



RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
BOLIVIA: IMPROVING EMPLOYABILITY AND LABOR INCOME OF YOUTH PROJECT  
APPROVED ON MAY 15, 2014  
TO  
PLURINATIONAL STATE OF BOLIVIA

SOCIAL PROTECTION & LABOR

LATIN AMERICA AND CARIBBEAN

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**ABBREVIATIONS AND ACRONYMS**

IDA	International Development Association
IDB	Inter-American Development Bank
BOB	Bolivianos
CPS	Country Partnership Strategy
CUT	Treasury Single Account
DA	Designated Account
GoB	Government of Bolivia
ICAP	Training Institutions
IFR	Interim Financial Report
IPF	Investment Project Financing
IRI	Intermediate Results Indicators
LAC	Latin America and the Caribbean
MoE	Ministry of Education
MoF	Ministry of Economy and Public Finance
MoL	Ministry of Labor, Employment and Social Security
MoP	Ministry of Development Planning
MPED	Mi Primer Empleo Digno
NCU	National Coordination Unit
OM	Operational Manual
PAD	Project Appraisal Document
PAE	Employment Support Program
PDO	Project Development Objective
PFM	Public Finance Management
SAFCO	Law 1178 - Government Administration and Control Law
SIGEP	Public Employment Information and Management System
SIGMA	Integrated Management and Administrative Modernization System
SPE	Plurinational Employment Service
UDAPE	Economic and Social Policy Analysis Unit
VIPFE	Vice Ministry of Public Investment and External Financing

**BASIC DATA**

**Product Information**

Project ID	Financing Instrument
P143995	Investment Project Financing
Original EA Category	Current EA Category
Not Required (C)	Not Required (C)



Approval Date	Current Closing Date
15-May-2014	31-Dec-2020

**Organizations**

Borrower	Responsible Agency
Plurinational State of Bolivia	Ministry of Development Planning (Ministerio de Planificaccion del Desarrollo), Ministry of Development Planning (Ministerio de Planificaccion del Desarrollo)

**Project Development Objective (PDO)**

Original PDO

The objective of the Project is to improve employability and labor income of poor youth by supporting the expansion of the Skills Development Programs in Selected Cities.

**Summary Status of Financing**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-54610	15-May-2014	01-Oct-2014	29-Sep-2015	31-Dec-2020	20.00	1.30	17.02

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No

**I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING**

**Project Status**

1. The Project was approved by the World Bank Board on May 15, 2014 and became effective on September 29, 2015. The first disbursement was made in March 2016 due to: i) delays on agreement on the content of the training instructional materials for courses to be delivered by training institutions, between the Ministry of Education (MoE) and Ministry of Labor and Social Security (MoL); ii) delays in the budget registration for opening the Designated Account; iii) delays in the registration of authorized signatures; and, iv) the inability of the MoL to call for bids and award contracts for the Project Implementation Unit (PIU), due to internal procedures.



During the second semester of 2016, the Ministry of Labor hired a core team for the PIU; however, these staff contracts were not renewed for 2017. Instead, during the first quarter of 2017, three new positions were contracted: the project administrator, the procurement specialist, and the specialist in curricula. Unfortunately, these staffing changes delayed implementation. Therefore, in May 2017, within the context of the above issues and the approval of the new National Employment Plan (NEP), the Government saw the necessity to restructure the Project to align it to the NEP and expedite Project implementation. During this period, institutional problems and uncertainties in staff recruitment led to delays in the implementation of critical activities and in the definition of the path to move forward. These issues led to the downgrade of the Project Development Objective rating to unsatisfactory. The status of Project sub-components is as follows:

### **Component 1. Improving and expanding the Skills Development Programs**

2. **Sub-component 1.1. Improving and expanding the Program entitled “Mi Primer Empleo Digno (MPED)” (“My First Decent Job”) in Selected Cities:** Initial activities began the second semester of 2016 with the understanding that the first 50 training courses would be completed by the end of 2016. Although the project, at the time, did not have a fully staffed procurement team, the process for the contracting of training institutions (ICAPs) was started with the aim to carry out the first group of 50 courses planned for six cities, using training contents formerly approved by the MoE under the previous Bank-financed project. However, the procurement processes for the ICAPs were annulled by the MoL because they did not comply with the procedures established in the Operations Manual, and, therefore, training courses were not initiated.
3. Partial achievements under this Sub-component include the: i) partial development of a management information system (SIG); ii) development of a beneficiary registry form; iii) initial discussions on impact evaluation strategies for the program; and iv) development of some communication materials (though they have not yet been disseminated). Since by the end of the calendar year the procurement processes had not been completed successfully, the MoL decided not to renew most of the PIU staff contracts at the end of 2016; instead, MoL authorities decided to hire a new project implementation team for 2017 to reinstate project activities. In the interim and due to all these delays in the MoL, the President of the State decided to launch the new Employment Plan in May 2017 and change the executing agency for the employment projects. Therefore, Project implementation has been on hold since May to date.
4. **Sub-components 1.2. Implementing the Pilot Micro Entrepreneurs Skills Training Program and Technical Assistance Program (MESSTA), and 1.3. Implementing the Pilot Remedial Secondary Education in Selected Cities:** The MoL was unable to complete the technical and operational designs for either of the pilot programs. Therefore, implementation activities for Sub-components 1.2 and 1.3 did not take place. Additionally, in the case of Sub component 1.3, it was not possible to reach an agreement between MoE and Mol on detailed implementation activities.

