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Report No: PAD744

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 13.0 MILLION  
(US\$20.0 MILLION EQUIVALENT)

TO THE

PLURINATIONAL STATE OF BOLIVIA

FOR AN

IMPROVING EMPLOYABILITY AND  
LABOR INCOME OF YOUTH PROJECT

April 21, 2014

Human Development Sector Management Unit  
Bolivia, Chile, Ecuador, Peru and Venezuela Country Management Unit  
Latin America and Caribbean Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective March 28, 2014)

Currency Unit = Bolivian Pesos (Bs.)  
Bs. 6.91 = US\$ 1  
US\$ 1.544750 = SDR 1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

Bs.	Bolivian Pesos
CEAs	<i>Centros de Educación Alternativa</i> (Alternative Education Centers)
CPS	Country Partnership Strategy
CUT	<i>Cuenta Unica del Tesoro</i> (Treasury Single Account)
DA	Designated Account
DGE	<i>Dirección General de Empleo</i> (General Directorate of Employment)
DPO	Departmental Project Office
GOB	Government of Bolivia
ICAP	Training Institutes
ICY	Investment in Children and Youth Project
IDA	International Development Association
IDB	Inter-American Development Bank
IIA	Inter-Institutional Agreement
INE	<i>Instituto Nacional de Estadísticas</i> (National Statistics Institute)
IPF	Investment Project Financing
IFR	Interim Financial Reports
LAC	Latin America and Caribbean
LFPR	Labor Force Participation Rate
ME	<i>Ministerio de Educación</i> (Ministry of Education)
MEF	Ministry of Economy and Public Finance
MESTTA	Micro-entrepreneur Skills Training and Technical Assistance Program
MTEPS	<i>Ministerio de Trabajo, Empleo y Previsión Social</i> (Ministry of Labor, Employment and Social Security)
MPED	<i>Mi Primer Empleo Digno</i> (First Employment Program)
MPD	<i>Ministerio de Planificación y Desarrollo</i> (Ministry of Development Planning).
NCU	National Coordination Unit
PAD	Project Appraisal Document
PAE	<i>Programa de Apoyo al Empleo</i> (Employment Support Program)
PDO	Project Development Objective
PFM	Country Public Financial Management Systems
SAFCO	<i>Ley 1178 – Ley de Administración y Control Gubernamentales</i>
SIGMA	<i>Sistema Integrado de Gestión y Modernización Administrativa</i>
SPE	<i>Servicio Pluriunacional de Empleo</i> (Public Employment Service)

UDAPE *Unidad de Análisis de Políticas Económicas y Sociales* (Economic and Social Policy Analysis Unit)  
VIPFE *Vice-Ministerio de Inversión Pública y Financiamiento Externo* (Vice-Ministry of Public Investment and External Finance)  
WDR World Development Report

Regional Vice President:	Hasan A. Tuluy
Acting Country Director:	Livia M. Benavides
Acting Sector Director:	Mansoor Rashid
Sector Manager:	Mansoor Rashid
Task Team Leader:	Gaston Mariano Blanco

**BOLIVIA**  
**Improving Employability and Labor Income of Youth Project**

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**PAD DATA SHEET***Bolivia**Improving Employability and Labor Income of Youth Project (P143995)***PROJECT APPRAISAL DOCUMENT***LATIN AMERICA AND CARIBBEAN**LCSHS-DPT*

Report No.: PAD744

<b>Basic Information</b>						
Project ID		EA Category		Team Leader		
P143995		C - Not Required		Gaston Mariano Blanco		
Lending Instrument		Fragile and/or Capacity Constraints [ ]				
Investment Project Financing		Financial Intermediaries [ ]				
		Series of Projects [ ]				
Project Implementation Start Date		Project Implementation End Date				
01-Jan-2015		31-Dec-2020				
Expected Effectiveness Date		Expected Closing Date				
01-Jan-2015		31-Dec-2020				
Joint IFC						
No						
Sector Manager		Sector Director		Country Director		Regional Vice President
Mansoor Rashid		Mansoor Rashid		Livia M. Benavides		Hasan A. Tuluy
Borrower: Plurinational State of Bolivia						
Responsible Agency: Ministry of Labor, Employment and Social Security						
Contact:		Daniel Santalla Torrez		Title: Minister of Labor, Employment and Social Prevision		
Telephone No.:		591-2240-8606		Email:		
<b>Project Financing Data(in USD Million)</b>						
[ ]	Loan	[ ]	Grant	[ ]	Guarantee	
[ X ]	Credit	[ ]	IDA Grant	[ ]	Other	

Total Project Cost:	21.50	Total Bank Financing:	20.00
Financing Gap:	0.00		

Financing Source	Amount
Borrower	1.50
International Development Association	20.00
New	15.6
Recommitted	4.4
Total	21.50

Expected Disbursements (in USD Million)									
Fiscal Year	2015	2016	2017	2018	2019	2020	2021		
Annual	1.2	2.7	3.2	3.5	3.6	3.8	2.0		
Cumulative	1.2	3.9	7.1	10.6	14.2	18.0	20		

**Proposed Development Objective(s)**

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

Components	
Component Name	Cost (USD Millions)
Component 1 – Improving and Expanding the Skills Development Programs (US\$15.8 million IDA)	15.80
Component 2 – Strengthening the Implementation Arrangements to Administer, Monitor and Evaluate Skills Development Programs (US\$4.2 million IDA; US\$1.5 million GOB).	5.70

**Institutional Data**

**Sector Board**

Social Protection and Labor

**Sectors / Climate Change**

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public administration- Other social services	Other social services	60		
Education	Vocational training	40		
Total		100		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this Project.

### Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Social protection and risk management	Improving labor markets	90
Education	Education for all	10
Total		100

### Compliance

#### Policy

Does the Project depart from the CAS in content or in other significant respects?	Yes	[ ]	No	[ X ]
Does the Project require any waivers of Bank policies?	Yes	[ ]	No	[ X ]
Have these been approved by Bank management?	Yes	[ ]	No	[ X ]
Is approval for any policy waiver sought from the Board?	Yes	[ ]	No	[ X ]
Does the Project meet the Regional criteria for readiness for implementation?	Yes	[ X ]	No	[ ]

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		X
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12		X



Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
National Coordination Unit (NCU)	Yes	N/A	N/A
<b>Description of Covenant</b>			
Schedule 2. Section I.A.1 For purposes of carrying out Parts 1 and 2(a) of the Project, the Recipient, through MTEPS shall operate and maintain the NCU throughout the implementation of the Project, with functions, staffing, and responsibilities satisfactory to the Association, as set forth in the MTEPS Operational Manual.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Beneficiary Registry	No	Before carrying out activities under Part 1 of the Project (January 1 <sup>st</sup> , 2015).	N/A
<b>Description of Covenant</b>			
Schedule 2. Section I.A.2 Prior to the carrying out of any activity under Part 1 of the Project, the Recipient shall establish a registry on terms and in a manner acceptable to the Association, for purposes of registering all Beneficiaries, which registry shall include, <i>inter alia</i> , a section for collecting information on each Beneficiary's ethnicity and languages spoken.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Municipality Agreements	No	Before carrying out activities under Part 1 of the Project in any given Selected Municipality. (January 1 <sup>st</sup> , 2015)	N/A
<b>Description of Covenant</b>			
Schedule 2. Section I.C.1 To further facilitate the carrying out of Part 1 of the Project, and prior to the implementation of any activity under Part 1 of the Project that falls within the administrative jurisdiction of any given Selected Municipality, the Recipient, through MTEPS shall enter into an agreement with said Selected Municipality (the "Municipality Agreement") under terms and conditions set forth in the MTEPS Operational Manual.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
UDAPE Operational Manual	No	Prior to the carrying out of any activity under Part 2(b) of the Project (January 1 <sup>st</sup> , 2015)	N/A
<b>Description of Covenant</b>			
Schedule 2. Section I.E.3 Prior to the carrying out of any activity under Part 2(b) of the Project, The Recipient shall cause UDAPE to adopt and thereafter carry out Part 2 (b) of the Project in accordance with the provisions of the UDAPE.			

Operational Manual.			
<b>Conditions</b>			
<b>Name</b>		<b>Type</b>	
Inter-Institutional Agreement		Effectiveness	
<b>Description of Condition</b> The Inter-Institutional Agreement has been executed on behalf of ME and MTEPS.			
<b>Name</b>		<b>Type</b>	
Operational Manual		Effectiveness	
<b>Description of Condition</b> The MTEPS Operational Manual has been adopted by the Recipient.			
<b>Name</b>		<b>Type</b>	
Payment Agency		Disbursement	
<b>Description of Condition</b> No withdrawal shall be made under Category (2) until a Payment Agency has been hired, as set forth in Section I.D.1 of Schedule 2 to the Financing Agreement.			
<b>Name</b>		<b>Type</b>	
UDAPE Subsidiary Agreement		Disbursement	
<b>Description of Condition</b> No withdrawal shall be made under Category (4) until the UDAPE Subsidiary Agreement has been executed under terms and conditions acceptable to the Association.			
<b>Team Composition</b>			
<b>Bank Staff</b>			
<b>Name</b>	<b>Title</b>	<b>Specialization</b>	<b>Unit</b>
Patricia Alvarez	Senior Operations Officer	Senior Operations Officer	LCSHE
Patricia O. Orna	Language Program Assistant	Language Program Assistant	LCSHS
Marcela Ines Salvador	Social protection Specialist	Social Protection Specialist	LCSHS
Edmundo Murrugarra	Senior Social Protection Economist	Senior Social Protection Economist	LCSHS
Maria Laura Sanchez Puerta	Senior Economist	Senior Economist	HDNSP
Gaston Mariano Blanco	Sr Social Protection Specialist	Team Lead	LCSHS
Adam J Behrendt	Social Development Specialist	Social Development Specialist	LCSSO
Julio Sanjines	Procurement Specialist	Procurement Specialist	LCSPT

Juan Marcelo Berthin Heredia	Financial Management Specialist	Financial Management Specialist	LCSFM
Elena Segura	Senior Counsel	Senior Counsel	LEGLE
Gabriela Grinsteins	Counsel	Counsel	LEGLE

**Non Bank Staff**

<b>Name</b>	<b>Title</b>	<b>Office Phone</b>	<b>City</b>
Ignacio Apella	Consultant		Buenos Aires
Irene Beatriz Kit	Consultant		Buenos Aires
Ruth Llanos	Consultant		La Paz
Maria Jose Leavy	Consultant		Buenos Aires

**Locations**

<b>Country</b>	<b>First Administrative Division</b>	<b>Location</b>	<b>Planned</b>	<b>Actual</b>	<b>Comments</b>
Bolivia	Municipality	9 departmental capital cities (Trinidad, Sucre, Cochabamba, La Paz, Oruro, Cobija, Potosi, Santa Cruz, and Tarija), City of El Alto and 5 intermediate cities with more than 50,000 inhabitants and located 50 kilometers away from Trinidad, Sucre, Cochabamba, La Paz, Oruro, Cobija, Potosi, Santa Cruz, Tarija, and El Alto.			

## I. STRATEGIC CONTEXT

### A. Country Context

1. **Favorable external conditions and domestic policies have fueled sustained economic growth and contributed to poverty and inequality reduction.** Driven by high commodity prices and prudent fiscal and monetary policies, Bolivia's economy had an annual average growth of 4.8 percent during the past ten years, increasing real per capita income by 20 percent. According to the National Statistics Institute (INE), the national poverty rate in Bolivia declined from 63 percent in 2002 to 45 percent in 2012, while extreme poverty dropped from 37 percent to 22 percent. Income inequality has also decreased significantly with the Gini coefficient falling from 0.60 to 0.47. Despite these improvements, the country remains one of the most unequal in the Region and continues to lag behind its neighbors and countries with comparable income levels in key social outcomes.

2. **Economic growth has been accompanied by an increase in labor force participation and reduction in unemployment.** Bolivia's labor force participation rate increased from 70.2 percent in 2005 to 73.3 percent in 2012,<sup>1</sup> which is higher than the LAC average of 65.4 percent, primarily driven by the increased labor force participation of women and those in urban areas.<sup>2</sup> Unemployment continued its downward trend in the last years, falling to 2.8 percent in 2011. During this period, the sectoral shift from agriculture to services continued and the share of employment in urban areas increased from about 55 to more than 60 percent between 2005 and 2012.

3. **Despite these favorable labor market conditions, challenges related to high levels of informality and low labor productivity remain.** The Bolivian labor market continues to be characterized by high levels of informal and/or non-salaried employment. The level of informality remained high throughout the 2000s. At 66 percent, in 2012 it was about ten percentage points higher than in the neighboring countries, such as Peru and Ecuador. Most workers continue to be employed in small firms (70 percent), and about a quarter of all workers are engaged in non-salaried employment. Informal firms and microenterprises in Bolivia have been shown to have lower productivity and face constraints to growth.<sup>3</sup>

### B. Sectoral and Institutional Context

4. **Labor market outcomes of youth present a particular concern.** Young people in Bolivia (especially from poor backgrounds) due to their low skills and other disadvantages have limited access to salaried jobs and jobs in the formal sector, or opportunities to improve earnings through more productive entrepreneurship. While the educational level of the labor force has been improving in Bolivia (the relative share of workers with low education has declined by

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<sup>1</sup> Here and below estimates are based on harmonized poverty data for Latin American countries produced by Socio-Economic Database for LAC (SEDLAC) unless otherwise noted.

<sup>2</sup> In rural areas, labor force participation is typically higher than in urban areas while unemployment tends to be lower, which reflects both the large share of own account workers and contributing workers in the agriculture sector and the more limited access to education outside of main urban areas, which forces people into participation earlier in their lives.

<sup>3</sup> World Bank. 2008. "Republic of Bolivia: Policies for Increasing Firms' Formality and Productivity." Report No. 40057-BO. Washington, DC.

almost a fifth between 2000 and 2012), about 30 percent of young people between the ages of 18 and 26 do not complete secondary education. Moreover, youth from poor households have 20 percentage points higher rate of incomplete secondary level education than those living in non-poor households.

5. **Almost half of the employed youth in Bolivia are involved in unpaid work.** There are striking differences in the nature of the jobs of youth ages 17-24 compared to other age groups, and also with respect to their income level. Moreover, as a result of their low skills and the nature of their employment, poor youth in this age group have significantly lower labor incomes earning on average, one third of what non-poor youth earn. In addition, the percentage of poor youth employed as unpaid family workers is four times higher than non-poor youth.

**Table 1. Key labor market indicators, by age group (2012)**

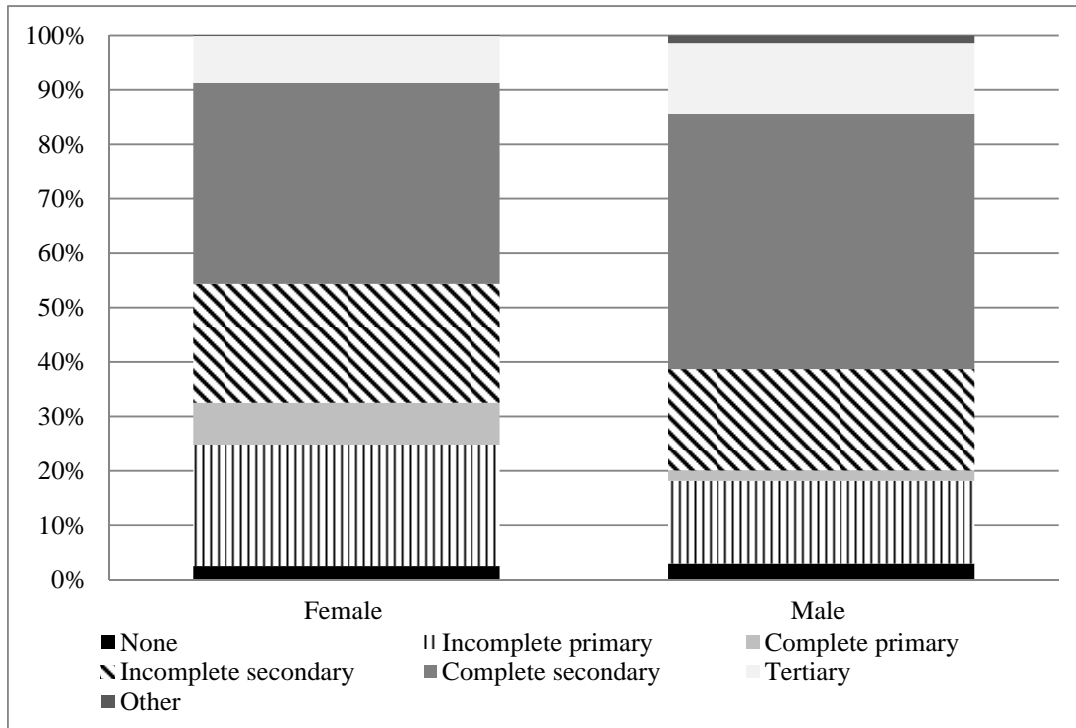
Percentages	17-24		25-35		36-50		51-65	
	Poor	Non-Poor	Poor	Non-Poor	Poor	Non-Poor	Poor	Non-Poor
Labor force participation	52.0	49.9	72.8	84.1	83.7	89.6	78.0	78.2
Unemployment	4.6	4.6	4.1	2.4	2.5	1.0	1.7	0.9
<i>Male</i>	2.7	3.3	2.2	1.7	2.1	0.7	1.3	0.8
<i>Female</i>	6.8	6.6	6.6	3.2	3.0	1.4	2.3	1.1
Employment	95.4	95.4	95.9	97.6	97.5	99.0	98.3	99.1
Informal	96.2	88.1	92.8	68.6	91.3	70.8	95.8	73.8
Salaried	30.1	60.4	33.6	56.4	23.5	45.1	12.0	35.2
<i>Male</i>	35.5	65.9	42.6	59.5	29.8	51.7	18.2	41.0
<i>Female</i>	23.4	51.5	21.6	52.6	15.6	37.2	4.8	27.5
Self-employed	15.2	20.1	40.5	28.7	52.6	36.7	62.1	45.4
Employer	1.8	3.2	4.2	6.9	5.0	10.6	5.1	11.6
Unpaid family worker	50.1	12.7	19.0	5.1	16.7	4.8	19.4	6.0
<i>Male</i>	42.8	11.1	7.4	2.1	2.4	1.2	2.6	0.7
<i>Female</i>	59.2	15.3	34.7	8.9	34.3	9.2	38.6	13.0
Other	2.8	3.6	2.6	2.8	2.2	2.8	1.5	1.9
Labor income (Bs. monthly)	512	1,734	1,030	2,865	1,010	3,329	604	2,964
<i>Male</i>	642	2,041	1,362	3,404	1,391	4,049	825	3,648
<i>Female</i>	350	1,226	587	2,194	539	2,461	351	2,050

*Note:* The poor are defined according to the national poverty line.

