

# SUPPORT PROGRAM FOR THE PRODUCTION-TRANSFORMATION PROCESS

(AR-0062)

## EXECUTIVE SUMMARY

**BORROWER:** The Argentine Nation

**EXECUTING AGENCY:** The Ministry of Economic Affairs and Public Works and Services. The Ministry of Labor and Social Security will act as subexecuting agency.

**AMOUNT AND SOURCE:**

IDB:	US\$132 million (OC)
	US\$ 22 million (FSO/LC)
Local counterpart funding:	<u>US\$ 67 million</u>
Total:	US\$221 million

**FINANCIAL TERMS AND CONDITIONS:**

Amortization period:	OC: 20 years
	FSO: 25 years
Grace period:	OC: 3 years
	FSO: 5 years
Disbursement period:	3 years
Interest rate:	OC: variable
	FSO: 3% per annum
Inspection and supervision:	1%
Credit fee:	OC: 0.75%

**OBJECTIVES:**

The purpose of the program is to enhance the efficiency of the labor market and, indirectly, of the Argentine economy overall. To do this, it will: (i) lend support for the production-transformation process in Argentina by preparing semiskilled labor for production-sector occupations with demonstrated unmet demand, and (ii) enhance job possibilities and social participation for people who are not in the mainstream labor market or fully integrated into society.

The program will also strengthen employment offices as a means of promoting contacts between employers and job seekers and will contribute to the development of a bimodal job-training model that combines classroom instruction with hands-on training at a work site.

**DESCRIPTION:**

The program will provide vocational guidance and training designed to respond to the needs of the target population, which is located entirely in the low-income sector. The courses to be offered by the

training centers will be selected on the basis of international competitions.

The program has the following components:

(i) Instruction and practical training. This will be a broad-based activity and will lay the foundations for updating the current training system. Attention will focus on the training needs of low-income young adults who lack job training and experience.

(ii) Training and technical assistance for self-employment and microenterprises. This component will center on helping workers who have lost their jobs as a result of the economic crisis and the production-transformation process to set themselves up as self-employed workers.

(iii) Vocational guidance. This component will be carried out by the Ministry of Labor and Social Security and will respond to displaced workers' need for guidance in seeking employment.

(iv) Strengthening of employment offices. This activity, which will be carried out by the Ministry of Labor and Social Security, will help improve the workings of the labor market and make it more transparent.

With an eye to promoting a climate conducive to equal participation by women (who make up 47% of the target group), the program will include such specific measures as: a public-information campaign; a clear message to prospective training centers that women are to receive equal treatment, setting out requirements as to training infrastructure, sites, and schedules; assessment of equal opportunities in offers received; child-care subsidies; training for staff in charge of course registration and instructors at training centers; efforts to promote women's participation in training for nontraditional activities; and the creation of trainee slots and jobs in these areas in the private sector.

The present operation represents the first phase of a program that would be financed by the Bank in two stages. The processing of Bank financing for the second stage would be contingent on the outcome of the first stage and would begin once 50% of the funds for the first stage had been committed.

Given the innovative nature of the program's proposed format, it was decided that implementation would start up through a series of pilot trials. The pilot trial for the program's largest component (instruction and training) - which accounts for 90% of direct program costs - was launched in August 1993 and has produced very positive results (see paragraphs 5.7 through 5.16 of the loan proposal). The pilot trials for the other components will begin once the Bank approves funding for them.

**ENVIRONMENTAL  
CLASSIFICATION:**

The Environmental Management Committee, at its meeting of March 2, 1993, classified this as a Category II operation.

**BENEFITS:**

Implementation of the program components described above will help (i) ensure that the Argentine labor force is able to respond to the demand created by the adjustment plan and the production-transformation process, (ii) expand the base of human capital and the productivity of trained manpower, (iii) alleviate poverty and the associated risk of exclusion faced by those who are willing to work but are unable to find employment owing to lack of job training or experience, (iv) increase the supply of training services in a competitive market, and (v) ensure equal job opportunities, by giving special attention to women's training needs. Lastly, by equipping the target group with the skills necessary to compete for a job - rather than providing employment - the program will extend the coverage and enhance the efficiency of the labor market and, indirectly, of the Argentine economy as a whole.

**RISKS:**

Two main types of risks have been identified:

(i) Risks associated with internal features of implementation. The main component of the program has been launched in the form of a pilot trial in the metropolitan Buenos Aires area. To extend the project to the national level, the executing agency will have to considerably expand its current capacity and service area. Despite the presence of highly skilled and dedicated staff and well-designed systems and procedures in terms of anticipated operating levels, there is a chance that delays might occur in the implementation schedule.

(ii) Risks associated with the response of outside agents. Since this is a demand-driven program, successful implementation will necessarily depend on the willingness of various players to take part in it: the target population, training centers,

businesses, etc. Any unforeseen change in the country's economic, social, or political situation could influence these agents' behavior and, thereby, hinder attainment of the program's goals.

These risks will be kept to a minimum thanks to the adoption of the pilot-trial format and the decision to divide program funding into two stages, with the second one being contingent on the results of the first. Dividing the funding into two stages does not necessitate changing the overall size of the program or the implementation schedules proposed by the Argentine government.

**SPECIAL FEATURES:**

The training to be provided under this program has special features that make it impossible to apply the Bank's normal procedures for selecting and hiring specialized consulting firms and individual consultants. This program entails the selection of courses -- an activity that does not involve terms of reference, as is usually the case with consulting contracts. The determining factor for course selection will be the general eligibility of the training centers. Selection will be based on a center's capacity as well as the proposed course's cost and content.

The Bank's procedures for the selection and hiring of consultants do not allow bid prices to be taken into consideration as a selection criterion. Here, however, price must be a factor in selecting courses for the program.

Accordingly, it is proposed that the Bank's procedures for the procurement of goods and works contracts be used, making the necessary modifications to allow for the special requirements of selecting the courses required for the program (see paragraphs 3.38 et seq. of the loan proposal).

**SPECIAL  
CONTRACTUAL  
CONDITIONS: 1/**

The following conditions will have to be met prior to disbursement of the financing: the program's Operating Regulations will have to be adopted (see paragraph 3.2; model already agreed on with the Bank), the agreement specifying the participation and coordination of the program's executing units will have to be signed (see paragraph 3.3), and the rules

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1/ The draft agreement is available for the Executive Directors to examine. It contains the procedure for selecting courses and a comparison of the differences between this procedure and the one for procurement.

of procedure of the arbitration board set up to resolve any differences that may arise between the two executing units must be agreed on (see paragraph 4.4).

Prior to initiating any courses under the components for training and technical assistance for self-employment and microenterprises, vocational guidance, and strengthening of employment offices: (i) agreement must be reached with the Bank on the criteria to be used in evaluating the preliminary stage; and (ii) once the evaluation is completed, agreement must be reached on any adjustments to be made in the program's Operating Regulations and the action plan for each of the components (see paragraphs 3.47 *et seq.* of the proposal).

Provision has also been made for program monitoring and evaluation, through such tools as progress reports, yearly review meetings, and a midterm evaluation of the program once 50% of the proceeds of the financing have been disbursed (see paragraphs 3.45 *et seq.*).

The Profile II summary noted the need to recognize expenses incurred prior to the operation's approval by the Board of Executive Directors. The borrower has submitted the respective request and, after examining the expenses in question and the procedures followed, the project team agrees that these expenses should be recognized against the local counterpart contribution up to a total of US\$15 million.

**THE BANK'S  
COUNTRY AND  
SECTOR STRATEGY:**

The Bank's strategy for Argentina focuses on three priority areas: (i) consolidation of public-sector reform, (ii) greater efficiency and competitiveness of private-sector production, and (iii) better supply of social services. The May 1993 programming mission paper recommended that the Bank support programs geared toward enhancing the competitiveness of the nation's production sector and improving the quality of social services. To that end, it suggested lending support, among others, to job-skills programs for workers who had been displaced as the result of public-sector and structural reforms.

## I. FRAME OF REFERENCE

### A. Background on the structural transformation of the Argentine economy

- 1.1 In 1989, the Argentine authorities embarked on an ambitious structural reform program that included: (i) broad deregulation of goods and services markets, (ii) a comprehensive policy for downsizing the public sector, (iii) privatization of State-owned companies, (iv) transfer of key responsibilities to the provinces, and (v) better management of macroeconomic policy and the adoption of a fixed-rate exchange system.
- 1.2 The program has produced the following results: (i) inflation has been cut to a fraction of its previous levels - falling from an annual average of 500% (with several spikes of hyperinflation) between 1974 and 1990 to a rate of 7.4% at year-end 1993; (ii) economic growth has resumed (per capita GDP grew at an average annual rate of 6.4% between 1990 and 1993, compared to a backslide of 25% between 1974 and 1990); (iii) fiscal accounts are back in order and yielded a surplus of 1.3% of GDP, on average, during the period from 1991 to 1993; and (iv) investment levels are up (gross domestic investment jumped from negative annual growth rates between 1988 and 1990 to an annual average of +23% between 1991 and 1993).
- 1.3 Against this backdrop of reform, a series of initiatives were also undertaken aimed at making the labor market more flexible and cutting labor costs, with an eye to enhancing the competitiveness of Argentine business - the goal being to boost employment and expand production. In 1993, the government submitted draft legislation to Congress to reform the employment-contract system. This legislation, which is expected to be passed this year, will remove controls on wages and on hiring and termination procedures.
- 1.4 In a further effort to reduce labor-related costs, the government is trimming payroll taxes under agreements reached between the federal and provincial governments as part of the fiscal accord. In August 1993, the accord was updated to allow for the reduction of provincial taxes on production-sector activities. It was agreed that the national social-security system would absorb the losses incurred by the provincial systems, and that the federal government would cut payroll taxes by between 20% and 80%, with the larger cuts going to the provinces located farthest from Buenos Aires.

### B. Impact on employment and poverty

#### 1. Employment, productivity, and wages

- 1.5 Businesses have responded to this new economic framework by embarking upon restructuring processes that have often involved reducing their workforces. This has been the case with many

businesses in the textile and paper industries, for instance, which are finding it hard to compete with imports, as well as newly privatized industries. The federal government, too, has made major cutbacks in its civil service payroll; the provinces have recently begun taking similar steps.

- 1.6 As a result, unemployment rates are up sharply in the last few years, hitting 9.8% at year-end 1993 in the greater Buenos Aires area. This represents an increase of 2.3 percentage points over the previous year. Such relatively high unemployment rates are a new occurrence for Argentina, where rates - until recently - had hovered around the frictional-unemployment level (e.g., 2.2% in 1980 and 4.8% in 1985). The increase in unemployment, however, cannot be attributed solely to the transformation process. The labor market is seeing an unprecedented number of newcomers, mainly women and young adults. Last year alone, the female employment rate in greater Buenos Aires swelled from 29% in May 1992 to 33% in May 1993. Similarly, as a result of Argentina's baby boom of the 1970s and 1980s, the number of young people in the workforce has jumped from 1.21% in the 1980s to its present level of 2.38%. This means an annual estimated increase of 111,000 young people in 1993 and 131,000 in the year 2000.
- 1.7 Productivity, too, has grown in recent years, mirroring stepped-up utilization of installed capacity and the need to compete with imports. Real wages for unskilled workers, however, have followed a downward trend overall, although in some manufacturing sectors they have posted increases (the food industry, for instance), where gains in terms of productivity have been significant.
- 1.8 Within this context of structural change, current projections indicate that future growth will be characterized by more efficient use of available production resources and the need for more professional skills at all levels of the labor market (blue collar, technical and professional staff, managers).

