

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BOLIVIA

PROGRAM TO SUPPORT EMPLOYMENT - II

(BO-L1121)

LOAN PROPOSAL

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ABBREVIATIONS

| | |
|----------|---|
| ALMPs | Active labor market policies |
| DGE | Dirección General de Empleo [Employment Bureau] |
| EAS | Employment assistance services |
| ICB | International competitive bidding |
| ILO | International Labor Organization |
| INE | Instituto Nacional de Estadística [National Statistics Institute] |
| MTEPS | Ministry of Labor, Employment, and Social Security |
| NCB | National competitive bidding |
| NGO | Nongovernmental organization |
| OECD | Organization for Economic Cooperation and Development |
| PCR | Project completion report |
| PSE | Program to Support Employment |
| SCF | Single Currency Facility |
| SIAP-IDB | Sistema Integrado de Administración de Proyectos del Banco [IDB project administration system] |
| SICOES | Sistema de Contrataciones Estatales [State Procurement System] |
| SIGEP | Sistema de Gestión Pública [public management system] |
| SIMS | Sistema de Indicadores de Mercado Laboral y Seguridad Social [Labor markets and social security indicator system] |
| SPEBO | Servicio Plurinacional de Empleo de Bolivia [Plurinational Employment Service of Bolivia] |
| VIPFE | Viceministerio de Inversión Pública y Financiamiento Externo [Office of the Deputy Minister for Public Investment and External Financing] |
| WAPES | World Association of Public Employment Services |

PROJECT SUMMARY

BOLIVIA PROGRAM TO SUPPORT EMPLOYMENT - II (BO-L1121)

| Financial Terms and Conditions | | | | | | |
|---|----------------------|--|--|-----------------------------|------------------------------|--|
| Borrower: Plurinational State of Bolivia | | | Financing | | Ordinary Capital (OC) | Fund for Special Operations (FSO) |
| | | | Amortization period: | | 30 years | 40 years |
| Executing agency: Ministry of Labor, Employment, and Social Security (MTEPS) | | | Disbursement period: | | 5 years | 5 years |
| | | | Grace period: | | 6 years | 40 years |
| | | | Interest rate: | | SCF fixed ^(a) | 0.25% |
| Source | Amount (US\$) | % | Inspection and supervision fee: | | ^(b) | N/A |
| IDB (Ordinary Capital) | 34,000,000 | 85 | Credit fee: | | ^(b) | N/A |
| IDB (FSO) | 6,000,000 | 15 | Currency: | | SCF US\$ | US\$ |
| Total | 40,000,000 | 100 | | | | |
| Project at a Glance | | | | | | |
| Objective and description: The general objective of this operation is to improve the workforce integration, in formal economic units, of job seekers who use the Plurinational Employment Service of Bolivia (SPEBO). Its specific objectives are: (i) to strengthen SPEBO's position; and (ii) to improve the effectiveness of services delivered to job seekers who use SPEBO. | | | | | | |
| Special contractual conditions precedent to the first disbursement of the financing: (i) the Ministry of Economy and Public Finance, the Ministry of Development Planning, and the MTEPS will have signed a subsidiary agreement for the transfer of loan proceeds and the execution of program activities; and (ii) the program's Operating Regulations will have been approved by the executing agency and will have entered into force, in keeping with terms previously agreed upon with the Bank (see paragraph 3.5). | | | | | | |
| Special contractual conditions for execution: The first disbursement of the loan proceeds for the delivery of economic assistance under Subcomponents 2 and 3 of Component 2 will be subject to the borrower presenting evidence that the legal instrument establishing the legal, institutional, operational, and financial framework for the delivery of economic assistance to the individuals benefiting from the program is in force (see paragraph 3.6). | | | | | | |
| Exceptions to Bank policies: None | | | | | | |
| Strategic Alignment | | | | | | |
| Challenges: ^(c) | | SI <input checked="" type="checkbox"/> | PI <input checked="" type="checkbox"/> | EI <input type="checkbox"/> | | |
| Crosscutting themes: ^(d) | | GD <input checked="" type="checkbox"/> | CC <input type="checkbox"/> | IC <input type="checkbox"/> | | |

^(a) The borrower will pay interest on outstanding balances of this part of the Ordinary Capital loan at a LIBOR-based rate. Whenever the outstanding balance reaches 25% of the approved net amount or US\$3 million, whichever is greater, the base rate on that balance will be set.

^(b) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with relevant policies.

^(c) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(d) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problems addressed, and rationale

- 1.1 **Economic and social context.** During the 2009-2015 period, the Bolivian economy performed well, posting an annual average growth rate of 5%.^{1,2} This growth was attributed essentially to capital accumulation (2.1%) and growth in the terms of trade (1.4%), while the contribution of the work force and productivity was 0.9% and 0.5%, respectively.³ This positive economic performance has resulted in low average unemployment rates (1.9% in 2014; SIMS, 2016). Unemployment is more likely to impact young people and women, for whom unemployment rates stand at 5% and 2.6%, respectively. In addition, although no unemployment data is collected on people with disabilities, between 60% and 80% of people with disabilities are known to be unemployed.⁴ In addition, job quality⁵ and incomes are low. In 2014, 85% of Bolivians worked in the informal sector and, on average, their income from work was merely three times the poverty line (Muriel and Jemio, 2016). Young people and women are also more likely to work in the informal sector, with rates of 92% and 87% respectively; moreover the wages of 54% of young people and 63% of women are below the minimum wage⁶ (SIMS, 2016).
- 1.2 With regard to policies to improve access to work,⁷ there are two main causes underlying the problems faced by Bolivians, especially the most vulnerable, to secure formal, better paid jobs. The first is the low quality and relevance of their educational and training profiles, which translate into limited skills and/or skills that are incompatible with existing job vacancies (IDB, 2015). This is due to the country's weak training system. For example, the level of knowledge skills is lower than in

¹ Growth was spurred by a favorable external scenario with high export prices. At the same time, social policies promoting the reduction of poverty and inequality were implemented. Between 2000 and 2014, poverty fell from 66% to 39.3% and extreme poverty from 40% to 17.3%. Income distribution showed a similar pattern of improvement; the national Gini coefficient went from 0.63 to 0.50 in that same period. However, for the next few years, the annual GDP growth rate is expected to be 3.5%, lower than the average observed in the 2009-2014 period, as a result of less favorable commodity export prices (World Economic Outlook, April 2016).

² For a complete list of references see [Bibliography](#).

³ Growth from capital accumulation was 2.1%; that is, investment represented 42.8% of average growth during the period. The second most important factor was favorable terms of trade. Growth from the high prices of Bolivian exports—mainly gas—was 1.4% (28.5% of the growth). Lastly, the contribution of a growing work force accounted for 0.9% and productivity increases accounted for the remaining 0.5%. (IDB, 2015b).

⁴ No official information exists in Bolivia on the unemployment rate among people with disabilities. Data from the Office of the Ombudsman of Bolivia indicate that unemployment among this group ranges between 60% and 80% (Office of the Ombudsman, 2014).

⁵ Quality employment is defined as employment that is productive (level of income) and protected (access to social security).

⁶ There is no information available on informality or income levels among people with disabilities in Bolivia. According to the World Bank, however, income levels are very low in the region as a whole (World Bank, Fact Sheet).

⁷ This program seeks to attack the problem of the stock of people with insufficient skills or competencies to enter the labor market. Although there is coordination with other programs that seek to improve the quality of education and therefore target the problem of flow, solving Bolivia's labor market problems involves broader interventions and policies. For example, constraints also exist in the country's business environment (World Bank, 2016). For a discussion of other factors that could explain this situation, see IDB (2015) and IDB (2016).

comparable countries.⁸ This lack of skills is not limited to knowledge but also includes technical and socioemotional skills (IDB, 2015). The second cause is that, as a rule, Bolivians have insufficient information on quality job vacancies. Informal methods of job search (friends and/or family) are used by 76%⁹ of Bolivians, compared with 73% in Peru or Ecuador.¹⁰ These methods are limited in scope (Mazza, 2011) and are relatively less effective for the most vulnerable population. These two problems create a gap between the skills companies need to fill their vacancies and the skills found in the work force. One out of three employers states that candidates' lack of skills hinders their ability to fill vacancies (IDB, 2015), while 23% of companies state that lack of relevant experience makes it difficult for them to cover their staffing needs (IDB, 2015).