Source: Based on 2012 Household Survey.

6. **Almost a quarter of the youth are not employed or not in school, particularly young women.** Another large group of youth in Bolivia who present a concern for policy makers are those young people who are not working and are not in school (the so called “*ninis*” for “*ni estudian ni trabajan*”). Almost a quarter of youth ages 17-24 (24.2 percent) belong to this group and they are primarily young women. Women in this category also have lower educational attainment: less than half have completed secondary education. Youth who are detached from the education system and the workforce in these years may find it particularly hard to fulfill their potential later in life leading to lower productivity and economic growth.

**Figure 1. Distribution by education attainment of young people ages 17-24 who are not working and are not in school, 2012**



Source: Based on 2012 Household Survey.

7. **Since 2009, the youth have become a central concern in Bolivia at both national and local levels.** If young workers cannot access quality jobs which typically provide at least a minimum wage salary and on-the-job training, they will likely be unable to make significant contributions to economic growth in the medium term. Poor youth have been characterized by a lack of basic and technical skills and lack of experience in the labor market. Despite the fact that a large proportion of them are employed or self-employed, their lack of skills reduces their opportunities to access formal jobs or to increase their earnings. Secondary education certification has become a condition for applicants in the most dynamic urban economic areas, like services. Inactive youth could benefit from opportunities to complete their education which could facilitate their transition to the labor market.

8. In this context, in 2009, the Government of Bolivia launched the Employment Service (*Servicio Plurinacional de Empleo*, SPE) managed by the Ministry of Labor, Employment and Social Security (MTEPS) that manages a network of ten employment offices in the nine Department capitals and the City of El Alto. The SPE provides intermediation and counseling services for job seekers and firms and implements the *Mi Primer Empleo Digno* Program

(MPED)<sup>4</sup> piloted in 2009 and extended in 2012, and the *Programa de Apoyo al Empleo*, (PAE).<sup>5</sup> Both Programs have been supported by IDA and IDB, respectively.

9. **The Government is keen to expand the coverage and extend the modalities of skills development programs.** In this context, the Government has requested World Bank Group support to implement skills development programs with a focus on: (i) supporting geographical expansion to nine departmental capital cities, the City of El Alto, and at least five cities with more than 50,000 inhabitants; (ii) expanding the modalities of training provided by MPED; (iii) piloting skills development programs for poor youth entrepreneurs; (iv) piloting a program to improve access of poor youth to remedial secondary education programs; and (v) strengthening the capacity of the MTEPS and *Unidad de Análisis de Políticas Económicas y Sociales* (UDAPE) to coordinate, monitor and evaluate skills development programs.

### C. Higher Level Objectives to which the Project Contributes

10. **Relationship with the World Bank Country Partnership Strategy (CPS) for the Plurinational State of Bolivia.** The proposed Project is consistent with the Human Development and Access to Basic Services results area of the FY 2012-2015 Country Partnership Strategy (CPS) for the Plurinational State of Bolivia (Report 65108-BO) discussed by the Board on December 1, 2011. Promoting the accessibility to and enhancing the performance of a program aimed at increasing the employability and labor earnings of youth will contribute significantly to meeting the goals of this results area. In addition, improved employability and labor income of poor youth will have a direct impact in alleviating poverty and boosting shared prosperity.

11. **This Project would continue the long term contributions that the Bank has made to social protection policies in Bolivia, in particular in the area of employment and training.** While the Project would mostly continue the support provided by the Bank under the Investment in Children and Youth Project (Cr. 4396-BO /P101084), which closes on December 31, 2014, it will support the MTEPS to provide new types of skills development programs to improve employability and labor earnings among the poor youth of Bolivia.

12. **The proposed Project is aligned with recent research and best practices for youth skills development, including the World Development Report (WDR) 2013, Jobs.**<sup>6</sup> The WDR recognizes the need to acknowledge the informal sector as the 'normal' in many developing countries, taking into account that the formal sector is still small in these countries and will not grow fast enough to absorb the current large cohorts of youth looking for work. The WDR urges governments to stimulate job creation and productivity gains in both formal and informal private enterprises, in order to create more and better opportunities for youth in the labor market.

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<sup>4</sup> MPED is a Skills Development Program, comprising a vocational in-class training session coupled with internships in private and public sector firms, in such a way that poor youth gain practical experience and acquire life skills that help them succeed in the workplace. Eligible MPED beneficiaries are poor youth ages 17-26 years who have completed at least primary education.

<sup>5</sup> Wage subsidies program for unemployed experienced workers.

<sup>6</sup> World Bank. 2012. *World Development Report 2013: Jobs*. Washington, DC: World Bank.

## II. PROJECT DEVELOPMENT OBJECTIVE (PDO)

### A. PDO

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

#### **Project Beneficiaries**

14. Direct beneficiaries of the proposed Project include three groups: (i) 8,200 poor youth<sup>7</sup> ages 17-26, with at least primary education who are interested in 1,500 or 700 hours<sup>8</sup> of a combination of life, behavioral and technical training courses plus internship (medium and auxiliary level technicians); (ii) 2,500 poor young owners of micro enterprises ages 22-35, with at least primary education who are interested in entrepreneurship training and technical assistance; and (iii) 4,200 poor youth ages 17-26, with at least primary education who are interested in completing remedial secondary education courses (maximum 3 years). Eligible cities for training provision are: the nine departmental capital cities (Trinidad, Sucre, Cochabamba, La Paz, Oruro, Cobija, Potosi, Santa Cruz, and Tarija), the City of El Alto, and five intermediate cities with more than 50,000 inhabitants.

#### **PDO Level Results Indicators**

15. Project progress will be tracked by the following indicators:
- a. Increase in the average labor income of MPED beneficiaries one year after completing the training.
  - b. Increase in the placement rate of MPED beneficiaries in a job with at least the equivalent of a minimum salary one year after completing the training.
  - c. Increase in the average labor earnings of youth entrepreneurs one year after completing the training.
  - d. Expansion of geographical coverage of Government Skills Development programs.

## III. PROJECT DESCRIPTION

### A. Project Components

16. The proposed Project has the following two components:

17. **Component 1 – Improving and Expanding the Skills Development Programs (US\$15.8 million IDA).**

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<sup>7</sup> The criteria of selection of poor youth includes a monetary per capita income equal or below the level of the poverty line (adjusted every year) and one of the other proxy variables (e.g., applicants have studied in public school or the per capita consumption of energy in the household would be equal or less the maximum consumption to apply for the solidarity energy rate).

<sup>8</sup> 2,400 and 1,600 academic hours, respectively.



18. **Sub-Component 1.1 - Improving and expanding the *Mi Primer Empleo Digno* Program (MPED) in Selected Cities (US\$10.6 million IDA).** The objective of this Sub-Component is to improve and expand the MPED in Selected Cities<sup>9</sup> through the provision of: (i) training for medium and auxiliary level technicians; and (ii) MPED Stipends all for Eligible MPED Beneficiaries.

19. **Sub-Component 1.2 – Implementing the pilot Micro Entrepreneurs Skills Training and Technical Assistance Program (MESTTA) in Selected Cities (US\$1.2 million IDA).** The objective of this Sub-Component is to implement the pilot MESTTA in Selected Cities through: (i) the design and implementation of a training program on *inter alia* math, language, communications, ICT knowledge, and entrepreneurship skills; (ii) the provision of technical assistance to *inter alia* improve and strengthen: (A) the eligible micro-entrepreneur’s skills on the applicable occupational area, and (B) the eligible micro-enterprise’s business plan and access to finance; and (iii) the provision of micro-entrepreneur stipends; all for eligible micro-entrepreneurs. This pilot comprises training and technical assistance for upgrading the skill content of micro-entrepreneurs activities and helping them to improve productivity and scaling up their business with a view to increasing their incomes. Eligible Micro-Entrepreneur are poor young micro-entrepreneurs ages 22-35 years who have completed at least primary education and have managed the Eligible Micro-Enterprise at least for one year.

20. **Sub-Component 1.3 – Implementing the pilot Remedial Secondary Education Program in Selected Cities (US\$4.0 million IDA).** The objective of this Sub-Component is to implement the pilot Remedial Secondary Education Program in Selected Cities to provide a second chance at formal education to poor youth for improving access to jobs. Secondary education certification has become a critical constraint to the access to quality jobs in the most dynamic economic industries (e.g., financial or service sectors) for young population living in urban areas. Student stipends will be provided to eligible students poor youth ages 17-26 years who have completed at least primary education. The service will be provided by public institutions of the Ministry of Education (ME).

21. **Component 2 – Strengthening the Implementation Arrangements to Administer, Monitor and Evaluate Skills Development Programs. (US\$4.2 million IDA; US\$1.5 million GOB).**

22. **Sub-Component 2.1 – Strengthening the implementation arrangements and the institutional capacity of the MTEPS to administer and coordinate the Skills Development Programs. (US\$3.75 million IDA; US\$1.5 million GOB).** This Sub-Component will provide support for: (i) designing and implementing a Management Information System (MIS) for the Skills Development Programs through the provision of: (1) technical assistance to design said system; (2) ICT equipment; and (3) training for MTEPS’ staff responsible for operating and maintaining said system; (ii) designing and implementing an information and communication strategy to promote the Skills Development programs among potential beneficiaries, training

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<sup>9</sup> 9 departmental capital cities (Trinidad, Sucre, Cochabamba, La Paz, Oruro, Cobija, Potosi, Santa Cruz, and Tarija), City of El Alto and 5 intermediate cities with more than 50,000 inhabitants and located 50 kilometers away from the Trinidad, Sucre, Cochabamba, La Paz, Oruro, Cobija, Potosi, Santa Cruz, Tarija, and El Alto.

institutions and employers through the provision of technical assistance and goods; and (iii) strengthening MTEPS' capacity to administer and coordinate the Skills Development Programs through the provision of technical assistance (including the Project audits), Operating costs; and the acquisition of Information, Communication Technology (ICT) equipment.

23. **Sub-Component 2.2 – Strengthening the institutional capacity of UDAPE to improve the evaluation of the Skills Development Programs (US\$0.45 million IDA).** This Sub-Component will provide support for: (i) carrying out mid-term process evaluations of the implementation of the Skills Development Programs in order to identify, and thereafter address any identified problems; (ii) monitoring the results and outcomes resulting from the implementation of the Skills Development Programs. Activities to be supported include: (1) beneficiary surveys; and (2) an impact evaluation of the MESTTA Program; and (iii) technical assistance to improve UDAPE's financial management and procurement capacity, and to carry out Project audits.

## B. Project Financing

24. Total Project cost will be US\$21.50 million, of which US\$1.50 million will be provided as counterpart funding by the Recipient, and SDR13.00 million (US\$20 million equivalent) will be financed by the IDA Credit. The Credit includes commitments in the amount of SDR2,158,094.69 and SDR682,478.68 cancelled from the Emergency Recovery and Disaster Management Project (Credit 4377-BO, P106449) and its Additional Financing (Credit 4440-BO, P106449), respectively.

25. A summary table of project costs by components is provided below.

**Table 2: Project Cost and Financing**

<b>Project Components</b>	<b>Project cost US\$</b>	<b>IDA Financing US\$</b>	<b>% Financing</b>
<b>Component 1 – Improving and Expanding the Skills Development Programs</b>	<b>15,800,000</b>	<b>15,800,000</b>	<b>100%</b>
Sub-Component 1.1 – Improving and expanding the <i>Mi Primer Empleo Digno</i> Program (MPED)	10,600,000	10,600,000	100%
Sub-Component 1.2 – Implementing the pilot Micro Entrepreneurs skills training and technical assistance Program (MESTTA)	1,200,000	1,200,000	100%
Sub-Component 1.3 – Implementing the Pilot Remedial Secondary Education in Selected Cities	4,000,000	4,000,000	100%
<b>Component 2 – Strengthening the Implementation Arrangements to Administer, Monitor and Evaluate Skills Development Programs</b>	<b>5,700,000</b>	<b>4,200,000</b>	<b>74%</b>
Sub-Component 2.1 – Strengthening the implementation arrangements and the institutional capacity of the MTEPS to administer and coordinate the Skills Development Programs.	5,250,000	3,750,000	71%
Sub-Component 2.2 – Strengthening the institutional capacity of UDAPE to improve the evaluation of the Skills Development Programs	450,000	450,000	100%
<b>Total Project Cost / Total Financing Required</b>	<b>21,500,000</b>	<b>20,000,000</b>	<b>93%</b>

### **C. Lessons Learned and Reflected in the Project Design**

26. The Project draws on World Bank Group experience in the design of social protection projects in LAC and other regions, as well as implementation experience in Bolivia.

27. The main lessons considered in the Project design are the importance of: (i) paying stipends and salaries directly to beneficiaries in order to reduce the cost of the contract with private training institutions, improve transparency and efficiency of the payment mechanism and reduce the time of justification of expenditures; (ii) adopting new modalities of training with less number of hours, and specifically a reduced number of daily training hours during the in-class stage to allow those youth who face high opportunity costs related to full day training to participate in the Program; (iii) defining differentiations in the structure of the local implementation units linked with expected number of training courses in the area in order to contain costs and allow synergies with municipal authorities; (iv) improving the synergies with the Public Employment Service; (v) monitoring and implementing impact evaluations in a timely manner to improve Project management; and (vi) creating new options of training modalities for: (a) youth interested in secondary education certification to improve their employability in the formal sector or enhance their ability to enroll in tertiary education, and (b) youth that have already started their own micro enterprises, and who have technical skills, but require business skills to improve the likelihood of consolidating their business and improving earnings.

## **IV. IMPLEMENTATION**

### **A. Institutional and Implementation Arrangements**

28. The MTEPS, through the National Coordination Unit (NCU) attached to the General Directorate of Employment (DGE), is the implementing entity and has the overall responsibility for Project implementation, except for Project activities under Sub-Component 2.2. - Strengthening the institutional capacity of UDAPE to improve the evaluation of the Skills Development Programs. The NCU will be also coordinating the activities with the Ministry of Education (ME) and the local project offices (Departmental Project offices [DPO] or municipal employment offices).

29. Except for Sub-component 2.2, Project coordination and day-to-day oversight will be the responsibility of the Coordinator of the NCU. The NCU will receive technical assistance to carry out the following activities: (i) coordinating, planning, monitoring and overseeing the Project in coordination with DPOs or municipal governments in the eligible cities; (ii) promoting the Project; (iii) selecting and contracting the MPED training courses; (iv) selecting and contracting training and technical assistance for productive micro entrepreneurs; (v) administering the payment of stipends to beneficiaries; and (vi) supervising the activities of DPOs and municipal offices in charge of implementing the Project at local level. The costs of Project implementation will be financed by the Credit and national and municipal parallel counterpart funds.

30. MTEPS has an Inter-Institutional Agreement with the ME for the certification of the curricula of training courses of MPED, and for the provision of a joint certificate to the Program graduates. For the proposed Project, the MTEPS will extend that agreement, under terms and conditions acceptable to the Association, to include the: (i) coordination mechanism between

MTEPS and ME to be followed in connection with the implementation of Sub-Components 1.1 – Improving and expanding the *Mi Primer Empleo Digno* Program (MPED) and 1.3 – Implementing the Pilot Remedial Secondary Education in Selected Cities of the Project; (ii) certification of the curricula and the provision of certificates for Auxiliary level technicians (Sub-Component 1.1); and (iii) provision of the training course of MPED and the Remedial Secondary Education Program (Sub-Components 1.1. and 1.3 through its network of Alternative Education Centers (CEAs), public institutions of the ME.

31. At the local level, the Project will be implemented through the DPOs in the nine department capitals, plus the City of El Alto. The Project will support the strengthening of the DPOs to manage the training services at local level, expanding the number of technical staff and IT-related items, and financing additional operating costs. The main activities of the DPOs, which are integral part of the SPE offices, are: (i) promoting the Skills Development Programs in the cities, (ii) registering applications of young participants and firms, (iii) providing information and orientation to beneficiaries and training providers, and (iv) supervising the training courses in their two phases – in-class and the internships. Local staff of DPOs is also responsible for monthly collection of the information registered by the biometric tool, which is installed in each training institution to monitor the participants' attendance. This information is sent to the NCU through the MIS and supports the stipends payment.

