

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

COLOMBIA

**PROGRAM TO STRENGTHEN EMPLOYMENT POLICIES
(CO-L1250)
AND
INVESTMENT GRANT
(CO-G1018)**

LOAN AND GRANT PROPOSAL

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ELECTRONIC LINKS

REQUIRED

1. [Multiyear execution plan / Annual work plan](#)
2. [Monitoring and evaluation plan](#)
3. [Procurement plan](#)

OPTIONAL

1. [Economic analysis](#)
2. [Sector analysis](#)
3. [Implementation arrangements](#)
4. [Migration eligibility annex](#)
5. [Technology annex](#)
6. [Program Operating Regulations](#)
7. [Safeguard policy filter and safeguard screening form](#)

ABBREVIATIONS

CCB	Cámara de Comercio de Bogotá [Bogota Chamber of Commerce]
CGN	Contaduría General de la Nación [Office of the Accountant General of the Nation]
CGR	Contraloría General de la República [Office of the Comptroller General of the Republic]
CONPES	Consejo Nacional de Política Económica y Social [National Economic and Social Policy Council]
DANE	Departamento Administrativo Nacional de Estadística [National Administrative Department of Statistics]
DNP	Departamento Nacional de Planeación [National Planning Department]
GEIH	Gran Encuesta Integrada de Hogares [Large-scale Integrated Household Survey]
GRF	IDB Grant Facility
ICB	International competitive bidding
IDB-SIMS	IDB labor markets and social security information system
ILO	International Labour Organization
MPC	Mecanismo de Protección al Cesante [Protection Mechanism for the Unemployed]
NCB	National competitive bidding
PCU	Program coordination unit
PEFA	Public Expenditure and Financial Accountability
PND	Plan Nacional de Desarrollo [National Development Plan]
PSG	Project specific grant
SCCPC	Sistema de Compra y Contratación Pública de Colombia [Colombia's Public Procurement and Contracting System]
SECO	The Government of Switzerland's State Secretariat for Economic Affairs
SENA	Servicio Nacional de Aprendizaje [National Training Service]
SIIF	Sistema Integrado de Información Financiera [Integrated Financial Information System]
SISE	Sistema de Información del Servicio Público de Empleo [Public Employment Service Information System]
SPE	Sevicio Público de Empleo [Public Employment Service]
UAESPE	Unidad Administrativa Especial del Servicio Público de Empleo [Special Administrative Unit of the Public Employment Service]
VMEP	Viceministerio de Empleo y Pensiones [Office of the Deputy Minister for Employment and Pensions]

PROJECT SUMMARY

COLOMBIA PROGRAM TO STRENGTHEN EMPLOYMENT POLICIES (CO-L1250 AND CO-G1018)

Financial Terms and Conditions				
Borrower		Flexible Financing Facility ^(a)	Grant Facility (GRF)	Project Specific Grant (PSG) CO-G1018
Republic of Colombia	Amortization period:	13.1 years	N/A	N/A
Executing agency	Disbursement period:	5 years	5 years	5 years
Ministry of Labor	Grace period:	13.1 years ^(b)	N/A	N/A
Source	Total (US\$)	Interest rate:	LIBOR-based	N/A
IDB (Ordinary Capital):	20,000,000	Credit fee:	^(c)	N/A
IDB (GRF): ^(d)	2,625,000	Inspection and supervision fee:	^(c)	N/A
PSG (Government of Switzerland, State Secretariat for Economic Affairs (grant CO-G1018)): ^(e)	2,500,000			
Total	25,125,000			
	Weighted average life:	13.1 years	N/A	N/A
Administration fee: ^(e)	125,000	Administration fee:	N/A	N/A
Total available for project: ^(d)	25,000,000	Approval currency:	U.S. dollar	
Project at a Glance				
Project objective/description: The program's general objective is to improve the employability of the Colombian and migrant workforce. To achieve this, the specific objectives are to: (i) increase the coverage and effectiveness of employment policies; and (ii) strengthen the system that ensures the relevance and quality of job training and broaden the scope of competency-based certification.				
Special contractual conditions precedent to the first disbursement of the financing: Evidence will be submitted indicating that (i) the executing agency has created the Program Coordination Unit and has selected the general program coordinator, procurement specialist, and financial specialist, in accordance with the terms of reference and profiles previously agreed upon with the Bank; and (ii) the program Operating Regulations (optional link 6) have been approved and have entered into force, pursuant to the terms previously agreed with the Bank (paragraph 3.4).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges: ^(f)	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
Crosscutting themes: ^(g)	GD <input checked="" type="checkbox"/>	CC <input type="checkbox"/>	IC <input checked="" type="checkbox"/>	

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) 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 applicable policies.

- (d) Nonreimbursable financing. The GRF is the Bank's grant facility. Pursuant to document GN-2947-6, Bank financing for this operation is structured as a maximum of 20% Nonreimbursable funds (GRF and SECO) and 80% reimbursable funds (Ordinary Capital). The GRF funds will be disbursed simultaneously and proportionately with the proceeds of the Ordinary Capital loan.
- (e) PSG is the Bank's project specific grant. In the case of this program, a grant will be provided by the Government of Switzerland's State Secretariat for Economic Affairs of (SECO), subject to its approval. The proceeds will become available once the Swiss government and the Bank have signed a management agreement and the Bank has received the funds from the SECO. The administration fee, charged at a rate of 5%, will be deducted from the proceeds of the Swiss contribution, thus leaving a total of US\$2,375,000 available to co-finance the project's planned activities. The Bank's Board of Executive Directors is asked to ensure that the proceeds of the administration fee are distributed among the departments supporting the operation, in order to cover preparation and implementation costs (see paragraph 2.5).
- (f) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- (g) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 Colombia has made significant progress on social issues in recent decades. Between 2002 and 2018, income poverty fell from 49.7% to 27%, while the Gini coefficient fell from 0.572 to 0.517 (National Administrative Department of Statistics – DANE, 2019). Substantial improvements have also been made in the delivery of education and healthcare services.¹ However, major challenges remain in the labor market, particularly in terms of access to quality formal jobs. Colombia is continuously ranked as one of the countries with the highest unemployment rates in Latin America and the Caribbean (IDB labor markets and social security information system – IDB-SIMS, 2017). Even in the last decade, when the economy grew at rates above 4.5% per year, the unemployment rate exceeded 8.5% at all times. Recently, in the first half of 2019, the national unemployment rate has been above 10%, standing at close to 12% in the 13 largest cities and metropolitan areas (DANE, 2019). Informal employment is also prevalent: for example, in 2017, 61% of employed persons did not contribute to social security,² and 41% of workers earned less than the minimum wage.³
- 1.2 **The recent, sudden surge in migration from Venezuela is creating additional challenges.**⁴ In the last few years, roughly 1.4 million Venezuelans and 400,000 Colombian returnees have entered the country from Venezuela. The pace of the influx has been rapid: the number of migrants from Venezuela living in Colombia grew by 75% between 2014 and 2015, by 114% in 2016, and by 58% in 2017. Most of these migrants arrive for economic reasons and intend to stay. Many have settled in areas where economic development has historically been below the national average, such as Arauca and Guajira. Colombia has the world's third largest immigrant population, and the largest population of migrants from Venezuela (Colombian Migration, Colombian Border Control, and United Nations High Commissioner for Refugees, 2019).⁵
- 1.3 **Certain population groups, such as women and migrants, face severe problems obtaining formal employment.** In the first quarter of 2019, the unemployment rate among women was 14%, almost double the 8.7% rate for men (DANE, 2019). In 2018 the gender gap in unemployment was the second largest in Latin America and the Caribbean (IDB, 2019). Informality, measured as the proportion of wage earners who do not contribute to social security, is 4 percentage points higher among women than among men.⁶ Migrants from Venezuela represent a substantial part of the unemployed population in cities absorbing migration. In 2018 they comprised an estimated 23%, 49% and 60% of

¹ Between 2002 and 2013, enrollment increased from 59% to 70% in lower secondary education and from 30% to 41% at the upper secondary level (Organisation for Economic Co-operation and Development, 2016). From 1993 to 2014, healthcare coverage quadrupled (Ministry of Health).

² The rate is 31% among wage-earners and 87% among self-employed workers.

³ IDB-SIMS based on the Large-scale Integrated Household Survey (GEIH) (2017).

⁴ Details on the characteristics of the migration inflow can be found in [optional link 4](#).

⁵ In this document, the term “migrant” includes foreigners, dual citizens, and Colombian nationals who have returned from Venezuela in the recent crisis.

⁶ IDB-SIMS based on GEIH (2017).

the total unemployed in Cúcuta, Riohacha, and Arauca, respectively (National Economic and Social Policy Council – CONPES, 3950). Moreover, migrants find it difficult to obtain formal jobs: the informality rate is estimated at 85% among the Colombian returnee population and at 93% among Venezuelan migrants (World Bank, 2018).

