to the Bank: (i) evidence of having selected the Technical Unit's coordinator, in accordance with the terms of reference approved by the Bank; (ii) the terms of reference of the Technical Unit; the design of the information, monitoring, and evaluation system; the study of cost recovery mechanisms; and the financial and technical audits; and (iii) a letter of agreement signed between FEDISAL and each member of the Consortium setting out their responsibilities in execution of the operation.
- 5.5 The UTECAF will establish and maintain separate accounts and records for the operation that accurately reflect, in accordance with accepted accounting practices, the execution, resources, and expenditure related to the project and its respective components. This account will be reviewed on a semi-annual basis by independent private auditors financed by the local counterpart funding. The audit reports will be submitted by the Technical Unit in accordance with the Bank's procedures. The UTECAF will submit to the Bank any other information relating to use of funds received that the Bank may periodically and reasonably request.
- 5.6 Within one month of the first disbursement the UTECAF will submit, for Bank approval, a plan of action indicating for each of the project components, the goals, activities, schedule, and the MIF financing and local counterpart funding. This plan will be used to monitor and evaluate the annual, midterm, and final results, and will make it possible to distribute each organization's responsibilities in the execution of the project taking the contents of this document as reference, particularly Annex 2.
- 5.7 Once the operation's prior conditions have been met, at the Consortium organizations' request, based on the proposed plan of execution, it is recommended that the equivalent of 10% of the MIF contribution be advanced to assist the Consortium in the carrying out project activities in the first 120 days. The advance will be justified by the Technical Unit together with the documentation required. These funds will be deposited in a special Technical Unit account for the project.

VI. VIABILITY AND RISKS

- 6.1 The operation's main risk is the possibility that the technical training reforms for the public sector do not materialize according to plan. The project's financial sustainability and impact on defining the national system will be limited if INSAFORP fails to take advantage of Consortium and network experience gained from this project. The analysis of the government's progress in implementing the proposed reforms shows that government institutions are likely to respond in time to minimize this risk. The government's commitment to the reforms, the private sector's majority participation in INSAFORP's management, and the advisory committees of Consortium members, and the participation in the project of leading organizations with influence on defining national policy are additional factors that will mitigate the aforementioned risk.

VII. FULFILLMENT OF PROJECT ELIGIBILITY CRITERIA

A. General project eligibility criteria

- 7.1 The proposed program is consistent with the Agreement establishing the Multilateral Investment Fund, particularly with Article I (iii), whereby financing is to be provided in member countries for job training in order to broaden participation by the private sector.

B. Project eligibility facility criteria

- 7.2 The program is consistent with the eligibility criteria of the MIF Human Resources Facility, one purpose of which is to provide grant funding to develop the human resource base required to increase private sector investment and expansion.

VIII. COMPATIBILITY WITH THE BANK'S COUNTRY STRATEGY

- 8.1 The proposed project is compatible with the Bank's country strategy, which is based on recognition of the need to consolidate the structural reform program that the government has been executing and the need to promote private sector participation in financing and providing services. The strategy, which covers the 1994-1996 period, includes as objectives: improvement of infrastructure, support for reform, expansion and strengthening of social services, 6/ protection of the environment, and strengthening of

6/ As part of the strategy for the social sectors, the Bank has responded to government requests with the recent approval of a third INT/FIS funding project, the primary education modernization program, and the health sector reform program (ES-0053).

community and women's participation in the national reconstruction process. This operation is consistent with the reform and modernization processes in that it explores the feasibility of constructing, within the private sector, mechanisms to support financing and to strengthen vocational training in El Salvador.