32. In order to implement the Project in the five intermediate cities, the MTEPS will reach agreements with Municipal Governments (Municipal Agreements) to operate the Project through the municipal employment offices or related areas. As part of these agreements, each municipality would be responsible for the implementation of the Skills Development Programs in their area and for the provision of counterpart funds to finance staff and operating costs required for these Programs to carry out their obligations.

33. NCU will be responsible for centrally contracting and paying the training providers in the Selected Cities.

34. The UDAPE<sup>10</sup> would be responsible for the implementation of Sub-Component 2.2. It has coordinated the process and the tracking survey analysis of the programs supported for the ICY Project. UDAPE's regular staff will be responsible for: (i) coordinating, planning, monitoring and overseeing the Sub-Component 2; (ii) selecting and contracting consultancies and services; and (iii) performing the financial management tasks required under Sub-component 2.2.

35. Two Designated Accounts (DA) in US Dollars will be opened and maintained for project implementation: i) by MTEPS's NCU for Categories 1, 2 and 3; and ii) by UDAPE for Category 4. Funds deposited into each DA as advances will follow Bank's Disbursement policies and procedures. In keeping with current arrangements in Bolivia, the DAs will be opened and maintained as a separate *Libreta* within the CUT in US Dollars. Funds from CUT-ME will be periodically transferred to CUT in Bolivianos into a separate *Libreta* under the project name,

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<sup>10</sup> UDAPE is a decentralized unit in the Ministry of Development Planning created pursuant the Supreme Decree No. 24847, dated September 20, 1997.

from which all payments will be processed through direct transfers into beneficiary's bank account (consultants, suppliers, etc.); and for advances to financial institutions for further payment of stipends to project beneficiaries.

36. The Recipient developed a Procurement Plan for the first 18 months of Project implementation on March 31, 2014, which provides the basis for the procurement methods.

#### **B. Results Monitoring and Evaluation**

37. The MTEPS will be the primary agency responsible for ensuring that information to measure progress with the improvement and expansion of Skills Development Programs (Component 1) is readily available. In order to ensure appropriate monitoring, the Project will provide technical assistance and support to enhance NCU capacity to monitor the Project implementation. Specifically, the Technical Area of the NCU will be strengthened with two monitoring specialists and the design and implementation of a Management Information System (MIS) for Skills Development Programs which will be the main source of information to monitor Project results. Data collected from training supervision and stipend payment processes will be managed by a managerial module of the MIS to produce quarterly monitoring reports, mainly on intermediate results indicators. Two semi-annual progress reports will be published on government official websites and will be accessible to managers and decision makers with updated indicator information.

38. UDAPE will be responsible for process and impact evaluations of Skills Development Programs. In order to help the MTEPS management team to improve the Project interventions during implementation, the Project will finance mid-term process evaluations of the three Skills Development Programs supported by the Project. Using quantitative and qualitative instruments, the process evaluation will review the efficiency of Project interventions and the ability to reach the intended outcomes. Specifically, the process evaluation will look at employment service organization, adequacy of funds for administration and monitoring, mechanism of contracting training providers, effectiveness of the payment system, among other aspects. Operational bottlenecks detected by the process evaluations will be corrected for the second part of Project implementation.

39. The results and outcomes of the Skills Development Programs supported by the Project will be measured through a tracking survey for beneficiaries conducted by UDAPE. Following the experience of the ICY Project, the project will support UDAPE to conduct tracking surveys to beneficiaries of the Skills Development Programs to assess the placement rate and the income level resulting from Project interventions. Additionally, the Project will also support UDAPE to conduct, in coordination with MTEPS, an impact evaluation analysis of the pilot MESTTA. Impact Evaluation methodology will be developed before the MESTTA launching.

#### **C. Sustainability**

40. The GOB is focusing their efforts on youth employment, given the challenges in this area. The GOB has also demonstrated strong ownership and commitment for implementation and sustainability of employment services by leading the conceptualization of the Project's proposed interventions and the final design and agreeing to commit counterpart funding to support implementation.

## V. KEY RISKS AND MITIGATION MEASURES

### A. Risk Ratings Summary Table

<b>Risk Category</b>	<b>Rating</b>
<b>Stakeholder Risk</b>	Substantial
<b>Implementing Agency Risk</b>	
- Capacity	Substantial
- Governance	Low
<b>Project Risk</b>	
- Design	Substantial
- Social and Environmental	Low
- Program and Donor	Low
- Delivery Monitoring and Sustainability	Substantial
<b>Overall Implementation Risk</b>	<b>Substantial</b>

### B. Overall Risk Rating Explanation

41. The overall risk rating for Project implementation is Substantial. Stakeholder risk is rated substantial as the proposed Project introduces the provision of training services through institutions of the Ministry of Education (ME) which would require strong coordination. Design risk is also rated substantial as the proposed project design includes two pilots of Skills Development Programs that will require pre-implementation activities (*inter alia*, design training curricula and technical assistance guidelines) in order to avoid delays in implementation. Finally, the Capacity risk is also rated substantial as the MTEPS capacity to manage and maintain adequate Financial Management (FM) function for the ICY Project has been affected by high staff rotation and lack of capacity to timely take corrective actions. In relation to the above risks, it was agreed with the Government the following mitigation measures: (i) representatives of the ME were invited in all technical meetings for defining keys aspects of the project during preparation and the Operational Manual includes all procedures to manage the implementation of the Inter-Institutional Agreement between the MTEPS and ME; (ii) the design of curricula and technical assistance guidelines for entrepreneurs will be developed before the effectiveness; and (iii) specific measures to ensure selection and contracting of qualified staff are agreed with MTEPS's authorities.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

42. The Project's impact in terms of economic costs and benefits is positive. An internal rate of return of approximately 13.5 percent for Sub-Component 1.1 (vocational in-class training coupled with internships in private and public sector firms for poor youth), and 9.8 percent for Sub-Component 1.3 (training and technical assistance for upgrading the skill content of micro-entrepreneurs activities) have been calculated, comparing the costs generated by the Project with

the expected flow of additional income to be received by participants over their lifetime. These rates of return were estimated considering (through proxy) what would be the impact on average individual income that the Project could have over the working life time of participants, and compare this with a control group. While the calculations require a number of assumptions, including about future labor markets trends, these are reasonable, as discussed in Annex 6.

## **B. Technical**

43. The Project will support implementation and scaling up of Skills Development Programs for youth. Recent experiences in Bolivia and in other countries offer valuable lessons that have helped the Government to continue the adaptation of those programs to the Bolivian context.

44. There is considerable experience of programs in LAC to support low-income youth through vocational training linked to practical experiences in formal firms (e.g., Chile, Argentina, Peru, Colombia, Dominican Republic, Honduras and Uruguay among others). Since the 1990s several countries have implemented the so called *Programas Jóven*, based on interventions to support low-income youth (between 15 and 29 years of age living in poor areas of major cities). The purpose of these Programs is to increase employability of beneficiaries, understood as the capacity to find and maintain a job. These Programs usually target low income youth, most of them without complete secondary education, or those that failed to enroll in a tertiary education institution. As a result, there is a considerable proportion of youth who face the labor market at an early age in disadvantaged conditions; that is, youth with insufficient skills and abilities, with little or no experience, and usually discriminated against because of their age or socio-economic level. Experience in LAC has shown that longer periods of unemployment usually lead youth to become engaged in risky behavior, and this enlarges their productivity gap; and eventually leads them into poverty.

45. The proposed Project design was chosen to support the Borrower's goals to improve the MPED operational design and expand the Skills Development Programs for those who have initiated micro-enterprises and require business training and technical assistance to consolidate the activities and improve earnings; and for those who want to apply to formal jobs that require secondary education certification or have the willingness to enroll in tertiary education. For the proposed Project, the MPED will offer a new modality of training which will allow beneficiaries to reach a lower level of skills under reduced hours of training. Additionally, the proposed Project would reinforce the coordination with the ME to develop and certify training curricula, use the public network of training and create additional support for remedial secondary education.

## **C. Financial Management**

46. An assessment of the agencies of the proposed financial management arrangements was conducted. The MTEPS-NCU has developed expertise during the implementation of the Component 2 of the ICY Project. However, its effective operation has been affected by lack of qualified staff, long vacancies and weaknesses in internal controls. Based on the lessons learned, the following aspects have been discussed and proposed agreed measures have been properly reflected in the MTEPS Operational Manual: (i) streamlined and strengthened process and procedures including internal control; (ii) revised key processes, including controls and reporting

mechanisms for the stipends payments through a payment platform service; and (iii) basic arrangements for the financing incremental operating costs incurred by the ME for the use of its Training Education Centers (CEAs), including the definition of the methodology for the determination of the unit cost to be used as basis of payments. The Inter-Institutional Agreement (IIA) that will be signed between the MTEPS and the ME will include the coordination mechanisms between MTEPS and ME to be followed in connection with the implementation of Sub-Components 1.1 and 1.3. UDAPE has developed expertise during the implementation of the Component 3 of the ICY Project and it has adequate arrangements in place.

#### **D. Procurement**

47. Procurement will be conducted according to the World Bank's 2011 "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD [International Bank for Reconstruction and Development] Loans and IDA Credits & Grants by World Bank Borrowers" issued in January 2011 for the supply of goods, civil works and non-consulting services, and the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" issued in January 2011 for technical assistance and other consultant assignments. It is foreseen that the procurement related activities for the Project will be implemented using the existing structures that are in place at the MTEPS and UDAPE. A capacity assessment was performed, and a detailed action plan was prepared to address the identified risks. The Government agreed to modify the NCU organizational structure to improve the coordination between the procurement and the technical staff, and to revise the Ministerial procedures to reduce delays in procurement processes. The overall Project risk for procurement is High.

#### **E. Social (including Safeguards)**

48. This Project seeks to provide benefits to young men and women in urban areas of Bolivia. Special considerations for young women and young mothers have proven successful in supporting and maintaining their participation, including stipends for transport and child care, given the fact that unemployment rates are nearly double amongst this group *vis-a-vis* young men. A screening process was carried out during Project preparation and it was determined that the populations in the proposed Project's areas did not meet the four identification criteria for OP 4.10 (Indigenous Peoples), specifically the criteria on attachment to ancestral lands. Likewise, focus groups and other data from a similar component of the ICY demonstrated that there were no cultural exclusionary elements to the training. Thus the policy will not be triggered. However, the client has carried out a separate social assessment in order to assure participation of vulnerable youth by capturing lessons learned from the ICY Project, such as the use of promotional strategies in the main indigenous languages in order to assure their inclusion and the stipends mentioned above. A consultation process with municipalities took place during preparation to consider their views on the proposed local implementation arrangements.

#### **F. Environment**

49. The proposed Project has an Environmental Assessment Category C and the OP/BP 4.01 (Environmental Assessment) is not triggered as the nature and scope of the project activities are not expected to generate adverse environmental impacts.



**Annex 1: Results Framework and Monitoring**  
**BOLIVIA**  
**Improving Employability and Labor Income of Youth Project (P143995)**

**Results Framework**

<b>Project Development Objectives</b>													
PDO Statement													
The objective of the Project is to improve employability and labor income of poor youth by supporting the expansion of the Skills Development Programs in Selected Cities.													
<b>These results are at</b>		Project Level											
<b>Project Development Objective Indicators</b>													
Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection	
				YR1	YR2	YR3	YR4	YR5	End Target				
Increase in the average labor income of MPED beneficiaries one year after completing the training.		Percentage	0			20.00				20.00	YR3 and YR6, covering the previous 2 years, respectively	Tracking survey report	National Coordination Unit (NCU) and UDAPE
Increase in the placement rate of MPED' beneficiaries in a job with at least minimum salary one year after completing the training		Percentage	0			40.00				40.00	YR3 and YR6, covering the previous 2 years, respectively	Tracking survey report	National Coordination Unit (NCU) and UDAPE
Increase in the average earnings of		Percentage	0			25.00				25.00	YR3 and YR6,	Tracking survey	National Coordination

youth entrepreneurs one year after completing the training										covering the previous 2 years, respectively	report Impact Evaluation report	Unit (NCU) and UDAPE
Expansion of geographical coverage of Skills Development Programs		Number	6	6	10	12	15	15	15	Annual	Project Quarterly Report, MIS NCU	National Coordination Unit (NCU)

### Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data Collection
				YR1	YR2	YR3	YR4	YR5	End Target			
Direct Project beneficiaries	X	Number	650	2,150	4,700	7,250	9,800	12,350	14,900	Annual	Project Quarterly Report, MIS NCU	National Coordination Unit (NCU)
Female beneficiaries	X	Percentage Sub-Type Supplemental	50	50	50	50	50	50	50	Annual	Project Quarterly Report, MIS NCU	National Coordination Unit (NCU)
Number of Project beneficiaries in the two MPED modalities that have completed the certification of competencies		Number	450	960	2,080	3,200	4,320	5,440	6,560	Annual	Project Quarterly Report, MIS NCU	National Coordination Unit (NCU)
Number of micro-entrepreneur participants that have completed the technical assistance phase		Number	0	200	560	920	1,280	1,640	2,000	Annual	Project Quarterly Report, MIS NCU	National Coordination Unit (NCU)
Number of Project beneficiaries that		Number	0	0	0	560	1,120	1680	2,240	Annual	Project Quarterly	National Coordination

have completed secondary education with Project support												Report, MIS NCU	Unit (NCU)
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**Annex 1: Results Framework and Monitoring**  
**BOLIVIA**  
**Improving Employability and Labor Income of Youth Project (P143995)**

**Results Framework**

<b>Project Development Objective Indicators</b>	
Indicator Name	Description (indicator definition etc.) and mechanism of measurement
Increase in the average labor income of MPED beneficiaries one year after completing the training.	At the time of initiating the courses, a baseline survey is conducted by the Training Institutions. Beneficiaries declare the latest combined monthly labor income (it could come from more than one job), if any. After one year of completing the internship, beneficiaries will be contacted in order to respond to a follow up survey which also contains the latest monthly labor income. The indicator will compare the group average income before and after the intervention. Drop outs of the training courses will also be contacted in the follow up survey. Within the one year time frame between the finish of the internship and the follow up survey, beneficiaries will be contacted at least one time by phone in order to evaluate their employability conditions.
Increase in the placement rate of MPED' beneficiaries in a job with at least minimum salary one year after completing the training.	The same methodology of the first indicator will be applied for this one. Job placement would be considered salaried job or self-employed if the combined monthly labor income reaches at least the minimum salary.
Increase in the average earnings of youth entrepreneurs one year after completing the training.	The same methodology of the first indicator will be applied for this one.
Expansion of geographical coverage of Skills Development Programs.	At least one program among the Skills Development Programs should be implemented in the city in order to count for this indicator.
<b>Intermediate Results Indicators</b>	
Indicator Name	Description (indicator definition etc.)
Direct project beneficiaries	Cumulative Indicator: Includes all the beneficiaries that initiate the skills development programs supported by the Project.
Female beneficiaries	This indicator measures the percentage of women as Direct Project Beneficiaries.

Number of Project beneficiaries in the two MPED modalities that have completed the certification of competencies.	Cumulative Indicator. Based on previous local and regional experiences, the graduation rate is estimated at 80%.
Number of micro-entrepreneur participants that have completed the technical assistance phase.	Cumulative Indicator. Based on previous local and regional experiences, the graduation rate is estimated at 80%.
Number of Project beneficiaries that have completed secondary education with Project support.	Cumulative Indicator. Based on previous local and regional experiences, the graduation rate is estimated at 80%.

## **Annex 2: Detailed Project Description**

### **BOLIVIA: Improving Employability and Labor Income of Youth Project**

#### **Project Description**

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

2. The proposed Project will strength the implementation of an existing Skills Development Program for poor youth called MPED and will support the development and implementation of two pilots of complementary skills development programs also for poor youth. Youth that are no longer in school and are poorly connected with the labor market, face two types of constrains that affect their employability: (i) lack of job-relevant skills (technical, behavioral and basic skills), and (ii) reduced entrepreneurship skills. Increasing employability would imply, improving the knowledge, skills and behavior that will serve individuals as they transition to the labor market. In addition to providing technical skills training, the proposed Project combines three types of skills development programs that would address the constraints related to lack of skills and would provide opportunities to develop job practices. Public and Private training providers will enter in agreement or will be contracted using performance-based contracting, partially linked payments to outputs and outcomes, such as successful completion of training and successful labor market insertion. The proposed Project will target both male and female poor youth, and will provide differentiated support to female poor youth with children. In addition to extensive monitoring, the proposed Project will support the implementation of the impact evaluation of one of the pilot programs, in order to generate evidence and support for assuring sustainability and increasing the scale.

3. Direct beneficiaries of the proposed Project include three groups: (i) 8,200 poor youth ages 17-26, with at least primary education who are interested in 1500 or 700 hours<sup>11</sup> of a combination of life, behavioral and technical training courses plus internship (medium and auxiliary level technicians); (ii) 2,500 poor young owners of micro enterprises ages 22-35, with at least primary education who are interested in entrepreneurship training and technical assistance; and (iii) 4,200 poor youth ages 17-26, with at least primary education who are interested in completing remedial secondary education courses (maximum 3 years). Eligible cities for training provision are: the 9 departmental capital cities (Trinidad, Sucre, Cochabamba, La Paz, Oruro, Cobija, Potosi, Santa Cruz, and Tarija), the City of El Alto, and 5 intermediate cities with more than 50,000 inhabitants.

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<sup>11</sup> 2,400 and 1,600 academic hours, respectively.