- 1.4 **Difficulties in obtaining formal jobs are caused mainly by three employability constraints that affect a significant percentage of the population:** (i) a lack of information on how to access vacancies; (ii) a skills deficit among job seekers; and (iii) a lack of recognition and validation of competencies.⁷ These three constraints reduce the productivity of the labor force and, hence, access to formal jobs.
- 1.5 The first constraint involves information problems that prevent achieving a good match between labor supply and demand. In 2017, 68.3% of workers obtained employment through informal channels, such as family and friends (Large-scale Integrated Household Survey – GEIH). This not only reduces the likelihood of productive engagement and increases inequality, but also reduces the chances that vacancies will be filled with workers from other regions of the country, which is particularly costly in cities that are under pressure from migration. The second constraint occurs because part of the workforce lacks the skills needed by the productive sector. According to Manpower (2018), 42% of companies in Colombia have difficulty finding workers with the relevant skills. This problem is exacerbated among women, as cultural barriers lead to gender segregation in career paths, and women tend to not choose those that are in high demand.⁸ Lastly, the third constraint arises because many people who have acquired competencies outside the formal education sector cannot validate them in the labor market due to a lack of mechanisms for certifying informal learning. This affects much of the workforce: according to GEIH data, in 2018, 71% of the economically active population had not completed secondary school. This problem is worse among migrants, who are unable to validate their work experience, competencies, and educational qualifications.
- 1.6 There is a set of policies that can help address these three constraints:⁹ (i) active and passive employment policies; (ii) job training policies; and (iii) policies for the certification of job competencies.
- 1.7 **Active and passive policies.** Active policies help job-seekers find employment through job placement services (which match job seekers with vacancies), counseling, and training. In contrast, passive policies take the form of subsidies or insurance to smooth out consumption among the unemployed and enhance the quality of matching thanks to a longer search time. There is abundant evidence of the effectiveness of active policies. A meta-analysis of international evidence shows that these policies can increase employment by 4 to 12 percentage points in the long term (Card et al, 2015). In Colombia, Pignatti (2016) shows that job

⁷ In this document the term “skills” refers to the capabilities, attributes and knowledge that can affect an individual’s job performance (Prada and Rucci, 2016). “Competencies” are also a set of capabilities, attributes, and knowledge, but, unlike skills, they can be standardized and proven by industry standards.

⁸ For example, in 2015 the proportion of women enrolled in higher education programs in science, technology, and mathematics was 35% lower than that of men (IDB, 2019).

⁹ Alaimo et al (2015).

- placement services provided by the Public Employment Service (SPE) increase the chances of obtaining a formal job relative to other search channels. An experimental evaluation of a job placement and training program for young people in Colombia reports positive effects on formal employment and wages, even 10 years later (Attanasio et al, 2015). Meanwhile, international studies show that passive policies can increase employment and formal employment rates, depending on policy design (Robalino, 2014). Evidence from Latin America and the Caribbean shows that passive policies are useful for smoothing consumption but not for increasing re-employment (Alaimo et al, 2015).
- 1.8 The following have been identified as good practices in the design of active and passive policies: (i) invest more in job placement services, since they are cost-effective, and expenditure on them in the region is below the level of developed countries; (ii) promote specialized services for vulnerable groups; (iii) strengthen links with employers; and (iv) follow up on the results (Alaimo et al, 2015).
- 1.9 **Job training policies.** These policies aim to prepare the workforce for jobs through short, practical training courses that are more flexible than those offered by the formal education system and better adapted to labor market requirements. This makes it easier to gear them towards the adult population and thus increases their potential to serve as a labor inclusion tool for migrants. Evidence from Colombia and Chile shows that the economic returns of job training exceed those of formal education in some branches of knowledge (González-Velosa et al 2015). Lastly, European evidence shows that job training can play an important role in integrating migrants into the labor market (European Centre for the Development of Vocational Training, 2019).
- 1.10 International lessons learned suggest that, firstly, alignment with employers' needs is a must for job training policies, which means gathering information on the demand for skills. Secondly, quality assurance mechanisms should be put in place to: (i) verify learning and employability outcomes; and (ii) foster quality among job training providers (Alaimo et al, 2015).
- 1.11 **Policies for the certification of job competencies.** These policies seek to validate an individual's competencies for performing a job through a practical assessment designed according to the occupational standard of the industry in question. Certification of job competencies is essential in sectors that require evidence of standardized competencies (e.g. hazardous jobs). They are also useful for migrants whose skills and experiences were not acquired in their destination country. In fact, the recognition of prior learning through certification of competencies is a practice recommended by the International Labour Organization (ILO) for integrating migrants into the labor market.¹⁰ An impact assessment conducted by the National Planning Department (DNP) and Econometría (2012) shows that certification of job competencies enhances employability in Colombia. For each additional month after receiving certification, workers' hourly pay increases by 0.5% and their chances of obtaining a better-paid job rise by 0.4%.
- 1.12 Good practices for certification of job competencies include: (i) promoting the participation of private certifiers; (ii) updating the private sector's competency

¹⁰ One example is the action taken in the migration corridor between Syria and Jordan (ILO, 2017).

needs and standards; and (iii) publicizing the benefits of certification and disclosing its results (Bogota Chamber of Commerce – CCB, 2019).

1. Active and passive employment policies in Colombia

- 1.13 In Colombia, these policies are set in a recently created institutional framework. In 2011, the Government took on new stewardship functions by creating the Ministry of Labor. In 2013, it created the Public Employment Service (SPE) (consisting of a network of providers including family assistance funds known as *cajas de compensación*, local authorities, employment agencies of the National Training Service (SENA), and authorized private agencies) and the SPE's Special Administrative Unit (UAESPE), an entity attached to the Ministry of Labor that manages and supervises SPE providers. The Protection Mechanism for the Unemployed (MPC) was also established in 2013, through which the government offers job placement services and training to the unemployed, along with economic benefits in the form of social security contributions and food subsidies. The MPC is run by the SPE's family assistance funds.
- 1.14 **The SPE has poor coverage and is ineffective.** The SPE is underused: (i) by job seekers: according to the GEIH only 2.1% of Colombian workers found work through the SPE in 2017; (ii) by companies: only 228,378 companies were registered in the SPE nationwide (2018), a small number given that there were 728,000 formally registered companies in Bogota alone;¹¹ and (iii) by migrants: in the first half of 2019 just 44,927 Venezuelan nationals were registered in the Public Employment Service Information System (SISE) out of a total of 1,172,211 working-age migrants.¹² Its job placement service is also relatively ineffective: data from the Ministry of Labor and the UAESPE indicate that only 22.9% of job-seekers in 2018 obtained formal employment (identified by the payment of at least one social security contribution during the six months following the intervention).
- 1.15 **This ineffectiveness is explained, firstly, by several shortcomings in the information systems with which the SPE operates:** (i) there is no data interoperability across all SPE providers, which makes the matching process less effective and makes it more difficult to place job seekers in vacancies elsewhere in the country (which is especially costly because conditions in the Colombian labor market vary by region and the migration crisis has put pressure on some border cities); (ii) there are weaknesses in the matching software (a query can yield up to 60,000 results, requiring eight hours of work by an employment consultant to draw up a list of candidates for a single vacancy); (iii) there is a governance problem with information systems (the UAESPE leases the SISE through a model that prevents it from receiving real-time information and makes it harder to upgrade the system's functions); and (iv) the active and passive policy systems are not interconnected (the SISE is not integrated into the information system that tracks the economic benefits of the MPC).
- 1.16 **Secondly, this ineffectiveness stems from shortcomings in the management of the service model for assisting job seekers.** To guarantee minimum standards in the services offered by providers, the UAESPE has designed a

¹¹ Source: UAESPE and CCB.

¹² Source: UAPSE and Ministry of Labor.

service model consisting of a basic level (registration, counseling, initial screening, and referral to vacancies) and an optional specialized level (e.g. transportation subsidies for interviews, military service status card).¹³ However, the types and quality of services vary widely by provider (Fundación Corona, 2019). For example, information recorded during profiling is not standardized (e.g. there is no clear structure for taking data on variables such as profession), which hinders matching processes (Fedesarrollo, 2019). Also, assistance for vulnerable population groups has been provided through specific programs (such as the “40,000 jobs for young people” initiative) rather than through standardized services that last beyond such programs. This lack of standardization can be attributed, in part, to a lack of incentives for providers to align themselves with UAESPE guidelines, since the legislation gives them considerable autonomy.

- 1.17 **Thirdly, it is due to the absence of a strategic approach in dealings with employers.** The UAESPE has issued guidelines for specialized business services, such as the application of benchmarking, psycho-technical tests, and safety studies. However, recent studies have found that these initiatives fall short: (i) communication with companies is often limited to applying for the vacancy; (ii) there is little credibility in the services delivered by public providers, given the response times compared to employer needs; and (iii) there are no proposals for new business management services, owing to the inadequate capacity of the providers (Fundación Corona, 2019; Fedesarrollo 2019). In many cases, staff who work with employers do not have adequate knowledge of the labor market, human resource management, sales strategies, or networking. This lack of human resources also creates a vacuum at the central strategic level: there is no capacity to respond to future challenges, such as the potential arrival of large foreign companies with extensive recruitment needs.
- 1.18 **Where the migrant population is concerned, the shortcomings of the service model for job seekers and employers become more pronounced.** A channel that includes specialized services for migrant workers has not yet been developed. Nor have any employment profiling tools that take account of the specific needs of the migrant population been created (Universidad del Rosario, 2018). There is also a profound lack of knowledge in the business sector about requirements for hiring Venezuelan workers: 80% of the employers who participated in the “Study on employment possibilities for the Venezuelan migrant population in Bogota, Barranquilla and Cartagena” conducted by the Pan-American Development Foundation (PADF, 2019) were unaware of these requirements.
- 1.19 **Fourthly, there are shortcomings in the systems for tracking and monitoring the results of active and passive policies.** The Ministry of Labor does not have systematic mechanisms for analyzing the results of active and passive policies or for evaluating the large number of existing employment programs.¹⁴ In the case of the SPE, neither the UAESPE nor the Ministry of Labor systematically checks whether placements are recorded in official records of formal employment. In fact, the UAESPE and the Ministry of Labor have no mechanism to trace services

¹³ According to Resolution 3999 of 2015, associated services are nonessential services aimed at improving the applicants’ employability.

