

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

COLOMBIA

**REFORM PROGRAM TO STRENGTHEN THE
NATIONAL HUMAN CAPITAL FORMATION SYSTEM**

(CO-L1112)

LOAN PROPOSAL

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REQUIRED	
1.	Policy letter http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=37228410
2.	Means of verification http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=37031166
3.	Results matrix http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36920557
OPTIONAL	
1.	Economic assessment http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36930547
2.	Monitoring and evaluation plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36920362
3.	PMR http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36921014
4.	Sector work index http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=36930821
5.	Safeguard screening form http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=37001807

ABBREVIATIONS

CERES	Centros Regionales de Educación Superior [Regional Higher Education Centers]
CIGERH	Comisión Intersectorial para la Gestión del Recurso Humano [Interagency Commission for Human Resource Management]
COLCIENCIAS	Departamento Administrativo de Ciencia, Tecnología e Innovación [Administrative Department of Science, Technology, and Innovation]
CONPES	Consejo Nacional de Política Económica y Social [National Economic and Social Policy Council]
DANE	Departamento Administrativo Nacional de Estadística [National Administrative Department of Statistics]
DNP	Departamento Nacional de Planeación [National Planning Department]
EGERH	Estrategia Nacional para la Gestión del Recursos Humano [National Strategy for Human Resource Management]
FFF	Flexible financing facility
GCI-9	Ninth General Capital Increase, or Ninth General Increase in the Resources of the Inter-American Development Bank
ICTs	Information and communications technologies
MCIT	Ministry of Commerce, Industry, and Tourism
MEN	Ministry of National Education
MHCP	Ministry of Finance and Public Credit
MPS	Ministry of Social Protection
MT	Ministry of Labor
NDP	National Development Plan
NQF	National Qualifications Framework
OC	Ordinary Capital
OECD	Organization for Economic Cooperation and Development
ONAC	Organismo Nacional de Acreditación de Colombia [National Accreditation Agency of Colombia]
PBP	Programmatic policy-based loan
SCFCH	Sistema de Calidad de la Formación de Capital Humano [Human Capital Formation Quality System]
SCL	Sistema de Competencias Laborales [Job Skills System]
SECO	State Secretariat for Economic Affairs of Switzerland
SENA	Servicio Nacional de Aprendizaje [National Learning Service]
SFCH	Sistema de Formación del Capital Humano [Human Capital Formation System]
SICECOL	Sistema de Certificación de Competencias Laborales [Job Skills Certification System]
SICH	Sistema de Información de Capital Humano [Human Capital Information System]
SNC	Sistema Nacional de Cualificaciones [National Qualifications System]
VT	Vocational training

PROJECT SUMMARY
COLOMBIA
REFORM PROGRAM TO STRENGTHEN THE
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Financial Terms and Conditions			
Borrower: Republic of Colombia Executing agency: Ministry of Finance and Public Credit (MHCP), in technical coordination with the National Planning Department (DNP)		Flexible Financing Facility*	
		Amortization period:	Bullet on 15 August 2025
		Original WAL:	Up to 12.75 years**
		Grace period:	Bullet on 15 August 2025
		Disbursement period:	1 year
Source	Amount (US\$)	Inspection and supervision fee:	***
IDB: Ordinary Capital (OC)	100 million	Interest rate:	LIBOR
Local	0	Credit fee:	***
Total	100 million	Currency:	United States dollars from the OC
<p>Program objectives: The general objective is to help improve the quality and relevance of human resource training as a means of raising labor productivity in the long term. The specific objective is to support consolidation of the Human Capital Formation System (SFCH). This operation has four components: (i) Component 1: Macroeconomic context; (ii) Component 2: Strengthening of the Interagency Commission for Human Resource Management (CIGERH) and involvement of the productive sector in the CIGERH Technical Committee; (iii) Component 3: Development of the National Qualifications System with the productive sector, and (iv) Component 4: Involvement of the productive sector in the National Strategy for Human Resource Management (EGERH).</p> <p>This operation has been structured as a programmatic policy-based loan. It is the first of three possible operations that are technically linked but independently financed.</p> <p>This program is aligned with the Bank's country strategy with Colombia (document GN-2648-1), which emphasizes the importance of making technical training offerings more relevant.</p>			
<p>Special contractual clauses: Disbursement of the proceeds of the single tranche will be contingent upon meeting the agreed targets set in the Policy Matrix (Annex II).</p>			
<p>Exceptions to Bank policies: None.</p>			
<p>Project qualifies as: SEQ [X] PTI [X] Sector [X] Geographic [] Headcount []</p>			

* Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

** The WAL may be shorter, depending on the actual signature date, but in no case longer than 12.75.

*** The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problems addressed, and rationale

- 1.1 **Economic, social, and employment context.** Colombia has been characterized by its strong economic performance in recent years. With the steady recovery since the slowdown associated with the 2009 crisis, consolidation of fiscal accounts, and regular meeting of inflation targets, its debt has regained an investment grade rating. In 2011 the rate of GDP growth was 5.9%, driven by the mining (14.3%), transportation (6.9%), and trade sectors (5.9%). Demand was stimulated by higher gross capital formation (17.2%), exports (11.4%), and total consumption (5.8%). Inflation was slightly higher than the previous year (3.7%), but lower than the region's average (7.1%). This economic growth allowed for improvement in public finances. Between 2010 and 2011, the tax revenue of the central national government grew 25%, and the deficit declined from 3.8% of GDP to 2.9%. In the same period, moreover, the central national government's net debt declined from 38.4% to 35.1% of GDP.
- 1.2 The pace of economic growth rate is expected to slow in 2012, given the sluggish recovery in the United States and the recession in Europe.¹ Colombia's financing requirements will be approximately US\$23 billion (7% of GDP), and repayments will total US\$10 billion. The central national government's sources of finance include domestic debt disbursements for 60% of the total, and external 18%. External borrowing requirements are projected at US\$4.1 billion, financed with bond issues of US\$3 billion, and US\$1.1 billion from multilaterals. This operation will contribute to the latter amount, accounting for 9%.
- 1.3 The country's economic gains have been accompanied by improvements in the social sector. Nevertheless, poverty and indigence remain at high levels with rates of 34.1% and 10.6% in 2011. Inequality is still elevated with a Gini coefficient of 0.548, one of the world's highest. Employment and labor force participation rates have been rising, but with no significant improvements in terms of unemployment and job quality. In mid-2011² the employment rate was 55.9%, its highest level in the last ten years. Similarly, the labor force participation rate was 63%, compared to 59.7% two years earlier. The most dynamic sectors in terms of job creation were trade, hotels and restaurants (35% of the total), and construction (16% of the total). These employment dynamics brought down the annual average unemployment rate from 11.8% in 2010 to 10.8% in 2011. However, unemployment remains high, primarily among young people and those with less schooling, who tend to come from the lower socioeconomic strata. Thus, in 2011 youth unemployment was more than double the adult unemployment rate (20%). In addition, unemployment among high school graduates was 15.4%, whereas the unemployment rate was 13.3%