## Project Components

### 4. Component 1 – Improving and expanding the Skills Development Programs (US\$15.8 million IDA).

5. **Sub-component 1.1 - Improving and expanding the *Mi Primer Empleo Digno* Program (MPED) in Selected Cities (US\$10.6 million IDA).** The objective of this Sub-Component is to improve and expand the existing MPED as an intervention to increase employability and labor income of poor youth living in urban areas of the Selected Cities<sup>12</sup> through: (i) the provision of training for medium and auxiliary level technicians; and (ii) the provision of MPED stipends, all for Eligible MPED beneficiaries. MPED is a Skills Development Program, comprising a vocational in-class training session coupled with internships in private and public sector firms, in such a way that poor youth gain practical experience and acquire life skills that help them succeed in the workplace. Eligible MPED beneficiaries are poor youth ages 17-26 years who have completed at least primary education. This Sub-Component will finance the training services and MPED stipends for eligible MPED beneficiaries.

6. MPED is an ongoing Skills Development Program financed by the World Bank through the Investment in Children and Youth Project (ICY Project) (Credit 4396-BO), comprising a vocational in-class training session coupled with internships in private and public sector firms, in such a way that poor youth gain practical experience and acquire life skills that help them succeed in the workplace. Following a pilot of 2009-2010 financed by the GoB, and after a major redesign supported by the WB Project, the MTEPS launched the expansion phase in the six largest cities of Bolivia by the end of 2011. The main features of that expansion phase of MPED are: (i) the training curricula is homogeneous, consistent with the dynamic areas of the economy using a competency based methodology and prepared by the MTEPS in coordination with the ME and certified technicians, (ii) training courses continue to be opened based on the registration of demand of interns by private firms; (iii) stipends during the three months period of in class training consider an additional amount for mothers to cover costs of child care; (iv) on average the training courses cover 1,500 hours in 7 months to reach the minimum level of medium level technician (3 months of in class training, 3 months of internship and 1 month to complete the competence certification); and (v) after a certification of competencies, trainees get the certification of medium level technician of the ME. During the expansion phase financed by the ICY Project, the MPED maintains the original target population composed of poor youth between 18-24 years old who completed at least primary education. Besides age, the criteria to select beneficiaries involved a self-declaration of monetary household income as well as two other proxies variables (basic education in a public school and energy bills). The ICY Project will continue financing the MPED until the end of 2014.

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<sup>12</sup> 9 departmental capital cities (Trinidad, Sucre, Cochabamba, La Paz, Oruro, Cobija, Potosi, Santa Cruz, and Tarija), City of El Alto and 5 intermediate cities with more than 50,000 inhabitants and located 50 kilometers away from the Trinidad, Sucre, Cochabamba, La Paz, Oruro, Cobija, Potosi, Santa Cruz, Tarija, and El Alto.

7. In the two years of implementation of MPED, the graduation rate increased from the pilot, especially within the youth mothers; and the placement rate in quality jobs reached almost 60 percent between nine months and one year after completing the internship.<sup>13</sup>

8. This Sub-Component will aim at improving the MPED's coverage from less than 650 to 1,400 young people per year during the six years of implementation, expanding geographical coverage from 6 to 15 Selected Cities, expanding the age range from 18-24 to 17-26; enhancing the Program with the introduction of a new line of training for auxiliary technicians; and creating a synergy with the public training network for youth and adults.

9. This Sub-Component is expected to finance the new phase of MPED for six years from the beginning of 2015. The main features of the Program are:

- a. Registration and Selection of Eligible MPED Beneficiaries – Conditions of eligibility. All MPED beneficiaries will be identified by the MTEPS. For this new phase of the Program, the age range of eligible population will be extended from 18-24 to 17-26, following the demands received during the expansion phase. Young population below 18 years old will begin in-class training and wait until they are 18 to initiate the internship. The criteria of selection applied by the NCU based on the information collected by DPOs include a monetary per capita income equal or below the level of the poverty line (adjusted every year), and the certification of completion of primary education, and one of the other proxy variables (e.g., applicants have studied in public school or the per capita consumption of energy in the household would be equal or less the maximum consumption to apply for the solidarity energy rate). Application to the MPED is permanently open. A unified beneficiary selection instrument for social programs is being developed and would replace the actual targeting and selecting procedures. UDAPE has already completed the design of the mechanism (the proxy means test), and is currently undertaking a census of the poorest areas of urban areas in Bolivia. The MTEPS operational manual will be revised and agreed with the Bank as soon as the targeting instrument enters in operation to incorporate the use of targeting instrument in the application and eligibility determination of youth participants.
- b. Assignment of Eligible MPED Beneficiaries to training courses. The NCU, using the MIS, will assign eligible MPED beneficiaries on a first-in first-serve basis to training courses as soon as the list of eligible applicants in a city for a specific course reaches 30, and matches with the effective demand for interns. DPOs promote the Program among the employers. Employers apply for interns through an online registration form in the SPE website. DPO's officers visit employers to ratify the application and sign an agreement.
- c. MPED training courses description. This Sub-Component will finance two types of training courses modalities: medium level technicians with 1,500 hours of training and

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<sup>13</sup> Preliminary results of a tracking survey which evaluates the improvement in the employability conditions of graduates after the training conducted by UDAPE in 2014.



auxiliary level technicians with 700 hours.<sup>14</sup> The main characteristics of both modalities are described below:

- i. Medium level technicians. These training courses of 1,500 hours combine three phases. The first phase is called development of competencies, and includes in class training provided by a training institution for 3 months and includes: i) a basic competencies module (Math, Language and communication and ITC knowledge) of 100 hours; ii) a generic competencies for job insertion module (psycho-social and remedial-related activities, skills for development entrepreneurship, and definition of job planning) of 240 hours; and iii) a technical competencies module (training where beneficiaries will complete their internship) of 500 hours. The second phase is called consolidation of competencies and includes an internship in public or private firms for another 3 months which is supported by the training institution with a workshop every 15 days to provide supplementary in-class training. Firms that request interns have to fill out an on line form in the webpage of the SPE and receive a visit from an employment office agent in order to complete the letter of intention. The third phase is called validation of competencies which includes technical assistance to each of the graduates in the type of job insertion defined during the course. If the graduate failed to present a contract for a salaried work or a start-up of an entrepreneurship, the Program conducts an external competence evaluation. After finishing the third phase, graduates receive a certificate of medium level technician issued by the Ministry of Education. It is expected that during the six year execution of the proposed Project, 6,000 youth would initiate the courses of the MPED modality of medium level technician. The Sub-Component will finance the training course and trainee stipends during the in-class and internship phases. Stipends in both phases are linked to the minimum salary which has an annual frequency of actualization. In the case of stipends during internship, the GOB through the proposed Project will finance 70 percent of the minimum salary and the firm should finance at least the other 30 percent. The unit cost in 2013 was roughly US\$1300 (approximately 65 percent is the cost of training and the rest is the cost of stipends for beneficiaries in two phases). Cost estimations for the proposed Project include assumptions of changes in the cost of the training courses and the minimum salary for the six years of implementation.
  
- ii. Auxiliary level technicians. In addition to the medium level modality described above, the new phase of the Program will include the provision of a new modality of training with certification of the Ministry of Education: Auxiliary level technician (700 hours). Beneficiaries will have one month of internship (320 hours), and in-class technical training would be reduced to 380 hours distributed over two months of training. It is expected that during the six year execution of the proposed Project, another 2,200 youth would initiate the courses of the MPED modality of auxiliary level technician. The unit cost estimation is roughly US\$660 (approximately 50 percent is the cost of training and the rest is the cost of stipends

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<sup>14</sup> 2,400 and 1,600 academic hours, respectively.

for beneficiaries). In the case of stipends during internship, the GOB through the proposed Project will finance 70 percent of the minimum salary.

- d. Training Providers. For this new phase of the Program, the implementation of the MPED will combine private and public providers. In the case of private providers, the Program will continue working with an open network of certified Training Institutions called ICAPs (*Institutos de Capacitación*). In the case of the new cities where the Program will be implemented, the proposed Project will assist the GoB in providing guidance, advice and support to eligible training suppliers, including the implementation of workshops and orientation sessions. In the case of public providers, the Program will sign an Inter-Institutional Agreement with the Ministry of Education (ME) to assign some training courses to the network of CEAs (*Centros de Educación Alternativa*).
- e. Standard Unit Cost for Public Providers. For those public providers, the MTEPS has a schedule of standard unit cost which includes the incremental operating cost of CEAs to provide the training courses, including inter alia the extra hour's salary for teachers, teaching materials, and inputs. These standard unit costs would be defined by MTEPS in accordance with the Bank. Calculation methodology will be included in the MTEPS Operational Manual. The schedule of costs would be updated at least annually to incorporate courses for additional registered occupational courses and to take into account other modifications.
- f. MPED Stipends. This Sub-Component will finance a daily stipend equivalent to Bs. 400 per month during the training phase per beneficiary, which will be increased by Bs. 100 for women with children below 6 years old. That amount should be sufficient to cover meals, transportation costs, and the day care of children during the time of training. The MTEPS would annually revise the stipend amount in accordance with the Bank. During the internship phase, the proposed Project will finance a monthly stipend of 70 percent of the minimum salary. The other 30 percent of the minimum salary will be paid by the firm. MPED Stipends paid by the proposed Project will be directly transferred from the NCU to the eligible MPED beneficiaries through the banking system.

10. **Sub-Component 1.2 – Implementing the pilot Micro-Entrepreneurs Skills Training and Technical Assistance Program (MESTTA) in Selected Cities (US\$1.2 million IDA)**. The objective of this Sub-Component is to increase the incomes of existing micro-entrepreneurs through the implementation of the pilot MESTTA in Selected Cities through: (i) the design and implementation of training on, *inter alia*, math, language, communications, ICT knowledge, and entrepreneurship skills; (ii) the provision of technical assistance to, *inter alia*, improve and strengthen: (A) the eligible micro-entrepreneur's skills on the applicable occupational area, and (B) the eligible micro-enterprise's business plan and access to finance; and (iii) the provision of micro-entrepreneur stipends; all for eligible micro-entrepreneurs. This pilot comprises training and technical assistance for upgrading the skill content of micro-entrepreneurs activities and helping them to improve productivity and scaling up their business. Eligible micro-entrepreneurs are poor young micro-entrepreneurs ages 22-35 years who have completed at least primary education and have managed the eligible micro-enterprise at least for one year. This Sub-

Component will finance the training services, technical assistance and micro-entrepreneur stipends for eligible micro-entrepreneurs. The main features of the Program are:

- a. Registration and Selection of Eligible Micro-Entrepreneurs and Eligible Micro-Enterprises – Conditions of eligibility. The eligible micro-entrepreneurs are low income youth adults between 22-35 years old who have completed at least primary education and who already have a business. The targeting mechanism will be the same proposed for the new phase of MPED. All beneficiaries for the MESTTA will be identified and selected by the MTEPS. The registration form will be completed at the level of DPOs and will ask some basic questions about the entrepreneurship, including the area occupation, year of creation, type of products/services, name of partners, etc. That information will allow the MTEPS to select eligible micro-entrepreneurs and eligible micro-enterprises. Only eligible micro-entrepreneurs who manages eligible micro-enterprises. Enterprises that receive a positive technical evaluation about their business plan, and have local pertinence, viability and sustainability, would be accepted for the Program. The criteria for selecting eligible micro-enterprises is set forth in the MTEPS Operational Manual. It is expected that during the six year execution of the proposed Project, 2,500 young entrepreneurs would initiate the training and technical assistance.
- b. MESTTA Description. MESTTA comprises two phases. The first phase would be a two-month module of 160 hours which includes basic competencies (Math, Language and communication and ITC knowledge) combined with skills for entrepreneurship (development of entrepreneurial traits and skills, including entrepreneurial education, access to financing and technical knowledge of business). The second phase will include technical assistance for a maximum period of ten months which include specialized technical assistance in the occupational area (production of goods or provision of services), strengthening and improving the business plan (financial, marketing, organizational, tax and social security formalization), support for business management in the financial area (access to financing), and in the area of markets and sales (brand, logos, etc.). Each entrepreneurship will receive a monthly visit during the period of ten months (4 hours of personalized TA every month).
- c. MESTTA providers. The proposed Project will assist the GoB in improving the capacity of training suppliers to design courses that meet the requirements of entrepreneurs and develop a technical assistance method that provides a homogeneous assistance to all beneficiaries, while at the same time provides flexibility to adapt to special requirements of assistance. The Program will build on the experience of Technical Assistance and Training Institutions (ICAPs). The proposed Project will assist the GoB in providing guidance, advice and support to eligible training suppliers, including a process of certifying them, through workshops and orientation sessions. The proposed Project will annually contract providers in each city for an estimated number of entrepreneurs and will finance the contract based on certified advances of activities. Each entrepreneur will be assigned to one provider, assistance to in class courses will be verified through objective mechanisms, and technical assistance would be verified through spot checks coordinated by local MTEPS supervisors.

- d. Micro-Entrepreneur Stipends. The proposed Project will finance a daily stipend equivalent to Bs. 400 per month during the training phase per beneficiary, which will be increased by Bs. 100 for women with children below 6 years old. That amount should be sufficient to cover meals, transportation costs, and the day care of children during the time of training. The MTEPS would annually revise the amount stipend in accordance with the Bank. Micro-entrepreneur stipends paid by the proposed Project will be directly transferred from the NCU to the eligible micro-entrepreneur through the banking system.

11. **Sub-Component 1.3 – Implementing the Pilot Remedial Secondary Education in Selected Cities (US\$4.0 million IDA)**. The objective of this Sub-Component is to provide a second chance of formal education to poor youth for improving the access to jobs through the implementation of the Remedial Secondary Education Program in Selected Cities through the provision of student stipends to eligible students for a period that shall not exceed three school years. Secondary education certification has become a critical constrain for young population living in Bolivian urban areas to access quality jobs in the most dynamic economic industries, like financial or service sectors. These eligible students are poor youth ages 17-26 years who have completed at least primary education. The service will be provided by public institutions of the Ministry of Education (ME). The proposed Project will finance student stipends for eligible students. The main features of this intervention are:

- a. Registration and Selection of Eligible Students – Conditions of eligibility. The eligible students are low income youth adults between 17-26 years who have completed at least primary education. The targeting mechanism will be the same proposed for the new phase of MPED. All beneficiaries for the Program of basic skills certification will be identified and selected by the MTEPS, through the DPOs. It is expected that during the six year execution of the proposed Project, 4,500 youth would initiate the training courses.
- b. Training Course description and providers. The MTEPS will reach an Inter-Institutional agreement with the ME to use the network of CEAs (*Centros de Educación Alternativa*). CEAs provide courses of remedial secondary education with technical orientation in which beneficiaries can complete the 6 years of secondary education in 3 years. The proposed Project will not finance the CEAs.
- c. Student Stipends. The proposed Project will finance a daily stipend equivalent to Bs. 200 per month for a maximum period of three school years (period of 10 month per calendar year), which will be increased by Bs. 75 per month for women with children below six years old. That amount should be sufficient to cover transportation costs and the day care of children during the time of training. The MTEPS would annually revise the amount stipend in accordance with the Bank. Courses in CEAs with assigned beneficiaries from MTEPS will have a mechanism to register the assistance electronically. Student stipends would be paid to beneficiaries to a maximum period of three consecutive years. Student stipends will be directly transferred from the NCU to the eligible students through the banking system.

12. **Component 2 – Strengthening the Implementation Arrangements to Administer, Monitor and Evaluate Skills Development Programs. (US\$4.2 million IDA; US\$1.5 million GOB).**

13. **Sub-Component 2.1 – Strengthening the implementation arrangements and the institutional capacity of the MTEPS to administer and coordinate the Skills Development Programs. (US\$3.75 million IDA; US\$1.5 million GOB).** This Sub-Component will provide support for: (i) designing and implementing a Management Information System (MIS) for the Skills Development Programs through the provision of: (1) technical assistance to design said system; (2) ICT equipment; and (3) training for MTEPS’ staff responsible for operating and maintaining said system; (ii) designing and implementing an information and communication strategy to promote the Skills Development programs among potential beneficiaries, training institutions and employers through the provision of technical assistance and goods; and (iii) strengthening MTEPS’ capacity to administer and coordinate the Skills Development programs through the provision of technical assistance (including the proposed Project audits), Operating costs; and the acquisition of Information, Communication Technology (ICT) equipment. Specifically, this Sub-component will provide support for the following activities:

- a. Management Information System for Skills Development Programs. Based on the existing MIS of the MPED, the proposed Project will design a full MIS to support the implementation of Skills Development programs. The system will include: (i) selection and registration of eligible youth (the module will include the capability to use the unified beneficiary selection instrument for social Programs managed by UDAPE); (ii) allocation of eligible beneficiaries to training providers, (iii) implementation and monitoring of the in-class training phase of each program; (iv) implementation and monitoring of internships, (v) monitoring the skills certification process of beneficiaries; (vi) managing the stipends payment in all training phases; (vii) monitoring the results of former trainees in the labor market, and (viii) the managerial module. The proposed Project will finance consultancies to upgrade the existing MIS design and software, some IT-related equipment and training for staff responsible for operating and maintaining the system at national and local level.
- b. Information and Communication strategy. Implementing the three employment services supported by the proposed Project (MPED, basic skills certification and training and TA for micro entrepreneurship) will be accompanied by an information and communication strategy focused on the promotion of the Programs among potential beneficiaries, training institutions and employers, involving activities, socialization workshops, focus groups, mass media promotion at local level, leaflets and booklets. The existing information and communication strategy of the MPED will be improved and integrated with other employment services initiatives. MTEPS will coordinate the implementation of the communication in an integrated manner with all the services managed by the SPE. The proposed Project will finance the design of pieces of communication for media, printing of materials and minutes of TV and radio.
- c. Institutional support. The proposed Project will support the institutional arrangements of the MTEPS at the national level and in the cities where the employment interventions

operate. Specific activities include consultancies to support the implementation of proposed Project interventions, and support to enhance the financial management and procurement capacity of the MTEPS to administer and supervise the agreements and contracts with public and private training providers. The proposed Project will support the NCU at the MTEPS with operating costs and IT-related equipment. The proposed Project support to employment interventions' implementation will be provided on a declining basis to support the sustainability of the management of those activities.