## 2. Unemployment and poverty

- 1.9 The protracted crisis that plagued Argentina in the late 1970s and almost the entire decade of the 1980s triggered a significant spread in poverty. Unlike the case in other Latin American countries, in Argentina this had been a phenomenon of rather modest proportions in the mid-1970s, owing to the country's size and individual features; in the early 1990s, however, it began taking on new proportions. In 1991, some 39% of the country's population lived in poverty, compared to 27% in 1974. In other words, the number of poor households grew by over 40%, and the number of people living in poverty now stands at 12.6 million.
- 1.10 Although the phenomenon of poverty is a function of a broad array of factors, in Argentina it is associated primarily with the shortage of jobs that would allow individuals to earn sufficient

income to provide for basic living conditions. The job-market problem hinges as much on matters related to the demand for labor (general economic performance) as it does on the regulations that govern the operation of the labor market and labor supply (accumulation of human capital).

C. Support for the production-transformation process

- 1.11 The revitalization of Argentina's economy - stoked by the reform program currently under way, in tandem with efforts to streamline labor regulations - is expected to help alleviate and eventually eradicate poverty among those sectors that possess the know-how, experience, or skills for which demand exists (or is being generated) in the labor market. This notwithstanding, many workers who have been displaced by the economic crisis or by the production-transformation process face the risk - without the program - of being relegated to poverty indefinitely owing to their age or their lack of job skills or experience in high-demand areas; many young people who never finished school and who are currently unemployed, underemployed, or are otherwise not part of the active labor force find themselves in the same situation.
- 1.12 Women make up a disproportionate percentage of this population. Social and cultural conditions in Argentina make it difficult for low-income women to participate in the labor market: there is no infrastructure or support for getting housework done or provision for child care, and women's access to technical and vocational training courses is limited. Consequently, employment rates are far lower for women than for men (32% vis-à-vis 82% in 1990); female unemployment is higher (13% for women, as compared to 9.8% for men in the greater Buenos Aires area in 1993); women's labor performance is marked by low levels of productivity and income (Argentine women earn 64% of what men do); and there is occupational segregation in terms of the areas of the labor market that are open to women. Although women might appear to be making gains in the labor force in recent years, they actually have a high rate of hidden unemployment owing to the implicit dissuasion caused by the adverse conditions of the labor market.
- 1.13 An accurate estimate of exactly how many people are at risk is hard to pinpoint. According to the provisional data available, in the public sector alone over 250,000 people are estimated to have been displaced. The number of people under 30 who have not finished high school, come from low-income households, and are currently unemployed or underemployed is reckoned at more than 600,000. It would not be unrealistic to assume that many of these people will never rise above the poverty threshold if help is not forthcoming, for example, in the form of vocational counseling on job opportunities, training for self-employment, or other alternatives for people over 40; and training for young people in occupations for which there is demand.



D. The proposed program

- 1.14 When phasing out uncompetitive businesses and developing new sectors and areas of activity, some kind of immediate-response structure must be in place - even if only on a transitional basis - to handle the most pressing needs for training and vocational guidance for displaced and unemployed workers, especially those who are members of at-risk or low-income groups. In the longer run, there will have to be a system that can continuously accommodate labor supply and demand to the ever-changing needs of an open market economy. Priority should therefore be assigned to strengthening the educational system with an eye to producing an adaptable workforce equipped with solid basic training. <sup>1/</sup> At the same time, an effort will need to be made to develop (i) systems that will supply ongoing training and updating for trained workers, and (ii) a supple system for intermediation in the labor market which would bring job seekers and prospective employers together. For this, employment offices will need to be strengthened and modernized.
- 1.15 With these needs in mind, the Argentine government has submitted for the Bank's consideration a program designed to lend support to the production-transformation process. This program, which has both production-oriented and social facets, is part of a comprehensive initiative to underpin the country's economic structural reforms. The program seeks to bolster the production-transformation process by expanding the supply of semiskilled labor in areas displaying unmet demand; at the same time, it will help to solve the problem of unemployment and underemployment in low-income groups.
- 1.16 The program was also devised in response to the observation that the pace at which the transition process will be carried out will hinge not only on institutional constraints to factor mobility and labor-market transparency and performance, but also on the system's ability to train or retrain its workers in the job skills that the new economic model needs.
- 1.17 In keeping with the policy of minimizing State intervention in the economy, the program will focus its action on a population that has been relegated to working in low-productivity jobs, owing to the individuals' lack of job training or experience, or because the requirements of their traditional source of employment have changed. The program will place special emphasis on specific actions aimed at giving women access to all areas of training offered under the program, including training in nontraditional

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<sup>1/</sup> Argentina is currently drawing up sector reform programs for preschool and basic education and for secondary education. The programs are being considered for financing by the IDB and the IBRD, respectively.

occupations for women. Indirectly, the program will stimulate the development of a private-sector supply of training services able to respond to the changing needs of employee training and retraining.

E. Availability of job-skills training

- 1.18 In Argentina, both the public and private sectors are active in providing job-skills training.
- 1.19 The public sector has provided vocational training at the national level since the 1940s, promoting development and offering young people and adults opportunities for personal fulfillment through systematic training activities at various occupational levels, geared both toward individuals already on the job and the future workforce. This category includes the country's vocational schools [*escuelas de capacitación sindical*], technical schools [*escuelas técnicas de perfeccionamiento*], and the Universidad Tecnológica Nacional (formerly the Universidad Obrera).
- 1.20 In 1959, the National Technical Education Council [*Consejo Nacional de Educación Técnica*] (CONET) was set up under the Ministry of Culture and Education. The council ensures that there is close linkage between vocational training and the cycles and areas of specialization in the technical-education subsystem.
- 1.21 On August 3, 1992, Decree 1,334 set up the Vocational Training Bureau, under the Ministry of Labor and Social Security, in order to centralize and coordinate at the national level the policies set forth in the National Employment Act (Law 24,013) with regard to matters concerning worker training, qualifications, adaptation, updating, and specialization, including CONET's activities.
- 1.22 The private sector has provided vocational training through training centers that have been set up at some of the larger companies. It has also promoted, although on a lesser scale, the creation of foundations and nongovernmental organizations that channel funds for vocational training and offer training courses - under agreement with individual companies - to respond to the production sector's specific needs. Training courses offered by universities and other schools play an important role as well.

F. Bank strategy in Argentina

- 1.23 The Bank's strategy in Argentina focuses on three priority areas:
  - a. Consolidation of public-sector reform
  - b. Greater efficiency and competitiveness of private-sector production
  - c. Better supply of social services
- 1.24 Under the first stage of this strategy, support was given to sector programs as a tool for reform and modernization of the public

sector and its institutions, financial-sector reform, and streamlining, deregulation, and privatization of the economy, all with a view to reinforcing economic stability. The second stage of the strategy centers on investing in activities to shore up these reforms and open the way for growth. In this regard, the May 1993 programming mission paper recommended that the Bank support programs aimed at enhancing the competitiveness of national productivity and improving the quality of social services. For this, it recommended supporting, among others, programs that teach skills to people who have lost their jobs as a result of public-sector or structural reform.

G. Compatibility with the Bank's program of operations

- 1.25 The strategy outlined above for supporting the production-transformation process is being pursued through four operations: (i) a multisector credit program that provides the private sector with medium- and long-term funding to make the investments needed in order to sustain and enhance productive competitiveness on domestic and external markets; (ii) a global credit program for microenterprise and small business that makes credit available for microenterprises and offers technical assistance to intermediaries who work with microentrepreneurs; (iii) a technology modernization program that provides the private sector and the technology-research subsector with resources for developing and introducing new, state-of-the-art technology in the country's production structure; and (iv) a support program for the production-transformation process - the subject of this proposal - that approaches the problem from the standpoint of the labor market. This program will help displaced workers, the underemployed, and first-time job seekers to become part of the mainstream job market; it will increase the supply of manpower trained in activities for which demand exists; it will support the development of a decentralized training system, and, by targeting its actions toward low-income groups, it will help alleviate poverty in Argentina. As well, the Multilateral Investment Fund is currently studying a prospective operation in the area of training and microenterprise.

H. Role of the public sector

- 1.26 One of the chief objectives of the Argentine government's current policy - which has received support under programs from the International Monetary Fund, the IDB, and the World Bank - is to reduce the country's fiscal deficit, which it proposes to do by increasing fiscal revenue and reducing government intervention in the economy, which means trimming down the bureaucratic apparatus. To mitigate the impact of recent steps taken to implement this policy, the government has launched a social plan that channels public funds made available under the adjustment program to social-sector investments, for instance for health, education, poverty alleviation, unemployment, promotion of microenterprise, old-age assistance, social projects in the provinces and municipalities, etc.

The proposed program is one of the cornerstones of the social plan, and although the public spending involved will not be recoverable in the short term, it is well within the guidelines set forth in the international agreements and as part of a legitimate policy of income redistribution that targets the neediest sectors of the population and will contribute to solving the problem of unemployment and underemployment.

I. Experience of the IDB and the World Bank

- 1.27 This would be the Bank's first operation in the area of job-skills training in Argentina. Its closest related experience was in the formal-education sector and dealt with agricultural-education programs. The Bank does, however, have related experience in other countries: recent operations similar to this one were approved for Venezuela in 1993 and for Chile in 1992. The World Bank has not financed any operations in this area in Argentina.
- 1.28 It is still too soon to assess the impact of the Venezuelan program. The program in Chile, on the other hand, has already produced very encouraging results. Some 65,000 young adults have received or are currently receiving training, with nearly 8,000 businesses offering traineeships under the program. Women's participation has risen from an initial 35% to 58% - a strong indicator of the program's success in opening up opportunities for women. In terms of placement impact, surveys conducted indicate that 62% of graduates have found work in the area they were trained in within nine months of completing their training; at twelve months, the percentage was 74%.

## II. PROGRAM DESCRIPTION, COST, AND FINANCING

### A. Objectives

- 2.1 The purpose of the program is to enhance the efficiency of the labor market and, indirectly, of the Argentine economy overall. To do this, it will: (i) lend support for the production-transformation process in Argentina by preparing semiskilled labor for production-sector occupations with demonstrated unmet demand, and (ii) enhance job possibilities and social participation for people who are not in the mainstream labor market or fully integrated into society.
- 2.2 The program will also strengthen employment offices as a means of promoting contacts between employers and job seekers and will contribute to the development of a bimodal job-training model that combines classroom instruction with practical training at a work site.

### B. Description

- 2.3 The proposed operation is the first stage of a program that is to be financed by the Bank in two stages. Processing of the second stage would be contingent on the outcome of the first stage. To facilitate attainment of its objectives, the program has been broken down into the four components described below.

