

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

CHILE

STRENGTHENING OF THE JOB TRAINING INDUSTRY

(CH-M1015)

DONORS MEMORANDUM

This document was prepared by the project team consisting of: Elena Heredero (MIF/OPS), Project Team Leader; Viola Espínola (SDS/EDU); Carolina Carrasco (COF/CH); María Elena Nawar (MIF/DEU); Winsome Leslie (MIF/IKM); and Valnora Leister (LEG).

CONTENTS

EXECUTIVE SUMMARY

| | | |
|------|---|----|
| I. | BACKGROUND AND RATIONALE | 1 |
| II. | OBJECTIVES AND DESCRIPTION..... | 4 |
| III. | COST AND FINANCING | 6 |
| IV. | PROJECT EXECUTION..... | 7 |
| V. | MONITORING AND EVALUATION..... | 9 |
| VI. | BENEFICIARIES AND RISKS | 9 |
| VII. | ENVIRONMENTAL AND SOCIAL CONSIDERATIONS | 10 |

ANNEXES

| | |
|----------|-------------------|
| Annex I | Logical Framework |
| Annex II | Itemized Budget |

Proposed resolution

INFORMATION AVAILABLE IN THE MIF TECHNICAL FILES

| | |
|--------------|--------------------------------------|
| Document I | Schedule |
| Document II | Operating Regulations |
| Document III | PEU terms of reference |
| Document IV | Procurement plan |
| Document V | Market data on job training in Chile |

ABBREVIATIONS

| | |
|--------|---|
| AWP | Annual work plan |
| CESI | Committee on Environment and Social Impact |
| CORFO | Chilean Economic Development Agency |
| FCH | Fundación Chile |
| FECHIC | Chilean Federation of Training Institutions |
| MIF | Multilateral Investment Fund |
| MSE | Micro and small enterprises |
| MSME | Micro, small and medium-sized enterprises |
| OR | Operating Regulations |
| OTEC | Technical execution agency operating as a training provider |
| PCR | Project completion report |
| PEU | Project executing unit |
| PPMR | Project performance monitoring report |
| SENCE | National Training and Employment Service |
| SNCCCL | National Job Competencies Certification System |
| TT | Technology transfer |

STRENGTHENING OF THE JOB TRAINING INDUSTRY

(CH-M1015)

EXECUTIVE SUMMARY

| | | |
|-----------------------------|--|----------------------|
| Beneficiary: | Republic of Chile | |
| Executing agency: | Fundación Chile (FCH) | |
| Beneficiaries: | The direct beneficiaries will be: (a) 250 technical execution agencies operating as training providers (OTECs), preferably micro and small enterprises (MSEs); 400 OTEC managers; and 600 OTEC instructors who will restructure their courses, adopt new training methodologies, and strengthen their management skills and knowledge base. The indirect beneficiaries will be: (b) at least 150 enterprises in key sectors of the economy, preferably micro, small and medium-sized enterprises (MSMEs), who will train 1,000 workers by contracting the new training products and services offered by the participating OTECs. | |
| Financing: | MIF (Facility II) | US\$2 million (50%) |
| | Local counterpart: | US\$2 million (50%) |
| | Total: | US\$4 million (100%) |
| Objectives: | The project's goal is to help strengthen the job training and continuing education industry in Chile. Its purpose is to create a sustainable model for training and management technology transfer, in order to enhance the quality and relevance of the products and services offered by the OTECs, preferably to MSMEs in key sectors of the nation's economy. | |
| Execution timetable: | Execution period: | 36 months |
| | Disbursement period: | 42 months |

| | |
|--|---|
| Special contractual clauses: | As conditions precedent to the first disbursement of MIF resources: (i) competitive resources from the Chilean Economic Development Agency (CORFO) must have been approved for the counterpart contribution; (ii) the project coordinator must have been selected; and (iii) the Operating Regulations must have been approved on terms previously agreed upon with the Bank. |
| Exceptions to Bank policies and procedures: | None. |
| Environmental and social review: | The Committee on Environment and Social Impact reviewed the project abstract on 20 October 2006 without comment. |
| Coordination with other development finance institutions: | At this time, there are no similar projects funded by other official development agencies. |

I. BACKGROUND AND RATIONALE

- 1.1 **The opportunity: Building human capital to enhance competitiveness and innovation in the Chilean economy.** There is a general consensus today that human capital formation is a priority for economic and social development in Chile.¹ This has been reinforced by the findings of international assessments² that have revealed a low level of basic skills among the country's adult population, with 50% performing at a rudimentary level, irrespective of income and educational achievement. Studies have also shown how a 1% increase in basic language skills is associated with a relative increase of 2.5% in labor productivity and a 1.5% increase in the per capita GDP (Statistics Canada/OECD).
- 1.2 The Government of Chile, for its part, has determined through critical analysis of the quality and relevance of the training products and services available that government investment in training does not necessarily result in an accumulated human capital gain. But even so, government investment in development of the training market has been virtually nonexistent, since the government has no defined active role and has limited itself to supervision that public resources are used in accordance with regulations. Accordingly, in light of the unanimous assessment that job training in Chile urgently needs strengthening to support the country's economic growth and development strategy, agencies such as the recently created National Council for Innovation and Competitiveness and the Chilean Economic Development Agency (CORFO) of the Ministry of Economy stand ready to channel seed capital to strengthen job training within the workforce.
- 1.3 The National Training and Employment Service (SENCE) of the Ministry of Labor is well aware of the importance of a more skilled workforce and is proposing a variety of mechanisms and programs to stimulate demand for training, the most significant of these being a tax break. Businesses with an annual payroll over US\$2.75 million equivalent would be allowed to deduct up to 1% of its annual payroll for expenditures on job training for its employees. Taking all these programs together, more than 1.1 million people are trained annually, with 900,000 of them receiving training under the tax concession. Stated another way, only some 15.7% of the Chilean labor force receives any kind of job training or continuing education throughout their working life, compared to 30% in Ireland (OECD).
- 1.4 To understand why the tax break is underused, it is important to remember that SENCE has an essentially regulatory and enforcement role, and takes a relatively passive approach to evaluation of the training products and services offered. This has led to a proliferation of training providers known as technical execution agencies (OTECs) of widely varying quality. Weaknesses in the job training market