**14. Sub-Component 2.2 – Strengthening the institutional capacity of UDAPE to improve the evaluation of the Skills Development Programs. (US\$0.45 million IDA).** This Sub-Component will provide support for: (i) carrying out mid-term process evaluations of the Skills Development Programs in order to identify, and thereafter address any identified problems; (ii) monitoring the results and outcomes resulting from the implementation of the Skills Development Programs through: (1) carrying out beneficiary surveys; and (2) carrying out an impact evaluation of the MESTTA Program; and (iii) providing technical assistance to improve UDAPE's financial management and procurement capacity, and to carry out proposed Project audits. Specifically, this Component will provide support for the following activities:

- a. Process evaluation of Skills Development Programs. In order to help the MTEPS management team to improve the proposed Project interventions during implementation, the proposed Project will finance mid-term process evaluations of the three Skills Development Programs supported by the proposed Project. Using quantitative and qualitative instruments, the process evaluation will review the efficiency of proposed Project interventions and the ability to reach the intended outcomes. Specifically, the process evaluation will look at employment service organization, adequacy of funds for administration and monitoring, mechanism of contracting training providers, effectiveness of the payment system, among other aspects. Operational bottlenecks detected by the process evaluations will be corrected for the second part of proposed Project implementation.
- b. Tracking survey analysis and Impact Evaluation. The results and outcomes of the Skills Development Programs supported by the proposed Project will be measured through a tracking survey for beneficiaries conducted by UDAPE. Following the experience of the ICY Project, the proposed project will support UDAPE to conduct tracking surveys to beneficiaries of the Skills Development Programs to assess the placement rate and the income level resulting from proposed Project interventions. Additionally, the proposed Project will also support UDAPE to conduct, in coordination with MTEPS, an impact evaluation analysis of the pilot MESTTA. Impact Evaluation methodology will be developed before the MESTTA launching.
- c. Institutional support. The proposed Project will support the institutional arrangements of the UDAPE to implement this Sub-Component. Specific activities include consultancies to enhance the financial management and procurement capacity of UDAPE.

## **Annex 3: Implementation Arrangements**

### **BOLIVIA: Improving Employability and Labor Income of Youth Project**

#### **Project Institutional and Implementation Arrangements**

##### **Implementation Entity**

1. The MTEPS, through the National Coordination Unit (NCU) attached to the General Directorate of Employment (DGE), is the implementing entity and has the overall responsibility for Project implementation, except for Project activities under Sub-Component 2.2. The NCU was created in 2009 with the purpose of carrying out technical, administrative and financial management of Component 2, “Improving and expanding a skills development program for low income unemployed youth living in urban and peri-urban areas,” of the Investment in Children and Youth Project (Cr. 4396-BO/P101084). Its capacity would be strengthened to manage the training and employment services feature (Component 1 “Improvements and expansion of training programs” and Sub-Component 2.1 “Support the management of training program”) of the proposed Project and it would receive support from the DGE in cross cutting activities. The NCU will be also coordinating the activities with the ME and the local project offices (Departmental Project offices –DPO- or municipal employment offices).

2. Sub-Component 2.2 would be implemented through UDAPE, a decentralized unit in the Ministry of Development Planning.

##### **Implementation arrangements**

3. Except for Sub-component 2.2, Project coordination and day-to-day oversight will be the responsibility of the Coordinator of the NCU. The NCU will receive technical assistance to carry out the following activities: (i) coordinating, planning, monitoring and overseeing the Project in coordination with DPOs or Municipal Governments in the eligible cities; (ii) promoting the Project; (iii) selecting and contracting the MPED training courses; (iv) selecting and contracting training and technical assistance for productive micro entrepreneurs; (v) administering the payment of stipends to beneficiaries; and (vi) supervising the activities of DPOs and municipal offices in charge of implementing the Project at local level. The cost of project implementation will be financed by the Credit and national and municipal counterpart funds.

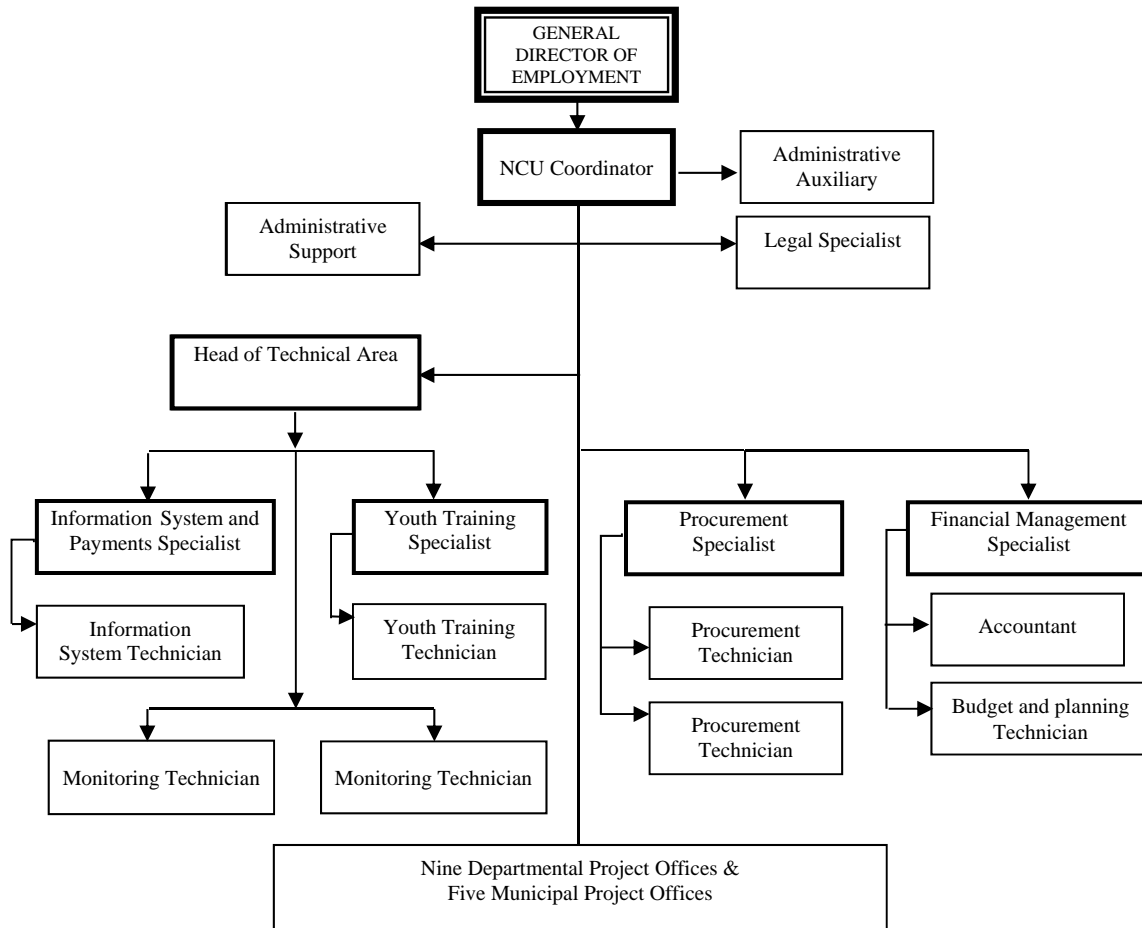
4. The NCU comprises 18 staff fully financed by the ICY Project. The National Coordinator will be responsible for the following tasks:

- a. To coordinate, plan, monitor and supervise the Project in all its components and activities, in coordination with the DGE and the municipal offices where the Project operates;
- b. To coordinate joint actions of skills certification with the Ministry of Education;
- c. To develop the Project management tasks and activities, in conjunction with the administrative area, related to annual operating and procurement plans;
- d. To centrally manage the stipends payment to beneficiaries through banking system;
- e. To contract de annual financial audit and follow up on timely reporting;

- f. To supervise physical and financial execution of the Project, elaborate progress reports that include technical and financial aspects; to monitor the correct and timely implementation of the Project in all its areas;
- g. To ensure compliance with the rules and procedures, requesting no objection and others.
- h. To coordinate the implementation of the communication and information strategy together with one of the strategic areas of the DGE and municipalities at local level.
- i. To contribute to the elaboration terms of reference for the process of selection of the training institutions;
- j. To ensure the maintenance of updated data in the program register of training institutions that may be part of the actions provided by the Project;
- k. To identify the proper areas and contents to strengthen the work of the training institutions;
- l. To promote and disseminate the Program among the productive sector institutions and private and public sector enterprises that may become potential suppliers of services.



**Figure 3.1. MTEPS Organizational Chart for Project implementation**



5. The MTEPS developed the competence based training curricula which are recognized for the ME for the certification of the courses. These standard curricula are used for the ICAPs for delivering the courses. The ICAPs are also responsible for jointly supervising, with the staff of the Departmental Project Offices, the training process during the internship. The ICAPs participating as training providers are included in a registry created for Project purpose at the MTEPS.

6. MTEPS has an Inter-Institutional Agreement with the ME for the certification of the curricula of training courses of MPED and for the provision of a joint certificate to the Program graduates. For the proposed Project, the MTEPS will extend that agreement, under terms and conditions acceptable to the Association, including the: (i) coordination mechanism between MTEPS and ME to be followed in connection with the implementation of Sub-Components 1.1 and 1.3 of the Project; (ii) certification of the curricula and the provision of certificates for Auxiliary level technicians (Sub-Component 1.1); and (iii) provision of the training course of MPED and the Remedial Secondary Education Program (Sub-Component 1.3), through its network of *Centros de Educación Alternativa* (CEAs).

7. At the local level, the Project will operate through the DPOs in the nine department capitals, plus the City of El Alto. The Project will support the strengthening of the DPOs to manage the new training and employment services, expanding the number of technical staff and IT-related items, and financing additional operating costs. The main activities of the DPOs, which are integral part of the SPE offices, are: (i) promoting the program in the cities, (ii) registering applications of young participants and firms, (iii) providing information and orientation to beneficiaries and training providers, and (iv) supervising the training courses in their two phases – in-class and the internships. Local staff of DPOs is also responsible for the monthly collection of the information registered by the biometric tool, which is installed in each training institution to monitor the participants' attendance. This information is sent to the NCU through the MIS and supports the stipends payment. In order to implement the Project in the five intermediate cities, the MTEPS will reach agreements with Municipal Governments to operate the Project through the municipal employment offices or related areas. As part of the agreement, those municipal offices or areas would at least implement the same activities that the DPOs. The NCU will be responsible for centrally contracting and paying the training providers in the fifteen eligible cities.

8. In order to implement the Project in the five intermediate cities, the MTEPS will reach agreements with Municipal Governments (Municipal Agreements) to operate the Project through the municipal employment offices or related areas. As part of these agreements, each Municipality would be responsible for the implementation of the Skills Development Programs in their area and for the provision of counterpart funds to finance staff and operating costs. The Project would support the strengthening of the municipal employment offices in the five intermediate cities with IT-related items. The NCU will be responsible for centrally contracting and paying the training providers in the 15 eligible cities.

9. The UDAPE would be responsible for the implementation of Sub-Component 2.2. UDAPE is a decentralized unit in the Ministry of Development Planning created pursuant the Supreme Decree No. 24847, dated September 20, 1997, and is the implementing agency of Component 3 of the ICY Project. It has coordinated the process and the tracking survey analysis of the Programs supported for that Project. Procurement and financial management activities would be managed through UDAPE's regular staff.

### **Implementation timeline**

10. The timeline for implementation of Project activities is as indicated in Table 3.1. Implementation support and Monitoring and evaluation activities for each component are not included as these will be developed during the overall implementation period of the Project.

**Table 3.1: Timeline for Project Activities**

<p><b><u>Sub-Component 1.1</u></b> Improving and expanding the <i>Mi Primer Empleo Digno Program</i> (MPED)</p>	<p><b><u>Sub-Component 1.2</u></b> Skills training and technical assistance Program for micro-entrepreneurs</p>	<p><b><u>Sub-Component 1.3</u></b> Secondary adult education for improving labor market insertion</p>	<p><b><u>Sub-Component 2.1</u></b> Strengthening the implementation arrangements of the MTEPS to administer employment services</p>	<p><b><u>Sub-Component 2.2.</u></b> Monitor and evaluation of employment services</p>
<b>Activities Year 1</b>				
<ul style="list-style-type: none"> <li>• Redefine the communication and information strategy of the MPED.</li> <li>• Execute the promotion of the MPED for youth and firms in the 15 selected cities.</li> <li>• Open the registration of youth and firms in coordination with the SPE.</li> <li>• Procure the training courses with private training institutions (estimated 25 training courses per semester in this first year).</li> <li>• Perform the agreement with the Ministry of Education to use the CEAs network (estimated 5 training courses per semester in this first year).</li> </ul>	<ul style="list-style-type: none"> <li>• Define the content of the in-class training for entrepreneurs.</li> <li>• Define the content and extension of technical assistance to be provided to entrepreneurs.</li> <li>• Provide orientation and guidelines on the Program to training and technical assistance institutions.</li> <li>• Establish a registry of training providers for the Program.</li> <li>• Define the communication and information strategy of the Program.</li> <li>• Execute the promotion of the Program for youth entrepreneurs.</li> <li>• Open the registration of youth entrepreneurs.</li> <li>• Initiate the courses in at least 6 Selected Cities.</li> </ul>	<ul style="list-style-type: none"> <li>• Perform the agreement with the Ministry of Education to use the CEAs network.</li> <li>• Identify the CEAs in each of the 15 selected cities that would be linked with the Project to provide secondary education certification.</li> <li>• Conduct workshops with CEAs and ME authorities to clarify the Program operation and the responsibilities of the CEAs staff in the Program execution.</li> <li>• Define the communication and information strategy of the Program.</li> <li>• Execute the promotion of the Program for youth in those cities with identified CEAs.</li> <li>• Open the registration of youth.</li> <li>• Initiate the courses in at least 6 Selected Cities.</li> </ul>	<ul style="list-style-type: none"> <li>• Contract the additional staff for NCU and local offices.</li> <li>• Perform the implementing agreements with municipalities in the 5 selected intermediate cities.</li> <li>• Procure IT related items and office inputs for DGE, NCU, and local units.</li> <li>• Establish the payment system for beneficiary stipends.</li> </ul>	<ul style="list-style-type: none"> <li>• Perform the tracking survey for MPED.</li> <li>• Design and collect the baseline of impact evaluation for the at least one pilot training Program.</li> </ul>
<b>Activities Year 2</b>				
<ul style="list-style-type: none"> <li>• Training on-going.</li> <li>• Perform a process evaluation of the Program execution through CEAs.</li> <li>• Extend the courses in at least 10 Selected Cities.</li> </ul>	<ul style="list-style-type: none"> <li>• Training on-going.</li> <li>• Extend the courses in at least 10 Selected Cities.</li> </ul>	<ul style="list-style-type: none"> <li>• Training on-going.</li> <li>• Extend the courses in at least 10 Selected Cities.</li> </ul>		<ul style="list-style-type: none"> <li>• Perform the tracking survey for MPED.</li> <li>• Impact evaluation on-going.</li> </ul>
<p><b>Activities Year 3 to 5</b> (The Project Mid-Term Review (MTR) is expected to take place half way through Year 3 and activities will be refined according to the results of the MTR)</p>				
<ul style="list-style-type: none"> <li>• Training on-going.</li> <li>• Extend the courses in at least 12 selected cities (Year 3) and in</li> </ul>	<ul style="list-style-type: none"> <li>• Training on-going.</li> <li>• Extend the courses in at least 12 selected cities (Year 3) and in</li> </ul>	<ul style="list-style-type: none"> <li>• Training on-going.</li> <li>• Extend the courses in at least 12 selected cities (Year 3) and in</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of skills development strategy for youth (Year 4).</li> <li>• Preparation of plan for</li> </ul>	<ul style="list-style-type: none"> <li>• Perform the tracking survey for MPED.</li> <li>• Impact evaluation on going. Perform the</li> </ul>

the 15 selected cities from year 4 to 6.	the 15 selected cities from year 4 to 6.	the 15 selected cities from year 4 to 6.	continuation of training after the closure of the Project (Year 5).	following survey of impact evaluation of at least one pilot training Program.
<b>Activities Year 6</b>				
<ul style="list-style-type: none"> <li>• Training on-going and establishment of the required mechanisms to ensure the continuation of the training.</li> </ul>	<ul style="list-style-type: none"> <li>• Training on-going and establishment of the required mechanisms to ensure the continuation of the Program.</li> </ul>	<ul style="list-style-type: none"> <li>• Training on-going and establishment of the required mechanisms to ensure the continuation of the Program.</li> </ul>	<ul style="list-style-type: none"> <li>• Conclusion of skills development strategy for youth.</li> </ul>	<ul style="list-style-type: none"> <li>• Conclusion of the impact evaluations for Program adjustment.</li> <li>• Disseminate the results of tracking survey and impact evaluation.</li> </ul>

**Financial Management and Disbursements Arrangements**

11. A financial management capacity assessment was carried out to review the adequacy of the financial management arrangements, under: i) the Ministry of Labor, Employment and Social Security (MTEPS), through the National Coordination Unit (NCU), established within the General Directorate of Employment, for the implementation of *Mi Primer Empleo Digno – MPED*,<sup>15</sup> which would also undertake responsibility for proposed Project implementation; and ii) UDAPE, a decentralized entity that would undertake responsibility for the implementation of Sub-Component 2.2. It is expected that the proposed Project relies widely on existing financial management arrangements under both implementing entities. The purpose of this Annex is to spell out the main features of said arrangements, which are extensively based on the existing capacity and performance of MTEPS-NCU and UDAPE under the ICY Project.

