
Labor Reform in Latin America and the Caribbean
The Role of the Multilateral Investment Fund

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Appendix 1: Key Success Factors and Implications

Executive Summary

The Multilateral Investment Fund (MIF) has played a pioneering role in the human resource sector at the Inter-American Development Bank (IDB). This paper presents an overview of eight MIF human resource projects and provides a summary of key success factors learned from this review. Building on the base of experience that has been developed, the paper also presents next steps and recommendations, to help MIF plan for the future judicious use of its resources in this sector.

Research for the paper involved an in-depth review of eight MIF human resource projects. It is important to note two caveats: (i) the projects reviewed are not representative of all MIF projects; however, the experiences of these projects provide significant lessons learned and common themes. (ii) The research for the paper was limited in scope and based on a review of project documents and interviews conducted during a condensed time period.

1) Role and Contribution of the MIF in Human Resources

MIF has played a unique and significant role in the human resource sector through small, targeted projects. MIF projects have fostered innovative approaches, which have played a key role in launching larger loan operations. MIF differs significantly from the World Bank and other organizations involved in this sector. While these other organizations tend to focus on technical assistance and public sector interventions, MIF focuses on the private sector and on pilot-testing new approaches.

Key Characteristics of MIF Human Resource Projects

- Small, targeted projects focusing on innovation
- Flexible and highly responsive mechanism of funding
- Ability to work directly with the private sector and other non-traditional organizations
- Requirement for host country counterpart funding

Since 1993, MIF has gained experience in the human resource sector in the following key areas: workforce capacity building, labor force modernization, skills standards, and labor re-conversion. Experiences and lessons learned from these innovative projects have provided a significant learning base, especially given the dearth of knowledge and experience in this sector at the Bank.

Key Contributions of MIF Human Resource Projects

- Helped prepare the groundwork for IDB loan operations
- Provided a testing ground to experiment with new approaches
- Brought the private sector into the human resource development process
- Helped establish regional learning
- Helped establish a dialogue-building process among key players

2) Weak Points of MIF Human Resource Projects

Despite the significance of MIF human resource projects, their role and experience are not widely recognized at the Bank. Key factors responsible for this include:

- Absence of feedback loop for communication within the Bank;

- Lack of a coherent strategy for funding human resource projects;
- Inadequate information on project impacts/outcomes.

3) Key Success Factors and Implications

Although the eight MIF projects reviewed for this paper may not be representative of all projects in the human resource sector, the collective review of these projects reveals several “common themes” and critical success factors (that is, key factors that emerged in our research as being important to projects’ success), specific to certain types of projects.

For each project type reviewed there were several critical success factors identified. For example, obtaining stakeholder commitment was identified as a critical success factor for labor re-conversion, skills standards, and workforce capacity building projects reviewed. However, this factor was not discovered as a critical success factor for the labor force modernization projects reviewed. This does not imply, however, that stakeholder commitment is not an important factor for labor force modernization projects. It merely did not emerge as a *critical* factor for these projects. Similarly, focusing on tangible outcomes was identified as a critical factor for the skills standards and labor modernization projects reviewed, but not for the labor re-conversion and workforce capacity building projects reviewed.

Exhibit 1 summarizes key success factors using the definition that the factor was identified as being critically significant for at least two types of projects.

Exhibit 1: Key success factors for projects reviewed

<p><u>Project Design:</u></p> <ul style="list-style-type: none"> • Stakeholder commitment • Simplified IDB guidelines and procurement procedures • Focus on tangible outcomes • Clear and realistic project objectives • In-depth institutional analysis to identify the executing agency • Transparent and operational design document <p><u>Project Implementation:</u></p> <ul style="list-style-type: none"> • Strong executing agency • Focus on project outcomes rather than project activities • Regular monitoring and evaluation and technical assistance <p><u>Project Dissemination:</u></p> <ul style="list-style-type: none"> • Increased emphasis on communication and dissemination

4) Next Steps

Looking forward, there are several steps that the MIF needs to take to ensure the judicious use of its resources. The MIF now needs to take stock of key success factors that have been identified,

clarify and reinforce its position and unique role in the sector, and develop measures to ensure its long-term sustainability.

Next Steps

1. Devise strategy, build MIF/IDB consensus

- Develop a strategy for MIF human resource projects
- Integrate MIF human resource projects as part of the overall Bank regional strategy
- Be very selective in funding regional human resource projects

2. Strengthen project design and preparation

- Obtain stakeholder commitment
- Make provisions for institutional strengthening
- Transparent and operational design document
- Include executing unit and manager in the design phase
- Develop realistic outcomes

3. Use staff effectively, improve procedures

- MIF staff should provide technical assistance
- Build a roster of human resource consultants
- Simplify implementation procedures

4. Establish M&E and dissemination systems

- Introduce the concept of project clusters to evaluate and disseminate lessons learned
- Emphasize monitoring and evaluation
- Enhance dissemination and communication within the Bank
- Increase public dialogue and information dissemination

5) Summary and Conclusions

The MIF has made a significant contribution in building a knowledge base in the human resource sector at the IDB. Using innovative approaches through small, targeted projects, the MIF has helped jumpstart several important loan initiatives. Given the lack of experience in this sector at the IDB, the experiences of the MIF are extremely valuable.

The paper identifies several key success factors based on a review of selected MIF projects. In addition, the paper suggests several additional next steps and recommendations. Looking forward, the MIF needs to develop strategic and operational guidelines for human resource projects. These guidelines should build on the recommendations suggested and be developed in conjunction with the IDB regional guidelines so that MIF projects can act as a catalyst and support the broader development agenda for the region/country. Such a strategy will help ensure effective use of MIF resources in this sector in the future.

1 Introduction

The Multilateral Investment Fund (MIF), a special fund administered by the Inter-American Development Bank (IDB), was created in 1993 to encourage the development of the private sector and to improve the investment climate in the LAC Region, in order to address the new realities of globalization. MIF strives to be "the leading innovative mechanism for private sector development in Latin America and the Caribbean" (IDB web site).

The MIF has significantly contributed to building a "knowledge base" of human resource projects at the IDB.

As of October 2000 the fund had received contributions from 28 countries, for a total of \$1.3 billion. Since its inception, MIF has approved 306 projects and two Lines of Activity for expedited processing of operations (one for concessions, and one for microfinance institutions). In recent years, there have been an increasing number of MIF projects funded by the IDB (with more than 90 projects approved in 1999); a reduction in average project size; and an increasing portion of costs (now greater than 50%) being paid by local partners. In its seven years, MIF has pioneered many ground-breaking efforts in the region, from establishing a regional network of dispute resolution centers, to supporting the first employee share ownership plan, to introducing national labor competency certification systems, to establishing specialized investment funds.

MIF focuses on supporting market reforms, building the skills of workforces, and increasing the participation of small and mid-sized enterprises in the economies of LAC countries. MIF also invests in special equity funds in community development, venture capital, technology, business partnerships, and the environment to help attract capital into the small business and microfinance sectors.

Human resources is one of the four program areas of the MIF (the others are enhancing the environment for private sector development; micro-enterprise and small business development; and a small enterprise investment fund), accounting for 27% of its funds. The MIF's objective in this sector is to help build the human resources necessary for enhanced investment and growing private sector activity in the region. MIF funds four types of projects within this sector:

- Workforce capacity building,
- Skills standards and certification systems,
- Labor market modernization, and
- Labor re-conversion.

This paper provides an overview of MIF human resource projects. As part of its overall strategy to accelerate private sector growth MIF has funded a number of projects aimed at developing the human resource base. MIF's foray into the human resource sector was a new endeavor at the Inter-American Development Bank (IDB). Over the last eight years, MIF has significantly contributed to building a "knowledge base" of human resource projects at the IDB and

It is now time for the MIF to build on lessons learned and develop a clear vision and strategy for human resource projects.

has served as an important learning tool to help build experience in the area of human resources at the Bank.

Currently in its eighth year of implementation, MIF has several years of experience in human resource projects. Given the knowledge base that has been developed, today MIF is positioned to build on these experiences and plan ahead by developing a clear vision and strategy for the most effective use of its resources in new human resource projects. With this objective in mind, the paper attempts to review the experience of selected MIF human resource projects to help guide the strategy for future funding, design, and implementation of MIF projects in this sector.

It is important to present two important caveats regarding the research conducted for the paper: (i) The projects reviewed for the paper are not intended to be representative of all MIF human resource projects. There are a number of recent human resource projects that were not included as part of the research for the paper.¹ Nonetheless, it is important to note that the projects reviewed are representative of the different types of MIF projects that have been funded. Furthermore, there are significant “common themes” or “key success factors” that have emerged from a review of these projects. (ii) The research for the paper is limited in scope and is based on a review of project documents and interviews conducted with Bank and non-Bank staff over a condensed time period.

The collective review of selected MIF human resource projects provides significant lessons, and several key factors critical to the success and long-term sustainability of MIF human resource projects have emerged. These will in turn help guide the development of a strategic vision and direction for funding MIF human resource projects in the future.