¹ Eyzaguirre, N; M. Marcel; J. Rodríguez; and M. Tokman (2005). *Hacia la economía del conocimiento: el camino para crecer con equidad en el largo plazo* [Toward a knowledge economy: The road to growth with equity in the long term]. National Council for Innovation and Competitiveness (2006). Final report.

² In: *Estudios Públicos* 97 (Summer 2005); OECD (2005), *Economic Surveys: Chile. Education at a Glance*. Paris, OECD.

include: insufficient and poor information on the training products and services available; weak capacity of micro and small enterprises (MSEs) (which account for 97% of all enterprises) to articulate their training needs, which has resulted in the tax concession being used mainly by the medium-sized and large companies; weak capacity on the part of OTECs to put together training products that meet the requirements of the businesses that need training; weak capacity for development and innovation at most OTECs, and weak business skills. This project will focus on the supply side, since this is where the greatest weaknesses and shortfalls have been identified.

- 1.5 **The training market in Chile: Problems on the supply side.** The training market in Chile is private, by and large, consisting of OTECs belonging mainly to the micro and small enterprise sector. During 2004, 2,556 OTECs provided training services. Of this total, 83% were responsible for training 16% of trainees. All had annual sales under US\$46,000 and represented 20% of total tax exempt resources. These figures show that more than 80% of the registered OTECs do not have the sales volume required for the development of a job training industry that can effectively meet the needs of employees and businesses.
- 1.6 The training providers (OTECs) have two major areas of weakness, which are similar to those of MSEs in any other industry: (i) serious deficiencies in the training service supply process, with little capacity to gradually incorporate technological upgrades and new pedagogical and methodological resources to provide a results-oriented product, and (ii) a lack of business management skills, either for analyzing the business and needs of their clients or for negotiating partnerships with other training institutions and/or enterprises to add value to the services they offer. These difficulties have resulted in most of the tools, courses and methodologies becoming obsolete and falling out of sync with the evolving requirements of the business sector, as well as with the new labor competency standards developed by various productive sectors.
- 1.7 SENCE has implemented a series of measures in recent years to enhance transparency and limit the entry of low-performance OTECs into the market, such as mandatory certification since August 2006 under the Chilean standard for training (NCh 2728, similar to an ISO) and the requirements that an OTEC be a single-purpose enterprise devoted to training, and that courses be registered with SENCE. As a result of these requirements, especially certification, the number of OTECs has fallen significantly to a total of approximately 1,300 registered OTECs as of October 2006. However, between 800 and 1,000 enterprises will most likely continue to participate in the system and face serious difficulties operating competitively in their market.
- 1.8 **Project rationale: Technology transfer to OTECs.** Although the SENCE measures were intended to strengthen the training industry, their objective is not to directly influence the content or quality of the courses offered. This leaves a serious void with regard to the rating of job training providers. The institutional and technical weaknesses of the OTECs, especially the smaller ones, needs to be

addressed with technical and financial support to bring the quality and relevance of their training products into line with the demand for training among workers, enterprises and key sectors in the national economy.

- 1.9 To address the supply-side problem, this project proposes to develop a model for the transfer of learning technologies specifically geared to the job training and continuing education industry. The project seeks to directly benefit 250 OTECs, preferably MSEs, which will gain access to tools, methodologies and technical assistance to improve both their job training products and services, and their business management skills. At the same time, in order to test and adjust the use and application of the newly acquired knowledge, pilot studies will be done with the OTECs and micro, small and medium-sized enterprises (MSMEs) belonging to at least three of the key clusters of the economy. At the end of the project, it is expected that the technology transfer model will continue to function for the benefit of all enterprises in the industry and will increase the use of the tax concession option.
- 1.10 The project executing agency will be Fundación Chile, whose strategy for the implementation of its Job Competencies Program is to carry out public interest projects with high social impact. This program within Fundación Chile implemented, with excellent results, the MIF job competencies certification project (MIF/AT-294, see paragraph 4.2 for outcomes). In particular, this project enhanced the capacity of productive sectors to establish competency and certification standards for workers and, more importantly, provided the basis for the draft bill to create a National System of Job Competencies Certification, which is expected to be passed the National Congress in 2007.
- 1.11 **The Bank's and the MIF's strategy.** The Bank's draft country strategy with Chile (2006-2010) (document CP-3249) includes "Reducing the competitiveness gap with developed economies" as one of its areas of major focus, and emphasizes support for innovation and technological development and support for strengthening the capacity of MSMEs. In addition, the private-sector development strategy for Chile points out "serious weaknesses [of the job training law], since it is fully exploited by the large and medium-sized enterprises, but not by the MSEs, the sector in which most deficiencies have been detected." This project will contribute to these strategic objectives by focusing on technology transfers to the training industry and their application at MSEs in key sectors of the economy.
- 1.12 The proposed project is **innovative** and **high-impact**, because it will develop a new services market for training providers, mainly MSEs, optimizing increasing the effectiveness of public spending (through tax concessions) and private expenditure on job training, a crosscutting industry that affects all workers, enterprises and economic sectors. The project builds in particular on the investment made in the Job Competencies Certification Program (MIF/AT-294), since although such certification has had a great impact on the market and has allowed job training and education to be structured around demand rather than supply, actions to support the training industry in adapting courses to new sector requirements have been