¹ See, for example, IDB (2012a), "2012 Latin American and Caribbean macroeconomic report: The world of forking paths: Latin America and the Caribbean facing global economic risks," IDB.

² The data presented here were calculated using DANE survey findings provided by Colombia's National Planning Department (DNP). The data are for the period August 2010 to July 2011.

among individuals holding a technical or technology qualification, and 9.6% among those with university degrees. Nor did economic growth lead to a significant improvement in the quality of jobs. The increase in the number of people employed was greater among the self-employed, most of whom work in the informal sector (90% do not pay a pension contribution). Informality continues to affect over half of the labor force (68% of people at work do not pay a pension contribution). Labor productivity in Colombia is also relatively low. According to the National Development Plan 2010-2014, average labor productivity in Colombia is 24% of that in the United States, and less than 20% in the sectors creating the most jobs: trade and industry. This is a constraint on sustained growth and improved living conditions for the population.³

- 1.4 **Colombia's Human Capital Formation System (SFCH).** Human resource training takes on particular importance in this context of growth accompanied by low labor productivity and poor quality jobs. For example, according to the IDB (2012b),⁴ on average, each year of education raises income by between 5% and 11% in developed countries. Similarly, according to the Organization for Economic Cooperation and Development (OECD), one additional year of education would increase aggregate productivity by at least 5%, whereas an increase of 10% in the time a person devotes to training would reduce their likelihood of becoming unemployed by nearly 0.2 percentage points.⁵ There is also evidence of the effects of vocational training (VT) on firms' productivity and employees' income and working conditions. For example, Zwick (2006)⁶ found that in Germany an increase of 1% in the proportion of employees receiving training increases firms' productivity by 0.76%.⁷ Human resource training is also important for economic growth (Romer (1986), Lucas (1988)).⁸ The evidence cited above is limited to developed countries. There is little robust evidence for Colombia and/or the

³ According to IDB (2010), "The age of productivity: Transforming economies from the bottom up," the low economic growth characterizing the region until just a few years ago was accompanied by insufficient productivity growth. The study estimates that the region's per capita income would double, if labor and capital factors reached the same productivity level as in the United States.

⁴ IDB (2012b), "Es rentable la capacitación de trabajadores con empleo" [Training employed workers is profitable], IDB discussion note. This study presents the available evidence on the effects of education and job training. See also Bassanini et al. (2005), "Workplace training in Europe," IZA Discussion Papers, No. 1640.

⁵ OECD (2004), "OECD Employment Outlook," and OECD (2004), "Education at a glance."

⁶ Zwick, T. (2006), "The impact of training intensity on establishment productivity." *Industrial Relations: A Journal of Economy and Society*, Vol. 45, No. 1.

⁷ Similarly, Parent (2003) found that in Canada, VT increased men's wages by over 10%. See Parent, D. (2003), "Employer supported training in Canada and its impact on mobility and wages. *Journal of Human Resources*, Vol. 3.

⁸ Lucas, R. (1988), "On the mechanics of economic development," *Journal of Monetary Economics*, No. 22; and Romer, P. (1986), "Increasing returns and long-run growth," *Journal of Political Economy*, Vol. 94.

countries of the region in general (IDB (2012b), Urzúa and Puentes (2010)).⁹ As will be discussed below, given the quality and relevance problems affecting human resource training in Colombia, more and better training can be expected to improve labor productivity and incomes (Attanasio et al. (2008)).¹⁰

- 1.5 In Colombia, human resource training is the responsibility of the Human Capital Formation System (SFCH), comprising both formal education and VT. Formal education is divided into basic education (primary/middle school), secondary education (academic and technical), and higher education (technical, technological, and university). VT is provided by the National Learning Service (SENA), and by public and private institutions under the aegis of, or regulated by, the Ministry of National Education (MEN) and the Ministry of Labor (MT). The SFCH faces constraints that prevent it from contributing enough to raising productivity or improving living conditions. There are problems of access and equity. Overall average schooling is eight years,¹¹ but in the two lowest income quintiles the average is less than six years. Although primary school coverage is almost universal, it declines as one gets into secondary and higher education to 37% among young people aged 17 to 21 years. Students in higher education come mainly from households with incomes above the average for the population. On top of these equity and access problems, relevance becomes an issue in higher education, since two thirds of students opt for a university education, and only one third for a technical or technological education.¹² The situation with VT is similar, in that coverage is also low and uneven. According to the 2009 Social Protection Survey, just 21% of the population over age 17 would receive some form of job training. Of this group, the majority had a higher than average level of educational attainment and had received this training in their company.¹³ Although the focus of job training on the educated population is similar to the international pattern (IDB (2012b)), opportunities for improved job performance are limited for the less qualified individuals who need them most.

⁹ Urzúa, S. and Puentes, E. (2010), “La evidencia del impacto de los programas de capacitación laboral en el desempeño en el mercado laboral” [Evidence of the impact of job training programs on performance in the job market], IDB, Technical note IDB-TN-268. The study analyzes assessments of 164 job training programs worldwide, 20% of which are in the region. Most of this evidence relates to programs targeting poor young people.