Clear direction and a strategic overview will provide a rationale for how and why the MIF functions in the area of human resources. Key factors that make such a strategic overview timely include the following:

- To provide an **effective mechanism to coordinate MIF human resource activities** to support regional strategies in human resource development;
- **To build on the experience** that MIF has developed in the human resource sector.
- To ensure the **sustainability of the MIF**;
- **To help MIF develop tangible goals to measure the performance of MIF human resource projects** over the short term;
- To be **more focused so that limited MIF resources can be used effectively.**

The remainder of this paper is organized in five sections. Section 2 summarizes the methodology in preparing the paper. Section 3 presents an overview of MIF human resource projects. Section 4 provides a summary of individual experiences of each of the projects reviewed. Section 5 reviews the key success factors and implications by type of project. Section 6 presents recommendations and next steps. Finally, in Section 7 the main conclusions are summarized. The Appendix provides details of key success factors and their implications.

¹ This is because timing and scope for this paper were limited, and a representative sample of complete or nearly complete projects, from which the most important lessons could be drawn, were selected for us by MIF technical staff.

2 Methodology

To assess the experiences of MIF human resource projects, eight projects were selected for in-depth review. These projects were selected by MIF technical staff based on the following broad criteria: (a) the projects should be generally representative of the various *types* of MIF human resource projects; and (b) they should either have been completed or should be close to completion. A list of projects reviewed is presented in Exhibit 2.1, below.

Exhibit 2.1: List of MIF Human Resource Projects Reviewed

Project	Approval Date	MIF amount	Status
Uruguay: Program for Strengthening the Training Market	June 25, 1997	\$2,200,000	Complete
Regional: Labor Market Modernization Program	May 27, 1998	\$4,000,000	Ongoing
Jamaica: Human Capital Development Pilot Project	August 10, 1994	\$3,523,400	Complete
Dominican Republic: Labor Mediation Training	August 9, 1997	\$663,000	Ongoing
Panama: Pilot Project for Demand Based Employment and Training	October 29, 1997	\$2,690,000	Ongoing
Uruguay: Labor Relations Modernization Program	November 9, 1994	\$876,200	Complete
Uruguay: Youth Training and Business Development Program	May 18, 1994	\$2,500,000	Complete
Bolivia: Modernization of Labor Relations	April 9, 1997	\$1,479,450	Ongoing

Research for the paper was based on information collected and reviewed from several sources. General information on MIF was obtained from printed documents and in-person interviews conducted with key MIF staff. For each of the eight projects, printed documents on the project design, project evaluation, and any other available reports were obtained from MIF. Additional reports and documents on projects were also obtained from the IDB regional offices. Information from these documents was supplemented with in-person and telephone interviews conducted with program staff in each of the countries. Sometimes additional interviews were held with MIF technical staff and IDB staff to obtain specific information and details for certain projects. In general, a minimum of at least two interviews were conducted for each of the eight projects.

Based on this information, a summary of the implementation details and lessons learned was prepared for each of the eight projects. These are presented in Section 4. Common themes across the projects were then assimilated to provide a summary of overall lessons learned (see Appendix 1) and success factors by type of project (see Section 5). Interviews with key MIF and IDB staff were also used to learn about experiences from other MIF human resource projects, and this information has also been incorporated into the lessons learned.

3 MIF and the Human Resource Sector

There are a number of donor organizations in the development community involved in funding human resource activities in the Americas. This section addresses the role of MIF in the human resource sector – that is, where does MIF fit in and how do MIF human resource projects differ from other projects?

3.1 MIF's Unique Role

MIF's role is to provide grants to fund pilot activities that will test innovative approaches, involving the private sector. These pilot activities can lay the groundwork for larger, national labor programs to be funded through IDB loans (and can also provide incentives to the country to accept these loans and launch these reform efforts).

The role of MIF is unique, and quite distinct from the roles played by the World Bank, the U.S. Agency for International Development (USAID), the U.S. Department of Labor's (DOL) Bureau of International Labor Statistics, and other players in the human resources sector in Latin America and the Caribbean. These other agencies have tended to focus on the public sector, on traditional approaches to labor market reforms, and on providing technical assistance to governments in the region to bring about these reforms. The World Bank implements loan programs that are geared toward the public sector, and making the public sector more efficient. Trade unions are rarely if ever involved in implementing these programs. The World Bank has no MIF-like department testing new approaches in the human resources sector. USAID and the DOL also tend to focus on providing technical assistance to government entities, not on working with private sector employers and labor unions and testing innovations in labor market reform. With the pressures of globalization and the growing awareness of the critical role to be played by the private sector, these organizations are beginning to re-think their approaches and consider new types of efforts. However, MIF remains unique in its role and capabilities today.

When MIF began in 1993, the IDB was not active in the human resources sector as it is now. MIF therefore was the vanguard for the Bank in entering this sector, and laying the foundation for future projects and programs that could address new realities in the sector.

MIF's niche in the human resources sector is its focus on small, targeted interventions, which serve to play an important catalytic role in the reform process. Key characteristics of MIF human resource projects that distinguish them from other projects are:

MIF's niche is its focus on small, targeted projects that play a catalytic role in the reform process.

- Focus on innovation, which allows MIF to test and introduce new approaches;
- Small, targeted approach to help jumpstart new initiatives;
- Flexible and highly responsive mechanism designed to foster private sector development;
- Ability to work directly with the private sector and other non traditional institutions which can have a greater development impact;

- High degree of commitment by the host country organization due to the requirement of counterpart funding.

3.2 Review of MIF Human Resource Projects

Since 1993, MIF has been funding human resource projects based on broad parameters and operational guidelines. In the absence of an overall strategy for human resource projects, decisions to fund projects in this sector have been made on an individual or case-by-case basis. New directions and strategies for human resource projects were sometimes developed based on

During the early years, MIF focused on labor re-conversion projects.

perceived changes in needs in the human resource sector in specific countries. For example, during the early years of its inception, MIF focused its human resource projects in the area of labor re-conversion. Labor re-conversion projects were considered extremely important since these projects attempted to assist the re-integration into the workforce of workers who were displaced by privatization and other reform efforts. MIF funded 5 such pilot projects. However, such projects were viewed with skepticism, and in the past had met with limited success.

In subsequent years, therefore, MIF funded several other types of projects such as development of skills certification standards and dialogue-building projects to improve labor/management relations. In recent years, MIF has also funded projects in the area of youth training and employment. With the record levels of youth unemployment facing the region, such projects were considered to be high-priority and several projects in this area were funded by MIF. Projects focusing on the development of small and medium enterprises (SMEs) were also included among human resource projects at MIF. Currently there are a number of other areas that are being considered as part of MIF's strategic human resource focus, such as information technology, distance learning, and environmental eco-friendly projects.

MIF has funded human resource projects in the development of skills standards and dialogue building.

Youth employment projects have been another target area for MIF human resource projects.

Therefore, through the years, MIF has gained experience with various types of human resource projects. This has helped create a strong knowledge base for human resource operations at the IDB, where staff can learn from MIF projects' strong and weak points in preparing future projects.

3.3 Strong Points of MIF Human Resource Projects

MIF has been a significant contributor in developing human resource projects at the Bank. MIF's entry into the human resource sector in 1993 charted new territory, since the IDB had no prior experience in this sector. Therefore, MIF projects have served as an important source of

MIF projects have been an important source of knowledge and information, and have laid the groundwork for IDB loan projects.

knowledge and information and have prepared the groundwork for several important human resource loan projects at the Bank. MIF human resource projects have also been a good testing ground, and lessons learned from these projects have been

incorporated in several Bank loans. Key areas of contribution by MIF are summarized below.

- ***MIF experience plays a significant role in guiding the overall human resource strategy of the Bank:*** MIF has played a key role in preparing the groundwork for human resource projects at the IDB. In the absence of any prior experience in the human resource sector, MIF projects have helped build a base of experience in this sector. This has also helped form the basis for several larger loan operations at the IDB. With little information or experience in this sector, the Bank relies heavily on MIF's experience to help guide the overall strategy for the Bank in this sector.

- ***Provided a testing ground for experimenting with pilot activities that are private sector-based:*** Through its strategic focus on innovation and private sector-based development, MIF has played a significant role in experimenting with new approaches and organizations in the human resource sector. MIF has also engaged in pilot approaches to introduce reform in the human resource sector. With these experiences, MIF has played a significant role in supporting broader Bank loan operations.

MIF projects have provided a testing ground for experimenting with pilot activities in the human resource sector.

- ***Involved the private sector in the human resource development process:*** One of the key contributions of MIF is the involvement of the private sector in the human resource development process. Development of human resources is traditionally dominated by the public sector in most countries. Based on its philosophy of private sector-based development, MIF has funded projects, which have involved the private sector as a key stakeholder leading the reform process. As a result, the private sector is now a key player in leading the human resource development process.

MIF projects have helped involve the private sector as a key stakeholder in labor markets and human resource projects.

