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**DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK**

**URUGUAY**

**SUPPORTING INEFOP IN IMPROVING LABOR TRAINING AND SKILLS**

**INEFOP: NATIONAL INSTITUTE FOR EMPLOYMENT AND PROFESSIONAL TRAINING**

**(UR-T1100)**

Under the Access to Information Policy, this document is subject to public disclosure.

## TC Document

### I. Basic Information for TC

▪ Country/Region:	Uruguay / CSC
▪ TC Name:	Supporting INEFOP in improving labor training and skills. INEFOP: National Institute for Employment and Professional Training.
▪ TC Number:	UR-T1100
▪ Associated Loan/Guarantee Name:	N/A
▪ Type of project:	Client support (CS)
▪ Team Leader/Members:	Graciana Rucci, project team leader (SCL/LMK); Ethel Muhlstein (SCL/LMK); Javier Cayo (LEG/SGO); David Salazar (FMP/CUR); Pablo Patricio Puente Jurado (FMP/CUR); Alejandro Rasteletti (CSC/CUR); y Ana Castillo (MIF/CUR).
▪ Date of TC Abstract authorization:	April 1, 2013
▪ Beneficiary:	National Institute for Employment and Professional Training (INEFOP) and job training interventions beneficiaries.
▪ Executing Agency and contact name:	Inter-American Development Bank, Labor Markets and Social Security Unit (SCL/LMK). Graciana Rucci, <a href="mailto:gracianar@iadb.org">gracianar@iadb.org</a> .
▪ Donors providing funding:	Korean Poverty Reduction Fund (KPR)
▪ IDB Funding Requested:	440,000
▪ Local counterpart funding, if any:	0
▪ Disbursement period:	36 months
▪ Execution period:	30 months
▪ Required start date:	1 de agosto de 2013.
▪ Types of consultants:	International and national individual consultants and firms
▪ Prepared by Unit:	Labor Markets and Social Security Unit (SCL/LMK)
▪ Unit of Disbursement Responsibility:	Social Department, Labor Markets and Social Security Unit (SCL/LMK)
▪ TC Included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes, see doc in <a href="http://csc/default.aspx">http://csc/default.aspx</a> .
▪ GCI-9 Sector Priority:	Social policy favorable to equality and productivity.

**II. Description of the Associated Loan/Guarantee.** Not applicable. This TC will be processed as client support (CS).

### III. Objectives and Justification of the TC

The National Institute for Employment and Professional Training (INEFOP) was created in 2008 with, among others, the following objectives: i) managing public funds to training; ii) advising the Ministry of Labor on employment and training policies and their implementation; iii) designing and implementing

training interventions targeted at unemployed and vulnerable people; iv) promoting and participating in the development of the knowledge certification and labor competence accreditation systems; v) generating and disseminating labor market information aimed at improving labor market efficiency; vi) covering labor services such as orientation, learning, training, accreditation; and vii) performing research and interventions to answer to firms and productive sectors demands.

The Uruguayan economy has grown dramatically in the last ten years and new quantitative evidence (IDB UR-T1069, ATN/JF-12465-UR) confirms the gap between the knowledge and the capabilities that workers have and those that firms need. In order to sustain economic growth, labor productivity should be boosted. Human capital accumulation is one mechanism to achieve growth and development in the medium run. This context gives INEFOP a great opportunity to intervene and leverage labor market outcomes.

Labor productivity, better jobs and labor force skills constitutes one of the strategic and flagship areas of the Labor Markets and Social Security Unit (SCL/LMK). A worker in a good job is the best way of eliminating poverty in developing countries. This Unit has deep knowledge and wide experience on these topics and it has been supporting several countries in the region, through loans and technical supports (Chile, Paraguay, El Salvador, México, Honduras, Bahamas, Bolivia and Colombia, for instance). Given this context, the Uruguayan Government has requested the Bank's technical and operational support in order to design and implement mechanisms and necessary changes to achieve an effective national public system such that workers develop the skills demanded and required by sustainable economic growth.

This TC will support INEFOP to generate information, diagnostics, analysis and evaluations in order to better design, implement and evaluate training services which make the workforce productive and employable. This TC contributes to the objective of the Bank's strategy with the country to reduce the disconnection between the contents of job training programs and the needs of the productive sector. Moreover, this TC contributes to a sustainable economic development and long run wellbeing, reducing poverty through active labor market policies. Finally, given the reality of several economies in the region, the activities and products involved in this TC will have a huge value added not only for Uruguay but also for many other countries.

