

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ECUADOR

**SUPPORTING THE COMMITMENT TO EMPLOYMENT FOR THE
EFFECTIVENESS OF EMPLOYMENT POLICIES**

(EC-L1284, EC-G1009, EC-J0008)

LOAN AND GRANT PROPOSAL

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LINKS	
REQUIRED:	
1.	Multiyear execution plan/Annual work plan
2.	Monitoring and evaluation plan
3.	Environmental and social management report
4.	Procurement plan
OPTIONAL:	
1.	Economic analysis
2.	Program Operating Regulations
3.	DFATD letter of contribution to donor account
4.	Human mobility annex
5.	Climate change annex
6.	Bibliography and glossary
7.	Diagnostic assessment annex
8.	Environmental and social filter

ABBREVIATIONS

CCF	Canadian Cooperation Framework
CIET	Coordinación de Inteligencia de la Información y Estudios del Trabajo (Information Intelligence and Studies Coordination Office)
CQS	Selection based on consultants' qualifications
DFATD	Department of Foreign Affairs, Trade and Development
ENESEM	Encuesta Estructural Empresarial (Structural Survey of Businesses)
GDA	General donor account
GRF	IDB Grant Facility
HMP	Human mobility population
ICAP	Institutional Capacity Assessment Platform
ICB	International competitive bidding
INEC	Instituto Nacional de Estadística y Censos (National Statistics and Census Institute)
IPNs	Indigenous peoples and nationalities
LMK	Labor Markets Division
MDB	Multilateral development bank
MDT	Ministry of Labor
NCB	National competitive bidding
OC	Ordinary Capital
PEU	Program execution unit
PSG	Project-specific grant
QCBS	Quality- and cost-based selection
SCP	Subsecretaría de Cualificaciones Profesionales (Office of the Undersecretary for Professional Qualifications)
SECAP	Servicio Ecuatoriano de Capacitación Profesional (Ecuadorian Vocational Training Service)
SNCP	Sistema Nacional de Cualificaciones Profesionales (National System of Professional Qualifications)
SPE	Servicio Público de Empleo (Public Employment Service)
TBD	To be determined
VIRTE	Visa de residencia temporal de excepción para ciudadanos Venezolanos (special temporary residency visa for Venezuelan citizens)

PROJECT SUMMARY

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Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
Republic of Ecuador			Amortization period:	23 years
Executing agency:			Disbursement period:	4 years
Ministry of Labor			Grace period:	7.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	SOFR-based
IDB (Ordinary Capital)	25,000,000	87%	Credit fee:	(c)
Canadian Cooperation Framework (CCF): ^(f)	3,337,732	11%	Inspection and supervision fee:	(c)
IDB Grant Facility (GRF): ^(g)	517,489	2%	Weighted average life (WAL):	15.25 years
Total:	28,855,221	100%	Currency of approval:	United States dollars
Project at a Glance				
<p>Project objective/description: The general objective is to contribute to improving job placement in quality jobs, targeting groups with higher barriers to workforce integration. Specific objectives: (i) to expand the coverage of employment training and relevant job skills certification programs for Ecuadorians and the human mobility population; and (ii) to expand the use of the public employment service with an inclusion lens.</p>				
<p>Special contractual conditions precedent to the first disbursement of the financing: The first disbursement of the financing will be contingent on the following conditions being met to the Bank's satisfaction: (i) evidence has been provided that the executing agency has formed the program execution unit (PEU) and selected a project manager, a procurement specialist, and a financial specialist, according to the terms of reference and qualifications previously agreed upon with the Bank; and (ii) evidence has been provided that the program Operating Regulations have been approved and have entered into force on the terms previously agreed upon with the Bank (paragraph 3.5).</p>				
<p>Special condition for execution: The disbursement of the resources for Subcomponent II.2 (paragraph 1.32) will be contingent on the signature, to the Bank's satisfaction, of a specific agreement between the executing agency and the Ecuadorian Vocational Training Service (SECAP) identifying a cooperation mechanism between the two institutions for SECAP to provide employment training and job skills certification services. The agreement will establish, on the terms previously agreed upon with the Bank, the responsibilities of the two parties in the execution of the respective resources and activities (paragraph 3.6).</p>				
<p>Exceptions to Bank policy: None.</p>				

Strategic Alignment			
Challenges: ^(d)	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
Crosscutting themes: ^(e)	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/> and ES <input type="checkbox"/>	IC <input checked="" type="checkbox"/>

- (a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- (b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.
- (c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.
- (d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- (e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).
- (f) Resources equivalent to US\$3,337,732 were received from the Government of Canada—Department of Foreign Affairs, Trade, and Development—on 31 March 2022 via a letter of contribution to the General Donor Account (GDA). These resources will be administered by the Bank as a project-specific grant (PSG), in accordance with document SC-114 and under the framework agreement with the Government of Canada (Resolution DE-25/02, document GN-2202). The Bank will charge an administrative fee of 5%, once the operation is approved, and the transfer has been made to the GDA under the Canadian Cooperation Framework (CCF), which will be used to administer the resources of this project. This administrative fee will be distributed among the relevant Bank departments, according to the workload related to the preparation, execution, and monitoring of the activities financed by the PSG, as well as to the administration of those resources under the framework agreement with the Government of Canada.
- (g) Grant financing: IDB Grant Facility (GRF). In accordance with document GN-2947-6 (phase I), the structure of the IDB financing for this operation includes a combination of 13% nonreimbursable resources (GRF and CCF) and 87% reimbursable resources (Ordinary Capital). The GRF resources will be disbursed pari passu with the Ordinary Capital loan proceeds.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Macroeconomic context.** After the pandemic, Ecuador made significant progress in strengthening the policy framework driving economic growth, poverty reduction, and fiscal consolidation. GDP grew 4.2% in 2021 [1] and 2.9% in 2022 [2]; the poverty rate fell from 33% in 2020 to 25.2% in 2022;¹ and the government recorded a primary fiscal surplus of 1.6% of GDP in 2022. In addition, the recent rise in the global interest rate and falling oil prices have put added pressure on the fiscal accounts. Political dynamics and the current context of electoral transition have made structural labor and social security reforms difficult to implement. The election process for new authorities of the executive and legislative branches is proceeding in an orderly manner with elections on 20 August 2023 and continuity of the activities of the public and private sectors. The current economic dynamics are characterized by the caution of private investors typical of pre-electoral periods. However, all candidates' platforms include promoting productive employment and strengthening protections for vulnerable groups as important priorities, and job matching and employment training policies have even survived the government changeovers in 2010 and 2016, respectively.
- 1.2 **Labor context.** Labor indicators are improving, but access to quality jobs postpandemic is limited by pre-existing challenges.² Although unemployment was 3.1% in December 2022,³ adequate employment fell between 2019 and 2022 (from 38.8% to 36%) [4], as did formal employment (from 39.6% to 34.1%) [5], while underemployment rose⁴ (from 17.8% to 19.4%) [4]⁵ ([optional link 7](#)).
- 1.3 **Human mobility flows create additional challenges.**⁶ Ecuador has been a receiving country for migrants since 2014. Between 2010 and 2020, the migrant population increased from 2.5% of the total population to 4.4% (approximately 785,000 people) [7] [8].⁷ The migrant and refugee population is young (29.9% are between ages 25 and 39, versus 19% of the local population), and 69.2% are between ages 15 and 64 with productive capacity and the potential to contribute to the economy [5]. Given this state of affairs, Executive Decree 436/2022 [9] granted a migration amnesty and introduced a special path to regular migration status for those who entered the country regularly via an official port of entry, but who are currently out of status. The measure was supplemented by Executive

¹ Poverty line: per capita family income of less than US\$88.72 per month [3].

² The term “quality employment” is used interchangeably here with “formal employment” and “adequate employment.” Formal employment means the employer makes social security contributions on behalf of the employee. Adequate employment includes employed persons who, in a given week, receive labor income equal to or greater than the minimum wage and (i) work 40 hours or more per week, regardless of their desire and availability to work additional hours, or (ii) work less than 40 hours per week but do not desire to work additional hours [6].

³ Lowest value since 2009 (out of a total of 12.9 million people over age 15).

⁴ Underemployment includes employed persons who, in a given week, earned less than the minimum wage and/or worked less than the legal working day, despite their desire and availability to work more [6].

⁵ Includes population age 15 and older with social security coverage out of a total of 8 million employed.

⁶ Migrants, persons in transit, and returnees in the country.

⁷ See [optional link 4](#) for IDB Grant Facility (GRF – Phase I) eligibility criteria.

Decree 753/2023 [10], which expanded eligibility this path to regular migration status to those who entered the country irregularly. As of June 2023, more than 165,000 people had enrolled in the migrant registration process. More than 70,000 of those applied for the VIRTE special temporary residency visa for Venezuelan citizens, and 52,008 temporary residency visas were issued [11] [12].

