

PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA16374

Project Name	Argentina Youth Employment Support Project (P133129)
Region	LATIN AMERICA AND CARIBBEAN
Country	Argentina
Sector(s)	Public administration- Other social services (50%), Vocational training (25%), Other social services (25%)
Theme(s)	Improving labor markets (33%), Social Inclusion (33%), Education for the knowledge economy (17%), Education for all (17%)
Lending Instrument	Investment Project Financing
Project ID	P133129
Borrower(s)	Argentine Republic
Implementing Agency	Ministry of Labor, Employment and Social Security
Environmental Category	C-Not Required
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Decision	

I. Project Context

Country Context

Since its economic crisis of 2002, Argentina has been one of the top two performers in the Latin America and Caribbean (LAC) region in reducing poverty and sharing the gains of rising prosperity by expanding the middle class. Total poverty (measured at \$4-a-day) declined from 31.0 percent in 2004 to 10.8 percent in 2013, while extreme poverty (measured at \$2.50-a-day) fell from 17.0 percent to 4.7 percent.[1] Income inequality, measured by the Gini coefficient, fell from 50.2 in 2004 to 42.5 in 2012. Argentina's poverty rate and Gini coefficient are among the lowest in LAC. At the same time, the middle class in Argentina grew by 68 percent between 2004 and 2012, reaching 53.7 percent of the population. Regarding non-monetary poverty, according to the Instituto Nacional de Estadística y Censos (INDEC) census figures, the proportion of the population with at least one unsatisfied basic need fell from 17.7 percent in 2001 to 12.5 percent in 2010. Still, Argentina is a large federal state, with pronounced inequalities between urban and rural areas, and where the Northern provinces face poverty rates that are two and three times the national average.

Unemployment rates and informality declined significantly over the last decade. Nonetheless, the recent growth slowdown is creating challenges to employment generation. Unemployment fell

sharply from 20.4 percent in the first quarter of 2003 to 7.1 percent in 2013, while the proportion of the labor force employed in salaried formal jobs grew from 33.5 percent in 2003 to 47 percent in 2013. Labor market outcomes drove urban poverty reduction. However, economic growth has slowed down since 2012, with GDP growing 0.9 percent in 2012 and 1.4 percent in 2013. This adversely affected labor market outcomes. After reaching its lowest level at 6.7 percent in 2011, unemployment started to increase gradually and reached 7.5 percent in the second quarter of 2014. This increase was also compounded by a decline in labor force participation rates, resulting in an overall decline of the percentage of population employed of nearly 1.5 percentage points in the last three years.

Strong economic growth over the last decade was accompanied by rising macro-imbalances. Key macroeconomic challenges include the existence of inflationary pressures, deficits in fiscal and current accounts and falling international reserves. Argentina has relatively modest fiscal and current account deficits as well as low public sector debt to GDP. Nonetheless, given the limited access to international markets, they create pressures on the economy. These imbalances need to be resolved in order to avoid unwanted effects on the medium-term sustainability of the gains in equity and development achieved during the last decade. In this regard, the Government of Argentina has recently implemented various public policy interventions aimed at resolving key macroeconomic imbalances. It must be noted, however, that continued and consolidated efforts are required for achieving the desired results.

Sectoral and institutional Context

The improvement in labor market indicators was not homogeneous. Some groups saw their situation improve less rapidly; and the access to formal, stable jobs remained out of reach for many workers. Among Argentina's youth aged 16-24 years, the unemployment rate was 20 percent in 2013, almost four times the unemployment rate of the population aged 25-64 years (5.4 percent). More than half of the youth with a salaried job were employed in the informal sector, while the same indicator was below 30 percent for the population aged 25 to 64. The high levels of youth unemployment affect particularly women, who have unemployment rates 37 percent higher than their male counterparts, while their labor force participation rate is lower than that of young men: 34 percent against 54 percent of young men. Unemployed youth is among the most vulnerable groups of the total population. Moreover, roughly 60 percent of unemployed aged 16-24 years belong to households from the lowest part of the income distribution (33 percent in the first quintile, 27 percent in the second quintile), indicating that initial socio-economic factors (poor households, low access to education) are highly associated with youth performance in the labor market.

Youth employment has become a central concern for policy makers at the global and national levels, as the high unemployment and informality rates not only represent a serious social problem, but also one that can constrain economic productivity in both the short and medium term. If young workers cannot access quality jobs which provide them with a career path and benefits typical of quality jobs, their probability of making significant contributions to economic growth in the medium term will be limited. Hence, the problem of youth employment is not only about equity (that is, that those who fail to start their working lives with good jobs are likely to remain in less quality jobs during the rest of their lifetime), but also of growth.

In this context, and responding to the need of structuring pathways into work for unemployed

youth, in 2008, the Government of Argentina launched an employment and skills training program called “Jóvenes por Más y Mejor Trabajo” (JMyMT) for the 18 to 24 year population. The Program is implemented by the Ministry of Labor, Employment, and Social Security (MTESS) as part of a larger training and intermediation program that targets all age groups, with the goal of promoting social inclusion of the most vulnerable population and improving the quantity and quality of employment. The Program, supported by the Lifelong Learning Project (Loan 7474-AR), developed an integrated approach to youth employment by convening a set of interventions to assist beneficiaries in labor orientation, finishing secondary school, accumulating experience and skills through internships, providing specific training, and finding productive employment either as salaried workers or through self-employment. The target population is youth (men and women) who have not completed secondary school and are unemployed. The Program provides monetary benefits, in the form of grants, as well as non-monetary benefits, through different services. The geographical coverage of the Program has expanded over time. At the end of 2008, the JMyMT Program was implemented in only seven provinces and 33 municipalities and included close to 9,500 beneficiaries. Six years later it covered all provinces and 360 municipalities, and approximately 200,000 youth had participated in one or more Program’s activities each year.

