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Report No: PAD4640

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$250 MILLION

TO THE ARGENTINE REPUBLIC

FOR A

PROMOTING BETTER JOBS THROUGH INTEGRATED LABOR AND SKILLS PROGRAMS
PROJECT

February 1, 2022

Social Protection and Jobs Global Practice
Latin America and Caribbean Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective December 31, 2021)

Currency Unit = Argentine Peso (ARS)

ARS 102.68 = US\$1

US\$1.39 = SDR 1

FISCAL YEAR

January 1 – December 31

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ABBREVIATIONS AND ACRONYMS

ALMP	Active Labor Market Program
COVID-19	Coronavirus Disease of 2019
CPF	Country Partnership Framework
DA	Designated Account
ESCP	Environmental and Social Commitment Plan
FM	Financial Management
GBV	Gender-Based Violence
GDP	Gross Domestic Product
GRS	Grievance Redress Service
IAU	Internal Audit Unit
IFR	Interim Financial Report
ILO	International Labor Organization
INDEC	National Institute of Statistics and Censuses (<i>Instituto Nacional de Estadística y Censos</i>)
IPF	Investment Project Financing
IRR	Internal Rate of Return
IT	Information Technology
JMyMT	Youth with More and Better Work (<i>Jóvenes con Más y Mejor Trabajo</i>)
LMP	Labor Management Procedures
MTESS	Ministry of Labor, Employment, and Social Security (<i>Ministerio de Trabajo, Empleo y Seguridad Social</i>)
NEET	Not in Employment, Education, or Training
OECD	Organisation for Economic Co-operation and Development
OEM	Municipal Employment Office (<i>Oficina de Empleo Municipal</i>)
PBC	Performance-Based Condition
PDO	Project Development Objective
POM	Project Operational Manual
PPSD	Project Procurement Strategy for Development
SE	Secretariat of Employment
SEP	Stakeholder Engagement Plan
e-SIDIF	Government's Integrated Budget and Accounting IT System (<i>Sistema Integrado de Información Financiera</i>)
SIGEN	General Syndicate of the Nation (<i>Sindicatura General de la Nación</i>)
SIPA	Database for Social Security Contributions (<i>Sistema Integrado Previsional Argentino</i>)
SOE	Statement of Expenditures
SsGA	Undersecretariat of Administrative Management (<i>Subsecretaría de Gestión Administrativa</i>)
STEP	Systematic Tracking of Exchanges in Procurement
UEPEX	Project Executing Units with External Financing (<i>Unidades Ejecutoras de Proyectos con Financiamiento Externo</i>)



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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Argentina	Promoting Better Jobs through Integrated Labor and Skills Programs	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P176781	Investment Project Financing	Moderate

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input checked="" type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
24-Feb-2022	30-Apr-2026

Bank/IFC Collaboration

No

Proposed Development Objective(s)

Improve the employment of targeted groups and strengthen the quality and availability of training and employment services in Argentina.

Components

Component Name	Cost (US\$, millions)
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Expansion and Strengthening of a Labor Competency-based Training and Certification System	115.50
Stipends to promote participation in selected ALMPs	87.50
Strengthening the network of OEM	12.50
Strengthening evaluation and information systems	30.00
Project Management and Monitoring	3.87

Organizations

Borrower:	Argentine Republic
Implementing Agency:	Ministry of Labor, Employment and Social Security

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	250.00
Total Financing	250.00
of which IBRD/IDA	250.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	250.00
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Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2022	2023	2024	2025	2026
Annual	10.00	59.00	80.00	68.00	33.00
Cumulative	10.00	69.00	149.00	217.00	250.00

INSTITUTIONAL DATA



Practice Area (Lead)

Social Protection & Jobs

Contributing Practice Areas

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● Substantial
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Moderate
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Moderate
7. Environment and Social	● Moderate
8. Stakeholders	● Moderate
9. Other	● Substantial
10. Overall	● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ Yes ☒ No



Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Not Currently Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

Borrower shall, through MTESS, maintain for purpose of the implementation, monitoring and supervision of the Project a structure, functions and responsibilities, and staffing acceptable to the Bank, including fiduciary, administrative and technical personnel, and social and environmental specialists, all with qualifications, experience and terms of employment, as set forth in the Operational Manual. Schedule 2, Section I(A).

Conditions

Type	Financing source	Description
Disbursement	IBRD/IDA	1. No withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$50,000,000 may be made for payments



		made up to one year before the Signature Date, for Eligible Expenditures. Schedule 2, Section III(B.1)
Type Disbursement	Financing source IBRD/IDA	Description 2. Each withdrawal under Category (4) shall be made only after the Bank has received: (i) evidence acceptable to the Bank in form and content and following the requirements set forth in the Operational Manual and the Disbursement and Financial Information Letter, confirming the achievement of the respective PBCs; and (ii) evidence, in form and content acceptable to the Bank, confirming that the Training Incentives in an amount equal to at least the amount to be withdrawn under this Category in respect of the PBC, has been incurred, and that said expenditures have not been presented before to the Bank as satisfactory evidence for withdrawals under the Loan Agreement. Schedule 2, Section III(B.2)



I. STRATEGIC CONTEXT

A. Country Context¹

1. **Argentina has a historically large and strong middle-income class, with social indicators that are in general above the regional average; however, persistent social inequalities, volatility of economic growth and underinvestment have limited the country's development.** Urban poverty in Argentina reached 40.6 percent of the population in the first semester of 2021, and 10.7 percent of Argentines live in extreme poverty. Childhood poverty, for children under 14 years old, is at 54.3 percent. In the metropolitan area of Buenos Aires, the high vulnerability of its low-income population can be illustrated by crowded living conditions and high dependence on informal economic activities. Decades of chronically low investment have led to sizeable gaps in capital stock vis-à-vis other countries, with public capital expenditures as a share of Gross Domestic Product (GDP) at historically low levels, despite a slight increase in 2021.

2. **The country's economy is vulnerable² to a variety of climate stressors and extreme weather events.** Argentina's varied geophysical landscapes are exposed to different climate change effects. It ranks 75 in vulnerability and 107 in preparedness for climate change according to the ND-GAIN Country Index.³ Climate-related natural hazards resulted in over United State Dollars (US\$) 4 billion in losses since 2006.⁴ Important economic and wealth-related losses from flooding (US\$22.500 million since 1980) and droughts (reducing up to 2.5 percent of the country's yearly economic production) continue to increase. In the future, floods are expected to cause economic losses of US\$700 million every year and can potentially affect 14.2 million people.⁴ The rural poor whose livelihood choices are limited and highly dependent on natural resources are disproportionately vulnerable to risks associated with expected climate change impacts. The expected decreasing crop yields and reduced access to drinking water due to climate change are likely negatively affect the health of poor people and pose a real threat to food security, pushing them even further into poverty.

3. **The Coronavirus Disease of 2019 (COVID-19) outbreak hit Argentina at a time when its economy faced significant macroeconomic imbalances and a highly uncertain outlook.** Following a two-year recession, high inflation, and lack of access to capital markets, the COVID-19 outbreak led to the implementation of a strict lockdown to contain the spread of the pandemic while preparing the health care system. This situation implies one of the biggest global economic crises in recent time and triggered in Argentina a GDP loss of 9.9 percentage points in 2020, the largest retraction since 2002. The Government implemented a fiscal stimulus package to support families and firms – equivalent to 6.5 percent of GDP² – in 2020. In a context of restricted market access, financing the response to the COVID-19 shock required an important monetization of the deficit. This has exacerbated macroeconomic imbalances, notably by exerting pressures on reserves and on the persistent large gap between the official and parallel exchange rates.

4. **The economy has started to recover building on the broad reach of the vaccination campaign and the targeted fiscal support that was maintained during 2021, surpassed pre-pandemic levels (February 2020) by 2.1 percent in October 2021, though in a very heterogeneous manner across economic sectors.** According to the national authority projections, Argentina's GDP is expected to grow at least 8 percent in 2021 and 4 percent in

¹ Source for estimates and projections in this section (unless otherwise stated): INDEC National Income Accounts and World Bank staff calculations.

² For the purpose of this Project, vulnerability will be addressed as vulnerability to climate change unless otherwise stated.

³ <https://gain.nd.edu/our-work/country-index/>

⁴ World Bank Group. 2021. Climate Risk Profile: Argentina (2021). The World Bank Group, 2021.



2022. Economic recovery has gradually picked up as containment measures have been progressively lifted, building on the economy's ample idle capacity. Uncertainty as well as price and capital controls could put a lid on the strong investment growth that occurred during the first stages of the economic recovery, however, according to the strategy of the Ministry of Economy, the fiscal deficit reduction is expected to be gradual, in order to maintain demand stimulus and support for vulnerable sectors. A reduction in the primary fiscal deficit is materializing in 2021, due to: the unwinding of emergency programs implemented to fight the pandemic; extraordinary resources stemming from the increase in commodity prices and an exceptional tax on large fortunes. Nonetheless, the economy continues to display large unresolved macroeconomic imbalances. Annual inflation stood at 51.2 percent in November 2021 and the gap between the official and alternative exchange rates are close to 100 percent.

5. **Regarding external debt, the Government successfully restructured the sovereign debt denominated in foreign currency held by private creditors in 2020.** The restructuring was agreed by creditors holding 99 percent of the bonds under external and domestic law. The swap significantly improved Argentina's maturity profile for the next five-to-eight years, but debt service obligations are going to increase after 2028. Authorities are holding conversations with the International Monetary Fund on a successor program to refinance debt owed to this institution and will later have to negotiate with Paris Club member outstanding debt.

6. **Despite the early and strict lockdown measures during 2020, the health impact of COVID-19 in Argentina has been severe.** The country ranks second in the region and ninth in the world in the number of confirmed total cases. As of November 5th, 2021, the country accounts for more than 5.3 million cases and almost 116,000 cumulative deaths. In April 2021, the country experienced the beginning of a second wave with an average of more than 20,000 new cases per day-with a peak of 41,000 daily cases by the end of May 2021, putting the country's health system under major stress with the intensive care unit occupancy rate reaching a peak of 79 percent nationwide on June 9, 2021. By January 10, 2022 more than 87 percent of the population have received one dose of COVID-19 vaccine, 75 percent of the population are fully vaccinated, and 14 percent have already received a booster shot. After a smooth semester, Argentina entered a third wave of the pandemic. In December 2021, cases have increased exponentially from 1,500 to 35,000 cases by the end of the month, based on a seven-day moving average. On January 4th, 2022, cases reached the highest number since March 2020 with more than 80,000 confirmed positive and positivity tests increased from less than 5 to 50 percent in a month. Luckily, the number of cases so far have not translated into a sharp increase of hospitalization rates. Currently, hospital bed occupancy are around 35 percent nationwide.

7. **Climate change is posing additional threats to recovery from the impacts of the pandemic.** Observed and anticipated climate change impacts coupled with changing precipitation patterns are expected to lead to more frequent natural disasters, such as floods, droughts, tropical storms, and heat waves. These events will have diverse impacts on different aspects of work and employment, especially on the poor. The health of workers will be one of the most affected aspects, especially with regard to professions undertaken outdoors. In addition, populations such as women and youth, indigenous peoples, and people with disabilities, many of whom are vulnerable, will disproportionately suffer the economic consequences, considering that these groups have limited participation in decision-making and are overrepresented in the informal economy and unemployment. Furthermore, the transition to a low-carbon and climate-resilient economy, will demand changes in skills sets to ensure a just transition. Guaranteeing these groups access to training and re-skilling will allow them access to



better employment options and sustain them during the transition to more sustainable production methods, thus, improving their resilience and livelihoods.⁵

B. Sectoral and Institutional Context

8. **Sustained improvements in welfare in Argentina will require improvements in labor market outcomes.**

Low productivity growth limits the ability of the Argentine economy to create quality employment opportunities for all and sustain long-term poverty reduction and income growth. These impediments have negative implications for the ability of households to generate income and risks feeding the cycle of limited growth and persistent poverty. These risks are particularly high for poorer households that tend to work in lower productivity jobs in the informal sector. These are the same households that have been most negatively affected by COVID-19 and that are more exposed to the impacts of climate change.

9. **Argentina's labor market has been weak in recent years.** The unemployment rate remained fairly stable at around 7.0 percent in the first half of the 2010s but has increased since 2017, reaching 9.8 percent before the COVID-19 outbreak. During the outbreak, unemployment spiked to 13.1 percent in the second quarter of 2020 before falling back to 9.6 percent in the second quarter of 2021.⁶ Informal employment remains persistently high at around one-third of salaried workers after a decline from historic highs at the beginning of the 2000s. Job creation has been driven mainly by public employment and self-employment, while wage employment in large firms has stagnated. From 2011 to 2019, family incomes across the distribution failed to increase because of a contraction in labor incomes. Rising inflation also reduced the real value of wages with the largest losses among the self-employed and wage employees in small firms.

10. **Several groups face particular challenges in the labor market.** The government has recently placed significant priority on improving the employment outcomes of young people, women, and older men based on their challenging labor market prospects. Each of these groups has struggled in recent years to fulfill their potential in the labor market.

11. **Young people have high unemployment rates and high rates of informality.** Young people between the ages of 18 and 24 had an unemployment rate of 26 percent in 2019, more than three times that of the population older than 24 years.⁷ When they do find employment, young people are much more likely to work informally: 62 percent were employed informally in 2019 versus 30 percent of the working age population. Education is a significant factor in informality: 79 percent of young people with less than secondary education worked informally in 2019 versus 56 percent of those with secondary education and 24 percent of those with tertiary education. A large proportion of young people are not employed or in school, particularly affecting young girls and those in the poorest regions of the country. Approximately 19 percent of young people were not in employment, education, or training (NEET) in 2019, and 22 percent of young women were NEET versus 17 percent of young men. Subnational analysis shows that, in 2016 in the *Partidos*⁸ of Greater Buenos Aires, 23 percent of all young people and 28 percent of women were NEET.

12. **Women have low labor force participation rates and high rates of underemployment and informality.** In 2019, women in the prime of their working ages, between ages 25 and 59, had a labor force participation rate

⁵ ILO (International Labour Organization). 2015. *Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All*.

⁶ INDEC. 2020. "Mercado de trabajo: Tasas e indicadores socioeconómicos (EPH)." INDEC, Buenos Aires.

⁷ The working age population is defined here as between the ages of 18 and 64.

⁸ Refers to municipalities/second-level administrative subdivisions



gap with men of 21 percentage points (71 percent for women compared to 93 percent for men) and an unemployment rate that was 1.7 percentage points higher (8.6 percent for women compared to 6.9 percent for men). Women are underemployed at greater rates than men with 46 percent of women able and willing to work more in 2019 versus 22 percent of men. Women also had higher rates of informality (32 percent for women compared to 28 percent for men). Women in these prime working ages earn 26 percent less than men in the same age group (ARS 1,499 per month in their main job for women compared to ARS 2,038 per month for men). Education level is an important factor in determining the labor market outcomes of women. The labor force participation rate of women without secondary education in 2019 was 57 percent versus 71 percent for women with secondary education and 89 percent for those with tertiary education. Unemployment rates follow the same pattern, with an unemployment rate of 12 percent for women without secondary education, 10 percent for women with secondary education, and 4 percent for women with tertiary education.

13. **While labor market outcomes are better for older men, job and income loss among this group can have significant consequences for their households.** Three-quarters of men older than 45 years are household heads. This means that job and income loss for individuals in this age group can have serious consequences for the entire household. For instance, average household incomes fell across all income deciles during 2019, but the poorest decile was further affected by a fall in male employment.⁹ Approximately 70 percent of households with unemployed male heads of household are in poverty. The presence of dependents in the household is associated with significantly higher levels of poverty (19 percent for those without dependents versus 48 percent for those without¹⁰). Moreover, job loss among male primary income earners affects the human capital development of children in Argentina with job loss leading to increases in employment and dropout among sons and daughters.¹¹ Additionally, older men can struggle to find new jobs once they are unemployed. Nearly 35 percent of unemployed men between 45 and 64 years were unemployed for more than a year in 2019 versus 28 percent of men between 25 and 44 years. The labor market challenges facing less-educated men are more significant. Males with less than secondary education have unemployment rates that are more than two times higher than those with tertiary education (8 percent versus 3 percent in 2019). One-third of those without secondary education worked informally in 2019 versus 17 percent of those with secondary education and 10 percent of those with tertiary education.

14. **Each of these groups faces constraints that make finding productive employment challenging.** Women's lower labor force participation and lower quality of work is related to several factors including lower wages and educational and occupational segregation, which results from gender norms and is itself linked to lower wages.¹² As the world of work becomes more digitized, this educational and occupational segregation could create further disadvantages for women. Women in Argentina, for example, represent just 22 percent of information technology

⁹ Arakaki, Gervasio Agustin, Lourdes Rodriguez-Chamussy, and Evelyn Vezza. 2021. "Poverty Impacts of COVID-19 and Policy Responses in Argentina: A Nowcast Approach." Background Note for the Argentina Poverty and Equity Assessment 2021. World Bank, Washington, DC.

¹⁰ Significantly higher levels of poverty for those with dependents versus those without is also found in young people between the ages of 18 and 24 (55 percent versus 28 percent) and for women between the ages of 25 and 59 (43 percent versus 17 percent).

¹¹ Ciaschi, Matías. 2020. "Job Loss and Household Labor Supply Adjustments in Developing Countries: Evidence from Argentina." Documento de Trabajo Nro 271, CEDLAS, Argentina.

¹² Blau, Francine D., and Lawrence M. Kahn. 2017. "The Gender Wage Gap: Extent, Trends, and Explanations." *Journal of Economic Literature* 55 (3): 789–865; Pal, Juan Martín. 2019. "Brechas de Género: Una Exploración Más Allá de la Media." Documentos de Trabajo Nro 255, CEDLAS, La Plata; Trombetta, Martin, and Julieta Cabezón Cruz. 2020. "Brecha Salarial de Género en la Estructura Productiva Argentina." Documento de Trabajo 2, Centro de Estudios para la Producción XXI, Ministerio de Desarrollo Productivo de la Nación, Buenos Aires; Dirección de Economía, Igualdad y Género. 2020. "Las Brechas de Género en la Argentina: Estado de Situación de Cara a 2020." Ministerio de Economía, Buenos Aires.



