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MULTILATERAL INVESTMENT FUND

REGIONAL

**SYSTEM FOR DEMAND AND SUPPLY OF TRAINING SERVICES FOR
MESOAMERICA (SIDCAM)**

(TC-01-10-01-4)

DONORS MEMORANDUM

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ABBREVIATIONS

CO	Bank Country Office
DGTI	Dirección General de Tecnologías de Información de SIECA [SIECA's Information Technology Directorate]
EAP	Economically active population
ILO	International Labour Organization
INCAE	Instituto Centroamericano de Administración de Empresas [Central American Business Management Institute]
MIF	Multilateral Investment Fund
OAS	Organization of American States
PPP	Puebla-Panama Plan
PROALCA	Proyecto de Apoyo a la Participación de Centroamérica en el Área de Libre Comercio de las Américas [Program to Support Central American Participation in the Free Trade Area of the Americas]
RLIS	Regional Labor Information System
SIDCAM	Sistema de Demanda y Servicios de Capacitación para Mesoamérica [System for Demand and Supply of Training Services for Mesoamerica]
SIECA	Secretaría del Tratado General de Integración Económica Centroamericana (SIECA) [Secretariat of the General Treaty on Central American Economic Integration]
STPS	Department of Labor and Social Welfare
USAID	United States Agency for International Development

SYSTEM FOR DEMAND AND SUPPLY OF TRAINING SERVICES FOR MESOAMERICA (SIDCAM)

(TC-01-10-01-4)

EXECUTIVE SUMMARY

Executing agency:	Secretaría de Integración Económica Centroamericana (SIECA) (Secretariat for Central American Economic Integration)	
Beneficiaries:	Workers and entrepreneurs, training service providers, representatives of the governments of the member countries of the Puebla-Panama Plan, namely Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama.	
Amount and Source:	Modality:	Nonreimbursable
	MIF Window II	US\$ 1,400,000
	Local counterpart:	<u>US\$ 600,000</u>
	Total:	US\$ 2,000,000
Objectives:	The objective of the project is to help improve analysis of the regional labor training market, facilitating investment in, and ensuring the relevance of, job training in the region. The specific objective is to set up an information system for Mesoamerica that is Internet accessible by the private sector and other interested parties, identifies private-sector demand for job training, and is connected to the supply of available training services that are relevant and of suitable quality.	
Description:	SIDCAM will help entrepreneurs identify their training needs and will connect them with the service providers most qualified to respond to their concerns. Because its coverage will be regional, service alternatives for entrepreneurs will be broader and more varied.	
Calendar for execution:	Execution period:	30 months
	Disbursement period:	36 months
Environmental and social review:	After reviewing the program at its TRG 07-02 meeting held on 22 February 2002, the Committee on Environment and Social Impact (CESI) recommended: (i) that supply and demand for training services in environmental evaluation and management be linked; and (ii) that social inclusion be supported by means of a registry supply and demand for training of excluded groups. (See paragraphs 3.12; 3.13 and 7.6.)	

Special contractual conditions:

As a condition precedent for the first disbursement of the resources for components 1 and 2A, SIECA will present evidence, to the Bank's satisfaction, that the following technical specialists have been selected: a specialist in training and dissemination and a specialist in information technology.

As a condition precedent to disbursement of the resources for component 2B and 3, SIECA will present evidence, to the Bank's satisfaction, that four coordination agreements concluded with institutions representative of the private sector of four countries are in force.

Exceptions to Bank policy:

None.

I. COUNTRY AND PROJECT ELIGIBILITY

- 1.1 The countries that will benefit from and participate in the project (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama) have been declared eligible by the Donors Committee for all Multilateral Investment Fund (MIF) financing modalities. The project is eligible to receive financing from the Human Resources Facility because it would provide advisory services for the establishment of an information system, to be developed by the private sector, that will benefit the latter for purposes of making decisions to invest in employee training services.
- 1.2 The proposed project has a regional focus and orientation, because it is part of the Puebla-Panama Plan. As in the context of the region's economic and trade integration process known as CAFTA (US-Central America Free Trade Agreement), the issue of human resource capacity within this trade bloc becomes increasingly significant in dialogues between the private sector and the Ministers of Economic Affairs and Finance. The project will therefore help stimulate greater investment in training by connecting job competency systems that the MIF has financed and providing reliable information on the supply and demand of training services.