- ***Helped establish regional learning in labor markets and human resource projects:*** Another significant contribution of the MIF is that it has helped establish regional learning experiences. Since most countries do not have experience or exposure in reforming the human resource sector, they can learn from experiences in other countries in the region. Based on this, they are then more willing to emulate such projects and develop similar projects in their own country.

MIF projects have established regional learning and helped in dialogue building.

- ***Helped establish a “dialogue building” process among key players in a country/region:*** This is an important contribution of MIF projects. MIF human resource projects use innovative approaches that involve working with key stakeholders in a country/region who often have firmly entrenched positions and have been traditionally involved in a confrontational relationship. Through such projects, MIF has played a significant role in helping establish better relations and communication among the main players.

3.4 Weak Points of MIF Human Resource Projects

MIF has not had an effective feedback loop for dissemination and communication.

Despite the significant role and contributions that MIF projects have made in the area of human resources, these remain somewhat unrecognized within both MIF and the Bank. This is due to a number of factors. First, the feedback and dissemination loop for MIF human resource projects has not been strong. As a result, information from these projects

and lessons learned has not often reached the appropriate audience in a timely manner. Furthermore, there is no effective feedback loop within MIF and between MIF and IDB staff. This situation is unfortunate, since there is so little information available at the IDB in the area of human resources, and a systematic approach to dissemination of the information would therefore be very valuable within the Bank. Second, MIF

MIF has not had a coherent strategy for funding human resource projects.

has not had a coherent strategy or vision for funding human resource projects. As a result, projects in this sector have been viewed as “ad hoc” and somewhat scattered. The absence of systematic monitoring and evaluation of the projects has further exacerbated the situation. Third, MIF human resource projects have been judged based on standard measures, such as disbursement rates and numerical targets, which has in turn tainted the perception of these projects. These standard

The performance of MIF human resource projects cannot be judged on the basis of standard measures.

measures have created a negative perception due to MIF projects’ delays in execution, slow disbursement rates, and the

difficulty in achieving numerical targets outlined in the design reports. However, the reality is that MIF human resource projects are fundamentally different due to their innovative nature, involvement of non-traditional institutions, long investment periods, and the lack of tangible or easily measurable outcomes. As a result, standard measures cannot be used to accurately judge the performance of such projects.

4 Summary of individual project experiences

This section details the individual experiences of each of the projects reviewed. A project overview, summary of key success factors, implementation details, and other specific details is presented for each of the projects on the following pages.

4.1 Panama – Pilot Project for Demand-Based Employment and Training

Project No:	TC9705247
Approval Date:	Oct. 29, 1997
Executing Agency:	Ministry of Labor and Social Welfare
MIF \$:	\$2,690,000
Counterpart \$:	\$2,690,000
Total cost:	\$5,380,000
Current Status:	Ongoing

4.1.1 Overview

This project's main objective is to build a foundation for a more private sector and demand-based employment and training system. Specific objectives are to:

- develop a consensus between the public and private sectors on training policies;
- formulate reform proposals;
- stimulate creation of a training industry; and
- build long-term capacity in program development and implementation.

The specific results desired by the project were the following:

1. Achieve national consensus for the shift to a private sector-led reform.
2. Introduction of new legislation to define the new organizational framework and guidelines for managing the new training system.
3. Enterprise-based training and youth training models tested in 300 firms and among 2,000 unemployed youth.

4.1.2 Summary of Key Success Factors

<p><u>Project Design</u></p> <ul style="list-style-type: none">➤ Need to perform in-depth institutional analysis➤ Simplify and clarify the solicitation process➤ Incorporate implementation/operational issues➤ Develop new mechanisms to facilitate the role of the public sector as a regulator <p><u>Project implementation</u></p> <ul style="list-style-type: none">➤ Coordinate with other similar programs in country <p><u>Program Dissemination</u></p> <ul style="list-style-type: none">➤ Allocate significant resources into information dissemination and public dialogue
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4.1.3 Innovative Features of the Project

- Introduced a new player (private training organizations) into the system of worker training, introducing the concept of shared responsibilities between these organizations and the government.
- Redefined the role of the public sector, from provider/organizer/funder/regulator to funder and regulator only.
- Introduced the concept of demand-oriented training in Panama. This was new in a country that has high numbers of courses and textbooks in topics such as hairdressing and shorthand – courses that are less relevant in today’s economy. This demand-driven approach introduced accountability and relevance to training efforts.

4.1.4 Implementation Details and Outcomes

The project had a 36-month (3 year) implementation schedule, and is still ongoing. The end date is May 5, 2001, but the implementing agency will likely request an extension in the coming months, to allow time to put in place a series of measures recommended by the Bank which will serve to make up for lost time in achieving project goals. The project was evaluated as a project at risk, and has not gone according to plan. Elections and budget difficulties in the government hindered implementation in 1998 and 1999, and the project did not begin its first pilot activities in worker training until 2000. The current level of disbursement has reached only 8.14%, however, this should increase in the next few months and in early 2001.

Key performance indicators for the project are: creation of an employment and training council to guide and make recommendations to the government on reforms; creation of national consensus on the reform process; creation of a registry of training organizations; design and execution of pilot program II to train 2,000 youth; design and execution of pilot program I linked to enterprise and involving 300 participating enterprises.

4.1.5 Details of Key Success Factors

Project Design

- **Need for in-depth institutional analysis during project conception and preparation:** During the analysis mission for this project, there was not enough analysis of the executive capacity of the implementing agency, and the amount of local support for the program. The agency proved to be weak in its efforts to develop the project, which threatened the overall success of the program. There should have been more oversight and ongoing monitoring of the project so that, when external factors intervened to change the environment in which it was operating, steps could have been taken immediately to rectify the situation. The experience of the implementing agency and good communication with the Bank will be key to the success of the project. In the first pilot activity, there were cases where young people received deficient worker training due to a lack of supervision by the training organizations and the ministry. This project found that strong ministry leadership was needed in reforming the key institutions toward market demands. It is therefore critical to ensure the public sector's role is performed, and that the programs are overseen properly.
- **Importance of simplifying and clarifying the solicitation process, to ensure smooth implementation and involvement by various organizations:** This project had what appears to be a common difficulty with these small pilot efforts through the MIF. Small trainings and other pieces of work under the project were often delayed and made difficult because of cumbersome regulations for procurement of services, hindering participation of small and rural organizations. This project also found that a short list of potential consultants should be drawn up, to avoid bottlenecks in hiring.
- **Project design should incorporate implementation/operational issues:** The design for this project was found to be somewhat rigid and inflexible, in, for example, designating the 5 districts where pilot-training activities could take place. The implementing agency requested modification to this, which the IDB agreed to, allowing 3 provinces to be eligible to carry out training programs in the end. The implementation schedule was also seen as short and narrow in relation to the complexity of the studies involved. A flexible design is critical because conditions (political, economic, etc.) change so often from the time of project design, to project processing in the Bank, through to project execution. Rather than setting all kinds of conditions precedent during project preparation, conditions can be set for execution. This can reduce delays and introduce some flexibility while still ensuring discipline in execution.
- **Develop new mechanisms to facilitate the role of the public sector as a regulator:** The program has shown that, in worker training, certain skills and responsibilities are being transferred from the public sector to the private sector. This has happened because a new player emerged, the training organizations, which are responsible for identifying demand and carrying out training programs that meet this demand, and which also have to identify the young unemployed people who will get the training and have the opportunity to find work. The concept of competition was introduced among the training programs, which helped ensure greater relevance and quality. It is important that within this new model of training oriented toward demand, the role of the public sector not disappear just because it has taken on a new dimension. One of government's functions is to guarantee the quality of the training programs offered. This project found that the laws of the market are not enough to guarantee the quality or relevance of the training courses, much less ensure respect for the rights of the beneficiaries. Also, in this project, the private sector had some mistrust of the government, and

did not want to take initiatives and risks merely because the government assured repayment and support. In this kind of project, the public sector must reassure the private sector by shouldering the risks and taking some initiatives. The private sector will then follow. This kind of project can be sustainable, in that it works for private business, for workers, and for public institutions; and the training model is more efficient and more effective than traditional models.

Project Implementation

- **Need to coordinate with other similar programs in country:** This type of program should not work in isolation, but should look for complementarities with other training programs in existence in the country. This will help ensure that the program is not working counter to other efforts geared toward the same population segments (to avoid duplication and competition between similar programs); and allow a cycle of worker training that serves different population segments and/or permits the beneficiaries to improve their training.

Project Dissemination

- **It is important to put sufficient resources into information dissemination and public dialogue:** In a project like this, which is trying to pilot test new approaches and build consensus for change, it is critical to put adequate efforts and resources into informing the public and publicizing project efforts. Public support will be key to success and sustainability.

4.2 Uruguay – Labor Relations Modernization Program

Project No: TC9405491
Approval Date: Nov.9, 1994
Executing Agency: Catholic University of Uruguay – Damaso Antonio Larranaga (UCUDAL)
MIF \$: \$876,200
Counterpart \$: \$0
Total cost: \$876,200
Current status: Complete

4.2.1 Overview

This program's objective was to promote the modernization of the labor relations system on a national scale, to help increase productivity and competitiveness of production units, improve worker welfare, and increase flexibility of the labor market. The specific objective was to create a favorable climate and better conditions for collective bargaining by enhancing the technical and professional capacity of employers, workers, and teachers, promoting opportunities for dialogue, and developing proposals for measures and policies. With globalization and the changing economy, labor and management needed to change the way they relate.