- 1.4 **The problem.** The main problem observed is the difficulty experienced by the labor force in finding quality jobs, made worse by the pandemic, especially among groups with higher barriers to workforce integration. As of December 2022, gaps were seen for: (i) **women**, who have low rates of labor participation (52.2% women, 77.6% men), adequate employment (28.8% women, 41.1% men), and formality (32.7% women, 35.2% for men), as well as higher rates of unpaid employment (18.4% women, 5.9% men) [5] and occupational segregation (for example, 29.4% of women work in service occupations and commerce sales, versus 12.3% of men) [5]; (ii) **young people ages 18-26**, for whom 23.1% neither study nor work, 8.4% are unemployed, and 23.6% are underemployed (versus 3.1% and 19.4%, respectively, on a consolidated basis), formality fell from 27.9% to 23.2% between 2019 and 2022, and only 13% had adequate employment [5]; (iii) **adults ages 45-64**, 36.2% of whom were formally employed [5]; (iv) **human mobility population (HMP)**, for whom unemployment is higher than the national total (4.4% versus 3.1%) and formality is lower (falling from 33.9% to 24.2%⁸ between 2019 and 2022); only a minority find work in fields where they were employed in their country of origin, because they lack the necessary documentation to demonstrate their training, skills, and/or work experience ([optional link 4](#)); (v) **persons with disabilities**, for whom the employment rate is approximately 20 percentage points lower than for the total population ([optional link 7](#)), which reflects greater vulnerability [13]; and (vi) **indigenous peoples and nationalities (IPNs)** ([optional link 6](#)) (10.1% of the total population), for whom 13.5% have adequate employment and 20% have formal employment, 80% are self-employed, and more than half are unpaid household workers; indigenous peoples and nationalities generally work in sectors and occupations with little regulation, such as agriculture (74.2%) or low-skills occupations (48.1% versus 26% total) [5] ([optional link 7](#)), 64% live in the Amazon region, and only 10% have formal employment.
- 1.5 **Determinants.** Two main determinants limit the ability of the workforce to find quality jobs: (i) the gap between skills sought by formal employers and those offered by job seekers; and (ii) the lack of employment information and guidance limiting the ability to effectively match labor supply and demand, which makes employment training opportunities harder to identify for those without the required skills, and opportunities for recognition and validation harder to access for those with the skills (paragraph 1.10).
- (i) **The gap between skills sought by formal employers and those offered by job seekers**
- 1.6 **Productive sectors are unable to find the required skills.** In Ecuador there is a 50% mismatch between the skills supply and demand, mainly due to a lack of

⁸ Calculated on an annual basis [5].

required job qualifications (35%) [14]. Companies note difficulties in finding the required skills⁹ due to lack of qualification and training (30%) and experience (39.3%) [16]. In this context, the lack of information about sought-after skills prevents employment training and job skills certification offerings from providing a bridge by serving the needs of the productive sector.¹⁰ Although the Structural Survey of Businesses (ENESEM) conducted by the National Statistics and Census Institute (INEC) in 2018 included information on skills sought by businesses, the Ministry of Labor (MDT) has only delayed access to the data in the aggregate, making it more difficult to use.¹¹ The MDT does not usually conduct follow-up reviews or prospective studies to anticipate present and future labor demand and its characteristics, nor does it have profiling tools to understand the employability of job seekers [18] [19] [20].¹²

- 1.7 **Among job seekers, there are groups with higher barriers to employability that have difficulty accessing employment training and job skills certification programs that would help enhance their employment opportunities.** Economic constraints make training services more difficult to access. Some 50% of the population have a per capita household income of less than US\$140 [5], whereas 61-120 hours of employment training costs at least US\$90, and job skills certification at least US\$60 (20% and 13.3% of the minimum wage, respectively).¹³ They also lack information on training offerings and their potential in terms of access to quality jobs [21]. For young people, the main barriers to quality employment are lack of work experience and technical and soft skills [16] [21].¹⁴ Current labor regulations contain contradictions that make opportunities compatible with academic studies difficult to access ([optional link 7](#)). Young people receiving employment training and job skills certification account for less than 31% and 7% of the unemployed. Women receiving employment training and job skills certification account for 49% and 7% of the total unemployed. Additionally, adults (ages 45-64) need to upgrade their skills and retrain, with the added difficulty of having lower educational attainment than young people ([optional link 7](#)). In this group, employment training and job skills certification account for 19% and 9% of the total unemployed. For the HMP the high costs and requirements associated with validation of knowledge and/or work experience acquired in their country of origin are a challenge (paragraphs 1.3 and 1.4).
- 1.8 **The lack of mechanisms for anticipating skills can increase the skills gap, especially in emerging fields like “green jobs.”** The creation of green jobs and their multiplier effects are an opportunity to build formal employment in Ecuador,

⁹ Certifying informally acquired skills circumvents this problem [15].

¹⁰ The evaluation process identifies the knowledge, skills, abilities, and aptitudes that a worker possesses to perform an activity according to an occupational standard. They are independent of their academic/professional training and can be learned, developed, and refined empirically on the job.

¹¹ The Higher Education Council recently launched an academic/productive cluster initiative to identify training needs in formal education.

¹² The latest training agenda (2018-2021) was carried out by the Technical Secretariat of the SNCP [17], which was created in 2016 and merged into the MDT in 2020.

¹³ Private employment training and job skills certification services tend to be costlier than the public services (between US\$150 and US\$350).

¹⁴ Problem-solving, teamwork, communication skills, and others.

which is a country highly vulnerable to climate change and committed to the transition to a low-carbon economy [22]. This will generate new demand for skills and competencies associated with the just transition, requiring new training profiles. The highly strategic sectors of transportation, energy, and agriculture could potentially generate 255,000, 15,400, and 24,000 new jobs, respectively, if the country's decarbonization policy commitments to development strategies are implemented (see Glossary in [optional link 6](#)) [23].

(ii) The lack of employment information and guidance limiting the ability to effectively match labor supply and demand, which makes employment training opportunities harder to identify for those without the required skills, and opportunities for recognition and validation harder to access for those with the skills.

- 1.9 **The lack of employment information and guidance affects employers and job seekers alike.** Some 61% of job seekers use informal methods, such as inquiring with friends or relatives, or sending résumés [24]. Such informal methods, as opposed to those offered by employment agencies (public or private), are limited in coverage and less effective for the most vulnerable population [25]. Fully 14% of companies have difficulty filling vacancies due to lack of experience, training, or applicants [26]; furthermore, their selection processes may be gender-biased [27] or wanting in rigor due to a lack of necessary equipment and resources (especially at small companies). These gaps are due partly to the shortcomings of the Public Employment Service (SPE),¹⁵ which fails to facilitate the matching of supply and demand (paragraph 1.17). In addition, companies, job seekers, and training providers do not know where or how to exchange information on demand for skills, available courses, content, and profiles for the certification of informally acquired learning. This challenge is even greater for IPNs, who reside mainly in rural areas with limited access to basic services and are unaware of the SPE and employment training offerings ([optional link 7](#)).
- 1.10 **Evidence of the effectiveness of employment policies for solving the problem and identified determinants.** The evidence indicates that employment training and job skills certification strategies targeting the productive sector reduce skills gaps and generate better labor-market outcomes;¹⁶ likewise, information and guidance services provided by the SPE make it easier to match workers and companies [28] [29]. This requires the promotion of integrated labor policies that, based on the profile of each person and taking into account the special features of those facing higher barriers to workforce integration, offer an array of services: information, guidance, employment training, job skills certification, and placement in quality jobs [31] [39].
- 1.11 **The MDT designs, implements, and regulates policies on employment training, job skills certification, employment, and job matching, as well as generating information on the labor market and other functions.**

¹⁵ These services support participation as well as promote job quality and updating of skills [28].

¹⁶ References [29] to [38].

a. Employment training and job skills certification services

- 1.12 Ecuador does not have a single, integrated employment training/job skills certification system. The MDT's Office of the Undersecretary for Professional Qualifications (SCP) is in charge of: (i) executing the policies of the National System of Professional Qualifications (SNCP) [40]; and (ii) updating the National Catalogue of Professional Qualifications, which contains 653 professional qualification profiles from different economic sectors,¹⁷ as input for the employment training and job skills certification processes (more than 500 of which were cancelled and many require updating because they do not match existing demand). The SNCP manages and regulates employment training services provided by authorized training operators, as well as job skills certification services provided by public and private conformity assessment agencies. There are two employment training modalities: continuous (curriculum design defined by authorized training operators) and by labor competencies (based on MDT qualification profiles).¹⁸ The cost of employment training and job skills certification varies by provider and training area and is borne by the person seeking the service. Currently, the MDT does not directly or indirectly cover those costs,¹⁹ except for free short training courses through the SPE that provide a certificate of attendance.
- 1.13 As of May 2023, the SNCP had 561 authorized training operators and 249 authorized conformity assessment agencies. They must register the employment training and job skills certification received by the workers with the MDT for verification of the recognition. However, any qualified training operator can provide employment training in the continuous modality even without MDT authorization (or certification). Only the MDT grants job skills certification through authorized conformity assessment agencies. In 2022, 139,212 people were trained, and 77,234 job competency certificates were issued to providers authorized by the MDT (6% and 3% of public operators, respectively).²⁰ SECAP offers short-term employment training and job skills certification services at a lower cost than similar services provided by private operators.²¹ SECAP is the main public provider of employment training and job skills certification, such as the SNCP-accredited conformity assessment agencies and authorized training operators, the only one with national coverage (25 training centers in the country), and since 2013, the first (and leading) authorized provider of job skills certification in Ecuador, with more than 46,000 certifications issued between 2017 and 2022. Outside the SNCP, only SECAP can provide employment training by labor competencies (30 to 90 hours) under current regulations. It has done so under

¹⁷ The professional qualification profile is based on the requirements of the labor market and companies and considers current and future industry needs and those of the overall economy. It is also used to carry out employment training and job skills certification plans and to guide the selection and evaluation of job candidates.

¹⁸ Employment training courses can be short (8-119 hours), medium (120-359 hours), or long (360-800 hours). Job competency-based employment training courses last 120-800 hours [41].

¹⁹ SECAP is recognized for offering differentiated rates for people with at least one vulnerability.

²⁰ Employment training and job skills certification grew consistently from 1,383 and 26,073 people in 2017, respectively.

²¹ An agency reporting the MDT with separate legal status and administrative and financial autonomy.

more than 650 curriculums [42], reaching 47,000 people in 2022 (supplementing SNCP coverage and achieving employment training coverage of 183,000 people).