II. BACKGROUND

- 2.1 In the framework of the Tuxtla Agreement, the President of Mexico in November 2000 presented to the Presidents of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama and to the Prime Minister of Belize a proposal to pursue a development plan extending from the Mexican state of Puebla to Panama. This strategy is known as the Puebla-Panama Plan (PPP), and the aforementioned countries have adopted it.
- 2.2 The objective of the Puebla-Panama Plan is to open a new stage in the dialogue and to overcome conditions of poverty by working together to raise socioeconomic welfare in the Mesoamerican region. The plan is built around a set of thematic initiatives that will be addressed by means of specific projects. The proposed project being presented here fits within the Human Development initiative, and is aimed at strengthening human capital in the region by promoting greater investment in job training and making it more relevant.
- 2.3 **The labor market.** There are no regional statistics capable of showing what the productive sector in Mesoamerica needs. For example, what the needs of the labor market are; what training services are being offered in the region; who is providing them in the region; how they provide them, and what these services cost. Without information and analysis, the region lacks the capacity to manage the strengthening of its labor force so that it can participate and compete in the regional and global market. Without information and analysis of the needs and services available,

policy makers do not know how to best encourage investment in job training and how to ensure that the services offered are relevant to the demand.

- 2.4 **National institutes.** A particular aspect of the training services market in the region is that, with the exception of Mexico, the countries have national public professional training institutes financed by various kinds of payroll taxes. These institutes were created to help train the human resources required for the development of the countries of the area. However, these institutes have no mechanisms for identifying and responding to demands for training in enterprises, and in many cases they have become disconnected from the productive sector. The training that they offer is often obsolete in terms of the technology available in the market and curriculum contents. This is why the region's entrepreneurs generally believe that the courses offered by national institutes do not meet the needs of their enterprises. Through their professional training institutions, the countries of the area have considerable resources earmarked for training. Hence, more than a problem of resource availability, the main problem to be resolved is the lack of relevance of such training within the framework of a national strategy.
- 2.5 **Private institutes.** A private training market is only now beginning to take shape in the region in view of the fact that entrepreneurs are not inclined to train using their scarce resources, public-sector training institutes have not been responsive, and there are few private training companies able to meet the demand.¹ In addition, there are big differences in the quality and costs of training services, not only between countries, but within each country, by regions or sectors, without indications as to quality. Likewise, there are few business-oriented services for identifying training needs and identifying providers who respond to and address their interests. Private training providers are likewise unable to effectively detect the real needs of entrepreneurs.
- 2.6 **The problem.** In short, interest and efforts on the part of private- and public-sector training service providers focus on promoting their own services, which are not always suited to demand. Companies with limited resources accordingly do not have incentives to invest in training since it is difficult to find relevant services at the required level of quality and at competitive costs. To promote investment in job training, there has to be a shift from training based on what is offered by public-sector vocational training institutions toward training based on the demand of the companies themselves, delivered primarily by private providers to ensure that costs are kept in line through competition.
- 2.7 In preparing the proposed project, consultations were undertaken with business chambers, other organizations representative of the private sector, and the private-

¹ Figures range between 100 and 200 per country, but only around 50 enterprises in each country have gained some prestige and many of them are comprised of individual consultants or small groups.

and public-sector training institutions themselves. These consultations ended with the participants expressing agreement on the need to set up a regional information system that will help identify the relevant demand for training in enterprises and that will put them in contact with training providers that can adapt to said demand in a flexible way. Likewise, as they are able to access reliable information on demand, training-service providers will be able to develop services that are more suited to the needs of the region. The parties consulted also agreed to participate in the design of the system and to contribute resources for its operation.

- 2.8 Moreover, there is a need, in the Mesoamerican region, for data and statistics to be gathered on market demand and supply at the regional level, for purposes of formulating labor policy.
- 2.9 **New tool.** The current labor market situation in Mesoamerica makes it clear that it would be useful to develop new tools to: (i) allow the region's entrepreneurs to articulate the training needs of their workers and employees in their labor force based on job competencies; (ii) place entrepreneurs in contact with providers who can meet their demand, and allow them to compare services and costs; (iii) make reliable data on demand available to service providers; and (iv) record information on job training supply and demand in an organized way for compiling the statistics needed to formulate labor policy in the region. In short, **a System for demand and supply of training services for Mesoamerica (SIDCAM)** should be established.
- 2.10 Experiences in other countries have shown that these systems can help guide the training market to address business demand, making investment in training more fruitful. Systems of different types in Europe, the United States, and Mexico are worthy of special mention. In Europe, some systems are very precise in determining the eligible number of students per career so as not to saturate the market with professionals who will then not find jobs in their field. In the United States, large private companies have invested significant amounts and installed labor management systems (LMS) in their human resource departments, which are used for benchmarking the competencies required of their labor force, identifying appropriate training, and recruiting new staff according to the competencies and skills required. In the region, the MIF has supported several national initiatives aimed at promoting new training structures focused on private-sector demand, using job competencies as a tool for identifying and addressing the actual needs of businesses and generating positive effects on labor productivity. In Mexico, through a MIF project with the Standards and Certification Council, private providers have been assisted in adapting to the needs of businesses, increasing training options, and making the prices and quality of training more competitive. For several years, this program has provided information to entrepreneurs on options for consulting and training services available in the market, which has helped improve the relevance, quality, and price of the services required.