¹⁴ According to DNP data, in 2018 there were at least 31 employment programs being run by such entities as the Ministry of Labor, the SPE, the Department of Social Prosperity, and the Ministry of Commerce.

delivered by network providers at the level of the service user. The effectiveness of employment programs is seldom evaluated; few programs undergo impact assessments. Lastly, given that inputs are infrequently costed out, cost-effectiveness analyses are hardly ever performed (Casas et al, 2019).

2. Job training policies in Colombia

- 1.20 The job training system in Colombia includes SENA and some 4,500 private institutions that offer more than 21,000 programs open to secondary school graduates that lead to a technical or vocational certificate.¹⁵ This sector grew rapidly between 2010 and 2016, when enrollment in job training courses at private institutions doubled, climbing to 425,000. Meanwhile, enrollment in SENA's technical and vocational programs grew 40% between 2011 and 2016, reaching 837,000.¹⁶
- 1.21 **The country has not developed tools to guarantee the quality and relevance of this sector.** Since 2006, job training has been regulated according to the job training quality system and includes two phases. The first is licensing, in which subnational departments of education issue operating licenses to job training centers based on infrastructure and administrative requirements. The second is a voluntary quality certification of the institutions and programs, which is conducted by third-party agencies whose evaluation focuses primarily on processes, rather than on outcomes. This system has not achieved the expected results: only 10% of job training programs have been certified to date.
- 1.22 Article 194 of Law 1955/2019, which approved the 2018-2022 National Development Plan (PND), reaffirms the mandate of the Ministry of Labor to participate in job training quality assurance policies. This poses challenges for the Ministry, which has not developed the tools or experience needed for this role (Casas et al, 2019; Cardona and López, 2019; González and Ramírez, 2008). Nor does it have tools to collect and analyze information on the demand for skills in the productive sector. While there is some consultation with companies to collect this information, it is limited in scope. Moreover, although the Ministry of Labor can access administrative data to analyze the demand for skills, it does not use this data systematically. In addition to hindering the job training policy led by the Ministry of Labor, this situation restricts the public's ability to make informed choices about job training programs and entrenches gender segregation in training paths (Fundación Corona, 2018; González-Velosa and Rosas, 2016; Casas et al, 2019; Medina and Saavedra, 2012). The lack of information on the demand for skills also hampers migration policy: international experiences show that data on hard-to-fill vacancies are a fundamental input for integrating migrants into the labor market (González-Velosa and Rucci 2016; ILO 2018).

¹⁵ In the preamble to the 2018-2022 PND, job training is defined as training that develops knowledge, skills, abilities, and behaviors, from the basic to the most advanced level, based on the occupations and needs of society and the labor market. Its training is competency-based.

¹⁶ Source: Ministry of Education (Education for Employment Information System – SIET) and SENA management reports.

3. Certification of job competencies

- 1.23 Since 2014, the Ministry of Labor has been the governing body of the mechanism for job competency certification. Its responsibilities include: (i) defining methodological guidelines; (ii) establishing criteria for prioritizing sectors and occupations; (iii) drawing up occupational standards; (iv) coordinating the institutions involved; and (v) coordinating job competency certification with employment policies. These functions are closely linked to the job training quality assurance functions described above.
- 1.24 Certification of job competencies is provided mainly by SENA and 23 private agencies accredited to certify individuals. Recent studies show that this service has great potential. As it is easily accessible and, in the case of public services, entails no direct costs, it can play a fundamental role in incorporating vulnerable people in the labor market, including migrants. It can also improve worker performance and productivity (DNP and Econometría 2012).
- 1.25 However, job competency certification has poor coverage. According to a recent study by the Bogota Chamber of Commerce (CCB), coverage is limited in the case of regulated competencies for which certification is a regulatory requirement and even more limited in other sectors (CCB, 2019). SENA, which has the broadest coverage, certifies approximately 140,000 people per year, which does not satisfy demand, according to CCB. Private entities issue certifications in 18 “regulated competency” sectors, where certification is required by regulation and standards are legally established (for example, for high-risk jobs, such as gas installations and safe work at height).
- 1.26 The mechanism’s poor coverage is explained, firstly, by the fact that there is no policy that promotes competency-based management of human talent among employers. Employers have little knowledge of the benefits of job competency certification and the processes that workers and companies must fulfill in order to participate. Secondly, there is insufficient private sector involvement: few private agencies issue certifications, and the degree of business participation in the definition of occupational standards for SENA certification varies greatly across sectors (CCB, 2019). Sometimes SENA makes agreements for companies to certify their apprentices’ competencies directly (for example in the technology sector), but these models are few and far between. Moreover, the Ministry of Labor does not have tools to accredit public certifiers or a system to record and publish official data on the certifications awarded by the system.
- 1.27 **The migrant aid policy (CONPES 3950) presents new challenges for the mechanism for job competency certification.** The government is committed to offering job competency certification to migrants through SENA, but, so far, its efforts have been limited in reach. In 2018, SENA only certified 804 migrants (30% of whom were women), owing to: (i) constraints in the service model, whose resources were not adapted to deal with the migration emergency; (ii) lack of knowledge about certification processes among migrants and employers; and (iii) migrants’ liquidity constraints. Although certification services themselves are free, many migrants cannot afford transportation and food costs. Nor can they afford the opportunity cost if obtaining certification means absence from subsistence work. Moreover, the lack of childcare services has impeded access for

migrant women, who often have meager family support networks (Venezuelan Border Management, 2019).

- 1.28 **Rationale.** The preamble of the 2018-2022 PND states that the Ministry of Labor and the UAESPE will: (i) ensure “the SISE’s capacity to guarantee the integration, compatibility and accessibility of providers’ information technology platforms for management and job placement;” (ii) “design and implement a service model for integrating individuals and population groups facing employability barriers into the labor market;” and (iii) “provide guidelines and implement a strategy for consolidating the SPE’s relationship with the productive sector.” It also states that: (i) “the Ministry of Labor will be technically and structurally strengthened as a regulator and designer of active and passive labor market policies;” (ii) “the Ministry of Labor will lead the development of an information platform [...], which will provide individuals, companies, and education and job training providers with information on labor market conditions;” (iii) “the Ministry of Labor will promote the orderly management of labor migration and regional mobility through job placement and management services and processes;” (iv) “the Ministry of Labor will design the structure and operation of a subsystem for the evaluation and certification of workers’ competencies at different skill levels;” (v) “in coordination with SENA, it will take steps to provide the migrant population with access to training and competency certification;” and (vi) “the Ministry of Labor will establish the structure, conditions, and mechanisms of the evaluation and certification subsystem, job training, and quality assurance processes.”
- 1.29 In addition, CONPES 3950 states that, to improve the employment situation of individuals coming from Venezuela: (i) “SENA will certify the training and experience that documented Venezuelan migrants¹⁷ and Colombian returnees have acquired throughout their working lives;” and (ii) “the SPE will facilitate Venezuelan migrants’ and Colombian returnees’ access to the path to employability with management and placement services.”
- 1.30 Lastly, the Venezuelan Border Management Unit of the Office of the President of the Republic heads a working group involving public entities (including the Ministry of Labor, the Colombian migration authority, the Ministry of Foreign Affairs, the SPE, and SENA), along with private and international cooperation organizations. The Bank also participates. This working group prepared the “Income generation strategy for migrant and host communities” which recommends: (i) socio-occupational profiling of migrants; (ii) development of a path to employability with mechanisms for training and job competency certification as well as actions to involve the business sector; (iii) promotion of territorial mobility through an information system with more effective linkages between SPE providers; and (iv) identification of hard-to-fill vacancies.
- 1.31 **Lessons learned by the Bank in the sector.** The operation is informed by the dialogue between the Bank and the government aimed at strengthening job training and employment policies in Colombia. Underlining the importance of involving the productive sector in job competency certification, Component 2 draws

¹⁷ Documented migrants are those who have “entered the country at authorized points of entry and who have a passport, foreigner’s identification card, work visa, or special residency permit” (CONPES 3950, p. 12).