### **Component 2. Strengthening the Implementation Arrangements to Administer, Monitor and Evaluate Skills Development Programs**



5. **Sub-component 2.1. Strengthening the implementation arrangements and the institutional capacity of the MTEPS to administer and coordinate the Skills Development Programs:** partial development of the Beneficiaries' Registry module and the preparation of a short-term communication media plan for project dissemination.
6. **Sub-component 2.2. Strengthening the institutional capacity of UDAPE to improve the evaluation of the Skills Development Programs.** Technical assistance was provided by UDAPE for the design and development of the beneficiary registry, and the first draft of the Impact Evaluation Methodology.
7. **Disbursements.** As of December 5, 2017, the Project has disbursed only US\$0.42 million, due to the aforementioned delays in implementation. The MoL executed US\$0.36 million and UDAPE US\$ 0.06 million.
8. **Financial Audits.** Final Financial Audits were submitted to the World Bank by UDAPE and MoL, and they were satisfactory.

***Project Restructuring Rationale***

9. The rationale for restructuring is based on two factors: i) the launching of the National Employment Plan in May 2017, and subsequent request of the Bolivian Government to align all ongoing employment projects to the Plan. Given that under the NEP, the Ministry of Development Planning (MoP) is responsible for the implementation of employment projects, the MoL and UDAPE need to be removed as implementing agencies; and ii) the high turnover of the project's implementation team and delays in completing contracting processes which, in turn, caused significant delays in implementation under MoL. The MOP has made the implementation of the program a top political priority and the team has signaled that staff turnover has been a major cause of delays in program implementation.
10. **A mission was requested by the Ministry of Planning in May 2017 aimed to analyze the Project restructuring.** In response, the Bank team organized a mission for end-May where the proposed changes in Project design and structure, reported herein, were discussed and endorsed (see details in the attached Aide Memoire). On August 8, 2017, the Bank received a letter MPD/DESPACHO No. 657/2017 dated August 4, 2017, from the Ministry of Development Planning formally requesting restructuring of Project 5461-BO, which implied a formal Project amendment, based on the findings of the Restructuring Mission conducted in May 2017. An additional letter from the MoP was received by the Bank on September 21, 2017, including complementary information related to costs, reallocation of funds, and disbursements programming.
11. **A restructured technical design was proposed by the counterpart, and validated through an additional technical analysis.** During the restructuring mission in May, the team was presented by counterparts with an already narrowly defined proposal of technical design for the Project, which matched the expectations laid out by the President for the NEP. The team worked closely with the client to emphasize the need to validate, and where necessary change, the program design to ensure that this was implementable. The activities that were carried out for this purpose include: (i) two program presentation workshops with the Chamber of Industry and Commerce of Bolivia; (ii) analysis of the household survey data on labor profiles and number of youth as potential program beneficiaries; (iii) drawing lessons learned from the MPED program and from the first evaluation of results; and (iv) a qualitative survey covering 25 enterprises of various sizes, sectors, and locations in three departments of Bolivia (see Annex), to validate the parameter of the program design.



12. **The team did not deem necessary to change the Project Social Analysis.** In terms of social analysis, the target group has not changed, nor any of the measures aimed to ensure adequate gender inclusion (vouchers, daycare centers for mothers, reproductive health education, and coverage of occasional maternity costs). Work schedules, transportation reimbursements, and other items which could affect the participation of selected groups remain unchanged.
13. **Economic considerations for this type of public investment remain unchanged.** The economic analysis conducted by the PAD remains unchanged because the main intervention factors of the original Component 1.1. continue to be the same under the new design (employability skills training, specific technical training and on the job training through subsidized internships). The intervention seeks to generate human capital among groups of vulnerable youth, who, without public intervention, would have limited opportunities to receive similar training due to lack of resources, acquired skills and social capital, or because of the rigidity of salary structures which could be higher than their initial productivity. Per economic literature, job experience is subsidized either to compensate for productive deficiencies in the target groups, or because employers cannot assess the real productivity of youth with little job experience, or because of lack of competency credentials. In the absence of subsidies, employers would not be able to provide sufficient levels of training to their employees either (because of externalities from non-specific training and the risks of losing well-trained workers). Therefore, employability skill training during the internship, as well as specific technical training, seem to be necessary as part of program interventions to increase productivity among the youth. The original project design provided these needed skills through in-class vocational training. After the restructuring, the project will emphasize practical technical training within the firms, and only provide in class the employability skills training that is needed for young people to have the correct attitude to learn.