- 2.11 **Complementarity.** The establishment of a regional system requires the articulation of various means for classifying groups, jobs and occupational levels; curricula and course structure; sectors and productive activities. All this diversity will have to be brought together. Currently there is a strong interest in the countries for integrating standardization and certification systems based on job competencies, which in fact have been supported with MIF resources. The system would make it possible in the medium term to link national job competency systems, with mutual recognition of levels and quality of competencies acquired, thereby substantially reducing incompatibilities in terms of classification, and facilitating labor mobility in the region.² Within the context of regional integration, this mutual recognition of the levels and quality of competencies becomes vital to regional competitiveness.
- 2.12 **The executing agency.** The Secretaría de Integración Económica Centroamericana [Secretariat for Central American Economic Integration] (SIECA) is a regional institution that has implemented labor market projects and is regarded as a key element in the economic integration of the region. Through its participation in the MIF-financed regional labor market modernization program, SIECA maintains close relations with each of the ministries of labor in the region. It has also developed working relationships with private-sector business groups and labor unions. It set up the Regional Labor Information System (RLIS), which was developed under the regional labor market modernization project, the purpose of which differs from the system in the proposed operation, inasmuch as the RLIS contains data on labor laws/codes, the EAP by country and sector, and other information useful to labor ministries for purposes of formulating labor market policy. With the development of the RLIS, SIECA has a strong information technology team with a mastery of leading-edge technologies, thereby ensuring that the development of SIDCAM will take advantage of state-of-the-art equipment and will not have to incur the costs of licensing and of updating packaged programs.

III. PROJECT OBJECTIVES AND COMPONENTS

- 3.1 The objective of the project is to help improve analysis of the regional job training market, facilitating investment in, and enhancing the relevance of, job training in the region. The specific objective is to set up an information system for Mesoamerica that is Internet-accessible by the private sector and other interested parties, identifies private-sector demand for job training, and is connected to the supply of available training services that are relevant and of suitable quality.
- 3.2 In order to achieve the objectives, the project is structured into three components: (i) consolidation of counterpart teams and promotion and dissemination strategy; (ii) information system; and (iii) maintenance and sustainability.

² Currently only Mexico has job competency standardization and certification systems.

1. Component 1. Consolidation of counterpart teams and promotion and dissemination strategy (MIF: US\$360,800; counterpart: US\$44,800)

- 3.3 The purpose of this component is to establish technical working groups with members from the private sector so as to ensure the relevance of the system's information, which will thus help make it sustainable. This component will finance three activities: (i) identification of the private-sector counterpart; (ii) participatory validation; and (iii) design and implementation of the strategy.
- 3.4 **Identification of private-sector counterpart.** Funding will be provided for SIECA technical staff to visit each country and perform an analysis of the organizations and institutions that have expressed interest in participating in setting up the system and helping to maintain it. Based on the institutional capabilities and connections of each organization and the human and material resources that these organizations are willing to contribute, SIECA will select the institution that will function as its counterpart in each country.
- 3.5 In order to ensure that SIECA's country-level counterpart institutions maintain the material and human support for the system's operation, a coordination agreement will be signed with each counterpart institution, defining the terms of participation, contributions, benefits, and responsibilities in operating the system.
- 3.6 **Participatory validation.** Another purpose of the visits to each country will be to establish the technical groups that will help SIECA develop the diagnosis of the training market, the analysis and design of the information system, and validation of same before SIECA begins development and programming. The aim will also be to disseminate information on the program and its overall objectives, from the launching of its operations, and to encourage its use by business organizations, enterprises, institutions, and training consultants.
- 3.7 **Design and implementation of the strategy.** Funding will be provided for an intensive dissemination campaign. While the system is being developed, a consultant will be contracted to define the strategy to be launched in each country. Implementation will consist of promotional activities such as events with business organizations, entrepreneurs, and training institutions, printed material, radio and television advertisements, along with other tools suitable for achieving the greatest impact with the resources available.
- 3.8 In order to disseminate the project's results, events will be organized aimed at government officials and those involved in regional integration, as well as at users and providers of job training services. These events will publicize the benefits of the SIDCAM, which will provide information useful to (i) entrepreneurs and for decision-making on investment in job training services; and (ii) officials who formulate policies on job training in the countries in the region. Funding will also

be provided for an event to publicize the entire framework of the Puebla-Panama Plan.