infrequent and insufficient. In fact, this new field of action for the MIF was defined in the Job Competencies Network of the Partners for Innovation program, as a “second generation” project in job skills development. As this is the first project on this topic, it has considerable resources for publicizing the study, including materials, a website, lessons learned, etc., which can be used by other entities in the region interested in addressing the supply-side problem in the job training industry.

II. OBJECTIVES AND DESCRIPTION

- 2.1 **Project objectives.** The project’s **goal** is to help strengthen the job training and continuing education industry in Chile. Its **purpose** is to create a sustainable model for training and management technology transfer, in order to enhance the quality and relevance of the products and services offered by technical execution agencies operating as training providers (OTECs), preferably to micro, small and medium-sized enterprises (MSMEs) in key sectors of the nation’s economy.
- 2.2 **Component 1. Organization and partnerships (MIF: US\$158,028; Counterpart: US\$124,467).** The specific objective of this component is to define the partnership model, roles, and organizational structure for project, based on a value proposition agreed upon with the partners. The partners are expected to include the Chilean Federation of Training Institutions (FECHIC), three productive sectors, and an MSME association. The following activities are planned: (i) strategic analysis of the training market in Chile; (ii) definition of a vision (mission statement) and value proposition for the technology transfer (TT) model, and preliminary agreement on a future institutional structure.
- 2.3 Consulting services will be contracted to characterize the OTEC market, especially with regard to the degree of specialization by sector and region, management weaknesses and strengths, demand met, etc. This analysis will be used to select the beneficiary OTEC group and to understand how they adapt to meet demand, especially from MSMEs in the three productive sectors in which they will operate. The following criteria will be used to select the sectors: (i) the report from the National Council for Innovation and Competitiveness on key export clusters; (ii) complementarity with the Bank strategies; and (iii) interest expressed by the productive sectors through the job competencies experience. The expected outcomes of the first component include the preparation of a widely disseminated report on the training market, a consensus-based value proposition and a commitment of the strategic partners to work together on the design, development and future sustainability of the model.
- 2.4 **Component 2. Design of the technology transfer model (MIF: US\$439,006; Counterpart: US\$342,720).** The specific objective of this component is to define the business model, the operations strategy and the line of products and services that will form part of its value proposition, based on available international best practices. The following activities are planned: (i) a study on the international state of the art with regard to training quality enhancement; (ii) design of products and

- services; (iii) definition of a business model and business and partnership strategies; (iv) technology tours to learn about international experiences; (v) internships for OTEC managers; and (vi) definition of an impact evaluation system.
- 2.5 Consulting services will be contracted to identify the best international practices, including: strengthening business management capacity of OTECs, training and certifying instructors, incorporating information and communication technologies (ICTs) into program design and delivery, modulating training programs based on job competency standards, quality assurance, and instructional design and learning evaluation. Outcomes will be disseminated at six workshops with potential OTECs and enterprises. Various consulting contracts will be prepared for the design of specific products and services within the key areas identified in the international benchmarking study. The product and service portfolio will be validated at three workshops with potential OTECs and enterprises. Consulting services will be contracted simultaneously to produce the value proposition and to determine the institutional structure and the functional and operational strategy for the model. In addition, the following events will be organized as part of the survey of international best experiences: one technology tour with the major partners, the coordinator of the executing agency and two members of Fundación Chile to observe one of the most developed TT models; and as many as three internships for OTECs abroad, each lasting at least one week, to observe the key elements of instructional design, quality training, service models, etc. Lastly, evaluation protocols and indicators will be identified at this stage for use in the implementation stage.
- 2.6 **Component 3. Implementation of the technology transfer model (MIF: US\$656,493 and Counterpart: US\$644,722).** The specific objective of this component is to implement, monitor and evaluate the operations model based on the pilot study in the selected participating OTECs and key sectors. The following activities are planned: (i) training trainers to provide the services; (ii) developing services and products and implementing courses, workshops and seminars; (iii) establishing links with productive sector enterprises to ensure that they acquire services from the participating OTECs; and (vi) evaluating outcomes and documenting lessons learned.
- 2.7 The expected outcomes include: training 50 trainers to provide the new services; implementing the model with 250 OTECs, training 400 OTEC managers and 600 OTEC instructors, and successfully getting at least 150 enterprises, preferably MSEs, to have at least 1,000 workers trained through the OTECs participating in the project. The various materials, manuals and procedures will be developed for the pilot studies, as well as a sustainability and scaling proposal for expanding the model to new OTECs and sectors. The lessons learned from implementation of the model will be published.
- 2.8 **Component 4. Dissemination and positioning of the technology transfer model (MIF: US\$516,081 and Counterpart: US\$451,881).** The specific objective of this component is to position the TT model in the job training market. The following

activities are planned: (i) market studies of perceptions among key stakeholders; (ii) designing a corporate image and developing a strategy for positioning the model; (iii) executing a dissemination program (seminars, conferences, colloquiums, newspaper articles, press releases, etc.); (iv) preparing and publishing case studies on key issues: training and productivity; training and innovation, etc.; (v) organizing internships for OTEC managers; (vi) arranging technology tours with OTECs and enterprises to learn about international experiences in TT; (vii) designing and maintaining a website.