(IT) professionals.¹³ Lack of access to child and elder care and relatively short maternity and paternity leave is also a challenge for women, limiting higher employment and labor force participation.¹⁴ This can be particularly true for young women: most inactive young women in Argentina report not working because of household duties.¹⁵

15. **Lack of skills is a challenge facing each group, though the exact nature of the challenge varies.** Because many young people drop out of school before finishing upper secondary levels, they lack the necessary skills to secure a formal sector job and settle, instead, for informal employment.¹⁶ Lack of skills also plays a role in women's lower labor force participation rate and higher rates of informality. The participation gap between women and men is substantially larger among less educated workers (29 percentage points) than among workers who finish university degrees (10 percentage points). While training has been shown to increase formal employment among women in Argentina, women have less access to it.¹⁷ Informality is also more common among less educated women. Older workers are at greater risk from technological changes, in part because the skills they have learned in school and at work are no longer in demand as the nature of work and the skills demanded at work evolve, particularly away from routine tasks and toward more cognitive, interpersonal, and specialized technical skills.

16. **The labor market outcomes of these three groups were affected substantially by COVID-19 with young people experiencing the most severe impacts.** The labor force participation rate of young people declined significantly during the height of the pandemic in the second quarter of 2020. Their unemployment rate also spiked and remained 7 percentage points higher in the final quarter of 2020 compared with a year earlier versus an increase of just 1 percentage point for older people. Negative labor market impacts from crises are particularly worrisome among young people given the potential for scarring in terms of lower employment and wages in the longer term.¹⁸ The impact of the pandemic on prime-age women was also severe with a decline of 12 percentage points in the labor force participation rate in the second quarter of 2020 compared to a year earlier, though impacts were fairly similar between prime-age men and women. Alongside a 14-percentage point decrease in labor force participation in the second quarter of 2020 compared to a year earlier, older men between 45 and 64 years had an underemployment rate that remained 7 percentage points above levels a year earlier at the end of 2020 versus just 2 percentage points for men between 25 and 44 years.

17. **Despite the potential for continued impacts from a prolonged COVID-19 outbreak, a return to growth would begin to provide the jobs necessary to improve household welfare.** Emerging global evidence suggests

¹³ Aramburu, Julian, and Ana Goicoechea. 2021. *Coding Bootcamps for Female Digital Employment: Evidence from a Randomized Control Trial in Argentina and Colombia*. Washington, DC: World Bank.

¹⁴ Gasparini, Leonardo, and Mariana Marchionni, eds. 2015. *Bridging Gender Gaps? The Rise and Deceleration of Female Labor Force Participation in Latin America*. La Plata: CEDLAS; IPC-IG and UNICEF (United Nations Children's Fund). 2020. *Maternity and Paternity in the Workplace in Latin America and the Caribbean*. IPC-IF and UNICEF, Brasilia and Panama City; Bustelo, Monserrat, Luca Flabbi, Claudia Piras, and Mauricio Tejada. 2019. "Female Labor Force Participation, Labor Market Dynamic, and Growth." IDB Working Paper Series IDB-WP-966, Inter-American Development Bank, Washington, DC; Berlinski, Samuel, and Sebastian Galiani. 2007. "The Effect of a Large Expansion of Pre-Primary School Facilities on Preschool Attendance and Maternal Employment." *Labour Economics* 14 (3): 665–80; Beccaria, Luis Alberto, Roxana del Luján Maurizio, and Gustavo Vázquez. 2017. "El estancamiento de la tasa de participación económica femenina en Argentina en los 2000." *Desarrollo Económico* 57 :3-31.

¹⁵ Golman, Matías. 2020. "Transiciones del Mercado Laboral De Los NEETs: Una Encuesta Para Argentina." *Revista de Economía Política de Buenos Aires* 14 (21): 9–47.

¹⁶ de Hoyos, Rafael, Halsey Rogers, and Miguel Székely. 2016. *Out of School and Out of Work: Risk and Opportunities for Latin America's Ninis*. Washington, DC: World Bank.

¹⁷ Castillo, Victoria, Moira Ohaco, and Diego Schleser. 2014. "Evaluación de impacto en la inserción laboral de los beneficiarios de los cursos sectoriales de formación profesional." Serie Documentos de Trabajo 6, ILO, Buenos Aires.

¹⁸ See, for example, Schmillen, Achim, and Matthias Umkehrer. 2017. "The Scars of Youth: Effects of Early-Career Unemployment on Future Unemployment Experience." *International Labour Review* 156 (3–4): 465–94; Eliason, Marcus, and Donald Storrie. 2006. "Lasting or Latent Scars? Swedish Evidence on the Long-Term Effects of Job Displacement." *Journal of Labor Economics* 24 (4): 831–56.



that labor markets have been able to bounce back from the COVID-19 outbreak fairly quickly once transmission control measures are eased.¹⁹ Before the outbreak, the Argentine economy was generating hundreds of thousands of private sector jobs at a rate at or above population growth—168,000 in 2018 and 240,000 in 2019—in a weak economy. Thus, though the quality of jobs created is a concern, even a modest recovery from the COVID-19 outbreak would imply the creation of jobs that need to be filled by workers with the right skills. A more robust recovery would see job creation to compensate for the nearly 1 million jobs lost in 2020, in addition to the jobs typically generated by a growing economy. Indeed, the 10 percent GDP growth estimated by the Bank for Argentina in 2021 implies creation of 470,000 jobs.²⁰ This would be followed by an additional 120,000 jobs in 2022 given the projected growth of 2.6 percent. In the three years leading up to the COVID-19 outbreak, the financial services, hotels and restaurants, and business sectors had the fastest average annual growth rates. These sectors could be expected to return to growth after the outbreak.

18. **Absence of the right skills could hinder labor market recovery.** The lack of workers with the right skills is a challenge facing the private sector in Argentina. Approximately 40 percent of firms surveyed in the World Bank's 2017 Enterprise Survey reported an inadequately educated workforce as a major constraint compared to an average in the Latin America and the Caribbean region of 29 percent. Indeed, firms seem unable to find workers with the skills they need. A 2016 survey found that 59 percent had difficulty finding workers with the right skills.²¹ The *Encuesta de Demanda Laboral Insatisfecha* (Unmet Labor Demand Survey, 2015), shows persistent skills gaps, especially for operational and professional workers.²² Problems arise as much because of under- as because of over-qualified workers. Argentina has the third-highest rate of 'qualification mismatch' among G-20 countries.²³ While skills shortages are modest compared to other G-20 members, Argentina is still experiencing these shortages in many high-level cognitive and social skills, such as reasoning abilities and complex problem solving, and digital economy skills such as computer and electronics skills.²⁴

19. **Ensuring that workers have the rights skills will be essential for a strong jobs recovery from the COVID-19 outbreak.** Ensuring that workers displaced by the COVID-19 outbreak, as well as those facing challenges even before the outbreak, obtain the skills demanded in sectors recovering in the short term and growing in the longer term is an essential ingredient of the labor market recovery. This will require training and retraining programs that are adapted to address the needs of different vulnerable groups and that are informed by reliable, up-to-date information on labor market developments.

20. **Before the COVID-19 outbreak, the Ministry of Labor, Employment, and Social Security (*Ministerio de Trabajo, Empleo y Seguridad Social*, MTESS) was working to connect disadvantaged jobseekers to jobs and more broadly to improve workforce skills by improving the capacity of its active labor market programs (ALMPs) to meet employers' needs.** The MTESS has shifted its ALMPs away from the provision of direct employment and

¹⁹ Hershbein, Brad J., and Harry J. Holzer. 2021. "The COVID-19 Pandemic's Evolving Impacts on the Labor Market: Who's Been Hurt and What We Should Do." Discussion Paper Series 14108, IZA, Bonn.

²⁰ The employment projections are based on calculation of employment elasticities for Argentina for 2010 to 2015. More recent years are not included because of a change in the Household Survey (*Encuesta Permanente de Hogares*, EPH) that prevents comparison in employment before and after 2015 and because of the economic crisis that affected economic growth in 2018 and 2019.

²¹ OECD (Organisation for Economic Co-operation and Development). 2017. *Argentina: Multi-dimensional Economic Survey*. Paris: OECD.

²² World Bank. 2018. *Argentina: Escaping Crises, Sustaining Growth, Sharing Prosperity*. Washington, DC: World Bank.

²³ OECD and ILO. 2018. *Global Skills Trends, Training Needs and Lifelong Learning Strategies for the Future of Work*. G-20 Employment Working Group, Geneva.

²⁴ OECD and ILO. 2018. *Global Skills Trends, Training Needs and Lifelong Learning Strategies for the Future of Work*. G-20 Employment Working Group, Geneva.



toward the provision of training and intermediation services. At the same time, the ministry is seeking to increase the scope and scale of these programs as well as strengthen the related institutional arrangements.

21. **The MTESS has underpinned its training strategy with a competency-based training and certification system.** Beginning in 2004, the MTESS has developed an occupational training and certification system with the support of the World Bank to help align the training system with employer demand.²⁵ The system was created in close coordination with employers, unions, and workers (organized in 26 Sector Councils²⁶) to define and validate occupational standards, align competency-based training with the standards, and issue competency-based certifications. The certification system covers 594 occupations in 30 sectors and has certified more than 224,000 workers. Several practices of the MTESS aim to direct its financing to training²⁷ of good quality. These include prerequisites for financing; a technical evaluation of the quality and experience of the provider, and the social, technical and economic pertinence of the proposal; and the supervision of activities. Availability at the local level varies but has been promoted through the system's coverage of diverse sectors, including activities outside of urban centers, as well as by the participation of a wide range of registered providers. The increasing role of virtual provision will help to improve availability. The operational regulations for the Professional Training and Lifelong Learning System have been updated recently, with the inclusion of new priorities related to environmental protection and the green economy.

22. **Municipal employment offices (*Oficinas de Empleo Municipal*, OEMs) help deliver localized employment support to jobseekers.** There are 630 OEMs distributed across all provinces whose function is to provide personalized attention and support to jobseekers, including information on the job market and potential job opportunities, as well as to connect jobseekers with appropriate training opportunities to improve employability. The decentralized nature of the offices allows them to respond flexibly to the needs of the local labor market. This included, in the case of a disaster, the role of the OEMs to link the affected population to employment programs mobilized as part of the local or national response. OEM staff are mostly financed by the municipalities, while the provision of services is carried out with financial support from the national government.

23. **The MTESS has also launched several programs in service of disadvantaged jobseekers.** Youth with More and Better Work (*Jóvenes con Más y Mejor Trabajo*, JMyMT) takes an innovative integrated approach to address the multiple barriers that young people face connecting with the labor market. The program identifies training needs; defines individual activity plans; and then provides stipends as well as career guidance, job placement, and guidance on maintaining employment. Between 2008 and 2019, about 1.2 million young people participated, half of whom were women. Since 2015, the OEMs have enrolled and provided labor orientation and intermediation services to more than a million JMyMT participants of whom 24 percent have been connected to a formal job within 12 months.

²⁵ Competency standards are used by professions and governments to define the qualifications required to practice a profession or discipline. They are usually listed at different levels according to the capabilities of the individual and are defined independently of education standards, the assumption being that a combination of education and experience will enable professionals to progress through the various levels of competency.

²⁶ Sector Councils are a fundamental building block in the system, convening relevant participants from industry, trade unions, employers, and training institutions and demonstrating a commitment to advancing competency-based training and certification in the sector.

²⁷ The characteristics of training courses varies by sector, but generally does not exceed 240 hours over a maximum of 6 months, is oriented to entry- and mid-level operators, and, for the latter, may involve some prerequisites. While the institutions financed by the MTESS are required to provide an evaluation and certification of students' performance, if available, certification of competencies by independent third parties is encouraged.



24. **Despite these efforts, challenges remain with the implementation of these initiatives.** While JMyMT expanded rapidly after its creation in 2008, the program has recently suffered from weak demand due to changes in administration, creation of other programs targeting the same population, and the COVID-19 outbreak. At the same time, delivering high-quality, relevant, carefully coordinated, and thoughtfully sequenced services with acceptable standards in a framework of outcome-oriented management remains challenging. The decentralized nature of the OEMs gives them flexibility to respond to local needs but also means that there is heterogeneity in capacity and quality of services provided. This is particularly important because the OEMs, which receive technical assistance from the MTESS but have no direct administrative relationship with the ministry, are responsible for the main implementation activities under JMyMT. Finally, the process of developing occupational standards has stalled in recent years, and the system has not been used extensively.

25. **Overall, the provision of ALMPs, particularly of training opportunities, remains limited, fragmented, and insufficiently focused on employability.** Argentina's spending on training-based ALMPs is relatively low at around 0.05 percent of GDP versus more than 0.1 percent in the OECD.²⁸ ALMPs in general tend to focus more on crisis response and income support, rather than on helping vulnerable groups transition to employment.²⁹ Vocational training services have a complex institutional framework. They are offered by a wide range of institutions including national and provincial governments and subsidized and unsubsidized private institutions. Generally, only formal employees have access to on-the-job training. Training quality is affected by insufficient links to employers, and employers complain of excessively academic and insufficiently practical curricula.

26. **In the context of the growing importance of, and persistent challenges with ALMPs, the government has requested the World Bank's support to improve the operation and performance of its employment and skills programs.** The government has a vision of a renewed and expanded approach to ALMPs that supports employment in sectors with high growth potential (for example, digital economy jobs, climate-resilient and low-carbon jobs, jobs in the care economy, and jobs in industries of regional importance) and to ensure that the pandemic does not lead to long-term scarring. The government's priorities are to (a) strengthen the quality and increase the coverage of the training and the employment system for adults 18 years and older with the objective of enhancing their employability, (b) strengthen and promote the intermediation services provided by the OEMs with special focus on small and medium enterprises, and (c) strengthen the labor market information system.

27. **Responding to the need to strengthen the tools to promote employment for the unemployed, in September 2021 the Government of Argentina created 'Fomentar Empleo' (Promoting Employment).** *Fomentar* is a new labor market program implemented by the MTESS as part of its employment, training, and intermediation policy and is aimed at the population between 18 and 64 years. The program provides an integrated approach by consolidating a set of interventions in labor orientation, skills, internships, and support for finding employment. It builds from and replaces a number of prior programs, including JMyMT. The target population is youth (men and women) from 18 to 24 years, women from 25 to 59 years, men from 45 to 64 years, and LGBTI+³⁰ people. Women comprise around 60 percent of the target group. Implementation of the program will be supported by a recently launched Employment Portal and will provide monetary benefits, in the form of stipends to certain priority groups, as well as non-monetary benefits, through the provision of different orientation and training

²⁸ OECD. 2019. *Economic Surveys of Argentina: Overview*. Paris: OECD.

²⁹ World Bank. 2020. *Argentina Labor Market and Social Protection Diagnostic*. Washington, DC: World Bank.

³⁰ LGBTI+ = Lesbian, Gay, Bisexual, Transgender, and Intersex.



services. The government has also launched a complementary initiative that reduces the social security contributions for employers who employ people who have been supported under the program.³¹

C. Relevance to Higher Level Objectives

28. **The proposed project is fully aligned with the FY19–FY22 Country Partnership Framework (CPF) for Argentina (Report 131971-AR), discussed by the Board of Executive Directors on April 25, 2019, with the WBG Climate Change Action Plan³² and Gender Strategy.³³** The CPF specifically notes that “providing effective training services to many young Argentines that have already left the formal system without the necessary skills to find quality and productive jobs in the labor market is critical for their effective social integration, but also to effectively attract new investments that require a high productivity labor force.” The proposed project would contribute to the CPF Results Area ‘Building Skills for the Future’ under the CPF Focus Area of ‘Addressing Key Institutional Constraints for Better Governance and Service Delivery’. It will contribute to the results related to increasing the number of beneficiaries of labor market programs. It is part of a series of planned projects to support employment and economic development in Argentina in the remainder of the CPF period, including other possible projects working specifically on the demand side of the labor market through, for example, support to small and medium enterprises. In this context, the proposed project supports the World Bank’s twin goals of ending extreme poverty and boosting shared prosperity.

29. **As the world moves into the recovery phase of the COVID-19 pandemic, the project is consistent with the approach outlined in the World Bank Group’s Supporting Green, Resilient and Inclusive Development (GRID) Strategy.** The proposed project contributes to Pillar 4 ‘Strengthening Policies, Institutions, and Investments for Rebuilding Better’ of the World Bank Group’s COVID-19 Crisis Response Approach Paper. The Approach Paper highlights that “with much of the economy in most developing countries struggling to recover and so many people in unemployment.... targeted labor intermediation and productive inclusion programs can help stimulate employment and raise incomes for the poor in post-COVID-19 contexts.” Building on this, the GRID Strategy notes the importance that training can play in building the skills needed for new green jobs as well as supporting those in shrinking sectors to make the transition to other sectors of the economy. It also highlights the need for actions to ensure that recovery leaves nobody behind by paying particular attention to supporting productive livelihoods for traditionally excluded groups.

30. **In addition, the project is aligned with the World Bank’s climate change commitments by including a range of employment interventions, with the aim of supporting vulnerable people to build skills to transition toward more climate-resilient jobs.** To support climate adaptation and mitigation, the project is designed to support labor reallocations to less carbon-intensive sectors and occupations, allocate resources to the identification and anticipation of evolving skills needs, and review and alignment of occupational skills profiles and training programs. This is consistent with the World Bank Climate Change Action Plan 2021–2025, which notes that “significant investment in education, training, and retraining to develop skills is essential for people in our client countries to benefit from the new and better jobs created through these systems transitions” and that a

³¹ Presidential Decree 493/2021 reduces the social security contributions for employers who employ people from a number of different social programs, including *Fomentar*.

³² World Bank Group. 2021. World Bank Group Climate Change Action Plan 2021–2025: Supporting Green, Resilient, and Inclusive Development. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/35799> License: CC BY 3.0 IGO.

³³ World Bank Group. 2015. World Bank Group Gender Strategy (FY16-23): Gender Equality, Poverty Reduction and Inclusive Growth. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/23425> License: CC BY 3.0 IGO.



just transition “requires the financing to build new skills, create jobs, and develop a more equitable and resilient economy.”

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

31. The Project Development Objective (PDO) is to improve the employment of targeted groups and strengthen the quality and availability of training and employment services in Argentina.