- 1.14 The SNCP faces certain constraints: (i) the professional qualification profiles, certification systems, and evaluation instruments (see definitions of terms in the Glossary provided in [optional link 6](#)) are insufficient and in some cases outdated and could be made more relevant and adapted to current and future needs of employers (paragraphs 1.5 and 1.6); (ii) the process of designing employment training programs does not guarantee the necessary relevance and applicability because the Office of the Undersecretary for Professional Qualifications (SCP) creates profiles based on demand from sectors without taking labor demand studies into consideration and has difficulty involving the productive sector due to human and financial capital constraints;²² (iii) the absence of a labor profiling instrument makes labor supply skills, training needs, and employability difficult to know; and (iv) the platform for administering the system of profiles, arrangements, instruments, and certifications is obsolete and not integrated with the SPE.

b. Job matching services and their challenges in terms of coverage and effectiveness

- 1.15 The MDT, acting through the SPE and its “Encuentra Empleo” digital job matching platform,²³ supported by the Employment and Wages Coordination Office reporting to the Office of the Undersecretary for Employment and Wages, designs, implements, and regulates job matching policies for the provision of job information and counseling services to connect employers and applicants and support placement in quality jobs. Services for employers include: (i) publication of vacancies; (ii) preselection and selection of personnel (interviews, competency testing, and psychometric tests); and (iii) guidance workshops for employers. Services for applicants include: (i) job profile registration; (ii) counseling, interview preparation, and training; (iii) personal attention; (iv) free training via website, including in soft skills;²⁴ and (v) job fairs. The SPE offers in-person services (28 agencies and points of service) and virtual services (website) [44].
- 1.16 In 2021-2022, an average of 175,274 people registered with the SPE (51% women, representing 4.4% of unemployed as of December 2022). In addition, the SPE’s attention is focused mainly on Pichincha and Guayas (19.1% and 19.5% of the total new registrants) with significant service gaps, especially for IPNs (only 10% of the population served by Encuentra Empleo in the Amazon self-identify as IPNs). Persons with disabilities are underrepresented among SPE registrants (1%, despite representing 3% overall) ([optional link 7](#)). Furthermore, only 0.67% (5,473) of companies are registered with the SPE (versus 15% in Mexico and 16% in Brazil [1]) and do not use the platform to follow up on matches. Training and placement services are not well promoted due to a lack of financial and human resources, limiting their use by potential beneficiaries (job seekers and companies). Companies could benefit from nonmonetary incentives to support workforce

²² There are limitations in qualified training operator accreditation processes because they do not guarantee the necessary quality [43], an issue that is beyond the scope of the operation. Support is being provided to the MDT in the development of a strengthening plan with resources from operation [ATN/SX-18974-EC](#).

²³ The first agency opened in 2010.

²⁴ These are of short duration and, unlike employment training, only offer a certificate of participation.

integration for specific groups, such as seals of recognition. (The MDT's "Sello T" seal of good labor practices is currently pending implementation.)

- 1.17 The SPE's constraints include: (i) low job seeker coverage and insufficient dealings with companies; (ii) no consolidated labor market information system to inform training and labor policies with a gender and diversity lens, which would enable employment agents to do their work better; at present, the Labor Information Intelligence and Studies Coordination Office (CIET) generates information but does not regularly monitor current and future labor demand; (iii) few specialized information and guidance services for young people, women, the HMP, and others (for both job matching and training); (iv) no integration with employment training and job skills certification services, and no profiling instrument, which prevents job seekers from receiving information or guidance on the employment training and job skills certification services available through such an instrument; (v) limited field capacity of Encuentra Empleo agencies and not enough human resources, which limits their ability to address the needs of clients (employers and job seekers); (vi) poor connectivity and dissemination of SPE services limits their use, especially for IPNs and the HMP, as well as limited accessibility for persons with disabilities; (vii) low capacity, lack of interoperability, and obsolescence of computer equipment (operating at 90% of memory, processing, and storage capacity, with no manufacturer support and high security risk), low degree of process automation, and lack of systems integration [45] [1] [19] [20]. Additionally, (viii) although regulations encourage the hiring of IPNs, employers find such vacancies difficult to fill because they cannot find the required skills, even through the SPE (used by only 2.7% of IPNs) [46] [47].
- 1.18 **Rationale.** The Government of Ecuador has approved the "Commitment to Employment 2023-2025" program [48] as part of the "Creating Opportunities" National Development Plan 2021-2025 [49], to reduce unemployment, underemployment, and informality among low-employability groups. Meeting these challenges requires regulatory, policy, and program changes. This project takes the existing regulatory framework and contributes to the improvement of policies and programs to promote access to quality employment (formal and adequate employment) through the strengthening of relevance strategies for planning and coordinating employment training and job skills certification efforts around the needs of employers and job seekers, in addition to strengthening job guidance and matching services (paragraph 1.10). The Bank also provides technical support to the country (operations [ATN/OC-19554-EC](#), [ATN/OC-19944-EC](#)) for improving labor and social security regulations, where changes have the potential to impact levels of underemployment and informality in the country.
- 1.19 **The Bank's lessons learned and sector experience.** The Bank has regional experience in the design and supervision of programs to improve employability by strengthening training, certification, and job matching systems. Component I incorporates the following lessons: (i) involving the productive sector, to align training offerings with skills requirements, makes it possible to reduce skills gaps and improve workforce integration for young people and adults

(operations [4555/OC-PE](#), [2739/OC-BA](#),²⁵ [4362/OC-CH](#), [3787/OC-BH](#),²⁶ and [ATN/OC-15185-TT](#)); included via the financing of prospective studies and a labor demand monitoring system; and (ii) profiling tools also make it possible to design effective training offerings, as well as improve the employment guidance offered by public employment services (operations [4098/OC-CH](#),²⁷ [1936/OC-ME](#), and [3822/BL-BO](#)); included via the identification of barriers to specific groups and design of a profiling instrument with emphasis on women and the HMP. Component II the following lessons: (i) promoting and orienting employment training and job skills certification towards sectors with job creation potential is important (operations [3542/CH-BA](#), [3542/OC-BA](#), and [ATN/OC-15185-TT](#)); and (ii) developing training paths for specific groups, such as women or migrants (operation [4934/OC-CO](#)), are areas reflected in the design or updating of job profiles with an HMP and gender lens, and in the financing of employment training and job skills certification services for those groups. Component III incorporates learnings from the [SEALC Network](#) regarding institutional and technological strengthening of the SPE (operation [ATN/OC-16825-RG](#), document [GN-2741-12](#)), lessons learned regarding public-private partnerships for employment and employment training, services to entrepreneurs at the SPE (operation [3547/OC-PE](#)), and technological modernization of the SPE (operation [2660/OC-PR](#)), as reflected in the component's four outputs.

- 1.20 **Strategic alignment.** This operation is aligned with the second Update to the Institutional Strategy (document [AB-3190-2](#)), with the challenges of: (i) Social Inclusion and Equality, by promoting egalitarian access for groups with higher barriers to getting a job at a formal source of employment, and to public services such as job matching, employment training, and job skills certification; and (ii) Productivity and Innovation, by promoting a closer convergence between low-employability local and HMP workers and the needs of the productive sector through job matching, information systems, and skills development; and with the crosscutting themes of: (i) Gender Equality, by strengthening SPE strategies for the integration of women in employment training, job skills certification, and employment opportunities; (ii) Diversity, by strengthening SPE strategies for the integration of IPNs and persons with disabilities in labor markets; (iii) Institutional Capacity and Rule of Law, by strengthening the institutional capacity of the Government of Ecuador and the governance and modernization of job matching services; and (iv) Climate Change and Environmental Sustainability, by promoting employment training and job skills certification in green jobs and the circular economy and by introducing incentives for companies to create vacancies for green jobs. This operation will contribute to the Corporate Results Framework 2020-2023 (document [GN-2727-12](#)) through the following indicators: beneficiaries of employment support initiatives; countries with strengthened gender equality and diversity policy frameworks; beneficiaries of initiatives that support migrants and their host communities; and agencies with strengthened digital technology and managerial capacity.

²⁵ [PCR](#).

²⁶ [PCR](#).

²⁷ [PCR](#).

- 1.21 The operation is aligned with the **Bank's Country Strategy with Ecuador 2022-2025** (document [GN-3103-1](#)), with the strategic objective of reducing the precariousness of employment. It is consistent with the sector framework documents for Labor (document [GN-2741-12](#)), Skills Development (document [GN-3012-3](#)), Migration (document [GN-3021](#)), Gender and Diversity (document [GN-2800-13](#)) in its prioritized actions for "differentiated programs or services" for women and IPNs; and Climate Change (document [GN-2835-10](#)). The operation is consistent with the guidelines set for alignment with the Employment Action Framework with Gender Perspective (documents [OP-2289-1](#) and [GN-3057](#)) because it includes analyses, interventions, and indicators related to the talent pillar. It is coordinated with the IDB Group Gender and Diversity Action Plan 2022-2025 (document [GN-3116-1](#)) in two priority thematic areas: improving human capital and improving economic opportunities for women and IPNs by promoting employment training, job skills certification, and workforce integration.
- 1.22 Based on the [multilateral development banks' joint methodology for tracking climate finance](#), the operation has 25.04% climate finance for mitigation and adaptation through funding for prospective studies in green sectors, the design/updating of new curriculum designs/profiles in prioritized (green) sectors that address the needs of the productive sector, and equipment procurement with energy-efficiency criteria ([optional link 5](#)). Based on the Green Finance Tracking Methodology at the IDB Group (document [GN-3101](#)), the program has 16.12% green finance (overlaps with climate finance) through its contribution to the environmental sustainability objective of "Production of environmental goods and services" through capacity-building activities for green jobs.
- 1.23 The operation was analyzed using the Joint MDB Assessment Framework for Paris Alignment and the "IDB Group Paris Alignment Implementation Approach" (document [GN-3142-1](#)) and was found to be aligned with (i) the adaptation goals of the Paris Agreement and (ii) the mitigation goals of the Paris Agreement, based on a specific analysis. The alignment was based on an analysis that indicates that the operation will not delay nor conflict with relevant and applicable climate mitigation and adaptation policies, strategies, and actions in Ecuador or with global decarbonization paths, avoiding committed emissions in the long term ([optional link 5](#)).
- 1.24 **Cooperation with other donors.** The Bank has reached an agreement with the Government of Canada to support countries facing development challenges as a result of migration flows in the region. It will provide resources and knowledge to support the project activities (paragraph 2.3) with an emphasis on the HMP and women. The operation is aligned with the Results Framework for this collaboration, with the objective to improve access to services and economic opportunities for the HMP with differentiated activities for women and persons in vulnerable circumstances. It contributes to increasing the capacity of the government and public and/or private providers to develop and/or provide mechanisms to promote economic opportunities, with the same emphasis.
- 1.25 In addition, a strategic partnership has been established with the United Nations High Commissioner for Refugees (UNHCR)—without direct participation in the execution of the operation—to target and coordinate efforts through the exchange of information on the delivery of employment training and job skills certification

services (paragraph 1.32), actions with the HMP, and nonmonetary recognition to the private sector, such as inclusiveness seals (paragraph 1.36).