#### 1. Instruction and practical training

- 2.4 This is the program's main component. It will provide semiskilled instruction and practical training at a work site in occupations for which there is demand on the Argentine labor market.
- 2.5 Courses will have a maximum enrollment of 20 and will be tailored mainly to young people of both sexes, from low-income sectors, with little education and little or no work experience, who are unemployed, underemployed, or otherwise not in the active workforce.
- 2.6 The courses are to be eminently practical in nature and their content should respond to the labor market's identified needs. They will have two stages: (i) instruction - to be provided for a period of 45 days, on average, at a training center where participants will acquire basic know-how and skills for performing an occupation, and (ii) practical training - to be provided on-site at a company (under the direct supervision of the training center) where participants will work at tasks for which they have been trained for a period of time not to exceed the number of days of the instruction stage.

- 2.7 Bids submitted by training centers interested in participating in the program must include copies of the letters of intent from companies that would receive trainees under the program, as well as a detailed description of the objectives and tasks to be performed during the practical training period. The letters of intent will be formalized through agreements to be signed when the training period begins.
- 2.8 The courses will be contracted out to training centers, which will deliver the classroom instruction component and make all necessary arrangements for organizing practical on-site training.
- 2.9 The program will cover the full cost of the service provided by the training centers. It includes, as well, financial aid for participants to pay for meals (lunch), transportation, supplies, and protective clothing for the entire instruction and training period. The program will also pay for one medical examination and will provide insurance against work-related accidents during the practical-training stage for up to 45 days. This insurance will be administered directly by the central executing unit. Training centers must submit the roster of participants before initiating each course.
- 2.10 The aforementioned assistance will be provided in the form of study grants and is viewed as a way of allowing low-income youths to participate in the program, since they would otherwise be unable to defray these costs directly.
- 2.11 This component will include specific measures aimed at creating a climate conducive to equal participation by women, who make up 47% 2/ of the target population. These measures include the following: (i) during the public-information campaign for the program, steps will be taken to ensure that prospective training centers understand that women are to receive equal treatment; (ii) during the bid-evaluation phase, any offers of courses containing elements of infrastructure, sites, or schedules that would discriminate against women will be disqualified; (iii) during the course phase, mothers will receive subsidies for child care. Provision has also been made to counsel course sign-up staff and instructors to make them more aware of gender issues, along with efforts to promote women's participation in training for nontraditional occupations and encourage companies to offer practical training and jobs for women in these areas.

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2/ This figure is based on the estimated percentage of women in the target population taken in its broad sense: people who are unemployed, underemployed, or otherwise are not part of the active labor force. An estimate was then made of the percentage of women in each of the groups - by age - to come up with the target population that can be reached under the program.

- 2.12 Although job placement is not one of the program's objectives, it is of paramount importance that participants find work as soon as possible. An effort will be made therefore, when designing courses, to foster a close relationship between the training centers and participating businesses. Specifically, the program includes funding to help with job placement for participants: training centers will receive a cash bonus for each participant placed, provided they can show that they have placed at least 30% of program graduates in participating companies.

2. Training and technical assistance for self-employment and microenterprises

- 2.13 This component is intended to strengthen self-employment initiatives in occupations involving the production of goods or services.
- 2.14 Courses will be geared toward individuals who have been displaced by the production-transformation process in the private sector or by public-sector downsizing and who have work experience in a given occupation and require support in order to perform more efficiently as independent entrepreneurs.
- 2.15 Courses should build on participants' experience and are to focus on two areas: (i) training in microenterprise management, with special emphasis on developing business plans, and (ii) individual technical assistance in microenterprise management, intended to help participants with start-up and implementation of the work plan or microenterprise project that they drew up during the training stage.
- 2.16 The courses, which will be limited to a maximum of 12 participants each, will equip participants with the necessary skills for designing, managing, and evaluating the small projects and business plans that they wish to undertake or upgrade. Participants will be selected on the basis of (i) an interview to confirm their eligibility to participate in the training course, and (ii) a motivation session, which will cover microenterprise project ideas.
- 2.17 A total of up to 120 hours of training will be provided, spread out over a three-month period. This training will cover such areas as (i) basic administrative issues in microenterprise management or for self-employment, such as accounting, costing, production, marketing, sales, planning, organization, management and supervision, and legal and tax-related matters; (ii) small-project identification, formulation, and feasibility analysis; (iii) safeguards to keep newly formed microenterprises from creating environmental problems; and (iv) the role of the entrepreneur and the personality traits required (willingness to take risks, profit motivation, incorporation of objectives and targets in task planning).

- 2.18 The technical-assistance part of this component - which will be optional - will provide participants with individualized support for starting up or upgrading a project or business plan that was drawn up during the training stage. Technical assistance is expected to last no longer than 30 hours, spread out over a period of six months.
- 2.19 The courses will be contracted out to training centers, which will deliver the courses as well as offer technical assistance in all areas covered during the training stage; that in each case the specific topics will be agreed on by the participants and the advisor.
- 2.20 The program will cover the full cost of the service provided by training centers during the training stage. In addition, it will cover 100% of the cost of the first five hours of technical assistance and 50% of the remaining 25 hours; the other 50% will be borne by the participant. It is estimated that only 75% of the participants will use technical-assistance services.
- 2.21 Participants receiving technical assistance may gain access to microenterprise credit through specialized institutions, but there is no provision for such credit in the program.

### 3. Vocational guidance

- 2.22 The objective of this component is to minimize job-seeking costs for individuals who already possess some operative skill. Through a format based on short courses, participants will receive fast-paced, intensive orientation to help them find a job that matches their skills.
- 2.23 Courses will be limited to 20 participants and will be geared toward: employees of foundering businesses or of a public-sector area slated for restructuring who face the prospect of losing their job in the near future; individuals on unemployment and people registered with employment offices; and anyone else who is unemployed or underemployed and not covered by either of the two aforementioned groups.
- 2.24 The courses are to be eminently practical in nature and will last a maximum of 20 hours. At the very least, they will include: (i) strategies for identifying demand in the labor market, (ii) guidance for preparing and submitting resumés, (iii) basic preparation for job interviews, (iv) information on services offered under the program described herein, and (v) issues affecting women in the labor market.
- 2.25 Given the different job-seeking methods that exist from one production sector to the next, the training centers are to design three distinct types of courses to address the needs of the following groups: (i) administrative and other services staff,



(ii) people who work in production or maintenance and have operative skills, and (iii) people who work in production or maintenance and have technical skills. In all cases, the training centers will try to group participants in accordance with their needs.

- 2.26 The courses will be contracted out to training centers, which will deliver the courses at their own facilities or - in the case of foundering businesses - at sites to be determined by the executing unit of the Ministry of Labor and Social Security. There will be no charge to participants for the courses.

#### 4. Strengthening of employment offices

- 2.27 This component will focus on (i) rehabilitating or equipping public- and private-sector employment offices participating in the program, (ii) providing training to staff at participating municipal, provincial, federal, and private-sector employment offices, (iii) designing and implementing the automated systems needed for the employment-office information system, (iv) outfitting participating offices with the equipment they need to run and use the information system, and (v) funding public-information activities and materials.
- 2.28 The program includes the necessary funds for hiring consultants to draw up an action plan for this component. The number and location of offices to be upgraded will be revised once the consultants' findings are in. The system should be self-sustaining in the medium term, following procedures to be proposed also on the basis of the consultants' findings.
- 2.29 The scope of this component will be decided on the basis of data received from the Ministry of Labor and Social Security, and it will be updated once the Bank has cleared the action plan drawn up by the team of consultants.

#### C. Size of the target population

- 2.30 The Argentine government has estimated that the program's overall target population will total around 550,000 people, with about 170,000 being covered during the first stage.
- 2.31 Given the magnitude of the target population, the instruction and practical training component will be the main component of the program: based on 1991 figures, the estimated target population of this component would be 400,000 people (47% women and 53% men). Of this total, the present operation would provide coverage to some 100,000 individuals. This figure takes into account not only the fact that this operation is the first stage of a broader-based program to be carried out in two stages, but also the business sector's capacity to offer on-site training programs, the availability of courses through training centers, and the

anticipated response of the target population to the proposed program.

- 2.32 The estimated target populations of the other program components are: 50,000 persons for the training and technical assistance for self-employment and microenterprise component, and 100,000 for the vocational guidance component. The operation being proposed here is expected to cover 10,000 people in the area of training and technical assistance for self-employment and microenterprises, and 63,000 for vocational guidance. Furthermore, a significant number of people would have access to the 200 employment offices that are to be strengthened under that component.

D. Program cost

- 2.33 The total cost of the first stage (which is the one covered in this operation) has been estimated at US\$221 million, broken down as follows:

SUPPORT PROGRAM FOR THE PRODUCTION-TRANSFORMATION PROCESS COST TABLE (US\$000)					
	OC	FSO/LC	LOCAL	TOTAL	% OF TOTAL
<b>1. ADMINISTRATION</b>	0	0	30,237	30,237	13.7%
1.1 Central executing unit		0	29,545	29,545	13.4%
1.2 Executing unit, Ministry of Labor and Social Security	0	0	692	692	0.3%
<b>2. DIRECT COSTS</b>	119,360	17,502	27,536	164,398	74.4%
2.1 Courses - Instruction and practical training	119,360	9,148	21,385	149,893	67.8%
2.2 Courses - Self-employment and microenterprise	0	7,288	4,373	11,661	5.3%
2.3 Courses - Vocational guidance	0	1,066	1,788	2,844	1.3%
<b>3. Associated costs</b>	0	3,312	5,939	9,251	4.2%
3.1 Institutional strengthening	0	1,312	1,310	2,622	1.2%
3.2 Promotional activities	0	0	4,629	4,629	2.1%
3.3 Evaluation	0	2,000	0	2,000	0.9%
<b>4. Unallocated</b>	0	0	1,766	1,766	0.8%
4.1 Contingencies	0	0	1,766	1,766	0.8%
<b>5. Financial costs</b>	12,640	1,186	1,522	15,348	6.9%
5.1 Interest	11,320	966	0	12,286	5.6%
5.2 Credit fee	0	0	1,522	1,522	0.7%
5.3 Inspection and Supervision	1,320	220	0	1,540	0.7%
<b>TOTAL</b>	<b>132,000</b>	<b>22,000</b>	<b>67,000</b>	<b>221,000</b>	<b>100.0%</b>
<b>% Source/Project Total</b>	<b>60%</b>	<b>10%</b>	<b>30%</b>	<b>100%</b>	

E. Description of cost categories

- 2.34 A detailed description of the cost category estimates can be found in Annex II-1 (on file with PRA).

F. Financing

1. From the Bank

- 2.35 The Bank would finance US\$154 million (70%) of the program's total cost, broken down thus: US\$132 million in foreign exchange from the ordinary capital (60% of the total program cost) and US\$22 million in local currency from the Fund for Special Operations (10% of the total program cost).
- 2.36 Justification for the 60% financing level lies in the fact that over one half of the target population lives below the poverty line defined by the Bank for Argentina.

2. Local counterpart

- 2.37 The local counterpart funding is estimated at US\$67 million, which would come from Argentina's national budget (equivalent to 30% of the program cost). The 1994 budget has allotted US\$13.2 million in counterpart funding to cover program commitments during the first few years.