## II. DESCRIPTION OF PROPOSED CHANGES

14. **Development Objective.** The current development objective of the Project remains unchanged: “To improve employability and labor income of low income youth by supporting the expansion of Skills Development Programs in Selected Cities”. The modality adopted by the Project to achieve this objective continues to be skills development in the labor market through the Mi Primer Empleo Digno, which will be adapted to Government priorities. The target population group remains unchanged, as well as the approved implementation geographic areas. The proposed changes do not involve changes in the safeguards nor the triggering of new ones.
15. **Target Group.** The target group of the Project was originally intended to be vulnerable youth between 18 and 26 years of age, whose income is below the poverty line, and who do not have an upper secondary education diploma (*bachiller*). However, analysis of the 2015 Household Survey shows that only 8,149 youth between 18 and 26 years old are unemployed, have not completed high school and live in urban areas of Bolivia. Given the low number of youth who meet these characteristics, it was decided to broaden the eligibility for the program to young people that also have completed upper secondary education, provided they meet the project’s poverty targeting criteria, and that they do not hold a higher education diploma.
16. **Change of Implementing Entity.** The change of the implementer is based on the new National Employment Plan, , which establishes that the MoP as responsible for the implementation of employment projects. Once the Project Restructuring is approved, the MoP will hire a core implementation team, including Project Coordinator,



Procurement Specialist, Financial Management Specialist, Monitoring and Evaluation Specialist, Communication Specialist, and IT Specialist, among others.

17. The MoE, municipalities, and UDAPE will no longer be implementing entities, although UDAPE will be in charge of developing conceptually and supervising the impact evaluation of the Project.

**18. Changes to Component 1. Improving and Expanding the Skills Development Programs**

- i) To accelerate implementation and concentrate the use of resources to support the new Employment Plan objectives, the Government requested the cancellation of activities under Sub component 1.2, “Implementing the Pilot Micro Entrepreneurs Skills Training Program and Technical Assistance Program (MESSTA)”, and Sub-component 1.3, “Implementing the Pilot Remedial Secondary Education in Selected Cities.”
- ii) With respect to Sub-component 1.1 (Improving and Expanding the Program *Mi Primero Empleo Digno*), the program proposes a more integral work experience approach, including training in the work place. This phase will be complemented by skills training activities to enhance employability, as well as a specific technical training purchased on the local private market to reinforce abilities for youth with scarce academic training.
- iii) The reformulated project cycle consists of three phases, for a maximum of 13 months for each beneficiary (two months of on the job training and 11 months of labor insertion in the job):

Preparatory phase (continuous):

- Program promotion and registration of eligible beneficiaries in a digital platform, which will be part of the information system;
- Registration of vacancies in enterprises interested in sponsoring youth beneficiaries.

Training phase (2 months):

- Part-time employability skills training, to be financed by the Project;
- On-the-job training within the participating companies;
- Reimbursement of transportation and food costs for the two-month period, through a fixed cost (stipend) per participant, the stipend should not exceed Bs.25 per day for a total of up-to 40 working days.
- Day care support for young mothers with an assigned fixed amount of up-to Bs.100 per child under 4.
- Certification of the skills acquired during the on the job training, which will be issued by the companies.
- Employability skills certification by a training institution.

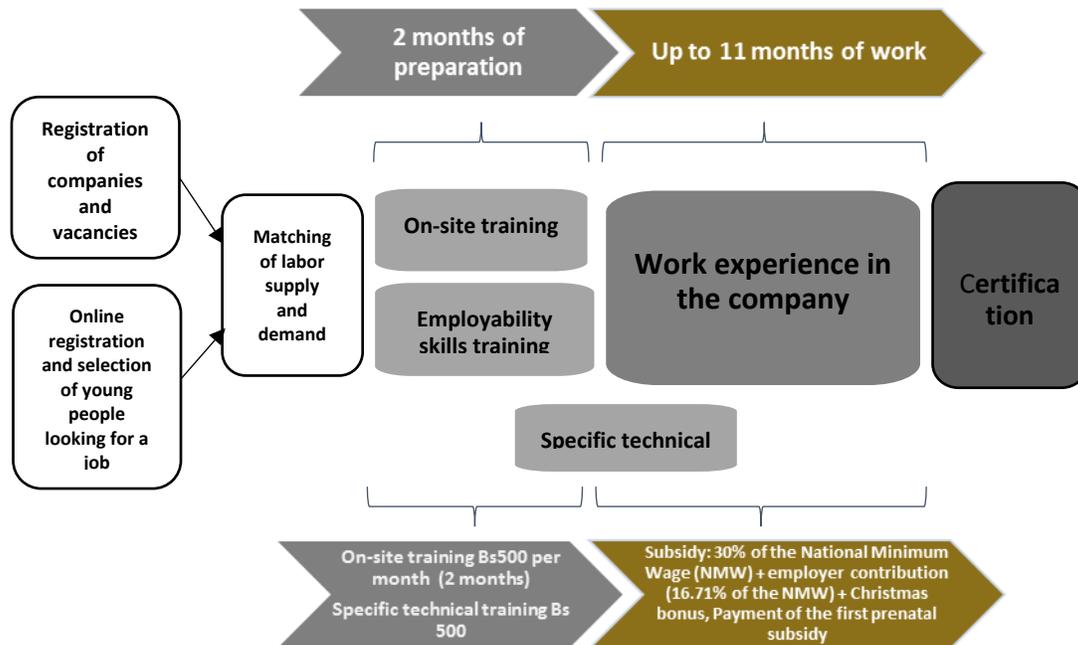
Subsidized work experience phase (maximum 11 months)

- Job insertion in enterprises compensated at the level of national minimum wage;
- Reimbursement to the employer of the 30% of the national minimum wage and of 100% of the employer contributions (support with the 16.71% of the payment of the employer contribution), up to 11 months;
- Cost reimbursement (up to a maximum Bs.500 per beneficiary) for the provision of specific technical training considered relevant by the employer, in formally established training institutes;
- Reimbursement of the Christmas Bonus (proportional amount to the months worked during a year, calculated based on a national minimum wage).