¹⁰ The experimental impact evaluation of the Jóvenes en Acción [Youth in Action] program by Attanasio et al. (2008) found that it increased: (i) the likelihood of being employed by 5%, but only among women; (ii) the likelihood of having a formal sector job by 6% for men, and 7% for women; and (iii) income by 18% for women, and 8% for men.

¹¹ SEDLAC data thru 2006. In Chile and Argentina this average is around 11 years.

¹² Higher education offerings are still concentrated in the country’s big cities. For example, the Bogotá Capital District accounts for almost a third of the educational offerings. For more details, see IDB (2011), “Nota técnica: Educación en Colombia” [Technical note: Education in Colombia]. Mimeo.

¹³ The main reasons for not receiving training are economic and the lack of information on its benefits. For more details, see IDB (2010), “Nota técnica: Capacitación laboral en Colombia” [Technical note: Job training in Colombia], Mimeo.

- 1.6 The Human Capital Formation System (SFCH) also has limitations in terms of the relevance and quality of the training it offers, which does not fully meet the human resource needs of the productive sectors.¹⁴ Although the main reasons for the low coverage of secondary and higher education are economic, another important reason is the limited relevance of the subjects covered by the programs, which tend to be somewhat unappealing to students and poorly matched to the needs of the labor market.¹⁵ According to the MEN's employment observatory, over 58% of recent graduates are unable to find work in their profession or do not have the experience companies require.¹⁶ Colombia lacks systematic information that would allow it to determine and/or predict human capital needs in the productive sector in the short, medium, or long term (see CONPES 3674). For example, there is no survey of companies reporting how they have been meeting their human resource training needs, or the relationship between this training and business productivity. In terms of quality, just 7% of higher education institutions and programs have a high quality accreditation, and 53% of VT programs have a record of minimum quality conditions (see National Development Plan 2010-2014). The National Learning Service (SENA),¹⁷ Colombia's main VT provider, has increased the number of short courses at the expense of courses of longer duration, which are of higher quality (Lucio and Oro (2006)). Moreover, the quality and infrastructure of VT institutions coordinated by the MEN, the private sector, and departmental and municipal governments is very mixed, and the scattering of institutions hinders individual horizontal mobility. These problems explain why Colombia does poorly on international school performance tests.¹⁸ In the specific case of VT, there is no equivalent information about trainees' performance, although low labor productivity would reflect relevance and quality problems.
- 1.7 The problems mentioned above are due to the scarcity of linking mechanisms and instruments whereby the world of work can make its needs for skilled personnel known to the educational and VT systems. The MEN has made some initial

¹⁴ See OECD (2010), "Colombia Economic Assessment."

¹⁵ A study by [Universidad Pedagógica Nacional](#) (UPN) (n.d.), "La deserción estudiantil: reto investigativo y estratégico asumido de forma integral por la UPN" [Student dropout: Research and strategic challenge fully assumed by the UPN], highlights the lack of appeal and linkage as the third most important reason for young people to drop out of higher education (the first two being economic and employment-related).

¹⁶ According to company information (see CONPES 3674), companies have difficulty filling technical and technology posts as a result of insufficient qualifications and the shortage of graduates with the required level of training.

¹⁷ The institution has 117 training centers throughout the country. SENA trains a total of six million people each year with a budget of around US\$500 million.

¹⁸ For example, Colombia performed poorly in the PISA 2006 tests, ranking 53rd in science and 51st in language out of a total of 57 countries. For more details, see Duarte, J., Bos, M., and Moreno, J. (2012), "Calidad, igualdad y equidad en la educación colombiana (Análisis de la prueba SABER 2009)" [Quality, equality and equity in Colombian education (analysis of SABER tests 2009)], IDB, Technical note IDB-TN-396.

overtures to the productive sector. One example is the Project to Strengthen Technical and Technological Education.¹⁹ For its part, SENA has conducted consultations and documented the productive sector's human resource needs through a Job Skills System (SCL). SENA has established 70 sector discussion forums and drafted over 2,200 job skill standards. However, these standards have not yet permeated through to all SENA's training, that of other VT institutions, or the educational system. SENA also conducts evaluation and certification, which undermines its credibility and is not in line with the principles by which similar systems in developed countries operate.

- 1.8 **The Job Skills System (SCL) as the basis for ongoing training with relevance and quality.** Most OECD countries have job skills systems that aim to horizontally coordinate training with the world of work. The job skills standards describe the knowledge, abilities, and competencies required to perform productive functions. These standards are defined jointly with the business sector and workers, and are the basis for the development of National Qualification Frameworks (NQFs), which encourage ongoing training by allowing development and classification of qualifications (at national or sector level) in accordance with a set of criteria with equivalences in the educational and VT systems (CEDEFOP (2010)).²⁰
- 1.9 SCLs involve processes of standardization, evaluation, and certification of job skills. The standardization process enables job skill standards to be defined and updated. Standards constitute a shared language that is a fundamental tool for dialogue between the worlds of work and training. They state the human capital qualifications required by productive sectors and serve as a resource in developing training to help equip people with the expected qualifications. Job skills evaluation and certification processes make it possible to assess whether people have the skills defined by the standards, and demonstrate that fact with the corresponding certificate. These processes include procedures to guarantee quality, and ensure transparency and confidence in the validity of the job skill being certified. Moreover, job skill standards have become a benchmark for the documentation and coordination of national sources of information on human capital (for example, surveys). As well as facilitating a shared vision of the state of play, information systems of this kind make it possible to monitor significant changes in general demand trends; analyze and measure the effect of education and training policies; remedy shortcomings and deviations; and guide public and private investment to improve its relevance and effectiveness. The productive sector performs a key role through its involvement in: (i) the definition and updating of standards; (ii) ensuring

¹⁹ Under the project, investment projects are developed with the productive sector at technical and technological training institutions. For more details, see MEN (2010), "Proyecto de fortalecimiento a la educación técnica y tecnológica en Colombia" [Project to strengthen technical and technological education in Colombia], MEN report.