- on lessons from operations 2834/OC-CO and 3029/OC-CO. It also incorporates the following recommendations from the Bank's study, *Políticas para más y mejores empleos: El rol del Ministerio de Trabajo en Colombia* (Casas et al, 2018), into Component 1: (i) strengthen capacities in the Ministry of Labor to evaluate policy effectiveness; and (ii) technologically modernize the SPE and strengthen its entrepreneurial approach. The following recommendations are incorporated in Component 2: (i) improve job training quality assurance; (ii) develop information on demand for skills; and (iii) promote job competency certification.
- 1.32 The program also draws on the Bank's knowledge of the role of skills information systems in the design of job training and migration policy and performance management at SPEs (Alaimo et al, 2015; González-Velosa and Rucci 2016). It also incorporates lessons from the regional project on the technological modernization of employment services (technical cooperation operation ATN/OC-16825-RG). Component 1 incorporates the following lessons learned from previous operations: (i) strengthen the SPE's link to the productive sector (loan 3547/OC-PE); (ii) improve matching technology with artificial intelligence (loan 2660/OC-PR); and (iii) improve profiling for employment services (loan 1936/OC-ME). Component 2 incorporates the development of quality standards for job training (loan 3539/OC-CH).
- 1.33 The design of this operation, in particular its activities related to job competency certification and job placement services for migrants, is supported by the Spanish General Cooperation Fund, through technical cooperation operation ATN/FG-17260-RG.¹⁸
- 1.34 **Strategic alignment of the program.** The operation is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and aligns with the following development challenges: (i) social inclusion and equality, by promoting access to formal employment for traditionally excluded population groups (e.g. vulnerable migrants, persons with disabilities); and (ii) productivity and innovation, as it increases labor productivity through more effective matching of job seekers with vacancies and better quality, more relevant job training.
- 1.35 It is also aligned with the crosscutting themes of: (i) institutions and the rule of law, since it will strengthen the institutional capacity of the Ministry of Labor and the governance of employment services; and (ii) gender equality and diversity by investing in actions that reduce relative deficits in women's employability. Specifically, it will seek to reduce gender-based occupational segregation in job training and eliminate barriers that restrict women's access to active labor market policies and job competency certification (e.g. lack of coordination with childcare services).
- 1.36 The program will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through the following indicators: (i) beneficiaries of on-the-job training programs; (ii) micro, small, and medium-sized enterprises provided with nonfinancial support; and (iii) government agencies benefited by projects that strengthen technological and management tools to improve public service delivery. The program also aligns with the Country Strategy 2019-2022

¹⁸ Program/Facility to Support the Design and Implementation of Institutional Strengthening Operations and Activities for the Migration Agenda in Latin America and the Caribbean.

(document GN-2972) objectives of reducing informality in the economy and raising the quality of expenditure and public investment management capacity at all levels of government. In addition, it is consistent with the Labor Sector Framework Document (document GN-2741-7), through the following dimensions of success: (i) the region's citizens have more, and more equitable, opportunities to access formal jobs with better wage expectations; and (ii) workers are more productive, due to the development of better-quality and more relevant job training systems, among other measures. The operation is included in the Update of the Annex III of the 2019 Operational Program Report (document GN-2948-2).

- 1.37 The operation finances technological innovations for job training and employment services. For details about these innovations, see [optional link 5](#).

B. Objectives, components, and cost

- 1.38 **Objective.** The program's general objective is to improve the employability of the Colombian and migrant workforce. To achieve this, the specific objectives are to: (i) increase the coverage and effectiveness of employment policies; and (ii) strengthen the system that ensures the relevance and quality of job training and broaden the scope of competency-based certification.

- 1.39 **Component 1. Employment policy coverage and effectiveness (IDB Ordinary Capital: US\$13,974,000; IDB GRF: US\$625,000; PSG (grant CO-G1018): US\$500,000).** This component seeks to increase the coverage and effectiveness of employment policies through institutional strengthening and technological modernization. Firstly, funding will be provided for technological investments for the SPE. Specifically, an information system will be implemented, which will facilitate the coordination of the SPE providers network and strengthening information governance. The system is set out to include: (a) an artificial intelligence-powered portal for job seekers, companies, and service providers that will generate matches through ontology analysis and will have specialized registration areas for migrants, referrals to active policies, and information on the labor market (wages, vacancies); (b) a Customer Relationship Manager tool to trace applicants' progress and manage personalized services; (c) a Business Process Manager tool to monitor provider and UAESPE workstreams; (d) integration systems to facilitate interoperability with third-party databases, either directly or through application programming interface programs; (e) cell phone applications for Colombians and migrants; (f) chat and video-call services for job seekers and businesses; (g) a unified, complete, consistent, and widely available database that stores all information on UAESPE processes and services; and (h) an intelligence center with a data warehouse¹⁹ and analytical tools to centralize and process large amounts of data and generate reports, analyses, and graphics that inform employment and migration policy.

- 1.40 Arrangements for data governance, information security, and the ethics of information access and processing will be defined. With respect to the ethical handling of data, emphasis will be placed on the privacy of applicant information in the SPE, such as their home address. The program will also ensure that artificial intelligence algorithms adhere to the principles of equality and universal access to

¹⁹ A data warehouse allows for the integration of data from any source through the extract, transform, and load process.

- employment services. This is a key step to eliminate the risk that the system will discriminate on the basis of gender or race. In addition, the program will ensure that the system is accessible to persons with disabilities, for example, through the use of technologies that transform text provided by operating systems into audio or magnifiers for people with low vision.
- 1.41 Secondly, this component will finance actions to strengthen the service model of SPE providers. It will make investments to improve the service provided to job seekers, targeting vulnerable groups, such as migrants, Colombian returnees, and persons with disabilities. Gaps in employment access for these groups will be identified so they can be quickly referred to services that close these gaps. To encourage providers to adopt service models targeting vulnerable groups, reputational incentives such as public awards may be implemented. The capacity of UASPE to serve large employers with major recruitment needs will also be strengthened.
- 1.42 Thirdly, funding will be provided for the Ministry of Labor to monitor and track employment policy results to guide decision-making and analyze the different interventions driven by the labor sector. The program proposes a system that coordinates administrative data from such sources as the SPE, the Integrated Contributions Payroll, the MPC information system, the national credentials system, and other relevant sources. To this end, funding will be provided for an intelligence center with a data warehouse and big data analytics.²⁰ These tools will be used to centralize and process large amounts of administrative data for the purpose of generating reports and graphics that inform employment, job training, and migration policy.
- 1.43 **Component 2. Development of tools to ensure the relevance and quality of job training and strengthen competency-based certification (IDB Ordinary Capital: US\$2,851,000; IDB GRF: US\$2,000,000; PSG (grant CO-G1018): US\$1,875,000).** This component seeks to improve the job training relevance and quality assurance system and broaden the scope of job competency certification by developing tools and investing in improved services. Firstly, it will finance activities to develop a model for ensuring the quality and relevance of job training. Standards will be developed for licensing and certifying the quality of institutions and programs, tools for evaluating training outcomes will be developed (e.g. learning assessments, instructor evaluations, and graduate employability surveys), peer evaluator profiles will be produced, and a cost and fee structure for the quality certification process will be designed. The application of these tools will be piloted at 40 job training institutions located in Colombia's major cities. Opportunities for improving these tools before they are deployed at scale will be identified and documented in a results report ([required link 2](#)).
- 1.44 Secondly, this component will finance a platform for information on the credentials system and job training. The proposed platform would include information on human capital gaps, employment demand (the needs and requirements of the productive sector), labor supply (characteristics of the work force), education and training opportunities (information on educational programs and the institutions that

²⁰ Big data analytics is understood as solutions for managing and processing large volumes of structured and unstructured data.

- offer them), and other components of the system (such as job training quality assurance). This platform will inform individuals, companies, job training providers, and employment and job training policy-makers. The demand-side information posted may include the results of analyses based on administrative data (e.g. SPE vacancies) and findings from consultative processes with businesses (e.g. jobs outlook and human capital gap identification exercises). It would also include, subject to availability, information on hard-to-fill vacancies, which can be used to inform migration policy. As for supply-side information, details about job training programs and centers will be provided, along with their outcomes in terms of employability and quality, depending on availability. The platform will also report information with a gender focus, such as employability outcomes among women who have graduated from job training programs whose students are predominantly male.
- 1.45 Thirdly, the capacities of the Ministry of Labor to promote and regulate the evaluation and certification of job competencies will be strengthened. To that end, funding will be provided for activities to: (i) promote skills-based talent management at companies and private sector involvement in certification processes; and (ii) develop standards and tools for the accreditation and licensing of public entities that offer competency certification and their piloting in communities across the country, including host communities.
- 1.46 Fourthly, funding will be provided for job training and job competency certification services for Colombian nationals and migrants in host communities, which may be offered by SPE providers or other agents once their relevance for the labor market has been verified. Beneficiaries will be referred to training and certification after a job counseling and profiling process that captures migrants' and nonmigrants' specific work experience. Guidelines for mitigating access barriers will be provided, such as coordination with childcare services to make it easier for migrant women to participate.
- 1.47 **Program administration.** Administration and other costs are estimated at US\$3,175,000, which includes: (i) US\$2,375,000 for the executing unit; (ii) US\$300,000 for the financial audit; and (iii) US\$500,000 for monitoring and evaluation.
- 1.48 **Beneficiaries.** Component 1 is expected to benefit: (i) at least 1 million Colombian and migrant job seekers who use SPE services, (ii) at least 228,000 companies that use the SPE to fill their vacancies, and (iii) at least 71 SPE service providers.²¹ Component 2 is expected to benefit: (i) 40 job training institutions that will participate in the quality assurance tools pilot, selected based on criteria that maximize impact and lessons learned (e.g. located in cities with a dynamic business sector and a wealth of training options); (ii) 10,000 job trainees; (iii) 18,000 individuals who will receive training and job competency certification services, of whom at least 30% will be migrants (either foreign nationals or Colombian returnees) referred through job profiling; and (iv) 20 companies that will participate in the job competency certification pilot, chosen based on their potential to generate employment for the migrant population (both foreign nationals and Colombian returnees).

²¹ Data corresponding to company registers, job seekers, and SISE network providers in 2018.