- Support to the first payment of the prenatal allowance (unique).
- Certification of the training skills provided during the employment period to be granted by the participating companies.

Figure 1: Summary of program phases showing indicative variables



- iv) **Adjustments to Sub-component 2.1. Strengthening Implementation Arrangements and the Institutional capacity of the MoP to administer the Skills Development Programs:** Project activities will remain unchanged and will include the following: i) Implementation of a management information system (SIG) from the start date; ii) implementation of an information and communications strategy to promote the Mi Primer Empleo Digno program; iii) strengthening of MoP’s capacity to manage and coordinate the Project through technical assistance (including audits), provision of furniture and basic computer equipment, for exclusive use by the Project; and, iv) specific operation costs for national and departmental offices where the Project will be implemented, on a gradual basis (owned by the MoP or as a result of the counterpart contribution).
- v) **Adjustments to Sub-component 2.2.** Strengthening the implementation arrangements and the institutional capacity of the MoL and UDAPE to implement activities related to the Skills Development Program. UDAPE will be responsible for conducting an impact evaluation of the Skills Development Program and will support the MoP in defining and generating base line data. The evaluation will concentrate on Sub-component 1.1, as Sub-components 1.2 and 1.3. will be eliminated. Additionally, it was agreed that mid-term and process evaluations will not be conducted. The impact evaluation will include the identification of a control group.
- vi) **Operations Manual.** Presentation of an Operations Manual (OM) acceptable to the Bank is an Effectiveness Condition for the Financing Agreement amendment. To ensure greater flexibility and to facilitate adjusting



the program to market conditions and enterprise needs, the OM will provide detailed implementation activities already defined with the MoP for Component 1, such as the amount and duration of the subsidies, other social benefits, maximum length of the on-site training, payment procedures, employability skills training schedules and selection criteria for participating companies. The estimated costs included in this document are based on firm hypotheses on each program variable.

vii) **Changes to the results framework.** The only revision to the results indicators framework is related to the modification of current PDO Indicator 3, *“Increase in young entrepreneurs’ average labor income one year from training completion”*, related to the Sub-component 1.2, with one that measures the *“Percentage of registered vacancies that were filled with a project beneficiary”*.

viii) **Changes to the Intermediate Indicators (IRI) framework.** The framework is subject to several changes due to modification of some intermediate activities:

**IRI 1 – Project Direct Beneficiaries:** The end target value of 12,000 is revised to 6,500 because the change in the intervention strategy considers youth labor insertion for 11 months and does not include payment of internships as previously considered in the original Project (which was only four months in length at a lower cost). Therefore, the number of beneficiaries is adjusted according to the availability of funds.

**IRI 2 – Number of Project beneficiaries in two modalities of the MPED which completed skills certification:** Wording of the indicator is revised to state “Number of Project beneficiaries that have completed on the job training.” This indicator will measure achievement of Project objectives. Additionally, the end target value is adjusted to 6,500 which is the total number of beneficiaries estimated in the Project framework.

**IRI 3 – Number of participating micro entrepreneurs that have completed the first phase of technical assistance.** This indicator is deleted due to the elimination of Sub-component 1.2. The following is added in lieu thereof: “Number of employers registering labor vacancies,” which will allow measuring the openness of enterprises to the insertion of youth into the labor market.

**IRI 4 – Number of Project beneficiaries who have completed high school education with Project support.** This indicator is dropped due to the elimination of Sub-component 1.3. The following is incorporated in lieu thereof: “Number of Project beneficiaries that have completed an employability training course,” which will measure the number of youth who participated in employability skills training activities. It is estimated that a total 6,500 beneficiaries will be financed by the Project.

ix) **Project extension.** The proposal includes a 12-month extension of the Project closing date from December 31, 2020 to December 31, 2021. The main justification is that the program, with an estimated duration of three years (2018-2020), will need one additional year to carry out the end line survey of the impact evaluation, for the third cohort of trainees that complete their internship in 2020. Edline surveys are conducted 6 to 12 months after completion of the program.



- x) **Change on the Procurement Framework.** Based on the benefits and greater flexibility of the new Procurement Regulations for Investment Project Borrowers, as well as the modernization of procurement systems, the Bank recommended to carry out the Project using the new Procurement Framework. This change will be recorded in the Financing Agreement and requires that MoP prepare a procurement strategy which is already under development. The Procurement Strategy will be approved together with the restructuring package. Procurement methods to be defined within the strategic framework will be included in the Operations Manual.