²⁰ CEDEFOP (2010), "Added value on national qualifications frameworks in implementing the EQF," *European Qualifications Frameworks Series*, No. 2, European Commission.

- quality of assessment processes; (iii) certification; and (iv) use of the job skills system to manage human resources.
- 1.10 There is no single SCL model,²¹ but international experience has revealed several short-, medium-, and long-term stages in SCL development, including: conceptual design and functional structure, regulation, sector implementation, and national expansion. An SCL's success is also crucially dependent on the engagement and co-responsibility of the productive sector at all stages. Other common factors in success are: (i) relevant key information on training for a clear understanding and identification of the main market defects; (ii) sustained and coordinated involvement of the different social actors; (iii) mechanisms to guarantee relevance and quality; and (iv) alignment and constant interaction between education and vocational training. In the success stories, the government, productive sector, and workers collaborate to design instruments and institute effective mechanisms to promote ongoing training, so as to enhance employability and productivity (OECD (2012)).²²
- 1.11 **The commitment of the Government of Colombia to strengthening of the SFCH and lifelong training based on an SCL.** Colombia's authorities recognize the limitations of the current SFCH and are committed to restructuring it into an SCL. This commitment is worth highlighting, since in the region only Mexico and Chile have been working for several years to implement an SCL at the national level. The National Development Plan 2010-2014 (NDP) mentions that the Colombian government "is committed to human capital formation with an emphasis on job skills, to strengthen human development and foster productivity" (page 91). The NDP also indicates that the training strategy will be pursued in accordance with CONPES²³ document 3674, published in 2010: "Lineamientos de política para el fortalecimiento del Sistema de Formación del Capital Humano (SFCH)" [Policy outline for Strengthening of the Human Capital Formation System].
- 1.12 The objective of strengthening the SFCH is to guarantee human capital formation processes through lifelong skills training based on the National Strategy for Human Resource Management (EGERH).²⁴ This strategy makes the relevance and quality of the SFCH a top priority and seeks to create the conditions for the population to accumulate human capital. The strategy's institutional framework is based on:

²¹ Each country's system will depend on its development priorities, unique features, and the structure of production and the labor market.

²² OECD (2012), "Better skills, better jobs, better lives: A strategic approach to skills policies," OECD Publishing.

²³ The National Economic and Social Policy Council (CONPES) advises the government on economic and social development issues and guides the preparation of documents on the development of general policies.

²⁴ The government has also formulated a National Competitiveness Policy (CONPES 3527), which considers human resource training key for productivity gains. The policy recognizes an important role for the productive sector in all processes defined by implementation of the EGERH.

- (i) the Interagency Commission for Human Resource Management (CIGERH); (ii) the Job Skills Certification System (SICECOL); and (iii) the Human Capital Formation Quality System (SCFCH).
- 1.13 According to CONPES 3674, the first pillar is to establish CIGERH, as the governing body for the strategy with a mandate to steer the process and make decisions concerning strategy implementation. CONPES identifies CIGERH as the body responsible for: (i) integrating information from both the productive and training sectors, so as to obtain data for analysis; (ii) analyzing the current state of human resource management and determining the existing challenges that may constrain productivity increases; and (iii) establishing policy outlines to guide the supply of human resources in the country. CIGERH is comprised of the highest authorities of the Ministry of Social Protection (MPS), Ministry of National Education (MEN), Ministry of Commerce, Industry, and Tourism (MCIT), Administrative Department of Science, Technology, and Innovation (COLCIENCIAS), and National Planning Department (DNP). An executive committee has been created under CIGERH, tasked with developing issues and referring them for approval to the members of CIGERH. The Executive Committee is comprised of the most directly involved directors at the aforementioned ministries and the delegates of SENA and the National Administrative Department of Statistics (DANE). The MPS serves as technical secretary for the Executive Committee, designing the operating manuals and other tools for the EGERH's implementation. The Executive Committee will be supported by four technical subcommissions.²⁵
- 1.14 The second pillar of the EGERH is the Job Skills Certification System (SICECOL), which aims to promote the job skills focus with a set of policies and guidelines to organize and facilitate evaluation and certification of these skills. According to the NDP, this system: “will make it possible to promote greater access to mechanisms enabling certification and recognition of jobs skills as the most appropriate requirement for accessing job opportunities, both for the employed population and those unemployed who have acquired the knowledge, abilities, and skills through the SFCH or outside formal learning mechanisms” (page 97). CONPES 3674 mentions the need for this system to build on the work done by SENA and the National Accreditation Agency of Colombia (ONAC). The third pillar is the Human Capital Formation Quality System (SCFCH), which aims to promote the country's existing quality accreditation mechanisms and strengthen the VT quality system.
- 1.15 From a legal standpoint, this institutional structure proposed by CONPES 3674 will not come into effect until there is a legal instrument (decree) formally establishing the CIGERH and the other bodies reporting to it (subcommittees, committees, etc.).

²⁵ These are: (i) development of the labor market and training information system on human resource demand trends; (ii) development of the National Qualifications System (SNC); (iii) promotion of the model of human resource management by job skills within the productive sector and determination of its human resource needs; and (iv) promotion of job skill based training offerings to meet human resource needs.