IX. AVAILABILITY OF MIF RESOURCES

- 9.1 **Type of MIF financing.** The project will be financed by funds donated on the basis of the following points: (i) on December 3, 1993, the Donors Committee declared El Salvador eligible for all forms of MIF financing; (ii) details of the agreement with El Salvador on eligibility criteria to obtain donated resources at country level (Article 3, Section 5(b), of the MIF agreement) are given in section III of the country eligibility memorandum; and (iii) the proposed project will have an important catalytic effect on the flow of investment funds as article 3, section 5(a), of the MIF agreement requires, as long as its objective is to improve the quality of training required to satisfy the demands of the private business sector for a well-trained workforce that enables it to be more productive and competitive.
- 9.2 **Placement of MIF funds.** No restrictions apply to the placement of MIF resources in El Salvador or this specific project.

X. MONITORING AND EVALUATION

- 10.1 The information system, which will be designed under component 2, will describe in detail the indicators gauging the progress, results, and impact considered necessary for the control, supervision, monitoring, and evaluation of the operation. The system must be implemented during the first four months of the project and will allow information on progress, results, and impact to be recorded. The terms of reference for the design of this system will be submitted to the Bank as a condition prior to the first disbursement.
- 10.2 The Consortium organizations' information system will include collecting information to assist the Consortium in monitoring and evaluating, among other things: (i) the project's impact on the labor market, taking as indicator the number of persons placed in salaried employment or self-employment; (ii) the degree of contact between Consortium members and INSAFORP and the private sector; (iii) the Consortium and the organization's degree of fulfillment of the proposed plan of action; and (iv) development of the institutions connected to the network. The system must also ensure that the Consortium organizations collect information that will

serve as a basis for preparing or carrying out: (i) annual work plans; (ii) quarterly progress reports; (iii) annual evaluations/reviews of results; (iv) an interim evaluation eighteen months into the project; (v) an evaluation on completion of the project; and (vi) an ex post evaluation one year after completion of execution. The Technical Unit will hire the consultants to perform the evaluations in accordance with terms of reference approved by the Bank.

- 10.3 The project's performance will be evaluated in the annual reviews, and agreements will be reached on the adjustments required to ensure, from year to year, that the project's objectives are being met. The Consortium members, Bank specialists, and specialists contracted for this purpose will participate in these evaluations, which will take place at the latest on September 30 of each year. Among other things, during the annual reviews: (i) the progress achieved with respect to each component in the preceding year will be examined; (ii) the annual work plans, specific progress reports, the budgetary, MIF, and local counterpart financing requirements will be reviewed for the following year; (iii) the efficiency of project administration and coordination will be evaluated; and (iv) the adjustments to be introduced to the schedule or goals of execution will be discussed.
- 10.4 The objectives of the project and each of the components presented in this document, the detailed budget (Annex 3), and the performance indicators set out in Annex 2, will serve as a guide for project planning and execution.

Antecedentes de las Organizaciones Miembros del Consorcio

A. CREFAC

1. El Centro de Reorientación Familiar y Comunitaria, CREFAC, fue constituido legalmente en 1971. Su finalidad es la de "facilitar la participación de la población en el desarrollo organizativo, económico y social alternativo". En la Asamblea General y en la Junta Directiva se tiene representatividad de beneficiarios (líderes comunales), trabajadores y socios contribuyentes. Su estructura organizativa consiste en dos áreas de trabajo: la Administrativa/Financiera y la de Programas que comprenden capacitación técnica, educación comunal y desarrollo empresarial. Como unidad de apoyo, tiene la Unidad de Planificación e Investigación. CREFAC ofrece capacitación principalmente en confección, albañilería, y computación. También ofrece capacitación en soldadura eléctrica, carpintería, mecánica de obra de banco, mecánica de máquinas industriales, mecánica automotriz, sastrería, y panadería. Durante los años 1991 a 1994, CREFAC capacitó un total de 6,145 personas (1,536 personas anuales).