- 2.9 By the end of the project, it is expected that: 60% of enterprises in need of training will be familiar with the model, its products, services and benefits; all the business associations in key sectors will have information about the model on their websites; and all OTECs will be familiar with the model. Thirty-seven (37) broad-dissemination workshops will be offered over the course of the project, including a project startup and closing seminar, and a website will be up and running as of project year three. Toward the end of the project, a technology tour will be organized for new OTECs and enterprises in the sector that wish to adopt the model, as well as three internships for new OTEC instructors.

III. COST AND FINANCING

- 3.1 **Cost and financing.** The estimated total cost of the project will be US\$4 million. Of that amount, the MIF will contribute US\$2 million, and the local counterpart US\$2 million, at least half in cash. A portion of the counterpart resources from Fundación Chile (up to US\$900,000) will be taken from mining royalty resources that the National Council for Innovation and Competitiveness channels through the Chilean Economic Development Agency (CORFO) to encourage innovation and competitiveness, specifically the CORFO Innova Chile Technology Dissemination Centers. A budget summary is given below (the itemized budget is presented in Annex II):

(in U.S. dollars)

| Items | MIF | Local | Total | % |
|---|------------------|------------------|------------------|-------------|
| Component 1: Organization and partnerships | 158,028 | 124,467 | 282,495 | 7% |
| Component 2: Design of technology transfer model | 439,006 | 342,720 | 781,716 | 20% |
| Component 3: Implementation of technology transfer model | 656,493 | 644,722 | 1,301,215 | 33% |
| Component 4: Dissemination and positioning of the technology transfer model | 516,081 | 451,881 | 967,962 | 24% |
| Management | 120,393 | 381,212 | 501,605 | 13% |
| Evaluations and contingencies | 110,000 | 54,998 | 164,998 | 4% |
| Total | 2,000,000 | 2,000,000 | 4,000,000 | 100% |

- 3.2 **Sustainability.** Sustainability refers to the institutional and financial conditions for the pilot stage of the TT model to be successfully completed, and, subsequently, for

the model to be expanded and maintained. These conditions will be evaluated from project start to finish. The results of the scaling plan under component 3 will be presented at a sustainability workshop attended by representatives of the Bank.

- 3.3 The institutional strategy involves the creation of a lightweight structure for the management and transfer of technology to technical execution agencies operating as training providers (OTECs). This structure will operate throughout the project as the project executing unit (PEU), hosted at Fundación Chile. At the end of the project, a business unit will be created to assume the functions of the PEU, and will prepare a business plan based on the lessons learned during the project to ensure the continuity of the services and products tested in the pilot phase. In terms of financial sustainability, the business model assumes that the OTECs will be in a position to invest their own resources and obtain resources through various state subsidies to finance the products and services offered by the PEU during the project and by the organization that will subsequently provide them on an ongoing basis after the project. The business model also assumes that technology transfer to OTECs is a public good, and therefore requires a measure of government investment to contribute in part to the continuity of the services generated by the project. Plans for the model's financial sustainability therefore include a combination of public and private funding to sustain its operations once the initial 36-month phase is complete.
- 3.4 A key element of this business model is the fact that the Act Establishing and Governing the National Job Competencies Certification System (SNCCL) will be passed in 2007. One of the functions of the SNCCL is to encourage that training be designed on the basis of job competency standards set by the productive sectors. In those sectors that have established standards, the SNCCL makes it mandatory for all training courses to be based on such standards. The SNCCL is therefore expected to create demand among OTECs for services enabling them to revamp their training programs. The transfer model under this project aims to be the primary resource supporting OTECs in this process of technological transformation.

IV. PROJECT EXECUTION

- 4.1 **Executing agency.** The executing agency will be Fundación Chile, a private, nonprofit corporation that seeks to contribute to the country through innovations and technology transfers which in turn contribute to the key clusters of the Chilean economy and to human capital development. Within Fundación Chile, the mission of the Job Competencies Program is to bring innovation to management practices and human capital development, by introducing and disseminating standards and methodologies to identify, develop and manage the competencies of members of the workforce, making enterprises more competitive and workers more employable. There are 20 technical and 3 administrative staff involved in the Job Competencies Program, which is one of the fastest-growing programs within Fundación Chile and has managed an average of eight projects and US\$4 million in the last two years.