PDO Level Indicators

32. **The key results to be tracked over the course of project implementation allow accurate measurement of achievement of both aspects of the PDO.** The key results indicators to measure achievement of the PDO are as follows:

- (a) Participants of *Fomentar* programs (number) - Disaggregation by gender/age groups.
- (b) Increase in formal employment for *Fomentar* participants who have completed a training course or on-the-job training (Percentage)- Disaggregation by gender.³⁴
- (c) *Fomentar* participants receiving competency-based training out of total *Fomentar* participants trained (Percentage) - Disaggregation by gender.
- (d) Employers registering vacancies in the Employment Portal (Number).
- (e) OEMs meeting minimum service targets for vacancies and on-the-job training placements (Number).

B. Project Components

33. **The lending instrument proposed is an Investment Project Financing (IPF) for an amount of US\$250 million over four years, targeted at disadvantaged groups.** The proposed project would improve the quality of training and intermediation services and increase their coverage, linked to the objective of improving employment outcomes for targeted disadvantaged groups. Employment services and training will allow participants to become more competitive and facilitate the transition to new occupations in less carbon-intensive industries. To achieve this, the project would support the following five components:

³⁴ This indicator will be measuring the formal labor market insertion rate of participants vis-à-vis a comparison group, as a percentage points difference in the insertion rate in the formal labor market between both groups. The targets for this indicator increase during the course of the project with the expectation that the quality of services will incrementally improve leading to better labor market outcomes.



Component 1: Expansion and Strengthening of a Labor Competency-based Training and Certification System (estimated cost US\$115.5 million)

34. **This component will improve the coverage, quality, and relevance of ALMPs offered to program participants.** The component will include two subcomponents. Subcomponent 1.1: labor orientation and job search assistance workshops, and training courses, will focus on the provision of services and Subcomponent 1.2: expansion and strengthening of the competency-based certification system, will focus on improving the quality of the competency-based training system.

35. **Subcomponent 1.1 will support provision of orientation, job search assistance, and training (estimated cost US\$115 million).** Orientation, job search assistance, and training aim to promote employability of the target population (mainly unemployed people without formal work in the last three months). The supply of quality, competency-based training will be increased in key sectors and areas of the country. For example, new profiles will be developed in emerging areas related to the green economy (renewable energy and low-carbon industries and services) and existing occupations will be adapted and refined in certain key sectors (environmental and climate-smart goods and services and construction). Evidence shows that in Argentina the higher quality competency-based sector training is effective in improving employment incomes among women.⁵⁰

36. **Subcomponent 1.1 will offer an integrated, structured, and personalized package of services to participants.** As participants join the *Fomentar* program, they are referred to labor orientation workshops and counseling, both managed by the OEM and delivered in a combination of virtual and in-person modalities. Through the different workshops and counseling, the program helps participants identify their job interests and understand the importance of life skills and basic competencies using a personalized approach. Workshops include modules to address barriers such as lack of basic employability skills, low communication skills, and low self-esteem. They will also facilitate access to other complementary services such as on-site childcare, so that women can participate in training and other employment programs. The workshop designs are being further reformulated on the basis of a diagnosis to reinforce gender aspects such as removal of stereotypes and cultural barriers leading to labor market segregation, provide specific coaching services to young women to find wage employment, and reflect changes in the world of work and technology, in collaboration with the Ministry of Women, Gender, and Diversity and Ministry of Social Development. Changes in the world of work include the need for general awareness of issues related to climate change and specifically the new competencies required for sectors in transition towards a more climate resilient economy, for example, the responsible use of materials in the workplace. Participation in orientation services will be required for individuals with certain characteristics to access training, for example, youth lacking work experience and women out of the labor market and will be strongly encouraged for all. Individuals will receive a stipend for participating in these activities (provided through Component 2).

37. **The program will give preference to financing training for skills and jobs for which demand is confirmed by sectors and informed by the information generated from the Labor Market Occupations Observatory.** Access for participants to the system will be expanded with the introduction of the Employment Portal (see Component 4). The target coverage to be reached over the four years of project implementation is 390,000 individuals taking orientation workshops and 256,000 individuals taking training courses. Targets have been set to ensure that women access competency-based training including through promotion by the MTESS with employers, particularly the Sector Councils that play a key role in the competency-based training and certification system in Argentina.

38. **Subcomponent 1.2 will support the expansion and strengthening of the competency-based training and certification system (estimated cost US\$0.5 million).** Subcomponent 1.2 will include two groups of activities: (a)



the training of evaluators for the assessment on labor competencies for participants and (b) the quality certification of professional training institutions (*Instituciones de Formación Profesional*) by an independent third party.

39. **The government together with sector-based stakeholders (Sector Councils) has identified certain sectors as a priority for expansion and adaptation including technology, care services, and activities to support the needed reconversion of jobs to respond to low-carbon and climate-resilient priorities.** The latter includes incorporating environmental consciousness and protection and climate change awareness into the set of basic competencies needed for every occupation; revising technical competencies in existing occupations, which will have a higher demand in view of expected climate impacts (for example, heating and ventilation technicians and plumbers); and adding new occupations (for example, related to renewable energies, such as solar panel installers). It also intends to promote expansion of services to new locations within the country and virtual channels. The selection of sectors will be based on the dialogue with the sector stakeholders, and the information from a new Labor Market Occupations Observatory (supported under Component 4) highlighting changes in skill requirements and new demands. The sector dialogue to be supported under the project includes sensitization of employers and unions on gender, such as the incorporation of women into sectors regarded as male oriented and the reduction of attitudinal barriers as well as specific requests for assistance to respond to low-carbon and climate-resilient economy challenges (construction, forestry, metalworking, automotive, and agro-industry).

40. **The subcomponents will finance the provision of training and orientation and the improvements to the competency-based training system.** Subcomponent 1.1 will finance training fees to public and private providers of orientation workshops and training courses and will be financed on a reimbursement basis. Subcomponent 1.2 will finance the quality certification of professional training institutions following a structured process, guided and certified by an accredited agency.

Component 2: Stipends to promote participation in selected ALMPs (estimated cost US\$87.5 million)

41. **This component aims to increase labor market insertion for the target population by facilitating participation in select ALMPs.** The component will support participation in ALMPs being further developed and strengthened under Component 1 and additionally in on-the-job training. The goal will be to reach around 600,000 individuals during the four years of project implementation.³⁵ Participants will be unemployed people without formal work in the last three months, who are not self-employed and who are not recipients of certain other government programs³⁶. Four groups will be eligible for participation (a) young people ages 18 to 24, with completed secondary school and with children, or without completed secondary school, (b) women ages 25 to 59 with children and without tertiary education, (c) unemployed men ages 45 to 64 with children and without tertiary education, and (d) certain vulnerable or at-risk populations.³⁷ These four target groups have been identified as facing particular labor market vulnerabilities as well as higher levels of poverty. All participants will be registered in the new Employment Portal (supported under Component 4) and eligibility controls will be automatically applied through the interoperability of the Employment Portal with other government databases.

³⁵ The target coverage of 600,000 individuals is equivalent to 55 percent of those in the target population who are also unemployed with incomplete secondary education. Actual coverage of this population may be somewhat lower as the project may also cover those who are currently outside the labor force and therefore not currently counted as part of this group of unemployed individuals.

³⁶ Receipt of other social benefits only disqualifies a potential beneficiary if the benefit is part of a program that is like the ALMPs being supported by the project.

³⁷ A detailed list of requirements and criteria for exclusion is included in the POM. Participants will also be limited to a maximum number of months they are eligible to participate.



42. **Participants will receive stipends.** There are two types of stipends: one for orientation and professional training, and one for on-the-job-training. Stipends are paid monthly. The value of the stipend is set so as to provide sufficient incentive to participate without distorting incentives to undertake other productive activities, should such options be available. The payment of stipends helps to address the opportunity costs of job search and training and is likely to be especially important to women who are constrained from taking up training due to issues relating to mobility as well as child and elderly care responsibilities.

43. **On-the-job training will provide companies with the opportunity to train people in line with the company's requirements for up to six months.** There is no formal employment relationship between the person and the business; it is a mentor-apprentice relationship; the employer guarantees accident and health coverage for participants and gives them a certificate at the end of the training. Only formal companies can apply. Promotion of on-the-job training placements by firms, including specifically for women, will be carried out by the MTESS for medium and large companies, as well as by chambers of commerce and other associations, and by OEMs for smaller enterprises, primarily in services, particularly commerce. The Employment Portal will facilitate the registration of placement offers and streamline bureaucratic requirements thus encouraging take-up by employers. On-the-job training applicants will be referred to interviews with employers by the OEM staff. The target coverage to be reached is 285,000 individuals during project implementation. Data from the previous Argentina Youth Employment Support Project (P133129) showed that the combination of labor orientation services and on-the-job training improved employment chances the most for young women.³⁸ Targets have been set to ensure that women access on-the-job training.

44. **The component will finance stipends to eligible participants enrolled in the project.** The costs to be covered under this component include monthly stipends for selected individuals when participating in (a) labor orientation workshops, job search activities, and professional training courses and (b) on-the-job training activities. Details on the budgeting and management of these resources are covered in the Project Operational Manual (POM).

Component 3: Strengthening the network of OEMs (estimated cost US\$12.5 million)

45. **This component aims to strengthen the capacity and quality of the employment services offered by the network of OEMs, particularly to disadvantaged groups, by incorporating new methodologies and management practices.** This component will include two subcomponents.

46. **Subcomponent 3.1 will support strengthening the quality of services of the OEM network (estimated cost US\$9.4 million).** Financing would provide technical assistance and IT equipment to the OEMs, particularly aiming to reinforce the OEMs' capacity to promote employer engagement, orient clients to those sectors and occupations with employment prospects in the local labor market, provide basic services for orientation and support job search, make the appropriate referrals and monitor and follow up for those with difficulties in securing employment, and manage performance. To ease the constraint on the ability of women to undertake economic activities posed by childcare responsibilities, the OEMs will provide information to participants on available services. Experience shows the need for better tools to obtain and deploy information at the local level to optimize the management of employment and training policies, including post-disaster, and labor intermediation. In the case of orientation services, the redesign incorporates a more explicit approach aimed at promoting gender equity. The subcomponent will finance related capacity-building activities including design and delivery of the

³⁸ Salvador, M. and Vezza, E. marzo 2020. "Políticas Activas de Mercado de Trabajo en Argentina: Transformando la Experiencia en Aprendizaje"



training program for OEM staff and IT equipment. The allocation of equipment to OEMs will be undertaken according to specific criteria relating to performance and expected improvements to be developed during project implementation and reflected in the POM.

47. **Subcomponent 3.2 will provide performance incentives for staff of the OEM network (estimated cost US\$3.1 million).** Over the last few years, municipalities have taken over responsibility for staffing rather than depending on short-term contracts partially financed by the MTESS, providing a foundation for building a cadre of staff with the necessary professional skills. This Performance Based Conditions (PBC) subcomponent will support improvements in the performance of the OEM network through enhancement of the professional skills of the staff in the OEMs. Improvements will be reflected in a PBC related to the number of OEMs meeting minimum service targets for placing jobseekers in vacancies and in on-the-job training placements. Once PBC targets are achieved, the sub-component will disburse against eligible expenditures, which are defined as the training incentives paid to eligible OEM staff participants that have completed a full modular training program being developed under Sub-component 3.1.

48. **The one-off incentive payments will be governed by a regulation to be prepared by the MTESS.** Disbursements will be authorized only after: (i) PBC targets have been met, as certified through a technical report; and (ii) a financial report with information on the amount of incentives granted to the eligible OEM staff participants has been submitted and verified. The subcomponent is expected to reimburse US\$3.1 million during its implementation. Disbursements are expected to take place in the first two years of the project.

Table 1: Performance Based Conditions

Eligible expenditures		PBC Targets expected to be achieved and amount of disbursements				
		Semester 1 (CY 2022)	Semester 2 (CY 2022)	Semester 1 (CY 2023)	Semester 2 (CY 2023)	Semester 1 (CY 2024)
Performance incentives for staff of the OEM network.	PBC 1	OEMs meeting minimum service targets for vacancies and on-the-job training placements according to reports issued by the General Directorate of Sectorial and Special Programs and Projects based on data provided by the Secretary of Employment				
	Baseline (December 2021):75		PBC 1.1 90		PBC 1.2 110	
	Amount PBC 1		\$1,200,000		\$1,900,000	

Component 4: Strengthening evaluation and information systems (estimated cost US\$30 million)

49. **This component will support the launching of the Labor Market Occupations Observatory** that will enhance the supply and quality of labor market information for all key stakeholders. The MTESS plans to launch a new Labor Market Occupations Observatory that will allow the ministry to leverage the power of various administrative data sources at its disposal to put more accurate, complete, and up-to-date information on labor occupations in the hands of key stakeholders. It has modelled the observatory on successful international experiences including from O*NET (United States of America) and O*NET (Uruguay). It plans to map different occupations in Argentina to understand how demand, levels of remuneration, and the related skills and competencies needed are changing for these occupations. The project would support the full development of the new platform, which is envisaged to start out in a pilot phase before being scaled up to cover up to 250 occupations over the course of the project lifetime. There would be a focus on growing or other priority sectors



(for example, those needing new skills or competencies) covering IT, care, and the transition to a low-carbon and climate-resilient economy. Some of the primary users of the data envisaged include (a) the MTESS itself, to guide development of its professional training courses toward those areas that demonstrate most potential for growth and creation of more higher quality jobs (as under Component 1); (b) the project beneficiaries receiving support for professional and on-the-job training, who will be able to use information to better guide their job search activities; and (c) the OEMs, which will incorporate the information into the labor market intermediation services they provide. There will be a strong focus on developing appropriate tools and products for these different types of users.

50. **The component will also support the deployment of the new Employment Portal as the digital platform to facilitate access to training and new digital services for the target population.** A critical innovation under the project will be to move access to services and intermediation to a new free public digital platform as a mechanism for improving job matching between businesses and workers and therefore improve labor market outcomes for the target population. It will serve as a one-stop shop for workers to connect to relevant training activities, some of which can be accessed virtually, as well as to a range of virtual job search assistance services and other relevant labor market information, such as the promotion of low-carbon and climate-resilient jobs. The Employment Portal contains micro-courses on environmental issues in general and others intended to strengthen basic competencies and specific skills for occupations requiring simple adaptations of work practices (sustainable use of materials in the workplace, recycling, and so on). While the Employment Portal can be accessed by users independently (with the necessary virtual support features), it will also support registration through direct in-person assistance at the local OEMs and territorial agencies.

51. **The Employment Portal will also serve a key function for employers and service providers.** It would promote access to a broad range of services and information for the target population and Argentinian workers in general. Additionally, employers will use the portal to post available vacancies, identify eligible candidates, and manage other aspects of the subsequent selection process. Employers will be incentivized to use the portal for this purpose. The OEMs will also be able to use the portal to access information on employers and workers looking for work in their vicinity and information that will be developed as part of the Labor Market Occupations Observatory. The software development of the Employment Portal has been already substantially completed, and the project will focus on effective implementation of the first phase deployment.

52. **The component would also support additional specific studies on the labor market in Argentina, including impact evaluations to evaluate the project's performance.** While the MTESS has strengthened its institutional capacity in recent years because of the experience of implementing significant national policies in Argentina, there is a need to further improve its capability in policy monitoring and evaluation. With this in mind, the project would support the ministry's team in the collection and analysis of the detailed data necessary to underpin a stronger monitoring and evaluation system. Some data collection activities will be carried out in collaboration with the National Institute of Statistics and Censuses (*Instituto Nacional de Estadística y Censos*, INDEC), given its specialized expertise and operational capacity. This system will allow authorities to assess the effectiveness of labor market policies and better allocate resources on training and employment programs according to occupational and skills demands. The information will also be used to improve coordination and support between the ministry and provincial and municipal governments, as well as with the private sector, in the implementation of training and employment programs. Topics to be covered include program impacts, as well as labor productivity, labor market informality, working conditions and other aspects of job quality including access to social protection and other benefits and services, and child labor. These activities will be carried out by the Undersecretariat of Labor Studies, in collaboration with the Secretariat of Employment (SE) team, to ensure operational relevance and use.



53. **The component will largely finance consultancy contracts to cover the above-mentioned activities.** The type of activities to be supported include (a) the design, piloting, and consolidation of an occupational survey; (b) costs related to the implementation of the new Employment Portal, which will largely relate to consultancies for software development and training; (c) the carrying out of studies and evaluations on employability initiatives, based on surveys (including through collaboration arrangements with INDEC), administrative data, qualitative research, and institutional assessments; (d) the carrying out of dissemination activities to discuss findings and elaborate guidelines and/or proposals for adjustments and/or the redesign of active labor market policies; and (e) IT resources.

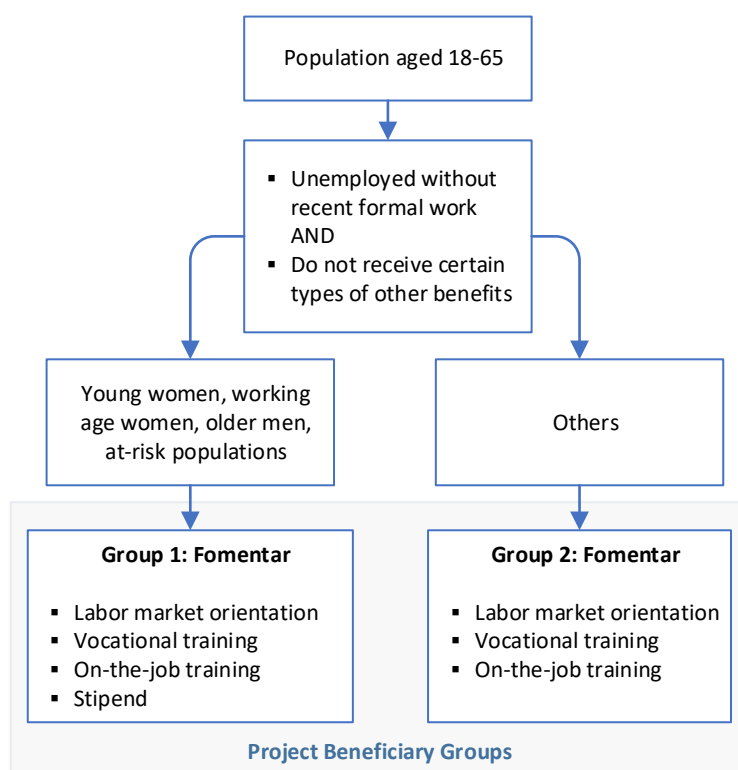
Component 5: Project Management and Monitoring (estimated cost US\$3.875 million)

54. **The Component provides support to Project Management and Monitoring of activities under other components.** Specifically, the component will support: (a) the project administration under the Undersecretariat of Administrative Management (Subsecretaria de Gestion Administrativa -SsGA) in the MTESS, which will be responsible for fiduciary activities; and (ii) activities necessary to strengthen the technical coordination and implementation of the project under the SE. The SE will carry out technical responsibilities for monitoring and evaluation of project interventions, including training and on-the-job training schemes, with the agreement and support of the World Bank. An evaluation on the design, process management and results of the project will also be financed under this component in coordination with the Secretariat of Strategic Affairs of the Presidency of the Nation, which will provide the terms of reference and the technical coordination of this evaluation. The component will finance consultant and non-consultant services (including the concurrent audit, studies, publications and surveys), international technical assistance, training (workshops, knowledge sharing at subnational level), goods (IT equipment, hardware and software), and operating costs.