### III. PROGRAM EXECUTION

#### A. General framework

- 3.1 Program execution will be the responsibility of the Ministry of Economic Affairs and Public Works and Services. The Ministry of Labor and Social Security will act as subexecuting agency and will be responsible for two of the program's four components. Advisory assistance will be provided by an advisory board made up of representatives from each of the participating ministries.
- 3.2 Use of program resources will be governed by the Operating Regulations (see Annex III-1), which set forth the rules, criteria, and procedures that are to be observed in performing program activities. Adoption of these regulations will be a condition precedent to the first disbursement.
- 3.3 Program activities will be carried out, coordinated, and supervised by the central executing unit (UNEC), an office of the Economy Ministry's Labor and Social Economics Bureau. Under the coordination of - and with support from - the UNEC, the subexecuting agency will perform its activities through the Labor Ministry's executing unit (UE-MTySS), which is part of the ministry's Labor Department. The relationship between the UNEC and the UE-MTySS will be governed by an agreement which must be in force as a condition precedent to the first disbursement.

#### B. Execution of the components

##### 1. Instruction and practical training

- 3.4 The project team and the Argentine authorities have agreed that the program should be executed in two stages. The financing being requested in this proposal would cover the first stage.
- 3.5 Under the first stage of the instruction and practical training component, six calls for bids would be issued for a total of 5,080 courses according to the following schedule:

CALL FOR BIDS	NUMBER OF COURSES	NUMBER OF BENEFICIARIES	YEAR 1				YEAR 2				YEAR 3			
			1	2	3	4	1	2	3	4	1	2	3	4
1	580	11,600	XXXXXXXXXX											
2	700	14,000	XXXXXX				XXXXX							
3	800	16,000	XX				XXXXXXXXXX							
4	900	18,000					XXXXXXXXXXXX				XXXXX			
5	1,000	20,000							XXX		XXXXXXXXXX			
6	1,100	22,000												
Total	5,080	101,600												

- 3.6 Building on the experience gained in the pilot trial, guidelines were drawn up for establishing a roster of eligible training centers (REGICAP). Any center interested in participating in the program must be registered with the REGICAP roster. The main purpose of the roster will be to assess a training center's legal status, institutional and administrative workings, and overall training experience, and its background working with populations similar to the program's target population. Centers will be assessed according to a set of regulations <sup>3/</sup> that appraise the aforementioned factors. Based on each center's assessed course delivery capability, it will be assigned to a category which will be used to establish the number of courses that it can be awarded under each call for bids. Approved training centers will be issued a certificate of eligibility - good for one year - which will be a prerequisite for participating in any call for bids. Centers may register at any time and, prior to each call for bids, information will be circulated announcing that registration is open. Training centers must renew their certificates each year by updating their REGICAP file. The roster has already been opened, using the training centers that were prequalified to participate in the call for bids held for the pilot trial.
- 3.7 Courses will be selected and awarded through international competitive bidding, following the procedures set forth in Annex D to the loan contract. Specific selection and award procedures are included in the program's Operating Regulations (Annex III-1).
- 3.8 Once a contract is signed, the UNEC and the training center will launch their promotional and public-information activities, following the applicable guidelines. The UNEC's regional offices will be in charge of receiving and evaluating applications from

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<sup>3/</sup> A copy of these regulations as well as the REGICAP registration forms are in the project files.

persons interested in participating in the program. Applicants will be evaluated according to the eligibility criteria established for the target population. Once accepted, applicants will receive a registration card that is to be presented when registering for courses.

- 3.9 All courses are to begin within 90 days of the contract signature date.
- 3.10 The training centers will be responsible for disbursing study grants and allowances in keeping with the criteria and limits set under the program. The necessary funds will be transferred to the centers by the UNEC.
- 3.11 Administration and supervision of this component will be performed by the UNEC and its regional offices. In particular, supervision will include actions aimed at verifying: quality of training delivered, attendance at courses and practical training, and other aspects deemed pertinent for ensuring the program's success. These tasks will be performed by full-time UNEC staff and by technical experts hired on a part-time basis, as program needs dictate. Likewise, technical experts will be hired to evaluate the offers submitted in response to each call for bids, and to visit the training centers and participating businesses as part of the course evaluation process. The program will have 35 evaluators and 40 supervisors working on a part-time basis.
- 3.12 Upon completion of their practical training stage, participants will receive a certificate issued by the training center and signed by the program and by the company on whose premises the job training was provided.
- 3.13 During the pilot trial in 1993, the UNEC tested administrative procedures for this component, including registration of training centers, bid evaluation, and course supervision. Based on this experience, the second call for bids - which was issued during the analysis mission - included adjusted procedures that would improve execution of the proposed operation.

2. Training and technical assistance for self-employment and microenterprise

- 3.14 This component will be carried out in three stages: (i) a preliminary (or pilot trial) stage, (ii) evaluation, and (iii) extended coverage.
- 3.15 During the preliminary stage, 10 packages of five courses each will be let under contract. The contracts will be awarded pursuant to an international call for bids and will cover the federal district and 19 districts in the greater Buenos Aires area.

- 3.16 The call for bids will be held during the first year of program execution. The training centers selected will be asked to deliver their respective courses within nine months.
- 3.17 Bids will be submitted following a procedure similar to the one used in the instruction and practical training component. The UNEC will evaluate all bids to make sure they meet the conditions set forth in the bid specifications.
- 3.18 Upon completion of the courses, the UNEC will evaluate the pilot trial. The evaluation criteria will be agreed upon with the Bank prior to initiation of the courses. After the evaluation, the component will be extended to cover the entire country.

### 3. Vocational guidance

- 3.19 This component, too, will be carried out in three stages: (i) a preliminary (pilot trial) stage, (ii) evaluation, and (iii) extended coverage.
- 3.20 During the preliminary stage, contracts will be let for 350 vocational-guidance courses, broken down into three packages: (i) two packages of 155 courses each, for the federal district and greater Buenos Aires, and (ii) one package of 40 courses for Tucumán province.
- 3.21 Contracts will be awarded pursuant to an international call for bids to be held during the first year of program execution. The training centers selected will be asked to deliver their respective courses within four months.
- 3.22 Upon completion of the courses, the UE-MTySS will evaluate the preliminary stage to gather reliable data for use in programming and optimizing the task of extending the component to provide full national coverage. The evaluation criteria will be agreed upon with the Bank prior to initiation of the courses. Once the evaluation stage has been completed, work will proceed with planning the rest of the courses (for the four large regions into which the country will be divided for this purpose), and calls for bids will be scheduled in keeping with the program execution period.
- 3.23 During the extension phase, the UE-MTySS will register all training centers that have prequalified with the REGICAP roster.

### 4. Strengthening of employment offices

- 3.24 On the basis of a proposal submitted by the Ministry of Labor and Social Security, it was agreed that an action plan would be drawn up for execution of this component. The plan would comprise: (i) operating regulations, (ii) organization, procedures, and methods manuals, (iii) operating budget, including short-, medium-,

and long-term funding sources, (iv) start-up plan, (v) implementation schedule, (vi) design of information systems to be contracted out to a company for programming and implementation, and (vii) investment plan.

- 3.25 It was also agreed that specialized consultants would be hired to develop the plan. The following areas are to be covered: (i) organization and methods, (ii) information systems, (iii) training, (iv) physical infrastructure, and (v) public information.
- 3.26 Once the plan is ready, it will be submitted to the Bank for consideration. As soon as the final version is agreed upon, work will begin immediately to contract out the information-systems programming and procurement of the equipment required at the central level. The consultancies are scheduled for the second half of 1994 and include some minor investments in equipment and infrastructure. This component would be carried out between the first quarter of 1995 and the fourth quarter of 1996 (24 months). The initial program report (described in the general conditions for the loan) will include a detailed schedule for preparation of this plan.
- 3.27 Direct supervision of the consultants' work will be the responsibility of the UE-MTySS, in coordination with the UNEC and the project team.

C. Financial administration

- 3.28 Program resources will be assigned under a line item in the Economy Ministry's annual budget, which will show the amounts authorized each year for the program. The borrower will deposit proceeds from this loan in a special account to be opened with Banco de la Nación.
- 3.29 The executing agency and the subexecuting agency will be responsible for administering funds for the program components under their supervision. This notwithstanding, by agreement with the subexecuting agency and for the purpose of tapping the UNEC's installed capacity, the UNEC will be responsible for making payments associated with its activities as well as those for the subexecuting agency. It will also be responsible for keeping all accounting records, with separate records for each component, in keeping with the chart of accounts agreed on with the Bank,

D. Disbursement schedule

- 3.30 The program is scheduled to last three years. Disbursements will extend over the entire three-year period, as follows:



TABLE III-1 DISBURSEMENT SCHEDULE (US\$000)					
SOURCE	YEAR 1	YEAR 2	YEAR 3	TOTAL	%
IDB - OC	18,597	65,164	48,239	132,000	60%
IDB - FSO/local	9,020	11,080	1,900	22,000	10%
Government of Argentina	22,753	20,557	23,690	67,000	30%
Annual total	50,370	96,801	73,829	221,000	100%
% per year	23%	44%	33%	100%	

E. Recognition of expenses

- 3.31 The borrower has asked the Bank to recognize those expenses that it has incurred and those that it expects to incur prior to approval of the loan by the Board of Executive Directors, a possibility that had been considered in the Profile II summary. The project team has reviewed the amounts committed under the tender calls issued, along with the regulations and procedures governing these calls for bids. On the basis of that review, the team is of the view that the Bank could recognize up to US\$15 million against the local counterpart contribution. Of this amount, US\$6.5 million would be for expenses incurred during the pilot trial and US\$8.5 million for expenses to be incurred prior to Board approval.

F. Advances

- 3.32 Owing to the type of activities to be performed and the expected pace of execution, it is recommended that allowance be made for an advance of funds up to 10% of the loan amount, i.e. US\$15 million.

G. Discretionary limits

- 3.33 Prior Bank authorization will be required for (i) any contract awarded under the instruction and practical training component to a single training center that entails financing with program resources for more than 10% of the total approved for each call for bids; (ii) any contract for an amount exceeding US\$1 million; and (iii) any action geared toward institutional strengthening and support for amounts greater than US\$35,000.

H. Accounting and auditing

- 3.34 Accounting records for the program will be the responsibility of the executing agency. Records are to be kept separately for each component in keeping with a chart of accounts to be agreed upon with the Bank. Through the executing agency, the borrower will present to the Bank financial statements for the program each year of the execution period. Since the Argentine Auditor General's Office (created in January 1993) is still being organized and is not yet able to begin operations, it is recommended that outside auditing for the program be arranged for under contract with an independent public accounting firm that is acceptable to the Bank.

