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**EL SALVADOR**

**DEVELOPMENT PRIVATE TRAINING CONSORTIUM**

**TC9505340**

**PROFILE**

**JULY 1995**

## MIF PROFILE

COUNTRY: EL SALVADOR

Project Name: Support for the Development of a Private Sector Training Consortium in El Salvador

Executing Agency: Private Sector Consortium

MIF Coordinator: Caroline Fawcett

### I. COUNTRY ELIGIBILITY

- 1.1. Country eligibility for El Salvador was approved by the Donors Committee on December 3, 1993.

### II. PROJECT DESCRIPTION

#### A. General Background

- 2.1. El Salvador, like many countries in Latin America, experienced a recession in the early eighties yet, contrary to its neighbors, there was little economic recovery later in the decade. Economic growth averaged only 1.7% a year between 1983-89, roughly the same as the estimated net rate of population growth. It was only during the last few years that El Salvador experienced stronger economic growth. GDP per capita in 1991 was still lower (6%) than it had been in 1970. Employment has continued to shift out of agriculture into service industries, although this transformation has proceeded more slowly than in other Latin American countries. On average, in 1990 Latin American nations had 26% of the workforce in agriculture, 26% in goods-producing industries, and 48% in service-producing industries, while for El Salvador in 1992, 36% were in agriculture, 22% in industrial goods, and 41% in services.
- 2.2. At present, the vast majority (approximately 90%) of workers in El Salvador are employed by the private sector. Yet, while accounting for only 10% of the overall workforce, the public sector provides 54% of the professional jobs in the country (for women, 65%). Nearly half (47%) of all workers are in rural areas, of which, two-thirds are agricultural laborers. The bulk of urban workers is permanently or temporarily salaried (38% and 20% respectively), although many are self-employed (27%) while employers, unpaid family workers, and domestic workers together

account for the remaining 15%. Nationally, unemployment averaged 8.7% in 1992, while underemployment, including part-time and low-wage jobs, was at least twice as high. About half of urban workers are employed in the informal sector.

- 2.3. In El Salvador, earnings vary substantially according to occupational group, with the best paid managers receiving about ten times the earnings of the least paid, agriculture laborers. Average earnings in urban areas are about twice that in rural areas. Women are disadvantaged in employment in all occupations, sectors, and regions. Their employment is largely concentrated (70%) in the more insecure and lower paying jobs of the informal sector (versus 42% for men). Women earn less pay in all segments of the market.
- 2.4. Nationally, about two-thirds (68%) of the workforce has no more than primary education or less. The rural labor force is much less educated than the urban labor force (e.g. the percentage of those with no schooling in the rural labor force is about three times that of the urban labor force, 37% versus 13%). The workforce in the public sector is much more educated than the private sector: e.g. in the public sector one-third of workers have some higher education versus only 4% in the private sector. A recent survey found that private companies in El Salvador are facing various shortages of skilled workers such as carpenters, electricians, and heavy equipment operators.

B. Profile of the system of non-academic professional training

- 2.5. El Salvador lacks an effective and articulated system of non-academic professional training. Professional training, other than on-the-job training, is provided by a disperse array of private and public institutions.
- 2.6. The Instituto Salvadoreño de Formación Profesional (INSAFORP), originally attached to the Ministry of Labor, has been the most active public institution providing non-academic professional training. Since 1993 INSAFORP became an independent entity responsible for the system of professional training. Other programs of professional training are administered by the Ministry of Education (Programa de Habilitación para el Trabajo para Adultos), and by the Ministry of Agriculture (Instituto Salvadoreño del Café, and the Centro Nacional de Capacitación Agropecuaria).
- 2.7. However, in spite of the INSAFORP's new mandate, planning and supervision of professional training in El Salvador is still deficient. The lack of a national policy for professional instruction renders an uncoordinated supply of a variety of training programs. There are no mandatory practices, no minimal proficiency requirements, no standardized qualification for instructors and frequently there is no forceful relationship between public training programs and firms of the productive sector.