C. Key results indicators

- 1.49 A matrix showing the impacts and results that will be monitored and evaluated in agreement with the borrower has been prepared. It has three impact indicators. The first two measure increases in formal employment and wages and will be disaggregated by gender. Given that the program scope is nationwide and therefore it does not have non-treatment units, these two impacts will be estimated using a synthetic control methodology in which the control unit is a weighted average of observations from the other countries in the region that best approximate Colombia's labor market variables prior to intervention. The third indicator measures formal employment among migrants and will be estimated by a before-and-after method that compares figures before and after intervention. The following outcomes were defined for specific objective 1: (i) difference in the number of people registered on the SPE SISE network platform relative to a control group; and (ii) difference in the percentage of people who obtained formal employment after receiving guidance on the SPE's SISE network relative to a control group. The control group for these two outcomes will be formed from non-treatment SPE providers using differences-in-differences. It will be disaggregated by gender and migration status. For specific objective 2, the following will be measured: (i) the number of job training centers that adopt tools for job training quality assurance; and (ii) the number of persons trained and/or evaluated in job competencies for certification, disaggregated by migration status and gender.
- 1.50 **Economic analysis.** An ex ante cost-benefit analysis was performed on the main program components. Using a discount rate of 12% over 10 years, the net present value is US\$12,223,573. This implies a positive rate of return of 23%. In a sensitivity analysis, the parameters were changed to generate favorable and conservative scenarios, which yielded returns of 29% and 16%, respectively.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 This is a specific investment program totaling US\$25,125,000, of which US\$20 million will be funded from the Bank's Ordinary Capital, US\$2,625,000 from the grant facility (GRF) to support countries with large and sudden intraregional migration inflows, and US\$2.5 million from a project specific grant (PSG) (grant CO-G1018), funded by the Government of Switzerland's State Secretariat for Economic Affairs (SECO). After deducting the administration fee of US\$125,000, the total amount available for the program is US\$25 million. The distribution of costs is summarized below:

Table 1. Estimated program costs (in thousands of U.S. dollars)

Component	IDB	GRF	CO-G1018 (SECO)	Total	%
Component I. Employment policy coverage and effectiveness	13,974	625	500	15,099	60
SPE information system	10,476	469	375	11,319	45
Ministry of Labor management system	2,967	133	106	3,206	13
SPE provider network service model	531	24	19	574	2

Table 1. Estimated program costs (in thousands of U.S. dollars)

Component	IDB	GRF	CO-G1018 (SECO)	Total	%
Component 2. Development of tools to ensure the relevance and quality of job training and strengthen competency-based certification	2,851	2,000	1,875	6,726	27
Job training information portal, with a gender approach	369	259	243	870	3.5
Institutional mechanism and evaluation tools for accrediting competency-based certification processes	300	211	197	708	2.5
Modular competency-based certification program, with profiling and mitigation of barriers to access	1,761	1,235	1,158	4,154	17
Standards, instruments, and pilots for job training quality assurance	421	296	277	994	4
Administration and contingencies	3,175	0	0	3,175	13
Total available for the project	20,000	2,625	2,375	25,000	100
PSG management fee	0	0	125	125	
Total	20,000	2,625	2,500	25,125	

- 2.2 Disbursements will be made over a five-year period, according to the following schedule (paragraph 3.5):

Table 2. Disbursement schedule (in thousands of U.S. dollars)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	755	8,451	6,571	5,047	4,176	25,000
Total	755	8,451	6,571	5,047	4,176	25,000

- 2.3 Unprecedented migration flows pose a new challenge for the countries of Latin America and the Caribbean, with potential detrimental effects on host communities if they are not addressed adequately and urgently. To deal with these exceptional circumstances, the Board of Governors of the IDB approved the use of up to US\$100 million in Ordinary Capital resources available through the IDB Grant Facility to support countries with large and sudden intraregional migration inflows (document GN-2947-6 and AB-3199). This use of the Grant Facility is aimed at helping the countries design appropriate interventions so migrants and host communities can access basic services, social services, and economic opportunities, benefitting both migrants and the local population, in order to favor inclusive development and promote a positive relationship between the two communities.

- 2.4 The program satisfies the five eligibility criteria for the use of the Bank's Grant Facility to support countries with large and sudden intraregional migration inflows. The Migration Annex ([optional link 4](#)) contains details on compliance with those criteria, which are summarized below. Firstly, the number of migrants received by Colombia between 2015 and 2018 is equivalent to 2.74% of its population. Secondly, this is a large, sudden inflow that: (i) consists mainly of working-age migrants who intend to stay, many of whom have low levels of schooling and/or work experience and certifications that they cannot validate in Colombia; (ii) is taking place in a country that already has high rates of structural unemployment and is currently experiencing an economic slowdown that reduces the demand for labor; and (iii) is characterized by uncertainty moving forward, since it is driven by unpredictable political events. This program seeks to address bottlenecks to migrant employability such as: shortcomings in job placement systems, a lack of knowledge about hiring among employers, scarce resources for certifying job competencies, and a lack of coordination with services that facilitate access (e.g. childcare). Thirdly, since this is an operation to promote formal employment, it would improve economic opportunities. Fourthly, the operation's results matrix sets targets for the services provided to migrants and specifies targeting criteria to ensure compliance. Fifthly, the operation is included in the 2019 programming.
- 2.5 SECO resources will be received through a PSG, which the Bank will administer pursuant to the "Report on COFABs, Ad-Hocs, and CLFGs and a Proposal to Unify Them As Project Specific Grants (PSGs)" (document SC-114). SECO's commitment will be formalized through an administrative agreement without the need to prepare or approve a separate project proposal. Under this agreement, the funds contributed by the donor will be administered by the Bank, which will charge a nonrefundable administration fee equivalent to 5% of the contribution. This fee will become payable once the contribution has been received by the Bank. Accordingly, the Board of Executive Directors is requested to authorize the Bank's President, or a representative designated by him, to make the necessary agreements with SECO and the Republic of Colombia to receive, administer, and allocate to this operation the proceeds of the aforementioned financing, for the purposes of supporting and executing the program.

B. Environmental and social risks

- 2.6 In accordance with the guidelines of the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), this program has been classified as a Category "C" operation, since it will not finance any major physical investment (civil works), and thus no negative environmental impacts are expected.

C. Fiduciary risks

- 2.7 The institutional capacity assessment found that the Ministry of Labor has a satisfactory level of development. However, the program's fiduciary risk is high due to its technical complexity, the involvement of external actors, the workload that execution will entail, and the executing agency's lack of fiduciary experience in applying Bank policies (on procurement and financial management). To mitigate the risk of lack of experience and limited capacity for effective and efficient management of fiduciary processes while applying the Bank's procedures and policies (on procurement and financial management), the following actions are proposed: (i) preparation and approval of program Operating Regulations that

specify the roles and responsibilities of the various entities that will participate in project execution, along with coordination mechanisms and execution procedures; (ii) timely hiring of a program execution team with the required profile; (iii) training in the use and application of the Bank's procurement and financial management policies and in the preparation of terms of reference, technical specifications, and equivalent documents; (iv) the issuance of public calls for proposals to supplier companies to submit projects and future requirements; and (v) implementation of good practices in project management with multilateral banks.

D. Other key issues and risks

2.8 **Other risks.** Five medium risks were identified: the first four relate to development and the fifth concerns public management and governance. These risks and their mitigation measures are as follows: (i) difficulties in getting strategic entities and program users to use and take ownership of policy and technological innovations, which would delay the implementation of Components 1 and 2. To mitigate this risk, change and knowledge management processes will be implemented, along with campaigns to raise awareness of program benefits; (ii) difficulties in attracting all beneficiaries if there is insufficient dissemination of program benefits, which would generate cost overruns and delays in the implementation of Component 2. To mitigate this risk, partnerships with migrant organizations will be established, there will be coordination with other State and international cooperation entities to generate synergies in the calls for proposals, and there will be close and strategic collaboration with SENA; (iii) resistance among SPE providers to adopting the new system, which could lead to its underutilization and result in end-users not receiving the benefits. To mitigate this risk, SPE providers will be given support to adapt to the new system, and there will be campaigns to raise awareness of program benefits; (iv) rapid obsolescence of technological systems, which could generate cost overruns and affect the results of Components 1 and 2. To mitigate this risk, technical specifications for provider selection will be designed, focusing on cloud solutions and solutions that are customizable but not custom-made; (v) lack of coordination and integration among the different institutional actors involved in employment policy, which could delay fulfillment of the outputs of Components 1 and 2 and impair their quality. To mitigate this risk, the Bank will support the Ministry of Labor in the preparation of program Operating Regulations, based on experiences and good practices derived from the execution of other programs; and the general and technical coordinator of the executing unit will have a key role and specific functions in coordinating and bringing together the different actors. These functions will include developing an action plan that facilitates interagency coordination and holding regular meetings with key actors to monitor compliance with this plan.