This operation is aligned with the Bank's support and qualifies for the poverty and social equity targets of the general capital increase (document AB-2764). It fits in with the Bank's country strategy (document GN-2626) and is a strategic area for both Uruguay and the Bank: Labor Market: Productivity and Equity. The aim is to contribute to consolidate capacity regarding active labor policies and enhance the quality and relevance of publicly funded training.

#### **IV. Description of activities/components and budget**

##### **Comp. 1 - Generation of data, monitoring and evaluation to improve labor productivity (US\$180,000).**

Limited evidence related to effectiveness of training interventions workers performance in the labor market exists in Uruguay. In order to achieve labor productivity gains through skills acquisition, quantitative data and new evidence should be generated first. This component will: i) generate basic data and knowledge on labor productivity and human capital in Uruguay to provide policy makers with

more and better information to leverage the impact of future labor market policies –measured through better jobs and wages, and employability; ii) support INEFOP in the design of management and information tools such as training initiatives, key indicators and surveys; and iii) perform different evaluations of current training initiatives in order to assess its results and improve their effectiveness.

**Comp. 2 - New skills demanded by the productive sectors (US\$130,000).** As mentioned before, the country has been growing fast, and future economic forecasts are promising. Traditional economic sectors are modernizing and new productive sectors are emerging. Both kinds of sectors are demanding workers with certain skills the labor force has not developed yet. This component will support the identification of the skills demanded by firms in certain key economic sectors. According to the *“Productivity and Human Resources in Uruguay, Survey 2012”* (funded by the Japanese Fund), firms demand three types of skills: specific, soft or behavioral skills and general. In general firms have a low willingness to support the acquisition of soft and general skills because of appropriability problems. This component will: i) evaluate lessons learned and successful experiences in other countries on how they deal with these diverse skills gaps and what training policies and initiatives took place to achieve better skills and workers in these better jobs (for instance, on the job training, productive sectors agreements, schools-firms agreements, international exchanges of workers and/or instructors, university-international firms-government; and ii) support INEFOP to analyze training programs and eligible populations characteristics systematically to contribute to attenuate workers skills gaps through public-private partnerships.

**Comp. 3 - Pertinence and quality of training providers (US\$105,000).** In order to assure the effectiveness of training offered on workers’ wages and employment, it is key to have ways of checking pertinence and quality of training, including interventions, courses and providers. Knowledge of the training providers’ market in Uruguay is limited. This market is heterogeneous and there are no quality standards, mechanisms to check pertinence of training actions offered and taken and any kind of serious accreditation framework to guarantee appropriate training actions (see Castillo 2012). This component will: i) assess the characteristics of the training providers market such that improvements can be designed; and ii) support the development of a methodology and tools to measure and monitor quality and pertinence. International evidence from OECD countries and new initiatives that some countries in America Latina are building (such as Chile and Mexico) highlight that even though there is no unique way of assuring that workers accomplish the skills demanded in the market, it is essential to put in place mechanisms to assure the expected impact.

#### Indicative Results Matrix

Description	Output	Outcome	Means of Verification
<b>Component 1</b> Generation of data, monitoring and evaluation to improve labor market productivity			
# of information tools developed	Year 0: 0 Year 2: 2	Training actions changes are made with better information and evidence-based.	INEFOP documents
<b>Component 2</b> New skills demanded by productive sectors			
# of sector technical meetings (with productive sectors and/or international experts)	Year 0: 0 Year 2: 2	New training actions involving skills demanded are provided	Meetings minutes and memories.

Description	Output	Outcome	Means of Verification
Component 3 Pertinence and quality of training supply			
# of times National Authorities use knowledge produced by this TC to improve quality or pertinence	Year 0: 0 Year 3: 3	Quality and pertinence standards are introduced in training with public funds.	INEFOP documents