C. Project Beneficiaries

Figure 2. Project Beneficiary Groups



55. **The primary beneficiaries of the project will be unemployed people without formal work in the last three months, who are not self-employed and who are not recipients of certain other government programs.**³⁹

There are four sets of target beneficiaries within this broader group (Group 1 in figure 2): (a) young people ages 18 to 24, with completed secondary school and with children, or without completed secondary school, (b) women ages 25 to 59 with children and without tertiary education, (c) unemployed men ages 45 to 64 with children and without tertiary education, and (d) certain vulnerable or at-risk populations including indigenous people, afro-descendants, people with disabilities, the LGTBI+ population, and victims of domestic violence. Women comprise around 60 percent of the targeted beneficiaries. These four target groups will have access to the full suite of benefits under *Fomentar*, including labor market orientation and vocational training, on-the-job training, and stipends.

56. **People outside these four target groups who meet the other criteria of being unemployed and not receiving certain other social programs will also be able to access programs.** Those not specifically targeted under Group 1 but who are unemployed and not receiving other social programs will be able to access the same labor market orientation, vocational training, and on-the-job training benefits under *Fomentar* but will not be

³⁹ These include not receiving a pension and not receiving transfers from other similar social programs. The list excludes *Asignación Universal por Embarazo*, *Tarjeta Alimentar*, and *PROGRESAR*.



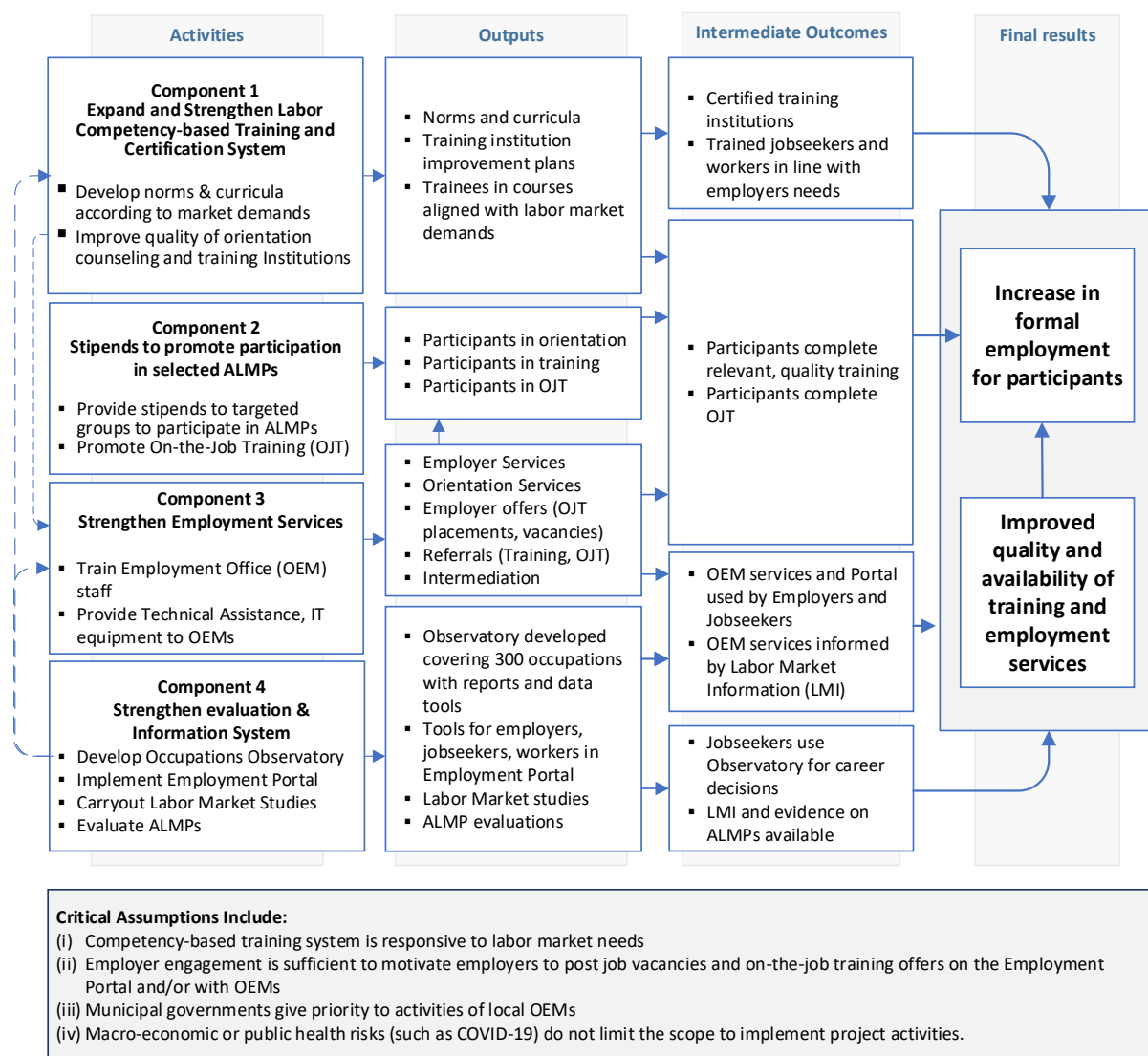
eligible for stipends (Group 2, in Figure 2). In general, labor market orientation and vocational training services are available to any additional people, even if they do not meet the general criteria of being unemployed, without recent formal work, or not receiving certain other social programs, but they will not receive priority access to vocational training places and their training will not be financed under the project.

57. **Figure 3 illustrates the project results chain.** Activities under Component 1 support the availability of quality competency-based training and orientation services. These services are directed to the target population of the project-disadvantaged adults. At the same time, they also contribute to stronger training and employment services in Argentina more generally, thus serving the broader national economic objective of a skilled, competitive workforce. Stipends (Component 2) ensure that disadvantaged adults can participate and benefit fully from these services and from on-the-job training by addressing the constraint of limited resources that can hamper their access. For the training provided under Component 1 to be useful, it needs to be aligned with labor market demands, both current and future, for specific skills. Thus, the Labor Market Occupations Observatory (Component 4) that informs the development of training under Component 1 is critical. Employment services staff (Component 3) work directly with the target population. They deliver orientation services and make referrals to training programs and job interviews. The effectiveness of their efforts will be enhanced by a functional Employment Portal (Component 4), which will facilitate orientation and provide options for virtual services. Their efforts will also be enhanced by the Labor Market Occupations Observatory. A robust monitoring and evaluation system (Component 4) contributes to stronger overall training and employment services, but, crucially, is more likely to improve employment opportunities for the unemployed if the work contributes to better alignment of training programs with labor demand and to better information for clients of employment service staff. Finally, stronger training and employment services, while benefiting the broader active population in Argentina, are especially important to improve employment opportunities for disadvantaged adults.



D. Results Chain

Figure 3. Project Results Chain



E. Rationale for Bank Involvement and Role of Partners

58. **The World Bank has significant experience with projects on vocational training and employment services at the global level.** This proposed project draws from lessons learned and innovations in the World Bank's broad global experience with similar projects⁴⁰. There have been substantial relevant innovations in employment and training services in recent years. These innovations have accelerated in response to the COVID-19 pandemic as employment and increasingly training programs have been part of the response package deployed by countries.

⁴⁰ See for example the Skill India Mission Operation (P158435, 2017); Mongolia Employment Support Project (P159215, 2017); Bosnia and Herzegovina Employment Support Project (P152347, 2017) and the Nigeria Innovation Development and Effectiveness in the Acquisition of Skills Project (P166239, 2020).



This includes a strong focus on digital technology and virtualization of services, which form an important part of this project.

59. **The proposed project will continue the long-term contribution that the World Bank has made to social protection policies in Argentina, particularly in employment and training.** The project continues the support the World Bank provided to the training and employability programs implemented by the MTESS through the Lifelong Learning Project (P095514) (FY2008–FY2014) and, subsequently, the Youth Employment Support Project (P133129) (FY2015–FY2021). The project aims to continue to build on the lessons learned from those projects and further develop institutional capacity in this area.

60. **Finally, the World Bank’s involvement helps support regular monitoring of program results.** The project has a robust monitoring and evaluation framework, which will allow results to be regularly assessed during implementation as part of project supervision and for World Bank support to be provided where needed. This will generate valuable information on the program’s process and related impacts and help ensure that lessons learned lead to adjustments to program design, as needed, during implementation. The Results Framework includes several indicators to track the progress of the project in delivering the complementary and mutually reinforcing measures aimed at promoting women’s empowerment and removing constraints for more and better jobs for them.

F. Lessons Learned and Reflected in the Project Design

Design of Employment-Support Programs

61. **Interventions need to be aligned at the national level to ensure consistency and complementarity of employment-support programs.** Ensuring the consistency and complementarity of employment-support programs in terms of objectives, eligibility, requirements, and benefits with other national programs targeting the same population group is a precondition for their ultimate success. Although challenging in terms of intersectoral coordination, programs aimed at specific population groups, such as vulnerable youth, would be best conceived in a holistic manner, with the beneficiary population at the center and the various sectoral programs supporting various development dimensions—such as job opportunities, education, health, and social protection—in a complementary and synergistic manner. In terms of the benefits and eligibility requirements of programs, it is particularly important to ensure that programs aimed at shock response do not erode participation under employability and transition support.

62. **A multidimensional approach has more potential to address the various challenges linked to effective labor market insertion.** Programs designed to simultaneously address several constraints at once, including supply weaknesses (skills gaps and opportunity costs), low demand (training and hiring incentives), and information gaps (labor intermediation), may be operationally more complex but have the potential for articulating demand and supply factors in a way that results in the sustained labor insertion of beneficiaries. The Youth Employment Support Project (P133129) showed that through the types of ALMPs to be supported, young people were able to significantly increase their formal employment rate, most notably through on-the-job training through which the formal employment rate doubled. The goal of reinforcing and expanding access to these initiatives, with a focus on the specific barriers for women and youth, aims to respond to the uneven outcomes for these specific groups at the national level in the implementation of training and labor programs.

63. **Recognize the diversity of barriers to employment that exist across different vulnerable groups.** When targeting vulnerability within a specific population group, it is important to address the factors affecting the entire



target population, such as lack of job opportunities due to slower job creation relative to population growth and specific barriers to entering the labor market, such as limited work experience. It is equally important to identify the differences within the target population in addition to gender and indigenous people. To respond to this diversity, the programs need to develop an array of strategies to reach different segments of the target population, relying on a wide network of providers that included nongovernmental organizations (NGOs), labor unions, private training providers, public universities, and employers.

64. **Ensure the development of employability pathways (*trayectorias de empleabilidad*).** The services provided under the program are envisioned as a beneficiary-centered sequence of interventions aimed at the gradual development of employability to facilitate the permanent insertion into the labor market. This sequence includes general orientation to provide a better understanding of opportunities and rules and regulations within labor markets; the development of cognitive and non-cognitive skills through training and professional development; and actual job experience through on-the-job training, internships, and apprenticeship opportunities. In practice, however, when the provision of services does not follow a logical sequence, this can limit overall program efficacy.

65. **Facilitate lifelong learning pathways (*trayectorias formativas*).** In addition to the development of employability pathways, it would be important to ensure the integration of training and skills development interventions into lifelong education pathways. The articulation of professional training (that is, labor competencies) with formal technical education pathways under the Ministry of Education is an important step in that direction, as well as the adoption of a single labor competency framework across programs at the national and provincial levels.

66. **Reduce uneven quality of outputs.** Mirroring the large diversity exhibited across training providers, employers, and employment offices, there is also a wide variation in the quality of their outputs, including training and capacity-building offerings, internships and apprenticeships, and labor intermediation services. Ensuring the relevance and quality of outputs can be expected to have a strong impact on the program's outcomes.

67. **Synchronize demand and supply to guarantee on time services.** The implementation experience of previous operations underscored the importance of simultaneously aligning beneficiary enrollment with the availability of training and skills development offerings. The supply of training services lagged behind the demand (enrollment), which resulted in many of the enrolled participants not having access to the benefits offered under the programs or having to wait for extended periods for the first activity and in between different activities.

68. **The utilization of performance incentives can be powerful policy tools in the context of employment-support programs.** Performance-based financial mechanisms and their effectiveness offer flexibility in increasing desired outputs. Stipends offered to beneficiaries participating in program activities serve to increase their participation and offset their opportunity cost. Fees-for-services paid to training providers on a per capita basis help expand the supply of training services. Financial incentives offered to employers help to expand on-the-job training and the hiring of project beneficiaries. Finally, payments provided to employment offices on a per capita basis for the provision of specific labor intermediation services provide incentives to connect beneficiaries with the benefits offered under the program and employment opportunities.

69. **Generate evidence-based decision-making.** The MTESS programs benefited from having a robust Monitoring Information System (MIS) that supported implementation in an effective and transparent manner. This MIS, however, also provides the opportunity to go beyond ensuring the program's day-to-day implementation and generate evidence to deepen the understanding of what does or does not work and how it



can be improved. The analysis performed by the World Bank team with support from the MTESS's monitoring and evaluation team illustrates this potential.

Design of World Bank Operations

70. **When designing labor market projects, it is important to define results indicators and measurement methodologies that will not be affected by factors exogenous to the project.** The recently closed Argentina Youth Employment Support Project (P133129) was assessed at Implementation Completion Report as moderately unsatisfactory in its overall outcome. Despite a largely successful project, the rating was driven in large part by the inclusion of a PDO indicator related to formal employment rate among former program participants. During the course of implementation, Argentina suffered very significant macro-economic shocks leading to poor rates of formal employment among the targeted youth. Evidence produced from the period after the project was restructured demonstrated that despite lower-than-expected levels of formal employment, employment outcomes in the latter part of the project were still significantly better for participants than those from an appropriate comparison group. Thus, the project was still able to contribute meaningfully to improved employment outcomes. Results frameworks aiming to link supply side interventions (i.e., participation in ALMPs) to improved labor market outcomes need to carefully control for factors that are exogenous to the project (i.e., the macro-economy and the evolution of employer demand) to ensure accurate measurement of project performance.

71. **Performance-based financing mechanisms can help align priorities and policy objectives.** Operational designs that emphasize outputs, rather than inputs or processes, help the counterpart focus on results. Utilization of performance-based disbursements can be effective where achievement depends on the effective coordination of the actions of a large and diverse group of actors (beneficiaries, training providers, employment offices, employers).

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

72. **The project will be implemented by the MTESS, which has been supporting the implementation of previous World Bank-financed projects.**⁴¹ Administrative and financial matters would be managed by the Undersecretariat of Administrative Management (*Subsecretaría de Gestión Administrativa*, SsGA) in the MTESS, which was carrying out these functions for the recently closed Youth Employment Support Project (P133129). The SsGA will also host the general coordination for the project, would articulate with other relevant areas and staff in the MTESS and other agencies to facilitate the use of the loan resources to support the eligible activities mentioned above and would be responsible for the appropriate utilization of loan resources; handling of day-to-day activities; management of procurement; hiring of consultants; financial management (FM), including the preparation of FM reports; preparation of the documentation needed for reimbursement requests; and ensuring of compliance with audit requirements and environmental and social standards and reports. It would analyze and control the administrative documentation related to project implementation and would maintain all the documentation needed to support the project. The SE is responsible for the technical coordination of the *Fomentar* program covering all the services for the participants and will collaborate with the Undersecretariat of

⁴¹ World Bank-financed projects: Youth Employment Support Project (P133129, approved in 2015, and closed in 2021); Argentina Basic Protection Project Additional Financing (P115183, approved in 2011 and closed in 2016); and Argentina Basic Protection Project (P115183, approved in 2009 and closed in 2014).



Territorial Articulation for activities in Component 3, and with the Undersecretariat of Planning, Studies and Statistics for activities in Component 4.

73. **The social and environmental standards will continue being managed by qualified and experienced specialists within the MTESS, which has adequate resources and processes in place, and has demonstrated its capacity to screen, implement, monitor, and report on environmental and social commitments as part of World Bank-financed activities.** The Argentina Youth Employment Support Project (P133129) has been rated 'Satisfactory' in safeguards during the project implementation period (2015–2020). Nevertheless, the preparation and implementation of this project will require the ministry to carry out a participatory approach and this might entail the strengthening of its social communication processes and citizen engagement and beneficiary feedback mechanisms, to ensure inclusion and active participation of all targeted populations, with a particular emphasis on beneficiaries from vulnerable groups.

74. **In addition, given that this will be the first project of the MTESS under the World Bank's Environmental and Social Framework (ESF), an assessment was carried out to determine any actions needed to strengthen the borrower's capacity to meet the objectives of the ESF.** The outcome of the World Bank's capacity assessment is presented in the appraisal Environmental and Social Review Summary⁴².

B. Results Monitoring and Evaluation Arrangements

75. **Results monitoring and evaluation will be based on three sources of data:** (a) the management information system of the SE, where detailed data on activities related to the program are collected and which will be fed by the data collected through the Employment Portal on participants and employers; (b) the database for social security contributions (*Sistema Integrado Previsional Argentino*, SIPA), managed by the National Social Security Administration (*Administración Nacional de la Seguridad Social*, ANSES); and (c) the information system that integrates performance data from all participating OEMs, which will be progressively moved and consolidated into the Employment Portal during project implementation. Training activities in the program are registered in the Register of Training and Employment Agencies (*Registro de Instituciones de Capacitación y Empleo*, REGICE), an information system used to analyze training institution's performance and register their products (competencies, curricula, evaluators, and workers' certifications). Based on these sources, the MTESS publishes monthly reports on program implementation and participants' profile. These reports include the most relevant indicators regarding the program's implementation.