- 4.2 With financing from the MIF, Fundación Chile has, since 1999, furthered the development of job competency standards in 15 productive sectors with excellent results.³ Its specific objective is to evaluate and certify worker competencies in those sectors and, in turn, promote the standards as a benchmark so that training products are characterized by the quality and relevance required by those sectors of the workforce. Another significant experience has been Fundación Chile's participation in the MIF's Partners for Innovation program: since October 2004 as a member of the Job Competency and Certification Standards Network; and since 2006, when so elected by its fellow members, as the network's lead institution. In 2006, significant initiatives have been undertaken, such as a new website for the network (www.redcompetencias.org) and the creation of new documents and case studies on interesting methodological innovations and results.
- 4.3 **Execution mechanism.** The project executing unit (PEU) will operate within Fundación Chile and report to the IDB Country Office in Chile. The PEU will be run by a coordinator and supported by an administrative assistant and an accountant, who will all be full-time employees. The Director of Fundación Chile's Job Competencies Program will support and supervise the activities of the PEU. The duties and responsibilities of the PEU and its members are stated in the Operating Regulations. A **Steering Committee** will be established, initially comprising SENCE, the National Council for Innovation and Competitiveness, the Chilean Economic Development Agency (CORFO), the Chilean Federation of Training Institutions (FECHIC), three productive sectors, and one association of micro, small and medium-sized enterprises. The Director of Fundación Chile's Job Competencies Program will hold the position of technical secretary on the Steering Committee. The committee will ensure that the desired objectives and outcomes are successfully attained, and that the strategic vision and level of institutional coordination required to support the project's activities are provided. It will also approve the execution reports that are submitted. The Steering committee will meet every six months or as deemed necessary at the request of one of the parties.
- 4.4 **Execution period.** It is expected that the execution period for the project will be 36 months, and the disbursement period 42 months. The PEU will proceed in accordance with a project execution schedule to plan the technical coordination and overall execution of the program, and annual work plans to organize activities and plan their costs and the anticipated disbursement schedule.
- 4.5 **Project readiness.** The project objectives, activities and outcomes have been agreed upon with Fundación Chile. CORFO has submitted a letter confirming that the project is fully in keeping with its national competitiveness development objectives, and is in the process of approving its financing through the Innova Chile

³ To date, this initiative has given rise to the design of 600 job descriptions with competency standards developed and validated by 15 key sectors of the Chilean economy, 17,000 workers have been certified throughout the country. Further information is available at: www.competenciaslaboraleschile.cl.

Technology Dissemination Centers. The project also has the support of SENCE, FECHIC and the food sector.

- 4.6 **Procurement.** Fundación Chile, acting through the PEU, will procure the goods and services contemplated in the project and previously approved by the Bank in the six-month procurement plan. Such procurements will be at market prices using competitive methods, in accordance with the procedures established in the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-7), the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-7), and the MIF guidelines of 8 August 2006.

V. MONITORING AND EVALUATION

- 5.1 The Bank's Country Office in Chile will be responsible for monitoring and supervision activities, monitoring of compliance with the contractual clauses, processing of disbursement requests, and acceptance of audited financial statements. Fundación Chile will submit six-monthly progress reports and a final report, in accordance with the Bank's standard reporting requirements. The Country Office will use these reports to prepare the project performance monitoring report and the project completion report. A closing workshop will be held at the end of the project to assess outcomes and actions needed to increase project impact.
- 5.2 Annual audits and a final audit will be done in accordance with the Bank's policies. The project contemplates the procurement, by the Bank, of consulting services for two evaluations. The midterm evaluation will be commissioned once 50% of the total resources have been disbursed, or 18 months after the first disbursement, whichever occurs first. The final evaluation will be done once 90% of the contribution has been disbursed, or three months prior to the deadline for the final disbursement, whichever occurs first. If the MIF wishes, an impact evaluation could be done, using MIF resources, two years after the operation is concluded. In order to do this, Fundación Chile will have to update the information in the evaluation and monitoring system on an ongoing basis.

VI. BENEFICIARIES AND RISKS

- 6.1 **Beneficiaries.** The direct beneficiaries will be: (a) 250 technical execution agencies operating as training providers (OTECs), preferably micro and small enterprises (MSEs); 400 OTEC managers; and 600 OTEC instructors who will restructure their courses, adopt new training methodologies, and strengthen their management skills and knowledge base. The indirect beneficiaries will be: (b) at least 150 enterprises in key sectors of the economy, preferably micro, small and medium-sized enterprises (MSMEs), who will train 1,000 workers by contracting the new training products and services offered by the participating OTECs.

- 6.2 **Risks.** There is a risk relating to the extent to which the OTEC will be able to gradually incorporate learning goals as quality criteria, share information with the pertinent professional and labor associations, and pursue cooperative arrangements for investing in the quality of their services and products. To mitigate this risk, the project proposes a series of technology tours and internships for OTEC managers with a view to motivating them to implement the changes they need to make to modernize the management of their enterprises. In addition, the trainers offering the TT model's services will include tools for monitoring and evaluating the competencies acquired by the instructors as well as a quality system to ensure a process of gradual assimilation. A second risk is associated with the extent to which the enterprises and sector professional and labor associations will remain interested in, and seek, training of an increasingly high quality. This risk will be mitigated by ensuring the participation of various associations on the project Steering Committee, and by undertaking the dissemination activities contemplated under the project, which include having enterprises participate in technology tours and internships, publishing case studies and articles in the press, and organizing colloquiums and seminars throughout the country.

VII. ENVIRONMENTAL AND SOCIAL CONSIDERATIONS

- 7.1 Given the nature of the project, no direct environmental impact is anticipated. Indeed, this project is expected to have a positive social impact, inasmuch as it will specifically address the relevance of training smaller-sized enterprises, thereby helping to boost their productivity and competitiveness.