- 3.9 It should be noted that SIDCAM will initially focus on identifying the functions, competencies, and training needs of middle management³ in enterprises. This issue was identified for the initial design phase of the system since improvement of middle-management competency is the first step toward raising production performance, thereby inducing new and relevant demand among other employees. Moreover, the middle-management market is profitable, and it is assumed that it has the financial resources to invest in the system.

2. Component 2. Information technology system (MIF: US\$601,264; counterpart:US\$140,300)

- 3.10 The purpose of this component is to develop an information-technology tool that (i) is useful; (ii) is user friendly; (iii) organizes and links information on demand and supply of training in the labor market; (iv) addresses all levels of technical training in the region in both urban and rural areas; and (v) is a step toward an even more comprehensive and interactive system for the future.
- 3.11 This component will fund the following activities and will be divided into two parts: A (US\$83,040), consisting of (i) diagnostic assessment; and (ii) English translator; and B (US\$658,524), consisting of (i) analysis, design, development, and testing of the information technology system; (ii) provision of information technology infrastructure to the SIECA counterpart organizations and institutions on the country level; and (iii) uploading of information and training.
- 3.12 **Diagnostic assessment.** The assessment of the training market will be performed with the help of the SIECA counterpart institution in each country through visits and interviews. Information will be obtained on the number and characteristics of the training institutions and consultants; the job classification systems; the characteristics of the users of the system, including vulnerable groups, and the characteristics of potential providers as well as the quality of the services they render, for generating market statistics; the structure and characteristics of the training courses of the providers (an effort will be made to ensure that the system has information on institutions providing training services on environmental measures, including ISO 14000 standards); the existence of job competency standards; business practices for identifying and procuring training services; coverage of the training market of public professional training institutions and their service provision practices; as well as other aspects relevant to the design of the information technology system.

³ Middle-management positions are considered to be those that have responsibility for management, coordination, and supervision within the company.

- 3.13 **Analysis, design, development, and testing of the system.** Based on the information obtained in each country, the structure will be defined and the system will be designed in detail. Funding will be provided to contract consultants who will focus on the following modules: (i) presentation of the system: what it offers, how to use it; (ii) identification of workers' job performance profiles; (iii) help in identifying training needs based on a comparison of job profiles and competencies; (iv) training service providers that meet the criteria identified during the diagnostic stage (which could include those that provide environmental evaluation and environmental management; (v) characteristics of enterprises and workers participating in the system, reflecting gender and excluded groups (indigenous peoples and individuals of African descent); and (vi) statistical reports on system information. The modules described are by way of example, and may be increased, modified, or reduced in keeping with the previous activities of system diagnosis and analysis.
- 3.14 The system will also have procedures for users to rate its operation and the training service providers. Likewise, it will establish the possibility of setting up a distance-training platform. The SIDCAM will respond to the different needs of the region, such as the needs for technical infrastructure and telecommunications in urban and rural areas and for small- and medium-sized enterprises as opposed to well-established organizations.
- 3.15 With regard to technical flexibility, the system will be Internet-accessible. It will have interactive components and a sophisticated search engine, and will be flexible so that it can be accessed from conventional phone lines up to dedicated lines via Internet. This will allow it to connect in the future with less sophisticated technology, such as, for example, that found in information kiosks and telecenters in rural communities.
- 3.16 Language is also a key for information accessibility for all users in the region. A translator/trainer in English will be contracted to translate all basic elements of the system: menu, options, instructions, description of the system, etc. and to carry out training with technical groups in Belize during installation, testing, and instruction about how to enter and update information and maintain the system.
- 3.17 **Provision of information technology infrastructure.** Funding will be provided for analysis of the technical specifications of the equipment and other information technology infrastructure that will be needed by the SIECA counterpart organizations and institutions to operate the system. It will also cover the costs of defining and setting up the telecommunications platform on which the system will operate.
- 3.18 **Uploading of information and training.** When system development and testing have been completed, visits will be funded to carry out initial uploading of information. Funding will also be provided to train staff of SIECA counterpart

institutions on the procedures to be used for entering and updating information and maintaining the system.

3. Component 3. Maintenance and sustainability (MIF: US\$88,336; counterpart: US\$300,000)

- 3.19 In this component, resources will be provided to ensure that the system is effectively maintained, information is updated, and financial support is available.
- 3.20 The component will fund two aspects: (i) ongoing training of staff in charge of the system at SIECA counterpart institutions; and (ii) more detailed definition of payment policies for system users.
- 3.21 **Ongoing training.** Ongoing training for staff in charge is absolutely necessary for maintaining the service and updating information in the system, thereby allowing it to gain prestige among business chambers, employers, training institutions, and the general population, and making the system a secure, useful, and constant reference point for training services in the region. Training will be carried out by the experts in training and information technology contracted by SIECA. They will go from country to country to hold seminars and/or workshops on the use and management of the system. Approximately 25 people per country could attend each event, that is, 200 in all. Training will be carried out twice during project execution.
- 3.22 **Policies on payment and cost recovery.** The component will fund the hiring of a consultant to draw up a more comprehensive and detailed proposal on the various options that could be considered as mechanisms to pay for SIDCAM services. After 18 months, the counterparts in each country will offer their plans as input into the payment and cost recovery policy. With system testing to be initiated in month 25, a comprehensive and detailed policy on the long-range cost recovery of the system will be defined for implementation.
- 3.23 Counterpart resources from the institutions participating in system design will defray the cost of human resources, physical space, and other operating expenses related to system startup and support.