B. Objectives, components, and cost

- 1.26 **Objectives.** The general objective is to contribute to improving job placement in quality jobs in Ecuador, targeting groups with higher barriers to workforce integration. The specific objectives are: (i) to expand the coverage of employment training and relevant job skills certification programs for Ecuadorians and the human mobility population;²⁸ and (ii) to expand the use of the public employment service with an inclusion lens.
- 1.27 **Component I. Tools and mechanisms to strengthen identification of labor market gaps and guidance and information services (US\$2,169,628; IDB/OC US\$1,889,628 and IDB/CCF US\$280,000).** This component seeks to develop tools and mechanisms at the MDT that provide insight into demand and supply of skills, and to use that knowledge to inform and guide employment policy at the national and local levels, in order to close skills gaps and ensure better matches between labor demand and supply.
- 1.28 **Subcomponent I.1. Tools and mechanisms to identify gaps and enhance relevance.** This subcomponent will finance the following outputs: Skills demand: (a) a new labor demand monitoring system, through consulting services (design and implementation) and purchase of IT assets. The CIET will be responsible for this output, which will include the monitoring of indicators with different levels of disaggregation for low-employability groups, contributing to the identification of profiles and specific social-emotional and technical skills required by the market in different sectors of the economy. It will also include information gathered by the Labor Demand Survey, which will be administered for the first time in December 2023 with technical cooperation resources (operation [ATN/OC-19944-EC](#)); (b) two prospective studies in strategic green sectors²⁹ to identify current and future skills demand. The studies will be associated with the goals of the post-2015 sustainable development agenda and will facilitate hiring among low-employability groups and the closing of gender and HMP gaps (paragraph 1.4). They will help to learn the quantity and characteristics of the profiles sought after by the productive sector in order to guide the delivery of the Component II training services. Skills supply: the program will finance, through consulting services: (c) a study to identify access barriers to employment training and job skills certification programs, with emphasis on women and the HMP (paragraph 1.4),³⁰ which will be used for the design of employment training and job skills certification to be financed by Component II and will help orient job seekers towards services designed to close those gaps; and (d) a profiling instrument that allows the SPE to identify people's employability skills, with emphasis on women

²⁸ Relevant employment training/job skills certification means it meets the demands of the productive sector in prioritized areas. A list of such programs will be defined by the MDT in coordination with the productive sector within the first year of execution.

²⁹ Prioritized areas to date: construction, sustainable transportation, renewable energies, and circular economy; others could be incorporated depending on the findings of the skills survey and prospective studies.

³⁰ A specific study for IPNs is being funded with transactional resources.

and the HMP, strengthening care services for more vulnerable job seekers (paragraph 1.4).

- 1.29 **Subcomponent I.2. Coordination and opportunity-generation service with employers and job seekers.** This subcomponent will strengthen services at SPE agencies by implementing a coordination and opportunity-generation service with employers and job seekers with emphasis on closing gaps. It will finance the hiring of personnel (individual consulting services for call order contracts) and the purchase of IT equipment and furniture for those personnel. Approximately 43 professional staff will be hired to perform key functions in the central administration and the delivery of information, guidance, and placement services to companies and job seekers at local agencies, identify and promote employment training and job skills certification services through authorized training operators and conformity assessment agencies for low-employability groups under Component II, as well as to stage workshops and fairs financed under Component III (see profiles in [optional link 2](#)). Approximately 12 of those professional staff will be located in the Amazon region and fluent in native languages, so that they can carry out specific actions to promote the integration of IPNs in the area, in support of the Comprehensive Planning Act for the Amazon Special Territorial Circumscription [47] (paragraphs 1.4 and 1.7).
- 1.30 **Component II Consolidation of training and certification programs (US\$21,375,209; IDB/OC US\$18,167,720, IDB/GRF US\$387,489 and IDB/CCF US\$2,820,000).** This component seeks to expand the coverage of employment training and job skills certification offerings, in line with the labor market requirements and consistent with the gaps and needs of low-employability groups, including women, the HMP, persons with disabilities, and IPNs.
- 1.31 **Subcomponent II.1. Tools for closing gaps and enhancing relevance.** This subcomponent will finance consulting services for the following outputs: (a) new or updated curriculum designs for employment training in prioritized sectors to meet the needs of the productive sector;³¹ (b) new or updated occupational profiles, certification system, and job skills certification evaluation instruments. Both outputs will focus on the needs of the HMP with a gender perspective and will be made available by the MDT to authorized training operators and conformity assessment agencies for implementation in Subcomponent II.2; (c) update of the soft skills training module of the Encuentra Empleo platform (including manuals); and (d) communication plan to disseminate the benefits of the project and the employment training and job skills certification processes with differentiated messages to promote the participation of groups with higher access barriers to the programs, and productive sector participation in the process of preparing and updating designs and profiles. Specific actions will be included to attract and adapt SPE services to IPNs in order to reduce gaps in areas of the Amazon region with limited accessibility by coordinating current strategies with the guidelines of the IPN national agenda.

³¹ See footnote 28. Technical roundtables will be held with companies and business associations to identify curriculum needs in prioritized sectors.

- 1.32 **Subcomponent II.2. Employment training and job skills certification programs.** This subcomponent will support the MDT, through consulting and other services, in substantially redirecting the country's supply of employment training and job skills certification services provided by authorized training operators and conformity assessment agencies towards relevant training activities. The instrument consists of a full or partial direct economic contribution per beneficiary (depending on the total value of the employment training and job skills certification, according to the hours and type of program) to authorized training operators and conformity assessment agencies, which will lower the cost per beneficiary of employment training and job skills certification. This will increase demand for employment training and job skills certification services by lowering access barriers for job seekers in low-employability groups, enabling service providers to expand their offerings as a result of receiving that direct financial support per beneficiary. Specifically, this subcomponent will finance: (a) a quality, relevant technical/vocational employment training program in its two modalities ([required link 2](#)) in an in-person, virtual, or blended format,³² where the MDT will pay up to US\$90 of the cost of employment training courses (between 8 and 800 hours) per participant to authorized training operators; (b) a job skills certification program, where the MDT will pay up to US\$65 (including US\$5 for materials) per participant to conformity assessment agencies. For employment training and job skills certification, the MDT will select, according to eligibility criteria agreed upon with the Bank³³ ([optional link 2](#)), the providers/operators that are authorized or will undergo the qualification or recognition process under current MDT regulations.³⁴ Given its territorial reach and flexibility for incorporating new employment training/job skills certification designs/profiles, SECAP will be an important ally in the delivery of employment training/job skills certification (paragraph 1.13).³⁵ Beneficiaries from groups with higher access barriers will be referred for employment training or job skills certification consistent with their employment guidance and profile by the employment agents financed by Component I, who will capture the specific features of their work experience and vocation.
- 1.33 **Component III. Strengthening and expansion of the SPE (US\$4,410,944; IDB/OC US\$4,290,098, IDB/GRF US\$50,000 and IDB/CCF US\$70,846).** This component seeks to strengthen the service and increase the coverage of the SPE, with an inclusion lens through the following:
- 1.34 **Subcomponent III.1. Technological investments and process improvements.** This subcomponent supports improvements in process management and digital transformation with a focus on the specific groups of the operation, minimizing the environmental impact and facilitating the just transition to a low-emission,

³² In remote areas, mobile units may be considered for the service delivery (same for job skills certification).

³³ Completing the SNCP qualification or recognition process in accordance with current MDT regulations, having specific experience, demonstrating responsiveness to requirements, having the potential to be strategic partners, and other criteria.

³⁴ Upon completion of the labor demand survey and prospective studies, the MDT will determine the employment training/job skills certification needs for consolidating the employment training/job skills certification programs.

³⁵ The MDT and SECAP will sign an agreement for providing employment training/job skills certification services (paragraph 3.3).

- sustainable economy. It will finance: (a) the design and implementation of a new IT platform for the SPE with accessibility features for ease of access for vision- and hearing-impaired persons with disabilities (paragraph 1.16), with improved web identity and a gender perspective. To accomplish this, it will commission consulting services for: (i) a study to survey and update the SPE's operating model processes with a gender perspective, including job matching and other processes; (ii) specification of associated technical requirements; (iii) development of a tool for automation of the SPE (software) and the SNCP (software); and (iv) a training plan for SPE public servants in use of the new platform; and (b) purchase of technological infrastructure (energy efficient hardware and associated software) required by the new SPE platform, which will automate the operating model.
- 1.35 The new platform will include information analysis functionalities with a module for monitoring, supervision, and analysis of employment policy results that will enable the collection and examination of data disaggregated by sex and nationality, to support policy decisions that reduce inequality in employment opportunities, and a module for HMP job matching.³⁶ In addition, the key management subsystems will be strengthened: (i) job matching and guidance; and (ii) a platform for managing job qualifications (employment training/job skills certification of the SNCP), enabling segmentation of the population (including a taxonomy of occupations at the SPE, to create a common language for job descriptions and employment training/job skills certification).
- 1.36 **Subcomponent III.2. Activities to promote the engagement and convergence of job seekers and employers as SPE users.** With consulting services, (a) an "SPE gender mainstreaming strategy with emphasis on green jobs," designed under technical cooperation operation [ATN/SX-18974-EC](#), will be implemented, including tools in five major areas: awareness, understanding and assimilation of gender equality concepts; labor market analysis and audit of processes with a gender lens; reengineering of policies, processes, activities, and services to promote and drive gender equality; monitoring and measurement of progress; and gender perspective in green sectors (paragraph 1.4); and (b) an "SPE promotion strategy for employers and job seekers" will be implemented, including awareness strategies and communication campaigns, as well as through workshops with business associations in productive sectors, job fairs for job seekers, and other venues. Differing approaches will be taken for IPNs in the Amazon, women, and the HMP with dissemination activities in their native languages, and other activities. There will be coordination with IDB Invest and IDB Lab, to increase outreach to the private sector. In addition, nonmonetary incentives (awards and recognition) will be created for companies that add women, persons with disabilities, the HMP, and young people to their payroll and update the format of a good labor practices award (such as the MDT's "Sello T" seal³⁷ or other recognition) (paragraphs 1.4 and 1.16).