B. FE Y ALEGRÍA

2. FE y ALEGRÍA se constituyó legalmente en Octubre de 1967. Se rige por una Asamblea General y un Comité Directivo integrado por el Director General (sacerdote jesuita), el Subdirector, el Secretario de Relaciones Públicas, el Secretario Ejecutivo, el Administrador, el Síndico y un Vocal. Su objetivo es "Promover la formación de un hombre nuevo, consiente de sus potencialidades y de la realidad que le rodea, abierto a la trascendencia, agente de cambio y protagonista de un mundo justo y fraterno".
3. FE y ALEGRÍA ha capacitado en 7 especialidades: iniciaron con cursos de corte y confección en el año de 1970, posteriormente introdujeron mecánica (1971), electrónica (1975), mecánica general (1976, mecánica automotriz (1997), electricidad (1980) y computación (1995). Entre 1990 a 1995 ha capacitado un total de 2,038 personas que son jóvenes con riesgo social, con intención de insertarse en el mercado laboral y mujeres del área rural. Esta institución cuenta con 7 terrenos y edificaciones en donde están localizados los Centros de Formación: Santa Tecla, Soyapango, Acajutla, Plan del Pino/Soyapango, La Chacra/San Salvador, Antiguo Cuscatlán/La Libertad y el Centro de Educación para Todos.

C. FEPADE

4. La Fundación Empresarial para el Desarrollo Educativo (FEPADE) se constituyó en abril de 1987. Es financiada por empresas privadas, personas contribuyentes e instituciones nacionales e internacionales. Tiene como objetivo "Fomentar el desarrollo educativo, profesional y técnico, desde obreros no calificados hasta alta gerencia, a fin de contribuir eficazmente al mejoramiento cultural, económico y social del país, dentro de las bases de un sistema de libre empresa". FEPADE tiene cuatro instancias organizativas, la Junta General, integrada por sus miembros

fundadores que son empresas; la Junta Directiva compuesta por trece directores propietarios; el Comité Ejecutivo formado por el Presidente, Vicepresidente, Secretario y Director Ejecutivo; y la Dirección Ejecutiva quién realiza las funciones administrativas y de supervisión a nivel operativo.

5. FEPADE planifica y evalúa la pertinencia de su oferta de capacitación a través de Comités Asesores, integrados por empresarios y profesionales expertos en las diferentes especialidades que se ofrecen. A la fecha tiene 21 Comités o Comisiones Asesores a los programas. Estas comisiones son instancias que permiten actualizar el contenido curricular y conocer las necesidades del mercado laboral. Periódicamente desarrolla estudios de mercado en empresas de diferentes tamaños, para conocer las necesidades de capacitación en los diferentes niveles y oficios. Para la capacitación técnica, ha diseñado manuales para instructores y material didáctico para la enseñanza/aprendizaje de diferentes oficios. Para garantizar la calidad de la formación, FEPADE capacita instructores para diferentes oficios. Entre 1990 y junio de 1995 FEPADE ha capacitado un total de 82,492 personas en 25 especialidades diferentes.

D. ASALDI

6. ASALDI surge a finales de 1989, como una entidad de desarrollo integral, con la misión de "Mejorar las condiciones de vida de las personas de más escasos recursos económicos del país, mediante el desarrollo, gestión y ejecución de proyectos y programas sociales y económicos". Esta conformada por profesionales en diferentes disciplinas relacionadas con el desarrollo comunal. Tiene cinco instancias organizativas, la Asamblea General, la Junta Directiva, el Comité Ejecutivo, la Presidencia y la Gerencia General, de quién dependen la Gerencia Administrativa/Financiera y la Gerencia de Proyectos y Programas. Se organiza por proyectos según la fuente de financiamiento disponible.
7. En el programa de capacitación técnica, ASALDI ha capacitado un total de 10,108 personas entre 1992 y 1995 (2,527 personas promedio anual). La oferta institucional se basa en diagnósticos sobre necesidades comunitarias y en el caso de capacitación técnica, tienen como fuente de información la demanda del sector privado de empleados, la información que produce FEPADE y la difundida a través de los medios de comunicación. Valoran la experiencia de vincular el proceso de capacitación técnica al acceso a crédito para que los beneficiarios inicien su propio negocio.