The Catholic University was chosen as the program implementer. The university selected major leaders of business and labor organizations to form working groups to organize trainings and discussions on key topics. The program's two main components were: training; and research and dissemination.

4.2.2 Summary of Key Success Factors

<p><u>Project Design</u></p> <ul style="list-style-type: none">➤ Need to identify a core set of outcomes➤ Project objectives must be clear from the beginning➤ Design should incorporate the achievement of realistic project objectives➤ Open discussion groups may encourage new ideas, but not necessarily implementation or real change➤ The effort should be practical, not merely academic <p><u>Project implementation</u></p> <ul style="list-style-type: none">➤ Need to effectively manage conflicts arising between parties during discussions

4.2.3 Innovative Features of the Project

- Created indicator to measure the level of labor conflict in the country. Use of the indicator continues today. After the program ended, the MOL contracted with the university to use this indicator, and publicize findings.

- Creation of a very representative, but not institutionalized or formal, discussion group. The discussion group meets each month, for “permanent brainstorming.” (This is very unusual in LAC, where such groups tend to be formal and bureaucratic.)
- The project developed a permanent study on labor issues, which addresses day-to-day, up-to-the-minute issues. Each month, the project produced a report on the problems and issues of that month (strikes, disputes, etc). This reporting was institutionalized, and continues today, by the university.
- Conceptual innovation – the project contributed to the development in Uruguay of a new approach to human resources management and negotiation among various parties in labor markets. The results were not just theoretical, but practical – an approach that can be applied to each problem, each enterprise, etc.

4.2.4 Implementation Details and Outcomes

This was a pilot program that grew out of the university, from a university economist who previously worked with a labor union. The idea was to get private sector companies and trade unions together to discuss issues of productivity, integration in the region and worldwide, and labor relations vis-à-vis changes outside the country. The university was seen as a neutral, academic venue for these discussions. The project was approved in 1994, with a 24-month implementation period. The project implementers requested additional time to plan and to carry out this project. The project was extended for one year, until December 1997, and is now complete. Some main components continue today through the university.

4.2.5 Details of Key Success Factors

Project Design

- **Need to identify a core set of outcomes:** In preparing this type of project, it is especially critical to identify a core of outcomes consistent with the project objectives and activities, which can then form the basis for planning of all future activities and efforts. This also requires the incorporation of appropriate evaluation methodologies to gauge the status of each initial stage of the project prior to moving on to future stages.
- **Project objectives must be clear from the beginning:** The design of this project was too flexible, and the desired results were not clear enough. Things changed, and activities evolved in an ad hoc fashion as the program went on, without a clear enough focus by the project implementers. This project also raised issues about implementation methodologies used by such projects.
- **Project design should include the achievement of realistic project objectives:** This project was considered too optimistic, with too many expectations for what it could achieve on a national level. Modernization of labor relations is a long-term, complex process involving many factors (political, economic, social, cultural), so it cannot be expected that a single program will be able to bring about all the desired results. This type of program should be considered more an experiment, which can contribute to the overall modernization process.
- **Open discussion groups may encourage new ideas, but not necessarily implementation or real change:** This project found that individuals might say one thing in discussions, but revert to

their old stance when back in their organizations. Program implementers found that, in these discussion groups, people were honest, and introduced ideas and proposals they might not have in their usual negotiations. But, although individuals may have changed the way they see the world and the way they do things, this does not mean the groups they represent have changed, so it is likely that no big overall change has occurred. Positions of these groups are very entrenched in Uruguay (labor unions on the left, government in the middle, private sector on the right).

➤ **The effort should be practical, not merely academic:** It was felt by some that the Executing Unit for this project should have come from labor unions and the private sector, not the university, because the university made this merely an academic effort. The program has been good for the university, but this was not the objective. The practical outcomes of this academic exercise are unclear.

Project Implementation

➤ **Need to effectively manage conflicts arising between parties during discussions:** The tripartite design of this program (with labor unions, government, and private industry participation), which had many advantages, also gave rise to conflicts among the parties that affected the implementation, at times halting the progress of the program. This experience in Uruguay introduced participation of a neutral agent, and a less formal approach to participation of workers and employers, in an effort to shake off some entrenched positions.

4.3 Uruguay – Youth Training and Business Development Program

Project No:	TC9307382
Approval Date:	May 18, 1994
Executing Agency:	Instituto Nacional de la Juventud (INJU), ACDE, and INDESUR
MIF \$:	\$2,500,000
Counterpart \$:	\$0
Total cost:	\$2,500,000
Current status:	Complete

4.3.1 Overview

This program was begun in 1994 to test and evaluate various strategies, methodologies, and procedures to help young people enter the labor market, whether as employees or through creation of small businesses. Objectives of the program were to contribute to the development of the business culture and to capitalize on the capacity of young people (ages 15-29) to adapt to changes resulting from economic liberalization and regional integration with MERCOSUR.

The program consisted of two subprograms: Subprogram A to provide training to at least 3,200 people between the ages of 15 and 24 to ease their entry into the workforce; and Subprogram B to support the establishment of 50 youth-run businesses, train 500 young people, and provide technical assistance to 200 of them. Beneficiaries were people aged 18 to 29.

Specific objectives of the project were:

- Strengthening the system to coordinate training supply with labor demand
- Consolidating the function performed by private training institutions
- Bringing advisors, counselors or promoters of youth activities into the private sector to assist trained young people
- Consolidating emerging new development financing instruments (venture capital)
- Evaluating the cost effectiveness, and ability to enhance workforce entry, of training options
- Defining better policies based on results, evaluating the appropriate roles of business and the State, through the INJU. Promotion of open discussion through the youth forum.

4.3.2 Summary of Key Success Factors

Project Design

- Flexible project design which incorporates implementation issues
- Project objectives must be clear from the beginning
- Simplify procurement procedures for small activities

Project implementation

- Critical to have a strong implementing agency, and good leadership
- Need to effectively manage conflicts arising between parties during discussions
- Focus on labor insertion, real-world demand for skills to be taught
- Project must address real concerns in order to be sustainable

Monitoring and Evaluation

- Projects should be evaluated and modified on an ongoing basis

4.3.3 Innovative Features of the Project

- Impact-oriented, real-world training, geared toward the needs and demands of enterprises. Demand by enterprises was required in order for training to be funded. This ensured relevance of the training to market demand.
- Examining the cost effectiveness of various training alternatives and their effect on facilitating youth's entry into the workforce.
- Training through private institutions, whereas historically in Uruguay training has been conducted through public institutions.
- Consolidating emerging development financing instruments, particularly venture capital investments.

4.3.4 Implementation Details and Outcomes

This project grew out of the participation of the President of the IDB in a 1993 youth conference in Uruguay, and a new commitment by the Bank to do something for youth in the country. After a review of similar programs in the region, this program was designed using various lessons learned and incorporating some flexibility to try various approaches. This pilot project was approved in 1994, with an implementation period of 24 months. The MIF project was completed in 1996, but its work continues today as a permanent project incorporated into the Ministry of Labor in Uruguay. The characteristics of the MIF project have been institutionalized into the ongoing project, now called "ProJoven." The project is generally seen as a very successful, highly sustainable effort of MIF. The design was good, the program had a strong leader, and the institution in charge of the program (INJU), although a public sector organization, was flexible and non-bureaucratic and seen by youth as "on their side." The other participating institutions were also strong.

4.3.5 Details of Key Success Factors

Project Design

- **It is key to have a flexible project design, which incorporates implementation issues:** This program researched the best way to find a job for young people who are not students, and are not working. The program tried vocational support with counseling; vocational support plus training; vocational support plus training plus internships; and vocational support with internships but without training. Project managers discovered that the best approach was providing vocational support and counseling, paired with on-the-job training through internships in enterprises. This type of training was much more effective, and lower cost, than traditional training. Design of the project was very good, especially in creating the opportunity to try out many different options. The program was designed to be very flexible in trying to find solutions.
- **Project objectives must be clear from the beginning:** The design document focused on what the IDB and the Executing Unit wanted. This was key: they decided what exactly they wanted to achieve, how this would be done, and built these specifics into the design.
- **MIF/IDB procurement procedures should be streamlined for small activities:** Competitive bidding for organizations to carry out training was too onerous under this project, and difficult to manage. Most training activities were small, too small to have to go through IDB bidding requirements. The requirement of a guarantee for those competing was too difficult for many, especially rural organizations. Another approach is needed for these situations. This is a common difficulty found in MIF projects in this sector.

Project Implementation

- **It is critical to have a strong implementing agency, and good leadership:** The program had a good leader/coordinator – a young person who came from the training institutions. The institution in charge of the program (INJU) was more like a private institution, despite the fact that it is public. It was flexible, non-bureaucratic, and an organization that young people felt close to.