I. Procedures for procurement of goods and services, consulting services, and training services

- 3.35 Procurement of goods required for program execution that are to be fully or in part with the loan proceeds will be subject to the Bank's normal procedures, as set forth in Annex B to the loan contract. The program does not involve any construction work.
- 3.36 Likewise, all consulting services will be hired in accordance with standard Bank procedures, as set forth in Annex C to the loan contract.
- 3.37 The special features of the training to be provided under this operation make it impossible to follow normal Bank procedures for hiring consultants. Specifically, this program entails the selection of courses - a process that does not involve terms of reference, as is usually the case with consulting contracts. Here, the determining factor in course selection will be the general eligibility of the training centers: selection will be based on a center's capacity as well as the proposed course's cost and content. Following the Bank's normal procedures for the selection and hiring of consultants would presuppose the existence of detailed terms of reference - agreed upon with the Bank prior to selection - and would not allow considering the bid price as a selection factor.
- 3.38 In view of the foregoing, it is proposed that program courses be selected and training centers hired in accordance with a modified version of the Bank's procedures for the procurement of goods and construction of civil works (see below) to make allowance for the special nature of contracting for this "good" (i.e., the courses). Annex III-5 (on file with LEG) presents a detailed comparison of the Bank's current tender procedures and the proposed procedures for course selection.
- 3.39 The proposed exceptions are: (i) require international competitive bidding and prequalification of bidders regardless of the contract price; (ii) no subcontracting, given the specialized nature of job-skills training and the importance of trainers' professional

qualifications and experience; (iii) allow courses to be awarded to more than one bidder in each call for bids, bearing in mind the quality, price, and geographical distribution of the proposed courses; (iv) no withholding of a percentage of the total price to guarantee performance of the successful bidders' obligations, since this protection is provided for in the requirement of a performance bond or other comparable guarantee; (v) no early completion bonuses, since the duration of each course depends on its content and it would not be advisable to give an incentive for completing the course in a shorter time; (vi) require that a fresh call be issued each year for prequalification (i.e. registration) so as to provide regular notification that interested centers may register at any time; and (vii) use the normal period of 45 days for the presentation of all bids, since all calls for bids will be international and none of them involve "large or complex" contracts.

- 3.40 Lastly, so that this procedure might be applied more easily to the contracting of courses, some redrafting has been proposed, along with the deletion of a few provisions that deal specifically with the procurement of goods or the construction of civil works.
- 3.41 With the suggested procedure for the selection and contracting of courses, it is proposed that Bank supervision consist of verifying compliance with the procedures as agreed upon. Accordingly, sample reviews would be done ex post to verify that the prescribed technical and institutional criteria had been followed for bids. Given the number of contracts expected, all the contracts signed with training centers in each call for bids will be registered as a single operation in the Bank's information system, with an indication of the number of participating centers.
- 3.42 Any protest or complaint lodged by a training center with regard to the technical or institutional evaluation of its bid is not to delay the process for awarding the other courses. The protest will be submitted to the Country Office's advisory group on procurement policy, which may recommend - if it sees fit and after consulting with the Bank's Procurement Unit - that the matter be forwarded to the Procurement Committee.

J. Supervision, monitoring, and evaluation

- 3.43 Working through the Country Office and with support from the project team, the Bank will oversee the program. Special attention will be given to evaluating the initial stages of components not covered in the pilot trial.
- 3.44 Agreement has been reached on monitoring and control activities (see Annex A to the loan contract), the purpose of which is to provide feedback during the implementation phase. This information will help to identify any changes that need to be made in program management or in operating procedures. It should also be of use to

Argentine authorities and the Bank in evaluating the program's impact and deciding on whether or not to continue with the second stage.

- 3.45 As part of the monitoring and control activities, the UNEC will produce special monitoring reports to be submitted to the Bank before March 31 of each year. These reports will double as the regular progress reports that, in keeping with the general conditions of the proposed loan, are to be submitted on the same date. The reports will be examined by the UNEC at the yearly review meetings to be held during the second quarter of each year. The project team will attend the first of these meetings, which will evaluate the results of the preliminary stages of some of the program components.
- 3.46 The monitoring reports will review on the program's status and its impact in terms of targets met. Accordingly, the reports will include such indicators as employment situation, time spent looking for a job, income level, employment status (formal or informal), level and type of women's participation, antisocial or delinquent behavior in course graduates vis-à-vis a control group (having similar age, socioeconomic level, education, geographic location, and sex), and special measures to ensure women's participation. Annex A to the loan contract contains a table outlining the key indicators proposed for measuring the program's impact, some of which are reproduced in the following table:

Some indicators for monitoring program impact				
Area of impact	Source of data	Purpose	Target	Comments
Participation in the labor market	Surveys of program beneficiaries and the control group	Verify whether the training and guidance offered actually helps participants find work	At least 20% of graduates of instruction and practical-training courses will find work in a semiskilled occupation	One desirable - although not specifically targeted - impact would be the incorporation of young program graduates into the formal education system
Training centers participating in the program	UNEC's internal statistics	Verify whether the program is contributing toward building a private-sector supply of training services in Argentina	No specific targets set, although it is hoped that the number of training centers able to offer high-quality courses in competitive conditions will increase significantly during the program's life	To the extent possible, an attempt should be made to assess how much these training centers compete to offer training services outside the program

- 3.47 The preliminary stages of the vocational guidance, self-employment and microenterprise, and employment offices components will be evaluated by analyzing and comparing the outcome of the various implementation strategies tested. For this, prior to initiation of courses and any activities to strengthen employment offices under these components, the UNEC will present for Bank clearance the evaluation tools it intends to use to ensure the appropriate levels of efficiency, effectiveness, supply, demand, and quality of the training and external services engaged. The purpose of this evaluation will be to identify any adjustments that may need to be made in any element of the program, including the Operating Regulations.

K. Midterm and ex post evaluation

- 3.48 Since this is a two-stage program (the first stage being covered under the present operation), an ex post evaluation should be carried out upon completion of the second stage. This notwithstanding, funds have been set aside to devise and implement an ongoing evaluation and monitoring process. In addition, a midterm evaluation will be done by the Bank once 50% of the first-stage funds have been committed. The information and methodology agreed on as a result of the monitoring reports will be used in the ex post evaluation.

#### IV. THE BORROWER AND THE EXECUTING AGENCY

4.1 The borrower would be the Argentine Nation. The executing agency and coordinator for the program would be the Ministry of Economic Affairs and Public Works and Services for all components except the vocational guidance and employment-office strengthening components, which would be carried out by the Ministry of Labor and Social Security as subexecuting agency.

##### A. Institutional considerations

###### 1. Institutional framework

4.2 The Ministry of Economic Affairs and Public Works and Services (MEyOSP) is divided functionally into 12 departments. Institutional responsibility for the program will lie with the Trade and Investment Department. Of this office's four bureaus, the Labor and Social Economics Bureau will be directly responsible for the program. This office's main function is to examine and reconcile the impact of labor and social policy with economic policy.

4.3 At the Ministry of Labor and Social Security (MTySS), institutional responsibility will lie with the Labor Department for those components within its area. This department is the logical choice since it is in charge of policy issues and coordination at the national level for all matters related to vocational training, employment, unemployment, and the operation of the national employment system. Currently very weak in institutional terms, the department will be strengthened under the program. Upon completion of the program, it is hoped that this strengthening will also help the department to effectively carry out its role as policy-making and regulatory agency for vocational instruction, training, and skills upgrading in Argentina.

###### 2. Operational framework

4.4 Bearing in mind that the functions of the offices holding institutional responsibility for the program focus on analytical, programming, and policy aspects, their ability to implement the proposed program activities will hinge on the establishment of very competent executing units. To this end, Joint Resolution MEyOSP 671/93 and MTySS 519/93 officially launched the program in June 1993 and set up the following independent units: the UNEC (at the Ministry of Economic Affairs and Public Works and Services) and the UE-MTySS (at the Ministry of Labor and Social Security). For resolving any conflicts that might arise between the two executing units, the joint resolution set up an arbitration board made up of the Secretary of Trade and Investment (MEyOSP) and the Secretary of Labor (MTySS). Approval of the board's rules of procedure will be a condition precedent to the first disbursement of the loan.

a. Central executing unit

- 4.5 The central executing unit (UNEC) has been up and running since the first stages of the pilot trial and has been responsible for the management, coordination, and general supervision of the program design. Its main functions are (i) to manage, coordinate, and supervise general program execution and adjust the program design as necessary; (ii) to directly carry out the instruction and practical training component and the training and technical assistance for self-employment and microenterprise component; (iii) to coordinate and supervise implementation of the two components assigned to the UE-MTySS (vocational guidance and employment-office strengthening); (iv) to monitor deadlines and objectives of all program studies, plans, and projects; (v) to coordinate the program's administrative and financial elements, drawing up budgets, disbursement requests, annual reports, etc.; and (vi) to promote the program and provide information to the public.
- 4.6 At the outset, the UNEC's organizational structure was devised to respond to the technical demands of the various components. Its final structure reflects the experience gained during the pilot trial. The unit is supervised by a general manager, who is assisted by an executive director. The UNEC has three functional areas (technical affairs, administrative/legal affairs, and operations), each run by a coordinator responsible for activities in his/her area.
- 4.7 The administrative/legal area is responsible for ensuring that all applicable legal and administrative procedures are followed and for performing all activities related to contracts, cash flow, and record-keeping.
- 4.8 The technical area is in charge of evaluating the content of program components and takes part in drafting and updating technical and pedagogical criteria for contracting and carrying out the training courses. It is also responsible for providing technical supervision and monitoring as well as management control for all courses, technical assistance, and practical training. This is also the area in charge of making sure that equal opportunities are afforded to men and women.
- 4.9 The operations area, which oversees all promotional activities and institutional linkages under the program, is responsible for coordinating operational execution in the country's various regions, through a network of 23 regional offices (see map), which will be sized according to anticipated activity levels and will serve as the program's "windows". These offices will coordinate promotion activities, answer questions about the program, sell bid documents, receive bids, and coordinate beneficiaries' participation in the courses and activities to be held in their

area. Plans are progressing on schedule for the regional offices and several are already up and running.

- 4.10 The UNEC has set up the following units (which are under the direct supervision of the executive director) to provide support for activities in the aforementioned functional areas: (i) a systems unit, whose main function is to keep the program's information systems up to date, (ii) a socioeconomic studies unit, which will coordinate the ongoing evaluation activities provided for under the program, and (iii) an advisory team.
- 4.11 The UNEC began operating in August 1993 as part of the pilot trial for the program's main component. Since then, the unit's operation, structure, staffing, and record-keeping and control systems have all been tested and scrutinized, and the project team feels that the UNEC will be able to satisfactorily carry out all program activities. It will have a staff of 210 full-time employees: 92 at the head office in Buenos Aires and 118 spread out among the 23 regional offices. There will also be a group of 35 evaluators and 40 supervisors working on a part-time basis.

b. Executing unit at the Ministry of Labor and Social Security

- 4.12 The executing unit at the Ministry of Labor and Social Security (UE-MTySS) will coordinate the operations to be carried out by that ministry. It will be under the general supervision of the UNEC, which will also lend it support in matters related to financial management and accounting records. The UE-MTySS will be set up only temporarily, mainly for the purpose of executing, coordinating, and administering the vocational guidance and the employment-office strengthening components. The unit's principal functions will be to (i) monitor deadlines and objectives of the components under its responsibility and supervise participating centers, (ii) arrange for all necessary contracts and procurements, and (iii) identify the employment offices that are to be included in the program.
- 4.13 The UE-MTySS, which will be overseen by an executive director, will have two divisions: one in charge of vocational guidance and one for employment-office strengthening. These divisions will receive technical support from the MTySS's Vocational Training and Employment Bureaus, respectively, and will be assigned technical teams whose size will vary depending on their functions and expected activity levels. In addition to its staff of 27, the UE-MTySS will receive support from the UNEC's regional offices for promotional activities, delivery of bid documents, and receipt of bids for regional programs. The unit's structure, functions, and professional staff qualifications are viewed as being adequate for the anticipated volume and level of complexity of activities.



c. Employment offices

- 4.14 Argentina's employment offices are decentralized agencies and exist in both the public and private sectors. The offices gather and compile data on labor supply and demand in specific geographical areas. Their objectives are to (i) establish contacts between job seekers and employers with a view to helping people find jobs, (ii) provide information on training possibilities, and (iii) gather data for the government to use in formulating policy. The program eligibility criteria for employment offices and the degree of strengthening they are to receive under the program will be agreed upon with the Bank, based on the findings of a consultancy to draw up an action plan for the component; this information will be included in the program's Operating Regulations.