**III. SUMMARY OF CHANGES**

	Changed	Not Changed
Change in Implementing Agency	✓	
Change in Results Framework	✓	
Change in Components and Cost	✓	
Change in Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Change in Disbursements Arrangements	✓	
Change in Disbursement Estimates	✓	
Change in Overall Risk Rating	✓	
Change in Legal Covenants	✓	
Change in Institutional Arrangements	✓	
Change in Financial Management	✓	
Change in Procurement	✓	
Change in Implementation Schedule	✓	
Other Change(s)	✓	
Change in Technical Analysis	✓	
Change in DDO Status		✓
Change in Project's Development Objectives		✓
Cancellations Proposed		✓
Change in Safeguard Policies Triggered		✓
Change of EA category		✓
Change in Economic and Financial Analysis		✓
Change in Social Analysis		✓



Change in Environmental Analysis		✓
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**IV. DETAILED CHANGE(S)****IMPLEMENTING AGENCY**

Implementing Agency Name	Type	Action
Ministry of Development Planning (Ministerio de Planificaccion del Desarrollo)	Implementing Agency	Marked for Deletion
Ministry of Development Planning (Ministerio de Planificaccion del Desarrollo)	Implementing Agency	New

**RESULTS FRAMEWORK****Project Development Objective Indicators**

Increase in the average labor income of MPED beneficiaries one year after completing the on-job training. Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	20.00	Revised
Date	24-Mar-2014	30-Nov-2017	31-Dec-2021	
Increase in the placement rate of MPED' beneficiaries in a job with at least minimum salary one year after completing the training. Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	50.00	Revised
Date	24-Mar-2014	30-Nov-2017	31-Dec-2021	
Percentage of vacancies registered during the project that are filled with a project beneficiary Unit of Measure: Percentage Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	50.00	Revised
Date	24-Mar-2014	30-Nov-2017	31-Dec-2021	
Expansion of geographical coverage of the Skills Development Program.				



Unit of Measure: Number  
Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	6.00	0.00	7.00	Revised
Date	24-Mar-2014	30-Nov-2017	31-Dec-2021	

**Intermediate Indicators**

Direct Project beneficiaries  
Unit of Measure: Number  
Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	6500.00	Revised
Date	24-Mar-2014	30-Nov-2017	31-Dec-2021	

Percentage of female beneficiaries  
Unit of Measure: Percentage  
Indicator Type: Custom Supplement

	Baseline	Actual (Current)	End Target	Action
Value	50.00	0.00	50.00	Revised

Number of beneficiaries that have completed on the job training.  
Unit of Measure: Number  
Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	6500.00	Revised
Date	24-Mar-2014	30-Nov-2017	31-Dec-2021	

Number of employers registering labor vacancies  
Unit of Measure: Number  
Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	4000.00	Revised



Date	24-Mar-2014	30-Nov-2017	31-Dec-2021
Number of Project beneficiaries that have completed an employability training course. Unit of Measure: Number Indicator Type: Custom			
	Baseline	Actual (Current)	End Target
Value	0.00	0.00	6500.00
			Action
			Revised
Date	24-Mar-2014	30-Nov-2017	31-Dec-2021

**COMPONENTS**

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1 – Improving and Expanding the Skills Development Programs (US\$15.8 million IDA)	15.80	Revised	Component 1 - Improving and Expanding the Skills Development Program (US\$15.38 million IDA)	15.38
Component 2 – Strengthening the Implementation Arrangements to Administer, Monitor and Evaluate Skills Development Programs (US\$4.2 million IDA; US\$1.5 million GOB).	5.70	Revised	Component 2 – Strengthening the Implementation Arrangements to Administer, Monitor and Evaluate the Skills Development Program (US\$2.56 million IDA)	2.56
	0.00	New	Unallocated	0.28
<b>TOTAL</b>	<b>21.50</b>			<b>18.22</b>

**LOAN CLOSING DATE(S)**

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-54610	Effective	31-Dec-2020		31-Dec-2021	30-Apr-2022

**REALLOCATION BETWEEN DISBURSEMENT CATEGORIES**



	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IDA-54610-001   Currency: XDR					
iLap Category Sequence No: 1		Current Expenditure Category: NCS, CS and OP Costs - Part A			
	4,500,000.00	0.00	720,400.00	100.00	100.00
iLap Category Sequence No: 2		Current Expenditure Category: Stipends, Remunerations, Employer Contribution - Part A			
	5,780,000.00	0.00	10,243,800.00	100.00	100.00
iLap Category Sequence No: 3		Current Expenditure Category: GO,NCS,CS (audit),TR and OP Costs for MoL - Part B.2			
	2,430,000.00	250,574.71	265,460.00	100.00	100.00
iLap Category Sequence No: 4		Current Expenditure Category: GO,NCS,CS (audit),TR & OP Costs for UDAPE - Part B.2			
	290,000.00	43,439.58	43,440.00	100.00	100.00
iLap Category Sequence No: 5		Current Expenditure Category: GO,NCS,CS (audit),TR & OP Costs - Part B.1			
	0.00	0.00	1,526,800.00		100
iLap Category Sequence No: 6		Current Expenditure Category: Unallocated			
	0.00	0.00	200,100.00		100
<b>Total</b>	<b>13,000,000.00</b>	<b>294,014.29</b>	<b>13,000,000.00</b>		