Project Dissemination

- **It is helpful to learn from similar programs in the region:** In planning for the project, MIF and EU managers went to Chile and elsewhere in the region to see other such programs, and learn from their efforts.
- **Focus on labor insertion, real-world demand for skills to be taught:** The training program focused on labor insertion, especially into service sectors such as tourism and computers, because of the nature of Uruguay's economy. The focus was on current employment sectors, and necessary skills to place new employees in these growing sectors.
- **The project must address real concerns in order to be sustainable:** Since 1999, the private sector has been making youth a priority in Uruguay, because of recent recessions and unemployment. Enterprises are concerned about brain drain, and the loss of Uruguay's youth to other countries where they can find work. So they have enhanced their "social responsibility." This helps maintain momentum for this program. Financing continues through a national training fund administered by a tripartite committee. The government, the private sector, and the trade unions all

contribute to the fund. This project is highly relevant and addresses current concerns of the government and private sector, and thus has a better chance of success.

Monitoring and evaluation

➤ **Projects should be evaluated and modified on an ongoing basis:** Incorporation of evaluation information on an ongoing basis has helped this project be successful and sustainable.

4.4 Bolivia – Modernization of Labor Relations

Project No: TC9605174
Approval Date: April 9, 1997
Executing Agency: Ministry of Labor
MIF \$: \$1,479,450
Counterpart \$: \$344,000
Total cost: \$1,823,450
Current Status: Ongoing

4.4.1 Overview

This program was devised to promote a process of dialogue, consultation, and consensus building to put the issue of modernizing labor relations on the national agenda. The program's main objectives were:

- To develop a process of dialogue between key stakeholders interested in labor issues, and eager to give national priority to these issues;
- To modernize labor legislation, based on consensus of key stakeholders;
- To enhance institutional capacity to design and implement labor policies, in keeping with this modernization.

The project was developed to help transform the Ministry of Labor (MOL) and create a climate in which the various actors involved can reach agreements on labor relations issues. The program is composed of two subcomponents: Social dialogue; and Modernization of the MOL.

4.4.2 Summary of Key Success Factors

Project Design

- Need to perform institutional analyses
- Design should incorporate longer implementation periods
- Select executing agency and project manager and include them in the design phase
- Project design should include the achievement of realistic project objectives
- Project Design should minimize the effect of external factors
- Simplify procurement procedures

Project implementation

- Dialogue should be geared towards achievement of project outcomes/results

4.4.3 Innovative Features of the Project

- Creating a culture of dialogue on important labor relations issues.
- Transforming the Ministry of Labor by empowering the Secretariat level to design and implement labor policies.

4.4.4 Implementation Details and Outcomes

This project had an implementation period of 24 months. The end date was originally December 1999, but was extended for two years to December 2001. Activities will likely end in Spring 2001, because of elections in 2002 (in June 2001 campaigning and preparation begins, everything becomes political, and further progress will be all but impossible, according to project managers). Roughly 70% of project funds were disbursed as of Nov.1, 2000.

4.4.5 Details of Key Success Factors

Project Design

- **Need to perform more in-depth institutional analysis during project conception/design:** More in-depth analysis of the capacity of the institutions and project participants is necessary during project conception. It is also critical to work within a solid logical framework, to be able to detect changes in assumptions and take timely action. This project faced problems of institutional weakness, and a shifting environment and assumptions, making implementation and achievement of results difficult.
- **Important to build in a longer implementation period:** Projects that are attempting to make changes in laws and have major social impacts require more time for their implementation. This project appears to be an example of a project with optimistic goals but unclear and insufficient planning to carry out activities to achieve these goals.
- **Select executing agency and project manager and include them in the design phase:** Personnel issues led to severe delays on this project. There was an initial delay of 8 months at the beginning of program implementation, due to the delay in designating a General Coordinator. The first General Coordinator had weak management capabilities. As a psychiatric doctor, he had training and a background that were not really relevant to the goals of the program. This meant that implementation really began with the second General Coordinator, who came on Oct.1, 1999 – that is, 27 months after the program started. The program also had difficulties in selecting and contracting people from the local labor market to perform professional services, social dialogue, and formulate labor legislation. For that reason, the first technical team worked for the first 15 months of the program, and the second team – which is the one that finally carried out most of the work – worked 27 months in the Executing Unit after signing the Technical Cooperation Agreement. All of these personnel issues severely hampered and delayed the project.
- **Project design should plan for the achievement of realistic project objectives:** It is extremely difficult in Bolivia to bring about a culture of social dialogue among the main actors in the labor market (workers, employers, and the State). Historically, the relationship between these groups has been one of conflict and confrontation, and opposing points of view. Replacing this

confrontation with informal dialogue is a daunting, long-term task, not achievable during one short project.

➤ **Project Design should minimize the effect of external factors since these can all but cripple a project:** This project saw rapid turnover of staff in the Ministry of Labor, such that in the last 3 years, there have been 4 Ministers of Labor, who proceeded to replace a large number of political, technical and administrative staff of the Ministry, causing all kinds of problems and delays for this and other technical cooperation programs. The program occurred during a particularly difficult time in the life of Bolivia, marked by a worsening of macroeconomic conditions, economic recession that began with the devaluation of Brazil's currency (Jan. 1999), and an inability among the authorities to maintain the peace and achieve constructive consensus between the main actors in the private sector (employers and workers).

➤ **MIF/IDB disbursement procedures should be streamlined:** This project found that a better process was needed to channel disbursements to the project. The MIF may want to consider creating a financial mechanism to ensure that project disbursements are paid and promptly transferred to the Executing Unit.

Project Implementation

➤ **Dialogue should be geared toward desired results:** This project has had years of dialogue, according to a project manager, with few if any concrete results. The project was supposed to help develop a new law, but they needed more strategic planning, more clear objectives to be able to do this. The project was seen as having lost track of the main issue and merely holding discussions for 2-3 years. There were changes in the Ministry of Labor last year, and in April and September 2000 social tension and problems in Bolivia with the campesinos. This caused everyone to throw their hands in the air and focus on other problems, instead of on the new law. The Executing Unit chose to spend the first 18 months of the program focusing on organizing national and regional seminars, under the Subprogram Social Dialogue; and consequently postponed until the last year the activities related to modernizing the Ministry of Labor, and making proposals for a new General Labor Law for the country, which was the main objective of this project.

4.5 Uruguay: Program for Strengthening the Training Market

Project No:	TC 9603152
Approval Date:	June 25, 1997
MIF \$: US	\$2,200,000
Counterpart:	\$950,000
Total cost:	\$3,150,000
Current status:	Complete

4.5.1 Overview

The general objective of the program is to make training services provided by the private sector more efficient and more effective. The specific objectives are outlined in its two components:

Subcomponent A: Development of the Regulatory Framework

- (i) preparation of a proposal for a national system of competencies that sets standards and furnishes employers with information on job applicant skills and abilities;
- (ii) implementation of a single registry of training institutions in order to organize the supply and increase the quality of services, generating relevant, transparent information on available services; and
- (iii) dissemination of experiences and strategies that will be carried out under the program to contribute to the consolidation and sustainability of the initiatives undertaken with broad, active participation of the various public and private institutions in the market.

Subcomponent B: Updating the curriculum, training teachers, modernizing management, and forging links with the private sector, including in-service training programs.

Two leading institutions in different segments in the training market would carry out these activities: (i) Talleres Don Bosco; and (ii) Asociación Cultural y Técnica.

4.5.2 Summary of Key Success Factors

<p><u>Project Design</u></p> <ul style="list-style-type: none">➤ Need to build tangible outcomes as part of the project design➤ Need to obtain commitment to implementation of changes introduced➤ Project should be part of an overall/coherent human resource development strategy➤ Design should have a clear, fair selection process when providing funds to private institutions➤ Build in regular monitoring, evaluation, and technical assistance <p><u>Project implementation</u></p> <ul style="list-style-type: none">➤ Focus on impacts and not merely activities
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4.5.3 Innovative Features of the Project

- Develop a stable institutional framework to meet the training needs of the Uruguayan market – provide effective quality control of skills provided and information on options available.
- Provide a model as to how the private sector can play an integral role in the design of training courses.

4.5.4 Implementation Details and Outcomes

The period of program execution was 24 months and the period of disbursement was 30 months. The project has been completed and in general has been viewed as successful in achieving its outcomes. Under Subcomponent A, a national system of competencies was established in some sectors (such as the construction sector). In addition, a single registry of training providers was established.

Subcomponent B of the project was also regarded as successful. Both training institutions benefited immensely from the training and exposure provided under the project. The two institutions were highly committed to the project and were engaged in every aspect of the training.

As a result of the training and exposure provided under the project, both institutes have revised their intake, obtained up-to-date equipment, revised their training curricula and have been highly successful in placing their students in gainful employment especially for low-income groups and women.