B. Financial considerations

- 4.15 In 1993, the Ministry of Economic Affairs and Public Works and Services and the Ministry of Labor and Social Security received budget allocations on the order of US\$848 million and US\$43 million, respectively, for their central administration. The 1994 figures are US\$1,004 million and US\$80 million.
- 4.16 The program described here is a special kind of project; it is unique in character, has a limited lifespan, and has no impact on any other existing programs. Since the institutional framework in which the program will be carried out involves ministries that handle very sizable annual budgets, the financial analysis focused on two points: justification of the proposed categories and amounts (this was verified in the analysis), and execution capacity. Given the program's annual average budget of US\$74 million, the capacity for successful execution was structured accordingly. An analysis of this capacity has indicated that funds can be expended as scheduled.
- 4.17 As concerns recurrent costs, none of the components will have an impact on the operating budgets of the participating ministries. Although the strengthening of employment offices component will entail operating costs for participating offices, this will have no negative impact on recurrent-cost levels, owing to the nature of the support to be provided - which consists basically of equipment and systems that would be run by existing staff who will receive training (which has been included in the component).

## V. PROGRAM FEASIBILITY

### A. Socioeconomic feasibility

- 5.1 The feasibility study (see Annex V-1, which is on file with PRA) has shown that the program's design and objectives are both appropriate and consistent with Argentina's overall effort to readapt the labor force and lend support for the production-transformation process. The program will increase job possibilities and social participation for a very vulnerable sector of the population. At the same time, it will lay the bases for a bimodal job-training model in which the private sector will play a key role in designing courses and in making practical training available for program participants.
- 5.2 The program has been designed in such a way as to enable it to attain both its social and economic objectives without distorting any market mechanisms - indeed, it will enhance them. Unlike other social-integration programs for marginal groups, this one sets no quotas or other constraints on employment as a means of achieving its goals. On the contrary, by focusing its work on equipping the target population with the skills needed to compete for jobs - rather than providing jobs - the program will expand coverage and enhance the efficiency of both the labor market and, indirectly, the entire Argentine economy.
- 5.3 According to the analysis, if the program courses are kept within the estimated per-student costs, the social rate of return will be quite high, with an internal rate of return well over 12%. However, if fewer than 20% of graduates are placed or if the per-student cost were to go well over US\$2,300 (both highly unlikely possibilities), project return could suffer.
- 5.4 Since the training and work experience offered under the program will provide a way for members of a high-risk population group to get a job and become fully integrated into society, it is hoped that the program will contribute to reducing the risk of their turning to drug abuse or delinquency. Despite the social importance of such an outcome, the analysis and the working assumptions adopted indicate that the economic impact of such an eventuality would be relatively low and would not justify in and of itself the investment in the program.
- 5.5 Given the innovativeness of this program, return was analyzed using a series of scenarios for different course costs and the expected course impact on employment, productivity, and lower delinquency and drug abuse rates, *inter alia*. During the implementation phase, the program's actual impact will be measured by comparing the labor and social behavior of the target population with that of a control

group. This will help to validate the hypotheses used and, if necessary, make any changes.

B. Technical feasibility

- 5.6 The analysis of the program's technical feasibility was based on the pilot-trial evaluation, as described below.
- 5.7 A call for bids for the courses to be offered under the instruction and practical training component was issued in August 1993 in the federal district and the greater Buenos Aires area under the title of *Proyecto Joven* [Project for Youth]. In the course of the call for bids, sufficient data were collected for running the pilot trial. The courses offered were found to be exceptionally well designed, and the response of area businesses and training centers was very strong. In fact, many training centers that purchased the bid documents but did not submit offers expressed interest in taking part in future tender processes.
- 5.8 Ninety-nine training centers submitted bids, offering a total of over 600 courses in 39 separate fields. The bids were accompanied by the respective letters of intent to provide practical training, for over 10,000 traineeship slots in a large number of very varied businesses.
- 5.9 The interest that the program aroused among training centers is borne out by the wide diversity of centers that submitted bids. These included private educational institutions, companies, NGOs, trade organizations, foundations, public and private universities, and Argentine and international training firms.
- 5.10 More than 6,000 young people applied to take courses under the pilot trial, and 5,200 were found to be eligible. A total of 114 courses were awarded to 34 training centers and were to benefit a target population of 2,100 young people.
- 5.11 Building on this experience, a second call for bids was issued covering the city of Buenos Aires and the provinces of Buenos Aires, Misiones, Mendoza, Neuquén, Santa Fé, and Tucumán. The call was issued during the analysis mission. According to most recent data available (April 1994), a total of 802 training centers had registered with the REGICAP roster, with about one half of them located outside Buenos Aires - exceeding all the estimates made for that area.
- 5.12 As was pointed out earlier, the pilot trial revealed the high quality of the course designs and training structure under the instruction and practical training component. The format based on combining classroom instruction with practical training, together with the 45-day period for the training phase, proved to be a sound means of providing the job skills that semi-skilled workers need. Similarly, the length of the traineeships was felt to be

appropriate for enabling program beneficiaries to apply their classroom knowledge and hone the skills needed by Argentine's production sector.

- 5.13 The courses to be offered under the other components will provide classroom instruction, including practical elements, but no subsequent work practicum; for the most part, they will be short courses. Their quality will be tested as part of the pilot trial to be carried out using resources under the proposed operation. The training and technical assistance for self-employment and microenterprise component includes optional technical assistance to allow beneficiaries to complete or modify - with specialized advisory support - the microenterprise project that they drew up during the classroom phase. This would help to guarantee that all beneficiaries who opted for technical assistance could carry their microenterprise projects through to fruition.
- 5.14 Special mention should be made here of the Argentine business sector's active role and level of responsibility in the training of human capital in Argentina. This process has received direct support in the form of Executive Decree 340/92, which sets forth regulations governing the traineeships that would be offered by companies participating in the program.
- 5.15 During the pilot trial it was noted that cooperation between training centers and businesses is crucial to the design and delivery of training courses. Accordingly, during execution of the proposed program, there will need to be a good level of coordination between the business sector and the training centers. This will ensure, above all, that the supply of training courses responds to the demands of the labor market, and that letters of intent for traineeships are forthcoming from companies.
- 5.16 In view of the foregoing, it can be concluded that the proposed program has all the necessary elements for successful execution. The training centers are both interested and able to offer courses under the program, and there is broad support from the production sector to work closely with the training centers in designing courses and allowing program beneficiaries to acquire practical training at participating businesses.

C. Institutional and financial viability

- 5.17 The program's institutional viability was evaluated on the basis of (i) institutional backing, (ii) administrative capacity, and (iii) availability of training centers.

1. Institutional backing

- 5.18 The program has solid institutional backing from the national authorities and from the various sectors that will be taking part in the program. During the program design stage and during

execution of the pilot trial for the instruction and practical training component, assurances were received attesting to the official support of the Argentine authorities and the various public and private agencies and associations representing the business sector and training centers.

## 2. Administrative capacity

- 5.19 Since management capacity will be a key factor in carrying through the proposed program, evaluation of this capacity received special attention during the analysis process. The executing units had already been set up at the two ministries as of the date of the analysis mission, and the project team feels that all the functions and activities necessary to adhere to the implementation plan have been included, bearing in mind the complexity, design, and organization of the scheduled program activities. Both the UNEC and the UE-MTySS have qualified staff who meet the professional qualifications agreed on with the Bank. The analysis of the executing agencies shows that they have the requisite institutional capacity to coordinate and supervise program activities.

## 3. Availability of training centers

- 5.20 It is evident from the pilot trial and the ongoing call for bids that there are enough training centers in Argentina that are equipped to offer and interested in offering courses.
- 5.21 Taken together, these factors leads us to conclude that, from an institutional standpoint, the program is viable.
- 5.22 The analysis of the program's financial viability was based on the country's ability to make the counterpart contributions and the impact that recurrent costs from program activities could have on the national budget. The program's training activities have specific durations and will not become part of the two ministries' current programs, so they will not give rise to any recurrent costs. Employment-office strengthening will consist mainly of training and the procurement of computer equipment and systems that will be handled by existing staff and budget, so this component will not trigger any increase in recurrent costs. The counterpart contribution will come from the national budget, with the program requiring maximum annual contributions of about US\$24 million. The amount of US\$10.5 million was allocated in 1993, a portion of which was used for the pilot trial. The 1994 fiscal budget has earmarked the amount of US\$13.2 million, which will be used to cover program requirements during the first six months of execution. Since these amounts can be handled within the national budget, no problems are foreseen in securing budget allotments for the duration of the program's execution period.

D. Participation of women

- 5.23 Elements have been built into the program to promote equal participation of all members of the target population. These elements are meant to ensure that all participants are aware of the program's interest in including women and to provide support in clearing any hurdles that might stand in the way of fulfilling this mission. Women are estimated to make up 47% of the target population. The UNEC has assigned a professional staff member to be in charge of specific actions geared toward promoting women's participation.
- 5.24 Participants in the first round of the pilot trial were split equally between men and women. Specific measures have been devised to promote women's involvement and counteract filters that might well limit their participation. These measures include the following, some of which were already initiated under the pilot trial:
- a. Make sure that the public-information campaign includes messages and images to encourage women's participation and inform all participants of the program's interest in incorporating women, in order to raise the level of technical training offered to women in traditional occupations and broaden their presence in nontraditional areas. Ensure also that the media used reach the female population.
  - b. Marshall support from NGOs and assistance networks that specialize in technical training for women, in order to identify successful tools in job-skills training for women that can be replicated under the program. Encourage them to participate as training centers.
  - c. Include support structures for women with young children (child-care subsidy).
  - d. Make the identification of discriminatory conditions one of the technical criteria for evaluating bids, and train course evaluators in how to recognize such situations. Identify, for instance, gender-biased situations, unnecessary conditions regarding physical effort required, as well as infrastructure or schedules that would pose problems for work by men or women.
  - e. Provide training to staff in charge of selecting participants and publicizing the training courses so as to promote equal participation by both sexes in the various training opportunities. Train center instructors in teaching methods that will promote the effective participation of women in courses and in the establishment of a nondiscriminatory environment for training activities.