JMyMT is a program focused on improving employability of participants. In this sense, the program aims at improving the supply side of the labor market, giving young vulnerable participants a chance to get a better job. However, it is clear that in order to obtain significant outcomes (i.e., to increase the employment and quality of jobs of this population), it is critical to increase labor demand as well, which in turns depends on overall macroeconomic performance. While this program does not focus on demand, some aspects of its operation recognize the role of employers in this process, and they participate at the National level through the Sector Councils that design and in some cases provide training opportunities, and at the local level through an engagement strategy develop by the OEMs.

While the implementation of the Program has been effective since its creation, there are several challenges that the Government needs to confront to make the Program more effective and inclusive. First, the network of OEMs needs to become more effective at engaging participants and registering them in training activities. Second, the Program needs to guarantee acceptable standards of services throughout the country, including professional training and opportunities for work experience. In this context, the Government has requested World Bank support to improve the operation and performance of the Program, with particular focus on: i) supporting the consolidation of the Program throughout the country, including the monetary transfers to participants, ii) improving orientation, training and employment services offered to program participants; and iii) strengthening the OEMs. With the objective of improving the quality of existing services, the Ministry is adopting performance based agreements with the municipal employment offices and proposing an output-based approach as a disbursement modality of the new operation with the World Bank in order to promote the provision of quality services to youth in the Program.

II. Proposed Development Objectives

The development objective of the proposed Project is to improve access of vulnerable youth population to labor markets, increasing their employability by supporting the expansion and strengthening of Government employment programs.

III. Project Description

Component Name

Improvement and Provision of Orientation and Training Services Offered to Program Participants

Comments (optional)

This Component will improve the quality and relevance of orientation and training services, and products offered to program participants, by financing the provision and improvement of these services, including the design and implementation of workshops and training courses, development of competency standards, training of evaluators, improvement and certification of training institutions, curricular design, and teacher training.

Component Name

Coverage Expansion and Operational Strengthening of the JMyMT program

Comments (optional)

The Component will aim at maintaining the Program's coverage at around 200,000 youth per year, reaching a total of 390,000 during the three years of implementation (as some participants are eligible during more than one year), and improving the MTESS capacity to implement the Program. The Component will finance cash transfers to eligible participants enrolled in the Program including: i) monthly stipends when participating in program activities, including labor orientation workshops, employment clubs, professional training courses, IT courses, entrepreneurship training, and basic education completion; ii) monthly stipends when participating in on-the-job training activities; and iii) incentives linked to completion of the program activities.

Component Name

Strengthening and Improving the Performance of the Network of Municipal Employment Offices

Comments (optional)

This Component will aim at strengthening the capacity and performance of the employment services offered by the OEMs to Program participants by incorporating new methodologies and management practices in existing and new OEMs. It will support the performance of the OEM network through an outputs-based disbursement model.

IV. Financing (in USD Million)

Total Project Cost:	767.00	Total Bank Financing:	425.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			342.00
International Bank for Reconstruction and Development			425.00
Total			767.00

V. Implementation

The MTESS is the implementing agency for the Youth Employment Support Project. Project activities will be managed within the structure of the Ministry through the Secretariat of Employment, as detailed below. In order to carry out activities included in Component 2 and taking advantage of Argentina's institutional and fiduciary framework, the Project will build on the existing organizational and management structures of the Ministry which are currently responsible for managing and implementing the JMyMT Program. Support for impact evaluation and Program studies will be provided by the Undersecretary of Labor Studies of MTESS in collaboration with the Secretary of Employment.

The technical coordination of the JMyMT Program is under the Under Secretariat for Promotion of the Social Economy Sector of the MTESS. This technical coordination is responsible for articulating all the services for JMyMT participants and the labor orientation and employability workshops activities under Component 1. The Directorate of Orientation and Professional Training of the MTESS, is responsible for activities related to training courses, certification of labor competencies and support for training institutions under Component 2. Based on the agreements between the Ministry and the Municipalities in which they will agree to provide specified services, referrals will be made by the OEMs to facilitate access for youth to these activities (orientation workshops, training courses, internships, education, etc.).

Support to municipal employment offices in the context of Component 3 will be provided by the Directorate of Employment Services in collaboration with the Directorate of Strategic Information for Employment. This Directorate will have a key role in the development and implementation of the management information system (MIS), in which Project activities and outputs will be registered and monitored.

Support to the Youth Employment Project on administrative and financial management matters will be provided by the Executing Unit for Projects with External Financing (UEPE), the office in the MTESS which carried out these functions for the Lifelong Learning project . This Unit will coordinate with the relevant staff in the MTESS to facilitate the use of the Loan resources to support the eligible activities described above. This Unit will be responsible for the appropriate utilization of Loan resources, and manage the day-to-day activities of procurement and financial management, including budgeting, accounting and financial reporting, treasury functions including disbursements, collecting information required for output based disbursements under Components 1 and 3, and reimbursement of selected eligible expenditures under Component 1; ensuring compliance with audit requirements; and maintaining all the documentation required to support Project activities.

VI. Safeguard Policies (including public consultation)

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

Comments (optional)

VII. Contact point

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