4.5.5 Details of Key Success Factors

Project Design

➤ **Important to build tangible outcomes:** One of the key lessons learned from this project is the importance of building in tangible outcomes in the design of the project. This point is especially illustrated under Subcomponent A, where it was clear that the project was successful in

introducing new concepts through the introduction of skills standards and a national registry. However, the project did not achieve any tangible outcomes in terms of long-term change.

➤ **Obtain commitment to implementation of changes introduced:** It is critical to obtain the commitment for implementation from the government during the design phase. Under Subcomponent A, while a number of activities were successfully completed toward development of a new regulatory framework, there was no commitment to implementation built into the project. Furthermore, with the change in government and a new ministry involved in the project, skills standards were no longer a high priority. As a result, it is not clear that there will be any further developments or long-term sustainability in the development of skills standards across all sectors. This experience provides an important lesson. Given that a number of MIF projects are long-term and involve a change in key players, it is important that early on during the project design, the focus should be not only “development” of a new framework but “development and implementation” of the framework.

➤ **Project should be part of an overall/coherent human resource development strategy:** In order for a project to have a long-term impact, it must be part of an overall training strategy or training framework of the government. This “big picture” view becomes even more important as projects experience changes in government and priorities over time. Without a coherent strategy, the new government views the project as a series of individual activities, each of which might not be a high priority for the new government. This problem is evident in this project, where the new government did not view the development of a national system of competencies (Subcomponent A) as a high-priority activity given the high level of unemployment facing the country.

Another reason for developing the project as part of an overall strategy is that, while the project was effective in making inroads into new concepts and encouraging the ministry to develop a more efficient and effective training system, the project did not make any progress in furthering the overall training strategy of the government. Without a clear contribution toward a long-term training vision and strategy, the contribution and impact of the project remains unclear. This lesson can be seen in several MIF projects.

➤ **Have a clear, fair selection process and strategy when providing funds to private institutions:** This project raises the issue of whether MIF grant funds should be provided to private training institutions such as Don Bosco and ACT. Both Don Bosco and ACT are relatively small institutions. The provision of funding has significantly affected the way in which these institutions function now and has also significantly affected the placement of their graduates. The training received by the institutions and the changes they made are believed to be sustainable in the long run, and both institutions have generated enough demand to continue running the training programs. Therefore, the project was viewed as a success since it contributed significantly to the long-term viability and quality of training provided by these two institutions. However, it is not clear whether these results generated any overall impact on the provision of training in Uruguay as originally envisioned in the project. Furthermore, the provision of grant funds to two small private institutions generated a number of questions as to why funds were provided to only these two institutions, when several other private training institutions had also expressed interest but were rejected. This created a political problem for the ministry.

A key lesson here is that, when MIF funds are provided directly to private institutions, the selection process must be clear and fair, and should be part of a broader strategy focused on overall desired impact of the project.

➤ **Build in regular monitoring, evaluation, and technical assistance:** One of the key aspects that helped ensure the smooth functioning of this project was the regular monitoring and technical assistance that was provided on a regular and ongoing basis (every quarter). The project employed a consultant who reviewed this project along with other projects in the country. Thus, the coordinating unit obtained regular and objective feedback on the project. The consultant also provided technical assistance and suggestions on how to resolve problems. The project coordinators found this feedback very useful since it helped identify and correct problems on a regular basis and helped ensure the smooth functioning of the project.

Project Implementation

➤ **Focus on impacts and not activities:** The project was successful in completing a number of activities. However, it is not clear that the project achieved its overall objective of impacting training services provided by the private sector in Uruguay. Therefore, an important lesson learned from this project is that, to measure the effectiveness of the project, it is important to focus on the overall impact of the project rather than the individual activities that were completed.

4.6 Regional: Labor Market Modernization Program

Project No:	TC9711260
Approval Date:	May 27, 1998
MIF \$:	\$4,000,000
Counterpart:	\$2,000,000
Total cost:	\$6,000,000
Current status:	Ongoing

4.6.1 Overview

The general objective of the program is to lay the foundations for improvement of labor market operation through modernization of current regulations and of the institutions in charge of policy formulation and implementation. The project involves working with the ministries of labor, workers, business community, and civil society in eight countries: Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Specific objectives of the project include (a) helping the social actors involved reach agreement on reform of the labor market and elements that will affect economic integration; (b) strengthening the labor ministries by establishing an information system; (c) harmonizing implementation of labor standards; and (d) generating experiences that could contribute to better operation of the market and enrich the dialogue among the social actors involved.

The program consists of two components: (a) laying the foundations for labor reform at the regional level through social dialogue, establishment of a comprehensive regional information system, and improved practices for implementation of standard labor regulations; and (b) pilot projects for analysis and dissemination of new models for reform.

4.6.2 Summary of Key Success Factors

<p><u>Project Design</u></p> <ul style="list-style-type: none">➤ Identify and involve the coordinating unit in the design phase➤ Keep regional projects very narrowly focused➤ Provide a transparent and operational design document➤ Build a longer implementation schedule <p><u>Project implementation</u></p> <ul style="list-style-type: none">➤ Effective implementation requires a strong executing unit➤ Technical support and direction are needed from central IDB headquarters➤ Involve technical experts during project start up

4.6.3 Innovative Features of the Project

- Involving all key stakeholders in the region in the decision making process and obtaining their commitment to reform at the regional level;

- Testing the use of various new models in a number of different areas which have a high level of impact on labor market operation through the funding of pilot projects;
- Through the pilot projects testing the use of non-traditional mechanisms in a number of different countries.

4.6.4 Implementation Details and Outcomes

The project has an execution period of 36 months and is currently ongoing. It is being coordinated by the Secretaría de Integración Económica (SIECA), which is a regional body with extensive experience in coordinating projects in these countries. A number of start-up difficulties were encountered. As a result, the execution has been significantly slower than expected. Currently the project is progressing and all components of the project are being executed.

4.6.5 Details of Key Success Factors

Project Design

➤ **For regional projects identify and involve the coordinating unit in the design phase:** While SIECA was chosen as the coordinating agency for the project, they were not involved in designing the project. As a result, during project start-up, time was spent in building ownership of the project within SIECA and familiarizing them with the details of the project. Since SIECA was not involved in the design, interpretation of the project design document was sometimes difficult for them, since the intent of certain design features was not clear.

Early identification and involvement of the coordinating unit offers several key advantages, including:

- builds ownership of the project by the coordinating unit;
- draws on the experience and expertise of the coordinating unit in implementing regional projects;
- ensures the smooth implementation of the project.

➤ **Keep regional projects narrowly focused:** To improve the effectiveness of regional projects it might be prudent to concentrate on regional initiatives through projects that are much narrower in focus. The narrower scope could entail focusing on one or two key issues in 2-3 countries at most. This would have several advantages, including:

- easier to build project “ownership”
- easier to obtain consensus on issues among key players
- coordination among key players in various countries would be easier
- political turnover would have a minimal effect
- allow us to learn from the experience on the project and then broaden the scope and involve other countries.

One of the most challenging aspects of this project has been coordinating the various stakeholders in different countries. Given that the political, institutional, and operational challenges facing each of these countries are different and given the innovative nature of the project and the involvement of various interest groups, implementation and obtaining consensus among key players is a logistical challenge. Based on the implementation experience of this project, it might be more effective in the future to design regional projects that focus on only one or two key issues in 2-3

countries in the region. The scope of the project can then be broadened to include additional countries and/or issues in the region.

➤ **Provide a transparent and operational design document:** It is important to have a clear, transparent, and operational design document that takes into account the ‘political reality’ of implementing a regional project. The design document should clearly specify the implementation and operational details of the design so as to minimize the subjectivity and interpretation issues.

On this project, the issue of the number of pilot projects under Component 2 was not clearly defined. The number of pilot projects did not correspond to the number of countries, and the selection criteria were not clear. Given this situation and the political reality of developing a fair mechanism that would be acceptable to the 8 countries, the project faced a great challenge. As a result, a lot of time was spent in interpreting this component, developing an operational mechanism, achieving consensus among the 8 countries, and developing the necessary documents and manuals.

➤ **Build a longer implementation schedule for regional projects:** It is important to build a long enough start-up time into the project design, because regional projects are fundamentally different from other projects due to the political juggling and consensus building that they require. On this project, a long time was spent, especially during the early period, to educate and build consensus among key players in each of the 8 countries. This process needs to be built into the project design.

Project Implementation

➤ **Effective implementation needs a strong executing unit:** Experience on this project suggests that a strong executing unit like SIECA, which is experienced in the region, played a critical role in furthering the implementation of the project and overcoming obstacles. Key qualifications of SIECA include an understanding of the political and institutional processes in each of the 8 countries, experience in consensus building among key stakeholders, and ability to develop innovative solutions and prepare specialized documents and suggestions/proposals as the project has progressed. Since the political, institutional, and operational situation of the labor ministries in each of the eight countries are different, obtaining consensus and commitment to the project has been very time consuming and difficult. The situation has been further complicated by frequent changes in the key players due to political turnovers that have taken place in several of the countries involved in the project (e.g. Guatemala, Belize, Nicaragua). Furthermore, ministries of labor in these countries are often weak and are not in a position to make a commitment to the project.

