## I. Introduction and Context

### Country Context

Favorable external conditions and domestic policies have fueled sustained growth and poverty reduction. Driven by high commodity prices and prudent fiscal and monetary policies, Bolivia’s economy has had an annual average growth of 4.7 percent for the past nine years, increasing real per capita income by 20 percent and reducing poverty, extreme poverty, and income inequality.

According to official numbers, the national poverty rate in Bolivia declined from 60 percent in 2005 to 45 percent in 2011, while the extreme poverty dropped 16 percentage points over the same time period (from 37 percent to 21 percent) and income inequality has also dropped from 0.60 to 0.47.

Economic growth has led to improvements in labor market outcomes. Bolivia’s labor force participation rate (LFPR) increased from 70.2 percent in 2005 to 73.3 percent in 2009, higher than the world average (64.7 percent) or the average for Latin American and the Caribbean (65.4 percent).
in Latin America and the Caribbean). Even among neighboring countries, Bolivia has higher participation compared to other South American countries (67.2 percent in Latin America and the Caribbean). The increase in LFPR was mainly driven by increasing female participation and in urban areas: increases in female participation was four times the increase of males (4 and 1 percentage points, respectively), and 3.8 p.p. increase in urban areas compared to no change in rural areas. The improved labor market conditions, therefore, hide significant challenges related to job quality and productivity.

Despite these improved economic conditions, the job quality in Bolivia has not improved substantially. The proportion of the labor force employed in informal jobs remains at 70 percent. While the overall reduction in agricultural employment drove the increase in salaried work and formal employment, informality in Bolivia is still higher than other neighboring countries like Peru and Ecuador (close to 55 percent). Additionally, the increased labor participation is associated with activities of lower productivity, as reflected by the increasing share of employment retail trade and transportation, and with poor working conditions (almost no access to basic social security and labor regulations like minimum salary).

**Sectoral and Institutional Context**

A key feature of the labor market is lower employment opportunities for youth and especially female youth. Annual demographic growth among the youth (17-24 years) was 2.4 percent per year compared to only 1.7 percent among the overall population (INE Bolivia). Despite this faster demographic growth of the youth, labor force participation among youth increased only at the same pace as adults, possibly reflecting the inability of Bolivian labor markets to absorb an increasing number of youth in the population. The youth unemployment rate is 3 p.p higher than the average, and the female youth unemployment rate is 50 percent higher than male youth unemployment rate (9.6 percent and 6.4 percent, respectively for 2008). Given their age, insufficient skills and lack of job experience, poor youth experience higher rates of unemployment and only have access to low productivity jobs, without on job training and for a limit period of time.

People with disabilities are another group facing severe limitations in their access to labor market opportunities. Although Bolivia has a low incidence of disability according to Census data, it is the country with the highest number of years lost due to disability (10.8 years), reflecting the inadequate services that aggravate their condition, including employment intermediation and counseling services. Despite the existence of a law requiring a minimum of 4 percent of people with disabilities in the labor payroll of each public or private institution, in practice, the law has little enforcement. The unemployment rate of people with disability is approximately four times higher than the average unemployment rate.

The Government, through the Ministry of Labor, Employment and Social Provision (MTEPS) is committed to improve the employment prospects of unemployed and other vulnerable groups and facilitating improvements in job quality. The MTEPS has established and strengthened its active labor market programs. The MTEPS has an institutional structure consisting of an Employment Service (EP) System (Servicio Plurinacional de Empleo) that operates a network of offices financed by the Ministry that offers intermediation and counseling services for job seekers in 11 cities (the 9 capital cities of Departments and two other large cities), making referrals to a youth training program (Mi Primer Empleo Digno –MPED –piloted in 2009 and extended in 2012), and providing wage subsidies for job seekers professional adults or experienced workers (Programa de Apoyo al Empleo PAE). Since 2010, active labor market activities in the MTEPS have been supported by the
World Bank and the IDB. The Government is also committed to extend the presence of EP, improve the coverage of existing employment programs and services, introduce new employment programs for the disabled and vulnerable population, and improving the quality of jobs through launching a social awareness plan, strengthening the labor regulation enforcement, designing and implementing flexible social security schemes for self-employed workers.