³⁶ The technological infrastructure will be migrated to the Corporación Nacional de Telecomunicaciones (CNT) data center per instructions from the Ministry of Telecommunications; the MDT will bear the hosting cost during the project.

³⁷ Recognition of employers that fully meet employment obligations, such as social security, quota for persons with disabilities in companies, gender equality, and others.

- 1.37 **Program administration.** Administrative and other expenses in the amount of US\$732,553 will include: the program execution unit (PEU), financial audits, and monitoring and evaluation (impact, midterm, and final).
- 1.38 **Beneficiaries.** A total of 81,960 participants are expected to participate in employment training, and 67,790 in job skills certification,³⁸ to contribute to the target of benefiting 152,862 people with employment training and 88,532 with job skills certification. Specific identification and communication actions will be carried out so that, of all the beneficiaries receiving employment training/job skills certification, 32,269 will be women, and 14,000 will be HMP. Strengthening the SPE will potentially benefit the country's entire working-age population (12.9 million in 2022) and employers (approximately 863,681 companies) through service improvements and specific promotion and awareness-raising actions.³⁹

C. Key results indicators

- 1.39 The program has three results indicators associated with the general objective. The first two measure the improvement in the probability of having a quality job 12 months after receiving relevant employment training or job skills certification. The third measures the percentage of job seekers placed in a quality job 12 months after interaction with the SPE. The outcome indicators associated with specific objective I will measure: persons with a certificate of having passed relevant employment training courses; persons with relevant job skills certifications; and persons (women, HMP) with a relevant employment training certificate or relevant job skills certification. The outcome indicators associated specific objective II will measure: persons registered on the SPE platform; percentage of new registrants on the SPE platform who are young people (ages 18-26), women, adults (ages 45-64), and HMP persons; and number of vacancies posted on the SPE platform.
- 1.40 **Economic analysis.** The ex ante cost-benefit analysis quantified the incremental benefits associated directly with the main components of the program. The project yields a return with a net present value (NPV) of US\$527,058, a discount rate of 12% for 5 years, and a positive internal rate of return of 12.8%. The sensitivity analysis indicates that the expected NPV remains in positive territory, posing a moderate risk because the scenarios where the outcome is not positive are limited.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Instrument and dimensioning of the operation.** The Government of Ecuador has requested a specific investment loan of US\$25 million from the Bank. These efforts will be supplemented with US\$3,337,732 in nonreimbursable resources from the Canadian Cooperation Framework (CCF) and with US\$517,489 in

³⁸ See details in [required link 2](#).

³⁹ Beneficiaries will be prioritized according to belonging to highest-needs groups (older adults, children and adolescents, pregnant women, persons with disabilities, persons deprived of liberty, and those suffering from catastrophic or highly complex diseases) and vulnerability, according to the Constitution of the Republic of Ecuador ([optional link 6](#)).

additional nonreimbursable resources from the IDB Grant Facility (GRF). The choice of the project specific investment instrument is justified by its limited scope, the logical interdependence of the components, and physical and technical individuality.

- 2.2 **Use of GRF resources.** The program meets the eligibility criteria for the use of GRF resources (document AB-3199), phase I. Immigration to Ecuador between 2018 and 2021 swelled its population by 435,423 people, representing 2.4% of the national population ([optional link 4](#)), almost three time the level required to qualify under Criterion 1 (0.5%). Consistent with the design criteria, the program: (i) identifies workforce integration challenges and designs appropriate solutions to address them; (ii) is consistent with existing economic opportunities, one of the strategic thematic areas of the GRF (identified in document AB-3199, included in document [GN-2947-4](#), paragraph 2.8.B); (iii) defines beneficiary migrants and receiving communities, as well as geographic areas with a high concentration of migrants ([optional link 4](#)), and the Results Matrix sets objectives for migrants and targeting criteria to ensure those objectives are met; and (iv) the operation is included in the country programming. Thus, the loan of US\$25 million will leverage US\$517,489 in GRF resources, consistent with a blended amount of up to 87% IDB reimbursable resources and 13% nonreimbursable resources (GRF 2%; CCF 11%).

- 2.3 The following is a summary of the distribution of costs:

Table 1. Estimated program costs (US\$)

Components	IDB (Ordinary Capital)	CCF	GRF	Total	%
Component I. Tools and mechanisms to strengthen identification of labor market gaps and guidance and information services	1,889,628	280,000	-	2,169,628	8
Subcomponent I.1. Tools and mechanisms to identify gaps and enhance relevance	40,000	280,000	-	320,000	
Subcomponent I.2. Coordination and opportunity-generation service with employers and job seekers	1,849,628	-	-	1,849,628	
Component II. Consolidation of training and certification programs	18,167,720	2,820,000	387,489	21,375,209	74
Subcomponent II.1. Tools for closing gaps and enhancing relevance	313,490	100,000	107,489	520,979	
Subcomponent II.2. Employment training and job skills certification programs	17,854,230	2,720,000	280,000	20,854,230	
Component III. Strengthening and expansion of the SPE	4,290,098	70,845	50,000	4,410,944	15
Subcomponent III.1. Technological investments and process improvements	4,161,183	70,845	-	4,232,029	

Table 1. Estimated program costs (US\$)

Components	IDB (Ordinary Capital)	CCF	GRF	Total	%
Subcomponent III.2. Activities to promote the engagement and convergence of job seekers and employers as SPE users.	128,915	-	50,000	178,915	
Administration and other contingent expenses	652,552	-	80,000	732,552	3
Total available for the program	25,000,000	3,170,845	517,489	28,688,334	100
Administration fee	-	166,887		166,887	
Total	25,000,000	3,337,732	517,489	28,855,221	

Note: Costs are indicative.

- 2.4 Based on the detailed analysis in the multiyear execution plan, the estimated disbursement period is four years,⁴⁰ according to the following schedule:

Table 2. Disbursement schedule (US\$)

	Year 1	Year 2	Year 3	Year 4	Total
IDB (Ordinary Capital)	6,680,227	7,505,821	5,813,000	5,000,952	25,000,000
CCF	1,005,773	1,154,000	677,000	500,959	3,337,732
GRF	147,860	155,879	73,750	140,000	517,489
Total	7,833,860	8,815,700	6,563,750	5,641,911	28,855,221

Note: Includes administrative expenses and fees.

B. Environmental and social safeguard risks

- 2.5 In accordance with the Environmental and Social Policy Framework (ESPF), the operation was classified as Category "C" because it is expected to cause minimal or no negative environmental or social impacts.

C. Fiduciary risks

- 2.6 A medium-high fiduciary risk was identified: If the program execution unit (PEU) is not strengthened for the implementation of IDB fiduciary policies, and fiduciary delegations and process flows appropriate to the project are not established, there could be delays in contracting that impact the overall execution timeline of the project. To mitigate this risk: (i) the Bank's fiduciary team will provide support and training to the MDT; (ii) the program should strengthen the PEU by hiring professionals with past experience in fiduciary management for projects financed

⁴⁰ Justified by: (i) the installed capacity in the country to deliver employment training and job skills certification services; (ii) the advancement with the Bank's resources of Components I and III activities and the contracting of the PEU in 2023, which will be recognized retroactively, if they meet requirements substantially similar to the Bank's (paragraphs 3.5 and 3.7); and (iii) IDB support with technical cooperation operations [ATN/OC-19944-EC](#), [ATN/OC-19897-EC](#), and [ATN/JF-19163-EC](#) (paragraphs 1.28 and 1.36) with inputs for the start of execution (business survey, INP gap analysis, etc.).

by multilateral agencies; and (iii) as part of the program [Operating Regulations](#), process flows will be developed that adequately reflect the delegation and speed necessary to meet program targets as planned and on schedule.

D. Other key issues and risks

- 2.7 **Other risks.** Two medium-high risks were identified: (i) political: If changeover of authorities occurs at the MDT during project launch, the project startup and execution processes could be delayed, affecting project execution and meeting targets; to mitigate this risk, it is proposed that the National Planning Secretariat issue a priority opinion for the entire project period and the annual budget allocation each year; and (ii) economic/financial: If there are delays in allocating the budget ceiling for the operation, it will not be possible to execute the planned activities for each component and thus achieve the development objectives; to mitigate this risk, the PEU will develop precise financial planning for including the project in the budget programming and providing the budget requirements to the Ministry of Economy and Finance in advance.
- 2.8 **Sustainability.** For the sustainability of the project investments, Ecuador's commitment to the Sustainable Development Goals (SDGs) (especially SDG 8) was considered, as were Executive Decrees 436/2022 and 753/2023, which granted a migration amnesty and introduced a special path to regular migration status. The financial contributions for employment training and job skills certification from the MDT are temporary and in response to an adverse labor conditions made worse by the pandemic. The operation will build MDT capacity to develop relevant profiles and direct employment training and job skills certification toward sectors with higher returns. In addition, more than 25% of the investments will go into tools for prospective studies, guidance, profiling, and job matching, as well as technological systems that will remain in place after the project and require no additional investment. Personnel training (Component III) will emphasize change management and enable staff to manage the platform after the project (paragraph 1.34). The purchase of infrastructure will include maintenance services for at least the life of the project, after which it will be the responsibility of the MDT. Technological systems could become obsolete, potentially generating cost overruns and affecting the sustainability of such investments. In anticipating of this challenge, through operation [ATN/SX-18974-EC](#), work is being done to ensure that the technical specifications for selecting suppliers favor digital solutions that can be easily upgraded. The software design will be flexible, allowing new developments to be included in a modular fashion. Lastly, the program will coordinate with international cooperation agencies (paragraph 1.24) in the delivery of services for the HMP.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The executing agency will be the Ministry of Labor (MDT), which will execute the project through a program execution unit (PEU) dedicated exclusively to the operation under the Office of the Undersecretary for Employment and Wages. The PEU will manage the program's budget allocation, contracting, and payments in coordination with institutional internal units. It will also be responsible for preparing