2.9 **Sustainability.** The program reflects the country's commitment to enhancing workforce employability and responding to migration inflows. It finances investments to consolidate the role of the Ministry of Labor as governing body of employment and job training policy and to strengthen the SPE. To ensure its sustainability, first and foremost, it is institutionally aligned with and anchored in government policies. Specifically, the program is aligned with Articles 1, 2, 3, 194, 195, 205, and 221 of the PND Law; with the Ministry of Labor's National Employment Policy Program; with Decrees 1545/2015 and 1366/2018 (accreditation of certification entities); with Decree 1471/2014 (quality subsystem);

and with CONPES documents 3674, 3866, and 3950. The latter three set out, respectively, the Human Capital Management Strategy, the National Productive Development Policy, and the Strategy for Responding to Migration from Venezuela. Second, much of the investment will be in technology systems that will still be installed after program end. Third, the sustainability risks that could arise from a change in government authorities will be mitigated through dialogue with entities from civil society and the business sector. In the case of services for migrants, the work will be done in coordination with international cooperation agencies.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower is the Republic of Colombia and the executing agency will be the Ministry of Labor acting through the Office of the Deputy Minister for Employment and Pensions (VMEP). For execution there will be a program coordination unit (PCU) reporting to the VMEP, which will be led by a general program coordinator who will represent the program in its dealings with government authorities and the Bank. Technical coordination will be carried out by a technical coordinator, who will report to the general program coordinator and will be an expert in employment and job training policies. For fiduciary processes, the PCU will be supported by a team of procurement and financial specialists, who will report directly to the general program coordinator, will be assigned full-time to the program, and will be based out of the Office of the Secretary at the Ministry of Labor.
- 3.2 For technical activities, the PCU will be supported by two technical management units with consultants whose technical profiles will be specific to the characteristics of the planned activities. Each technical management unit will have a unit chief coordinated by the technical coordinator, who will ensure adequate integration. One technical management unit, with specialists in employment policies and technology, will be located in the UAESPE for the purposes of executing SPE-related activities (i.e. SPE information system and service model). The other, which will have the capacity to carry out activities related to the design and monitoring of employment and job training policies (i.e. job training information portal, the Ministry of Labor's management system, and training and job competency certification services) will be based out of the Ministry of Labor. The technical management units will interact closely with the Ministry of Labor's line units (i.e. the Training and Mobility and Employment Departments) and with the UAESPE (the Technology, Promotion, and Analysis and Monitoring Offices) involved in program execution. For further detail on the proposed structure of the PCU and its relationships with the entities involved, see the [implementation arrangements annex](#).
- 3.3 **Program Operating Regulations.** The implementation arrangements will be specified in the program Operating Regulations, which will be approved by the executing agency and agreed upon with the Bank. The program Operating Regulations will define the following, among other matters: (i) the members, roles, and functions of the PCU; (ii) areas of responsibility; (iii) financial and procurement procedures, as well as procedures for hiring staff and engaging consulting

services; (iv) accountability and performance oversight mechanisms; and (v) mechanisms to coordinate the various actors from the government, the private sector, and providers of employment and job training services.

- 3.4 **Contractual conditions precedent to the first disbursement of the financing:** (i) evidence will be presented that the executing agency has created the PCU and has selected the general program coordinator, procurement specialist, and financial specialist, in accordance with the terms of reference and profiles previously agreed upon with the Bank; and (ii) the program [Operating Regulations](#) have been approved and have entered into force, pursuant to the terms previously agreed upon with the Bank. The first condition assures the Bank that the executing agency has a suitable team in place to start execution. The second is essential to ensure proper implementation of the program from the outset.
- 3.5 **Disbursements.** A special dollar account will be opened in the name of the program, at a bank specified by the Ministry of Finance and Public Credit, for the exclusive purpose of administering loan proceeds. The Bank will make advances of funds in dollars, based on liquidity needs covering a maximum period of six months, and the Ministry of Labor will prepare disbursement requests and justify expenses as established in the Financial Management Guidelines for IDB-financed Projects (document OP-273-12). Except for the initial advance of funds, supporting documentation will be provided for at least 80% of the cumulative amount of previous disbursements pending justification. The GRF and loan proceeds will be disbursed *pari passu*, proportionately and simultaneously.²² All GRF disbursements will be made at the Bank's discretion and specified in a notice of approval addressed to the Beneficiary. There is no *pari passu* requirement for the disbursement of PSG resources.
- 3.6 **External audit.** The financial statements and eligibility of program expenses will be audited by a Bank-acceptable independent audit firm, to be contracted by the Ministry of Labor. The audit services will be financed from project funds. The program's annual audited financial statements will be sent to the Bank within 120 days of the executing agency's fiscal year-end during the original disbursement period or its extension if necessary. The final audited financial statements will be submitted within 120 days of the date of the last disbursement.

B. Summary of arrangements for monitoring results

- 3.7 **Monitoring.** The executing agency, acting through the PCU, will submit to the Bank semiannual reports on progress toward the results matrix indicators, the multiyear execution plan, the annual work plan, and the procurement plan, as indicated in the Monitoring and Evaluation Plan ([required link 2](#)). This work will be supported by the Ministry of Labor and the UAESPE, in coordination with the monitoring and evaluation specialists of the technical management units. In addition, the project team will prepare and submit the project report to the donor.

²² Pursuant to document AB-3199.

- 3.8 **Evaluation.** The program's impact on formal employment rates and wages will be evaluated. Because the program is national in scope, there are data at a high level of aggregation and time series, and there is a single treatment unit, the synthetic control method will be used. Lastly, a report on the results of the job training pilot will be produced to inform the scaling up of the program ([required link 2](#)).

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives		
Development Challenges & Cross-cutting Themes	<ul style="list-style-type: none"> -Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Institutional Capacity and the Rule of Law 	
Country Development Results Indicators	<ul style="list-style-type: none"> -Formal employment of women (%) -Beneficiaries of on-the-job training programs (#)* -Micro / small / medium enterprises provided with non-financial support (#)* -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Public registries strengthened (#)* 	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2972	1. Reduce informality in the economy 2. Raise the quality of expenditure and public investment management capacity at all levels of government
Country Program Results Matrix	GN-2948-2	The intervention is included in the 2019 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
		Evaluable
II. Development Outcomes - Evaluability		
3. Evidence-based Assessment & Solution		9.4
3.1 Program Diagnosis		2.4
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		8.7
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		6.2
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, Price Comparison, Contracting Individual Consultant.
Non-Fiduciary	Yes	Strategic Planning National System, Monitoring and Evaluation National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
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	The pre-design of the activities aimed at the population in receiving communities of migratory flows and migrants has resources of the technical cooperation RG-T3438, financed by the Spanish General Cooperation Fund.

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

PROGRAM TO STRENGTHEN EMPLOYMENT POLICIES (CO-L1250)
Evaluability Note

The main goal of the operation is to increase the employability of Colombia labor force, both national and migrant population. To achieve this, the proposal defines two specific areas of intervention. The first area proposes to increase the coverage and the effectiveness of the employment policies. The second area focuses on both strengthening the system that assures the pertinence and quality of the work-related training programs, and on expanding the reach of the competency-based certification.

The project proposal diagnosis describes that Colombia has a young and still in construction institutional body of active and passive labor market policies. This situation has generated a low level of coverage and effectiveness of these initiatives, since some relevant tools, such as information systems, are still in early stages. Besides, the proposal diagnoses that the work-related training programs have quality and pertinence issues, once, due to lack of sufficient and/or adequate resources, no instruments were developed to assure these attributes. Moreover, the diagnosis identifies coverage as an issue of the competency-based certification process, since many sectors are not included, and some workers still don't have access to it. Finally, the diagnosis states that these situations, especially the first and third ones, are also an issue for the Venezuelan migrants, and that there is evidence that the three problems identified impact the employability of the labor force. In this sense, solutions are aligned to problems, although evidence is not presented for some problems/causes identification.

The economic analysis provides a detailed description of the possible benefits of the project and uses just the benefit associated with the increase in the number of people employed to calculate the project rate of return. The model assumptions are based on sector literature and country statistics. The analysis concludes that the Project has an internal rate of return of 23%.

The Project presents a detailed monitoring and evaluation plan; the executing agency will provide most of the result indicators, and the impact ones will come from IDB databases. The evaluation plan includes an impact evaluation; it aims to measure the effectiveness of the labor market policies improvements on the employability of the labor force.

RESULTS MATRIX

Program objective:	The program's general objective is to improve the employability of the Colombian and migrant workforce. To achieve this, the specific objectives are to: (i) increase the coverage and effectiveness of employment policies; and (ii) strengthen the system that ensures the relevance and quality of job training and broaden the scope of competency-based certification.
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IMPACT

EXPECTED IMPACT Indicators	Unit of measure	Baseline	Baseline year	Final target	Final year	Means of verification	Comments
IMPACT 1: Improve the employability of the Colombian and migrant workforce.							
1. Percentage difference in formal employment rate in the country (i.e. percentage of employed persons contributing to social security) vs. formal employment rate in control group.	%	0	2018	3	2024	Harmonized Household Surveys (IDB)	Synthetic control method. Formal employment rate in 2018: 35.2% overall and 34.2% for women. Pro-gender.
2. Percentage difference in average wage (estimated on the basis of monetary income earned from the main activity of employed persons) vs. average wage in control group.	%	0	2018	4	2024	Harmonized Household Surveys (IDB)	Synthetic control method. Average wage in 2018: Col\$1,099,095 overall and Col\$1,008,042 for women. Pro-gender.
3. Formal employment rate among all employed migrants, defined as % of employed foreign nationals or Colombian returnees who paid social security contributions during the reference period.	%	10.8%	2018	12%	2024	Harmonized Household Surveys (IDB)	Before and after with trend.