➤ **Technical support and direction from central IDB headquarters:** Given the complicated nature of regional projects, support and direction from central IDB headquarters is important in providing overall direction and guidance on the project. Regional bodies do not have the vision and perspectives that the central IDB headquarters can provide. Technical direction, feedback, and support from the central IDB headquarters can help in resolving design interpretation issues and in resolving conflicts.

➤ **Involve technical experts during project start-up:** Given the specific technical areas covered in regional projects such as this, technical experts can provide guidance to the executing unit and help in setting up and guiding the implementation of specific components of the project

4.7 Jamaica: Human Capital Development Pilot Project (HCDP)

Project No:	TC9306483
Approval Date:	August 10, 1994
MIF \$:	\$3,523,400
Counterpart:	\$1,029,800
Total cost:	\$4,553,200
Current status:	Completed

4.7.1 Overview

The general objectives of this project were: (i) to establish innovative market services for adult workers; to increase the capacity of the private sector to perform its role in the training and development of the labor force; and (ii) to improve the labor market information system.

Specific objectives were to:

- Help adult workers to acquire new skills to make them eligible for higher-level jobs in occupations essential for economic growth or in their own businesses;
- Reduce transition time to new jobs for displaced workers;
- Facilitate the entry of female workers into skilled or supervisory positions;
- Establish a permanent private sector mechanism to fund a variety of workforce development activities and create a forum for workers and employers to collaborate in developing human resource strategies;
- Formulate an action plan to strengthen labor market information systems.

4.7.2 Summary of Key Success Factors

<p><u>Project Design</u></p> <ul style="list-style-type: none">➤ Obtain stakeholder commitment during the design phase➤ Simplify operational procedures and IDB guidelines➤ Provide a transparent and operational design document <p><u>Project implementation</u></p> <ul style="list-style-type: none">➤ Verify project model prior to project start up➤ Focus on project outcomes rather than completion of project activities
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4.7.3 Innovative Features of the Project

- Pilot an innovative approach to labor/management cooperation;
- Introduce demand-based employment activities;
- Expand private sector participation in human resource development;

- Contribute to an increased supply of training and placement services for adult workers by private sector institutions.

4.7.4 Implementation Details and Outcomes

The project was executed by the Work Force Development Consortium (WFDC), an innovative partnership of trade unions, employer groups, and training institutions, formed specifically for this project. The project was developed to complement a World Bank-funded project. The project was to be completed in a period of 42 months. A one-year extension was granted, and the project was completed in 1999. Key outcomes of the project included the establishment of a Labor Market Services Center, the development of the WFDC, which would be self-sustaining in the long run, establishment of a local fund to support private sector workforce development, and establishment of high-skilled technical training programs for displaced workers.

4.7.5 Details Of Key Success Factors

Project Design

- **Important to obtain stakeholder commitment during the design phase:** Obtaining early commitment from stakeholders will help ensure their cooperation during project implementation. The HCDP project used an innovative and collaborative approach involving labor unions and the private sector. Trade unions, the private sector, and the national training institute were each to play an integral role in project implementation. However, the stakeholders were engaged in their own turf issues and power battles. As a result, obtaining their cooperation and selling the project idea to each of the stakeholders was a time-consuming process, which limited project effectiveness.
- **Simplify operational procedures and IDB guidelines:** The HCDP project was an innovative project with several complex design features. Implementation was made more difficult and cumbersome by the complicated IDB guidelines that needed to be followed at each step of the implementation process. For such complicated and innovative projects, simplifying IDB guidelines might help pave the way for smoother implementation.
- **Provide a transparent and operational design document:** Experience from this project emphasizes the importance of a transparent and operational project design document with clearly defined outputs. The HCDP had several components, and the subjectivity inherent in the definition of outputs for some components might have slowed down the implementation process.

Project Implementation

- **Verify project model prior to project start up:** During project start-up, it is important to verify the model upon which the project was designed. This entails verifying the assumptions and conditions in the country before start up to ensure that the project is still feasible as designed and, if necessary, make modifications in the project design. The HCDP was designed based on a paper written several years before the project was actually implemented, and was designed to complement a World Bank-funded project, which fell through. In addition, the economic environment in Jamaica had changed by the time the project started and several of the underlying assumptions of the project were no longer applicable. As a result, by the time the project was ready for implementation, the original design was no longer applicable. Under such conditions, verifying the assumptions and design of the project would have helped develop revised outcomes and expectations for the project.

➤ **Focus on project outcomes rather than project activities:** It is the overall outcomes, not merely completion of activities and numerical targets, which should be monitored in order to measure the overall progress of the project. The design of the HCDP project incorporated a schedule of activities to be accomplished during a certain timeframe. These activities were closely monitored by the IDB to gauge the progress of the project. As a result, the executing agency spent much of its time and energy in meeting the numerical targets for each of the activities rather than focusing on project outcomes and overall project progress.

4.8 Dominican Republic: Labor Mediation Training

Project No: TC9509285
Approval Date: August 9, 1997
MIF \$: \$663,000
Counterpart: \$165,000
Total cost: \$828,000
Current status: Ongoing

4.8.1 Overview

The overall objective of the project is to initiate activities that support and improve labor/management relations in the Dominican Republic in accordance with the 1992 labor code.

Specific components of the project are:

- Labor/management training through the following principal activities:
 - national meetings, seminars, and enterprise-level workshops
 - testing specific labor/management models on the shop floor in at least 5 companies
 - conducting a public education campaign
- Technical assistance to support mediation capability of the government.

4.8.2 Summary of Key Success Factors

Project Design

- Simplify operational procedures and IDB guidelines
- Define clear outputs as part of the project design

4.8.3 Innovative Features of The Project

- Provide the ability to test innovative models in labor/management relations;
- Provide tools to the government to develop innovative labor relations policies;
- Provide a new platform for labor, management, and government to collectively learn innovative labor relations strategies.

4.8.4 Implementation Details and Outcomes

This project has an execution period of 36 months, and is currently being executed. As part of the project, a delegation came to the U.S. to visit the Department of Labor for training in labor relations. Based on informal conversations with participants, it appears that they are very pleased with the project. A number of seminars and workshops have been hosted as part of the project. In addition, the pilot projects are currently being implemented. No implementation problems have been encountered and it appears that the project will be completed on schedule.

4.8.5 Details of Key Success Factors

Project Design

- **Need to simplify IDB guidelines for implementation:** This project involved several new organizations that had no prior experience with IDB rules and procedures and found them very cumbersome. As a result, project implementation was slowed down. This has been a problem on several MIF-funded projects.

- **Important to define clear outputs:** To measure the effectiveness of a project, clear outputs and results are needed. A key lesson learned from this and other MIF-funded projects is the need to clearly define these outputs and outcomes. Although a number of activities have been completed under this project and the project is proceeding smoothly, with no clear outputs defined, it is not clear whether the project has achieved any real outcomes.

5 Key Success Factors by Type of Project

The review of MIF human resource projects has revealed that there may be key success factors specific to each type of human resource project. Exhibit 5.1 summarizes these factors by type of human resource project reviewed. Appendix 1 provides details of the success factors and their implications for each phase of the project – that is, project design, project implementation, and project dissemination.

Exhibit 5.1: Key success factors by type of project

Type of project	Project reviewed	Key success factors	Key Implications
Labor re-conversion	Jamaica: Human Capital Development Pilot Project*	<p><u>Project Design</u></p> <ul style="list-style-type: none"> Obtain stakeholder commitment during the design phase; Simplify operational procedures and IDB guidelines; Provide a transparent and operational design document. <p><u>Project Implementation</u></p> <ul style="list-style-type: none"> Verify project model prior to project start up; Focus on project outcomes rather than project activities. 	<ul style="list-style-type: none"> ➤ Need to verify project model prior to project start up. ➤ Importance of stakeholder commitment during design
Skills standards and certification	Uruguay: Program for Strengthening the Training Market	<p><u>Project Design</u></p> <ul style="list-style-type: none"> Design should focus on tangible outcomes; Obtain commitment to implementation of changes introduced; Project should be part of an overall/coherent human resource strategy; Have a clear, fair selection process and strategy when providing funds to private institutions; Build in regular monitoring, evaluation, and technical assistance; <p><u>Project Implementation</u></p> <ul style="list-style-type: none"> Focus on project impacts and not activities. 	<ul style="list-style-type: none"> ➤ Project design should have clear objectives and tangible outcomes. ➤ Obtain commitment to implementation during design.
Labor force modernization	<ul style="list-style-type: none"> Uruguay: Labor Relations Modernization Program Regional: Labor 	<p><u>Project Design</u></p> <ul style="list-style-type: none"> Need to focus on a core set of outcomes; Project objectives must be clear from the beginning; <p>Project design should include the</p>	<ul style="list-style-type: none"> ➤ Need to have clear project objectives; ➤ Need tangible and realistic outcomes;