12. In terms of the MTEPS’s Subcomponents, Project design is based on the existing *Mi Primer Empleo Digno Program* (supported by Component 2 of the ICY Project), and includes the expansion from 6 to 15 cities and participation of the Ministry of Education (ME). The MTEPS-NCU has put in place basic financial management arrangements and has developed expertise by implementing Component 2 of the ICY Project in the last five years. However, its effective operation has been affected by lack of qualified staff, long vacancies and weaknesses in internal controls. Based on the lessons learned, the following aspects have been discussed and properly reflected in the MTEPS Operational Manual: (i) streamlined and strengthened process and procedures including internal control; (ii) revised key processes, including controls and reporting mechanisms for the stipends payments through a payment platform service; and (iii) basic arrangements for the financing of incremental operating costs incurred by the Ministry of Education for the use of its Training Education Centers (CEAs), including the definition of the methodology for the determination of the unit cost to be used as basis of payments. The Inter-Institutional Agreement (IIA) that will be signed between the MTEPS and the ME will also include detailed procedures, as required in the Financing Agreement. In terms of UDAPE, it has adequate arrangements in place. Based on the above the Project FM risk is Substantial.

<sup>15</sup> Component 2 of the Investing in Children and Youth (Cr. 4396-BO).

13. Effective operation of proposed operational arrangements will depend on MTEPS's ability to attract and maintained qualified professionals. To this end, the MTEPS will contract out an external firm for all staff recruitment of the NCU.

14. Based on the assessment, and provisions taken for remaining actions, the proposed financial management arrangements are considered acceptable to the Bank.

### **Summary of Financial Management Arrangements**

15. **Use of Country Public Financial Management (PFM) Systems.** Similar to other projects in the Bolivia portfolio, the proposed Project budget will be fully integrated and executed through the National Budget, in compliance with local regulations established by the Ministry of Economy and Public Finance (MEFP),<sup>16</sup> as well as instructions issued by the Vice-Ministry of Public Investment and External Finance (VIPFE). Accordingly, project transactions will be accounted for in accordance with Governmental Accounting Standards, and would use the Chart of Accounts established by the Accountant General's Office (*Dirección General de Contabilidad Fiscal*). Project execution will benefit from the use of those well-functioning PFM elements including SIGMA and the Treasury Single Account (CUT). These basic arrangements will be supplemented, where needed, to make sure project needs and risks are adequately addressed, mainly as it relates to internal controls, financial reporting and auditing.

#### **i. FM Arrangements - MTEPS – NCU**

16. **Organizational arrangements and staffing.** The NCU is an implementing unit attached to the General Directorate of Employment, which has been created through a Ministerial Resolution as a decentralized unit and as such it has been granted with administrative autonomy. The NCU will undertake overall responsibility for financial management tasks required under Component 1 and Sub-component 2.1. To this end, it has been agreed that current financial management positions would be maintained, including a Financial Management Specialist, an Accountant and a Budget Technician. During project implementation, ten regional offices will be established and they will be in charge of the preparation of payment requests (ICAPs, Alternative Education Centers (CEAs) and stipends) and also of the monitoring of services provided by ICAPs and CEAs. In order to ensure timely selection and contracting of highly qualified and experienced staff, it has been agreed that for the new Project an external firm will be in charge of recruitment process of personnel.

17. **Planning and budgeting.** Similar to current MPED project, the project budget will be registered as a separated "*Dirección Administrativa*" within MTEPS's budget, which would allow that project budget execution is clearly identified. This arrangement will have to be ratified by a Ministerial Resolution. Therefore, its approval and any required budget modification will be subject to MTEPS's internal approval rules. For monitoring purposes, Project budget will be prepared by Project component and sub-component, and local budget catalogue, and it should be consistent with the respective Procurement Plan.

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<sup>16</sup> Law No. 2042, Supreme Decree No. 29881 dated January 7, 2009 – Regulations for Budgetary Modification.

18. **Accounting, Information system and financial reporting.** The use of SIGMA will be complemented with a management information system previously implemented under the ICY Project that allows recording project transactions by project component/sub-component, for automatic issuance of financial reports and statement of expenditures. It has been agreed that the same information tool would be used for the new Project. Therefore, MTEPS –through the NCU– needs to make the necessary arrangements for the required adjustments/updates to the information system before project implementation starts. Based on current project, it has been agreed that interim financial reports would provide information on: i) sources and uses of funds, reconciling items (e.g., advances to financial institutions) and cash balances, with expenditures classified by project component/ subcomponent; and ii) a statement of investments, reporting the current semester and the accumulated operations against ongoing plans, as well as notes to the financial statement explaining the most important variances. Interim financial reports (IFRs) described above would be submitted on a semi-annual basis, within 30 days after the end of each calendar semester. Based on the arrangements defined for use of a payment platform; the MTEPS Operational Manual includes the accounting policies for the recording, control and reporting of advances made to financial institutions, as well as documentation of advances and accounting of payments made to beneficiaries.

19. **Processes and procedures (including internal controls).** Overall, the NCU has to comply with local requirements related to administrative and control systems (SAFCO Law), which are partially integrated into the operation of SIGMA, as they relate to budget preparation and execution. Based on performance under the current Project (MPED), overall processes and procedures are being significantly strengthened to adequately support project implementation. The revised procedures provide for: i) clear definition of roles and responsibilities for the NCU, Regional Offices, and MTEPS’s line units, including enhanced coordination mechanisms among them; ii) rationalized and streamlined procedures, mainly for payment approval and authorization, iii) strengthened internal controls of the biometric system for the recording, control and reporting on beneficiary attendance for payment of stipends; iv) detailed procedures for the flow of information and funds through payment platform and financial entities (both advances, documentation and evidence of payment); and v) the methodology for the determination of the unit cost, which will serve as basis for the financing and payment of incremental operating costs incurred by the Ministry of Education, related with the use of its Alternative Education Centers (CEAs). Specific procedures for the payments to ME will be reflected in the Inter-Institutional Agreement between the ME and MTEPS; which will be reviewed and approved by the Bank.

**ii. FM Arrangements - *Unidad de Análisis de Políticas Sociales y Económicas (UDAPE)***

20. **Organizational arrangements and staffing.** UDAPE is a decentralized entity of the Ministry of Planning for Development (MPD). As such it has its own “*personería jurídica*” and it has been granted with legal, technical, economic, administrative and financial autonomy. Within UDAPE, its Financial Management Department will undertake responsibility for financial management tasks through its own personnel which consists of a group of experienced and qualified staff, including an Administrative Chief, one Accountant and one Assistant. If needed, during project implementation, this team would be strengthened with an FM professional.

21. **Planning and budgeting.** Project budget for Sub-Component 2.2. will be registered as part of UDAPE's budget. The above would allow that project budget execution is clearly identified. For monitoring purposes, project budget will be prepared by subcomponent and activity.

22. **Accounting, Information system and financial reporting.** The use of SIGMA will be complemented with a management information system previously implemented under the ICY Project that allows recording project transactions by Project component/sub-component, for automatic issuance of financial reports and statement of expenditures. It has been agreed that the same information tool would be used for the new project. Therefore, UDAPE needs to make the necessary arrangements for the required adjustments/updates to the information system. Interim financial reports would provide information on: i) sources and uses of funds, reconciling items and cash balances, with expenditures classified by project component/subcomponent; and ii) a statement of investments, reporting the current semester and the accumulated operations against ongoing plans, as well notes to the financial statement explaining the most important variances. Interim financial reports (IFRs) described above would be submitted on a semi-annual basis, within 30 days after the end of each calendar semester.

23. **Processes and procedures (including internal controls).** Overall, UDAPE has to comply with local requirements related to administrative and control systems (SAFCO Law), which are partially integrated into the operation of SIGMA, as they relate to budget preparation and execution. Additionally, specific processes and procedures for external financed projects are in place and these are operating appropriately, therefore, it was agreed that for the new project the current Operational Manual will be adjusted only to reflect the new project's structure.

### **iii. Audit Arrangements (for both implementers)**

24. MTEPS-NCU and UDAPE will provide to the Bank annual audit reports on project financial statements and management letters for its respective part of the Project. The above mentioned reports will be submitted to the Bank, within six months of the end of Borrower's fiscal year<sup>17</sup> (December 31). The audits should be conducted by an independent audit firm acceptable to the Bank and under terms of reference approved by the Bank. Audit cost will be financed out of credit proceeds and selection will follow standard Bank procedures. The scope of audit would be defined MTEPS-NCU and UDAPE in agreement with the Bank, based on Project specific requirements and responding, as appropriate to identified risks, including in the case of MTEPS-NCU the annual revision of the stipend calculation and payments made during the period under audit. Audit requirements will include the following:

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<sup>17</sup> In accordance with Bank's Guidelines, the first and last audits may cover a period of up to 18 months.

**Table 3.2: Audit requirements**

<b>Audit Type</b>	<b>Due Date</b>
Project financial statements	30-Jun
Special Opinions – SOE (only MTEPS-NCU)	30-Jun
Management Letter	30-Jun

25. Audited financial statements must be made publicly by each implementer in a manner acceptable to the Bank.

**iv. Flow of Funds and Disbursement Arrangements (for both implementers)**

26. Following the general practice of the current portfolio, the following disbursement methods may be used to withdraw funds from the credit: (a) reimbursement; (b) advance; and (c) direct payment. Under the advance method and to facilitate project implementation, Designated Accounts (DA) in US Dollars will be opened and maintained: i) by MTEPS's NCU for categories 1, 2 and 3; and ii) by UDAPE for category 4. Funds deposited into each DA as advances will follow Bank's disbursement policies and procedures, to be described in the Financing Agreement and in the Disbursement Letter.

27. In keeping with current arrangements established by the Vice-Ministry of Treasury and Public Credit for the operation, and use of a Single Treasury Account in US Dollars (CUT ME),<sup>18</sup> the DA will be opened and maintained as a separate *Libreta* within the CUT in US Dollars. Following the existing treasury arrangements, funds from CUT-ME will be periodically transferred to CUT in *Bolivianos* into a separate *Libreta* under the project name, from which all payments will be processed through direct transfers into beneficiary's bank account (consultants, suppliers, etc); and for advances to financial institution for further payment to project beneficiaries as described below.

28. The ceiling for advances to be made into the DA as well as the supporting documentation requirements to document project expenditures, and the minimum value for direct payments and reimbursements will be defined in the Disbursement Letter. Documentation of eligible expenditures paid out of the DA is expected to be on a quarterly basis.

29. **Disbursement of funds for the payment of stipends.** Payment of stipends to Project beneficiaries would be made through a payment platform connected to financial entities, provided by a service provider (SINTESIS). The process will be initiated with the issuance of a payroll generated by the biometric system used for the recording of beneficiaries' attendance to respective training, which is verified by the Regional Office and finally approved by NCU. The so approved payroll is uploaded in the payment platform and it becomes the basis for NCU to process the advances to financial institutions, which will process payments to project beneficiaries. Reports on payments made by each financial institution will be available to MTEPS-NCU's online. Additionally, on a monthly basis, SINTESIS will submit to MTEPS-NCU a

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<sup>18</sup> Supreme Decree No. 29236 dated on August 22, 2007.



detailed report on payments made –broken down by ICAP and training course, as the basis for NCU to record payments made and follow up on advances made. Finally, MTEPS-NCU will perform a reconciliation of the stipend payment request to the stipend payments made before submitting a customized SOE for disbursements under category 2.

30. Credit proceeds will be disbursed against the following expenditure categories:

**Table 3.3: Allocation of Proceeds of the Credit**

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SRD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Non-Consulting Services and Operating Costs under Part 1 of the Project	4,500,000	100%
(2) Stipends under Part 1 of the Project	5,780,000	100%
(3) Goods, Non-Consulting Services, Consultant’s Services (including Project audits), Training and Operating Costs under Part 2 (a) of the Project	2,430,000	100%
(4) Goods, Non-Consulting Services, Consultant’s Services (including Project audits), Training and Operating Costs for Part 2 (b) of the Project	290,000	100%
<b>TOTAL AMOUNT</b>	<b>13,000,000</b>	

## **Procurement**

31. **Applicable guidelines.** Procurement for the proposed Project will be carried out in accordance with the World Bank’s “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011 (Procurement Guidelines); “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011 (Consultant Guidelines), and the provisions stipulated in the Financing Agreement. The general description of various items under different expenditure categories is described below. For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements and time frame, are agreed between the Borrower and the Bank Project team in the Procurement Plan.

32. **Procurement of Works and Goods.** The financing of Works contracts is not foreseen in the Project. Goods procured under this Project would include, among others: IT and office equipment, software and office furniture Goods will be procured using International Competitive

Bidding (ICB) procedures unless estimated contract costs are between US\$200,000 and US\$50,000, in which case National Competitive Bidding (NCB) procedures apply, using Standard Bidding Documents (SBDs) agreed with, or satisfactory to, the Bank. Small contracts, estimated to cost less than US\$50,000 equivalent per contract, may be procured following Shopping procedures, on the basis of at least 3 valid quotations. All ICB process, the first two processes under any other procurement method per year and all Direct Contracting processes will be subject to prior review by the Bank. All other contracts will be subject to Bank's post review.

33. **Procurement of non-consulting services:** The Project will include services of logistics for training activities and workshops, services of public/private institutions and organizations for providing training (ICAPs) to low-income unemployed eligible beneficiaries, financial institutions for cash transfers to beneficiaries, survey services, services for communication campaigns, and printing and publishing. The procurement may follow the provisions of paragraph 3.3, 3.4 and 3.5 of the Procurement Guidelines and will be carried out using NCB or Shopping methods. Bidding documents for contracting of ICAPs agreed with or satisfactory to the Bank will be used. Direct contracting method may be used with previous justification satisfactory to the Bank. The procedures should be detailed in the MTEPS Operational Manual. No other non-consulting services are to be procured under the project. The first two processes under any other procurement method per year and all Direct Contracting processes will be subject to prior review by the Bank.

34. **Selection of Consultants' Services.** Consulting services will be contracted under this Project in the following areas of expertise, among others: Project management and administration, specialized advisory, technical assistance, design of training Programs, technical assistance, statistical services, design of a Managing Information Systems, design of public information campaigns, design and implementation of a certification mechanisms of ICAPs, impact evaluation studies, and financial audits. Consulting firms will be hired through a selection process using Bank's Standard Request for Proposals. Selection processes for hiring consulting firms will follow the method based in quality and cost (QCBS) unless the Bank agrees, after proper justification is submitted, with the use of selection methods based on quality (QBS), fixed budget (FBS), least cost (LCS), consultant qualifications (CQS) or single source (SSS). The use of CQS will be limited to contracts estimated to cost US\$100,000 equivalent. Individual Consultants will be selected in accordance with provisions set on paragraphs 5.1 through 5.6 of the Consultant Guidelines. Processes based on SSS of consultants (firms and individuals), and the first two processes per year for the selection of consultant (firms and individuals) under each competitive selection method, regardless of the estimated contract amount will be subject to Bank's prior review. All other contracts will be subject to Bank's post review. Short lists of consultant firms for services estimated to cost less than US\$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines

35. **Operating Costs.** Means reasonable recurrent expenditures (other than those for Consultants' Services and Non-Consulting Services) incurred by the Recipient or UDAPE for Project administrative costs, including, inter alia, office materials and supplies, operation and maintenance of office equipment, insurance, vehicle and equipment operation, utilities, rental, transportation, media campaigns, travel and per diem for purposes directly related to Project

supervision, and incremental operating costs paid on basis of unit cost specified in the MTEPS Operational Manual related to training provided by public institutions under Sub-Component 1.1 [Part 1 (a)] and Sub-Component 1.3 [Part 1 (c)] of the Project.

36. **Procurement implementation arrangements.** Procurement activities will be carried out by the two implementing agencies, MTEPS for all components except Sub-Component 2.2 which will be implemented by UDAPE. An assessment of the Borrower's capacity was carried out by the team and a detailed action plan was prepared to address all risks identified. Both administrative units are staffed by Procurement Specialists that has been involved in the implementation of the previous Bank operation (Cr. 4396-BO/P101084 - Investing in Children and Youth Project).

37. The administrative units will maintain procurement specialized staff, and MTEPS will hire an additional Procurement Technician with knowledge and experience in financed Projects. The experience gained by UDAPE in the implementation of previous projects with international financing such as ICY Project (Cr. 4396-BO/P101084), suggests that UDAPE has reasonable institutional capacity to handle all aspects of procurement. During the assessment, the organizational structure for implementing the Project and the interaction between the Project's staff responsible for procurement and other actors was reviewed. Most of the issues/risks concerning the procurement component for implementation of the Project have been identified; concluding that certain administrative processes and the capacity of involved actors in procurement with the Procurement and Consultant Guidelines dated January 2011 could delay the Project implementation. The overall Project risk for procurement is **High**.