- 1.3 **Vulnerable groups face these obstacles and more.** The difficulties of gaining access to the labor market are particularly acute for certain groups that face additional limitations. For women, evidence shows that there are gender inequities in the region in terms of labor-force participation and income from work (Nopo, 2012); this is also the case in Bolivia. Women's labor-force participation is 18 percentage points lower than men's,¹¹ and women's average income is only 57% of men's (see [Gender Analysis](#)).¹² Another group that has a particularly difficult time obtaining employment, especially quality employment, is comprised of people with disabilities, mainly because the available jobs tend not to have the necessary adaptations to enable them to perform effectively at work (European Commission 2002, ILO 2014).^{13, 14} Lastly, young people are most affected by the lack of work experience that employers require.
- 1.4 **The role that employment assistance services (EASs) and active labor market policies (ALMPs) can play in this context.**¹⁵ Employment assistance services play a central role in addressing the aforementioned problems: the gap between skill supply and demand, the lack of information, and the specific obstacles vulnerable groups face in their search for jobs. When they operate effectively, EASs offer solutions that help job seekers get training and find work effectively, while enabling companies to find the right talent, with special attention to vulnerable groups. They

⁸ Knowledge skills are measured through a direct test of reading proficiency (STEPS Survey, 2012). The 2014 STEPS Snapshot found that reading proficiency in Bolivia is lower than in Colombia and Vietnam.

⁹ Household Survey 2014.

¹⁰ Household Survey 2015.

¹¹ The likelihood of participating in the labor market drops by 7% for women with children under the age of six (See [Gender Analysis](#)).

¹² According to the survey on labor market demand in Bolivia (IDB, 2015) and the Harmonized Household Survey, gender inequity also results in inequitable occupational distribution, with men tending to obtain the higher skilled and better paid jobs.

¹³ Adaptations considered for this purpose are the products included in International Standard ISO 9999: 2007: any product (including devices, equipment, instruments, technology and software) especially produced or generally available, for preventing, compensating, monitoring, relieving, or neutralizing impairments, activity limitations, and participation restrictions (e.g. special ergonomic keyboards, reading software or physical aids, assistive devices to improve hearing).

¹⁴ This situation affects all the countries of the region and, as a result, 80% of people with disabilities are unemployed (Tripney et al., 2015) and 82% live in poverty (World Bank, Fact Sheet). Neither study has information specific to Bolivia.

¹⁵ The paragraphs describing the role that can be played by EASs and ALMPs were taken from the updated Labor Sector Framework Document (IDB, 2016).

- usually perform a combination of five basic functions: (i) delivering employment assistance services; (ii) supplying labor market information; (iii) designing and implementing ALMPs; (iv) managing unemployment benefits; and (v) managing labor migration (IDB-WAPES-OECD, 2015). EAS should be understood as a system that encompasses public employment services, private intermediation services (such as private employment exchanges or temporary placement agencies), and the civil society organizations that forge linkages (ILO, 2012).
- 1.5 The literature indicates that for them to perform their function, EASs must be able, among other things, to: (i) improve, diversify, and integrate the range of services offered to job seekers and employers (IDB-WAPES-OECD, 2015) by developing profiling systems, which are an essential tool for providing services and making rational use of resources. They must also be able to establish and maintain links with employers, who provide the vacancies available for job seekers to fill; and (ii) strengthen the management system, seeking to ensure that service delivery is tailored to local conditions and needs without loss of quality or performance in the system.
 - 1.6 There is evidence at the international level that employment assistance is a cost-effective intervention for linking workers to jobs (Card et al., 2015, 2010). Studies in the region have shown that EASs can help the unemployed find better-paying jobs than those using other search mechanisms (Flores-Lima, 2010), and increase the probability of finding formal work (Pignatti, 2016). The evidence also indicates that gains for beneficiaries—relative to informal means of job search—could be greater for workers with weaker prospects in the job market (Van den Berg and Van der Klaauw, 2006; Dolton and O’Neill, 1996). Employment assistance is more effective: (i) in periods and areas where more vacancies arise (Crépon et al, 2012; Flores-Lima et al., 2013); and (ii) when it has a strong company focus, designating specialized personnel to work with companies and identify vacancies (Behncke et al., 2007).
 - 1.7 **For groups facing higher barriers to labor market access, specific ALMPs are needed to supplement employment assistance.** ALMPs aim to achieve effective job placement for the unemployed or for vulnerable people for whom job placement is difficult. The latter include, for example, young people who lack the skills that employers need, unemployed or inactive women, and people with disabilities. Evidence has shown that interventions need to be adapted to beneficiaries’ characteristics and needs to overcome obstacles to employment.¹⁶ These obstacles may include: lack of information on the labor market; lack of experience in formal work; lack of knowledge, occupational, or socioemotional skills; disabilities; difficulties combining work and/or training with caring for children or the elderly, which is particularly significant among women (Todd, 2012), or discrimination by employers. Thus, programs providing support for child care increase the rate of women’s participation in the labor force (Attanasio and Vera-Hernández, 2004; Givord and Marbot, 2015; Bettendorf et al., 2015; Nollenberger and Rodríguez-Planas, 2015 and Haeck et al., 2015), while workplace adaptations, vocational and occupational rehabilitation, counseling, and psychological support can increase job

¹⁶ See IDB (2016) updated Labor Sector Framework Document.

placement and improve working conditions (number of working hours, income, motivation) for people with disabilities (Tripney et al., 2015).¹⁷

- 1.8 **Short training programs can improve young people's workforce integration.** Although evidence in developed countries indicates that the impact of this type of training is usually low, especially for young people (Card et al., 2010), the prospects are more favorable in Latin America and the Caribbean (Ibarraran and Rosas 2009, Kluge 2014). Factors of success in the implementation of training programs (González et al., 2012; and ILO, 2016) include: participation of private providers, demand-driven training, a strong component of job counseling and/or intermediation, modules for developing socioemotional skills such as self-esteem, persistence, self-control, motivation, responsibility, and commitment (Heckman and Kautz, 2012; OECD, 2015),¹⁸ a strong emphasis on on-the-job training, and financial incentives for employers (subsidies for the in-house training phase) and beneficiaries (stipends to facilitate participation). In Bolivia, Hernani & Villarroel (2015) found evidence of positive impact from the program called *Mi Primer Empleo Digno* [My First Decent Job] on income earned from work, job prospects, and formal employment. However, a knowledge gap exists because there are no experimental evaluations of the impact of ALMPs in the country.
- 1.9 **The main ALMPs in Bolivia are associated with the Plurinational Employment Service (SPEBO), which was established with the support of the Program to Support Employment (PSE) (BO-L1051, 2365/BL-BO).**¹⁹ This service, which is attached to the Ministry of Labor, Employment, and Social Security (MTEPS), has been receiving Bank support since 2010. The PSE promotes: (i) access to information for direct employment assistance; (ii) on-the-job training combined with a direct stipend (economic assistance) for job seekers to improve access to opportunities in formal companies; and (iii) training vouchers (short courses) when certain jobs have specific employment requirements.
- 1.10 **The PSE has helped expand SPEBO's coverage.** Between 2010 and 2016, SPEBO grew from one office at government headquarters to 12 offices in the country's nine departments. Prior to 2010, SPEBO's work did not include reaching out to the business sector nor did it have mechanisms for registering job vacancies. After five years in operation, the total number of vacancies registered was 41,000. The number of people and job offers registered annually rose from 3,578 to 11,127 and from 5,181 to 17,434, respectively, between 2010 and 2015, and more than 44,000 intermediations have taken place since 2012 (PSE, 2015). In addition, PSE support enabled SPEBO to expand its services to anyone seeking employment; previously, employment assistance was focused on untrained job seekers.
- 1.11 Also through the PSE, a service was introduced in SPEBO to strengthen the skills and work experience of certain job seekers who need them to obtain a job. Job

¹⁷ The authors underscore that the quality of the evidence is poor and that a rigorous evaluation of the interventions is needed.

¹⁸ The importance of programs that aim to strengthen young peoples' socioemotional capacities is increasingly being recognized (González et al., 2012).

¹⁹ The first stage of the Program to Support Employment was financed by loan BO-L1051, 2365/BL-BO.

seekers with the profiles needed to fill specific vacancies²⁰ are offered three months of economic assistance for on-the-job training. This has made it possible for young technical and professional job seekers (35% of PSE beneficiaries), among others, to obtain jobs. The PSE's monitoring system has shown improvements in the employability and wages of job seekers who received this support: upon completion of training, 61% were hired by formal companies participating in the program. At six months and one year after beginning training, 64% and 65%, respectively, had obtained a job (43% and 52% in the category of their training). In addition, average wage increases of 47% above entry-level wages were observed.²¹

- 1.12 **Despite the progress made with the PSE, SPEBO faces several challenges.** First, it needs to consolidate its position²² with job seekers and companies. SPEBO is not well known enough. Currently, it only serves around 12,000 people annually (PSE, 2015), while the number of unemployed was 105,676 in 2014.²³ Regarding its coverage in the business community, since its launch in 2010, SPEBO provided services to 11,304 companies out of a total of 146,433 companies in 2014.²⁴ By serving an estimated 7.7% of companies, the performance of Bolivia's public employment service is similar to that of Honduras (7.4%) but lower than that of Mexico (14%) and The Bahamas (12%) (IDB-WAPES-OECD, 2015). In addition, the performance of some of the existing offices does not meet expectations.²⁵ This is due in part to its weak leadership in the employment system. There is no strategy for developing ties with the private sector and for coordinating with other stakeholders for employment assistance, including nongovernmental organizations (NGOs), subnational governments, and other government institutions. This despite the fact that the MTEPS has laid the legal groundwork for strengthening its role as the system's lead agency and is responsible for ensuring that the services provided by private employment agencies are registered and effectively regulated.
- 1.13 Second, SPEBO needs to improve, diversify, and integrate its services both for job seekers and for companies. It is lacking a profiling system that would enable it to offer services based on an assessment of users' needs and cost-effective solutions (focusing support on those who need it most) with the most relevant actions. In addition, the range of its services is limited and uncoordinated. For example, SPEBO

²⁰ The economic support is aimed at adult professionals who have no work experience, and at non-professional adults who gained work experience through unstable jobs, who face problems entering the job market, and who have the profiles required for specific posts. SPEBO offers an onboarding course, and companies that accept program beneficiaries are required to submit a training report that details the on-the-job training process.