- 1.16 In summary, CONPES proposes a strengthening of the SFCH into a model of ongoing job skill based training. This transformation will take time and involves institutional and technical challenges. Based on Grafe (2012)²⁶ and conversations with the Government of Colombia, the EGERH, like any national strategy, will necessarily entail the introduction of guidelines supported by public policies that are sustainable over the long term. This will require: (i) sufficient technical capabilities at the institutions to formulate, execute, and evaluate complex policies aligned with the EGERH; (ii) decisions by the CIGERH bodies leading to policy adjustments and legal/regulatory changes that have the desired effects; (iii) sufficient and ongoing budgetary commitments to finance policy implementation over the long term; (iv) coordination capacity to manage the various different interagency mechanisms for coordination at different levels (national, regional, local, etc.) with other, related public policies (competitiveness, innovation, etc.) and with other strategic partners (public and private); and (v) guarantees of proper project execution, requiring the establishment of interagency technical working groups. It is also crucial to involve the private sector in EGERH implementation from the outset. This calls for strong public leadership and strategic partnerships with the private sector.
- 1.17 **Main challenges for EGERH implementation.** The Colombian government has begun implementation of the EGERH, although not all the progress made has followed the CONPES 3674 definitions to the letter. The Ministry of Labor (MT) was established in 2011, bringing the functions previously performed by the Ministry of Social Protection (MPS) into the EGERH. As of 2012, the MT is also in charge of a CONPES department linked to the Technical Committee (called the Executive Committee at CONPES) and must provide administrative support to the Commission and working subcommissions.
- 1.18 Moreover, the decree establishing the CIGERH has not been approved. A first draft of the decree shows that the CIGERH will no longer be given the steering role for the EGERH on the initial CONPES terms, but only a guidance and coordination role for the policies to promote EGERH implementation. This change could give the CIGERH less weight in the interagency coordination that will be required. In addition, the decree would increase the number of constituents in the CIGERH to eight: MT, MEN, MCIT, DNP, COLCIENCIAS, DANE, SENA, and the Administrative Department of the Civil Service; and it would allow delegates of senior staff at the institutions involved to take part in meetings.
- 1.19 These changes will heighten the challenge of coordination, decision-making, and monitoring and performance of the agreements involved in running the EGERH through the CIGERH. It will therefore be necessary for the EGERH's operating regulations to reflect a model for the management of the EGERH's and include the

²⁶ Grafe, F. (2012), "Diagnóstico del modelo de funcionamiento del Consejo Interinstitucional para la Gestión del Recurso Humano (CIGERH)" [Diagnostic assessment of the CIGERH's operating model], Consulting report for the IDB.

mechanisms necessary for effective coordination among the institutions involved in the strategy. In particular, these operating regulations must present a thorough analysis of the Colombian policy bodies related to the EGERH and specify: (i) the institutional structure, in terms of the roles and responsibilities of each of the CIGERH constituent agencies or bodies; among other things, it will be important to consider providing the technical committee with the tools to perform its function as the driver of EGERH implementation; (ii) management instruments and rules for decision-making and implementation of the proposals formulated by the technical committee and their approval at CIGERH plenary meetings; (iii) the model for integration of the productive sector into this structure; (iv) the guidelines for the involvement of other actors and different initiatives in progress; and (v) the financing requirements of the actions pursued and their allocation to the various CIGERH bodies. This is one of the main tasks to be supported by the Bank under technical cooperation operation ATN/CF-13397-CO and program Component 1.

- 1.20 The Colombian government has also been making progress on implementation of the main components of the EGERH. With the Bank's support, the MEN laid the groundwork for a NQF.²⁷ DANE conducted a diagnostic assessment of sources of statistical information on human resource supply and demand in Colombia. The subcommissions and their areas of responsibility have been redefined:

Subcommission	Issues addressed	Participating bodies
Information and statistics subcommission	1. Statistical plan 2. Information system for human resource management 3. Foresight and prediction model	DANE, MT, SENA, MEN, MCIT, DNP, COLCIENCIAS
National qualifications system subcommission	1. National qualifications system 2. National qualifications framework 3. Quality assurance system	MT, SENA, MEN, DNP COLCIENCIAS, DANE
National and regional interest groups subcommission	1. Productive sector involvement 2. Training sector involvement 3. EGERH regionalization	MCIT, DNP, MT, SENA, MEN, COLCIENCIAS

- 1.21 In late 2011 there was no conceptual definition or common action plan for development of the SICECOL due to the technical complexity of a system of this kind and the limited operational knowledge of job skills certification processes on

²⁷ See the following consulting reports: Caro, B. and Casas, A. (2011), "Bases para la construcción de un Marco Nacional de Cualificaciones" [Groundwork for the construction of a National Qualifications Framework]; Henao Vallejo, M. (2011), "Propuesta de trabajo para la construcción e implementación de un Marco Nacional de Cualificaciones para Colombia" [Work proposal for the construction and implementation of a National Qualifications Framework for Colombia].

the part of most EGERH actors. This had led to the working subcommissions conducting activities and producing outputs in parallel, without taking complementarities and synergies sufficiently into account. However, the subcommissions' work has been better coordinated since 2012, and a job skills standardization pilot is due to be run in the information and communication technology (ICT) sector to support the definition of general rules of operation and the basic operational structure of the National Qualifications System. These activities will be supported by the Bank.

- 1.22 Lastly, the productive sector has not yet become as involved as it should in the EGERH, which is not consistent with the experience of job skills systems (SCLs) in developed countries, where this sector participates and has co-responsibility in all stages of system construction. Neither CONPES 3674 nor the proposed CIGERH decree considers the productive sector as a constituent member of the CIGERH. Although there are legislative reasons why this sector cannot be part of the CIGERH, it could be incorporated into the technical committee. Moreover, although work has been done with the Private Council on Competitiveness on various activities, these have not been integrated with the EGERH, and the majority of the country's unions and companies remain unaware of the EGERH, its objectives, or its ramifications.
- 1.23 **Bank support for consolidation of the SFCH.** The Government of Colombia has requested support for implementation of the EGERH and for development of a National Qualifications System (SNC) in the medium and long term. Implementation of the SNC will require several stages: conceptual design and functional structure, regulations, sector implementation, and national expansion. To accomplish this, the Bank is structuring this policy-based loan with three possible operations that are technically linked but independently financed. In the first operation, the CIGERH will be formalized, and development of the EGERH operating regulations will begin, the conceptual design of the SICECOL will be completed, and a SNC pilot will be launched in the ICT sector. This pilot will provide input for development of the general rules of operation and the basic operational structure of the job skills standardization, evaluation, and certification processes. The Sector Statistics Plan for Human Resource Management will also be approved, and the company survey on productivity and human capital formation will be developed. Lastly, the productive sector will become actively involved in the execution of the SNC pilot in the ICT sector, and a working route will have been established to increase its involvement in the EGERH. In the second operation, the EGERH operating regulations, SNC operating regulations, and conceptual design of the NQF and the Human Capital Information System (SICH) will be approved, and the first company survey will be conducted. The productive sector's involvement in the SNC and in the EGERH's implementation will also be established. By the third year, at the end of the series, the SFCH will have been consolidated, and as a result the institutional structure and the main policy areas of the EGERH will have been implemented: the CIGERH will be fully operational; it will have the tools to ensure that human resource training is relevant and of high