**DISBURSEMENT ESTIMATES**

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2015	1,200,000.00	0.00



2016	2,700,000.00	227,312.00
2017	3,200,000.00	193,496.00
2018	3,500,000.00	6,103,760.00
2019	3,600,000.00	6,542,137.00
2020	3,800,000.00	4,328,028.00
2021	2,000,000.00	827,120.00

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Rating at Approval	Current Rating
Political and Governance		● Substantial
Macroeconomic		● Moderate
Sector Strategies and Policies		● Substantial
Technical Design of Project or Program		● High
Institutional Capacity for Implementation and Sustainability		● High
Fiduciary		● Substantial
Environment and Social		● Low
Stakeholders		● Moderate
Other		
Overall		● Substantial

**LEGAL COVENANTS**

Loan/Credit/TF	Description	Status	Action
IDA-54610	Finance Agreement: National Coordination Unit (NCU) Description :Schedule 2. Section I.A.1 For purposes of carrying out Parts 1 and 2(a) of the Project, the Recipient, through MTEPS shall operate and maintain the NCU throughout the implementation of the Project, with functions, staffing, and responsibilities satisfactory to the Association, as set forth in the MTEPS Operational Manual.   Frequency: Continuous	Not complied with	Revised



Proposed	Finance Agreement: For purposes of carrying out Parts A and B of the Project, the Recipient shall establish and maintain the Project Implementation Unit (PIU) in the Ministry of Development Planning with staff in place and responsibilities satisfactory to the Association	Expected soon	
IDA-54610	Finance Agreement :Beneficiary Registry   Description :Schedule 2. Section I.A.2 Prior to the carrying out of any activity under Part 1 of the Project, the Recipient shall establish a registry on terms and in a manner acceptable to the Association, for purposes of registering all Beneficiaries, which registry shall include, inter alia, a section for collecting information on each Beneficiary’s ethnicity and languages spoken.   Due Date :01-Jan-2015	Partially complied with	Revised
Proposed	Finance Agreement :Beneficiary Registry   Description :Schedule 2. Section I.A.2 Prior to the carrying out of any activity under Part A of the Project, the Recipient shall establish a registry of beneficiaries on terms and in a manner, acceptable to the Association.	Expected soon	
IDA-54610	Finance Agreement :Municipality Agreements   Description :Schedule 2. Section I.C.1 To further facilitate the carrying out of Part 1 of the Project, and prior to the implementation of any activity under Part 1 of the Project that falls within the administrative jurisdiction of any given Selected Municipality, the Recipient, through MTEPS shall enter into an agreement with said Selected Municipality (the “Municipality Agreement”) under terms and condition   Due Date :01-Jan-2015	Partially complied with	Marked for Deletion
IDA-54610	Finance Agreement :UDAPE Operational Manual Description :Schedule 2. Section I.E.3 Prior to the carrying out of any activity under Part 2(b) of the Project, The Recipient shall cause UDAPEto adopt and thereafter carry out Part 2 (b) of the Project in accordance with the provisions of the UDAPE Operational Manual.   Due Date :01-Jan-2015	Complied with	Marked for Deletion



IDA-54610	Finance Agreement: Prior to carrying out any activity under the Project, the Recipient shall adopt an Operational Manual Acceptable to the Association	Not complied with	New
IDA-54610	Institutional agreement: Prior to carrying out any activity under Part A, the Recipient shall furnish to the Bank a model of labor contract to be used by project participating firms to hire beneficiaries for the duration of the program and relieving them from the obligation to retain beneficiaries after the program.	Expected soon	New

### Annex 1: Technical Analysis Summary

The program’s principal actors are formal enterprises responsible for carrying out subsidized internships; therefore, this summary shows the findings of a qualitative analysis of the enterprises preferred operational design for the PMEIL. This analysis was conducted based on a review of bibliography and Project related documents (presentations, aide memoire documents, agreements and others), as well as in-depth individual interviews of a sample group involving 25 formal enterprises.

The program design was submitted as a combination of three elements: i) initial mandatory training workshops for employability, ii) Cumulative work experience (subsidized by the program) in formal enterprises offering an initial training period in lieu of work and participation in optional short-term training sessions on technical skills related to the internship location, and iii) performance evaluation and employer certification of the training offered at the work place.

#### Enterprise description

Potential demand by target youth was conducted based on baseline data developed by the IDB, known as *BD Empresas BID 2016*. Medium and large enterprises in La Paz, Cochabamba and Santa Cruz decided to hire young candidates who have completed high school against those who had not completed high school education (estimated demand of 554 youth between 18 and 26 years of age with incomplete high school level education and 8,584 with completed high school for 2016).