²¹ By way of comparison, similar training programs in other countries of the region (such as Bécate in Mexico or Proempleo in Honduras) achieve a job placement rate of between 50% and 94% upon completion of on-the-job training (Gonzales et al., 2012).

²² Given the possibility of a less favorable economic scenario as a result of changes in commodity export prices, the Government of Bolivia has decided to defer the opening of new offices until it has better information of their possible impact on the fiscal situation (see Note 1).

²³ SIMS data (2016). The number of unemployed is used as a proxy for the potential population of the public employment service. However, since the service is open to everyone, it also assists other people who are looking for better jobs (for example, workers in the informal sector).

²⁴ Companies registered in Fundempresa (FUNDEMPRESA, 2016). The 2015 Labor Market Survey estimated that 12% of medium-sized and large companies used SPEBO.

²⁵ For example, according to available monitoring data (PSE, 2015), the office in Santa Cruz, one of the country's most important economic areas, only serves 13% of SPEBO beneficiaries and 9% of companies.

offers no other services to companies other than the employment exchange, nor does it offer career guidance (for young people) or professional guidance (for job seekers in general). Nor does it have an effective computer platform with the capacity to integrate SPEBO's services and operations. Moreover, SPEBO's services are not coordinated with other public and private entities that train and place workers in economic units in urban and rural areas.

- 1.14 Third, SPEBO needs a performance-based management system to guide the institution's activities towards achieving results, fostering results-based policy-making, and improving effectiveness and efficiency.²⁶ The monitoring system lacks logical frameworks for all the services and appropriate indicators. For example, national targets do not take regional or local contexts into account and there are no analytical indicators to shed light on results in terms of the use of different interventions or intervention costs. Above all, no mechanisms exist for making use of the results to promote organizational learning.
- 1.15 Lastly, SPEBO still does not have specific ALMPs that target vulnerable groups such as young people, women, and people with disabilities, even though the PSE included specific actions that helped identify elements that could make it possible to develop specific interventions in the future. It has thus been determined that the following should be considered to facilitate women's workforce integration: (i) support for easing the return to work after having children; (ii) financial support for child care during the training period;²⁷ and (iii) efforts to reduce bias against hiring women in certain job categories.²⁸ In the case of people with disabilities, support was given for the job placement of 100 people with disabilities, which made it possible to determine that: (i) three months of in-service training are not enough to enable them to adapt to the company's needs; (ii) to fill a larger number of vacancies, work station adaptations need to be financed since employers do not budget for such expenditures in their hiring processes; (iii) to reduce the dropout rate, a specialized team is needed to increase efforts to monitor the beneficiaries and provide psychological support; (iv) awareness-raising campaigns are needed in the companies to overcome stigmas; and (v) the know-how and good practices of agencies specialized in the workforce integration of people with disabilities need to be incorporated. In the case of young people, who represent 30% of all beneficiaries,

²⁶ Especially with regard to the background of beneficiaries, monitoring data, and data on groups with specific needs (gender, diversity, and disability, for example). Another problem is that little of the existing information is in electronic form, and a great deal is still collected on paper, which makes it less useful.

²⁷ Although the PSE grants economic support for on-the-job training, the cost of day care becomes a barrier for women who are mothers because it must be paid in advance, while economic assistance is processed at the end of each month. The program would therefore need to finance the first two months in advance. As of month three, day care costs can be covered by the economic assistance and, once the on-the-job training is completed, by earned income.

²⁸ This gave rise to the opening of a pilot line of work in coordination with the "Road Infrastructure Program to Support Development and Management of the Primary Road Network II" (BO-L1102, 3540/BL-BO). Specifically, it provides support for placing women in nontraditional jobs in the construction sector, and consists of classroom training followed by or combined with up to six months of economic assistance for on-the-job training.

it has been determined that, in addition to offering them relevant work experience, they need support to strengthen their technical and socioemotional skills.²⁹

- 1.16 **Lessons learned and relationship to other Bank activities in the sector.** The IDB supports several Latin American and Caribbean countries in the development of their public employment services. The main lessons learned³⁰ underscore the need for: (i) undertaking joint efforts with other areas of the Bank to generate economies of scale and promote better outcomes; for this reason, there has been coordination with other Bank divisions to incorporate knowledge and synchronize possible actions; (ii) detecting barriers that prevent participation in job placement programs; thus, support for child care has been added to promote the participation of mothers, and special support has been included to assist people with disabilities in their search for work; (iii) promoting profiling systems to ensure that people receive the right type of services needed to get a job, included in Component 2, Subcomponent 1. Special targets were introduced for women, young people, and people with disabilities in response to the lesson learned regarding (iv) establishing appropriate performance targets, including special targets for vulnerable groups. In Component 2, Subcomponent 1, the program proposes (v) investing in electronic management systems, especially for employment assistance; (vi) forging public-private partnerships for access to formal employment and employability (Component 1); and (vii) designing projects with clearly defined outcomes and flexible operating arrangements so that, for example, the amount of economic assistance can vary from region to region and be adjusted in line with the Operating Regulations, to avoid the inflexibility created when the amount is set in the PSE contract. These lessons have been incorporated into the program. In addition, the Bank has been helping the MTEPS manage its ALMPs for several years, and the creation of SPEBO itself, as well as this operation, represent a continuity of that support. Specific lessons learned include the following: (i) it is important for the amount of economic assistance to be flexible and adjusted on a regional basis; and (ii) to achieve effective program execution, the institutional capacity of the Employment Bureau (DGE) needs to be strengthened, in particular its ability to fulfill its leadership functions and manage its ALMPs and workforce integration policies. These lessons have been incorporated by means of adjustments in the Operating Regulations, the way SPEBO will be strengthened, and, for MTEPS sections that deal with employment policies, through systems and procedures, the training system, and staff professional development.
- 1.17 **Rationale.** The Government of Bolivia has requested a second phase of the Program to Support Employment (PSE) to continue strengthening SPEBO and improve job placement for people who use its services. This new phase is aligned with the MTEPS institutional vision of protecting and ensuring access to decent work and employment for the Bolivian population, with equity and inclusion, and

²⁹ These lessons were drawn from the actual operation of the PSE and from the execution of a Multilateral Investment Fund program (BO-M1064) supporting the workforce integration of indigenous young people in El Alto. The project was coordinated with the PSE and led to the design of a module for strengthening socioemotional skills, which is currently being validated in El Alto.

³⁰ The lessons learned came from the experience gained during implementation of the following operations: BO-L1051, 2365-BL-BO; BO-M1064, ATN/ME-14734-BO; CH-L1064, 2793/OC-CH; DR-L1036, 2293/OC-DR; ME-L1004, 1936/OC-ME; ME-L1114, 2736/OC-ME; ME-L1142, 3136/OC-ME; PR-L1066, 2660/OC-PR. They are also included in the update of the Labor Sector Framework Document.

prioritizing vulnerable groups. The program is also aligned with the DGE's main objective: to implement ALMPs that help create more and better job opportunities for the entire Bolivian population.

- 1.18 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy 2010-2020 (UIS) (document AB-3008) and is aligned with the development challenges of: (i) social inclusion and equity, by promoting equal access to better job opportunities; and (ii) productivity and innovation, by improving the matching of demand for workers with job seeker supply through improvements in job intermediation and training, under the indicator: "Beneficiaries of on-the-job training programs." The program is also aligned with the crosscutting area of gender equality and diversity, under the indicator "Integration of women into the workforce in formal companies," which is aligned with the indicator "Formal employment for women." In addition, the program will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through: "Beneficiaries of on-the-job training programs."
- 1.19 This operation fits within the country strategy with Bolivia 2016-2020 (document GN-2843) and contributes to the objective of closing social gaps by "increasing workforce integration of women and indigenous people." It is also consistent with the Labor Sector Framework document (document GN-2741-3), and aligned with the dimension of success "The region's young people, the unemployed, underemployed, or hard-to-employ make the transition to work faster, more effectively, and with better earning prospects." It is also aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4).