- and reporting on the operation's financial information and outcomes, managing disbursements with the IDB, delivering required audited and unaudited financial reports, evaluations, and preparing procurement plans in the system indicated by the Bank.
- 3.2 The PEU staff will be hired with program resources and led by a project manager, who will be in charge of a management team and a technical team. The management team will consist of financial, procurement, planning, and monitoring and supervision specialists. The technical team will consist of approximately 43 positions in different specialty fields, with the necessary responsibilities for achieving the program's outcomes. The program [Operating Regulations](#) will describe in detail the job descriptions, duties, and procedures for their hiring and the mechanisms for internal and external coordination with the various actors involved in the program's execution (paragraphs 1.29 and 1.32, and [optional link 2](#)).
- 3.3 The MDT will sign a specific agreement with the Ecuadorian Vocational Training Service (SECAP) identifying a cooperation mechanism between the two institutions, including the terms and conditions for SECAP to provide employment training and job skills certification services; signing this agreement will be a special condition for execution. The details of the model for this agreement will be included in the program [Operating Regulations](#).
- 3.4 **Institutional capacity.** The institutional capacity assessment of the MDT using the Institutional Capacity Assessment Platform (ICAP) methodology indicates that the executing agency does not have recent experience in managing projects with international financing or sufficient human resources to take on the responsibilities associated with execution of the program, especially in terms of fiduciary management. The program will finance the creation of the PEU with an exclusively dedicated team (paragraph 3.2) and will strengthen the PEU in fiduciary areas (paragraph 2.6).
- 3.5 **Contractual conditions precedent to the first disbursement of the financing.** The first disbursement of the financing will be contingent on the following conditions being met to the Bank's satisfaction: (i) evidence has been provided that the executing agency has formed the program execution unit (PEU) and selected a project manager, a procurement specialist, and a financial specialist, according to the terms of reference and qualifications previously agreed upon with the Bank; and (ii) evidence has been provided that the program [Operating Regulations](#) have been approved and have entered into force on the terms previously agreed upon with the Bank. These conditions are justified to ensure efficiency in execution, successful program implementation, and compliance with Bank policies.
- 3.6 **Special condition for execution:** The disbursement of the resources for Subcomponent II.2 (paragraph 1.32) will be contingent on the signature, to the Bank's satisfaction, of a specific agreement between the executing agency and the Ecuadorian Vocational Training Service (SECAP) identifying a cooperation mechanism between the two institutions for SECAP to provide employment training and job skills certification services. The agreement will establish, on the terms previously agreed upon with the Bank, the responsibilities of the two parties in the execution of the respective

resources and activities. This condition is justified because SECAP is the only public employment training/job skills certification provider with nationwide coverage with MDT authorization (paragraph 1.12).

- 3.7 **Retroactive financing.** The Bank may retroactively finance, against the program resources, up to US\$2.5 million (10% of the proposed loan amount) in eligible program expenditures (financing of the PEU, line staff, studies, employment training and job skills certification, and technology) incurred by the borrower prior to the loan approval date, provided that requirements substantially similar to those established in the loan contract have been met, and the procurement procedures comply with the core procurement principles (paragraph 2.4). Such expenditures must have been incurred on or after the project profile approval date (9 March 2023) but will not in any case include expenditures incurred more than 18 months before the loan approval date.
- 3.8 **Procurement.** The executing agency will conduct procurements in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document [GN-2349-15](#)) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document [GN-2350-15](#)), or other applicable policies. The procurement plan ([required link 4](#)) will be updated annually, whenever necessary or when the Bank so requires, in the procurement plan execution system established by the Bank.
- 3.9 **Disbursements.** The Bank will make advances in dollars based on liquidity needs for a maximum period of six months, and the MDT will prepare disbursement requests and account for them as established in the Financial Management Guidelines for IDB-financed Projects (document [OP-273-12](#)). With the exception of the first advance, at least 80% of the total accumulated balances pending justification must be justified. The IDB Grant Facility (GRF) resources will be disbursed *pari passu* with the loan proceeds on a proportional, but not simultaneous, basis. Disbursements of the GRF resources will be made at the Bank's discretion recorded in a notice of approval to the beneficiary. There is no *pari passu* requirement in the execution of the CCF resources.
- 3.10 **Audit.** The financial statements and eligibility of project expenditures will be audited by an independent, external audit firm acceptable to the Bank, to be contracted by the MDT. The audit services will be financed with project resources. The project's audited financial statements will be sent to the Bank within 120 days after the close of each fiscal year of the entity during the original disbursement period or as extended, if necessary. The last audited financial statements will be delivered within 120 days after the last disbursement date.

B. Summary of arrangements for monitoring results

- 3.11 **Monitoring.** In addition to the multiyear execution plan, annual work plan, and procurement plan, the PEU will deliver six-monthly status reports within 60 days after the end of each six-month period, including explanatory notes on the reasons for deviation from the original plan, if any. The project team will be responsible for preparing and delivering project reports to the donor, according to the stipulations of Canada's letter of contribution, which calls for: (a) an annual report no later than

30 April of each year; and (b) a final report no later than three months after the completion of a project.⁴¹

- 3.12 **Evaluation.** Progress on achieving agreed outcomes and outputs, as well as lessons learned that impacted performance, will be documented independently in a midterm evaluation (once 40% of the resources have been committed, or 50% of the disbursement period has elapsed, whichever occurs first) and a final evaluation (within 90 days after the date on which 90% of loan proceeds have been disbursed). An impact evaluation associated with the general objective will be performed, to determine the final direct impact of the operation, specifically the impact of the job skills certification program on labor outcomes.⁴²

⁴¹ See details in [required link 2](#).

⁴² The impact evaluation will use administrative data collected by the MDT as the main source of information, limiting the need for additional resources for its completion.

Development Effectiveness Matrix		
Summary		EC-L1284
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of initiatives that support migrants and their host communities (#) -Beneficiaries of employment support initiatives (#) -Countries with strengthened gender equality and diversity policy frameworks (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3103-1	Reduce the precariousness of employment
Country Program Results Matrix	GN-3154-1	The intervention is included in the 2023 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.7
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		3.7
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Evaluability Assessment Note:

El objetivo general de este programa de US\$28.86 millones es contribuir a mejorar la inserción laboral en empleos de calidad, con foco en grupos con mayores barreras de inserción laboral en Ecuador. Los objetivos específicos son: (i) ampliar la cobertura de los programas de formación para el trabajo y certificación por competencias laborales pertinentes, para ecuatorianos y personas en movilidad humana; y (ii) ampliar el uso del servicio público de empleo, con enfoque de inclusión. El principal problema observado es la dificultad de la fuerza laboral para insertarse en empleos de calidad, dificultad que se agudizó con la pandemia, especialmente para los grupos con mayores barreras de inserción: mujeres, jóvenes de 18 a 24 años, adultos de 45 a 64 años, población en movilidad humana, personas con discapacidad e individuos pertenecientes a pueblos y nacionalidades indígenas. La propuesta de préstamo identifica dos determinantes principales que limitan la capacidad de la fuerza laboral para insertarse en empleos de calidad: (i) la brecha entre las habilidades demandadas por empleadores formales y las ofrecidas por los buscadores de empleo; y (ii) la falta de información y orientación laboral que limita la capacidad de emparejar adecuadamente la oferta y la demanda laboral. Se observa un desajuste del 50% entre la oferta y la demanda de habilidades, principalmente por falta de calificación requerida por el puesto de trabajo (35%), lo que afecta aún más a grupos con barreras de inserción. Adicionalmente, 14% de las empresas tiene dificultad para llenar vacantes por falta de experiencia, formación o postulantes y un 61% de las personas que buscan empleo lo hace por métodos informales. En este contexto el programa propone el fortalecimiento de las estrategias de pertinencia para planificar y articular los esfuerzos de FT y CCL hacia las necesidades de los empleadores y buscadores de empleo, acompañado por el fortalecimiento de los servicios de orientación y vinculación laboral. El diagnóstico aparece como apropiado, y en la matriz de resultados se proponen indicadores de resultados y metas razonables para medir el alcance de los objetivos.

El análisis económico es apropiado, con supuestos y análisis de sensibilidad razonables y estándar. Utilizando una tasa de descuento del 12%, el valor presente neto estimado del programa es de US\$527.028 y la tasa interna de retorno es del 12,8%.

El plan de evaluación es apropiado. Propone realizar una evaluación reflexiva (antes y después) de los indicadores asociados a objetivos específicos y dos de los indicadores asociados al objetivo general. Este ejercicio garantizará el adecuado seguimiento de estos indicadores pero no permitirá la atribución empírica de los resultados obtenidos. Adicionalmente, se propone una evaluación de impacto experimental para el indicador asociado al objetivo general que mide la probabilidad de tener empleo de calidad 12 meses después de CCL, que permitirá la atribución empírica de este resultado.

RESULTS MATRIX

Project objective:	The specific objectives are: (i) to expand the coverage of employment training and relevant job skills certification programs for Ecuadorians and the human mobility population; and (ii) to expand the use of the public employment service with an inclusion lens. Achieving those objectives will contribute to the general objective to contribute to improving job placement in quality jobs, targeting groups with higher barriers to workforce integration.
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GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: Contribute to improving job placement in quality jobs, targeting groups with higher barriers to workforce integration							
Difference in % probability of having a quality job ¹ 12 months after receiving job skills certification, compared to a control group	Percentage	100	2023	2028	103	[1] Administrative data from the MDT information system. [1] Data from authorized conformity assessment agencies	[2] See methodological details in required link 2 . [3] Employment training/job skills certification authorized by the MDT.
Difference in % probability of having a quality job 12 months after receiving employment training	Percentage	100	2023	2028	105	[1] Data from authorized training operators	
Percentage of job seekers placed in a quality job 12 months after interaction with the SPE	Percentage	12.6 (15,950/126,259)	2021	2028	15	[1] or data from the Ecuadorian Social Security Institute and the SPE platform	[2]

¹ Quality employment: formal and adequate employment. [See definition 5 in [required link 6](#).] Since the condition of not wishing to work more hours cannot be verified from the available data, individuals who are formally employed and work less than 40 hours will be considered adequately employed regardless of whether the worker might wish to work more hours.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
Specific development objective 1: Expand the coverage of employment training and relevant job skills certification programs for Ecuadorians and the human mobility population (HMP)							
Persons who pass employment training courses	Number	139,212	2022	2027	152,862	[4] Administrative data of the project and SCP	[3] [5] Target: annual. [5] Project cumulative: 458,586 The "Commitment to Employment 2023-2025" program target cumulative to 2025 is 145,060.
Proportion of persons who pass relevant employment training courses ²	Percentage points	TBD	2023	2027	BL+20	[4]	[2] [6] An increase of 20 percentage points is expected.
Persons who obtain job skills certification	Number	77,234	2022	2027	88,532	[4]	[3] [5] Project cumulative: 265,597 The "Commitment to Employment 2023-2025" program target cumulative to 2025 is 119,982.
Proportion of persons who obtain relevant job skills certifications	Percentage points	TBD	2023	2027	BL+20	[4]	[3] [6]
Women who pass employment training courses and/or obtain relevant job skills certifications	Number	TBD	2023	2027	32,269	[4]	[3]
HMP ³ persons who pass employment training courses and/or obtain relevant job skills certifications	Number	TBD	2023	2027	14,000	[4]	[3]

² Relevant employment training/job skills certification meet the demands of the productive sector in prioritized areas. A list of those programs will be defined by the MDT in coordination with the productive sector in the first year of execution.