Similar interviews were conducted with the participation of representatives from 25 enterprises in La Paz, Cochabamba and Santa Cruz, including small, medium and large enterprises working in economic production, trade, services and construction sectors. These enterprises have a total of 9,125 employees and two out of three interviewed enterprises are interested in participating in the Program. In this respect, companies interviewed in 2016 required 432 young workers who met program criteria and it is estimated that the potential demand for 2018 is 372 workers.

Finally, the most frequent demand for PMEIL target group vacancies in the companies is summarized in the following areas: i) technical assistants, ii) construction assistants, iii) administrative assistants, iv) sales, v) warehouse management, and vi) hotel and restaurant (gastronomy) trainees.

#### Monetary incentives, length and reimbursement:

In general, the **amount of the incentive** is attractive to the companies (67% of the companies consider the incentives to be attractive). However, the companies expressed their concern related to bureaucratic procedures which can become a



disincentive for the interested companies, as they are charged with the responsibility of completing beneficiary health insurance registration, AFP membership registration, registration in the MTEPS, etc. Moreover, the high turnover of personnel makes these administrative procedures even less attractive to them.

Therefore, the proposal includes the development of an electronic system to manage these administrative procedures (registration, payments, reimbursements, etc.) thus avoiding direct interaction with public sector offices. It is also recommended to consider implementation of less demanding systems in terms of the bureaucratic load for medium or small enterprises and to reduce the length of time required to comply with required procedures to incorporate new workers in their companies.

The **contract duration** is considered adequate by 6 out of 10 company owners. However, 4 out of 10 consider that the length of the contract should be flexible (depending on the type of work assigned to the less skilled target group). Therefore, they suggested between 6 and 12 months' duration, and each contract to include 2 or 3 modalities in contract duration, taking into consideration factors such as type of economic activity, or type of work to be performed.

Generally, 6 out of 10 company owners consider the **payment/reimbursement method** to be adequate or very adequate, mainly because it allows transparency. Although the system, as explained to prospective employers, looks adequate to them, they would prefer to avoid hiring procedures required by the government in order to accelerate contract approvals, thus avoiding long waiting lines, mistreatment, or failure to comply with payments, among others. Prospective employers would prefer that procedures be done using internet, not in person, in order to save time.

The first recommendation is to carry out most of the hiring procedures through internet as prospective employers are used to handle administrative matters using this recommended method and are equipped to do so (computers, internet connectivity, e-mail, etc.) Secondly, an incentive to complete the program would be to receive payment at the end of the program (for example, the Christmas bonus could be an incentive for the youth that remain in the job until the 12th month). Third, ensure that reimbursements by the MPD are made timely within an agreed upon term and to avoid payment failures which could cause lack of credibility of the program

#### *Employability Skills Training Workshops*

Considering the low level of qualifications and lack of work experience among the participating youth, the employers recommend that the beneficiaries receive basic skills training (mainly oral skills which will prepare them to improve their relations and team work) as well as social behavioral skills which they consider to be part of their personal values (punctuality, responsibility, respect for others, positive attitude, self-esteem, etc.). Additionally, prospective employers recommend that participants have general knowledge about their work: on one side, rights and responsibilities; norms of conduct, safety norms. On the other hand, vocational aptitudes, personal hygiene/presentation and resume writing.

#### *Mandatory training in participating companies:*

Usually, people similar to those of the Project target groups are trained by the companies under the oversight of a supervisor; training budgets are usually very low, even for large companies. On average, the rate of successful training completion is 50% or less; in other words, one out of 2 workers successfully completed their training and continued to work for the same company. Several large companies (e.g., hotels) have developed strong training systems in place.

Forty-two percent of the companies consider the duration of on-the-job training to be adequate. However, 50% of the companies requested flexibility in the length of the training, which should range between 1 and 6 months. Therefore, it is recommended that such companies be able to continue their training, but under the internship contract and following stipulations contained in them.

#### *Formal Short-term Technical Training:*



Seventy-one percent of the companies **are interested and value** short-term training courses as a basic tool to facilitate insertion in the work place and gain labor experience. Employers focus their requirements on technical training (electricity, handling/maintenance of equipment/machinery and construction, as well as cross-cutting areas such as industrial safety, and tool handling), and training aimed at customer service (sales, customer service, administrative assistants, warehouse administration, and hotel/restaurant assistants, with cross-cutting areas such as use of computer programs). Prospective employers did not identify any specific technical institute that would meet their requirements.

We recommend identifying, analyzing and strengthening other technical institutes. We also recommend working on establishing stronger relations between participating companies and well-known reputable technical institutes, (there are good examples beyond INFOCAL, such as MANQ'A, Automovil Club, among others). Secondly, one way to improve the relations between companies and institutes is to establish a registry for easy consultation by the companies (e.g., location, description of courses, programs, etc.)

Sixty-one percent of the companies consider the duration of the **short courses to be adequate** to improve the participants' skills. Secondly, 60% of the companies agree that short-term formal training and internships should be part time. Therefore, the recommendation is that the duration of the training should be flexible, as well as the training schedules. One additional feature to be considered is to replace one of three training modalities, particularly in large companies who offer structured training programs, e.g., formal training could be conducted by the participating company

#### *Evaluation and monitoring:*

In general, the proposal to include two program **evaluations** was received positively, as employers understand that evaluation findings and results will generate greater responsibility and commitment on the participants. Employers suggested that the evaluation to be conducted at the third month focus on social-emotional skills and the nine-month evaluation concentrate on technical or specific work-related skills.