CHILE
STRENGTHENING OF THE JOB TRAINING INDUSTRY
(CH-M1015)
LOGICAL FRAMEWORK

| Narrative summary | Indicators | Means of verification | Assumptions |
|---|--|--|---|
| <p>Goal</p> <p>To help strengthen the job training and continuing education industry in Chile.</p> | <p>Two years after project completion:</p> <ul style="list-style-type: none"> ▪ Learning acquired by workers trained by beneficiary OTECs under the proposed model. ▪ More actual investment in training by enterprises in participating sectors. ▪ At least 2 additional sectors use the TT services offered. ▪ A 20% increase in OTECs using the model. <p><i>* The baseline will be set, and projected estimates made for final and intermediate indicators, by an evaluation consultant contracted in the third quarter of the project.</i></p> | <ul style="list-style-type: none"> ▪ Ex post evaluation. ▪ Sampling surveys of the learning achieved by workers trained by the participating OTECs. ▪ SENCE statistics on levels of investment in training by sector enterprises. ▪ Records of sectors and OTECs that adhere to the model and buy its products and services. ▪ Operational level of the model (number of products and services, amounts, coverages). | |
| <p>Purpose</p> <p>To create a sustainable model for <i>training and management technology</i> transfer, in order to enhance the quality and relevance of the products and services offered by the OTECs, preferably to MSMEs in key sectors of the nation's economy.</p> | <p>By the end of the project:</p> <ul style="list-style-type: none"> ▪ Transfer model validated with a defined organizational structure. ▪ 100% of the costs of the business unit managing the model are covered. ▪ Sales of 250 participating OTECs increase by at least 15% over those of a control group. ▪ The demand-side perception of the quality and relevance of the services improves (compared to the baseline). | <ul style="list-style-type: none"> ▪ Midterm and final evaluations. ▪ Project completion report (PCR) ▪ Project performance monitoring report (PPMR) ▪ Progress reports and final report of the executing agency. ▪ Records of sustainability workshop at project end. ▪ Institutional structure for the model agreed and documented. ▪ ROI evaluation of the OTECs' participation in the model. ▪ Surveys on enterprises' perception of the training and OTECs. | <ul style="list-style-type: none"> ▪ Spending on labor training is maintained or increased. ▪ Enterprises request training based on job skills standards. |

| Narrative summary | Indicators | Means of verification | Assumptions |
|---|--|--|--|
| Components/Outputs 1. Organization and partnerships Define the partnership model, roles, and organizational structure for project, based on a value proposition approved with the partners. | By the end of the first six-month period: <ul style="list-style-type: none"> Partnership model approved by the Steering Committee (rules of the game). Agreements formalized with partners (commitments on contributions and benefits). Vision (mission statement) and value proposition determined by consensus with the Steering Committee. By the end of the project: <ul style="list-style-type: none"> Orders and agreements for the continuity and sustainability of the model. | For all components: <ul style="list-style-type: none"> Midterm and final evaluations. PCR. PPMR. Progress reports and final report of the executing agency. Records of sustainability workshop at project end. For the first component: <ul style="list-style-type: none"> Documents containing agreements between the parties for project execution (memorandums of understanding, collaboration agreements, service delivery contracts, as applicable) Documents on institutional and financial sustainability. Framework agreement for an ongoing institutional structure. | <ul style="list-style-type: none"> The National Job Competencies Certification System (SNCCL)¹ is approved and stimulating demand for job skills training. Training market increasingly incorporates learning achievements as quality criteria. Current public financing instruments are maintained for services offered under the project. (tax incentives, CORFO subsidies, etc.). |
| 2. Design of the technology transfer model Define the business model, the operations strategy and the line of products and services that will form part of its value proposition. | By the end of the first year: <ul style="list-style-type: none"> Business and operations model defined and agreed upon with partners of the Steering Committee. Preliminary line of products and services identified for the three sectors. | <ul style="list-style-type: none"> Document with model, business plan and balance scorecard. Operations manual with description of the line of products and services. Process and impact evaluation strategy with a system of relevant indicators. | |

¹ Currently in its second phase in the National Congress.

| Narrative summary | Indicators | Means of verification | Assumptions |
|---|--|---|--|
| <p>3. Implementation of the technology transfer model</p> <p>Implement, monitor and evaluate the operations model based on pilot project in the selected key sectors.</p> | <p>By the end of the project:</p> <ul style="list-style-type: none"> Model implemented with 250 OTECs, 400 OTEC managers and 600 OTEC trainers. Products and services validated and available to participating sectors. Report including an evaluation of the process, impact and lessons learned. Scaling plan developed for the model (sectors, OTECs, regions). | <ul style="list-style-type: none"> Pilot project documented in project technical reports. Document released on scaling proposal. | |
| <p>4. Dissemination and positioning of the technology transfer model</p> <p>Position the technology transfer model in the job training market.</p> | <p>By the end of the fourth six-month period:</p> <ul style="list-style-type: none"> 60% of the enterprises in need of training are familiar with the model, its services, products and benefits. All the business associations in the 3 participating sectors have information on their websites about the model. All OTECs registered with SENCE (approximately 1,300) are familiar with the model, its products, services and benefits. | <ul style="list-style-type: none"> Opinion surveys of a sample of enterprises representing different sectors, sizes, regions, market segments, etc. Statistics on website visits. Opinion surveys of OTECs. | |
| <p>ACTIVITIES</p> <p>Component 1</p> <ul style="list-style-type: none"> Strategic analysis of the training market in Chile (study, collection of primary source data) Definition of a vision (mission statement) and value proposition for the TT model. Notice, drafting and signature of cooperation agreements with project partners. | <p>By the end of the second six-month period.</p> <ul style="list-style-type: none"> Reports on the training market available and widely distributed. 3 strategic workshops with partners on market analysis, the partnership model and strategic plan. Strategic document containing vision (mission statement) and value proposition for the model. | <ul style="list-style-type: none"> Regular reports on progress toward targets and outputs. Official documents containing agreements between parties. Work records. Progress reports and final report of the executing agency, and PCR for all activities. | <ul style="list-style-type: none"> Sector enterprises and trade associations maintain their interest in, and demand for, training of increasingly high quality. OTECs and their trade associations share information and opt for a partnering solution to invest in the quality of their products and services. There are potential service |