76. **The MTESS will also develop and implement an impact evaluation strategy for the program.** Based on previous experiences, the methodology for the impact evaluation will combine data from the program's registry, the SIPA database, the *Encuesta Permanente de Hogares*, and special surveys. Using these data sources, the evaluation will calculate a 'rate of formal employment', as the percentage of participants who obtained a formal job after leaving the program and compare this with a benchmark that is obtained from a population with similar socioeconomic and demographic characteristics in the same period that have been enrolled in the program but have not received any services or support. While this analysis does not follow a standard randomized model to define treated and reference populations, the methodology can be considered sound.

⁴² <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099853112092115439/appraisal0envi00argentina000p176781>



C. Sustainability

77. **Project sustainability is supported by the Government of Argentina's continued commitment to investing in improving training and employment services.** The project is in line with the National Plan on Vocational Training and Lifelong Learning (*Plan Nacional de Formación Profesional y Continua*), which seeks to broaden and diversify training options and align them with labor market demand. The government's commitment is also apparent in Resolution-2021-569-APN-MT, which creates the *Fomentar* program that the project will support and provides a strong normative framework. The government's commitment is also demonstrated by the participation of the Secretariat of Strategic Affairs of the President in the project. The project builds on a series of previous projects supported by the World Bank that were designed to improve employment outcomes and that helped to put in place a system of quality assurance for training provision that this project will rely on and build upon. The MTESS has demonstrated commitment to employment-related programming through substantial investments in ALMPs. The project seeks to catalyze these investments including through capacity building and an emphasis on reinforcing a shift to demand-driven policies.

78. **Capacity building will help ensure project sustainability.** Capacity building is a unifying theme across the project components. This includes capacity building in Component 1 to improve the delivery of ALMPs. Moreover, a major focus of Component 3 is the strengthening of the human capital at public employment offices to improve service delivery to clients. Finally, the studies included in Component 4, and the strong monitoring and evaluation framework, will help the MTESS continue to learn from its ongoing activities, identify problems, and innovate to solve these problems.

79. **All components demonstrate an effort to transition to more demand-driven training and employment support services.** This is expected to increase the efficiency and effectiveness of the training and public employment services system and thus create a system that is more sustainable. The Labor Market Occupations Observatory is a key effort to build and expand existing capacity in the MTESS to ensure that these training and employment support services remain demand-driven, responding to the needs of the firms that are the engines of job creation, in the medium and long term. Finally, several components of the project include technology-driven tools that can be scaled to additional beneficiaries at little cost. These tools are paired with capacity building at local public employment offices (OEMs). This can help ensure that technological investments are used to their fullest extent and can achieve gains in efficiency (both in terms of reaching additional beneficiaries and savings costs) that contribute to sustainability.

IV. PROJECT APPRAISAL SUMMARY

A. Technical and Economic Analysis

Technical Analysis

80. **The positive impact of the project is expected to result from strengthened training and employment services that improve employability.** International literature shows that training programs, especially those linked to employment support services, generally have a positive impact on employment and earnings. In a meta-analysis of studies of ALMPs in Latin America and the Caribbean, Escudero et al. (2019) found that employment and formal employment are the outcomes most likely to be positively affected by ALMPs, and that ALMPs are more likely to



be effective for women and for young people.⁴³ Several studies throughout Latin America and the Caribbean show substantial impacts for youth-targeted ALMPs.⁴⁴ In Argentina, training and employment services offered under *Seguro de Capacitación y Empleo* to participants in the cash transfer program *Jefes* raised hourly wages and increased the probability of having a formal job.⁴⁵ The program had more positive outcomes for young people but mixed results by gender. In a quasi-experimental setting, Castillo, Ohaco, and Schleser (2014) showed that sector-based vocational training courses in Argentina increase the probability of formal employment with larger impacts for older people and women.⁴⁶ Alzúa, Cruces, and Lopez (2016) evaluated a job training program for low-income young people in Córdoba and found an increase in formal employment after 18 months, alongside increased earnings.⁴⁷ The impacts are larger for men. Experience from settings in Latin America and the Caribbean and beyond shows that strengthening information and evaluation systems is key to addressing labor market constraints.⁴⁸

81. Gender. The proposed project seeks to address the gender gaps in Argentina on labor force participation, unemployment, and informality rates. The project interventions include a set of ALMPs: orientation services, professional training, and on-the-job training. Regional and international evidence suggest that these services are likely to be more effective in increasing employment and wages for women.⁴⁹ Building on this foundation, the project includes a set of complementary, mutually reinforcing measures directly aimed at promoting women's empowerment and removing constraints for more and better jobs for them (Results Framework Indicator: Increase in formal employment for *Fomentar* participants who have completed a training course or on-the-job training/internship within 12 months of completion - female). First, the project focuses primarily on women. Second, the design of labor orientation services will strengthen its gender focus, and women will be prioritized to participate, thereby promoting better matching of training with individual jobseeker characteristics. Third, lack of skills plays a role in women's lower labor force participation rate and higher rates of

⁴³ Escudero, Verónica, Jochen Kluve, Elva López Mourelo, and Clemente Pignatti. 2019. "Active Labour Market Programs in Latin America and the Caribbean: Evidence from a Meta-Analysis." *The Journal of Development Studies* 55 (12): 2644–661.

⁴⁴ Attanasio, Orazio, Adriana Kugler, and Costas Meghir. 2011. "Subsidizing Vocational Training for Disadvantaged Youth in Colombia: Evidence from a Randomized Trial." *American Economic Journal: Applied Economics* 3: 188–220; Attanasio, Orazio, Arlen Guarín, Carlos Medina, and Costas Meghir. 2017. "Vocational Training for Disadvantaged Youth in Colombia: A Long-Term Follow-Up." *American Economic Journal: Applied Economics* 9 (2): 131–43; Card, David, Pablo Ibararán, Ferdinando Regalia, David Rosas Shady, and Yuri Soares. 2011. "The Labor Market Impacts of Youth Training in the Dominican Republic." *Journal of Labour Economics* 29 (2): 267–300; Ibararán, Pablo, Laura Ripani, Bibiana Taboada, Juan Miguel Villa, and Brígida García. 2014. "Life Skills, Employability and Training for Disadvantaged Youth: Evidence from a Randomized Evaluation Design." *IZA Journal of Labor & Development* 3 (10); Ibararán, Pablo, Jochen Kluve, Laura Ripani, and David Rosas Shady. 2015. "Experimental Evidence on the Long-Term Effects of a Youth Training Program." *ILR Review* 72 (1): 185–222.

⁴⁵ Mourelo, Elva López, and Verónica Escudero. 2017. "Effectiveness of Active Labor Market Tools in Conditional Cash Transfer Programs: Evidence for Argentina." *World Development* 94: 422–47.

⁴⁶ Castillo, Victoria, Moira Ohaco, and Diego Schleser. 2014. "Evaluación de impacto en la inserción laboral de los beneficiarios de los cursos sectoriales de formación profesional." Serie Documentos de Trabajo 6, ILO, Buenos Aires.

⁴⁷ Alzúa, María Laura, Guillermo Cruces, and Carolina Lopez. 2016. "Long-Run Effects of Youth Training Programs: Experimental Evidence from Argentina." *Economic Inquiry* 54 (4): 1839–59.

⁴⁸ Belot, Michele, Philipp Kircher, and Paul Muller. 2017. "Providing Advice to Job Seekers at Low Cost: An Experimental Study on On-Line Advice." *The Review of Economic Studies* 86 (4): 1411–47; Dammert, Ana C., Jose Galdo, and Virgilio Galdo. 2015. "Integrating Mobile Phone Technologies into Labor-Market Intermediation: A Multi-Treatment Experimental Design." *IZA Journal of Labor & Development* 4: 11; Jensen, Robert. 2012. "Do Labor Market Opportunities Affect Young Women's Work and Family Decisions? Experimental Evidence from India." *The Quarterly Journal of Economics* 127 (2): 753–92; Jensen, Robert. 2010. "The (Perceived) Returns to Education and the Demand for Schooling." *The Quarterly Journal of Economics* 125 (2): 515–48; Nguyen, Trang. 2008. *Information, Role Models and Perceived Returns to Education: Experimental Evidence from Madagascar*. Mimeo.

⁴⁹ Card, David, Jochen Kluve, and Andrea Weber. 2018. "What Works? A Meta-Analysis of Recent Active Labor Market Program Evaluations." *Journal of the European Economic Association* 16(3):894-931; Escudero, Verónica, Jochen Kluve, Elva López Mourelo, and Clemente Pignatti. 2019. "Active Labour Market Programmes in Latin America and the Caribbean: Evidence from a Meta-Analysis." *The Journal of Development Studies* 55 (12): 2644–661.



informality. Evidence shows that in Argentina the higher quality competency-based sector training is effective in improving employment incomes among women.⁵⁰ Data from the previous Argentina Youth Employment Support Project (P133129) showed that the combination of labor orientation services and on-the-job training improved employment chances the most for young women.⁵¹

82. **Targets have been set to ensure that women access both competency-based and on-the-job training, including through specific promotion by the MTESS with employers, particularly the Sector Councils that play a key role in the competency-based training and certification system in Argentina.** The role of the Sector Councils as well as information coming from the Labor Market Occupations Observatory will help ensure that training curricula reflect the needs of Employers. MTESS promotion activities with the Sector Councils include sensitization on gender issues, such as the incorporation of women into sectors regarded as male and the reduction of attitudinal barriers. Lastly, to ease the constraint on the ability of women to undertake economic activity posed by childcare responsibilities, the OEMs, which are part of the municipal government and are responsible for delivering labor orientation as well as referring *Fomentar* participants to ALMPs supported under the project, will provide information to participants on available services. The payment of stipends to *Fomentar* participants financed under the project is likely to be especially important for women who are constrained from taking up training due to issues relating to mobility as well as child and elderly care responsibilities, and more generally household duties.

83. **Citizen Engagement: Effective and demonstrable citizen engagement will be vital to project implementation.** Cautious planning will take place to reduce any risk of exclusion of vulnerable groups, as presented in the Stakeholder Engagement Plan (SEP), and other relevant Environmental and Social instruments. An indicator has been included in the Results Framework to measure beneficiary satisfaction with the participatory process of training provided. The indicator measures the level of satisfaction with the process of delivering training services, including access, quality and pertinence. This is important for underprivileged groups such as women, indigenous peoples and rural youth. During implementation, participants' feedback will be sought on communication activities regarding the Project's progress and via feedback channels, including the grievance mechanism. The SEP promotes the participation of all stakeholders to understand their needs; improves transparency and coordination between government entities, services providers, employers, and participants; and helps ensure feedback and grievances are addressed. The SEP sets out the nature and periodicity of stakeholder consultations and requires regular participants feedback surveys, which will be used to measure and improve citizen engagement.

Economic Analysis

84. **The project addresses constraints to finding employment and better jobs particularly through more effective training, strengthened public employment services, and improved labor market information and analysis.** The expected costs and benefits of some interventions, such as training, are more easily quantifiable than others, such as labor market information. The economic analysis uses survey and administrative data from Argentina and the literature on the impacts of similar programs to assess the costs and benefits of the interventions supplemented by qualitative analysis where necessary. Annex 2 provides additional detail on the economic analysis.

⁵⁰ Castillo, Victoria, Moira Ohaco, and Diego Schleser. 2014. "Evaluación de impacto en la inserción laboral de los beneficiarios de los cursos sectoriales de formación profesional." Serie Documentos de Trabajo 6, ILO, Buenos Aires.

⁵¹ Salvador, M. and Vezza E. Marzo. 2020. "Políticas Activas de Mercado de Trabajo en Argentina: Transformando la Experiencia en Aprendizaje."



85. **Results of the analysis indicate that the project's benefits are positive and robust to a range of assumptions.** The results indicate that the costs of Components 1 and 2 will be recouped through the increased earnings of beneficiaries within three to seven years, yielding an internal rate of return (IRR) of between 16 and 48 percent. This is consistent with the IRRs estimated from similar projects and in the literature.⁵² The IRRs are largest for women with a mean of 36 percent followed by young people with a mean of 32 percent and older men with a mean of 30 percent.

86. **The costs and benefits of strengthening information systems, as is envisioned in Component 4, are difficult to quantify, but experience from other settings shows this strengthening is key to addressing labor market constraints.** The project is also expected to have additional economic and noneconomic benefits that are challenging to quantify. These include improvements in productivity due to increases in knowledge and skills, improvements in social cohesion from increased youth employment⁵³ and activation of otherwise idle labor, and improvements in human capital investments in children from reduced parental unemployment.⁵⁴

87. **Public sector financing is warranted by the presence of several market failures that make access to good jobs difficult for certain groups.** Less-skilled and vulnerable groups have limited access to labor market information and job search tools, as private job search services, including online services, tend to focus on medium- and high-skilled workers. The costs of providing services to these difficult-to-serve populations make doing so unprofitable. Vulnerable groups, particularly young people, have difficulty signaling their skills in the absence of experience, which can lead employers to favor older workers. Public sector financing is also justified by the presence of positive social externalities related to better access to good jobs. These include the social benefits of poverty and inequality reduction, the potential for higher employment rates to strengthen social cohesion, and improvements in productivity related to increases in knowledge and skills. These social externalities mean that the private sector underprovides training and employment services for more vulnerable groups relative to the social optimum. The rationale for public sector financing does not preclude the involvement of the private sector in delivering training and employment services.

B. Fiduciary

Financial Management

88. A FM Assessment was carried out by the World Bank in January 2022, to assess the adequacy of the FM arrangements in place at the SsGA at the MTESS to support the Project's implementation. It was determined that the FM arrangements in place at the MTESS are acceptable to the World Bank because they: (i) are capable of correctly and completely recording the Project's transactions; (ii) facilitate production of the requisite financial reporting in a timely manner; (iii) safeguard the Project's assets; and (iv) are subject to acceptable auditing arrangements.

⁵² See, for example, the Argentina Youth Employment Support Project (P133129), the Mongolia Employment Support Project (P159215); Attanasio, Orazio, Arlen Guarín, Carlos Medina, and Costas Meghir. 2017. "Vocational Training for Disadvantaged Youth in Colombia." *American Economic Journal: Applied Economics* 9(2):131-43; and Attanasio, Orazio, Adriana Kugler, and Costas Meghir. 2011. "Subsidizing Vocational Training for Disadvantaged Youth in Colombia: Evidence from a Randomized Trial." *American Economic Journal: Applied Economics* 3: 188-220.

⁵³ Robalino, David, David Margolis, Friederike Rother, David Newhouse, and Mattias Lundberg. 2013. "Youth Unemployment: A Human Development Agenda for the Next Decade." Social Protection and Labor Discussion Paper 1308, World Bank, Washington, DC.

⁵⁴ Francesconi, Marco, and James J. Heckman. 2016. "Child Development and Parental Investment: Introduction." *The Economic Journal* 126: F1-F27; Mörk, Eva, Anna Sjögren, and Helena Svaleryd. 2019. "Consequences of Parental Job Loss on the Family Environment and on Human Capital Formation: Evidence from Workplace Closures." *Labour Economics* 67.



Procurement

89. Procurement will be conducted using the World Bank's 'Procurement Regulations for IPF Borrowers', issued in July 2016 and updated in November 2020, for the supply of goods, works, non-consulting and consulting services. The World Bank's Standard Procurement Documents will govern the procurement of World Bank-financed Open International Competitive Procurement. For procurement involving National Open Competitive Procurement, the borrower may use documents previously agreed with the World Bank. For each contract to be financed by the loan, the different procurement methods or consultant selection methods, the estimated costs, prior review requirements, and time frame will be agreed between the borrower and the World Bank in the Procurement Plan, which will be registered in the corresponding System (Systematic Tracking of Exchanges in Procurement, STEP) before process implementation. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

90. A procurement capacity assessment of the SsGA at the MTESS was carried out by the World Bank in January 2022, to review the organizational structure for implementing the project and the experience of the existing procurement staff. As a result, it was concluded that current staff in the unit have experience in implementing World Bank-financed projects, particularly on the type of procurement expected under the project, based on the knowledge acquired from previous operations. Nonetheless, certain risks were identified associated with the increasing workload that this operation will demand and the current procurement unit structure.

C. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

D. Environmental and Social

91. **The environmental risks for this project are assessed as Low and social risks are assessed as Moderate; hence, the overall environmental and social risk of the project is assessed as Moderate.** The proposed project will neither finance nor support any physical intervention or other actions that could negatively affect the environment. Component 5 is expected to finance the acquisition of hardware to support digital services of the project and e-waste generation was identified as the main environmental risk that will require management procedures, accordingly. In this sense, the environmental risks and potential adverse impacts are likely to be minimal or negligible. The project is expected to have only positive social impacts on vulnerable and systematically excluded groups and no negative social effects. The main social risks are associated with the potential exclusion of vulnerable groups such as indigenous peoples, Afro descendants, people with disabilities, persons within the LGBTI+ community, and migrants from participating in, or benefiting from, the project and possible weakness in communication, participation, and engagement capacity of the MTESS, which will need to be strengthened. The risk for sexual exploitation and abuse and sexual harassment risk is Low. The country has a strong legal framework focused on gender-based violence (GBV) prevention and has a national referral pathway protocol for GBV service provision and an active GBV working group. In addition, the project is not expected to finance infrastructure works and therefore has no risk of labor influx.



92. **The borrower carried out an Environmental and Social Assessment that was disclosed prior to Appraisal to assess the risks associated with the proposed activities under the project, incorporate mitigation measures, and propose actions to improve its design and/or implementation.** The borrower also developed a draft Stakeholder Engagement Plan (SEP) disclosed prior to appraisal. The SEP establishes the consultations to be made during project preparation and implementation. In addition, the borrower also prepared a draft National Indigenous Peoples Plan disclosed prior to appraisal⁵⁵ to make sure that all project-supported programs and activities are implemented in a culturally appropriate manner. Finally, prior to hiring any project workers, the borrower will also develop labor management procedures (LMP) to be finalized in a satisfactory manner to the World Bank. An Environmental and Social Commitment Plan (ESCP) was also finalized and disclosed following negotiations on January 24, 2022⁵⁶ which includes additional measures necessary by the borrower to address risks identified in the Environmental and Social Assessment.