B. Objectives, Components, and Cost

- 1.20 **Objective.** The general objective of this program is to improve the workforce integration, in formal economic units, of job seekers who use SPEBO services.³¹ Its specific objectives are: (i) to strengthen SPEBO's position; and (ii) to improve the effectiveness of services delivered to job seekers who use SPEBO. To achieve these objectives, the following components will be implemented:
- 1.21 **Component 1: Improve SPEBO's coverage and position (US\$3 million).** This component aims to increase the coverage and use of SPEBO by job seekers and companies. To this end, it will finance: (i) the improvement of services in existing offices, especially those with weaker performance, and the financing of the operating expenditures of all the offices;³² (ii) designing and implementing a strategy for working more closely with the productive sector (blueprint for making the initial contact and maintaining the relationship with the companies and the productive sector in particular), including the holding of job fairs and workshops with industry by a specialized team to work with the companies and promote the placement of job seekers, with emphasis on young people, people with disabilities, and women, in better jobs; (iii) implementing a strategy for communicating and establishing a relationship with economic units and job seekers that includes awareness-raising

³¹ Recognized within the framework of the plural economy as set out in the Political Constitution of the Plurinational State of Bolivia, they must be legally registered in accordance with current regulations.

³² To promote the sustainability of SPEBO, the MTEPS has been working to secure additional financing for people and operating costs with the Ministry of Economy and Finance. So far, these efforts have resulted in budget resources for four new staff members in 2015 and nine new staff members in 2016.

activities to reduce discrimination towards certain groups, such as women and people with disabilities; and (iv) strengthening coordination with other key actors, such as NGOs, subnational governments, training institutions, and other State institutions, with the possibility of connecting them through SPEBO's new employment assistance system.

- 1.22 **Component 2: Improve services for job seekers and diversify the supply of ALMPs (US\$36.3 million).** This component has three subcomponents. The first subcomponent consists of increasing SPEBO's capacity to coordinate its services and operate with performance-based management. First, it seeks to develop a coordinated management arrangement and calls for: (i) optimizing and standardizing the internal processes for service delivery in all SPEBO offices, in order to lay the groundwork for developing integrated service delivery through a one-stop window; (ii) developing a profiling mechanism for selecting services for job seekers and companies based on their needs and degree of vulnerability; and (iii) designing a mechanism for integrating the services and interventions of other relevant actors in the labor market by establishing an employment assistance information system.
- 1.23 Second, it seeks to lay the groundwork for performance-based management at SPEBO, financing the design of a monitoring and evaluation system.
- 1.24 The second subcomponent aims to strengthen the Employment Support Program's supply of services to strengthen the work begun by the PSE and will finance: (i) development of a vocational and professional guidance service; (ii) continued economic assistance for up to six months for on-the-job training in formal economic units that have actual vacancies; (iii) short classroom courses (technical and/or soft skills) linked with economic assistance and the specific requirements of a vacancy; and (iv) a special amount preceding general economic assistance, for women beneficiaries who need to pay for the care of their children under age 5 while participating in training. Appropriate benefits will be determined through a profiling process to identify each person's employability issues; if necessary, interagency agreements will be reached to boost workforce integration, to promote, for example, job placement in enterprises and other economic units strengthened in the context of other government institutions' programs.
- 1.25 The third subcomponent will finance the development and implementation of pilot projects³³ aimed at improving the integration of women, people with disabilities, and young people into the workforce. The pilot project for women will analyze options for improving their income through placement in jobs in nontraditional sectors. Women seeking this type of job will receive training to improve their skills and economic assistance during the on-the-job training period.³⁴ The job placement process will be supplemented by awareness-raising activities at the companies. The pilot project for people with disabilities will offer up to six months of economic assistance for on-the-job training, classroom courses associated with this training and the job

³³ The program does not include a pilot project to support indigenous people because one is already under way in coordination with the Multilateral Investment Fund. It is called "Intercultural Model for Workforce Integration of Indigenous Youth in El Alto" and is financed by ATN/ME-14734-BO (BO-M1064).

³⁴ The placement process will be coordinated with the transport division in order to look for job opportunities in the transportation sector for women who can be identified in the infrastructure operations being implemented in the country.

requirements, and workplace adaptations, if necessary. The job placement process will be supplemented by job counseling and awareness-raising activities at the companies. Lastly, in addition to on-the-job training, the pilot project for young people will offer short classroom courses to strengthen their soft and technical skills according to the specific requirements of each vacancy. This will strengthen candidates' skills as they gain work experience.

- 1.26 **Basic eligibility criteria.** The MTEPS, through SPEBO, offers universal services for registering job vacancies and job offers, as well as job counseling and employment assistance services. The program expects to benefit some 76,000 job seekers and 3,500 economic units. It also intends to provide economic assistance to at least 40,000 beneficiaries for on-the-job training; candidates should be over 18 years of age,³⁵ Bolivian citizens or legal residents, and submit a registration form with the information needed for program monitoring purposes.³⁶ The pilot projects have additional requirements, including a written commitment to participate in the training process and: (i) for the pilot project for women, expression of interest to receive training and be placed in a job in a nontraditional field; (ii) for the pilot project for people with disabilities, having a registered disability; and (iii) for the pilot project for young people, in principle they should be between 18 and 24 years of age.³⁷ The beneficiaries of on-the-job training will be placed in formal economic units that have actual vacancies and an agreed training plan.
- 1.27 **Management.** In addition, the project will cover administration activities (US\$500,000), and audits (US\$200,000).
- 1.28 **Cost and financing.** The total cost of the project is US\$40 million. The distribution by financing source is as follows:

Table I-1: Cost and financing

| Component | IDB (US\$) | Counterpart (US\$) | TOTAL (US\$) | TOTAL (%) |
|--|-------------------|--------------------|-------------------|------------|
| Component 1: Strengthen SPEBO's position | 3,000,000 | 0 | 3,000,000 | 7.5 |
| Component 2: Strengthen services for job seekers and improve and diversify the supply of ALMPs | 36,300,000 | 0 | 36,300,000 | 90.8 |
| Management | 500,000 | 0 | 500,000 | 1.2 |
| Audit | 200,000 | | 200,000 | 0.5 |
| TOTAL | 40,000,000 | 0 | 40,000,000 | 100 |

³⁵ Although the program does not include a pilot project to support people over age 45, this group is eligible for on-the-job training, employment assistance, and job counseling services. For benchmarking purposes, as of December 2015, 8% of PSE economic support beneficiaries belonged to this group.

³⁶ The Operating Regulations will include additional requirements that can be adjusted during the course of program execution; for example, requirements related to the payment of economic assistance and the delivery of information needed for impact assessment.

³⁷ During the pilot project implementation period, monitoring and labor market information will be used to analyze whether the upper age limit should be adjusted, with 28 as the top age limit.

C. Key outcome indicators and economic analysis

- 1.29 The program's impact indicators refer to improvements in the workforce integration of beneficiaries as a result of SPEBO's greater coverage and better positioning, the improvement and diversification of its services, and the support it provides for workforce integration. The impact indicators include: (i) percentage of beneficiaries who obtain formal jobs compared to a control group, and (ii) the increase in beneficiaries' earnings compared to a control group. This information will be broken down by gender and age in order to determine the program's impact on young people and women (see Annex II, Results Matrix).
- 1.30 The outcome indicators include indicators on beneficiaries' income and job placement: (i) the number of beneficiaries of direct intermediation; (ii) the average increase in the earnings of direct beneficiaries of employment assistance and on-the-job training; and (iii) the placement level in formal companies of job seekers who receive on-the-job training support, three months after the end of training, broken down by gender.
- 1.31 With regard to outputs, indicator 13 of country development outcome "Beneficiaries of on-the-job training programs" will be used, among others, and will be broken down by gender. In addition, the following will be measured with milestones: the number of (i) beneficiaries with disabilities; (ii) women placed in nontraditional categories; and (iii) young beneficiaries (see [Monitoring and Evaluation Plan](#)).
- 1.32 The program's cost-benefit evaluation (see [Economic Analysis](#)) estimates the incremental net socioeconomic benefits (compared to the counterfactual situation) that will result from improved placement of job seekers who use SPEBO services. The exercise involved subtracting the program's incremental costs from the discounted flow of estimated incremental benefits. The program's expected benefits are increases in the job placement rate and the incomes of program beneficiaries. In the base scenario, using conservative assumptions of program effectiveness, a 10-year horizon, and a 12% discount rate, the benefit net of costs is US\$41 million. The high returns of the program are consistent with the existing evidence on ALMPs which, in general, show that employment assistance services are cost-effective policies. The sensitivity analysis shows that the program has positive returns in all scenarios analyzed.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 The Bank will support this operation through a specific investment loan financed in part with Ordinary Capital resources (up to US\$34 million) and in part with resources from the Fund for Special Operations (up to US\$6 million). The loan proceeds will be disbursed in the form of advances of funds, based on a projection of the program's liquidity needs. The full amount of the loan will be disbursed over a five-year period as of the date the loan contract enters into effect. The estimated disbursement schedule is as follows:

Table II-1: Disbursement Schedule (US\$ million)

| Source | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|--------------|--------|--------|--------|--------|--------|-------|
| IDB | 4.0 | 8.0 | 9.0 | 10.0 | 9.0 | 40.0 |
| Total | 4.0 | 8.0 | 9.0 | 10.0 | 9.0 | 40.0 |

B. Environmental and social risks

2.2 **Environmental and social risks.** This program does not call for any activities that would cause adverse environmental and/or social impacts. It has been classified as a category “C” operation. The program includes activities to mitigate factors limiting quality job placement for the poorest workers, and the barriers faced by certain groups: young people, women, and people with disabilities.