However, despite this success, MTEPS faces several challenges in improving employment prospects for vulnerable groups and facilitating improvements in job quality. First, the MTEPS received less than 0.5 percent of the total budget allocated to the executive branch in Bolivia in 2012. Second, employment services and programs have limited coverage and the MTEPS would like to extend the presence of the MPED program and also introduce new employment and labor services for people with disabilities, vulnerable women, entrepreneurs and self-employed. Finally, the MTEPS is seeking support to strengthen social awareness on job quality and labor regulation enforcement, to improve the capacity of the Ministry to plan and coordinate the implementation of flexible social security schemes for self-employed workers.

The Government is keen to address these programs issues and is taking several steps to improve the effectiveness of the program. In this context, the Government has requested World Bank’s support to implementation of ALMPS and its links with job policies, with focus on: (i) supporting geographical expansion of the MPED to intermediate cities, including the cooperation with local governments; (ii) improving the supply of training activities with flexible modules; (iii) piloting improvements to employment services to entrepreneurs, the disabled and women in vulnerable condition like single and young mothers, and (iv) strengthening the capacity of the MTEPS to plan, coordinate, monitor and evaluate labor policies, including those related to the improvement of quality of jobs. One of the main objectives of this phase would be the expansion of the implementation in other cities, to offer the program to more beneficiaries. Additionally, the program would provide a modular offer of training courses in order to capture more youth from 21 to 24 who have a higher opportunity to cost to participate, especially during the 4 months in class training phase. Furthermore, the program would better coordinate its implementation with PAE and other services under Employment Service Network. Finally, the improvement of services provided to entrepreneurs, the disabled and vulnerable women are critical to sustain the benefits of the MPED in the medium and long term.

Relationship to CAS

The proposed project is consistent with the FY 2012-2015 Country Partnership Strategy (CPS) for the Plurinational State of Bolivia (Report 65108-BO). The proposed Improving Employability and Job Quality among Vulnerable Groups Project has been considered under the Human Development and Access to Basic Services results area of the World Bank Group’s Country Partnership Strategy (CPS) for FY12-15 (Report No.65108-BO), discussed by the Board of Executive Directors on December 1, 2011. Promoting the accessibility and enhancing the performance of a program aimed at increasing the quality of youth employment will contribute significantly to meeting the goals of this results area of the CPS.

This project will continue the long term contribution that the Bank has made to social protection policies in Bolivia, in particular in the area of employment and training. While the project will mostly continue the support that the Bank provided to youth for improving employability through the Investment in Children and Youth Project (P101084), which will close on December 31, 2013,
this project will support the MTEPS in improving new employment services and promoting the quality of jobs among the Bolivian labor force.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The project development objectives of the proposed project are to: (a) improve employability of low income youth population by supporting the expansion and strengthening of the Government skills development program; (b) enhance job quality among vulnerable groups by strengthening employment programs for self-employed, People With Disabilities (PWDs) and vulnerable women; and (c) improve the MTEPS capacity to design, manage, and monitor labor and employment policies.

Key Results (From PCN)

Key results, as well as performance indicators, will be defined during the preparation of the project, in coordination with Government counterparts. Project progress will be tracked by the following indicators (PDO and intermediate indicators), each reflecting the three specific objectives of the Project. Relevant indicators will be disaggregated by gender.

Objective (i):
• The skills development program (MPED)’s job placement rate is at least 40% higher than the one for control group three months after the end of the internship phase.
• Expansion of the geographical coverage of the MPED program (Projected target: 10 cities, 4 more than the actual program coverage)

Objective (ii):
• Improvement of quality jobs among informal self-employed, measured through registered employment or increased earnings.
• Provision of basic training course for self-employed in all offices of the Employment Service (Projected target: the number of trainees per year will be defined during project preparation).

Objective (iii):
• Design and implement pilot mechanism to provide social security benefits to targeted self-employed groups.
• Design mechanisms to enhance the complementarity between Central and Local Governments resources in labor and employment programs and implement in two Municipalities.
• Design and implement a Labor Observatory with quarterly reports.