³ Includes migrants, persons in transit, and returnees.

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
Specific development objective 2: Expand the use of the public employment service with an inclusion lens							
Persons registered on the SPE platform	Number	175,274	Average 2021-2022	2027	184,038	[7] SPE administrative data.	Tracking of registered indigenous peoples and nationalities (IPNs) in the Amazon region. Target: annual Cumulative, last 3 years: 552,113
Percentage of new registrants on the SPE platform who are young people (ages 18-26), women, and adults (ages 45-64)	Percentage	65%	2017-2022	2027	73%	[7]	[2]
HMP persons registered on the SPE platform	Number	1,024	2022	2027	12,000	[7]	[2]
Number of vacancies posted on the SPE platform	Number	115,171	Average 2021-2022	2027	118,626	[7]	Target: annual. Cumulative, last 3 years: 355,878

OUTPUTS

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
Component I. Tools and mechanisms to strengthen identification of labor market gaps and guidance and information services										
Subcomponent I.1. Tools and mechanisms to identify gaps and enhance relevance										
1.1 Prospective studies to identify demand for profiles and skills needs that the labor market will require in the future, with an emphasis on closing gaps for women and the HMP, ⁴ conducted.	Study	0	2022	0	2	0	0	2	[8] Study published on the MDT website	
1.2 Study to identify access barriers to employment training programs and job skills certification, with an emphasis on women and the HMP, conducted.	Number	0	2022	0	1	0	0	1	[8]	

⁴ The prospective studies will include, insofar as possible and subject to data availability, a characterization of employment in prioritized sectors that identifies, among other things, the labor participation gaps of women and the HMP in the sector, factors related to occupational gender segregation (horizontal or vertical), and wage gaps.

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
1.3 Profiling instrument that identifies the required supply of skills for employability, with emphasis on women and the HMP, designed and implemented.	Instrument	0	2022	0	1	0	0	1	Ministerial resolution approving the instrument	
1.4 Labor demand monitoring system, designed and implemented (including equipment).	System	0	2022	0	1	1	1	1	Ministerial resolution approving the creation of the system at the Labor Information Intelligence and Studies Coordination Office (CIET)	[9] Noncumulative total
Subcomponent I.2. Coordination and opportunity-generation service with employers and job seekers										
1.5 Coordination and opportunity-generation service with employers and job seekers with emphasis on closing gaps, implemented. ⁵	Report	0	2022	1	1	1	1	1	[10] Annual progress report	[9]
1.6 Coordination and opportunity-generation service with employers and job seekers in the Amazon region with emphasis on closing IPN gaps, implemented.	Report	0	2022	0	1	1	1	1	[10]	[9]
Component II. Consolidation of training and certification programs										
Subcomponent II.1. Tools for closing gaps and enhancing relevance										
2.1 New or updated curriculum designs for employment training with an HMP focus, created with a gender perspective and made available to training operators.	Number	0	2022	0	20	20	20	60	[11] National Catalogue of Qualifications	
2.2 New or updated occupational profiles, certification system, and job skills certification evaluation instruments, designed with an HMP focus and a gender perspective and made available to conformity assessment agencies by the MDT.	Study	0	2022	0	20	20	20	60	[11]	

⁵ Includes actions in areas of the Amazon region to serve IPNs.

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
2.3 Soft-skills training course on the e-learning platform, updated (including update of manuals).	Number	0	2022	0	1	0	0	1	Training module available on the SPE platform's e-learning platform	
2.4 Communication strategy to disseminate the employment training and job skills certification processes, designed and implemented. ⁶	Strategy	0	2022	0	1	1	1	1	[10]	[9]
Subcomponent II.2. Employment training and job skills certification programs										
2.5 Employment training program implemented.	Program	0	2022	0	1	1	1	1	[12] Project closing certificate	[9]
2.6 Job skills certification program implemented.	Program	0	2022	0	1	1	1	1	[12]	[9]
Component III. Strengthening and expansion of the SPE										
Subcomponent III.1. Technological investments and process improvements										
3.1 SPE IT platform, accessible, ⁷ designed, and implemented, including improved web identity with a gender lens.	Platform	0	2022	0	1	1	1	1	Platform installed and operating	[9]
3.2 MDT technology infrastructure plan, updated and implemented (hardware)	Plan	0	2022	0	1	1	1	1	Equipment acceptance and implementation certificates	[9]
Subcomponent III.2. Activities to promote the engagement and convergence of job seekers and employers as SPE users										
3.3 SPE gender mainstreaming strategy, with a focus on green jobs, implemented.	Strategy	0	2022	0	1	1	1	1	[10]	[9]
3.4 Strategy to promote the SPE among employers and job seekers, implemented. ⁸	Strategy	0	2022	0	1	1	1	1	[10]	[9]

⁶ Includes differentiated messages for dissemination of the employment training and job skills certification processes, to promote the participation of young people, adults (ages 45-64), women, and the HMP.

⁷ For vision- and hearing-impaired persons with disabilities

⁸ Includes differential strategies for IPNs, women, and the HMP.

Country: Ecuador

Division: LMK

Operation no.: EC-L1284

Year: 2023

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Ministry of Labor of Ecuador

Operation name: Supporting the Commitment to Employment for the Effectiveness of Employment Policies

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country system in the operation¹

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reporting	<input checked="" type="checkbox"/> Information systems	<input type="checkbox"/> National competitive bidding
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	<input type="checkbox"/> Other

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Cofinancing	The efforts will be supplemented with US\$3.3 million in nonreimbursable resources from the Canadian Cooperation Framework (CCF). Additional resources of US\$0.52 million from the IDB Grant Facility (GRF) are also envisaged.
<input checked="" type="checkbox"/>	Specific features of fiduciary execution	This operation is a specific investment loan of US\$25 million from the Ordinary Capital. The disbursement period will be four years. The borrower will be the Republic of the Equator, and the executing agency will be the Ministry of Labor (MDT).

3. Fiduciary capacity

Fiduciary capacity of the executing agency	The risk workshop identified: (i) Potential fiscal allocation restrictions in the General Budget of the Nation due to the ceilings established by the Ministry of Economy and Finance; if payments are not made in a timely manner, payments to suppliers and contractors could be delayed, adversely affecting the program's objectives; and (ii) the volume and type of contracting envisaged in the program are significant and complex, so MDT's lack of familiarity with the execution of IDB-financed projects could result in errors in the application of policies and procedures during execution, causing delays in the planned timeline.
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¹ Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of its validation by the Bank.

4. Fiduciary risks and risk response

Risk taxonomy	Risk	Risk level	Risk response
Economic and financial	If there are delays in allocating the budget ceiling for the operation, it will not be possible to execute the planned activities for each component and thus achieve the development objectives.	Medium-high	The MDT will: (i) Immediately include the project in the budget request upon approval by the IDB Board of Executive Directors. (ii) Develop precise financial planning to avoid a budget request rejection or ceiling elimination due to lack of execution. (iii) Provide the budgetary requirements for the project to the Ministry of Economy and Finance in advance.
Internal processes	If the program execution unit (PEU) is not strengthened for the implementation of IDB fiduciary policies, and fiduciary delegations and process flows appropriate to the project are not established, there could be delays in contracting that impact the overall execution timeline of the project.	Medium-high	(i) The Bank's fiduciary team will provide support and training to the MDT; (ii) The program will strengthen the PEU by hiring professionals with past experience in fiduciary management for projects financed by multilateral agencies; (iii) As part of the program Operating Regulations, process flows will be developed that adequately reflect the delegation and speed necessary to meet program targets as planned and on schedule.

5. Policies and guidelines applicable to the operation: documents GN-2349-15 and GN-2350-15.

6. Exceptions to policies and guidelines: Not applicable.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(ii). For such purposes, the agreed exchange rate will be the rate on the day the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payments to the contractor, vendor, or beneficiary.

Type of audit: The MDT will deliver the special-purpose financial statements of the project, duly audited by an independent audit firm acceptable to the Bank, within 120 days after the close of each fiscal year or the last disbursement date. Similarly, the auditors will issue a report of internal control findings (management letter). The independent audit firm must be engaged at least 120 days prior to the close of each fiscal year or the last disbursement date.