C. Fiduciary risks

2.3 **Procurement.** The Project Coordination Unit of the MTEPS is deemed to be institutionally strong in procurement, to the extent that it presents a low risk for the Bank. This assessment is based on the following: (i) its staff is experienced in managing procurement processes financed with Bank resources; (ii) the electronic reporting systems used to monitor procurement are effective; and (iii) the procurement plan will be reviewed periodically. However, inasmuch as the procurement workload will increase as its lines of activity are expanded under this program, additional personnel will need to be hired to handle the growth in the number of beneficiaries.

D. Other risks

2.4 The following risks have been identified: (i) delay of program approval by authorities; (ii) problems caused by the change in the financing source from one program to the other; (iii) insufficient institutional capacity to meet the new demand for services; (iv) lack of experience serving highly vulnerable groups; and (v) insufficient ownership on the part of authorities largely due to the turnover of Ministry authorities.

2.5 To mitigate the risks: (i) a communication process has begun with the PSE to inform stakeholders of the project’s outcomes and the objectives of the new one; (ii) a coordination process with the Office of the Deputy Minister for Public Investment and External Financing will be undertaken regarding the requirements and procedures to mitigate the risk of delays in program approval; (iii) a program launch team is being hired to handle all necessary administrative arrangements; (iv) coordination with MTEPS administrative divisions is under way to ensure that the change in financing source is handled properly; (v) a specialized team is being hired to work with vulnerable groups so they will have received the necessary training by the time the operation begins; (vi) a training, professional development, and awareness-raising mechanism will be developed for its staff; (vii) technical assistance is being provided through ATN/OC-15615-BO (BO-T1256), and SPEBO staff is being given access to good practices through field visits to observe experiences in other countries; efforts to strengthen the MTEPS will thus be under way before the new operation is launched; (viii) PSE and SPEBO manuals and operating systems will be updated; (ix) protocols will be implemented for profiling job seekers and providing services to them; and (x) the employment assistance system will be designed.

- 2.6 **Operation and maintenance.** The MTEPS will be responsible for guaranteeing the maintenance of program-financed assets. In order to ensure the long-term sustainability of services, the MTEPS will gradually contribute a larger share of its own resources to cover the recurrent personnel and operating expenditures financed under Component 1 of this program.
- 2.7 **Scalability of the pilot projects.** The employment plan currently being designed in Bolivia calls for specific actions to implement the MTEPS institutional vision of protecting the Bolivian population and ensuring its access to work and decent employment, with equity and inclusion, and prioritizing vulnerable groups. The pilot projects are specific actions that the Government of Bolivia wants to include in its policy; therefore, the outcomes of the pilot projects will enable the government to substantiate its vision and adjust the way these groups receive support.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Executing agency.** The MTEPS will be the executing agency. Responsibility for program administration and execution will be entrusted to the Employment Bureau (DGE), which will be supported by the national coordination unit and local SPEBO offices. SPEBO is attached to the MTEPS.
- 3.2 For purposes of program execution, the DGE will be supported by the national coordination unit for the technical, administrative, and legal processes inherent to the program for the contracting, procurement, and payment processes (see [Operating Regulations](#)). For the execution of Component 2, Subcomponent 3, support will be provided by the Planning Bureau of the MTEPS. Some aspects of the Operating Regulations are summarized below.
- 3.3 **Administrative, procurement, and payment processes.** For the execution of this operation, the DGE will be supported by the national coordination unit. The Operating Regulations will establish that the PSE's national coordinator will be responsible, along with the PSE's national financial-administrative officer and his/her team, for: (i) reporting to the Bank on the program's progress; (ii) carrying out the procurement of goods, services, and works; and (iii) reviewing and processing requests received from local SPEBO offices for the payment of economic assistance to beneficiaries.
- 3.4 **Selection and monitoring of the beneficiaries of economic assistance.** The DGE will receive the support of the local SPEBO offices as well as departmental and regional authorities, when needed, for: (i) the registration of vacancies and job seekers; (ii) the employment assistance process; (iii) the selection and registration of beneficiaries of economic assistance and training; (iv) the monitoring of beneficiaries' completion of the training plan; and (v) the preparation of the payment lists of beneficiaries who receive economic assistance, following confirmation that the beneficiary attended the training sessions.
- 3.5 **The special contractual conditions precedent to the first disbursement of the financing are that: (i) the Ministry of Economy and Public Finance, the Ministry of Development Planning, and the MTEPS have signed a subsidiary agreement for the transfer of loan proceeds and the execution of program**

activities; and (ii) the program's Operating Regulations have been approved by the executing agency and have entered into force, in keeping with terms previously agreed upon with the Bank.

- 3.6 In addition, a special contractual condition of execution, precedent to the delivery of economic assistance under Subcomponents 2 and 3 of Component 2 is that the borrower provide evidence that the legal instrument establishing the legal, institutional, operational, and financial framework for the delivery of economic assistance to the individuals benefiting from the program is in force.
- 3.7 **Economic assistance for on-the-job training.** The execution mechanism for the payment of economic assistance for training first requires a letter of agreement signed by the MTEPS and the selected economic units, as well as an agreed training plan. These economic units will accept the beneficiaries referred by SPEBO. Monthly payments will be made by deposit into the beneficiaries' bank accounts, based on requests from the local offices issued upon review of compliance with attendance requirements, according to the authorization process described in detail in the Operating Regulations.
- 3.8 **Procurement processes.** Program procurement will be governed by the Bank's policies (documents GN-2349-9 and GN-2350-9). International competitive bidding (ICB) will apply to the procurement of goods or services other than consulting services costing US\$200,000 or more, and works costing US\$3 million or more. National competitive bidding (NCB) will apply to goods and consulting services costing US\$50,000 or more, and works costing US\$350,000 or more. Shopping will be used for goods or services costing up to US\$50,000 equivalent, and works costing up to US\$350,000 equivalent. For consulting services, shortlists of consultants for contracts valued at less than US\$200,000 equivalent may be comprised entirely of national consultants. Bolivia's public procurement system (SICOES) has been evaluated and accepted by the Bank (see Annex III, Procurement Plan) and may be used for this operation. Service contractors will be contracted pursuant to provision 3.21 of policy GN-2350-9. The importance of having such contractors is associated with ensuring effective support for job seekers, the job counseling and employment assistance services required for the pilot projects, and customer service in general.
- 3.9 **Audits.** The executing agency will submit annual financial statements for the program, audited by a firm of independent auditors deemed eligible and selected in accordance with the Bank's policies and procedures. During the execution period, the audited financial statements will be delivered annually within 120 days after the end of each fiscal year. Audit costs will be covered from the Bank's loan proceeds, and are estimated at US\$200,000 for the five years.

B. Summary of arrangements for monitoring results

- 3.10 **Monitoring.** The MTEPS will submit semiannual reports to the Bank that will include an updated version of the project risk management matrix, the project monitoring report, and updates on the execution of the program execution plan, the annual work plan, and the procurement plan, regarding support for execution processes and disbursements.
- 3.11 Semiannual reports will include progress of the program's output, outcome, and activity monitoring indicators as well as accounting-financial information on resource

management. The semiannual report for the second half of the calendar year will include a summary of the achievements under each component, with an analysis of program risks according to the risk matrix. It should also include a consolidated description of the difficulties encountered and the lessons learned, as well as recommendations to serve as feedback for the program. The calculation of output and outcome indicators (see [Monitoring and Evaluation Plan](#)) will be drawn from sources of administrative data and data from the beneficiary monitoring surveys.