The recommendation is for participants to have a clear understanding of their rights and responsibilities at the initial workshop and to limit the number of poor evaluations to continue participating in the PMEIL. In addition, a monitoring system must be in place to provide information about the participants (e.g., length of time spent to find a job, length of time remaining in one job, evaluation results, work experience summary, among others; the same type of information should be gathered from the participating companies).

Eight percent of the companies value the fact that young workers are granted certificates for the formal short-term training courses they have participated in and a job certificate from a private company. These certificates serve as supporting documents when young workers attend a job interview. Work certificates should: i) have a standard format based on a previously defined model which can be easily identified; ii) be verifiable and contain sufficient information for easy personal reference requests, and iii) the employer and the employment office should be able to provide personal references.

#### *General Recommendations*

Lessons learned by the participating companies through their experience in the MPED or PAE are summarized as follow: i) participants should understand that only selected participants attend the interviews and not those who have not been selected, such as family members, friends, others, etc., and, ii) try to avoid the risk of selecting participants for jobs which are not in their interest (vocation). On the one hand, it is important that the initial workshop include a sample resume which the participants can use as a model for their own resumes to be presented to private companies; additionally, the



companies should receive guides to facilitate development of Terms of Reference for their vacancies, and the initial workshop should clearly describe the rules of the game to the participating youth.

To avoid sensibilities concerning political affinity of selected young workers, we recommend developing a communication strategy explaining clearly that selection of participants will be made under strict criteria established for the Program.

The companies recognize that they are not necessarily prepared to train their personnel and 80% of them expressed interest in receiving training of trainer courses.

## Annex 2: Expenditure Categories and Disbursement Plan

Category	ORIGINAL DISTRIBUTION		RESTRUCTURING DISTRIBUCION	
	Credit Amount (in DEG)	Percentage of expenditures to be financed (includes taxes)	New amount of the credit (in DEG)	Percentage of expenditures to be financed (includes taxes)
(1) Non-Consulting Services, consulting services and Operating Costs under Part A of the Project	4,500,000	100%	720,400	100%
(2) Stipends, Remunerations, Employer Contributions under Part A of the Project	5,780,000	100%	10,243.800	100%
(3) Goods, Non-Consulting Services, consulting services (including Project audits), Training and Operating Costs for MoL under Part B.2 of the Project	2,430,000	100%	265.460	100%
(4) Goods, Non-Consulting Services, consulting services (including Project audits), Training and Operating Costs for UDAPE under Part B.2 of the Project.	290,000	100%	43,440	100%
(5) Goods, Non-Consulting Services, consulting services (including Project audits), Training and Operating Costs under Part B.1 of the Project	0	0%	1.526.800	100%
Not assigned			200.100	100%
<b>TOTAL</b>	<b>13,000,000</b>		<b>13,000,000</b>	



Project Components	Execution as of August 31, 2017		Disbursement Schedule in US\$					
	Execution in US\$	Execution in US\$	2017	2018	2019	2020	2021	TOTAL
<b>Component 1 – Improve and Expand the Skills Development Program</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,584,796</b>	<b>5,966,529</b>	<b>3,827,492</b>	<b>0</b>	<b>15,378,818</b>
Subcomponent 1.1 – Improve and expand the program ‘Mi Primer Empleo Digno’ (MPED)	0	0	0	5,584,796	5,966,529	3,827,492	0	15,378,818
Subcomponent 1.2 – Implement the Pilot Skills Development Training Program and Technical Assistance for Micro Entrepreneurs	0	0	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	<b>0</b>
Subcomponent 1.3 – Implement the Pilot Supplementary High School Education Program in Selected Cities	0	0	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	<b>0</b>
<b>Component 2 – Strengthen Implementation Arrangements to Manage, Monitor and Evaluate the Skills Development Program</b>	<b>227,312</b>	<b>193,496</b>	<b>0</b>	<b>518,963</b>	<b>575,608</b>	<b>500,536</b>	<b>546,485</b>	<b>2,562,400</b>
Subcomponent 2.1 – Strengthen implementation arrangements and institutional capacity of the MoP to manage and coordinate the Skills Development Program	0	0	0	518,963	575,608	500,536	546,485	2,141,592
Subcomponent 2.2 a – Strengthen institutional capacity of MoL	227,312	133,159	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	<b>360.471</b>
Subcomponent 2.2 b– Strengthen institutional capacity of UDAPE	0	60,337	Cancelled	Cancelled	Cancelled	Cancelled	Cancelled	<b>60.337</b>
<b>Not Assigned</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>280.635</b>	<b>280.635</b>
<b>Total Project Cost / Total Required Financing</b>	<b>227,312</b>	<b>193,496</b>	<b>0</b>	<b>6,103,760</b>	<b>6,542,137</b>	<b>4,328,028</b>	<b>827,120</b>	<b>18,221,853</b>