| Narrative summary | Indicators | Means of verification | Assumptions |
|---|--|--|--|
| <ul style="list-style-type: none"> Project organizational structure in place (Steering Committee, PEU) Preliminary agreement on future institutional structure. | <ul style="list-style-type: none"> At least 5 collaboration agreements signed with strategic partners. Representatives of the Steering Committee appointed and confirmed. Record of Steering Committee decision on future institutional structure. | | <p>providers in the Chilean training industry with the right profile to adopt the model.</p> <ul style="list-style-type: none"> The enterprises participating in the project are willing to share relevant information for use in evaluating the impact of the pilot project. The National System for Innovation and Competitiveness positions training as a key development driver. SENCE, as the public regulatory agency for training, regularly disseminates information on project progress and its potential impact on OTECs and enterprises in need of training. |
| <p>ACTIVITIES</p> <p>Component 2</p> <ul style="list-style-type: none"> Study on international best practices for training quality enhancement. Design of products and services. Definition of business model and business and partnership strategy. Technology tours to learn about international experiences in TT to training institutions. OTEC staff internships (managers, course designers, etc). Definition of an impact evaluation system. | <p>By the end of the fourth quarter:</p> <ul style="list-style-type: none"> International state of the art with regard to business management of training, training quality systems, transfer of learning technology, introduction of ICTs, etc. 1 technology tour for the PEU, Steering Committee and strategic partners, and 3 internships for OTEC specialists. 6 workshops on international best practices in training management. Model products and services designed for the pilot project. 3 workshops to validate products and services. Business model and business and partnership strategy defined. Impact and process evaluation model defined. | <ul style="list-style-type: none"> Project technical publications. Reports and seminars on outcomes of technology tours. Design of instructional material in various formats. Document including process and impact evaluation strategy. Progress reports and final report of the executing agency, and PCR for all activities. | |

| Narrative summary | Indicators | Means of verification | Assumptions |
|---|--|--|-------------|
| <p>ACTIVITIES Component 3</p> <ul style="list-style-type: none"> Develop an implementation plan Develop capacity to execute the pilot project. Develop products and services for pilot project. Implement courses, workshops, seminars and other services designed. Match these services to demand from enterprises and/or productive sectors, so that they buy services from the participating OTECs through regular funding of training for their workers. Evaluate and document lessons learned as a result of implementation. | <p>By the end of the eighth quarter:</p> <ul style="list-style-type: none"> Implementation plan developed. Capacity developed, and at least 50 trainers trained according to the model. Materials, manuals and procedures developed and ready for the pilot project. <p>By the end of the eleventh quarter:</p> <ul style="list-style-type: none"> 25 courses for 1,000 managers and instructors from 250 OTECs. 19 workshops to prepare for giving courses at enterprises. Trained instructors and OTECs begin pilot project to train 1,000 workers at 150 enterprises. Evaluation and documentation of final outcomes at the end of the eleventh quarter. | <ul style="list-style-type: none"> Records of enterprises, instructors, OTECs participating in the project activities. Databases containing information for use in project evaluation. Progress reports and final report of the executing agency, and PCR for all activities. | |
| <p>ACTIVITIES Component 4</p> <ul style="list-style-type: none"> Market studies of perceptions among key stakeholders. Design corporate image and develop a strategy for positioning the model. Execute a dissemination program (seminars, conferences, colloquiums, newspaper articles, press releases, etc.) Case studies prepared and published on key positioning issues: training and productivity, training and innovation, etc. Internships for staff (managers, course designers, etc.) | <ul style="list-style-type: none"> Market analysis study designed. Image and positioning strategy approved by the project Steering Committee. Diffusion program designed by the end of the first quarter. At least 37 regional workshops and/or seminars over the course of the project. Publications designed and printed by the end of the second year. At least one technology tour with potential clients, and 3 internships for OTEC instructors and/or managers. | <ul style="list-style-type: none"> Corporate image and positioning strategy documented. Reports on technology tours and internships. Measurements of website visits. Progress reports and final report of the executing agency, and PCR for all activities. | |

| Narrative summary | Indicators | Means of verification | Assumptions |
|--|---|-----------------------|-------------|
| <ul style="list-style-type: none">▪ Technology tours to learn about international experiences in TT to training institutions.▪ Design, implement and maintain a website with monitoring and evaluation mechanism. | <ul style="list-style-type: none">▪ Website designed by the end of the eighth quarter and operational as of year 3. | | |