- 3.12 **Evaluation.** The program will introduce a long-term evaluation strategy at SPEBO. At the conclusion of the program, a quasi-experimental evaluation will be performed of Subcomponent 3.1 intervention to measure the impact of employment assistance, short courses, and on-the-job training with three months of economic assistance on beneficiaries' employment, placement in formal economic units, and earnings as compared to the control group. The data collection strategy plans to break down the sample by gender in order to analyze the program's impact on women, as a contribution to the development of employment policies with a gender perspective. In addition, an experimental evaluation of young people will be performed, based on a sample of graduates from technical schools who need support to enter the workforce. Both surveys will begin in 2017 in order for the necessary information to be available for the impact assessment. For the pilot projects (Subcomponent 3.2), processes and outcomes will be evaluated with information from the impact assessment surveys, in order to compare young people's income levels and job placement. The variation in the incomes of women who obtained jobs in nontraditional categories will be compared with women working in traditional categories. Data on these groups of beneficiaries will be collected to prepare an impact assessment at a later stage after the modus operandi have been adjusted and sufficient observations and information have been collected to determine a counterfactual. These evaluations will be coordinated with the work to prepare the project completion report (PCR) and will produce an experimental impact assessment that closes knowledge gaps on the impact of ALMPs in the country.

C. Design activities following approval

- 3.13 Technical-cooperation operations ATN/HQ-12421-BO (BO-T1135) and ATN/15615-BO (BO-T1256) will finance products that can be used as inputs for launching this operation. These include a communication plan; the analysis of the pilot projects on gender and people with disabilities for the purpose of adjusting the operations and procedure manuals; and the framework design for the employment assistance information system.

| Development Effectiveness Matrix | | | |
|---|--|--|----------------------|
| Summary | | | |
| I. Strategic Alignment | | | |
| 1. IDB Strategic Development Objectives | Aligned | | |
| Development Challenges & Cross-cutting Themes | -Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity | | |
| Regional Context Indicators | | | |
| Country Development Results Indicators | -Formal employment of women (%) -Beneficiaries of on-the-job training programs (#)* | | |
| 2. Country Strategy Development Objectives | Aligned | | |
| Country Strategy Results Matrix | GN-2843 | Labor market insertion of women and indigenous populations. | |
| Country Program Results Matrix | | The intervention is not included in the 2016 Operational Program. | |
| Relevance of this project to country development challenges (If not aligned to country strategy or country program) | | | |
| II. Development Outcomes - Evaluability | Highly Evaluable | Weight | Maximum Score |
| | 9.7 | | 10 |
| 3. Evidence-based Assessment & Solution | 9.3 | 33.33% | 10 |
| 3.1 Program Diagnosis | 3.0 | | |
| 3.2 Proposed Interventions or Solutions | 3.6 | | |
| 3.3 Results Matrix Quality | 2.7 | | |
| 4. Ex ante Economic Analysis | 10.0 | 33.33% | 10 |
| 4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis | 4.0 | | |
| 4.2 Identified and Quantified Benefits | 1.5 | | |
| 4.3 Identified and Quantified Costs | 1.5 | | |
| 4.4 Reasonable Assumptions | 1.5 | | |
| 4.5 Sensitivity Analysis | 1.5 | | |
| 5. Monitoring and Evaluation | 9.8 | 33.33% | 10 |
| 5.1 Monitoring Mechanisms | 2.3 | | |
| 5.2 Evaluation Plan | 7.5 | | |
| III. Risks & Mitigation Monitoring Matrix | | | |
| Overall risks rate = magnitude of risks*likelihood | Medium | | |
| Identified risks have been rated for magnitude and likelihood | Yes | | |
| Mitigation measures have been identified for major risks | Yes | | |
| Mitigation measures have indicators for tracking their implementation | Yes | | |
| Environmental & social risk classification | C | | |
| IV. IDB's Role - Additionality | | | |
| The project relies on the use of country systems | | | |
| Fiduciary (VPC/FMP Criteria) | Yes | Financial Management: Budget, Treasury, Accounting and Reporting. Procurement: Information System. | |
| Non-Fiduciary | | | |
| The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions: | | | |
| Gender Equality | | | |
| Labor | | | |
| Environment | | | |
| Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project | Yes | Technical cooperation BO-T1256 aimed to support the executing agency during program startup. | |
| The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan | Yes | The proposed evaluation will be the first experimental evaluation of job training programs in Bolivia. | |

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The "Program to Support Employment II", in the amount of USD 40 million, has the objective of improving the labor market insertion in formal economic units of job searchers who access the Public Employment Service of Bolivia (SPEBO). Amongst the main problems identified are: the absence of information about vacancies, and the lack of support for women in taking care of their children. In order to address these problems, the diagnosis identifies different areas of improvement in the SPEBO. The proposed solutions include: (i) expanding and improving the labor intermediation services (component I); improving the management of the SPEBO (component II); and (ii) continuing to support training courses, but adding pilots that incorporate support for vulnerable populations (component III).

The economic analysis estimates the net social incremental benefits of the program. The main benefit is the increase in income for beneficiaries that access better quality jobs. The main costs include: program operating costs and opportunity cost of time for project beneficiaries. The internal rate of return in the base scenario is 30% for labor intermediation services and 27% for training courses. The sensitivity analysis shows that the net present value of the program remains positive for a large range of scenarios, except plausible pessimistic scenarios where multiple parameters are simultaneously affected.

The monitoring and evaluation plan is adequate. Outputs and outcome indicators are SMART, and the mechanisms for monitoring them have been identified and budgeted. The proposed evaluation relies on an experimental methodology and consequently has worthy internal validity. However, the evaluation sample includes only a selected sample, youths that finished technical courses, which will limit the external validity of the evaluation. To complement this evaluation, it is also proposed to carry out a quasi-experimental evaluation using instrumental variables. This latter evaluation is innovative and consequently, there is a risk that it may not be feasible in practice (hence, mitigation measures were also considered). Nevertheless, the impact evaluations will only consider the outcome indicators associated with training courses, while the indicators associated with labor intermediation will be evaluated relying on less rigorous methodologies.

RESULTS MATRIX

| | |
|-------------------|---|
| Objective: | To improve the workforce integration, in formal economic units, of job seekers who use the Plurinational Employment Service of Bolivia (SPEBO). |
|-------------------|---|

EXPECTED IMPACTS

| Indicators | Unit | Baseline | | Targets | | Means of verification | Observations |
|--|------|----------|------|---------|------|-----------------------|-----------------------------|
| | | Value | Year | Value | Year | | |
| EXPECTED IMPACTS | | | | | | | |
| Beneficiaries who obtain formal jobs compared to control group | % | n/a | n/a | 5 | 2021 | Impact assessment | Percentage point difference |
| Beneficiaries' higher earned incomes compared to control group | % | n/a | n/a | 10 | 2021 | Impact assessment | |

EXPECTED OUTCOMES

| Expected outcomes | Unit | Baseline | | Target | | Target | | Means of verification | Observations |
|---|--------|----------|------|--------|------|--------|------|--|---|
| | | Value | Year | Value | Year | Value | Year | | |
| INCREASED EFFECTIVENESS OF PUBLIC EMPLOYMENT SERVICES | | | | | | | | | |
| # of people benefiting from direct employment assistance | Number | 0 | 2017 | 19,847 | 2020 | 36,085 | 2022 | SPEBO system reports | |
| Average increase in incomes of beneficiaries of direct employment assistance | % | 0 | 2015 | 4 | 2020 | 4 | 2022 | Surveys of beneficiaries | Baseline: Bs. 2,353. This figure will be updated on the basis of surveys of beneficiaries. ¹ |
| Increase in jobs obtained in formal economic units by beneficiaries of direct employment assistance | pp | 0 | 2015 | - | - | 10 | 2021 | Follow-up surveys | Percentage points. In 2015, SPEBO mainly used these vacancies for on-the-job training. |
| IMPROVED JOB PLACEMENT OF JOB SEEKERS USING THE PUBLIC EMPLOYMENT SERVICE | | | | | | | | | |
| Level of placement in formal economic units of female job seekers who receive on-the-job training support, three months after completing training | % | 42 | 2015 | 44 | 2020 | 48 | 2022 | SPEBO system reports and follow-up surveys | Baseline: Outcomes of PSE I. |
| Level of placement in formal economic units of male job seekers who receive on-the-job training support, three months after completing training. | % | 47 | 2015 | 48 | 2020 | 50 | 2022 | Reports of the Plurinational Employment System and follow-up surveys | Baseline: Outcomes of PSE I |

¹ For all data on income indicators: Average quintiles II-IV in urban areas (by beneficiary characteristic), 2014 Household Survey (IDB), corrected by CPI at 2015 values.

| Expected outcomes | Unit | Baseline | | Target | | Target | | Means of verification | Observations |
|--|------|----------|------|--------|------|--------|------|---------------------------|--|
| | | Value | Year | Value | Year | Value | Year | | |
| Average increase in the earned income of women benefiting from on-the-job training | % | 0 | 2015 | - | - | 10 | 2022 | Impact assessment surveys | Baseline: Bs. 2,147. This figure will be updated on the basis of surveys of beneficiaries. |
| Average increase in the earned income of men benefiting from on-the-job training. | % | 0 | 2015 | | - | 10 | 2022 | Impact assessment surveys | Baseline: Bs. 2,518. This figure will be updated on the basis of surveys of beneficiaries. |