93. **The draft SEP and the draft National Indigenous Peoples Plan will be updated based on the feedback from consultations and redisclosed accordingly.** The time frame for preparing the LMP is reflected in the ESCP. It also establishes whether the LMP will be disclosed based on the agreement with the MTESS. The ESCP includes, among other things, specific actions related to (a) ensuring an organizational structure adequate to manage the environment and social risks associated with the project, (b) ensuring adequate monitoring and reporting procedures, including specific guidance to report incidents, and (c) the operationalization of the project grievance mechanism.

94. The specific timing for the implementation of the activities identified in the instruments mentioned above is described in the ESCP.

V. GRIEVANCE REDRESS SERVICES

95. **Communities and individuals who believe that they are adversely affected by a World Bank supported project may submit complaints to existing project-level grievance redress mechanisms or the Bank's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate GRS, please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

⁵⁵ The Environmental and Social Assessment, the SEP and the draft National Indigenous Peoples Plan were disclosed on January 18 and on January 19, 2022 by the MTESS and the Work Bank respectively.

⁵⁶ The Environmental and social documents are published in <https://www.argentina.gob.ar/trabajo/eas>



VI. KEY RISKS

96. **The overall risk rating of this project is assessed as Substantial.** Key project risks are (a) the country's longstanding macro-fiscal imbalances and economic volatility; (b) interinstitutional coordination challenges; and (c) the COVID-19 pandemic. All other risks are assessed as Moderate.

97. **Macroeconomic risk is assessed as Substantial.** The current macroeconomic conditions in Argentina include high foreign exchange volatility, low Central Bank reserves, and high inflation, which might affect project execution. There are two channels through which this might happen. Firstly, poor overall performance of the economy may lead to lower-than-expected labor demand from employers, and hence limited improvement of employment for targeted participants. To ensure that the project can accurately measure its impact, the PDO indicator 'Increase in formal employment for *Fomentar* participants' has been defined in relation to a comparable comparison group not receiving benefits. This will therefore measure the relative improvement in employment outcomes, providing a reasonable counter-factual against which to measure program impact. A second channel exists wherein macroeconomic instability affects the overall government budget and availability of resources to keep core services related to the broader program operational. While this falls beyond the scope of the project, the Argentine Government's commitment to improve employment outcomes for disadvantaged groups and the World Bank serving as the sole financier for key components, notably related to systems development, are expected to mitigate any risk of partial completion.

98. **Institutional capacity risk is Substantial.** Despite the demonstrated capacity of the MTESS to implement policies and programs, the interinstitutional coordination needed to identify, target, and serve potential beneficiaries may be challenging given the need to interact with a range of stakeholders, including employers and municipalities. This may affect implementation in some areas, posing a challenge and a risk to the overall strategy. Mitigation measures include new investments in institutional capacity at the national and municipal level as well as the development of core information systems that will facilitate coordination and lead to more efficient implementation.

99. **The other risk rated Substantial refers to the impact of the COVID-19 pandemic in project implementation and thus achievement of results.** If the spread of COVID-19 worsens or related restrictions to control its spread significantly affect mobility and the economy, as many project activities are face-to-face this could affect the ability to achieve key project outcomes. At the same time, the project aims to promote the virtualization of a number of services, from training to intermediation, which could offer alternative channels for service delivery. Once these are up and running, these may significantly mitigate the risk to project outcomes. Notwithstanding, these may take some time to become fully operational.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Argentina

Promoting Better Jobs through Integrated Labor and Skills Programs

Project Development Objectives(s)

Improve the employment of targeted groups and strengthen the quality and availability of training and employment services in Argentina.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Improve the employment of targeted groups						
Participants of FOMENTAR programs (Number)		0.00	80,000.00	240,000.00	410,000.00	600,000.00
Participants of FOMENTAR programs - Youth 18-24 years (Number)		0.00	70,000.00	210,000.00	360,000.00	487,000.00
Participants of FOMENTAR program - Women 25-59 years (Number)		0.00	9,000.00	28,000.00	48,000.00	101,250.00
Participants of FOMENTAR programs - Men 45-64 (Number)		0.00	1,000.00	3,000.00	6,500.00	11,750.00
Increase in formal employment for FOMENTAR participants who have completed a training course or on-the-job training (Percentage)		0.00	2.80	3.20	3.60	4.40



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Increase in formal employment for FOMENTAR participants who have completed a training course or on-the-job training – Female (Percentage)		0.00	2.80	3.40	3.90	5.00
Strengthen the quality and availability of training and employment services						
FOMENTAR participants receiving competence-based training out of total FOMENTAR participants trained (Percentage)		0.00	30.00	40.00	50.00	60.00
FOMENTAR participants receiving competence based trained out of total FOMENTAR participants trained - Female (Percentage)		0.00	30.00	40.00	52.00	64.00
Employers registering vacancies in the Employment Portal (Number)		100.00	3,000.00	7,200.00	12,200.00	19,200.00
Employment Offices (OEM) meeting minimum service targets for job placements and on-the-job training placements (Number)	PBC 1	75.00	90.00	110.00	150.00	200.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
Expansion and Strengthening of a Labor Competency-based Training and Certification System						



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
FOMENTAR participants that completed a Labor Orientation Workshop since effectiveness (Number)		0.00	90,000.00	180,000.00	280,000.00	390,000.00
FOMENTAR participants that completed a Labor Orientation Workshop since effectiveness - Female (Number)		0.00	40,000.00	85,000.00	140,000.00	200,000.00
FOMENTAR participants who completed a training course since effectiveness (Number)		0.00	56,000.00	116,000.00	183,000.00	256,000.00
FOMENTAR participants who completed a training course since effectiveness - Female (Number)		0.00	25,000.00	55,000.00	90,000.00	130,000.00
FOMENTAR participants who completed a virtual training course since effectiveness (Number)		0.00	15,000.00	32,500.00	52,500.00	75,500.00
FOMENTAR participants in on-the-job training since effectiveness (Number)		0.00	60,000.00	126,000.00	200,000.00	285,000.00
FOMENTAR participants in on-the-job training since effectiveness - Female (Number)		0.00	28,000.00	62,000.00	105,000.00	156,000.00
FOMENTAR participants that have received more than one program (orientation, professional training / on-the-job training / labor insertion) (Number)		0.00	20,000.00	50,000.00	95,000.00	150,000.00
FOMENTAR participants that have received more than one		0.00	9,200.00	25,000.00	49,000.00	82,500.00



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
program (orientation, professional training / on-the-job training / labor insertion) Female (Number)						
Professional Training Institutions Certified (Number)	0.00	5.00	15.00	30.00	50.00	
FOMENTAR participants with disabilities (Number)	0.00	1,000.00	2,500.00	4,500.00	7,000.00	
Strengthening the network of the Municipal Employment Offices						
Employment Offices staff trained (Number)	0.00	1,200.00				3,000.00
OEMs staff that have been assessed as satisfactory / certified in training (Number)	0.00					1,800.00
Strengthening evaluation and information systems and Project Management						
People registered in the Employment Portal (Number)	25,000.00	200,000.00	450,000.00	720,000.00	1,070,000.00	
Methodological processes, institutional arrangements, and main informational outputs for users based on the Labor Market Occupations Observatory published in a public official website of the MTESS (Text)	-	Development of the methodological processes	Institutional arrangements agreed and documented	Informational reports available for internal and external users	Main elements of the Labor Market Occupations Observatory published in a public official website of the MTESS	
Occupations surveyed and included in the Labor Market Occupations Observatory (Number)	0.00	10.00	55.00	150.00	250.00	
Employment and Training programs' impact evaluation published (Yes/No)	No				Yes	
Grievances related to the project	0.00	40.00	60.00	80.00	95.00	



Indicator Name	PBC	Baseline	Intermediate Targets			End Target
			1	2	3	
recorded in the GRM system that are processed and communicated back to the concerned stakeholder within the agreed timelines (Percentage)						
FOMENTAR participants reporting satisfaction with training provided through satisfaction surveys (Percentage)		0.00	70.00	75.00	78.00	80.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Participants of FOMENTAR programs	This indicator measures the cumulative number of individual unique participants covered by FOMENTAR programs that have received at least one program (FOMENTAR programs include orientation, skills training, on-the-job training)	Quarterly	MTESS Monitoring Report	Employment Management System / Employment Portal	MTESS / SE
Participants of FOMENTAR programs - Youth 18-24 years	This indicator measures the cumulative number of individual unique	Quarterly	Employment Portal / Employment	MTESS Monitoring Report	MTESS / SE



	participants covered by FOMENTAR programs that have received at least one program (FOMENTAR programs include orientation, skills training, on-the-job training)		Management System		
Participants of FOMENTAR program - Women 25-59 years	This indicator measures the cumulative number of individual unique participants covered by FOMENTAR programs that have received at least one program (FOMENTAR programs include orientation, skills training, on-the-job training)	Quarterly	Employment Portal / Employment Management System	MTESS Monitoring Report	MTESS / SE
Participants of FOMENTAR programs - Men 45-64	This indicator measures the cumulative number of individual unique participants covered by FOMENTAR programs that have received at least one program (FOMENTAR programs include orientation, skills training, on-the-job training)	Quarterly	Employment Portal / Employment Management System	MTESS	MTESS / SE
Increase in formal employment for FOMENTAR participants who have completed a training course or on-the-job training	This indicator measures the percentage points difference in the rate of formal employment between participants measure within	Biannual	Employment Portal / SIPA / Employment Management	Administrative data comparisons.	MTESS / SE / Undersecretariat of Planning, Studies and Statistics



	12 months after completing a training course or an on-the-job training assignment, relative to a comparison group. The comparison group will be defined in the POM.		System		
Increase in formal employment for FOMENTAR participants who have completed a training course or on-the-job training – Female	This indicator measures the percentage points difference in the rate of formal employment between participants measure within 12 months after completing a training course or an on-the-job training assignment, relative to a comparison group. The comparison group will be defined in the POM.	Biannual	Employment Portal / SIPA / Employment Management System	Administrative data comparisons.	MTESS / SE / Undersecretariat of Planning, Studies and Statistics
FOMENTAR participants receiving competence-based training out of total FOMENTAR participants trained	The indicator measures the percentage of FOMENTAR participants receiving competence-based training out of the total FOMENTAR participants trained, as a measure of training quality.	Biannual	Employment Management System / Employment Portal / REGICE	MTESS Monitoring Report	MTESS / SE
FOMENTAR participants receiving competence based trained out of total FOMENTAR participants trained - Female	The indicator measures the percentage of female FOMENTAR participants receiving competence-based training out of the total FOMENTAR participants	Biannual	Employment Management System / Employment Portal / REGICE	MTESS Monitoring Report	MTESS / SE



	trained, as a measure of training quality.				
Employers registering vacancies in the Employment Portal	The indicator measures the number of employers that have registered at least one job vacancy in the Employment Portal in the last 12 months.	Annually	Employment Portal	MTESS Monitoring Report	MTESS / SE
Employment Offices (OEM) meeting minimum service targets for job placements and on-the-job training placements	The indicator measures every six months the number of OEMs which meet the minimum service targets for job placements and on-the-job training placements as registered in the Employment Portal.	Biannual	Employment Portal / Employment Management System	MTESS Monitoring report / Details in the POM	MTESS / SE / Undersecretariat of Territorial Articulation.

Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
FOMENTAR participants that completed a Labor Orientation Workshop since effectiveness	The indicator measures the cumulative number of FOMENTAR participants that completed a Labor Orientation Workshop since effectiveness.	Quarterly	Employment Portal / Employment Management System	MTESS Monitoring Report	MTESS / SE
FOMENTAR participants that completed a Labor Orientation Workshop since effectiveness - Female	The indicator measures the cumulative number of female FOMENTAR participants that completed	Quarterly	Employment Portal / Employment Management System	MTESS Monitoring Report	MTESS / SE



	a Labor Orientation Workshop since effectiveness.		Management System		
FOMENTAR participants who completed a training course since effectiveness	The indicator measures the cumulative number of FOMENTAR participants that have completed a training course since effectiveness	Quarterly	Employment Portal / Employment Management System	MTESS Monitoring Report	MTESS / SE
FOMENTAR participants who completed a training course since effectiveness - Female	The indicator measures the cumulative number of FOMENTAR female participants that have completed a training course since effectiveness	Quarterly	Employment Portal / Employment Management System	MTESS Monitoring Report	MTESS / SE
FOMENTAR participants who completed a virtual training course since effectiveness	The indicator measures the cumulative number of FOMENTAR participants that have completed a virtual training course since effectiveness	Quarterly	Employment Portal / Employment Management System	MTESS Monitoring Report	MTESS / SE
FOMENTAR participants in on-the-job training since effectiveness	The indicator measures the cumulative number of FOMENTAR participants in on-the-job training since effectiveness.	Quarterly	Employment Portal / Employment Management System	MTESS Monitoring Report	MTESS / SE
FOMENTAR participants in on-the-job training since effectiveness - Female	he indicator measures the cumulative number of FOMENTAR female participants in on-the-job training since effectiveness.	Quarterly	Employment Portal / Employment Management System	MTESS Monitoring Report	MTESS / SE



FOMENTAR participants that have received more than one program (orientation, professional training / on-the-job training / labor insertion)	The indicator measures the number of participants who participated in more than one service.	Quarterly	Employment Portal / Employment Management System	MTESS Monitoring Report	MTESS / SE
FOMENTAR participants that have received more than one program (orientation, professional training / on-the-job training / labor insertion) Female	The indicator measures the number of female participants who participated in more than one service.	Quarterly	Employment Portal / Employment Management System	MTESS Monitoring Report	MTESS / SE
Professional Training Institutions Certified	The indicator measures the cumulative number of Professional Training Institutions that have completed the quality certification process.	Annually	REGICE	MTESS Monitoring Report	MTESS / SE
FOMENTAR participants with disabilities	FOMENTAR participants with the national certificate of disabilities (Certificado único de discapacidad, CUD) and not included in the PROMOVER Program.	Quarterly	Employment Portal	MTESS Monitoring Report	MTESS / SE
Employment Offices staff trained	The indicator measures the number of OEMs staff who have completed all training modules (the modules will be described in the POM).	Biannual	Employment Management System / REGICE / Electronic Document	MTESS Monitoring Report	MTESS / SE / Undersecretariat of Territorial Articulation



			Management System		
OEMs staff that have been assessed as satisfactory / certified in training	The indicator measures the number of OEMs staff who have received a satisfactory assessment (certified) in training. The assessment/certification procedure will be defined in the POM.	Biannual	Employment Management System / REGICE / Electronic Document Management System	MTESS Monitoring Report	MTESS / SE / Undersecretariat of Territorial Articulation
People registered in the Employment Portal	The indicator measures the number of people (excluding Employers) who are registered in the Employment Portal	Quarterly	Employment Portal	MTESS Monitoring Report	MTESS / SE
Methodological processes, institutional arrangements, and main informational outputs for users based on the Labor Market Occupations Observatory published in a public official website of the MTESS	The indicator measures the availability of essential background information on the Labor Mark Occupations Observatory to demonstrate that the system is operational. The minimum requirements will be described in the POM.	Annually	Undersecretariat of Planning, Studies and Statistics		MTESS / Undersecretariat of Planning, Studies and Statistics
Occupations surveyed and included in the Labor Market Occupations Observatory	The indicator measures the number of occupations surveyed, processed and included in the Labor Market Occupations Observatory to demonstrate	Annually	Labor Market Occupations Observatory	MTESS Monitoring Report	MTESS / Undersecretariat of Planning, Studies and Statistics



	its coverage.				
Employment and Training programs' impact evaluation published	The indicator measures the carrying out and completion of an impact evaluation for at least one employment and training program.	Once	Impact Evaluation Report published	Impact Evaluation Report published	MTESS / Undersecretariat of Planning, Studies and Statistics / SE
Grievances related to the project recorded in the GRM system that are processed and communicated back to the concerned stakeholder within the agreed timelines	This indicator measures grievances related to the project recorded in the GRM system that are processed and communicated back to the concerned stakeholder within the agreed timelines as described in the POM.	Quarterly	Employment Portal	MTESS / Employment Portal / GRM Monitoring Report	MTESS / SE
FOMENTAR participants reporting satisfaction with training provided through satisfaction surveys	The indicator measures the percentage of FOMENTAR participants reporting satisfaction with training received out of the total of participants trained.	Biannual	Employment Portal	MTESS Monitoring Report	MTESS / SE

Performance-Based Conditions Matrix

PBC 1	Employment Offices (OEMs) meeting minimum service targets for vacancies and on-the-job training placements			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Outcome	No	Number	3.09	1.24
Period	Value		Allocated Amount (USD)	Formula



Baseline	75.00		
December 2022	90.00	1.20	N/A
December 2023	110.00	1.90	N/A

Verification Protocol Table: Performance-Based Conditions

PBC 1	Employment Offices (OEMs) meeting minimum service targets for vacancies and on-the-job training placements
Description	This PBC shows the improvements in the performance of the employment office network through the number of OEMs meeting minimum service targets for placing jobseekers in vacancies and in on-the-job training placements.
Data source/ Agency	Employment Portal / Employment Management System at the MTESS
Verification Entity	The PBC targets will be subject to verification of compliance by the SE of the MTESS.
Procedure	The PBC will be accomplished when the General Directorate of Sectorial and Special Programs and Projects sends the Bank a document that compiles the report which includes the data registered by the OEMs in the Employment Portal and the Employment Management System, with the number of OEMs meeting the established targets for PBC 1, which has been reviewed by the SE.