38. The corrective measures which have been agreed are: (i) the Procurement Section in the Project Operational Manuals will include, inter alia, a general description of the procurement procedures related with the different applicable procurement/selection methods and the Standard Bidding Documents to be used for each procurement methods other than ICB; (ii) the Implementing Units will maintain Procurement Specialists with solid working experience with financed Projects; (iii) the Financing Agreement will include Special provisions to address certain local procurement procedures that are not fully consistent with the Bank's Procurement and Consultant Guidelines; (iv) the Bank will train the two administrative units in the Procurement and Consultant Guidelines of January, 2011; (v) MTEPS will prepare standard bidding documents for NCB, Shopping and selection of individual consultants, and Standard formats for bid evaluation; (vi) MTEPS will improve the security of procurement files; and (vii) the Bank will conduct an annual assessment of implementation progress to identify any issues that need to be resolved.

39. **Frequency of Procurement Supervision.** In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended annually supervision missions to visit the field to carry out post review of procurement actions.

40. **Procurement Planning.** The Recipient developed a Procurement Plan for the first 18 months of Project implementation on March 31, 2014, which provides the basis for the procurement methods. This Plan will be available at MTEPS and UDAPE offices. It will also be

available in the Project's database and in the Bank's external website. The Implementing units will upload the agreed Procurement Plan in the Bank's publicly accessible Procurement Plan Execution System (SEPA) no later than 30 days after effectiveness is declared, and updates of such Plan are expected on an annual basis or as required to reflect the Project's needs.

### **Environmental and Social (including safeguards)**

41. This Project seeks to provide benefits to young men and women in urban areas of Bolivia. Special considerations for young women and young mothers have proven successful in supporting and maintaining their participation, including stipends for transport and child care, given the fact that unemployment rates are nearly double amongst this group *vis-a-vis* young men. A screening process was carried out during Project preparation and it was determined that the populations in the proposed Project areas did not meet the four identification criteria for OP/BP 4.10 (Indigenous Peoples), specifically the criteria on attachment to ancestral lands. Likewise, focus groups and other data from the similar component of the ICY Project demonstrated that there were no cultural exclusionary elements to the training. Thus the policy will not be triggered. However, the client has carried out a separate social assessment in order to assure participation of vulnerable youth by capturing lessons learned from the ICY Project, such as the use of promotional strategies in the main indigenous languages in order to assure their inclusion and the stipends mentioned above.

42. The proposed Project is categorized as C and the policy OP/BP 4.01 is not triggered as the nature and scope of the project activities are not expected to generate adverse environmental impacts.

### **Monitoring and Evaluation**

43. The MTEPS will be the primary agency responsible for ensuring that information to follow up Component 1 is readily available. In order to ensure appropriate monitoring of the Project and at the same time to strengthen reporting capacity, the following arrangements are proposed:

- a. Strengthening the Technical Area of the NCU. The head of the Technical Area will be responsible for overall monitoring activity of the skills development training Programs supported by the Project. For the proposed Project, the Area will be strengthening with two monitoring specialists and the inclusion of the Management Information System and Payment specialist in this Area. Training in M&E will be provided by the head of the Technical Area to other members of the NCU involved in Project implementation.
- b. Design and Implement a Managing Information System for Skills Development Programs. Based on the existing MIS of the MPED, the Project will design a full MIS to support the implementation of Skills Development programs. The system will include: (i) selection and registration of eligible youth (the module will include the capability to use the unified beneficiary selection instrument for social Programs managed by UDAPE); (ii) allocation of eligible beneficiaries to training

providers, (iii) implementation and monitoring of the in-class training phase of each program; (iv) implementation and monitoring of internships, (v) monitoring the skills certification process of beneficiaries; (vi) managing the stipends payment in all training phases; (vii) monitoring the results of former trainees in the labor market, and (viii) the managerial module. Data collected from training supervision and stipend payment processes will be managed by a managerial module of the MIS to produce quarterly monitoring reports, mainly on intermediate results indicators. Two semi-annual progress reports will be published on government official websites and will be accessible to managers and decision makers with updated indicator information.

44. UDAPE will be responsible for process and impact evaluations of Skills Development Programs.

- a. Process evaluation. In order to help the MTEPS management team to improve the Project interventions during implementation, the Project will finance mid-term process evaluations of the three Skills Development Programs supported by the Project. Using quantitative and qualitative instruments, the process evaluation will review the efficiency of Project interventions and the ability to reach the intended outcomes. Specifically, the process evaluation will look at employment service organization, adequacy of funds for administration and monitoring, mechanism of contracting training providers, effectiveness of the payment system, among other aspects. Operational bottlenecks detected by the process evaluations will be corrected for the second part of Project implementation.
- b. Tracking survey analysis and Impact Evaluation. The results and outcomes of the Skills Development Programs supported by the Project will be measured through a tracking survey for beneficiaries conducted by UDAPE. Following the experience of the ICY Project, the project will support UDAPE to conduct tracking surveys to beneficiaries of the Skills Development Programs to assess the placement rate and the income level resulting from Project interventions. Additionally, the Project will also support UDAPE to conduct, in coordination with MTEPS, an impact evaluation analysis of the pilot MESTTA. Impact Evaluation methodology will be developed before the MESTTA launching.

45. **Summary of M&E arrangements.** Table 3.4 summarizes the M&E arrangements for the proposed Project.

**Table 3.4: Summary of M&E Arrangements**

<b>Stakeholder</b>	<b>Responsibilities</b>
NCU (Head of Monitoring and Supervision Area)	Data collection and production of Project indicators Revision of results framework every six months Support UDAPE with regards to evaluations to be developed under the Project
Supervisors at local level	Collect information from training institutions
UDAPE	Conduct process and impact evaluations

## Annex 4: Operational Risk Assessment Framework (ORAF)

### BOLIVIA: Improving Employability and Labor Income of Youth Project (P143995)

#### Stage: Board

Project Stakeholder Risks						
<b>Stakeholder Risk</b>	<b>Rating</b>	<b>Substantial</b>				
<p><b>Risk Description:</b></p> <p>Inter-Institutional relations: The introduction of the ME as training provider for Skills Development Programs requires strong coordination during preparation and implementation.</p> <p>Municipal relations: The Project has developed consultation processes with municipalities. However, the requirement to finance the operational costs would delay the signature of Municipal Agreements.</p>	<p><b>Risk Management:</b></p> <p>The Directorate of Employment of MTEPS takes the lead in the coordination with the ME. Based on the existent relationship with the ME (certification of curricula for MPED), the Directorate of Employment includes representatives of the ME in all technical meetings for defining keys aspects of the Project during preparation. The Operational Manual will include all procedures to manage the implementation of the Inter-Institutional Agreement and the incremental operating costs to be paid to ME on basis of unit cost related to training provided by public institutions. Based on existence agreement with the municipality of El Alto, the MTEPS will work on detail cost estimation for the implementation of the project at the level of the five intermediate municipalities. That cost estimations will be shared with the Municipal authorities before Project effectiveness.</p>					
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>	<b>Frequency:</b>
	Client	In Progress	Both	<input checked="" type="checkbox"/>		
Implementing Agency (IA) Risks (including Fiduciary Risks)						
<b>Capacity</b>	<b>Rating</b>	<b>Substantial</b>				
<p><b>Risk Description:</b></p> <p>Resources: The MTEPS' NCU could suffer from the lack of resources to finance operational costs.</p> <p>Processes and systems: Even though the MTEPS' NCU has considerable experience with Bank operations, the capacity to manage and maintain adequate Financial Management (FM) function has been affected by high staff rotation, and the lack of capacity to timely take corrective actions. Those weaknesses may affect the ability to ensure an orderly execution and recording of Project transactions for the provision of timely and reliable financial information for Project monitoring; as well as</p>	<p><b>Risk Management:</b></p> <p>The Government agreed to include counterpart funds to finance the operational costs of the Project.</p> <p>Based on the lessons learned during the implementation of the ICY Project, specific measures to ensure selection and contracting of qualified staff, as well as their stability, are to be agreed with MTEPS's authorities.</p>					
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>	<b>Frequency:</b>
	Both	In Progress	Both	<input checked="" type="checkbox"/>		

timely provision of cash resources. Frequent personnel turnover of procurement personnel in the NCU pose a substantial risk to implementation.						
<b>Governance</b>	<b>Rating</b>	<b>Low</b>				
Risk Description: No significant governance risks are foreseen.	<b>Risk Management:</b>					
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>	<b>Frequency:</b>
				<input type="checkbox"/>		
<b>Project Risks</b>						
<b>Design</b>	<b>Rating</b>	<b>Substantial</b>				
Risk Description: Technical Complexity: the design that has been used under the ICY Project, the expansion to other Skills Development Programs like training and technical assistance for entrepreneurs, and remedial education pose a substantial risk for implementation. Specifically, risks in the areas of the development training curricula and technical assistance guidelines for entrepreneurs, the contracting of institutions to provide technical assistance to entrepreneurs, and the definition of secondary education courses to be offered for remedial education.  Scope/Coverage: The Project will be extended intermediate cities which pose risk of coordination with Municipal Governments to implement the Project in their areas.	<b>Risk Management:</b> Based on previous local and international experiences, the team and the Government will work to complete the design of the curricula and technical assistance guidelines for entrepreneurs with resources of the ICY Project before the effectiveness of the Project. The MTEPS will work with ME to identify the secondary courses in the Selected Cities before the launching of the Program supported by Sub-Component 1.3. The Government will use previous experiences with the Municipality of El Alto to create the Municipal Agreements with the 5 selected intermediate cities. Work on readiness before the project launching will reduce the risk of implementation.					
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>	<b>Frequency:</b>
	Both	In Progress	Both	<input checked="" type="checkbox"/>		Yearly
<b>Social and Environmental</b>	<b>Rating</b>	<b>Low</b>				
Risk Description: This Project seeks to provide benefits to young men and women in urban areas of Bolivia. There is a risk that some groups could experience barriers to access and participation in the Program or be excluded based on gender, ethnic origin or other barriers such as those that exist for peoples with disabilities.	<b>Risk Management:</b> Measures such as preparing promotional information concerning the Program in the predominant indigenous languages and providing stipends for young women and young mothers to cover transport and child care will continue to be implemented to reduce the chances of excluding certain vulnerable groups.					
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>	<b>Frequency:</b>
	Both	Completed	Preparation	<input type="checkbox"/>		

<b>Program and Donor</b>	<b>Rating</b>	<b>Low</b>				
<b>Risk Description:</b> No other donors or private sector institutions are involved in the implementation of this Program.	<b>Risk Management:</b>					
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>	<b>Frequency:</b>
				<input type="checkbox"/>		
<b>Delivery Monitoring and Sustainability</b>	<b>Rating</b>	<b>Substantial</b>				
<b>Risk Description:</b> Monitoring: Despite the experience of the MTEPS' NCU in implementing the MPED, its capacity to monitor is still weak which could undermine the capacity to monitor results and recollect data at the subnational level.  Sustainability: There is a risk of sustainability of the Skills Development Programs after Project closing.	<b>Risk Management:</b>					
	The Project will strengthen the capacity of the MTEPS' NCU through the design and implementation of MIS for Skills Development Program and the inclusion of a monitoring specialist within the Technical Area.  The MTEPS agreed to prepare a plan for continuation of training after the closure of the Project in the Year 5 of the Project.					
	<b>Resp:</b>	<b>Status:</b>	<b>Stage:</b>	<b>Recurrent:</b>	<b>Due Date:</b>	<b>Frequency:</b>
	Both	In Progress	Both	<input checked="" type="checkbox"/>		
<b>Overall Risk</b>						
<b>Overall Implementation Risk:</b>	<b>Rating</b>	<b>Substantial</b>				
<b>Risk Description:</b> Rating for Project implementation is Substantial due to the country's operating environment, the piloting of a new Skills Development Programs, the required coordination with the ME for training provision and the weak fiduciary capacity of the MTEPS.						



## **Annex 5: Implementation Support Plan**

### **BOLIVIA: Improving Employability and Labor Income of Youth Project**

#### **Strategy and Approach for Implementation Support**

1. The Strategy for Implementation Support was developed based on the nature of the proposed Project and its risk profile. This Strategy aims to make implementation more efficient so that the Project Development Objective is achieved. Furthermore, it focuses on implementing the risk mitigation measures defined in the Operational Risk Assessment Framework. The following areas and actions have been defined as part of the strategy:

- i. **Financial Management:** During implementation support, the Bank's financial management specialist will routinely review the Project's financial management capacity, including but not limited to accounting, reporting, and internal controls to ensure that they are satisfactory to the Bank.
- ii. **Procurement:** The Bank's procurement specialist will work closely with the NCU and technical specialists to develop a detailed RFP. The Project will also provide resources to strengthen the capacity of NCU to ensure that procurement is transparent, accountable, and timely.

#### **Implementation Support Plan**

2. For the execution of the Implementation Support Plan, key Bank team members will be in the World Bank's office in Washington DC, in the Peru Country Office and the Bolivia Country Office to ensure timely, efficient, and effective implementation support for the NCU. Task team leadership and key social and environmental specialists will also conduct semiannual formal implementation support missions and field visits to follow up on the Project implementation. Detailed inputs from the Bank team are outlined below.

- i. **Technical Inputs.** (i) technical experts and professionals to support the elaboration of TORs (consultant and non-consultant services); (ii) field visits to learn about other experiences in Bolivia in the areas of youth training, labor intermediation, and labor counseling; to learn innovative and successful practices; and (iii) technical assistance on service contracts.
  - ii. **Fiduciary Requirements.** During preparation, the Bank team identified capacity-building needs so as to strengthen financial management capacity and improve procurement management. Support will be provided from the World Bank office in Argentina and Bolivia. Formal implementation support of financial management reports and procurement will be carried out semiannually, while prior review will be carried out for contracts specified in the Procurement Plan (PP) as required.
3. The Project will require the following implementation support in the first two years:

**Table 5.1: Required Project Supervision**

<i>Skills Needed</i>	<i>Number of Staff Weeks</i>	<i>Number of Trips</i>	<i>Comments</i>
Senior Social Protection Specialist (TTL)	6	4	Sr. Social Protection Specialist will oversee entire operation and supervise technical and fiduciary aspects.
Social Protection Specialist	6	4	SP specialist will support supervision of Component 1 and support NCU in Project implementation.
Senior Operations Officer	6	0	Support the Project implementation in both implanting agencies (MTEPS and UDAPE)
Procurement Specialist	4	4	Procurement specialist will support the NCU on related issues.
Financial Management Specialist	6	0	FM specialist will support the NCU on related issues.

## **Annex 6: Economic and Financial Analysis**

### **BOLIVIA: Improving Employability and Labor Income of Youth Project**

#### **Overview**

1. Assessing the economic impact of a proposed World Bank Project requires an analysis of three aspects, as defined by OP/BO 10.00. Annex 6 presents a consistent analysis for two out of three Skills Development Programs supported by the Project, MPED, supported by Sub-Component 1.1, and the pilot Remedial Secondary Education Program in Selected Cities, supported by Sub-Component 1.3. Due to constraints of available data and previous results, the analysis does not cover the impact of the pilot Micro Entrepreneurs Skills Training and Technical Assistance Program (MESTTA) in Selected Cities. The analysis responds to three core questions presented below.

#### **What is the Project's development impact?**

2. Our estimations indicate that the Project's impact in terms of economic cost and benefits is positive and significant. We calculated an internal rate of return of approximately 13.5 percent for Sub-Component 1.1 and 9.8 percent for Subcomponent 1.3, comparing the cost generated by the Project with the expected flow of additional income to be received by participants over their lifetime. These rates of return were estimated considering (through proxy) what will be the impact on average individual income that the Project could have over the working life time of participants, and compare this with a control group. While the calculations require number of assumptions, including over future labor markets trends, the team believes that these are reasonable, as discussed later in this Annex.

#### **Is public sector provision or financing the appropriate vehicle?**

3. The Project will support two skills development training programs for low income youth population, which is unlikely to be offered by private providers. The private sector may fail in internalizing the social and economic externalities typically associated with youth employability improvement, thus underestimating the benefits of offering free or highly subsidized services related to education and training to the most vulnerable group within the working age youth population. The involvement of public sector is then critical at least as financier of the cost of services and stipends. In the case of the Project the involvement of the public sector is limited in the services provision. It is expected that training services will be mainly offered by private training and/or technical assistance institutions.

#### **What is the World Bank's value added?**

4. The World Bank (WB) will contribute to the Project' successful implementation through two channels. First, the WB involvement will continue supporting innovations in the skills training Programs for youth population, as what happen in the last couple of years. Finally, the WB participation will also promote the consolidation of a monitoring and evaluation framework, necessary to provide timely and adequate monitoring data for Project management and rigorous results for Program's improvements through impact evaluations.

5. The next section presents the methodology used to estimate the internal rate of return of two Skills Development Programs supported by the Project.