OUTCOMES

Indicators	Unit of Measure	Baseline	Baseline year	Final target ¹	Target year	Means of verification	Comments
OUTCOME 1: Increase the coverage and effectiveness of employment policies							
1.1 Percentage difference in the number of individuals who have registered with the Public Employment Service (SPE) provider network information system (SISE) relative to a control group.	%	0	2018	7	2024	Administrative data from the SPE information system.	Differences in differences. Control group consisting of public service providers that do not use SISE, such as the employment agencies of the National Training Service (SENA). Indicators will be constructed to monitor migrants (foreign nationals or Colombian returnees) and gender. In 2018, 1,107,199 people were registered with the SISE, including 576,233 women and 157,987 people born outside the country.
1.2 Percentage difference between persons who received guidance on the SISE provider network who, after receiving guidance, obtained formal jobs (measured as those making social security contributions at least once during the 6 months following the guidance provided) relative to a control group.	%	0	2018	4	2024	SPE administrative data and the Integrated Contributions Payroll.	Differences in differences and matching. Control group consisting of public service providers who do not use SISE, such as SENA employment agencies. Indicators will be constructed to monitor by gender. In 2018, the SISE effectiveness indicator for the total number of users who received guidance was 22.9% and for women it was 21.2%.
OUTCOME 2: Strengthen the system that ensures the relevance and quality of job training and broaden the scope of competency-based certification							
2.1 Number of job training centers adopting the tools of the relevance and quality assurance model (e.g. learning assessments, instructor evaluations, and graduate employability measures)	Number	0	2018	40	2024	Pilot administrative data	The data will be obtained from the pilot's administrative data.
2.2 Number of persons trained and/or evaluated in job competencies for certification	Number	0	2018	Target for total number of people: 18,000 Target for migrants (foreign nationals or Colombian returnees): 5,400	2024	Administrative data program – Ministry of Labor	The administrative data of the program will be used. Gender tracking.

OUTPUTS¹

Output	Unit of Measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ¹	Means of verification	Comments
Component 1. Employment policy coverage and effectiveness											
1.1. SPE information system designed	Number	0	2019	1	0	0	0	0	1	Semiannual progress report	
1.2. First phase of the SPE information system implemented	Number	0	2019	0	0	1	1	1	1	Semiannual progress report	Version 1 incorporates the citizens and analytics modules.
1.3. Second phase of the SPE information system implemented	Number	0	2019	0	0	0	1	1	1	Semiannual progress report	Version 2 incorporates the providers and companies module.
1.4. Ministry of Labor management system designed	Number	0	2019	0	1	0	0	0	1	Semiannual progress report	Design of system to analyze the effectiveness of passive and active policies and the efficiency of resource allocation.
1.5. Ministry of Labor management system implemented	Number	0	2019	0	0	1	1	1	1	Semiannual progress report	
1.6. Upgraded service model for SPE providers network implemented	Number	0	2019	0	1	1	1	1	1	Consulting reports	
Component 2. Development of tools to ensure the relevance and quality of job training and strengthen competency-based certification											
2.1. Job training information portal implemented	Number	0	2019	0	1	1	1	1	1	Semiannual progress report	
2.2. Gender-focused content for the job training guidance portal developed	Number	0	2019	0	1	0	0	0	1	Semiannual progress report	
2.3. Institutional mechanism (standards and tools) to evaluate the accreditation of job competency certification processes implemented.	Number	0	2019	0	0	0	1	1	1	Semiannual progress report	

¹ "Implemented" means that the output in question is in operation and that recurrent investments in maintenance/activation required for its operation are being made.

Output	Unit of Measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Final target ¹	Means of verification	Comments
2.4. Tools for job competency certification standards and registration implemented	Number	0	2019	0	1	1	1	1	1	Semiannual progress report	Application for the registration of standards in strategic sectors related to migrant population and host communities.
2.5. Tool for compiling job profile information implemented	Number	0	2019	1	1	1	1	1	1	Semiannual progress report	
2.6. Modular program for job competency certification implemented	Number	0	2019	0	1	1	1	1	1	Consulting report	
2.7 Guidelines on eliminating gender barriers in access to modular training and competency certification programs developed	Number	0	2019	0	1	0	0	0	1	Consulting report	These guidelines should inform the modular program described in 2.6.
2.8. Standards and tools for job training quality assurance implemented	Number	0	2019	0	3	5	5	0	5	Semiannual progress report	
2.9. Pilots for quality assurance of the supply of job training completed	Number	0	2019	0	0	2	2	0	4	Semiannual progress report	
2.10. Report for scaling up of the job training quality assurance system completed	Number	0	2019	0	0	0	0	1	1	Consulting report	

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country	Colombia
Project name:	Program to Strengthen Employment Policies
Project number:	CO-L1250
Executing agency:	Ministry of Labor
Prepared by:	Claudia Mylenna Cardenas Garcia and Eugenio Hillman (Fiduciary specialists)

I. EXECUTIVE SUMMARY

- 1.1 The borrower is the Republic of Colombia, and the Ministry of Labor will serve as the executing agency, acting through the Office of the Deputy Minister for Employment and Pensions (VMEP). An evaluation of the fiduciary capacity of the Ministry of Labor was performed using the Institutional Capacity Assessment System, an analysis of key processes for program execution, and fiduciary risk management.
- 1.2 The evaluation found that the Ministry's institutional capacities have a satisfactory level of development. Nonetheless, the program's fiduciary risk is high due to its technical complexity, the involvement of external actors, the increased workload that execution will entail, and the executing agency's lack of fiduciary experience in applying Bank policies (on procurement and financial management). The Ministry of Labor therefore requires the creation of a Program Coordination Unit (PCU) that will report directly to the VMEP. The PCU will be responsible for the program's technical execution and supervision, and its staff will include a general program coordinator, a procurement specialist, and a financial specialist assigned to work on the program full-time.
- 1.3 According to the Public Expenditure and Financial Accountability (PEFA) evaluation,¹ Colombia has a mature public financial management system with satisfactory performance in most areas; however, it has still not been fully adapted to international standards. The public procurement system is also considered adequate from the regulatory standpoint and is consistent with internationally accepted practices. Its use has been authorized for Bank-funded programs.
- 1.4 This is a specific investment program for a total amount of US\$25,125,000, with US\$20 million from the Bank's Ordinary Capital, US\$2,625,000 from the Bank's Grant Facility to support countries with large and sudden intraregional migration inflows, and US\$2,500,000 from a PSG² (grant CO-G1018) provided by SECO.³ After deduction of the PSG administration fee (US\$125,000), a total of

¹ The latest PEFA report for Colombia is from October 2016. PEFA is an international tool that provides a reference framework for the assessment of public financial management.

² Project specific grant.

³ The Government of Switzerland's State Secretariat for Economic Affairs.

US\$25 million is available for the program. The program does not involve financing from other multilateral organizations or local contributions. It will have a five-year disbursement period.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 The proceeds of the loan operation will be included in the National Budget and recorded in the Integrated Financial Information System (SIIF). The Ministry of Labor will coordinate the program’s financial and administrative management procedures.
- 2.2 The Ministry of Labor has a number of strengths, such as the Integrated Management System, the Internal Control Office, and an adequate document management process. However, the analysis identified a weakness in that the Ministry’s Office of the Secretary does not have fiduciary experience in applying the Bank’s policies on procurement, administrative, and financial management processes. Given the scale of the operation, the Ministry of Labor also does not have sufficient staff to take on the additional workload that the fiduciary processes will generate. Accordingly, the design of the execution mechanism envisages strengthening capacity by creating the PCU for execution of the operation and developing a strengthening plan.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The program’s fiduciary risk management was rated **high**:

Risk	Impact	Probability factor
Lack of experience and limited capacity for effective and efficient management of fiduciary processes applying Bank procedures and policies (on procurement and financial management).	Delays in program launch and execution. Failure to achieve targets. Noncompliance with rules and policies. Delays in disbursement requests and expense justifications. Timely and appropriate issuance of the financial reports required by the Bank.	Highly complex program that involves participation by more than one entity in the planning of activities. The program team’s relative lack of experience with the Bank’s procurement and financial management policies. Low level of development and implementation of program execution procedures. Limited capacity in the Ministry of Labor to define detailed technical requirements to enable procurement processes to be carried out as planned. Weak response of the supplier market to the program’s technical and/or specialized requirements. Insufficient capacity in the Ministry of Labor to identify problems affecting the programming of program activities and to take timely action to resolve them.

- 3.2 The following measures are proposed to mitigate the identified risk: (i) preparation and approval of program Operating Regulations that specify the roles and responsibilities of the various agencies involved in the program execution mechanism, along with coordination mechanisms and execution procedures; (ii) timely hiring of a program execution team with the required profile; (iii) training in the use and application of the Bank's procurement and financial management policies and in the preparation of terms of reference, technical specifications, and equivalent documents; (iv) the issuance of public calls for proposals to supplier companies to submit projects and future requirements; and (v) implementation of good practices in project management with multilateral banks.
- 3.3 In this context, the plan to strengthen capacity for program execution includes the following recommended measures: (i) formulate the program's multiyear execution plan and/or annual work plan with sufficient details on the activities to be carried out for each output, their sequencing and interrelationship, scheduling, responsible parties, and costs. This will be used to produce the annual work plan for year 1, which will serve as the basis for requesting the budgetary funding needed for fiscal year 2020; (ii) training in the use of the SIIF reporting module to monitor the program and prepare the Bank's reports; and (iii) develop internal manuals and procedures that define and formalize the coordination method, roles, and information flows within the execution arrangements.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

- 4.1 The Ministry of Labor will submit supporting documentation for expenses using the exchange rate for converting funds disbursed in dollars into Colombian pesos.
- 4.2 For program accounting, and to ensure that the SIIF of the borrower (or entity serving in its capacity) can automatically generate program financial reports, the executing agency will request the creation of a program accounts plan customized according to the classification by component or resource distribution category as set out in the "cost and financing" table of the single annex to the loan contract.
- 4.3 The Ministry of Labor will submit consolidated annual financial statements for the program audited by a Bank-acceptable independent audit firm. The audit firm will be selected and contracted according to the Bank's policies, on a multiyear basis if possible, pursuant to the procedures and terms of reference previously agreed upon with the Bank.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 All procurements to be financed from program funds will be included in the procurement plan approved by the Bank.
- 5.2 **Procurement of works, goods, and nonconsulting services:** Contracts for works, goods, and nonconsulting services⁴ will be executed pursuant to the Bank's policy (document GN-2349-9 or its subsequent updates). Procurement subject to international competitive bidding (ICB) or national competitive bidding (NCB) will

⁴ Policies for the Procurement of Goods and Works financed by the Inter-American Development Bank (document GN-2349-9), paragraph 1.1: Nonconsulting services are treated as goods.