- 5.25 Other actions could include: (i) periodic impact studies regarding women's participation and remedial action to guide the program toward its objectives of incorporating women and providing them with the skills that will enable them to find a job in areas of higher productivity and income; (ii) meetings and seminars, preparation and distribution of flyers, and campaigns targeting private-sector employers with an eye to promoting jobs for women; and (iii) publicizing successful cases of training for women in nontraditional occupations and the development of demonstration projects.

E. Program beneficiaries

- 5.26 The target population will be made up entirely of low-income groups. The program has been designed in such a way as to ensure that this specific objective is attained.
- 5.27 In order to reach the population defined in chapter II, the program has been devised as a self-targeting product, with measures to ensure that candidates are in fact eligible. Since the level of training is geared toward individuals who have not finished high school, the skills to be offered under the program will appeal to a sector of the population that is undereducated, which is commonly an indicator of low socioeconomic status. Prospective participants will be interviewed by a social worker who will determine their socioeconomic eligibility for the program.

F. Environmental impact

- 5.28 Considering that program execution will consist of providing training courses, the Environmental Management Committee classified this as a Category II operation at its March 2, 1993, meeting. The program proposal reflects the Committee's recommendation that steps be taken to ensure that (i) any microenterprises launched under the program will not become the source of environmental problems, and (ii) occupational health issues would be properly addressed during program preparation and implementation.

G. Risks

- 5.29 The specific risks identified in connection with program execution can be grouped into two types: (i) risks associated with the nature of the executing agency and (ii) risks associated with the response of outside agents.

1. Risks associated with the nature of the executing agency

- 5.30 Although this innovative program has been successfully tested in the pilot trial, the UNEC will need to greatly expand its current capacity and coverage if the program is to be implemented at the national level. Despite the UNEC's highly dedicated and competent staff and well-developed systems and procedures in terms of

anticipated operating levels, there is a chance that delays might occur during implementation.

2. Risks associated with the response of outside agents

- 5.31 Since this is a demand-driven program, its successful execution will depend -- by definition -- on the willingness of various players to take part in it: the target population, training centers, businesses, etc. Any unforeseen change in Argentina's political, social, or economic situation could influence these agents' behavior and thereby hinder attainment of the program's objectives.
- 5.32 These risks have been minimized by running pilot trials and by dividing program financing into two stages, with the second stage being made contingent on the results of the first.



TIME SPENT PREPARING THE PROJECT REPORT\*

AR-0062

<u>Staff category</u>	<u>Weeks</u>
Economist	12
Financial analyst	11
Education specialist	12
Systems specialist	8
Attorney	10
Sector specialist (Arg. Country Office)	10
Specialist in women's issues	10
Operations officer	10
TOTAL	83

Note: No outside consultants were hired for the preparation of the document.

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\* Estimated time, based on duration of missions and preparation for missions as well as time spent drafting final report.

ESTIMATED BANK STAFF TIME REQUIRED FOR PROJECT IMPLEMENTATION\*

AR-0062

<u>Staff category</u>	<u>Weeks</u>
Economist	9
Financial analyst	7
Education specialist	8
Systems specialist	6
Attorney	6
Sector specialist (Arg. Country Office)	52
Specialist in women's issues	6
Operations officer	8
TOTAL	102

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- \* Estimated time, based on scheduled activities: prenegotiation, negotiation, compliance with condition, follow-up mission at end of first year, and miscellaneous follow-up tasks. For the sector specialist at the Country Office, a total of 52 weeks were included for administering the project.

ARGENTINA  
SUPPORT PROGRAM FOR THE PRODUCTION-TRANSFORMATION PROCESS  
OPERATING REGULATIONS

I. PURPOSES AND DEFINITIONS

1. Purposes

- 1.1 These regulations set forth the rules that shall govern the financing for the support program for the production-transformation process to be carried out by the Government of the Argentine Republic with partial financing from the Inter-American Development Bank under loan contract \_\_\_\_\_.

2. Definitions

- 1.2 Any reference made herein to the following terms shall be understood to have the meaning indicated:

Borrower:	The Argentine Republic
Government:	The Government of the Argentine Republic
Bank:	The Inter-American Development Bank
Program:	Support program for the production-transformation process
Executing agency:	Ministry of Economic Affairs and Public Works and Services (MEyOSP)
Subexecuting agency:	Ministry of Labor and Social Security (MTySS)
UNEC:	The program's central executing unit
UE-MTySS:	Executing unit for those components assigned to the subexecuting agency
REGICAP:	Register of eligible training centers
Training center:	Any natural or juristic person registered with REGICAP or prequalified to offer courses
Contract:	Training services contract, which is the instrument formalizing the relationship

between the training centers and the  
executing agencies

Bid documents: Documents setting out requirements and  
conditions for tender calls issued for  
program courses

Beneficiary: Member of the program's target population  
who registers for a course

## II. OBJECTIVES AND DESCRIPTION

### 1. Program objectives

- 2.1 The program, which was launched by the Argentine government in mid-1993, has two objectives: (i) to lend support for the production-transformation process by increasing the supply of semiskilled labor for production-sector jobs with demonstrated unmet demand; and (ii) to enhance job possibilities and social participation for people who are not in the mainstream labor market or fully integrated into society.
- 2.2 Furthermore, the program will strengthen employment offices by devising permanent tools which will be used beyond the program execution period. It will also contribute to the development of training centers that take a different approach to vocational-course design.

### 2. Description

- 2.3 The program, which will last a maximum of three years, will basically finance the training services provided by the training centers. These centers will offer classroom courses with practical training at a work site, vocational guidance, and training and technical assistance for self-employment and microenterprise. The courses will be intensive and will vary in length depending on the component.
- 2.4 The services to be rendered by the training centers shall be paid for by the program, according to the price and method of payment established in the contract. These centers shall therefore not receive any payment or compensation of any kind from the beneficiaries or any additional sum from the program as a subsidy or as amortization for the use of capital goods or under any other heading, other than the established price.
- 2.5 Beneficiaries of the training and technical assistance for self-employment and microenterprise component shall pay for part of the technical assistance. Training centers shall provide satisfactory justification for any advances they may receive.

- 2.6 Training centers that are eligible to conduct courses may also receive support, at no cost to them, to bring their proposals into line with program requirements.
- 2.7 The program comprises four components:
- (i) Instruction and practical training
- 2.8 This component will upgrade beneficiaries' skills so that they can apply for jobs. The courses are intended mainly for young people of both sexes, from low-income sectors, with little training and little or no work experience, who are unemployed, underemployed, or idle. Applicants will be interviewed by a social worker to determine their eligibility.
- 2.9 The beneficiaries of this component will receive a stipend for days attended under the program, for a maximum of six months, to help defray transportation and food costs as well as a day-care subsidy to female beneficiaries who have children under the age of five. Provision has been made for conveying beneficiaries from isolated or problem areas, along with accident insurance during practical training and a pre-course physical examination.
- (ii) Training and technical assistance for self-employment and microenterprise
- 2.10 This component will focus on developing the skills needed for self-employment. It is aimed at men and women with work experience who were laid off from a public- or private-sector job as a result of streamlining or the production-transformation process and who have resources that can be invested in such activity.
- (iii) Vocational guidance
- 2.11 Under this component, support will be provided to help reduce job-search costs for people seeking work in the labor market. The target population consists of men and women who can start working without any need for additional training, but who need guidance and assistance. Workers who are about to lose their jobs as a result of reorganization or because their companies are closing are also included here.
- (iv) Strengthening of employment offices
- 2.12 This component will provide institutional strengthening for the MTySS's Employment Bureau, provincial and municipal governments, and private-sector agencies that are part of the national employment office system, covering the expenses incurred as a result of their participation in the program.

3. Program location

- 2.13 The courses will be conducted throughout Argentina, in accordance with the distribution of the target population, through periodic calls for bids. The service areas of the employment offices that are to be strengthened will be determined during program execution, subject to Bank approval.

4. Executing agency and subexecuting agency

- 2.14 The program's executing agency will be the Ministry of Economic Affairs and Public Works and Services, through the Trade and Investment Department, Labor and Social Economics Bureau, which will coordinate execution through the UNEC.
- 2.15 The UNEC will be responsible for managing, coordinating, and generally supervising program design and execution and will directly carry out the following components:
- (i) instruction and practical training
  - (ii) training and technical assistance for self-employment and microenterprise
- 2.16 The UNEC will be headed by a general manager, who will be assisted by an executive director - both appointed by the Secretary of Trade and Investment, although the general manager will recommend the person to serve as executive director. The UNEC will be divided into three areas, each of which will be headed by a coordinator: administrative/legal affairs (which will assist the executive director in general operational and administrative coordination and will replace him in his absence), technical affairs, and operations. The directors, coordinators, and their deputies will perform the duties described in the organizational document (Appendix B). As set forth in Annex A to the loan contract (paragraphs 6.01 and 6.02), the borrower will follow its own procedures for the selection and hiring of executing-unit staff that are to be financed from the local counterpart funds, unless otherwise agreed with the Bank. These procedures will be the same as those followed during the pilot trial and have been deemed suitable. The Bank may require, however, background on contracts signed or to be signed for execution during the program.
- 2.17 The subexecuting unit will be the Ministry of Labor and Social Security. It will be headed by an executive director, who will be assisted by a deputy director - both appointed by the Secretary of Labor, although the executive director will recommend the person to serve as deputy director. The unit will have a vocational guidance division and an institutional strengthening division, each headed by a division chief. The directors and division chiefs will

perform the duties described in the organizational document (Appendix B).

- 2.18 For the employment-office strengthening component, specific agreements will have to be signed with the provincial and municipal governments whose employment offices are to receive assistance of this kind. Such agreements shall specify both the kind of support to be provided and the use to be made of such support.

### III. ELIGIBILITY

#### 1. Training centers

- 3.1 Training centers interested in delivering courses under this program must be registered with the REGICAP roster or must demonstrate their institutional, technical, and financial capabilities through the prequalification procedure to be set up for each component in the respective call for bids. To this end, training centers interested in registering with REGICAP or in being prequalified need to present:

- a. Legal proof of their establishment, legal status, and nationality
- b. Their experience conducting training activities
- c. Description of their administrative and financial capacity (human resources and financial/accounting information)
- d. Resumés of their director, manager, or chief administrative officer
- e. Résumé of their director or chief of training activities
- f. Activities in progress or obligations already undertaken
- g. Description of formal links with the production sector or businesses as concerns training
- h. Centers must also meet all the requirements set forth in the REGICAP regulations, agreed upon with the Bank (Appendix C).

#### 2. Eligibility of bids for training courses

- 3.2 Before being analyzed, all bids submitted by training centers must meet the eligibility requirements described in the bid conditions. (Paragraph 1 "General Information" of Appendix A – Criteria for evaluation of bids under the instruction and practical training component).
- 3.3 The criteria for evaluating bids for program components (ii) and (iii) are to be submitted to the Bank prior to the pilot trial. Once assessed and agreed upon with the Bank, these documents will be used when the program is expanded to cover the rest of the country.