**Economic Analysis – Estimation of Internal rate of return (IRR)**

6. **Sub-Component 1.1 - Improving and expanding the *Mi Primer Empleo Digno* Program (MPED) in Selected Cities (US\$10.60 million IDA).** Considering the expected gain that can be measured and the costs of the Program, the estimated IRR of the Sub-Component 1.1 is 13.5 percent. For this estimation, we define an average age exit of 20 years old (this assumption was taken from the implementation of MPED in 2012 and 2013). The rate of return is the result of estimating the cash flow of the Sub-Component considering the investment on the MPE Program as costs (includes the financing of training and stipends for beneficiaries), and the benefits measured as the difference between expected salaries of the participants and the expected salaries of a control group of youth with similar characteristics but who did not participate in the Program. Hence, the IRR is calculated as the value of “r” obtained from the following equation, where  $G_x$  is the wage gains produced by the Program for participants at age  $x$  and  $C_x$  is the cost of the Program for participants at age  $x$ .

$$\sum_{x=20}^{65} (G_x - C_x)(1-r)^x = 0 \tag{1}$$

7. The total cost for each year  $t$  (corresponding to age  $x$ ) is estimated based on the cost Projections of the Project. In this sense, the total cost at each year of implementation of the Program is calculated as shown in the equation (2), where  $B_x$  and  $N_x$  are the average cost per beneficiary of the Program and the total quantity of beneficiaries, respectively, at age  $x$ .

$$C_x = B_x \cdot N_x \tag{2}$$

8. In order to estimate the salary gains generated by the Program, we start by defining Program participation through a proxy. MPED participants acquire working skills and a technician certification through the Program. Taking into consideration the level of complexity of the training provided by the MPED that allows the Ministry of Education to recognize it with the level of technician which in Bolivia is equivalent to a secondary education certification, the projections of future salaries and employment status of Program participants are based on the conditions of current workers with complete secondary education plus a competitive advantage for participation in the Program (20 percent of the salary of a worker with completed secondary education). Projections for Program participants are compared with projection for a control group of workers with complete secondary education without the training. In both cases, the universe was restricted to those with a household income per capita below the official poverty line.

9. In other words, it is assumed that a low income young person who participates in the Program achieves a competitive advantage, through the completion of the training activities, over another young person who does not participate in the Program. Also, it is assumed that this difference, in terms of wage, continues throughout his or her economic active life. Thus, for both groups, the expected wage is defined as the average wage earned at each age.

10. The expected wage earned by each worker involved in the Program at age  $x$  is defined as shown in the equation (3), where  $\alpha_x^p$  represents the probability of being employed at age  $x$  and  $w_x^p$ .

$$w_x^p = \alpha_x^p \cdot w_x^p \quad (3)$$

11. On the other hand, wages of those in the control group is defined as shown in equation (4) where the superscript  $p$  of the previous equation is replaced by  $wp$ , indicating that the variables now refer to people that did not participate in the Program (ie, did not finish the training activities).

$$w_x^{wp} = \alpha_x^{wp} \cdot \beta_x^{wp} \cdot w_x^{wp} \quad (4)$$

12. The wage gain achieved by the Program, in terms of expected wages, is given by the difference between  $w_x^p$  and  $w_x^{wp}$ . Since not all young beneficiaries of the Program will finish the secondary school, the expected wage generated by the Program is adjusted by  $\epsilon$ , which represents the percentage of young people that did participate in the Program but did not finish secondary school.

$$G_x = (w_x^p - w_x^{wp})\epsilon \quad (5)$$

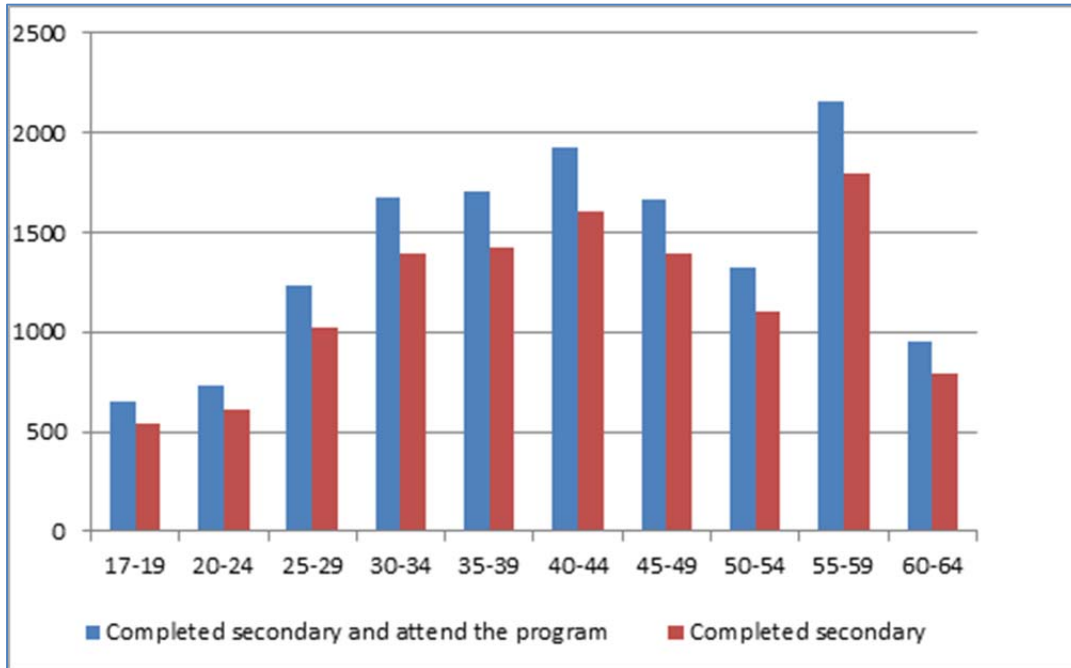
13. In this particular case, we estimate  $\epsilon$  an equal to 70 percent of beneficiaries who complete the Program and we assume the same probability of being employed for both treatment and control group. Table 6.1 presents the basic parameters of the Program, including the expected costs.

**Table 6.1: Basic Parameters of MPED**

Variable	Parameter
Project duration	6 years
Number of beneficiaries (average, per year)	1,400
Estimated percentage of annual participants completing the training	70%

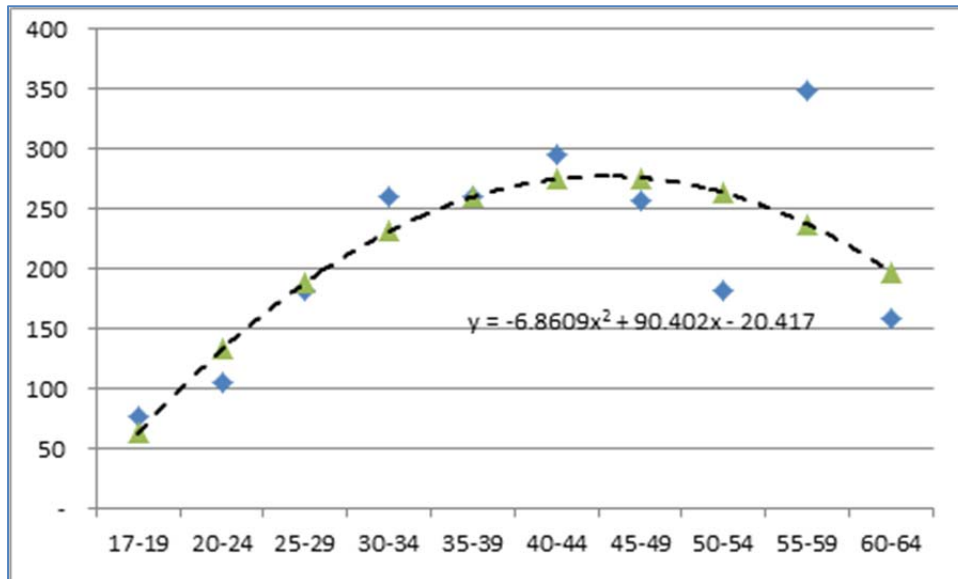
14. The estimation of wages for the control group is based on data provide by the Household Survey 2012 (EH, 2012). Figure 6.1 and 6.2 present the different average wage earned by worker at each age with and without Program.

**Figure 6.1: Average monthly wage by age, with and without Program. 2012**



Source: own elaboration based on Household Survey (2012).

**Figure 6.2: Wage gain by age**

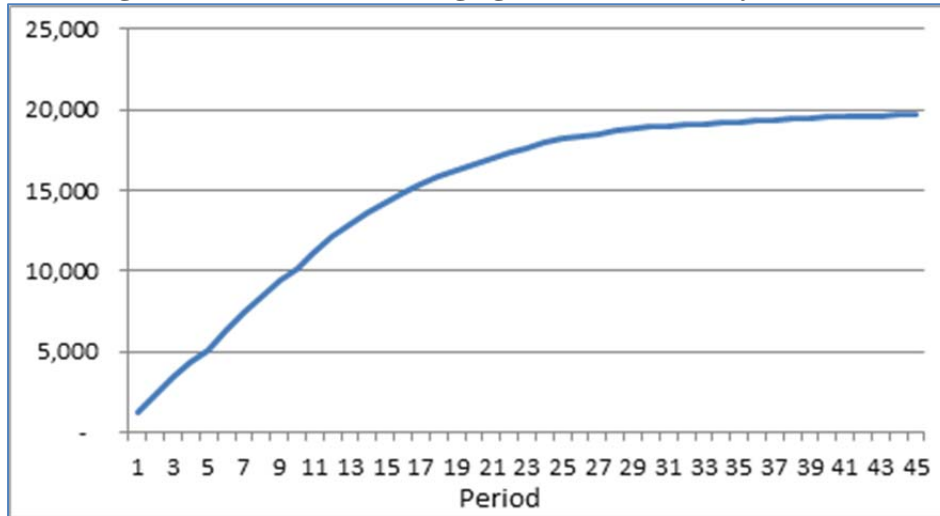


Source: own elaboration based on Household Survey (2012).

15. Considering all these variables, Figure 6.3 shows the potential gain in annual wages during the lifetime of a representative worker who participates in the Program as compared with one that does not participate, discounted by the estimated IRR. Overall, the gain is estimated at

approximately Bs/19,659. Using equation (1), the Internal Rate of Return (IRR) implicit in this flow of costs and wage gains is 13.5 percent.

**Figure 6.3: Cumulative wage gain, discounted by the IRR**



Source: own elaboration.

16. **Sub-Component 1.3 – Implementing the pilot Remedial Secondary Education Program in Selected Cities (US\$4.0 million IDA).** Considering the expected gain that can be measured and the costs of the Program, the estimated internal rate of return of the Component 1 is 9.8 percent, for a cohort of participants exiting the Program at age 20.<sup>19</sup> This rate of return is the result of estimating the cash flow of the Sub-Component considering the investment on the secondary education as costs, and the benefits measured as the difference between expected salaries of the participant population and the expected salaries of a control group of youth with similar characteristics but who did not participate in the Program. Hence, the internal rate of return is calculated as the value of “*r*” obtained from the following equation, where  $G_x$  is the wage gains produced by the Program for participants at age  $x$  and  $C_x$  is the cost of the Program for participants at age  $x$

$$\sum_{x=20}^{65} (G_x - C_x)(1-r)^x = 0 \quad (1)$$

17. The total cost for each year  $t$  is calculated as shown in equation (2) where  $B_x$  and  $N_x$  are the average cost per beneficiary of the Program and the total quantity of beneficiaries, respectively, at age  $x$ .

$$C_x = B_x \cdot N_x \quad (2)$$

18. In order to estimate the salary gains generated by the Program, we start by defining Program participation through a proxy. Participants finish their secondary school thanks to the

<sup>19</sup> Participants may enter the Program at any age from 16 to 27, and exit once they complete their work Program. For this estimation, we defined an average exit age of 20.

Program. By using this characteristic as a proxy for the successful completion of the Program, it is possible to model future salaries and employment status of participants (as those of current workers with complete secondary education) and a control group (workers with incomplete secondary education). In both cases, the universe was restricted to those with a household income per capita below the official poverty line. It is assumed that a young person who participates in the Program achieves a competitive advantage (through the completion of the secondary education) over another young person who does not participate in the Program. Also, it is assumed that this difference, in terms of wage and employability, continues throughout his or her economic active life. Thus, for both groups, the expected wage is defined as the average wage earned, weighted by the probability of being employed at each age.

19. The expected wage earned by each worker involved in the Program at age  $x$  is defined as shown in equation (3), where  $\alpha_x^p$  represents the probability of being employed at age  $x$  and  $w_x^p$  as follows:

$$w_x^p = \alpha_x^p \cdot w_x^p \quad (3)$$

20. On the other hand, wages of those in the control group is defined as shown in equation (4), where the superscript  $p$  of the previous equation is replaced by  $wp$ , indicating that the variables now refer to people that did not participate in the Program (i.e., did not finish the training activities).

$$w_x^{wp} = \alpha_x^{wp} \cdot \beta_x^{wp} \cdot w_x^{wp} \quad (4)$$

21. The wage gain achieved by the Program, in terms of expected wages, is given by the difference between  $w_x^p$  and  $w_x^{wp}$ . Since not all young beneficiaries of the Program will finish the secondary school, the expected wage generated by the Program is adjusted by  $\epsilon$ , which represents the percentage of young people that did participate in the Program but do not finish secondary school. Based on international experience, we estimate and  $\epsilon$  equals at 70 percent of beneficiaries complete the Program. In this sense, we consider the same probability of being employed for both treatment and control group.

$$G_x = (w_x^p - w_x^{wp})\epsilon \quad (5)$$

22. Table 6.2 presents the basic parameters of the Program, including the expected costs.

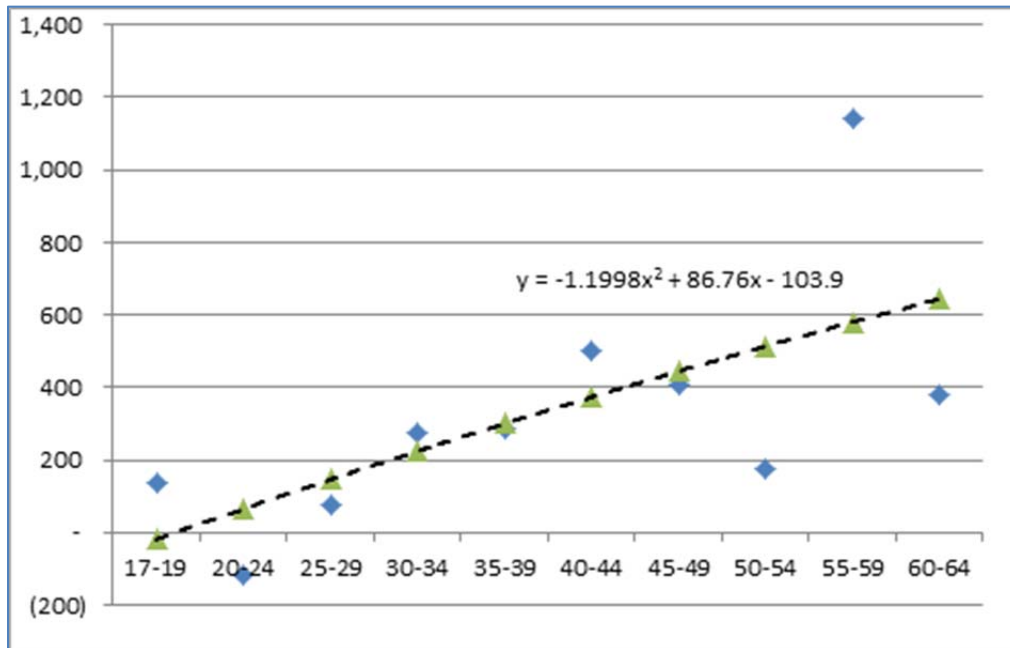


**Table 6.2: Basic Parameters of Secondary adult education**

Variable	Parameter
Project duration	6 years
Number of beneficiaries (average, per year)	450
Minimum number of years to receive secondary education certificate	3

23. The estimation of wages for the control group is based on data provided by the Household Survey 2012 (EH, 2012). Figure 6.4 present the different average wage earn by workers at each age with and without Program.

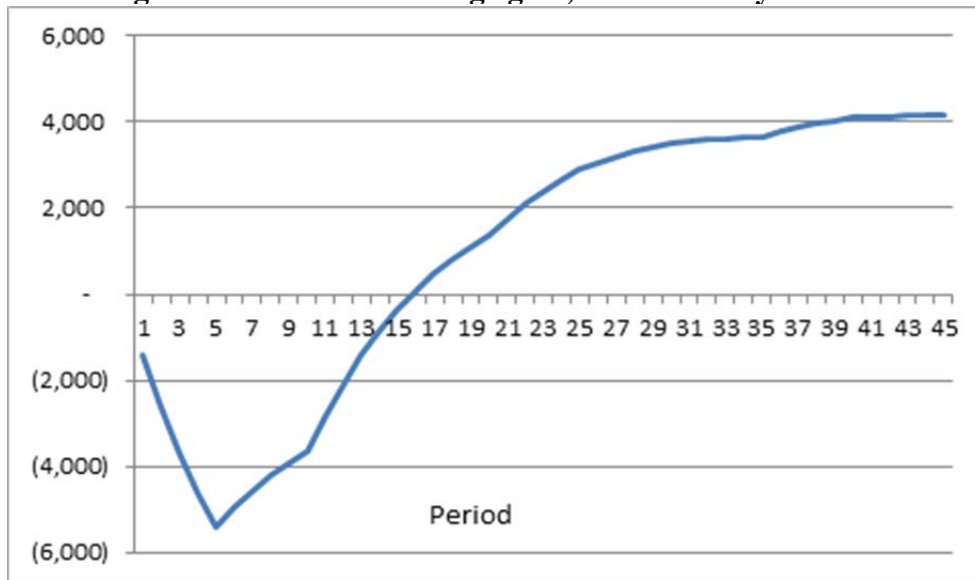
**Figure 6.4: Wage gain by age.**



Source: own elaboration based on Household Survey (2012)

24. Considering all these variables, Figure 6.5 shows the potential gain in annual wages during the lifetime of a representative worker who participates in the Program as compared with one that does not participate, discounted by the estimated IRR. Overall, the gain is estimated at approximately Bs. 4,168. Using equation (1), the Internal Rate of Return implicit in this flow of costs and wage gains is 9.8 percent.

**Figure 6.5: Cumulative wage gain, discounted by the IRR**



Source: own elaboration.