- quality with the creation of the SNC; standards will have been published and job skills certificates issued, with the active involvement of the productive sector; and the detailed structure of the NQF will have been approved. The three operations will set the stage for national expansion of the SNC and strengthening of the SFCH.
- 1.24 To support the government in design and implementation of the reforms promoted by the operation, the Bank approved technical cooperation operation ATN/CF-13397-CO for US\$600,000, financed with cooperation resources from the State Secretariat for Economic Affairs of Switzerland (SECO), which will support the following actions: (i) definition of the institutional structure required by the SFCH, the CONPES 3674 definitions, and the progress made in this area (the inputs to this action will be used in formulating the EGERH's operating regulations); (ii) definition of SICECOL's conceptual framework as the instrument for coordination of the SFCH; (iii) design and implementation of a company survey on human resource training and productivity; and (iv) raising awareness of the EGERH with the productive sector in order to engage it in all these efforts. This operation also complements another operation in preparation (loan CO-L1113), which is an investment loan aimed at improving the effectiveness of SENA's training and job placement services, to accompany the efforts being made with the EGERH. The operation seeks to improve SENA's functions and procedures for the standardization, evaluation, and certification of job skills standards, based on standard job skills system criteria within the framework of the SNC policy documents formulated by the EGERH. This work will be crucial to the preparation of the methodology underlying the development of SICECOL.²⁸ The Bank has also recently approved loan 2709/OC-CO for the MEN, with the aim of pursuing dialogue and partnerships with productive sectors through the Project to Strengthen Technical and Technological Education.
- 1.25 **The Bank's country strategy, sector strategy, and GCI-9.** This program is aligned with the Bank's country strategy with Colombia 2012-2014 (document GN-2648-1). The Education and vocational training section of the strategy highlights the importance of increasing the relevance of technical training offerings. The program also fits into the sector priorities set in the Ninth General Increase in the Resources of the Inter-American Development Bank (document AB-2764), specifically, a social policy for productivity.
- B. Objectives, components, and cost**
- 1.26 The general objective is to help improve the quality and relevance of human resource training as a means of raising labor productivity in the long term. The specific objective is to support consolidation of the Human Capital Formation System (SFCH), based on the National Strategy for Human Resource Management

²⁸ For example, pursuing improvements in the sector boards and defining job-skill standards with the productive sector in the five sectors the Colombian government considers to be economic drivers: mining/energy sector, farming, transportation infrastructure, homebuilding, and technology and innovation.

(EGERH) established in CONPES 3674, by means of the components described below.

- 1.27 **Component 1: Macroeconomic context.** The objective of this component is for the borrower's macroeconomic environment to be consistent with the project objectives and the sector policy letter.
- 1.28 **Component 2: Strengthening of CIGERH and involvement of the productive sector in its Technical Committee.** The objective of this component is to promote development and implementation of the institutional structure required for effective implementation of the EGERH, and to engage the productive sector as a key actor. The aim in the first year of the loan is to ensure that the CIGERH has the decree enabling it to formally operate. A second aim is to start preparation of the EGERH operating regulations, and that they reflect the right management model for all its actions and enable the CIGERH to coordinate the interagency strategy implementation work. These regulations will present a thorough analysis of Colombian policy initiatives related to the EGERH and propose roles and responsibilities for each constituent member of the CIGERH. The second and third phases of the programmatic series will address, respectively, approval of the EGERH operating regulations, and the regular meetings of the CIGERH.
- 1.29 **Component 3: Development of the National Qualifications System (SNC) with the productive sector.** This component seeks to develop the SNC, which will involve SICECOL; i.e., the processes of standardization, evaluation, and certification of job skills, and the National Qualifications Framework (NQF). The SNC will allow job skills standards to be defined and updated with the productive sector's involvement, and processes to be created for the evaluation and certification of job skills. The standards will be used as the basis for the NQF. This component also aims to develop a Human Capital Information System (SICH) that will contribute to EGERH implementation in conjunction with the SNC. In the first phase of the programmatic series, the focus will be on the conceptual design of the SICECOL. A pilot will also be launched in the ICTs sector, with the co-responsible involvement of the productive sector, to provide input for development of the rules of operation that will determine the basic operational structure for the SNC's standardization, evaluation and certification processes. Moreover, in order to make progress on development of the SICH, a Sector Statistics Plan for Human Resource Management will also be prepared, containing: the description of the sources of information on human capital available in the country; analysis of the statistical operations in these sources; a proposal for their coordination; a proposal for new statistical operations; and an action plan for improvements to these operations, established in consultation with the entities involved. The design of a survey of companies on worker productivity and training is also planned in relation to this system. This survey will be representative at the national level and will be conducted periodically. In the second phase, the general rules of operation and the basic operational and financing structure will be defined for the job skills standardization, evaluation, and certification processes (definition and update of

standards). Support will also be provided for design of the NQF, on which the Government of Colombia has been working, and the SICH. The first company survey will also be conducted, and its findings presented, and the implementation plan will be prepared for the second survey. In the final phase, the first group of job skill standards will be published, and the first certificates issued, the detailed structure of the NQF will be defined, and the SICH will enter into operation.

- 1.30 **Component 4. Productive sector involvement.** This component cuts across components 2 and 3, as it focuses on achieving the active involvement of the productive sector in the EGERH. The productive sector was already actively involved under component 3 with the pilot in the ICT sector, but other sectors will need to be engaged on the basis of that experience. The working route for the awareness strategy for rapprochement with the productive sector at the national level will be defined in the first year. In the second year the productive sector will be engaged in the pilot in the ICTs sector at a stage where the lessons learned from the pilot will provide input for development of the rules of operation and basic operational structure for the SNC's job skills standardization, evaluation, and certification processes. The third phase will ensure that the productive sectors of interest are involved in implementation of the EGERH.