### Indicative Budget (US\$)

Activity/Component	Description	IDB Funding (KPR)	Counterpart Funding	Total Funding
<b>Component 1: Generation of data, monitoring and evaluation to improve labor productivity - US\$180,000</b>				
<b>Generation of data, monitoring and evaluation to improve labor productivity</b>	Development of basic information and data linking labor productivity and human capital	<b>35,000</b>	<b>0</b>	<b>35,000</b>
	Design of management tools (including key indicators and survey and INEFOP training).	<b>25,000</b>	<b>0</b>	<b>25,000</b>
	Process/results evaluations of current initiatives, and analysis on labor productivity outcomes.	<b>120,000</b>	<b>0</b>	<b>120,000</b>
<b>Component 2: New skills demanded by the productive sectors - US\$130,000</b>				
<b>New skills demanded by the productive sectors US\$130,000</b>	Revision of lessons learned and successful experiences in other countries on how they deal with these diverse skills gaps and public provision, including field/expert trip.	<b>60,000</b>		<b>60,000</b>
	Systematic analysis of training interventions and eligible population to provide skills demanded.	<b>40,000</b>		<b>40,000</b>
	Support to INEFOP's qualitative/quantitative tools.	<b>30,000</b>		<b>30,000</b>
<b>Component 3: Pertinence and quality of training supply - US\$105,000</b>				
<b>Pertinence and quality of training supply</b>	Assessment of providers' market.	<b>25,000</b>		<b>25,000</b>
	Development of methodology and tools to measure and monitor quality and pertinence of training actions.	<b>45,000</b>		<b>45,000</b>
	Support to coordination of assessment.	<b>35,000</b>		<b>35,000</b>
<b>4. Monitoring and dissemination</b>		<b>25,000</b>		<b>25,000</b>
<b>Total</b>		<b>440,000</b>	<b>0</b>	<b>440,000</b>

The Labor Markets and Social Security Unit specialists, through Graciana Rucci and Ethel Muhlstein, will monitor and supervise the technical and operative execution, assuring arrangement for an appropriate supervision. Ana Castillo, Alejandro Rasteletti David Salazar (FMP/CUR); and Pablo Patricio Puente Jurado (FMP/CUR) will contribute to supervision from the Country Office. Transactional budget for supervision will be assigned annually. Monitoring reports will be performed by LMK regularly. Funds are included in the budget.

#### **V. Executing agency and execution structure**

The executing agency for this TC will be the Inter-American Development Bank, through the Labor Markets and Social Security Unit (SCL/LMK) in the Social Sector Department. LMK will be responsible for the supervision, and coordination of this TC, and will also be responsible for disbursements.

All procurement originated through this TC will be carried out in accordance with Bank procurement policies (documents GN-2349-9 and GN-2350-9).

LMK specialists will work in close collaboration with INEFOP. INEFOP is a very young public institution, which is currently aimed at developing technical and operational capabilities to respond to its mission. This is the main reason not only to request the present technical cooperation but also to request that its execution be via the Labor Markets and Social Security Unit at the IDB. The request comes from INEFOP and it is based on the need of obtaining the high quality products and activities described timely and with high quality, something which can be best guaranteed if the Bank is the executing agency.

#### **VI. Major issues**

The main risk is the difficulty in achieving consensus to implement some of the changes this TC will develop. In particular, those related to changes in issues affecting different stakeholders (firms, workers unions and policymakers), such as the link between wages and labor productivity or negotiations to provide and finance training. In order to mitigate this risk, this TC involves activities aimed at creating consensus through best practices, lessons learned and solid evidence.

Another possible issue pertains to the capacity of INEFOP to integrate the human and technical capabilities to attain the expected objectives. In order to prevent this situation, this TC includes training to INEFOP key people; in addition, on a regular basis, SCL/LMK will support INEFOP authorities technically and operationally to contribute to its consolidation.

#### **VII. Exceptions to Bank policy - None.**

#### **VIII. Environmental and Social Strategy**

Due to the nature of this technical cooperation, it is not expected to have a significant negative environmental / social impact, so it has been classified as "C". See safeguards in [37324501](#).

**Annexes:**

- Request from the client [37837510](#)
- Terms of Reference for activities/components to be procured [37850226](#)
- Procurement Plan [37725820](#)

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**CERTIFICATION**

I hereby certify that this operation was approved for financing under the Korea Poverty Reduction Fund (KPR) through a communication dated on March 27, 2013 and signed by Mr. Jangro Lee, Director of the International Bureau, Ministry of Strategy and Finance of the Republic of Korea. Also, I certify that resources from the Korea Reduction Fund (KPR) are available for up to US\$440,000 in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this document. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

**Original firmado**

\_\_\_\_\_  
Sonia M. Rivera  
Chief  
Grants and Cofinancing Management Unit  
ORP/GCM

\_\_\_\_\_  
02/12/2013  
Date

**APPROVAL**

**Original firmado**

Approved: \_\_\_\_\_

Hector Salazar Sanchez  
Manager a.i.  
Social Sector  
SCL/SCL

\_\_\_\_\_  
7/16/2013  
Date

**Original firmado**

\_\_\_\_\_  
Carmen Pagés  
Jefa, SCL/LMK

**Original firmado**

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Juan José Taccone  
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