IV. COST AND FINANCING

A. Costs

- 4.1 The total project budget is US\$2,000,000; the MIF will contribute US\$1,400,000 on a nonreimbursable basis, charged to Window II. SIECA will provide US\$600,000 as local counterpart, in accordance with the following budget in United States dollars. Half of the counterpart contribution will be made in cash, contributed by the United States Agency for International Development (USAID). The detailed budget can be found in the technical files of RE2/SO2.

Table IV. 1
Budget and Financing of the System for Demand and Supply of Training Services for
Mesoamerica (SIDCAM)
(US\$)

Components and Categories	MIF	SIECA	TOTAL
Component 1: Consolidation of counterpart teams and promotion and dissemination strategy	360,800	44,800	405,600
Component 2: Information system	601,264	140,300	741,564
Component 3: Maintenance and sustainability	88,336	300,000	388,336
Executing unit	180,000	108,000	288,000
Operating expenses	114,600	6,900	121,500
Evaluation and auditing	55,000	-	55,000
TOTAL	1,400,000	600,000	2,000,000
Percentages	70	30	100

B. Sustainability

- 4.2 The incentive structure for ensuring the success of this project is based first on the investment that the private sector will make during the design and launching of the SIDCAM—investment of staff time, equipment, rentals, etc. Their participation in the design will ensure that the content of the system will be an important input for addressing their own interests. When they see the tangible and sellable products and the relevance of the system contents, it is estimated that both the users and providers of job training will pay to use the system. Business organizations in four countries (Costa Rica, Honduras, El Salvador, Panama) have written letters to express their interest in working with SIECA to develop the SIDCAM.
- 4.3 Certain ideas on cost recovery have already been considered such as (i) charging training suppliers for promotion of their services; (ii) having business organizations pay fees to gain access to the statistics generated by the system; (iii) charging enterprises for more specialized services, such as distance training, and defining the competencies of their workers; and (iv) charging fees for participating in, or exhibiting at promotion events.

V. EXECUTING AGENCY AND EXECUTION MECHANISM

A. Executing agency

- 5.1 The program will be executed by SIECA, an institution with legal status under international law. SIECA was created by the General Treaty of Central American Economic Integration signed on 13 December 1960. The Council of Ministers of

Economic Integration, which oversees economic integration, is the main body served by SIECA, which facilitates and prepares the agenda and technical documentation for its meetings and handles logistics.

- 5.2 In keeping with Central America's current economic integration strategy, SIECA is focusing its activities on improving the Central American Common Market and positioning the region in the global marketplace. To that end, it provides assistance and training to the various circles related to the regional and external trade of Central American countries. In recent years, with help from the MIF and USAID, SIECA has played an important role in dealing with labor matters in the region through the regional labor market modernization program, which includes all countries in the Central American isthmus and the Dominican Republic.
- 5.3 SIECA has broad experience in executing programs with external funding (USAID, European Union, IDB/MIF, and OAS) in the areas of trade, intellectual property, telecommunications, investment, and the labor market. SIECA's performance as the executing agency of the regional labor market modernization program was evaluated, including an audit of the program's cumulative financial statements. The results of the evaluation indicate that SIECA complies with accounting and financial clauses and implements the internal controls necessary for the successful execution of this project.

B. Execution mechanism

- 5.4 SIECA has a solid technical and administrative structure and execution of this program will not require setting up a specific unit. The Dirección General de Tecnologías de Información [Information Technology Directorate] (DGTI) will set up a technical team. The technical team will consist of two full-time specialists for two-and-a-half years—one in training and dissemination, and the other in information systems—along with other short-term consultants, who will respond to more immediate needs. The technical team will perform the activities of the process to be executed: (i) analysis and design; (ii) development and implementation; and (iii) promotion and sustainability. The technical team will in turn be linked to the technical groups set up in each country with staff from SIECA's counterpart institutions.
- 5.5 However, in order to take advantage of SIECA's Labor Technical Unit in the execution of the regional labor market modernization program, the unit will provide advice in setting up the SIDCAM, particularly with regard to the training market and links with ministries of labor, business organizations, and training institutions, the regional office of the International Labour Organization (ILO)—agents with which it has established a close working relationship in the context of the aforementioned program. The DGTI will also be supported administratively by PROALCA II staff funded by USAID. Accordingly, the SIDCAM will not require further administrative staff in this area.