C. Key results indicators

- 1.31 The Results Matrix (required link 3) identifies both the final outcomes and the commitments made by the Government of Colombia for implementation of the EGERH by its various participating entities, and specifies the type of means of verification for each indicator. The impact indicators used are the rates of labor productivity increase, average wage paid by companies, and the increase in job quality.
- 1.32 **Economic analysis.** An analysis was conducted of the monetary benefits of the policy reforms envisaged by the programmatic series. This analysis was based on the benefits in terms of workers' wages and the incomes of unemployed people who find work. Given that the resources under a programmatic policy-based loan (PBP) are not tied to the cost of implementing the reforms, costs cannot be allocated directly. Instead, an assessment is made as to whether the discounted value of the expected benefits is sufficient to cover the amount borrowed. This analysis shows the program would have a discounted net benefit of US\$44 million.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Financing instrument.** This programmatic operation, based on the New Lending Framework (document GN-2200-13) and the guidelines for preparation and implementation of policy-based loans (document CS-3633), is the first of three consecutive operations, each of a single tranche, which are technically linked but independently financed. A programmatic series was chosen because it allows policy

- dialogue with the government to be strengthened in a process of human resource training reform, and given the complexity of the measures pursued, their implementation periods, and the importance of monitoring and adjusting them.
- 2.2 **Amount.** This operation is for a total of US\$100 million, which will be disbursed in a single tranche. The preliminary estimate is that the financing for the second operation could be US\$100 million; this will be specified at the appropriate time as part of the annual programming dialogue, considering the country's external financing requirements, the priorities of the Bank's country strategy with Colombia, and progress on the policy matrix. The amount proposed for the program is justified by the country's financing requirements to maintain a stable macroeconomic environment, the actions and reforms being developed and implemented by the Colombian government, the institutional complexity of the proposed reforms, and their expected outcomes and benefits.
- 2.3 **Currency.** This operation will be financed with resources of the Flexible Financing Facility (FFF) in United States dollars from the Bank's Ordinary Capital (OC).
- B. Environmental and social safeguard risks**
- 2.4 As this operation is a policy-based loan, its potential environmental impacts were assessed under Directive B.13 of the Bank's Environment and Safeguards Compliance Policy. The features of the program are such that it has no direct or indirect adverse impact on the environment and natural resources, or on indigenous populations.
- C. Fiduciary risks**
- 2.5 As this operation is a policy-based loan, the resources are untied, so there is no fiduciary risk.
- D. Other risks**
- 2.6 One risk is that the large number of EGERH institutions may hinder effective coordination, and/or the key agencies may have no firm commitment to develop the EGERH. To mitigate this risk, the program has a component to strengthen the CIGERH. Additionally, the Bank will support development of the EGERH operating regulations and guidelines for a unit to facilitate decision-making and ensure effective coordination, with resources from technical cooperation operation ATN/CF-13397-CO. Another risk derives from the limited technical and operational experience of the EGERH's institutions in developing a job skills system (SCL), given that this is highly complex and requires development of several subsystems, mechanisms, and instruments. This may lead to delays in the EGERH's implementation. To mitigate this risk, the Bank will use resources from the technical cooperation operation to engage an expert in job skills systems and an institutional expert.
- 2.7 Another risk relates to the sustainability of the reforms aiming to develop an SCL. The development of this type of system involves a medium- and long-term effort, which may be affected by the government turnover in 2014. This change may result

in a loss of interest in developing the SNC by the new authorities or changes in the teams engaged in the EGERH. To mitigate this risk, the operation empowers the productive sector via the SCL through its involvement in both the CIGERH Technical Committee and development of the SCL; in this way the productive sector will provide support for continuity in development of the EGERH, and the SNC, in particular. Additionally, general rules of operation will be developed for the SNC subsystems and processes to reduce areas of uncertainty over objectives and execution mechanisms and support their operation in the medium and long term.

- 2.8 **Policy letter.** The Bank has agreed with the Government of Colombia that the policy letter: (i) describes the national government's commitment to the objectives and actions envisaged for the set of programmatic operations; and (ii) emphasizes the consistency of the policies to implement the EGERH and consolidate the SFCH.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower is the Republic of Colombia. The borrower will execute the program and utilize the Bank loan proceeds through the Ministry of Finance and Public Credit (MHCP), which will be the executing agency. The executing agency will implement the program in coordination with the National Planning Department (DNP), which will act as the program technical coordinator, in conjunction with all the constituent agencies of the Interagency Commission for Human Resource Management (CIGERH).
- 3.2 The DNP, acting through its Social Development Directorate, Credit Subdirectorate, will have responsibility for technical coordination with all constituent agencies of the CIGERH. These units will monitor fulfillment of the commitments established in the Policy Matrix. The DNP will have the following responsibilities: (i) maintain official communication with the Bank and deliver reports and evidence of fulfillment of the conditions for the operation, as well as any other reports requested by the IDB, on the agreed terms and conditions; (ii) pursue actions to achieve the policy objectives set in the program; and (iii) gather, store, and deliver to the IDB all information, indicators, and parameters enabling the Colombian government and the Bank to monitor, measure, and evaluate the program outcomes.

B. Summary of arrangements for monitoring results

- 3.3 Program monitoring consists of verification of the policy measures agreed upon as conditions. The DNP, acting through its Social Development Directorate, will provide the information required in order to verify fulfillment of the progress indicators triggering the subsequent phase of the program and the agreed phases of reform (see optional link 3, Monitoring and evaluation plan). The reforms will be evaluated through monitoring of the outcome indicators in the Results Matrix.