- 2.8. Facing the limitations characterizing the public system of professional training, the domestic private industry has developed its own training centers, in some cases using public institutions already in operation. The government has de-facto delegated training of qualified labor force to the private sector. Indeed, public institutions satisfy only one fourth of the demand for professional training in the country (INBAS/Germany, 1993)
- 2.9. The most successful programs of complete and systematic training are offered by the Fundación Empresarial para el Desarrollo Educativo (FEPADE), and the institutions of the Comunidad Salesiana (religious congregation). These two institutions offer nearly 50% of the private supply of training services, and have excellent reputation nation wide. Other programs are organized by private firms linked to the productive sector, which offer short courses mainly on management training. However the programs offered by the private sector are generally non self sustainable and in most of the cases are partially funded by external private sources.
- 2.10. FEPADE, created in 1962 by firms and foundations of the private sector, provides education programs to at all levels of the labor force, from non-qualified workers to firm managers. Furthermore, FEPADE created the Instituto Técnico de la Confección; it administers the public Instituto Tecnológico Centroamericano, and is responsible for the implementation of the Proyecto de Capacitación de la Industria y la Construcción (World Bank). FEPADE also participates in the program for professional training for former FMLN members, established as part of the Programa de Reconstrucción Nacional (Program of National Reconstruction). The five institutions administered by the Comunidad Salesiana have pioneered vocational and professional technical education and are considered as very effective by the private sector. Their services are directed mainly to low income population and are highly regarded by the private sector.
- 2.11. In response to the new post-war demands of the private sector, a number of non-governmental organizations (NGOs) and foundations have entered the field of technical and vocational training. In 1992, the United Nations Development Programme reported that there were 54 such technical training institutions in the country.
- 2.12. Despite the profusion of training providers in the country, there was little cooperation or coordination among them prior to 1994. In May 1994 six of these institutions - ASALDI, CREFAC, Fe Y Alegria, Fundación Ungo, FEDISAL, and FEPADE - which are representative of the broad political spectrum which exists in El Salvador, formed a network, the Comisión Coordinadora Gestora (CCG), and agreed to cooperate in the development of a program specifically designed to train and help place new entrants to the labor market.

### C. Objectives

- 2.13. The objective of the proposed project is to enhance the skills and productivity of the labor force by providing new entrants to the labor market with skills training and by establishing links between the new entrants and potential employers.

- 2.14. Specific goals are: (i) to expand the capabilities and performance of private sector training institutions; (ii) to develop a pilot program that capitalize on the training process to establish links between the new entrants and potential employers; and (iv) to foster the development of adequate mechanisms for funding and technically supporting human resource development projects in El Salvador.

D. Project components

- 2.15. The project would consist of the following components:

1. Expansion of the capabilities and performance of private sector training institutions

- 2.16. In order to expand the capabilities and performance of the private sector training institutions, under the proposed project two consecutive steps will be taken. First, a program will be implemented to improve the capabilities of the six training institutions (which presently make up the CCG) for providing technical support to less developed NGO's in the field. Subsequently, these more technically advanced NGO's will provide technical assistance to other participating NGO's (number to be determined) in order to enhance the quality of their services. One or more of the six grantees would enter into a partnering arrangement with one or more training institutions in the field and would collectively coordinate their training activities and exchange information, hence generating a training network that will reach the rural communities and former war zones. Technical assistance will include techniques for analyzing community development needs and local employment demand; schemes to develop job placement support; techniques for maximizing workbased learning; case management and tracer studies to track trainees. Some general support for equipment and material needs would be also provided.

2. Provision of training and establishment of links between new entrants to the labor market and potential employers

- 2.17. Under the training network described above, a pilot program will be implemented to provide general and specialized skills training to workforce entrants. The training offered through this program would be linked to pre-identified employment or self-employment opportunities. During the design of the project, special attention will be given to guarantee the active participation of the private sector.

- 2.18. The primary beneficiaries of the project would be youths age 16 to 24, employed, seeking employment, or in-school youths who need to work in order to stay in the school system.

3. Support for the development of adequate mechanisms for funding and technically supporting human resources development projects

- 2.19. The proposed project would be pilot in nature in that it would examine the feasibility of building mechanisms to finance and guide improvements in

education and training, with a significant participation of the private sector. A long-term goal of the project would be to develop appropriate private sector mechanisms to facilitate improvements in education and training.

- 2.20. The proposed project would build on the efforts initiated by the CCG to establish a private sector consortium of employer organizations, NGO's, private training providers, and labor market service providers. The consortium would represent the private sector's views on training policy and human resource development needs. It would also draw upon the expertise of its members in organizing and developing the capacity to provide technical support to a variety of groups in the following areas: organizational development; human resource and program development; program planning; and project design, monitoring, and evaluation.
- 2.21. This component would support the establishment of the consortium itself and would provide technical assistance for institutional development. The expanded composition of the consortium membership, the consortium organizational structure and its physical location will be defined during project preparation.
- 2.22. The proposed consortium is envisioned to have an Executive Board representing of its three major constituencies - labor, employers, and training providers. The Executive Board would rely on a support unit for technical, operational and administrative matters. The proposed project would finance technical assistance to the support unit to develop the consortium's capability to conduct policy analysis, to support initiatives, and to organize financial schemes to fund the human resource development projects that the consortium wishes to encourage.
- 2.23. A decisive issue for a continuous and sustainable enhancement of the skills and productivity of the labor force is the existence of a national training system that is efficient and financially sound. The proposed project would help the consortium to explore the feasibility of developing both a permanent endowment to support private sector training initiatives and a strong accreditation and certification system to ensure greater consistency and quality in work-related training outcomes.
- 2.24. These activities would be developed in the context of the general policy framework for labor training, including the regulatory framework for excellence in training defined by the Government of El Salvador. Consequently actions will be taken to encourage a constructive dialogue between the public and private sectors about the national requirements for a comprehensive training system.