- 5.6 The SIDCAM will have an **Advisory Board** that will direct the DGTI's coordination activities and will make key decisions at different stages in the design, development, implementation, and launching of the information system, and in defining policies for promotion and sustainability of the SIDCAM. The SIDCAM Advisory Board will be made up of the Secretary General of SIECA or his representative, a representative from USAID, the sector specialist who will be appointed by the IDB Country Office in Guatemala, and **one representative from each of the eight countries, chosen from the private-sector counterparts in each country**. The SIDCAM Advisory Board will work closely with the Puebla-Panama Plan Coordinator and with the Council of Ministers of Central America and the Dominican Republic, so that SIDCAM activities will complement and be compatible with the other initiatives being carried out in the framework of the Puebla-Panama Plan, activities of the Council of Ministers, as well as those set forth in its agreement with Mexico's Department of Labor and Social Welfare (STPS).
- 5.7 There will be a technical group in each country. The technical groups will be made up of the technical staff and supervisors of SIECA counterpart institutions, although representatives of other organizations interested in the system may also participate. Counterpart institutions and interested organizations could include chambers of commerce or professional associations or companies sufficiently established so as to be able to contribute to the design and implementation of the SIDCAM. The selection criteria include: (i) level of commitment reflected in willingness to contribute resources in kind; (ii) the capacity of information technology systems; and (iii) the level of representation of companies in sectors potentially interested in this service.
- 5.8 The function of the technical groups will be to: (i) help gather information on the supply and demand of job training in their country; (ii) contribute to the design of module content; (iii) take part in the startup of the system, providing feedback and suggestions for improvement; (iv) enter new information in the system so as to continuously update its content; and (v) serve as focal points for other companies, associations, or organizations that are interested in being involved in the system.

C. Execution period and calendar of disbursements

- 5.9 The program's execution period will be 30 months and the disbursement period will be 36 months, in order to allow for completion of the final program report. The timetable of activities can be found in the technical files of RE2/SO2. A revolving fund of up to 10% of the total sum approved will be set up on the basis of the expense schedule that SIECA will present for Bank approval.

D. Procurement and contracting

- 5.10 SIECA will handle procurement of goods and contracting of consulting services necessary for project execution in accordance with the related Bank and MIF procedures and policies. Should it be necessary to contract consulting services for over US\$200,000, the process of international calls for proposals will be used. Since goods valued in excess of US\$350,000 are not expected to be acquired, procedures pursuant to local rules will be used.

E. Financial accounting and auditing

- 5.11 **Accounting.** The executing agency will establish and will be responsible for maintaining adequate accounting of finances, internal control, and filing systems, so as to facilitate the identification of program fund sources and uses. The accounting system will be organized in such a way as to provide the necessary documents, facilitate verification of transactions, and allow for timely preparation of financial statements and reports. Project-related records will be filed in such a way that: (i) sums received from different sources may be identified; (ii) they report on project expenses in accordance with a chart of accounts previously approved by the Bank, distinguishing between MIF contributions and funds originating from other sources; and (iii) they include details needed to identify the goods procured and services contracted, as well as the use of said goods and services. The executing agency will also open separate and specific bank accounts for administering the MIF contribution and local counterpart funds. Lastly, the executing agency will process disbursement requests and the respective expense vouchers in accordance with Bank disbursement standards.
- 5.12 **Financial audits.** Within ninety (90) days of the final disbursement for the project, the executing agency will prepare and present to the Bank the final financial statements related to the Bank's contribution and the local counterpart funds. An independent auditing firm acceptable to the Bank, based on terms of reference previously approved by the Bank, will audit the financial statements. The costs of the audits will be financed with funds from the MIF's contribution pursuant to Bank procedures.

VI. MONITORING AND EVALUATION

- 6.1 **Monitoring.** The executing agency will prepare and present project reports to the Bank's Country Office in Guatemala within thirty (30) days after the close of each six-month period, and a final report within 30 days of the final disbursement. These reports will follow a format previously agreed upon with the Country Office and will deal with project activities and finances, as well as the results measured in terms of the execution indicators identified in the project's logical framework. The Country Office will use these reports to monitor progress in project implementation

and prepare a project completion report in the three months after the final disbursement.

- 6.2 **Evaluation.** The Bank will contract individual consultants to perform two evaluations of the project: a midterm evaluation when 50% of the funds have been disbursed, and a final evaluation within three months after project completion. Based on the midterm evaluation, the Country Office, together with the project team, if necessary, will carry out annual performance evaluations to determine whether the project should be continued, suspended, or canceled.
- 6.3 During project execution, the executing agency will compile indicators of project supervision and evaluation. These indicators are set forth in the logical framework (see Annex I), and the Country Office and executing agency will use them to rate the overall impact and assess the results.