INTERMEDIATE OUTCOMES

| Expected results | Unit | Baseline | | Targets | | Targets | | Means of verification | Observations |
|---|--------|----------|------|---------|------|---------|------|-----------------------|-----------------------------|
| | | Value | Year | Value | Year | Value | Year | | |
| IMPROVED EFFECTIVENESS OF PUBLIC EMPLOYMENT SERVICES | | | | | | | | | |
| Vacancies registered by formal economic units, per year | Number | 4465 | 2015 | 5,500 | 2019 | 7,000 | 2022 | SPEBO System Reports | Baseline: Outcomes of PSE I |

OUTPUTS

| Output | Estimated cost (US\$) | Unit | Baseline | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Final target | Means of verification |
|--|--|--------|----------|--------|--------|--------|--------|--------|--------------|-----------------------|
| Component 1: Improve SPEBO coverage and positioning | | | | | | | | | | |
| Strategy implemented to work more closely with the productive sector | 2,708,455 | Number | 0 | - | 1 | - | - | - | 1 | Program reports |
| Communication strategy implemented | 291,545 | Number | 0 | 1 | - | - | - | - | 1 | Program reports |
| Component 2: Improve services for job seekers and diversify supply of ALMPs | | | | | | | | | | |
| Model created for profiling job seekers | 500,000 | Number | 0 | - | - | 1 | - | - | 1 | Program reports |
| Mechanism established for integrating services | 200,000 | Number | 0 | - | 1 | - | - | - | 1 | Program reports |
| Employment assistance information systems | 450,000 | Number | 0 | - | - | 1 | 1 | - | 2 | Program reports |
| Vocational and professional guidance service established | 150,000 | Number | 0 | - | - | 1 | - | - | 1 | Program reports |
| Female beneficiaries of on-the-job training programs ² | 18,000,000 | Number | 0 | 3,000 | 4,000 | 4,000 | 4,500 | 4,500 | 20,000 | Program reports |
| Male beneficiaries of on-the-job training programs | 17,000,000 | Number | 0 | 3,000 | 4,000 | 4,000 | 4,500 | 4,500 | 20,000 | Program reports |
| Milestones ³ | Women benefiting from the pilot project for jobs in nontraditional categories ⁴ * | Number | 0 | 0 | 100 | 100 | 150 | 150 | 500 | Program reports |

² Corresponds to indicator 13 of the CRF Country Development Results.

³ Since the program responds to demand and the specific needs of each job seeker, targets are benchmarks and will depend on the needs detected during the course of the program.

⁴ On-the-job training combined with technical training in nontraditional categories and including soft skills training.

| Output | | Estimated cost (US\$) | Unit | Baseline | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Final target | Means of verification |
|--------|---|-----------------------|--------|----------|--------|--------|--------|--------|--------|--------------|-----------------------|
| | People with disabilities benefiting from the job placement pilot project ^{5*} | | Number | 0 | 0 | 100 | 100 | 150 | 150 | 500 | Program reports |
| | Young people benefiting from the pilot project for on-the-job training combined with soft skills training ^{6*} | | Number | 0 | 700 | 700 | 700 | 950 | 950 | 4,000 | Program reports |

⁵ On-the-job training combined with technical training, soft skills training, and/or workplace adaptations.

⁶ On-the-job training combined with soft skills training; may include technical training.

* Mothers will be able to receive economic assistance for child care.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: The Plurinational State of Bolivia
Project number/name: BO-L1121 – Program to Support Employment II
Executing agency: Ministry of Labor, Employment, and Social Security
Prepared by: Diana M. De León (FM) and Carolina Escudero (PRM)

I. EXECUTIVE SUMMARY

- 1.1 This Fiduciary Annex was prepared on the basis of: (a) the findings of the most recent PEFA¹ report, 2009; (b) analysis of institutional capacity used during the design of the Program to Support Employment of the Ministry of Labor, Employment, and Social Security (MTEPS), given that the executing unit has not changed; and (c) the results of the fiduciary supervision of the FMP/CBO team within the framework of the execution of the Program to Support Employment,² which has been deemed satisfactory.
- 1.2 Program execution, which involves 100% of the blended financing of the Inter-American Development Bank (IDB), will be the responsibility of the Employment Bureau (DGE) of the MTEPS.
- 1.3 Accounting records for the operation will be maintained in the Public Management System (SIGEP). The IDB's Integrated Project Administration System (SIAP-IDB), developed by the Country Office in Bolivia (CAN/CBO), will be used for the financial reports required by the Bank. For procurement, the IDB's standard bidding documents or other documents agreed upon with the Office of the Deputy Minister for Public Investment and External Financing (VIPFE), available on the portal of the State Procurement System (SICOES),³ will be used; calls for national bids will be published on SICOES.
- 1.4 The Government of Bolivia and the Bank have drawn up an agreement to adopt partial use of the Basic Standards of the Goods and Services Administration System (NB-SABS) in IDB-financed operations in Bolivia. This program will apply that agreement once it has entered into force.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 As a public agency, the MTEPS is governed by Law 1,178 of 20 July 1990 on Government Control and Administration. This law regulates the administration and

¹ Public Expenditure and Financial Accountability.

² 2365-BL-BO; BO-L1051.

³ The State Procurement Subsystem that has been authorized for use in Bank operations.

control systems for government resources, and their relationship with country public investment and planning systems.

- 2.2 This agency uses SIGEP for all of its financial records. SIGEP offers secure and reliable access to budget execution information. With Bank support, an accounting management module was developed in this system, which systematizes reporting based on the financing structures and the currency of loans from international development partners; it is expected to come on line in 2017. Until then, the MTEPS will use SIAP-IDB as a supplementary accounting and reporting system for accountability and financial reporting purposes. As a State agency, the MTEPS is supervised by the Office of the Comptroller General and an internal audit unit.

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 The Institutional Capacity Assessment System (ICAS) assessment of the MTEPS's DGE during program preparation indicates an adequate level of institutional development and capacities and a LOW level of fiduciary risk.

IV. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE CONTRACT

- 4.1 **Operating Regulations.** The Operating Regulations will describe the execution arrangements, procedures, and information flows previously agreed upon between the Bank and the parties.
- 4.2 **Exchange rate agreed upon with the executing agency for rendering accounts.** The exchange rate used will be the one in effect in the borrowing country on the effective date of the conversion of funds into local currency in the executing agency's accounts.
- 4.3 **Financial statements and other audited reports.** For the duration of the loan disbursement period, the program's audited financial statements will be submitted to the Bank within 120 days after the end of each of the executing agency's fiscal years. The statements will be audited by an independent auditing firm acceptable to the Bank. The final report will be submitted to the Bank within 120 days following the date stipulated for the last disbursement of the loan proceeds.
- 4.4 The terms of reference for contracting the independent auditing firm will be subject to the Bank's prior approval. Determination of scope and related aspects will be governed by the Financial Management Policy for IDB-financed Projects (OP-273-6) and the Guidelines for Financial Statements and External Audit. Audit costs will be financed with program resources. The audit firm will be contracted by the MTEPS's DGE.

V. PROCUREMENT EXECUTION AGREEMENTS AND REQUIREMENTS

- 5.1 **Procurement execution.** Procurement will be carried out in accordance with Bank policies set forth in documents GN-2349-9 and GN-2350-9.
- 5.2 **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services provided for in the program and subject

- to international competitive bidding (ICB) will be carried out using the Standard Bidding Documents issued by the Bank.
- 5.3 Works for an estimated amount of less than US\$3 million will be contracted via the shopping method, using the standard price comparison document for works procurement prepared by the Bank for operations in Bolivia; works for an estimated amount of less than US\$250,000 will be contracted via the shopping method, using the document for requesting quotes for small contracts agreed upon with VIPFE, which is available in SICOES.
 - 5.4 Off-the-shelf goods (computer equipment, furniture, etc.) for an estimated amount of less than US\$200,000 will be procured via the shopping method and using the document for requesting quotes for the purchase of goods agreed upon with VIPFE, which is available in SICOES.
 - 5.5 **Selection and contracting of consultants.** Consultants will be selected using the selection methods in the Bank's procurement policies (document GN-2350-9), taking the following into account:
 - 5.5.1 **Selection of consulting firms.** Consulting firms for the program will be selected using the Standard Request for Proposals issued by the Bank and Request for Proposals documents for amounts of less than US\$200,000 agreed upon with VIPFE, which are available in SICOES.
 - 5.5.2 **Shortlist of consulting firms.** For contracts with a value of up to US\$200,000, the list may be comprised entirely (100%) of Bolivian firms.
 - 5.5.3 **Selection of individual consultants.** Individual consultants will be selected on the basis of a comparison of the candidates' individual qualifications. When the call for proposals is made through SICOES, one qualified candidate will suffice; when the call is by invitation, the qualifications of at least three qualified candidates will be compared. When the tasks involve working with other people in providing administrative or operational assistance, the advisability of using individual consultants with supplementary services will be examined on a case-by-case basis.
 - 5.5.4 **Services contractors.** As explained in the Proposal for Operation Development, the program needs to retain temporary staff members who received training to work in public employment services, in order to ensure achievement of program targets in due time and manner. Accordingly, such staff will be financed with loan funds in an amount up to US\$5.6 million within the framework of provision 3.21 of the policy in document GN-2350-9.
 - 5.6 **Procurement planning.** The MTEPS will publish the procurement plan in the Procurement Plans Execution System (SEPA) and will update it at least once each year to reflect the project's actual execution needs and the progress achieved.
 - 5.7 **Advance procurement/retroactive financing.** The program does not include advance procurement/retroactive financing.
 - 5.8 **Domestic preference.** The application of domestic preference will not be considered in the procurement processes envisaged for this operation.
 - 5.9 **Terms of reference and technical specifications.** The executing agency, in coordination with the program's Project Team Leader, is responsible for reviewing

the shortlist selection criteria, terms of reference, and/or technical specifications. In all cases these must be agreed upon ex ante.