Impact evaluations will also be conducted, generating evidence on the effect of the reform measures, in particular the certification of job skills in the pilot sectors.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	The intervention contributes to the lending program for poverty reduction and equity enhancement.		
Regional Development Goals	The intervention contributes to share of formal employment in total employment.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	Individuals benefited from programs to promote higher labor market productivity.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2648-1	Consolidate the national labor market training system. Percentage of total training courses financed by the State that are certified based on quality standards for results management.	
Country Program Results Matrix	GN-2661-4	The intervention is included in the 2012 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	8.9		10
3. Evidence-based Assessment & Solution	8.6	25%	10
4. Ex ante Economic Analysis	8.5	25%	10
5. Monitoring and Evaluation	8.6	25%	10
6. Risks & Mitigation Monitoring Matrix	10.0	25%	10
Overall risks rate = magnitude of risks*likelihood	Low		
Environmental & social risk classification	B.13		
III. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)			
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor	Yes	The current situation of superior education is characterized by low coverage and strong difference between technical professional education and university. The support of the Bank consists in strengthening the supply of technical formation and technology with quality and relevance in the framework of Conpes 2674, and to articulate the supply of job training with the demand in labor markets.	
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan.	Yes	The impact evaluation will provide evidence about the effectiveness of this type of intervention.	

The program is aligned with IDB priorities and contributes to the objective of lending for poverty reduction and equity enhancement. It also contributes to the regional goal of increasing the share of formal employment in total employment, and with the product "individuals benefited from programs to promote higher labor market productivity". The project is also aligned with the objective of the country strategy to consolidate the national labor market training system.

The program contributes to improvements in the quality and relevance of training to increase labor productivity. With this goal, the project supports the consolidation of the National System for Human Capital Formation (SFCH) based on the national Strategy for Management of Human Resources (ENGRH). The program presents a clear diagnostic of the problem, a description of the objective populations and proposed solution.

Collection of data for the monitoring of program results will be done by the Social Development Unit of the National Planning Department. The evaluations include tracking of output and outcome indicators and quasi-experimental impact evaluations to estimate the impact of the labor certification component in pilot sectors.

POLICY MATRIX

Problem	Objective	Tranche 1	Tranche 2	Tranche 3	Outcome
I. Macroeconomic stability					
Maintain a macroeconomic environment conducive to fiscal sustainability.		Maintain a macroeconomic environment conducive to fiscal sustainability.			The macroeconomic policy framework remains consistent with the program objectives and with the main points of the Policy Letter.
II. Strengthening of CIGERH and involvement of the productive sector in its Technical Committee					
Complex institutional structure proposed by the National Strategy for Human Resource Management (EGERH), envisaging involvement of eight public institutions. <					

Problem	Objective	Tranche 1	Tranche 2	Tranche 3	Outcome
sufficient resources or mechanisms to coordinate the work to be done by the agencies responsible for management and training of human resources. Moreover, the productive sector is not an active member of the CIGERH.		CIGERH, the Technical Committee, its management, the technical subcommissions; the manner in which the productive sector is to be involved in the Technical Committee			
III. Development of the National Qualifications System (SNC) with the productive sector					
There is no common language to facilitate dialogue between the training sector and the productive sector; nor is there a single mechanism at the national level to ensure the quality and relevance of human resource training. Additionally, there is insufficient information on human resource training in the country.	Develop and launch implementation of the National Qualifications System (SNC), including processes for the standardization, evaluation, and certification of job skills, and the National Qualifications Framework (NQF). In parallel, define and implement the Human Capital Information System (SICH).	(c3.1) The conceptual design of the Job Skills Certification System (SICECOL), including the general definitions of system functions, has been approved by the CIGERH Technical Committee.	(c3.1) The general rules of operation and basic operational structure for the SNC's job skills standardization, evaluation, and certification processes have been approved by the CIGERH Technical Committee.	(c3.1) The first group of job skills standards has been published, and job skills certificates issued.	Human resource training is relevant and of high quality.

Problem	Objective	Tranche 1	Tranche 2	Tranche 3	Outcome
		<p>(c3.2) The pilot in the ICT productive sector has been launched, to provide input for development of the general rules of operation and basic operational structure for the SICECOL's job skills standardization, evaluation, and certification processes.</p> <p>(c3.3) The Sector Statistics Plan for Human Resource Management, containing the inventory and description of the sources of information available in the country; analysis of the statistical operations in these sources; a proposal for their coordination; a proposal for new statistical operations; and an action plan for improvements to these operations, established in consultation with the entities involved, has been completed and submitted to the CIGERH Technical Committee.</p> <p>(c3.4) DANE has designed the periodic survey of companies on human resource training and productivity, and developed its implementation plan, including design and selection of the sample, field operations, and schedule for delivery of results.</p>	<p>(c3.2) The conceptual design of the National Qualifications System NQF, defining the number of skill levels and areas of knowledge, and a proposal for progressive implementation, has been approved by the CIGERH Technical Committee.</p> <p>(c3.3) The conceptual and operational design of the Human Capital Information System, defining how it coordinates, classifies, processes, stores, and disseminates labor market and human capital training information, has been approved by the CIGERH Technical Committee.</p> <p>(c3.4) The company survey has been conducted, and its findings presented, and the implementation plan for the second survey has been presented and approved by the CIGERH Technical Committee.</p>	<p>(c3.2) The design of the detailed structure of the National Qualifications System's NQF, by areas of knowledge and skill levels, has been approved by the CIGERH Technical Committee.</p> <p>(c3.3) The Human Capital Information System has been implemented.</p>	

Problem	Objective	Tranche 1	Tranche 2	Tranche 3	Outcome
IV. Productive sector involvement in the EGERH					
The productive sector is not involved in the EGERH and does not participate in the CIGERH.	The objective of these components is to involve the productive sector in the EGERH.	(c4.1) The working route for the awareness strategy for rapprochement with the productive sector has been defined and approved by the CIGERH Technical Committee.	(c4.1) The productive sector participates in the ICT sector pilot that will to provide input for development of the general rules of operation and basic operational structure for the SNC's job skills standardization, evaluation, and certification processes.	(c4.1) The productive sector participates actively in the EGERH.	The productive sector participates actively in the EGERH and the NQS.