VII. PROJECT JUSTIFICATION AND RISKS

- 7.1 **Benefits and impact.** The SIDCAM project is **innovative**, first because of its ability to efficiently access previously unavailable information, thereby facilitating investment in relevant job training. It is also innovative in the range of technology that it uses, taking advantage of technological modernization, while respecting the limited capabilities in the region's rural areas. **It provides additionality** because it complements national initiatives on the development of job competencies. It will be **sustainable** through the active participation of the private sector in the design and maintenance of the system, thereby ensuring credibility in the relevance of the information generated. Lastly, since there is no comparable system in any other region in Latin America, it is very likely to have **a demonstration effect**, as is occurring with the MIF-funded regional labor market modernization program.⁴
- 7.2 One output of the system will be the generation of statistics to support policy formulation on labor market users and services. Other results include allowing entrepreneurs to identify their training needs through a critical analysis of labor, taking into account job competencies, and make contact with the service providers who are most qualified for responding to their interests. Training providers and enterprises will be able to access and exchange information on best practices. Service providers will thus offer the best service according to needs at the best price, thereby encouraging competition. The SIDCAM will have regional and national coverage and hence service alternatives for entrepreneurs will be broader and more varied. The SIDCAM would also be able to provide knowledge of financial support alternatives in cases where related institutions might be interested in promoting themselves within the system. Lastly, the system will reach rural and

⁴ The Regional Labor Information System (RLIS) may be replicated in the countries of the Andean region.

urban areas, and will bring with it the ability to provide distance-training programs in Spanish and English.

- 7.3 **Beneficiaries.** Employers and training firms will have timely, correct, and sufficient information to identify training needs and providers who address and are suited to their interests. Private providers will be better able to articulate their services when they have access to a resource that will indicate to them the specific needs of enterprises, and they will be given the opportunity to offer courses best suited for meeting those needs. In addition, access to information on business demand will serve as a guide for providers to redirect their services and bring them into line with actual demand. This effect will also have an impact on public-sector training institutions. Officials who formulate labor policies will have a source of statistics on users, needs, and the supply of job training services. Better policies and more relevant training will improve productive performance and employee productivity, and hence remuneration levels.
- 7.4 **Risks.** The main risk that the program faces is the challenge of reaching an agreement with an organization or institution **in each of the eight countries** in the region to function as a SIECA counterpart. Hence, in order to lessen this risk, SIECA will carry out an intense dissemination campaign through visits in each country with an expert in communication and training to explain the advantages of the system. It will identify the institutions in each country most suited to be a truly regional instrument, with all Mesoamerican countries participating throughout the execution years. It should be noted that lack of participation by one country will not keep the system from functioning but would merely limit its geographic scope.
- 7.5 Another risk is that in two and a half years the SIDCAM could fail to attain value in the training market that would allow it to remain relevant and up to date. To lessen this risk, SIECA will devote a great deal of attention to training the counterparts. Starting with the design and launching stages, which involve an interactive process for learning about the system, SIECA will carry out ongoing training sessions for the counterparts. After initial uploading of information into the system, two more training sessions will be held for the technical groups in the countries. The training will enhance their abilities and knowledge in recording and updating information, ensuring that a dynamic system with relevant information is in place. This training will also make it possible to update the counterparts in the countries on dissemination and promotion policies that will help extend awareness and coverage of the system.
- 7.6 In reviewing the project at its TRG 07-02 meeting held on 22 February 2002, the Committee on Environment and Social Impact (CESI) made these recommendations: (i) that supply and demand for training services in environmental evaluation and management be linked; and (ii) that social inclusion be supported by means of a registry of supply and demand for training of excluded groups. The structure and characteristics of the SIDCAM address these two suggestions. They

will make it possible to register the supply and demand of training in environmental evaluation and management, so that this information can be disseminated through the system. The characteristics of all users will be recorded, reflecting gender and excluded groups (indigenous peoples and individuals of African descent) for statistical purposes. The statistics generated will allow for better handling of issues of environmental and social impact.

VIII. SPECIAL CONTRACTUAL CONDITIONS

- 8.1 As a condition precedent to the first disbursement of the resources for components 1 and 2A, SIECA will present evidence, to the Bank's satisfaction, that the following technical specialists have been selected: a specialist in training and dissemination and a specialist in information technology.
- 8.2 As a condition precedent to disbursement of the resources for component 2B and 3, SIECA will present evidence, to the Bank's satisfaction, that four coordination agreements concluded with institutions representative of the private sector of four countries are in force.
- 8.3 The degree of preparation of the project is high, inasmuch as it was designed in close cooperation with the executing agency. The operating regulations have been prepared and the specialists' profiles have been defined.