Type of project	Project reviewed	Key success factors	Key Implications
	<ul style="list-style-type: none"> Market Modernization Program Dominican Republic: Labor Mediation Training Bolivia: Modernization of Labor Relations 	<ul style="list-style-type: none"> achievement of realistic project objectives; Need in-depth institutional analysis during project design; Longer implementation time needed to build consensus and awareness; Provide a transparent and operational design document; Regional projects should be very narrowly focused; Streamline IDB operational guidelines; Select and include executing agency and manager in the design phase; Open discussion groups may encourage new ideas, but not necessarily implementation or real change; 	<ul style="list-style-type: none"> ➤ Need longer implementation periods; ➤ Dialogue building should be linked to project outcomes; ➤ Strong leadership is critical.
		<p><u>Project Implementation</u></p> <ul style="list-style-type: none"> Involve technical experts during start-up; Technical support and direction is needed from central IDB headquarters; Dialogue should be geared toward desired results; Need to a strong executing agency to effectively manage conflicts arising between parties during implementation; Importance of communication and dissemination. 	
Workforce capacity building	<ul style="list-style-type: none"> Panama: Pilot project for demand-based training Uruguay: Youth Training and Business Development Program Jamaica: Human Capital Development Pilot Project 	<p><u>Project Design</u></p> <ul style="list-style-type: none"> Need in depth institutional analysis during project design; Project objectives must be clear from the beginning; Obtain stakeholder commitment during the design phase; Provide a transparent and operational design document; Verify project model prior to project start up; Key implementation guidelines need to be streamlined; Project design should incorporate implementation/operational issues; 	<ul style="list-style-type: none"> ➤ A clear and operational design document is essential; ➤ Strong leadership is critical; ➤ There is a need to streamline IDB implementation guidelines.
		<p><u>Project Implementation</u></p> <ul style="list-style-type: none"> Coordinate with similar programs in 	

Type of project	Project reviewed	Key success factors	Key Implications
		<p>country;</p> <ul style="list-style-type: none"> • A strong implementing agency and good leadership is critical; • Projects should be evaluated and modified on an ongoing basis; <p><u>Project Dissemination</u></p> <ul style="list-style-type: none"> • Put sufficient resources into information dissemination and public dialogue. 	

- Not traditionally viewed as a labor re-conversion project. However the project does have elements of a labor re-conversion project.

6 Next steps

There are an increasing number of multilateral and bilateral organizations involved in the human resources/labor markets sector in Latin America and the Caribbean, and these organizations are beginning to re-examine their largely public sector-focused approaches toward labor market reform efforts. With ever-expanding globalization growing out of NAFTA and other shifts in the world economy, there are growing competitive pressures in the region, as elsewhere, on employers and workers. Firms are forced to be as “lean and mean” as possible, and to deliver the best goods and services faster and cheaper than their competitors in order to survive. The private sector is playing a more critical role than ever in economic growth, and their workers need an expanding base of skills to compete. There has been displacement of workers as needs shift and downsizing occurs, and worker training and skills development are needed now more than ever to help workers adapt and succeed.

With this in mind, the MIF must look to the future and focus on its key role as a catalyst for private sector-led reforms in the region, using its mandate to try innovative approaches and experiment with pilot efforts that can lead to broader Bank programs.

Based on the eight projects reviewed and using some lessons learned from past experiences with MIF-funded projects, this section provides a summary of key recommendations to help guide the funding decisions and future implementation of MIF human resource projects. While these recommendations can be generally applied to all MIF projects, they are especially applicable to human resource projects, which tend to be complex, involve multiple stakeholders with firmly entrenched and confrontational relationships, and are difficult to implement. Details of key success factors and their implications during each phase of a project are provided in Appendix 1.

Recommendations developed are applicable to human resource projects, which tend to be complex, involve multiple stakeholders with firmly entrenched positions, and are difficult to implement.

6.1 Devise Strategy, Build MIF/IDB Consensus

- ***Develop a strategy for MIF human resource projects:*** Future funding of MIF human resource projects should be based on institutional and operational guidelines specifically developed for these projects. With the limited resources available for MIF projects, these guidelines will help strategize the judicious use of MIF funds in the human resource sector.
- ***Integrate MIF human resource projects as part of the overall Bank strategy:*** To ensure the maximum and efficient use of MIF resources for human resource projects, it is important to develop a MIF human resource strategy, which is part of the overall Bank strategy. Given the limited funds available for MIF projects and the long time frame needed before human resource projects produce results, such a strategy will help ensure that MIF resources are used to fund innovative projects that support the overall development strategy of the region/country and act as catalysts for broader reform.

- ***Be very selective in funding regional human resource projects:*** As a general rule, the MIF might want to consider funding regional human resource projects very selectively and fund only regional level projects if these help in building dialogue or help disseminate results. This is because given the small amount of funds available for MIF projects, the complexity in implementing regional projects, and the difficulties inherent in human resource projects, producing any tangible results at a regional level would be very difficult. Experience has also shown that coordinating a large number of stakeholders across several countries and the political and operational considerations in implementing a regional project make it very difficult to implement a human resource project at a regional level.

6.2 Strengthen Project Design and Preparation

- ***Special emphasis on strengthening project design:*** Given the innovative nature and complexities of MIF human resource projects, special emphasis should be placed on strengthening project design. The project design should be strengthened to build in more extensive consultation with stakeholders with attention to commitment and ownership (especially given the number of stakeholders and the traditionally confrontational relationship among them), make provisions for institutional capacity building at the outset, and include the executing unit and manager in the design phase.
- ***Develop realistic outcomes:*** Due to the complexity of MIF human resource projects, the project design should be based on realistic outcomes. This can be accomplished by developing a ***narrow focus*** in the design based on accomplishing one or two objectives. Projects should be viewed in relation to other actions or projects being funded in the region, as one component in a larger effort. The project design should also ***include tangible and more realistic outcomes***, and build in a ***longer implementation period***.

6.3 Use IDB Staff/Consultants Effectively, Improve Procedures for Implementation

- ***Provide technical assistance:*** MIF staff should be involved in providing technical assistance and in project implementation. This will help pave the way for more effective implementation.
- ***Build a roster of human resource consultants:*** Given the limited experience in human resources and the dearth of human resource specialists, MIF should consider building a roster of human resource consultants available on a regional basis. Such consultants can then be used on a regular basis and will have specific experience with MIF projects.
- ***Simplify implementation procedures:*** Simple implementation guidelines should be developed for MIF human resource projects. These guidelines should be easy to follow and should be specifically focused towards being user-friendly for small and medium-sized organizations. This in turn will help facilitate the implementation process.

6.4 Establish M&E and Dissemination Systems

- ***Introduce the concept of project clusters for evaluation and dissemination of lessons learned:*** MIF might want to consider funding human resource projects in “clusters” where a group of several projects in a specific area are developed, supported, and reviewed as a cluster. This approach has been successfully used for the Caribbean tourism projects on skills standards and certification. Building on this general approach, using the concept of project clusters might help ensure that strategic focus is effectively put into practice in new projects.
- ***Monitoring and evaluation:*** Moving forward, MIF human resource projects should pay specific attention to monitoring and evaluation (M & E), focusing on project outcomes rather than only on project activities. In addition to building strong monitoring and evaluation activities as part of the project design, MIF might also want to consider conducting “cluster evaluations” of their projects on a periodic basis. This in turn will help guide the future implementation of projects.
- ***Dissemination and communication within the Bank:*** There is a real need to focus on dissemination and communication for MIF human resource projects, especially since so little information on experience with these projects is available at the Bank. Therefore, the MIF should try to incorporate new methods to systematically hold workshops and seminars on these projects and to disseminate their results among Bank staff.
- ***Public dialogue and information dissemination:*** Projects should include seminars and workshops to build public dialogue and disseminate information to the public in a timely manner. Such workshops should also be conducted routinely at the end of each project. These will help build public awareness and also establish public dialogue, which are needed to bring about meaningful change.

7 Conclusions

Since its inception, MIF has made a significant contribution in furthering the knowledge base of human resource projects at the IDB. Starting from ground zero, MIF has developed significant experience. Using small targeted approaches and innovative interventions, MIF has helped jumpstart and prepare the groundwork for several IDB human resource initiatives. Given the relative lack of experience in human resource projects at the Bank, the experiences of MIF are invaluable to help guide the Bank's human resource strategy for countries and regions.

Despite its contributions, however, MIF has not been sufficiently recognized in the human resource sector. This is due in part to the lack of strategic integration between MIF human resource strategy and the overall Bank strategy. Also, without a systematic and strategic approach for MIF human resource activities, MIF's contribution can be sidelined and viewed as unrelated to the rest of the Bank's work in human resources. The current situation has been somewhat exacerbated by the lack of adequate emphasis on information dissemination, monitoring and evaluation, and a general underestimation of the complexity of human resource projects at the Bank.

With the experience of several years and many projects under way and completed, MIF can now develop a clear strategy for its human resource projects in the future. Such a strategy should complement the overall strategy for the region and should focus on maximizing the use and effectiveness of MIF resources to act as a catalyst, foster innovation and pilot new approaches, and help jumpstart the broader development agenda for the region.