ANNEX 1. Implementation Arrangements and Support Plan

A. Implementation Arrangements

1. The MTESS is the implementing agency for the project. Project activities will be managed within the structure of the ministry through the general coordination of the SsGA. The SE is responsible for the technical coordination of the *Fomentar* program covering all the services for the participants and will collaborate with the Undersecretariat of Territorial Articulation for activities in Component 3 and with the Undersecretariat of Planning, Studies and Statistics for activities in Component 4. The SsGA, will be responsible the articulation of the environmental and social management tasks to be developed by the technical areas; this articulation will be carried out through the General Directorate of Sectorial and Special Programs and Projects (DGPPSE) linking, in particular, the expertise of the SE and the Undersecretariat of Policies for Inclusion in the Labor World, for properly implementing the Environmental and Social Assessment (ESA), the LMP, the National Indigenous Peoples Plan and the SEP, ensuring and monitoring compliance with the commitments established in the ESCP.
2. **Component 1. Expansion and Strengthening of a Labor Competency-based Training and Certification System.** The National Directorate of Continuous Training, under the SE, is responsible for activities related to labor orientation, training courses, development and certification of labor competencies, and technical assistance for training institutions. The Undersecretariat of Employment Promotion is responsible for the activities related to on-the-job training.
3. Based on the agreements with the ministry, training institutions, municipalities, and nongovernmental organizations (NGOs), deliver specified training services. The OEMs will refer and facilitate access of participants to services (orientation workshops, training courses, and on-the-job training), using the Employment Portal to register and support their activities.
4. The implementation of project activities related to support for training institutions and their quality certification will be based on signed agreements between the MTESS and the participating economic sector (Sector Councils representing businesses and workers) and training organizations. The MTESS will centrally manage the activities and most of the resources for this activity will be used to finance a contract with an independent third party, the Argentine Institute for Normalization and Certification (*Instituto Argentino de Normalización y Certificación - IRAM*).
5. **Component 2. Stipends to promote participation in selected ALMPs.** Taking advantage of Argentina's institutional and fiduciary framework, the component will build on the existing organization and management structures of the ministry which have extensive experience in managing and implementing transfers to participants in other employment and training programs supported by the World Bank.
6. This component will finance income transfers (stipends) to participants of *Fomentar*. The payments are made through monthly deposits in participants' savings accounts. These accounts are free of charge to participants, and the only restriction is that they cannot receive deposits other than those coming from the *Fomentar* program. Participants receive a debit card and can use it to make payments at stores or withdrawals from any ATM in the country at any time. The participants accounts may also be linked to other electronic payment methods (electronic wallets) to facilitate the use of funds.



7. The monthly payments are made directly from the MTESS to participants' accounts. The supporting documentation (proving that the participants' accounts have been credited) is maintained at the bank (currently *Banco de la Nación Argentina*, BNA) and is subject to audit by the Supreme Audit Institution (*Auditoría General de la Nación*).

8. The MTESS, through the General Directorate of Administration and Financial Programming, checks the consistency and validity of the participants registry before each payment cycle and either removes participants if they do not maintain compliance with eligibility rules, or takes corrective action if inconsistencies are identified. As part of this process, prior to payments being authorized, routine monthly cross-checks of the registry are carried out centrally with the main social security databases (ANSES, the Social and Fiscal National Identification System (SINTyS) and other MTESS databases) that allow for the identification of participants who have entered a formal job or are receiving other non-compatible social transfers.

9. **Component 3: Strengthening the network of OEMs.** Municipalities play a key role in the implementation of *Fomentar*, as they are responsible for managing the employment offices, which provide services to *Fomentar* participants. Whenever a new municipality is included in the *Fomentar* program, the ministry signs a formal agreement with the municipality to establish the terms of its participation with the ministry.

10. Within the MTESS, support to OEMs will be provided by the Directorate of Liaison with Labor Programs, within the Undersecretariat of Territorial Articulation, in collaboration with the Undersecretariat of Employment Promotion (UEP). The UEP will have a key role in supporting the network of employment services through the provision of technical resources. It is also responsible for the development and implementation of the Employment Portal in which project activities will be registered and monitored.

11. While the OEM are institutionally independent from the MTESS (as they are part of the municipal governments), the MTESS will provide support in the achievement of expected targets at the network level and at the individual office level, as specified in this Component. As part of the collaboration strategy with the OEM, the MTESS will sign performance agreements with each office, defining indicators and goals, and will provide support to the offices in the context of the project.

12. **Component 4: Strengthening evaluation and information systems.** The Undersecretariat of Planning, Studies and Statistics, with a proven track record in this area, is responsible for the design and launching of the Labor Market Occupations Observatory, as well as for program evaluations and studies, in collaboration with the SE team. The Undersecretariat of Employment Promotion is responsible for running the Employment Portal, the digital platform to facilitate access to training and new digital services for the target population and employers. The Portal is the main source of data to monitor project activities.

13. **Component 5: Project Management and Monitoring.** Support to the project in administrative and financial matters, and environmental and social compliance, will be provided by the General Directorate of Sectorial and Special Programs and Projects, part of the SsGA. The Undersecretariat will host the general coordination of the project and will coordinate with the relevant staff in the MTESS to facilitate the use of loan resources to support the eligible activities described above. The SsGA will be responsible for the appropriate utilization of loan resources; handling of day-to-day activities of managing procurement; hiring of consultants; FM, including the preparation of FM reports; preparation of the documentation needed for reimbursement requests; and ensuring compliance with audit requirements and the environmental and social standards and required reports. It will analyze and control the administrative documentation related to implementation and will maintain all the required documentation on project activities. Additionally, the Secretariat of Strategic Affairs of



the Presidency of the Nation will provide the technical coordination for an evaluation of the design, process management and results of the project.

B. Financial Management, Procurement, and Disbursements

Financial Management

14. A FM Assessment was carried out by the World Bank in January 2022, to assess the adequacy of the FM arrangements in place at the SsGA at the MTESS to support the project's implementation. It was determined that the FM arrangements in place at the MTESS are acceptable to the World Bank because they are: (i) capable of correctly and completely recording the project's transactions; (ii) facilitate production of the requisite financial reporting in a timely manner; (iii) safeguard the project's assets; and (iv) are subject to acceptable auditing arrangements.

Risk Assessment and Mitigation

15. The FM Assessment identified the project's complex design arrangements as the key risk to the achievement of the PDO.

16. The following mitigating measures are designed to address the above risk: (i) continued close support and supervision; (ii) the designation of specific FM staff within the MTESS (FM coordinator, together with the hiring of additional staff/consultants if required to provide additional fiduciary support); (iii) project staff will undergo fiduciary training specific to the World Bank's procedures; (iv) annual audit of project's financial statements following auditing standards and terms of reference acceptable to the World Bank; and (v) a technical audit for disbursements under subcomponents 1.1 and 3.2.

17. The project's FM risk after mitigation measures is rated as Moderate, and the combined fiduciary risk is also rated as Moderate.

18. **Institutional Arrangements for the project.** The implementing entity is the MTESS. The SsGA within the MTESS, will be responsible for the FM functions of the project.

Description and Assessment of project FM Arrangements

19. **Organization and staffing.** The MTESS has qualified FM staff who can undertake the project's FM function. These FM professionals have experience in World Bank financed project's implementation. Staff mapped to the MTESS will always need to include an overall FM coordinator, responsible for ensuring that the project's fiduciary obligations are met, that the project's transactions are valid, accurate and completely captured, and acting as the main counterpart to the World Bank regarding FM and disbursement issues. Due to the increasing workload, MTESS may need to hire other consultants to strengthen the FM area. In summary, MTESS has a suitable organizational structure to ensure responsible project management.

20. **Budgeting.** National budget formulation and implementation are guided by rules established by the National Constitution and the Financial Administration Law. The preparation of the annual budget, which integrates current and capital expenditures, is coordinated by the SsGA in the MTESS and follows a clearly defined calendar that is generally adhered to. The Federal Government's integrated budget and accounting IT system (*Sistema Integrado de Información Financiera*, e-SIDIF) will be used for fulfilling the project's budgeting and



accounting needs. A separate budgetary line in MTESS annual budget will be required to allocate budgetary resources and keep track of the project's execution specifying the sources of funds. The project will rely on the Argentinian procedures for budget formulation and execution. The project's specific budget will be planned, monitored, and executed by the MTESS as part of the Ministry's usual operations with the SsGA in the MTESS playing a leading role with specific procedures to require and monitor financial information under each subcomponent.

21. **Accounting.** The accounting module of the project Executing Units with External Financing information system (*Unidades Ejecutoras de Proyectos con Financiamiento Externo*, UEPEX) will be used for recording the project's transactions. Furthermore, the e-SIDIF accounting module will also be used to record the project's transactions. UEPEX is the Federal Government's IT module for accounting and financial reporting of donor-financed operations. The UEPEX system allows the MTESS to record the project's transactions in US dollars and in local currency. The UEPEX system provides a good ex-ante internal control framework, and it is considered adequate for accounting purposes. MTESS will be responsible for: (i) maintaining the project's accounts with the Chart of Accounts (that is adequate, and can be adapted to properly account for, and report on, all the project's activities) reflecting the project categories, components, and source of funding; and (ii) producing the requisite annual financial statements following International Accounting Standards (IAS). The cash accounting basis will be used to maintain the project's accounting records. The MTESS will have access to the World Bank's Client Connection system for up-to-date information relating to the disbursement of the proceeds of the Loan. The project's accounting records in UEPEX, will be reconciled on a regular basis with this information. There are written policies and procedures covering all routine accounting and related administrative activities and only authorized persons, may change or establish new accounting principles, policies, or procedures. The accounting function is adequately staffed with experienced and qualified persons.

22. **Internal control and internal auditing.** The internal control environment to be used for the project is anchored in Argentina's legal and institutional framework and MTESS internal approval processes and systems (i.e., approval and authorization controls are in place and properly documented), that provide for reasonable segregation of duties, supervision, quality control reviews and reconciliation. The process flows appear to be well understood by MTESS personnel. The internal controls relevant to the project include arrangements to provide assurance that: (i) operations are conducted effectively, efficiently, and in accordance with relevant financing agreements; (ii) financial and operational reporting is reliable; (iii) applicable laws and regulations are complied with; and (iv) assets and records are safeguarded. Fixed assets/inventories are also controlled, with regular asset/inventory counts, reconciled with control accounts and procedures in place to control the disposal/sale of assets. The IT department of MTESS is well staffed with adequate personnel, and detailed procedures are in place to ensure the integrity of data captured by the various IT systems, including daily back-ups of all data, in an alternative secure location.

23. **MTESS is subject to internal audit by the General Syndicate of the Nation (*Sindicatura General de la Nación*, SIGEN),** which is the Federal Government's Internal Audit Agency, under the jurisdiction of the Executive branch. SIGEN is an integral part of the Federal Government's internal control system providing the following core services: (i) assessing the adequacy and effectiveness of the internal control system (internal audit of the Executive branch); (ii) supervising and coordinating the actions of the various Ministries/Agencies' Internal Audit Units (IAUs) and approving their audit plans; and (iii) compliance auditing of procurement processes and contracts. The IAU of MTESS carries out the internal audits under the supervision of SIGEN. It is expected that this project is included in the IAU of MTESS' audit plan for review.



24. **The project's internal control system is documented in the POM.** The POM comprises descriptions, flow charts, policies, templates and forms, user-friendly tools, tips and techniques to ensure that the approval and authorization controls continue to be adequate and are properly documented and followed with adequate safeguarding of the project's assets. The POM has been prepared by the MTESS and approved by the World Bank and will be maintained/updated throughout the project's life.

25. **The MTESS' bank account reconciliation will be prepared by someone from MTESS who does not process or approve payments,** and all unusual items on the bank reconciliation will be reviewed and approved by the FM coordinator, if applicable.

26. **All project transactions will be processed within the e-SIDIF and UEPEX systems,** which enforces strict segregation of duties, controls the preparation and approval of transactions to ensure that these transactions are properly executed and recorded (i.e., different units or persons authorize the transaction and record the transaction), and guarantees the confidentiality, integrity, and availability of data. All accounting and support documents are retained on a secure basis, using a physical system and an electronic system that allows for easy retrieval for the authorized user.

Flow of Funds and Disbursement Arrangements

27. The primary disbursement method will be Reimbursements for Components 1.1, 2 and 3.2 and Advances for Components 1.2, 3.1, 4 and 5. There are no Lapsed Loans. The MTESS will be also able to process Direct Payments, if required.

28. **Disbursement arrangements for Component 1.1.** Subcomponent 1.1 will finance training fees to public and private providers of orientation workshops and training courses

29. The training fees under Subcomponent 1.1 will be pre-financed by the borrower and then reimbursed by the World Bank. Loan funds will be disbursed to a bank account chosen by the MTESS (which needs to be separate from the Designated Account (DA) to be used for receiving Advances under Components 1.2, 3.1, 4 and 5).

30. Loan funds will be disbursed through a customized Statement of Expenditure (SOE) that will include the list of each course delivered and its predetermined assigned cost, as defined in the POM and agreed with the World Bank. There are no procurable items included in these training fees. The customized SOE has been agreed with the World Bank and included in the POM, which includes all the information necessary to process the reimbursement requests. These reimbursement requests are expected to be submitted to the World Bank on an ad-hoc basis.

31. Furthermore, an annual ex-post technical audit to be carried out by an audit firm with Terms of Reference, both acceptable to the World Bank, will be required. This technical audit shall be furnished to the World Bank no more than 60 days after the end of each year and should include an audit opinion on the customized SOEs presented previously under subcomponent 1.1 and the eligibility of the courses included therein (i.e., were the agreed courses delivered, did the required number of trainees participate, were the training standards adhered to, etc.). Furthermore, the auditors will review the predetermined assigned cost for each course, to ensure that it is a fair representation of the actual costs. It is expected that the hiring of these technical auditors is completed within 3 months after effectiveness.



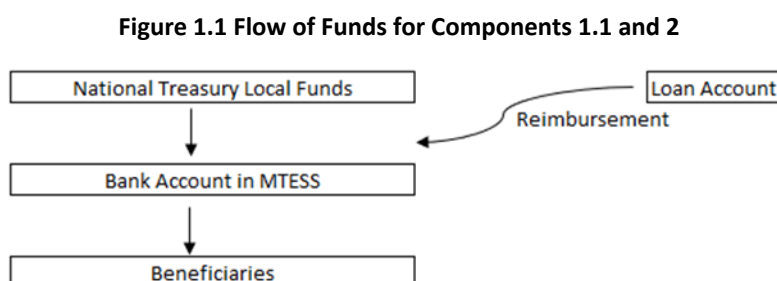
32. **Disbursement arrangements for Component 2.** Component 2 will finance stipend payments to participants of the *Fomentar* Program. The stipend payments are made through monthly deposits to the participants' savings accounts. These accounts are held free of charge and should only receive deposits from the *Fomentar* Program. Participants receive a debit card (linked to the savings account) to make payments at stores or withdrawals from any ATM. The monthly deposits are made directly from the MTESS to the participants' accounts. The supporting documentation (proving that the participants' accounts have been credited) is kept at the commercial bank and is subject to audit by Argentina's Supreme Audit Institution (*Auditoría General de la Nación*, AGN). The MTESS checks the consistency and validity/eligibility of the participants registry before every payment cycle (i.e., before the electronic payment file is sent to the commercial bank for processing) either to remove participants if they have not maintained compliance with the eligibility rules/criteria, or to correct inconsistent data. Routine monthly cross-checks of the registry are also carried out centrally with the main social security databases, which allows for spotting participants who have entered a formal job and/or are receiving other non-compatible social transfers.

33. The stipends under Component 2 will also be pre-financed by the borrower and then reimbursed by the World Bank. Loan funds will be disbursed to a bank account chosen by the MTESS, (which needs to be separate from the DA to be used for receiving Advances under Components 1.2, 3.1, 4 and 5).

34. Loan funds will be disbursed through a customized SOE that will include the list of beneficiaries. The customized SOE agreed with the World Bank is included in the POM and includes all the information necessary to process the reimbursement requests. These reimbursement requests are expected to be submitted to the World Bank on an ad-hoc basis.

35. Given that there are adequate controls in place to ensure that *Fomentar's* processes are being implemented according to current protocols and regulations (i.e., compliance with co-responsibilities and/or beneficiary eligibility), and that resources are being used appropriately (i.e., that resources reach their intended beneficiaries) no additional fiduciary measures (such as a technical audit of this component) are required.

36. Figure 1.1 indicates the flow of funds for Components 1.1 and 2:



37. **Disbursement arrangements for Component 3.2 PBC.** Component 3.2 will finance the provision of training to OEM staff, via incentive payments for staff to take up training opportunities linked to a PBC mechanism.

38. The achievement of the PBC (included in the table below) will trigger reimbursements for an accumulated amount of US\$3.1 million. Specific targets under the PBC are included in the PBC Matrix of the Project Appraisal Document.



Table 1.2: Performance-Based Conditions Matrix and allocated amounts

PBC 1	Employment Offices (OEMs) meeting minimum service targets for vacancies and on-the-job training placements			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (US\$)	As % of Total Financing Amount
Outcome	No	Number	3.1	1.24
Period	Value	Allocated Amount (US\$)		Formula
Baseline	75.00			
December 2022	90.00	1.20		N/A
December 2023	110.00	1.90		N/A

39. The beneficiaries of the training incentives to be financed under the PBC scheme will have to comply with certain eligibility criteria such as: to be in the position for more than 6 months, have a stable contract and perform technical functions. Each municipality will send to the MTESS a list of the eligible beneficiaries/employees through an electronic system (called *Sistema Empleo*). The MTESS will compare the list proposed by each municipality with the Ministry's database to confirm the eligibility of the staff proposed. Furthermore, the universities which will be involved in the provision of training will also review the proposed list. Once the list of eligible beneficiaries is finalized, an agreement between each municipality and the MTESS is signed to provide the training to the identified staff.

40. The MTESS will pay the staff involved in this program, monthly incentives based upon the completion of each learning module. The Bank will only reimburse the MTESS once the PBC target is completed and only if the staff have successfully completed all modules. The underlying expenditures of the PBC scheme are the training incentives paid to eligible OEMs staff that have completed a full modular training program. The successful delivery of the training to OEM staff is directly related to the completion of the PBC target. No shared expenditures are expected under the PBC disbursement scheme.

41. The World Bank will verify the achievement of each PBC. The detailed verification protocol is included in the POM.

42. A customized consolidated SOE for disbursement purposes will be prepared by the MTESS including the following information: (i) an electronic list of eligible beneficiaries, including the period and the amount of the incentive paid to each beneficiary; (ii) technical report specifying the PBC targets achieved; and (iii) PBC verification report from the corresponding verification agent. This consolidated SOE will be submitted to the World Bank (i.e., timing) depending on compliance with the PBC (and not on a set schedule) and will be reviewed by the Task Team before submission to the World Bank Group Finance and Accounting Department (WFA) for processing. Loan funds will be disbursed to a bank account chosen by the MTESS, (which needs to be separate from the DA to be used for receiving Advances under Components 1.2, 3.1, 4 and 5). The exchange rate to be used to convert the local currency expenditures to US Dollars will be the one that is process in client connection system once the SOE is process.