E. FUNDAUNGO

8. La Fundación Dr. Guillermo Manuel Ungo, FUNDAUNGO, se fundó en marzo de 1992. Es una institución privada sin fines de lucro. Su propósito es el de "contribuir a la consolidación de la paz y la democracia mediante la realización de estudios científicos y la formación de recursos humanos demandados por el contexto de reconstrucción nacional". Organizativamente, FUNDAUNGO tiene dos instancias, la directiva, integrada

por la Asamblea General de Socios y la Junta Directiva electa bienalmente, y la ejecutiva integrada por el Director Ejecutivo y tres programas o departamentos de trabajo: el de Investigación Socioeconómica, el de Formación Profesional, el de Municipalismo. El programa de formación profesional inició en 1992 con el involucramiento de FUNDAUNGO en el Programa de Reconstrucción Nacional. Su primer centro de formación tenía capacidad para 750 personas. Posteriormente ampliaron su cobertura a dos municipios más, uno ubicado en Cuscatlán, San Bartolomé Perulapía y otro en San Martín, del departamento de San Salvador.

9. Para la definición de su oferta de capacitación, realizan sondeos para conocer características de la población meta, consultan estudios disponibles sobre necesidades de formación profesional, disponibilidad de asistencia financiera y demanda de servicios. En general, tiene contacto con empresas pequeñas en las comunidades que atiende para organizar pasantías para sus capacitandos. Establece coordinación con instituciones de capacitación. Aprovecha los recursos producidos por otras instituciones, particularmente el material de capacitación, que es sometido a adaptaciones para adecuarla al perfil de sus beneficiarios. En el área de investigación socioeconómica han realizado estudios sobre los temas de seguridad social, salud pública, desmovilizados, sistema crediticio para población de bajos recursos y municipalismo y descentralización.

F. FEDISAL

10. La Fundación para la Educación Integral, FEDISAL, fue constituida en julio de 1992 con aportes de personas naturales y jurídicas. Es una institución de utilidad pública, sin fines de lucro y apolítica, responsable de gestionar y administrar recursos para proyectos que son ejecutados por todas o una de las instituciones salesianas. La Sociedad Salesiana, se estableció en el país en 1897 y FEDISAL es una institución organizada para darle supervisión, apoyo técnico, gerencial y administrativo a los Programas Salesianos.
11. FEDISAL administra proyectos para toda la institución salesiana la cual tiene una amplia y moderna infraestructura técnica. Administra una "red institucional" conformada por 5 instituciones: la Ciudad de Los Niños, el Centro de Formación Profesional, el Polígono Industrial Don Bosco, el Colegio Santa Cecilia, el Instituto Técnico Ricaldone y el Programa de Crédito y Extensión Industrial para la Micro y Pequeña Empresa. Cada una de estas unidades tiene su propio personal, recursos, y infraestructura. Capacita en 22 áreas relacionadas con la industria y los servicios y en 3 vinculadas con la agricultura. El promedio anual de capacitados durante los últimos 3 años es de alrededor de 10,400 personas en 20 especialidades. FEDISAL ha manejado durante los años 1993 y 1994 recursos presupuestarios que ascienden a US\$9.1 millones, de los cuales el 66% se destinó a capacitación de desmovilizados de FAES y FMLN, el 31% a becas para demobilizados de FAES y FMLN y el 3% capacitación y rehabilitación de discapacitados de FAES.

PROPOSED RESOLUTION

EL SALVADOR. NONREIMBURSABLE TECHNICAL COOPERATION
FOR A SUPPORT PROGRAM FOR THE DEVELOPMENT OF A
PRIVATE CONSORTIUM FOR LABOR TRAINING

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 Fundación para la Educación Integral Salvadoreña (FEDISAL) and to take such additional measures as may be pertinent for the execution of the project memorandum referred to in Document MIF/AT- with respect to a nonreimbursable technical cooperation for a Support Program for the Development of a Private Consortium for Labor Training.

2. That up to the amount of US\$4,000,000 or its equivalent, is authorized for the purpose of this resolution, chargeable to the resources of the Human Resources Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.