IX. EXCEPTIONS TO BANK PROCEDURES AND POLICIES

- 9.1 There are no exceptions.

SYSTEM FOR DEMAND AND SUPPLY OF TRAINING SERVICES FOR MESOAMERICA (SIDCAM)

LOGICAL FRAMEWORK

DESCRIPTIVE SUMMARY	EXECUTION INDICATORS	IMPACT INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL				
To help improve analysis of regional job training market, facilitating investment and enhancing relevance of job training in Mesoamerica.		<ul style="list-style-type: none"> Competitive labor force in the region: countries in Mesoamerica increase training services driven by the demand of the productive sector and articulate joint policies on the matter 	<ul style="list-style-type: none"> Ex post evaluation 	<ul style="list-style-type: none"> Supply-based training model changes to one with training based on the demand of the enterprises themselves and delivered by private and public training service providers.
PURPOSE				
An information system for Mesoamerica that is Internet accessible by the private sector and other interested parties, which identifies private-sector demand for job training and is connected to the supply of relevant and available training services, developed and operating.	<ul style="list-style-type: none"> An efficient system with all Mesoamerican countries interconnected, operating by the end of the project 	<ul style="list-style-type: none"> Increased services relevant to the private sector Ease in seeking these services Rise in operations of training services between entrepreneurs and training institutions and consultants 	<ul style="list-style-type: none"> Progress reports Midterm evaluation Final evaluation 	<ul style="list-style-type: none"> The relevance of training in enterprises increases and makes it possible for a growing number of entrepreneurs to think that investing in training is not only profitable, but absolutely necessary in a highly competitive economy.
COMPONENTS/PRODUCTS				
<ol style="list-style-type: none"> Consolidation of counterpart teams and promotion and dissemination strategy An information system in operation Maintenance and sustainability strategy 	<ul style="list-style-type: none"> At least one counterpart in each country committed to participating in the design of the system in six months Counterparts in each country access the system by 18 months Plans of each counterpart for input into payment and cost recovery policies by 18 months 		<ul style="list-style-type: none"> Agreement signed between counterpart and SIECA Report on the use of the system through specialized software Plan of each counterpart Strategy document 	<ul style="list-style-type: none"> Counterparts become promoters of new businesses.

DESCRIPTIVE SUMMARY	EXECUTION INDICATORS	IMPACT INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<ul style="list-style-type: none"> Policy formulated and agreed upon for implementation by month 25 		<ul style="list-style-type: none"> Midterm evaluation report 	
ACTIVITIES				
1. Promotion and dissemination <ul style="list-style-type: none"> a. Identification of design support counterparts b. Participatory validation of initial design c. Design of promotion and dissemination strategy d. Implementation of strategy e. Dissemination events 	<ul style="list-style-type: none"> US\$405,600 invested in promotion and dissemination activities 	<ul style="list-style-type: none"> Counterparts interested in participation 	<ul style="list-style-type: none"> Expense vouchers verified by the midterm and final evaluations 	<ul style="list-style-type: none"> Agreement on participation of program counterparts signed. STPS and CONOCER in Mexico sign agreement with SIECA to collaborate with the system.
2. An information system in operation <ul style="list-style-type: none"> a. Diagnosis b. Analysis, design, development, updating, and testing c. Implementation of information technology infrastructure d. Equipment to countries e. Telecommunications set up f. System implementation 	<ul style="list-style-type: none"> US\$741,564 invested in the activities of an information system in operation 	<ul style="list-style-type: none"> Existence in each country of information technology infrastructure: equipment, physical space, human resources and technology for implementing the system Operating staff trained in eight countries Increase in users 	<ul style="list-style-type: none"> Proof of availability and/or procurement of infrastructure Documentation of successful testing Report on use of the system by means of specialized software 	<ul style="list-style-type: none"> It is feasible to provide the enterprises with the necessary infrastructure. There are enterprises willing to participate in the design and implementation, providing information through trainable staff.
3. Maintenance and sustainability <ul style="list-style-type: none"> a. Ongoing training for counterparts b. SIECA and counterpart country contributions c. Payment and cost recovery policies 	<ul style="list-style-type: none"> US\$388,336 invested in maintenance and sustainability strategy activities 	<ul style="list-style-type: none"> Search for offers of service is timely and efficient Relevant services at lowest possible cost The program demonstrates its viability 	<ul style="list-style-type: none"> Receipts for expenses verified by the midterm and final evaluations Report on use of the system by means of specialized software 	<ul style="list-style-type: none"> Counterparts maintain contributions as scheduled and, at the conclusion of the program, the system succeeds in acquiring value in the training market.