- be executed using the Bank's standard bidding documents. The processes for these procurements are listed in the initial procurement plan.
- 5.3 **Selection and contracting of consultants:** Consulting service contracts⁵ will be executed pursuant to the Bank's policy (document GN-2350-9 or its subsequent updates) using the standard request for proposals agreed upon with the Bank.
- 5.4 **Selection of individual consultants:** Individual consultants will be selected and contracted pursuant to the policy set out in document GN-2350-9.
- 5.5 **Recurrent expenses:** The procurement plan includes operating expenses deemed eligible⁶ for program funding, including those related to travel and logistics costs for workshops and events.
- 5.6 **Use of the country procurement system:** Colombia's Public Procurement and Contracting System (SCCPC) is a Bank-approved system that can be used for:
- Procurements of goods, public works, and services, and contracts with consulting firms and individual consultants, in amounts below the thresholds set by the Bank for use of the ICB method in Colombia.
 - The following specific provisions and regulations do not apply to the use of the SCCPC for Bank-financed operations: (i) SCCPC measures that bar the lodging of complaints are ruled out, so as to allow appeals to procurement processes; and (ii) direct procurements as described in the SCCPC.

Table 1. Procurement thresholds

WORKS		GOODS		CONSULTING SERVICES	
ICB*	NCB (complex works)**	ICB	NCB** (complex goods)	International publicity	Shortlist with no nationality restrictions
US\$10 million or more	Between US\$350,000 and US\$10 million	US\$1 million or more	Between US\$50,000 and US\$1 million	US\$200,000 or more	Up to US\$500,000 (inclusive)

- 5.7 **Main procurements:** The main procurements are included in the initial procurement plan, which can be accessed [here](#).
- 5.8 **Procurement supervision:** Procurement will be supervised ex ante and requires the Bank's prior no objection. The possibility of ex post review will be evaluated by the program team and could eventually be implemented.

⁵ Policies for the Selection and Contracting of Consulting Services financed by the Inter-American Development Bank (document GN-2350-9), paragraph 3.9 et seq.: Single-source selection procurements will be duly justified.

⁶ Office rental, car rental for supervision tasks, utility and communication expenses, translations, bank fees, office supplies, advertising expenses, etc.

Table 2. Thresholds for ex post review

Ex post review threshold***		
Works	Goods	Consulting services
US\$10 million	US\$1 million	US\$200,000

*** Ex post review is subject to the provisions of the procurement supervision paragraph in the Bank's policies.⁷

- 5.9 **Records and files.** The VMEP will maintain full documentation of procurement processes in physical or digital files, as appropriate, as part of the document management system. The procurement system used by the financial specialist will manage and file duly digitized procurement documentation. At the end of program execution, the pre-contractual, contractual, and financial documentation will be sent to the Ministry of Labor's central file, pursuant to the provisions of the loan contract.

VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

- 6.1 **Programming and budget.** The national government, through the National Budget Directorate and the National Planning Department, is responsible for budget programming, a process that concludes with Congress's approval of the Annual Budget Law. The loan proceeds will be included in the National Budget under the Ministry of Labor heading and will be monitored through the SIIF.
- 6.2 **Accounting and information systems.** The apex agency for public accounting in Colombia is the General Accounting Office (CGN). The official public accounting system is the SIIF, which is the source for downloading information that is transmitted to the CGN through the Treasury and Public Information Consolidation System. The Ministry of Labor will use the SIIF to monitor the program's budget, accounting, and cash flow. The accounting records will be kept on an accrual basis; however, the program's financial statements will be prepared on a cash basis and will be generated automatically, by financing source, directly from the SIIF. The Ministry of Labor will prepare the program financial statements, consolidating all financing sources.
- 6.3 **Disbursements.** A special dollar account will be opened in the name of the program, at a bank specified by the Ministry of Finance and Public Credit, for the exclusive purpose of administering loan proceeds. The Bank will make advances of funds in dollars, based on liquidity needs covering a maximum period of six months, and the Ministry of Labor will prepare disbursement requests and justify expenses as established in the Financial Management Guidelines for IDB-financed Projects (document OP-273-12). Except for the initial advance of funds, supporting documentation will be provided for at least 80% of the cumulative amount of previous disbursements pending justification. No special fiduciary conditions were established for eligibility.
- 6.4 **Internal control and audit.** The roles of the Internal Control Office include: (i) providing ongoing advisory services and support and formulating preventive recommendations; (ii) fostering a culture of oversight by preparing legal reports;

⁷ Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document [GN-2349-9](#)) Appendix 2, and the loan contract.

(iii) carrying out an interactive process of evaluation, monitoring, and risk assessment; and (iv) facilitating the flow of information between the executing agency and external bodies such as the Office of the Comptroller General of the Republic (CGR).

- 6.5 **External audit.** As the CGR is not eligible to audit Bank projects, the consolidated program financial statements and eligibility of program expenses will be audited by a Bank-acceptable independent audit firm, to be contracted by the Ministry of Labor. The audit services will be financed from program funds, with an estimated budget of US\$325,000. The program's annual audited financial statements will be sent to the Bank within 120 days of the executing agency's fiscal year-end during the original disbursement period or its extension if necessary. The final audited financial statements will be submitted within 120 days of the date of the last disbursement, under the terms of reference agreed upon with the Bank. The program's audited financial statements will be published in the Bank's systems, pursuant to the Bank's current access to information and disclosure policy.
- 6.6 **Financial supervision.** The Bank's financial specialist will conduct, as a minimum, one annual on-site review and desk reviews of the audited financial statements. The auditor will verify that the resources are executed according to the Bank's rules and policies on fiduciary issues and the conditions stipulated in the program Operating Regulations. Fiduciary supervision visits for financial management will include verification of the fiduciary arrangements used for program administration and follow-up on the implementation of recommendations issued by the independent auditors when applicable.

PROGRAM TO STRENGTHEN EMPLOYMENT POLICIES

CO-G1018

CERTIFICATION

I hereby certify that this operation will be authorized for financing through a Project Specific Grant (PSG) administration agreement or agreements for an amount of up to **US\$2,500,000** to finance the activities described and budgeted in this document.

Donor's commitment does not have validity until the PSG administration agreement between the IDB and the donor is agreed upon and signed for this operation. Therefore, this certification will remain conditional until the corresponding PSG administration agreement or agreements are signed and effective.

Certified by: _____ (original signed) _____ October 8, 2019
Sonia M. Rivera _____
Chief
Grants and Co-Financing Management Unit
ORP/GCM
Date

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/19

Colombia. Loan ____/OC-CO to the Republic of Colombia
Program to Strengthen Employment Policies

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Colombia, as borrower, for the purpose of granting it a financing to cooperate in the execution of the Program to Strengthen Employment Policies. Such financing will be for the amount of up to US\$20,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2019)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/19

Colombia. Nonreimbursable Investment Financing ____-CO to the Republic of Colombia
Program to Strengthen Employment Policies

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the IDB Grant Facility (hereinafter referred to as the "Account"), to enter into such contract or contracts as may be necessary with the Republic of Colombia, as beneficiary, for the purpose of granting it a nonreimbursable investment financing to cooperate in the execution of the Program to Strengthen Employment Policies. Such nonreimbursable investment financing will be for an amount of up to US\$2,625,000, which form part of the Account, and will be subject to the Terms and Financial Conditions and the Special Contractual Conditions in the Project Summary of the Nonreimbursable Financing Proposal.

(Adopted on ____ 2019)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/19

Colombia. Nonreimbursable Investment Financing ___-CO
Program to Strengthen Employment Policies

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreement or agreements as may be necessary with the Republic of Colombia, for the purpose of granting it a nonreimbursable investment financing for a sum of up to US\$2,500,000 chargeable to the resources granted by the Government of Switzerland through the State Secretariat for Economic Affairs (SECO), pursuant to the agreement or agreements specified in paragraph 2 below, and to adopt any other measures as may be pertinent for the execution of the project proposal contained in document PR-_____.

2. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreement or agreements with the Government of Switzerland through the State Secretariat for Economic Affairs (SECO) as may be necessary to receive and administer resources for the purposes described in the project proposal specified in paragraph 1 above, and to adopt any other measures as may be pertinent for the execution of said agreement or agreements.

3. That the authorization granted in paragraph 1 above will be effective once the Bank and the Government of Switzerland through the State Secretariat for Economic Affairs (SECO) have entered into the corresponding agreement or agreements to which reference is made in paragraph 2.

(Adopted on ___ _____ 2019)