5.10 Table of threshold amounts (in US\$000)

| Works | | Goods and Nonconsulting Services | | | Consulting Services | |
|---------|----------|----------------------------------|-----------|--|--|--|
| ICB | Shopping | ICB | NCB | Shopping | International Publicity for Consulting Services (except when CQS* is used) | Shortlist 100% National (except when CQS* is used) |
| > 3,000 | < 3,000 | > 200 | Up to 200 | ≤ 50 and ≤ 200 for common goods and services | > 200 | ≤ 200 |

*CQS: Selection based on the Consultants' Qualifications.

5.11 **Main procurement processes.*** The main procurement processes for this operation are detailed below:

| Activity | Type of Bidding | Estimated Date | Estimated Amount (US\$ 000) |
|---|-----------------|---|-----------------------------|
| Goods and Nonconsulting Services | | | |
| Workshops to strategize connecting with the business sector (several workshops throughout program execution) | OCP** | According to data in the procurement plan | 600 |
| Employment assistance software | LIB | According to data in the procurement plan | 300 |
| Servers and complementary equipment | OCP** | According to data in the procurement plan | 150 |
| Surveys for the follow-up and monitoring system | ICB | According to data in the procurement plan | 945 |
| Telephone surveys to monitor beneficiaries | OCP** | According to data in the procurement plan | 100 |
| Individual Consultants | | | |
| Services contractors. Direct contracting of the staff who received training to support SPEBO's work (about 32 people) | DC** | According to data in the procurement plan | 3,000 |
| Two consultants for impact evaluations | NICQ** | According to data in the procurement plan | 80 |
| Monitoring and follow-up system structure design | NICQ** | According to data in the procurement plan | 50 |
| Executing unit staff (three contracts) | NICQ** | According to data in the procurement plan | 200 |

| Activity | Type of Bidding | Estimated Date | Estimated Amount (US\$ 000) |
|---|-----------------|---|-----------------------------|
| Consulting Firms | | | |
| Design of model for profiling job seekers, system design and interconnection, and design of training and guidance materials for dissemination (three contracts) | QCBS** | According to data in the procurement plan | 450 |
| Consulting service to improve processes and training | QCBS** | According to data in the procurement plan | 200 |
| Audit | QCBS** | According to data in the procurement plan | 100 |
| Works | | | |
| Infrastructure renovation | Shopping | According to data in the procurement plan | 20 |

* To access the procurement plan for the first 18 months, see [Procurement Plan](#).

** DC: Direct Contracting; NICQ: National Individual Consultant selection based on Qualifications; OCP: Open Call for Proposals; QCBS: Quality- and Cost-based Selection;

5.12 **Procurement supervision.** The project may be executed based on ex post review of procurement processes worth up to 100% of the threshold for NCB, as set out in the table below. (Direct contracting and procurement transactions not included in this table will be subject to ex ante review.) The external audit firm for the program will conduct the annual ex post review of procurement. Although the level of fiduciary risk is rated LOW, the Bank will offer ongoing training and advisory services during program execution.

Threshold for Ex Post Review

| Works | Goods and Nonconsulting Services | Consulting firm services Shortlist may be 100% national | Consulting Services Individuals |
|---------------------------------------|-------------------------------------|---|---------------------------------|
| Contracts for amounts ≤ US\$3,000,000 | Contracts for amounts ≤ US\$200,000 | Contracts for amounts ≤ US\$200,000 | Not subject to any limit |

5.13 **Operating or recurring expenses.** These are expenses (operational and maintenance, among others) necessary for the program to operate. They will be agreed upon with the Project Team Leader and included in the procurement plan. This type of expense will be executed according to the executing agency's administrative procedures, as referenced in the Operating Regulations.

5.14 **Direct contracting.**⁴ Goods and nonconsulting services (for example workshops/meetings: rental of hall/site, audiovisual equipment, transport, facilitators, etc.) for individual amounts below US\$500 and totaling no more than US\$5,000, may be contracted directly in order to achieve economy and efficiency in execution. These contracts are to be approved by the Project Team Leader through the procurement plan. Such procurements will require the approval of the Project Team Leader, through the procurement plan. The specifications for such property

⁴ Document OP-272-2 establishes a threshold of up to US\$750,000 for direct purchases or contracting of goods, works, and nonconsulting services and provision 3.6(a) of document GN-2349-9 refers to cases in which neither the savings nor the efficiency of competitive bidding is justified.

must be clearly defined, and a comparison made with market options within the budget range, which should be confirmed by means of a property appraisal.

- 5.15 **Files.** The MTEPS will be responsible for establishing the supporting documentation, procedures, and controls necessary for program execution, as well as for safeguarding them in accordance with the terms of the loan contract and local laws.

VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

- 6.1 **Programming and budget.** The MTEPS will utilize an administrative division⁵ under which the program will be created. This will allow budget records to be based on individual identification of the sources of financing and funds used in program execution. Inclusion in the budget as well as future budget modifications will be based on the annual work plan and multiyear execution plan agreed upon with the Bank. Budget modifications will comply with the relevant procedures required under local rules.
- 6.2 **Accounting and information systems.** Program transactions will be recorded in the SIGEP. This system integrates the various accounting stages in a single registry and complies with budgetary requirements (budget execution), accounting requirements (assets, liabilities, equity, and earnings), and treasury requirements (cash transfers), on an accrual basis. In addition, for purposes of program accounting, a chart of accounts will be prepared to allow for the identification of expenditures incurred in each period on a cash basis, aligning the program's investment categories with the respective budget line items and accounts. Moreover, until such time as the SIGEP Accounting Management Module is in operation, the MTEPS will use the SIAP-IDB on an interim basis as a supplement for financial reporting.
- 6.3 **Disbursements and cash flow.** Unlike the Program to Support Employment, BO-L1121 will be disbursed in the form of advances of funds.
- a. Disbursement requests will preferably be based on annual financial planning. For strategic purposes, they will be submitted in the second quarter of each year, if possible.
 - b. The executing agency will submit to the Bank a justification of the advance of funds 180 days after each disbursement.
 - c. Loan proceeds will be deposited in a separate account in U.S. dollars, and subsequently transferred to the program's payment account in local currency (both within the CUT).⁶
 - d. The Bank may advance new funds when at least 70% of the previously advanced funds have been justified.

⁵ Under SIGEP's budgetary programming structure, an administrative division may include several projects with independent records and controls.

⁶ Unified Treasury Account.

This permanent flexibility⁷ is allowed for the following reasons: (i) the program mechanism includes transferring funds equivalent to three months of stipends for each beneficiary to the payment account when it is formally approved; (ii) the replenishment time needs to be increased to 2.5 months, instead of the estimated two months if 80% justification were maintained; and (iii) to avoid reputational risk should transfers to program beneficiaries be delayed.

- 6.4 **Internal control and internal audit.** DGE⁸ financial management is subject to annual reliability reviews by the internal audit unit and, given the relative importance of this program, its inclusion in this type of review is anticipated. The DGE will also be the subject of this type of review. As a strategic activity under its mandate, the Bank will coordinate meetings annually with the internal audit units in order to identify program monitoring activities.
- 6.5 **External control and reports.** In order to comply with the annual submission of the program's audited financial statements, the DGE will hire an independent auditing firm acceptable to the Bank, following Bank policies. The scope of the audit will include all of the program's sources of financing and its cost will be covered by program funds.
- 6.6 **Financial supervision plan.** The planning and frequency of supervision will be based on identified fiduciary risks. The following activities are envisaged: (i) the annual external audit by the firm hired for the review of program financial statements; (ii) random supervision visits; and (iii) visits to verify compliance with the internal control recommendations issued by the program's external auditor.

⁷ Pursuant to document OP-273-6, paragraph 3.3.

⁸ Employment Bureau.