III. Preliminary Description

Concept Description

This Project supports the design and implementation of policies and programs to improve employability and job quality among vulnerable groups, and the strengthening of institutional capacity required to achieve this goal. This Project addresses strategic objectives of the MTEPS such as the promotion of employment quality (dignified labor) and strengthening the stewardship role of the MTEPS in private and public partnerships towards achieving this goal. These objectives are closely associated to broader Government objectives as enhancing the linkages between employment policies and policies in other areas as productive development, rural development and public investment in subnational governments.
The lending instrument is a specific investment loan for an estimated amount of US$ 20 million.

Component 1. Improving and expanding employment programs and services. This component would support the MTEPS in strengthening existing interventions and developing additional programs to enhance employability and labor market insertion of vulnerable groups, with especial focus on the youth, people with disabilities, and vulnerable women. This Component would exploit lessons from the implementation of the Youth and Children Project supported by the World Bank and would support the development of articulated labor market programs. In particular, this Component would finance technical assistance, materials, consultants and operating costs to design and implement three types of labor market interventions. First, the Project would support the improvement, expansion and operational strengthening of the existing Mi Primer Empleo Digno (MPED).

Second, the Project would support the expansion of general orientation and soft skills training for job seekers and would also support the capacity building among small entrepreneurs and self-employed, especially in the targeted populations. The development of entrepreneurial traits and skills, including entrepreneurial education, both in school and out of school, access to financing and technical knowledge, have been positively evaluated in the international experience (Cho and Honorati, 2013).

Third, the Project would also finance the design, piloting and evaluation of programs aiming to improve employability of people with disabilities and vulnerable women. This would include: (i) supporting the Government in measuring the extent of disability in Bolivia and impacts on labor market in Bolivia; these data and analytical activities should be sustained in the MTEPS as part of the existing monitoring indicators to be supported by this Project in Component 2; (ii) strengthening employment services focusing on people with disabilities and train MTEPS staff in delivering those services in employment offices; and (iii) assessing the range of services and adequacy of other MTEPS programs for people with disabilities, and piloting alternative interventions or revisions to existing ones to respond to the needs of people with disabilities. The Component would also finance a diagnostic tool of gender and labor markets outcomes in Bolivia to refine the design and pilot implementation of programs aiming to increase gender equity in labor markets. As outcomes may differ by participation, earnings, and type of employment, the diagnostic tool should serve to identify critical target groups of women where program pilots would take place.

Component 2. Strengthen MTEPS capacity to design, implement and articulate labor and employment policies. This Component would finance technical assistance, materials, consultants and operating costs to strengthen the operational stewardship of MTEPS in designing and implementing employment policy and programs. Existing policies in Bolivia aiming to enhance employment opportunities require stronger technical capacity within the MTEPS in carrying out essential functions, as well as stronger institutional capacity in coordinating with the private sector, other Government agencies and subnational authorities. This Component would finance the development of these technical and institutional capacities in two critical areas.

First, the Component would finance the strengthening of MTEPS in carrying essential functions of the MTEPS. This would finance technical assistance, materials, consultants and operating costs to improve the range of employment services, their content and efficiency, as well as institutional capacity to articulate different services provided by the MTEPS (monitoring, training, intermediation). In particular, the Project would support the strengthening of the MTEPS through
the development of technical capacity of the Labor Observatory (Observatorio de Trabajo y Empleo de Bolivia, OTEB) to collect information, analyze and monitor labor markets.

Second, the Component would finance technical assistance to develop the capacity to design, pilot and evaluate labor market policies and programs. In particular, the Project would support the development of interventions to: (i) design and pilot the implementation of flexible social security schemes for self-employed workers; (ii) revise labor regulations enforcement to develop constructive supervision models that facilitate the gradual achievement of decent employment conditions through partnerships between workers, employers and the Government; and (iii) strengthen the stewardship role of the MTEPS in articulating labor and employment policies where other Ministries are involved and the development of coordination and articulation mechanisms with other National Government agencies, and especially subnational governments.

IV. Safeguard Policies that might apply

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V. Financing (in USD Million)

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