Strengthening of the Job Training Industry in Chile (CH-M1015)

| Description | PROJECT TOTAL (USD) | | | % |
|---|---------------------|------------------|------------------|-------------|
| | MIF | Counterpart | Project total | |
| COMPONENT 1: Organization and partnerships | | | | |
| 1.1 Strategic analysis of the training market in Chile | 120,215 | 61,014 | 181,229 | |
| 1.2 Definition of a vision and value proposition for TT model | 9,000 | 61,453 | 70,453 | |
| 1.3 Notice, drafting and signature of cooperation agreements | 19,513 | 2,000 | 21,513 | |
| 1.4 Preliminary agreement on future institutional structure | 9,300 | 0 | 9,300 | |
| Total Component 1 | 158,028 | 124,467 | 282,495 | 7% |
| COMPONENT 2: Design of the technology transfer model | | | | |
| 2.1 Benchmarking of international best practices | 118,585 | 34,843 | 153,428 | |
| 2.2 Design products and services | 235,401 | 48,727 | 284,128 | |
| 2.3 Definition of business model and business and partnership strategy | 7,843 | 91,458 | 99,301 | |
| 2.4 Technology tours to learn about international experiences | 9,614 | 36,000 | 45,614 | |
| 2.5 OTEC staff internships | 59,902 | 59,500 | 119,402 | |
| 2.6 Definition of an impact evaluation system | 7,661 | 72,193 | 79,853 | |
| Total Component 2 | 439,006 | 342,720 | 781,726 | 20% |
| COMPONENT 3: Implementation of the technology transfer model | | | | |
| 3.1 Implementation plan | 43,753 | 0 | 43,753 | |
| 3.2 Capacity building | 24,753 | 37,600 | 62,353 | |
| 3.3 Implementation of pilot project with products and services for a group of beneficiaries | 521,323 | 582,122 | 1,103,445 | |
| 3.4 Match services to demand from enterprises and/or productive sectors | 21,506 | 0 | 21,506 | |
| 3.5 Evaluate and document lessons learned | 45,158 | 25,000 | 70,158 | |
| Total Component 3 | 656,493 | 644,722 | 1,301,215 | 33% |
| COMPONENT 4: Dissemination and positioning of the technology transfer model | | | | |
| 4.1 Market studies | 17,506 | 32,000 | 49,506 | |
| 4.2 Design corporate image and develop a strategy for positioning the model | 23,760 | 0 | 23,760 | |
| 4.3 Design and execute a dissemination program | 247,810 | 217,100 | 464,910 | |
| 4.4 Prepare and publish case studies, etc. | 119,307 | 5,020 | 124,327 | |
| 4.5 Technology tours to learn about international experiences | 43,268 | 0 | 43,268 | |
| 4.6 Internships | 0 | 117,816 | 117,816 | |
| 4.7 Design and operate website | 64,430 | 79,946 | 144,375 | |
| Total component 4 | 516,081 | 451,881 | 967,962 | 24% |
| PROJECT MANAGEMENT | | | | |
| Project Director | 0 | 92,591 | 92,591 | |
| Project Coordinator | 120,393 | 80,725 | 201,118 | |
| Project Assistant | | 30,168 | 30,168 | |
| Part-time Accountant | 0 | 30,168 | 30,168 | |
| Subtotal project team | 120,393 | 233,651 | 354,044 | 9% |
| Materials | 0 | 23,464 | 23,464 | |
| Productivity and administrative software | 0 | 5,773 | 5,773 | |
| Logistics (communications, office lease, electricity, etc.), equipment (computer, printer) | 0 | 118,324 | 118,324 | |
| Subtotal logistics expenses | 0 | 147,561 | 147,561 | 4% |
| Subtotal management | 120,393 | 381,212 | 501,605 | 13% |
| Midterm evaluation | 30,000 | 0 | 30,000 | 1% |
| Final evaluation | 30,000 | 0 | 30,000 | 1% |
| Audits | 15,000 | 0 | 15,000 | 0% |
| Contingencies | 35,000 | 54,998 | 89,998 | 2% |
| Subtotal management and evaluation | 110,000 | 54,998 | 164,998 | 4% |
| TOTAL | 2,000,001 | 2,000,000 | 4,000,001 | 100% |

MIF/Counterpart percentages

50%

25%

25%

Correct 50%

Correct 100%

Project: Strengthening of the Job Training Industry in Chile
Budget

| Figures in US\$ | MIF | Local Contribution | | Project Total | Counterpart | Percentage |
|---------------------------|------------------|---------------------------|------------------|----------------------|--------------------|-------------------|
| | | In cash | In kind | | | |
| Component 1 | 158,028 | 60,866 | 63,601 | 282,495 | 124,467 | 7% |
| Component 2 | 439,006 | 255,913 | 86,808 | 781,726 | 342,720 | 20% |
| Component 3 | 656,493 | 371,493 | 273,229 | 1,301,215 | 644,722 | 33% |
| Component 4 | 516,081 | 128,466 | 323,415 | 967,962 | 451,881 | 24% |
| Management | 120,393 | 163,262 | 217,949 | 501,605 | 381,212 | 13% |
| Evaluation and contingenc | 110,000 | 20,000 | 34,998 | 164,998 | 54,998 | 4% |
| Total | 2,000,001 | 1,000,000 | 1,000,001 | 4,000,001 | 2,000,000 | 100% |

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION

Chile. Nonreimbursable Technical Cooperation ATN/----CH for the Strengthening of the Job
Training Industry

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Fundación Chile, and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT--- with respect to a technical cooperation for the strengthening of the job training industry.
2. That up to the amount of US\$2,000,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Human Resources Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.