III. PROCUREMENT EXECUTION AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Bidding documents	Procurements of works, goods, and nonconsulting services executed under the Bank's procurement policies (document GN-2349-15) and requiring international competitive bidding (ICB) will use the Bank's standard bidding documents or those agreed upon between the executing agency and the Bank for the specific procurement. Consulting services will be selected and contracted in accordance with the consultant selection policies (document GN-2350-15) using the standard request for proposals issued by the Bank or a request for proposals agreed upon between the executing agency and the Bank for the specific selection. The project sector specialist will be responsible for reviewing the technical specifications and terms of reference for procurements during the preparation of selection processes. This technical review may be ex ante and is independent of the procurement review method.
<input checked="" type="checkbox"/>	Recurrent expenditures	Recurrent expenditures required to implement the project, which are financed by the Bank and approved by the Project Team Leader, will be incurred following the executing agency's administrative procedures. Such procedures will be reviewed and accepted by the Bank, provided that they do not violate the principles of economy, efficiency, and competition (see the guidelines for the treatment of recurrent expenditures and the policy on eligibility of expenditures (document GN-2331-5), as updated).
<input checked="" type="checkbox"/>	Advance procurement and retroactive financing	The Bank may retroactively finance, against the program resources, up to 10% of the operation amount in eligible expenditures incurred by the borrower prior to the loan approval date, ² provided that requirements substantially similar to those established in the loan contract have been met, and the procurement procedures comply with the core procurement principles. Such expenditures must have been incurred on or after the date of entry of the transaction in the Bank's operations pipeline (9 March 2023) but will not in any case include expenditures incurred more than 18 months before the loan approval date.
<input checked="" type="checkbox"/>	Procurement supervision	The supervision method will be ex post, except where ex ante supervision is justified, as reflected in the procurement plan. For procurements executed using the country system, supervision will be conducted using the country supervision system. Use of the (i) ex ante, (ii) ex post, or (iii) country system supervision method will be determined for each selection process. Ex post reviews will be conducted each calendar year in accordance with the project supervision plan, subject to change during execution. The ex post review reports may include a physical visit to inspect the procurement processes subject to ex post review, selected at random and with a representation of no less than 10%. The threshold amounts for ex post review are as follows:

² The potential use of the retroactive financing is estimated at US\$2.5 million to finance the PEU, line staff, studies, employment training, job skills certification, and technology.

		<table><tr><th>Executing agency</th><th>Works</th><th>Goods and services</th><th>Consulting Services</th></tr><tr><td>MDT</td><td>US\$3 million</td><td>US\$250,000</td><td>US\$200,000</td></tr></table>	Executing agency	Works	Goods and services	Consulting Services	MDT	US\$3 million	US\$250,000	US\$200,000
Executing agency	Works	Goods and services	Consulting Services							
MDT	US\$3 million	US\$250,000	US\$200,000							
<input checked="" type="checkbox"/>	Records and archives	The MDT will maintain the order and integrity of records, arranging them chronologically, separately, by process, and by source of financing.								

Major procurements

Procurement description	Selection method	New procedures/Tools	Estimated date	Estimated amount (US\$000s)
Goods				
Procurement of technology infrastructure (servers, cables, cooling system)	ICB		22/10/2024	2,174
Procurement of computers and furniture for the MDT coordination and opportunity-generation program for employers and job seekers.	Shopping by open invitation		08/03/2024	178
Nonconsulting services				
Employment training services (public or private operators) ³	ICB		06/02/2024	13,055
Job skills certification services (public or private operators) ⁴	ICB		02/01/2024	7,798
Firms				
Creation of new occupational profiles, certification system, and evaluation mechanisms, designed for the HMP, with a gender perspective, made available to conformity assessment bodies by the MDT	Quality- and cost-based selection (QCBS)		28/08/2024	107

³ If the services of the Ecuadorian Vocational Training Service (SECAP) are required, the MDT will sign an agreement with SECAP establishing a collaboration mechanism between the two institutions, including the terms and conditions for providing employment training/job skills certification services. The details of this agreement will be included in the program Operating Regulations.

⁴ The comments in footnote 3 apply.

Procurement description	Selection method	New procedures/Tools	Estimated date	Estimated amount (US\$000s)
Design and implementation of the communication strategy for dissemination of employment training and job skills certification processes	QCBS		06/02/2024	300
Design of the SPE IT platform, including improved Web identity, with a gender lens	QCBS		12/11/2023	200
Development and implementation of the SPE IT platform, including improved Web identity, with a gender lens	QCBS		12/11/2023	1,854
Preparation of prospective studies to identify demand in prioritized sectors, to project the job profile and skills needs that the labor market will require in the future, with an emphasis on closing gaps for women and the HMP.	Selection based on consultants' qualifications (CQS)		21/11/2023	100
Preparation of studies to identify access barriers to programs and employment training and job skills certification for women, the HMP, and IPNs, with a focus on green and sustainable employment sectors	CQS		21/11/2023	90
Development of profiling instrument that identifies the required supply of skills for employability, taking into account the special features of women, the HMP, and IPNs, designed and implemented.	CQS		21/11/2023	90
Development of new curricular designs for the HMP.	CQS		28/08/2024	100
Financial audit of the program	QCBS		15/07/2024	110

Procurement description	Selection method	New procedures/Tools	Estimated date	Estimated amount (US\$000s)
Individuals				
Four contracts for the PEU (manager, and financial, procurement, planning, and monitoring and supervision specialists)	3CV		28/04/2023	461
Design and implementation of the strategy to promote the SPE among employers and job seekers	3CV		03/08/2024	50
3 contracts: midterm evaluation, final evaluation, and program impact evaluation	3CV		As of 04/01/2024	145
43 service contractors according to provision 3.22 of document GN-2350-15 for coordination and opportunity-generation for employers, with an emphasis on closing gaps, to be contracted under a mechanism agreed upon with the Bank, which will be part of the program Operating Regulations	Individual consultant selection by open invitation		01/08/2023	1,641

To access the procurement plan, click [here](#).

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Programming and budget	The Public Finance and Planning Code (COPLAFIP) establishes the rules governing the programming, formulation, approval, execution, control, evaluation, and liquidation of budgets. The MDT is responsible for taking the steps to include the corresponding line items in its budget.
<input checked="" type="checkbox"/>	Treasury and disbursement management	The disbursement mechanism will be through the Online Disbursements platform. Disbursements will be made to an exclusive account at the Central Bank of Ecuador (BCE) and transferred from there the same day to the Treasury Single Account, which will be used to make project payments. Advances will be made for a period of up to 180 days, based on actual liquidity needs, according to the MDT's detailed cash flow and financial plan. The accountability percentage will be 80% on the accumulated balances of previous advances.

☒	Accounting, information systems, and reporting	<p>The accounting standards to be followed will be the government accounting standards, which are converging towards International Public Sector Accounting Standards (IPSAS). The legal tender and reporting currency in Ecuador is the United States dollar (US\$).</p> <p>The MDT uses the e-SIGEF financial administration system, which integrates the budget processes for expenditure execution; accounting for recording transactions will be on an accrual basis; and on a treasury basis for payments to vendors and contractors.</p> <p>Reports are generated through the e-SIGEF system, which is the basis for the preparation under the cash accounting method of the Statement of Cash Flows and Statement of Cumulative Investments, prepared using data from the e-SIGEF system and supporting data in Excel.</p>
☒	Internal control and internal audit	<p>The Constitution of the Republic of Ecuador establishes that the Office of the Comptroller General (CGE) directs the public sector control system. As a public sector agency, the MDT has its own internal audit area.</p>
☒	External control and financial reporting	<p>The MDT, in agreement with the Bank, will select and engage the services of a Bank-eligible audit firm to perform the audit of special purpose financial statements in accordance with the Financial Management Guidelines for IDB-financed Projects; the Audited Financial Reports and External Audit Management Handbook; and the agreements with terms of reference previously agreed upon with the Bank. The cost of the external audit services may be financed from the loan proceeds.</p>
☒	Financial supervision of the operation	<p>The operation will require ongoing monitoring initially, since the PEU does not have recent experience in financial management, so regular onsite visits and desk reviews will be planned with a frequency subject to change during implementation. Financial supervision will be through virtual and/or in-person work meetings, as well as for specific issues that require the Bank's support and through the review of audited financial reports.</p>

**SUPPORTING THE COMMITMENT TO EMPLOYMENT FOR THE EFFECTIVENESS OF EMPLOYMENT
POLICIES**

EC-G1009

CERTIFICATION

The Grants and Co-Financing Management Unit (ORP/GCM) certifies that the referenced operation will be financed through:

Funding Source	Fund Code	Currency	Amount Up to
Canada Cooperation Framework ¹	CCF	USD	3,337,732

For operations financed by funds where the Inter-American Development Bank (IDB) does not control liquidity, the availability of resources is contingent upon the request and the receipt of the resources from the donors. Additionally, in case of operations financed by funds that require a post-approval agreement with the donor, the availability of resources is contingent upon the signature of the agreement between the Donor and the IDB. (i.e.: Project Specific Grants (PSG), Financial Intermediary Funds (FIF), and single donor trust funds).

Certified by:

Original signed

David Margolis on behalf of Maria Fernanda Garcia

Chief

Grants and Co-Financing Management Unit

ORP/GCM

July 6, 2023

Date

¹ Donor: Government of Canada

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/23

Ecuador. Loan ____/OC-EC to the Republic of Ecuador
Supporting the Commitment to Employment for
the Effectiveness of Employment Policies

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Ecuador, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the project "Supporting the Commitment to Employment for the Effectiveness of Employment Policies". Such financing will be for the amount of up to US\$25,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2023)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/23

Ecuador. Nonreimbursable Investment Financing GRT/CN-___-EC
to the Republic of Ecuador. Supporting the Commitment to
Employment for the Effectiveness of Employment Policies

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such agreement or agreements as may be necessary with Republic of Ecuador, for the purpose of granting it a nonreimbursable investment financing for a sum of up to US\$3,337,732 chargeable to the resources granted by the Government of Canada, pursuant to the Framework Agreement with the Government of Canada, and to adopt any other measures as may be pertinent for the execution of the project proposal contained in document PR-[___].

2. That the President of the Bank, or such representative as he shall designate, is authorized to distribute the administrative fees received by the Bank among the pertinent departments for which additional workload is generated by virtue of the resources granted by the Government of Canada.

(Adopted on ___, 2023)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/23

Ecuador. Nonreimbursable Investment Financing ____/GR-EC
to the Republic of Ecuador. Supporting the Commitment to
Employment for the Effectiveness of Employment Policies

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the IDB Grant Facility, hereinafter referred to as the "Account", to enter into such contract or contracts as may be necessary with the Republic of Ecuador, as beneficiary, for the purpose of granting it a nonreimbursable investment financing aimed at cooperating in the execution of the project "Supporting the Commitment to Employment for the Effectiveness of Employment Policies". Such nonreimbursable investment financing will be for an amount of up to US\$517,489, which form part of the Account, and will be subject to the Terms and Financial Conditions and the Special Contractual Conditions in the Project Summary of the project proposal contained in document PR-[].

(Adopted on ____ 2023)