E. Organization and execution

- 2.25. The project would be executed by the consortium over a three year period. The six training institutions, which presently make up the CCG, would be grantees of the consortium. The Consortium Executive Board would appoint a project manager who would be assisted by the support unit of the consortium to manage project operations. The support unit, under the direction of the project manager, would be responsible for project

implementation, coordination, monitoring and evaluation. Besides the project manager, the proposed project will finance consultants to provide technical assistance to the consortium until the support unit is well-established, technically capable, and long-term financing has been identified to sustain its operations.

### III. FINANCING

- 3.1. The total cost of the proposed project, which will be provided by local counterpart and MIF contributions, will be estimated during the project preparation and a detailed breakdown of costs will be prepared. The project costs are not expected to exceed US \$5 million, and MIF support is estimated to be US \$4 million.
- 3.2. Cash contributions from private sector firms and the establishment of a permanent endowment fund will be explored during project preparation. It is expected that in-kind contributions in the form of internship programs and coverage of administrative project costs will be the main forms of counterpart contributions.
- 3.3. In order to foster sustainability, policy issues related to private and public sector financing of labor training would be thoroughly analyzed during project preparation. Specific recommendations will be presented.

### IV. TIMETABLE

4.1. MIF Profile	July	1995
Project Preparation	Aug-Sep	1995
Mid-Management Committee	Sep	1995
Loan Committee	October	1995
Donors Committee	November	1995

### V. COMPLIANCE WITH PROJECT ELIGIBILITY CRITERIA

- 5.1. General Criteria for Project Eligibility - The proposed project is consistent with the Agreement establishing the MIF, in particular the general purposes of the MIF as stated in Article I, b) which refers to the generation of increasing levels of private sector participation and of employment opportunities with an impact on poverty alleviation. The proposed project is unique in that it proposes to serve as a catalyst for the revitalization of the labor market by modernizing and expanding technical training and related services in the country.
- 5.2. Facility Criteria for Project Eligibility - The proposal is also fully consistent with the criteria for grant financing under the Human Resources Facility of the MIF Agreement which establishes, among other criteria,

that grants be provided to strengthen training institutions and develop the skills of the workforce. The proposed project provides financing for activities which will reduce the social costs of structural adjustment programs, as referenced in Section 5 (b) of the Agreement.

#### VI. CONSISTENCY WITH THE BANK'S COUNTRY PROGRAM

- 6.1. The proposed project is consistent with the Bank's strategy for El Salvador (1993-96) which seeks to give priority support to: 1) comprehensive attention for basic education and health requirements; and, 2) the active participation of women and youth in the country's reconstruction process. Among the Bank's strategies for the education sector in El Salvador, is the design of program to support the expansion and enhancement of basic education and the promotion of the modernization of the Ministry of Education. The project is consistent with the purpose of modernization in the sense that explores the feasibility of building private sector mechanisms to help finance and guide improvements in education and training.

#### VII. FUNDING MODALITY

- 7.1. The proposed project is expected to be financed through a grant based on the following points (i) El Salvador's eligibility which was received on December 3, 1993, (ii) El Salvador's compliance with the criteria of eligibility for obtaining grant resources at the country level (Article III, Section 5(b) of the MIF Agreement) detailed in Section III paragraphs 3.1-3.4 of the Eligibility Memorandum for each country; and (iii) the catalytic impact that the proposed project is expected to have on investment flows, as required under Article III, Section 5(a) by facilitating increased productivity among new workforce entrants.

#### VIII. MAIN ISSUES

- 8.1 During the project preparation the main issues to be addressed are:

*Execution Modality:* An important feature of the proposed project is to encourage collaboration between groups that were extremely polarized during the war. The creation of the *Comisión Coordinadora Gestora* which brings together six important training providers and the creation of a broader private sector consortium to help guide investments in human resource development are key to the success of the project. The project preparation phase will carefully analyze the institutional needs and recommend an institutional framework for executing the project, that addresses both the desire to encourage collaboration and the need to ensure proper execution.

- 8.2 *Sustainable financing:* Careful attention will be given during project preparation to: (i) efforts that are already under way to reform the technical training system; (ii) assure that the proposed consortium fits



into the reform effort; and (iii) assess whether conditions exist for the consortium's self-sufficiency and sustainability.

*Programs oriented to satisfy the demand for labor :* The main goal of the proposed project is to develop a training system that improves the skills and productivity of the labor force in areas closely related to existing employment opportunities.

- 8.1. *Consistency with National Policies for Training and Complementarity with other Training Projects:* The design of the project will have to ensure consistency with National Policies for Training and to promote a dialogue on training issues among the public and private sectors. The design of the project will have to avoid duplications with other training programs.

Approved by:	Original Signed	Original Signed
	<hr/> Eleanor Howard Deputy Manager, RE2	<hr/> Keisuke Nakamura Deputy Manager, MIF

Date: July 31, 1995