3. Eligibility of program beneficiaries

3.4 (i) Instruction and practical training component

Requirements:

- a. Be at least 16 years of age
- b. Highest level of completed education allowed: secondary school. Preference will be given to those who have not finished secondary education, and in no case will applicants having post-secondary or university studies be accepted.
- c. Be from a low-income family
- d. Hold a national identity card or passport
- e. If under 18 years of age, have written consent from parents or guardians to register in the course
- f. Agree to the program's regulations and be willing to meet course requirements
- g. Be willing to submit to a medical examination to assess fitness for projected activities of the course in question
- h. No primary- or middle-school daytime students will be accepted.

3.5 (ii) Training and technical assistance for self-employment and microenterprise component

Requirements:

- a. Be a displaced worker from the public sector as a result of government streamlining efforts (publicly-owned companies and central government) or from the private sector
- b. Have completed secondary studies, at the most
- c. Have basic knowledge of an activity or occupation and intend to practice it on a self-employed basis or improve performance
- d. Be of legal age.

3.6 (iii) Vocational guidance component

Requirements:

- a. Have current or potential employment problems. The focus will be on people displaced as a result of government reform or the production-transformation process in the private sector.
- b. Come from a low-income or middle-low-income socioeconomic background
- c. Have operational know-how to offer the labor market
- d. Have completed mid-level education at most
- e. Be at least 16 years of age.

3.7 The eligibility requirements to be met by employment offices for participation in component (iv) of the program will be agreed upon with the Bank and will be included in these regulations on the



basis of the recommendations to be made by the consultants engaged for that purpose, who are included in the program execution plan.

#### IV. EXECUTION ARRANGEMENTS

##### 1. Administration of program resources

- 4.1 Funding to ensure full and continuous execution of the program will be earmarked under the Budget Act and will be administered exclusively through a line item of the Ministry of Economic Affairs and Public Works and Services. Local-counterpart and Bank funds will both be transferred to the subexecuting agency through the executing agency.
- 4.2 The executing agency and the subexecuting agency will be responsible and accountable for the management and use of funds for the components assigned to them. In addition, each will be responsible for ensuring that the procedures set forth in Annexes B, C, and D to the loan contract are followed in their contracting processes.
- 4.3 Accordingly, the selection of contractors and the conclusion and execution of contracts will be the exclusive responsibility of the executing agency or the subexecuting agency, depending on the component. Any agreements concluded between these two agencies shall stipulate that the following functions are to remain the exclusive responsibility of the executing agency:
  - i. Payments: any payments made by the executing agency for the subexecuting agency will be on the latter's account and behalf.
  - ii. Accounting: the executing agency will carry separate books for each component, according to the chart of accounts approved by the Bank.
  - iii. Budget: to enable the executing agency to keep track of program resources and expenditures, the subexecuting agency will submit the necessary data and monitor budget performance.
- 4.4 All other administrative functions - i.e., with the exception of the aforementioned payment, accounting, and budget functions - will be the responsibility of the respective executing units, depending on the component involved.

2. Agreement

- 4.5 The obligations that the executing agency and the subexecuting agency mutually agree upon will be stipulated in a special agreement that will remain in effect throughout program execution.
- 4.6 In said agreement, the subexecuting agency shall undertake to conduct the activities under each component in accordance with the evaluation criteria and procedures stipulated herein and in the loan contract.
- 4.7 The agreement with the subexecuting agency shall also stipulate:
- a. The right of both the executing agency and the Bank to examine course premises as well as the progress of the courses contracted for and the goods acquired with program financing.
  - b. The obligation to use program-financed services exclusively for the program's purposes.
  - c. The obligation to process and conclude all goods and services contracts in accordance with the procedures specified herein and in the loan contract.
  - d. The obligation that the executing agency or the subexecuting agency will supervise the components carried out by each. The executing agency may perform its own inspections or it may hire a firm to verify that the courses offered under component (iii) have been carried out on time and in the prescribed manner. The subexecuting agency will submit its supervisory procedures to the UNEC for approval or it will request the UNEC's assistance in establishing such procedures or adapting them to the program's requirements.
  - e. The obligation of the subexecuting agency to submit evaluation and follow-up reports and keep complete and orderly files with a registry of supervision reports, observations, certifications, and costs of services rendered and approved for each center.
  - f. The obligation to prepare monthly balance sheets and schedules of expenditures prior to submitting requests for disbursements to the executing agency or to submit information necessary for the executing agency to prepare them if so agreed.
  - g. The procedures to be followed for disbursements and justifications.
  - h. The obligation to provide information on how courses are progressing and financial data on the execution of each component and such other information as the executing agency

and/or the Bank - by way of the executing agency - may reasonably request with regard to how program resources are being used.

- i. The obligation to maintain proper, separate records in which program expenditures and program funding are to be recorded in the manner agreed upon with the executing agency or to provide the necessary information for the executing agency to maintain such records.
- j. The obligation to implement, on time and in the prescribed manner, all recommendations made by the executing agency or the Bank - by way of the executing agency - for proper allocation and management of program resources.

### 3. Eligible expenditures

- 4.8 Program resources may be used to pay for (i) services provided by training centers hired to conduct courses; (ii) insurance for beneficiaries; (iii) grants to cover food and transportation for beneficiaries and child-care subsidies; (iv) expenses connected with public-information activities, course supervision, and other related services; and (v) expenditures related to support and institutional strengthening under component (iv).
- 4.9 Administrative and staff expenditures will be financed exclusively from local-counterpart funds.

### 4. Discretionary limits

- 4.10 The following activities require prior Bank approval: (i) contract awards made under the instruction and practical training component to a single training center in which the amount of financing charged against program resources represents more than 10% of the total approved in each call for bids; (ii) contracts for more than US\$1 million; and (iii) activities for support and institutional strengthening in excess of US\$35,000.

### 5. Restrictions on the use of the resources

- 4.11 Program resources may be used only for the purposes set forth in the loan contract.

## V. CONTRACTING PROCEDURE

### 1. Registration of training centers

- 5.1 The executing agency shall call upon the centers to register with the REGICAP roster, following the procedures set forth in Annex D to the loan contract. Centers that were registered by virtue of

the acceptance of their Envelope I under the first national call for bids for training course contracts shall not be required to register again. Only those centers thus registered or those that prequalified by any other means that may be determined may submit bids to receive financing under the program.

2. Contracts for training courses

- 5.2 The executing agency and the subexecuting agency shall issue public calls for bids for the courses to be conducted under the components assigned to them, following the guidelines contained in Annex D to the loan contract. Only those training centers that have registered with the REGICAP roster or that have been prequalified shall be invited to submit bids.

3. Acceptance of bids and award of training courses

- 5.3 The following procedure shall be followed for the presentation of bids for courses under components (i) and (ii):
- a. The executing agency will invite bids from all centers that have registered with the REGICAP roster or that have otherwise prequalified, following the procedure set forth in Annex D to the loan contract. The conditions for prequalification will establish that a training center prequalifies to receive program resources if it can demonstrate - prior to course evaluation - that for technical, administrative, and financial control purposes, it is sufficiently sound from an institutional standpoint to ensure the proper use of program resources and that it has the operational capacity necessary to conduct the proposed training activities within the program's time frames.
  - b. Centers will submit their bids to the executing agency for consideration in accordance with the terms set forth in the bid conditions and instructions.
  - c. Courses will be selected and awarded through open international calls for bids. Bids will be evaluated in two stages:
    - (i) In the first (or eliminatory) stage, the basic features of the bids will be examined (teaching staff, equipment, infrastructure, course length, number of beneficiaries, equal opportunity for males and females, course load and timetable, and admission requirements).
    - (ii) The second stage comprises two steps. First, the course design and cost will be evaluated. Bids that do not meet the minimum levels of quality for each of the items analyzed will be eliminated. The remaining bids will then be judged on the basis of criteria intended to emphasize quality, as the main

standard, while not exceeding price guidelines or the budget ceiling for each call for bids. The number of courses awarded to a single training center, or in a specific field or specific region, or which entail training in a single participating firm, may be limited by virtue of considerations of concentration and operating capacity.

- d. The bid documents will list the criteria and, where applicable, the minimum number of points or levels used to eliminate proposals during the first stage as well as the criteria and system to be used to evaluate the remaining bids. The procedure to be used for the final selection of the bids will also be described.
- e. Once the evaluation has been completed, the executing agency will submit a detailed report on the evaluation for Bank approval. If the Bank has no comments to make, the Labor and Social Economics Bureau will approve the course awards and will make available to the bidders a detailed report outlining why bids were found to be ineligible or — for those that were eligible — why they were not chosen (price, technical quality, concentration by specialty, company offering traineeship, region, etc.).
- f. The contracts to be signed with each training center will include a clause stipulating that no course may begin nor may any contract go into effect until the site has been inspected and the information on facilities and equipment contained in the bid and in the contract has been verified.

4. Acceptance of bids and award of vocational guidance courses

- 5.4 The following procedure will be followed for bids submitted for vocational guidance courses under component (iii):
  - a. The subexecuting agency will be responsible for all the activities described in the preceding paragraph 5.3.
  - b. The executing agency, through the UNEC, will verify that the proper procedures have been followed and requirements met prior to signature of the contract that would authorize inclusion of funding for the courses in the executing agency's schedule of expenditures.
- 5.5 To receive funding under the program, proposed courses will be analyzed in accordance with technical, economic, financial, and institutional criteria. The following general requirements will have to be met: (i) each course must score more than the minimum set for each item, and (ii) each bid must have a total equal to or higher than the minimum required score in each component. For the instruction and practical training component, the courses will be

analyzed as set forth in Appendix A hereto (Criteria for evaluating bids under the instruction and practical training component).

VI. PROGRAM MONITORING

1. Program control and monitoring

- 6.1 The program will provide for ongoing control and monitoring during the execution period, generating reports that will be submitted to the Bank in good time and subsequently studied at yearly meetings between the Bank and the executing agency. These reports will review the general status of program execution and its impact and will measure the following indicators: number of courses conducted, number of bids presented, number of participating students and centers, impact on the target population, and methodology used for comparing performance, including control groups where applicable.

2. Amendment of these regulations

- 6.2 The borrower and/or the executing agency may suggest amendments to these regulations in order to bring them in line with any new conditions or circumstances that may arise during program execution. Such amendments shall take effect once they have been approved by the Bank.

3. Terms of the loan contract to prevail

- 6.3 The conditions and terms stipulated in the loan contract shall take precedence over these regulations.

PROPOSED RESOLUTION

ARGENTINA. LOAN /OC-AR. TO THE REPUBLIC OF ARGENTINA  
(Program in Support of Productive Reconversion)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Argentina, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program in support of productive reconversion. Such financing will be for the amount of up to one hundred thirty two million dollars of the United States of America (US\$132.000.000), or its equivalent of in other currencies, except that of Argentina, which are part of the Ordinary Capital resources of the Bank, and it will be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.

PROPOSED RESOLUTION

ARGENTINA. LOAN /SF-AR. TO THE REPUBLIC OF ARGENTINA  
(Program in Support of Productive Reconversion)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Argentina, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program in support of productive reconversion. Such financing will be for the amount of up to twenty two million dollars of the United States of America (US\$22.000.000) equivalent, in pesos from Argentina, which are part of the Fund for Special Operations resources of the Bank, and it will be subject to the "Special Contractual Conditions" and the "Terms and Financial Conditions" of the Executive Summary of the Loan Proposal.