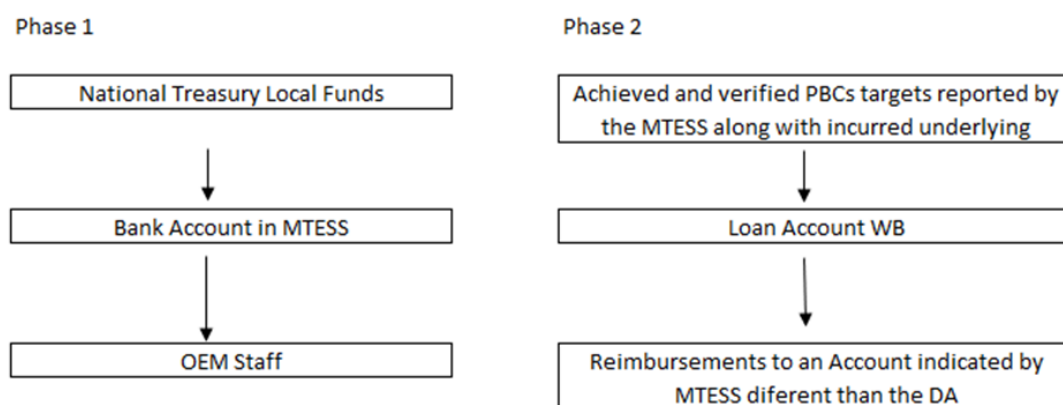


43. The World Bank loan will reimburse the government for the expenditures incurred for transfers to staff as an incentive linked to the expected results. Disbursements will be authorized against the achievement of the PBCs' agreed targets. The PBC will not be scalable. In cases of non or partial achievement of a PBC, the expenditures associated with that PBC not achieved, will not be eligible for World Bank financing even if they are incurred.

44. Furthermore, an annual ex-post technical audit to be carried out by an audit firm with Terms of Reference, both acceptable to the World Bank, will be required. This technical audit shall be furnished to the World Bank no more than 60 days after the end of each year and should include an audit opinion on the customized SOEs presented previously under subcomponent 3.2 and the eligibility of the beneficiaries included therein (i.e., the training was completed successfully, the incentive was received, etc.). It is expected that the hiring of these technical auditors is completed within 3 months after effectiveness.

45. Figure 1.2 indicates the flow of funds for Component 3.2 PBC:

Figure 1.2. Flow of Funds for Component 3.2 PBC

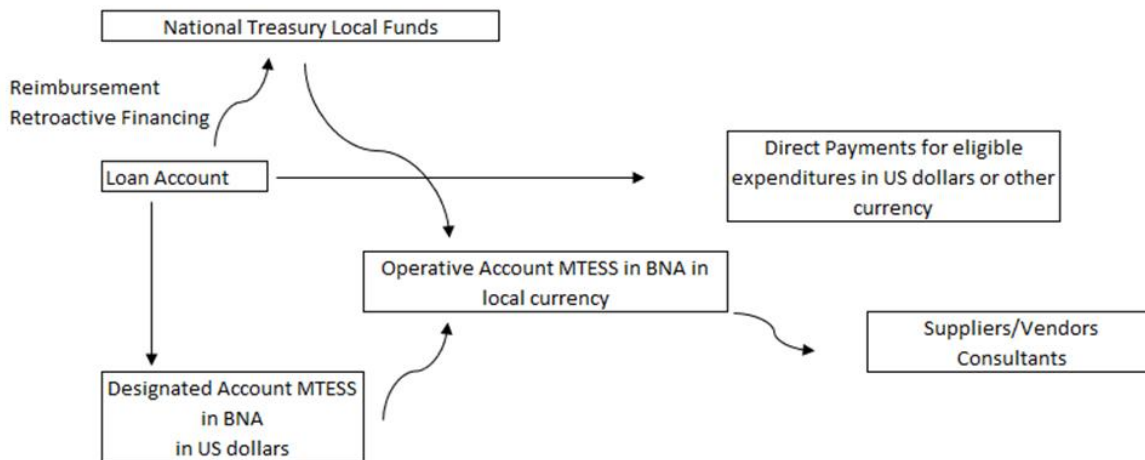


46. **Disbursement arrangements for Components 1.2, 3.1, 4 and 5.** Figure 1.3 indicates the flow of funds for Components 1.2, 3.1, 4 and 5:

- World Bank funds will be transferred to specific segregated account (DA, to be opened specifically for the project) denominated in US dollars at the BNA under the control of the MTESS.
- Another segregated bank account will be opened (MTESS local currency operating account) in the BNA, in local currency, for the purpose of: (i) receiving funds from the DA to pay for eligible expenditures to be paid to suppliers/vendors/consultants by MTESS; and (ii) receiving local funds from the National Budget.
- Payment processes will be registered by MTESS in the UEPEX and e-SIDIF systems.
- The Interim Financial Reports (IFRs) (for financial reporting purposes and not disbursement purposes) and SOEs will be prepared by MTESS, with information available in UEPEX.
- MTESS staff would request access to the World Bank's Client Connection webpage to perform the periodic reconciliation between its own registries and the World Bank's disbursement records.



Figure 1.3. Flow of Funds for Components 1.2 3.1, 4 and 5



For All project Components

47. **For all project Components.** The disbursement of project funds to MTESS will be processed in accordance with World Bank procedures as stipulated in the Legal Agreement and in the Disbursement and Financial Information Letter (DFIL). Funds will be disbursed in respect of eligible expenditures incurred or to be incurred under the project and will be disbursed in accordance with agreed financing percentages. Reporting on the use of loan proceeds (supporting documentation) should be provided with each withdrawal application in the form of SOE (customized or standard or consolidated) or Records.

48. **The proposed Fixed Ceiling for the DA will be US\$6 million.** The Minimum Application Size (MAS) for Direct Payment and Reimbursement withdrawal applications will be US\$1 million equivalent. This MAS is not applicable for the retroactive expenditure withdrawal application or the Components which are expected to be disbursed using only the Reimbursement basis. The frequency for the presentation of eligible expenditures paid from the DA is at least once every six months.

49. **The Project Application Deadline Date (final date on which the World Bank will accept withdrawal applications from the MTESS or documentation on the use of Loan proceeds already advanced by the World Bank) will be four months after the Loan Closing Date.** This “Grace Period” is granted to permit orderly project completion and closure of the Loan Account via the submission of withdrawal applications and support documentation for expenditures incurred before the Closing Date.

50. **Financial Reporting.** MTESS will prepare and submit to the World Bank semesterly IFRs, no later than 45 days after the end of each reporting period. These IFRs will be produced automatically from the UEPEX system, using the cash basis.

51. At the end of each fiscal year, MTESS will prepare audited annual financial statements for the project. The second semester IFRs with accompanying notes will serve as the projects’ annual financial statements.

52. The following semester IFRs (to be prepared in US dollars and local currency), will be prepared for project monitoring and management purposes and will be submitted to the World Bank.



- (a) IFR 1 –Sources and Uses of Funds by Disbursement Category (period to date, year-to-date, project-to-date) showing budgeted amounts versus actual expenditures, (i.e., documented expenditures), including a variance analysis;
- (b) IFR 2 –Uses of Funds by project Component (period to date, year-to-date, project-to-date) showing budgeted amounts versus actual expenditures, (i.e., documented expenditures), including a variance analysis;
- (c) IFR 3 –Statement of World Bank Disbursements; and
- (d) IFR 4 – DA bank reconciliation and accompanying bank statements for the Loan.

53. **External Auditing.** There will be an overdue audit report affecting the MTESS at the time of Board Approval. The 2021 financial statement audit report for the Argentina Youth Employment Support Project (P133129) is due on January 31, 2022. This audit report will be overdue because of delays in preparing the Project's Financial Statements by the MTESS, COVID-19 restrictions and limitations that made access to supporting documentation difficult for the auditors, as well as the complexity of the Project that requires the auditors to do extensive testing. The 2021 audit report is now expected to be received by May 31, 2022. Furthermore, the 2020 audit report for the same Project was submitted to the Bank in December 2021, almost six months overdue. Delays in the submission of audit reports from MTESS will thus be closely monitored during implementation of the new Project, to ensure that the track record is improved both in terms of timeliness of preparation of the financial statements and capacity of Argentina's Supreme Audit Institution (SAI) *Auditoria General de la Nación*, (AGN) to deliver on time, including monthly follow up meetings with both MTESS and AGN to check on the status of overdue audits.

54. For the proposed Project, the external Financial Statement audit of the Project will be performed by an independent auditor and under Terms of Reference (ToR) both acceptable to the World Bank, and in accordance with International Organization of Supreme Audit Institutions (INTOSAI) rules and procedures, as AGN will perform the Project's audit.

55. Audited financial statements (and any accompanying Management Letter) will be furnished to the World Bank no later than six months after the end of each fiscal year. In accordance with the World Bank's Access to Information Policy, upon receipt of the annual audited financial statements of the project, they will be made available to the public by the World Bank (but not the Management Letter). The borrower agrees to disclose the audited financial statements to the public.

56. **Expenditure Categories.** Loan proceeds would be disbursed against the following expenditure categories:

Table 1.3. Disbursements per Expenditure Category

Category	Amount of the Loan Allocated (in US\$)	Percentage financed by the loan*
(1) Training Fees under Part 1.1 of the Project	115,000,000	100%
(2) Stipends under Part 2 of the Project	87,500,000	100 %
(3) Goods, consulting services, non-consulting services, Training and Operating Costs under Parts 1.2, 3.1, 4 and 5 of the Project	43,775,000	100%



(4) Training Incentives under Part 3.2 of the Project	3,100,000	100 % of the amount of the Loan allocated to the PBC as set for in Schedule 4 to the Loan Agreement
(5) Front-end-Fee	625,000	Amount payable pursuant to Section 2.03 of the Loan Agreement in accordance with Section 2.07 (b) of the General Conditions
(6) Interest Rate Cap or Interest Rate Collar premium.	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	250,000,000	

** inclusive of Taxes, except for taxes and fees levied by financial transactions*

57. **Retroactive financing.** Payments made prior to the signing date of the Loan Agreement but in no case more than one year prior to the Signature Date may be included as retroactive financing. A transaction review will be carried out of these payments to confirm that the expenditures to be claimed as retroactive are acceptable. The retroactive financing cannot exceed the 20 percent of the total Loan amount.

58. **Borrower actions to prevent and combat fraud and corruption** in connection with the use of loan proceeds. In furtherance of the above-stated purpose, the borrower will:

- (a) take all appropriate measures to prevent Fraud and Corruption in connection with the use of Loan proceeds, including (but not limited to) (a) adopting appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the Loan are used only for the purposes for which the Loan was granted, and (b) ensuring that all of its representatives involved with the project, and all recipients of Loan proceeds with which it enters into an agreement related to the project, receive a copy of the World Bank's IPF Anti-Corruption Guidelines⁵⁷ and are made aware of its contents.
- (b) immediately report to the World Bank any allegations of Fraud and Corruption in connection with the use of Loan proceeds that come to its attention.
- (c) if the World Bank determines that any person or entity referred to in (i) above has engaged in Fraud and Corruption in connection with the use of Loan proceeds, take timely and appropriate action, satisfactory to the World Bank, to address such practices when they occur.
- (d) include such provisions in its agreements with each recipient of Loan proceeds as the Bank may require giving full effect to the World Bank's IPF Anti-Corruption Guidelines.
- (e) cooperate fully with representatives of the World Bank in any investigation into allegations of Fraud and Corruption in connection with the use of Loan proceeds; and
- (f) if the World Bank declares any recipient of Loan proceeds ineligible take all necessary and appropriate action to give full effect to such declaration.

59. **FM implementation support plan.** The World Bank will undertake formal, informal and ad-hoc supervision of the project based on its risk profile. Formal supervision missions will involve among other steps: (i) the review of the IFRs; (ii) a review of the auditors' reports and follow-up on issues raised by auditors, as appropriate; (iii) the

⁵⁷ Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016



follow up on any financial reporting and disbursement issues; (iv) a discussion of FM issues with the project team; and (v) an update of the FM risk and performance rating in the Implementation Status and Results Report (ISR). Staff weeks estimated for this project are 4 weeks/year.

60. The proposed FM Supervision Plan is as follows:

Table 1.4: FM Supervision Plan

Report	Periodicity	Due date
Review IFRs	Biannual	To be submitted by the borrower within 45 days after the end of the semester, with the World Bank reviewing the IFRs within 30 days of receipt thereof.
Audited Project Financial Statements	Annual	To be submitted by the borrower within 6 months after the end of audit period, with the World Bank reviewing the audit report within 30 days of receipt thereof.
Technical Audit for subcomponents 1.1 and 3.2	Annual	To be submitted by the borrower within 60 days after the end of the year, with the World Bank reviewing the report within 30 days of receipt thereof.
FM Mission Supervision	Risk Based	<ul style="list-style-type: none"> • High-Field mission every 6 months. • Substantial-Mission every 6 months alternating between a Field Mission and a Desk Review. • Moderate and Low-Field mission every 12 months.
Report	Periodicity	Due date
Review IFRs	Semesterly	To be submitted by the Borrower within 45 days after the end of the semester, with the World Bank reviewing the IFRs within 30 days of receipt thereof
Audited Project Financial Statements	Annual	To be submitted by the Borrower within 6 months after the end of audit period, with the World Bank reviewing the audit report within 30 days of receipt thereof
Technical Audit for subcomponents 1.1 and 3.2	Annual	To be submitted by the Borrower within 60 days after the end of the year, with the World Bank reviewing the report within 30 days of receipt thereof
FM Mission Supervision	Risk Based	<ul style="list-style-type: none"> • High-Field mission every 6 months • Substantial-Mission every 6 months alternating between a Field Mission and a Desk Review • Moderate and Low-Field mission every 12 months

61. Loan covenants. No legal covenants other than standard conditions for FM are applicable to this project.

Procurement

62. Procurement will be conducted using the World Bank's 'Procurement Regulations for IPF Borrowers', issued in July 2016 and updated in November 2020, for the supply of goods, works, non-consulting and consulting services. The World Bank's Standard Procurement Documents will govern the procurement of World Bank-financed Open International Competitive Procurement. For procurement involving National Open Competitive Procurement, the borrower may use documents previously agreed with the World Bank. For each contract to be financed by the loan, the different procurement methods or consultant selection methods, the



estimated costs, prior review requirements, and time frame will be agreed between the borrower and the World Bank in the Procurement Plan, which will be registered in the corresponding System (STEP) before process implementation. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

63. **A procurement capacity assessment of the SsGA at the MTESS was carried out by the World Bank in January 2022, to review the organizational structure for implementing the project and the experience of the existing procurement staff.** This assessment concluded that current staff in the unit have experience in implementing World Bank-financed projects, particularly on the type of procurement expected under the project, based on the knowledge acquired from previous operations. Nonetheless, certain risks were identified associated with the increasing workload that this operation will demand and the current procurement unit structure.

64. **Based on the results of the capacity assessment, the following actions are recommended to mitigate the identified risks and facilitate project implementation:** (i) define the procurement unit structure for the SsGA, including the roles and responsibilities of the procurement coordinator; (ii) schedule a virtual training together with the Accredited Procurement Specialist on the Bank's applicable regulations and procurement documents; (iii) use the national e-procurement system, COMPR.AR, for the implementation of procurement activities, unless otherwise specified in the Procurement Plan, for the procurement of goods and non-consultancy services up to the threshold of national approach.

65. **The SsGA has prepared a Project Procurement Strategy for Development (PPSD) using a short form given the scope of the activities to be implemented, identifying the procurement arrangements that will support the delivery of processes while efficiently achieving the objectives of the project.** Activities foreseen at this stage include primarily low risk and low value processes and the PPCD analysis took into consideration lessons learned from previous operations as a primary input to define the most suitable procurement arrangements. Based on such analysis, the activities envisaged at this stage include the procurement of goods (such as IT and audio and video conferencing equipment) through Requests for Bids and Requests for Quotations with a national approach, and consultancy services (for both individuals and firms) including software development and non-consultancy services (such as hosting, training related services, virtual messenger communications and the advertising and diffusion of the Employment Portal). Component 2 does not contain procurable expenses.

66. **The SsGA will reflect the activities derived from the PPCD in a Procurement Plan in STEP for the activities expected to be carried out during the first 18 months of the project.** The rest of the activities will be added to the Procurement Plan once they are defined by the technical areas during project implementation.

67. Based on the above, the overall project risk for procurement is Moderate.



ANNEX 2. Economic and Financial Analysis

A. Analysis of Anticipated Costs and Benefits

Overview

- The positive impact of the project is expected to result from easing constraints to finding employment and better jobs particularly through more effective training, strengthened public employment services, and improved labor market information and analysis.** The expected costs and benefits of some interventions, such as training, are more easily quantifiable than others, such as labor market information. The economic analysis uses survey and administrative data from Argentina and the literature on the impacts of similar programs to assess the costs and benefits of the interventions supplemented by qualitative analysis where necessary.
- The analysis assesses the combined costs and benefits of Components 1 and 2.** Component 1 seeks to expand and improve the supply of training and job counseling services by financing training fees for providers; developing labor competency-based standards, curricular designs, and teaching materials; training instructors; and improving and expanding the assessment of labor competencies. Component 2 seeks to expand the demand for training and job counseling services through stipends. The primary target groups for both Components 1 and 2 are unemployed young people between the ages of 18 and 24, unemployed women between the ages of 25 and 59, and unemployed men older than 45 years. While other groups are eligible for these services, most beneficiaries are expected to be in these target groups. Thus, the economic analysis focuses on these groups. Program expenditures per beneficiary are compared to the benefits per beneficiary taking into account the costs of each component. IRRs are calculated for a range of scenarios based on survey and administrative data from Argentina and the literature on the impacts of similar programs.
- The strengthening of public employment services under Component 3 will not only assist in the delivery of services under Components 1 and 2 but could also help improve public employment services more generally, as discussed below.** The costs and benefits of strengthening information systems, as is envisioned in Component 4, are difficult to quantify, but experience from other settings shows this is key to addressing labor market constraints.
- Results of the analysis indicate that the project's benefits are positive and robust to a range of assumptions.** The results indicate that the costs of Component 1 and Component 2 will be recouped through the increased earnings of beneficiaries within three to seven years, yielding an IRR of between 16 and 48 percent. This is consistent with the IRRs estimated from similar projects and in the literature.⁵⁸
- The project is also expected to have additional economic and noneconomic benefits that are more challenging to quantify.** The project is targeted to young people, working age women, and older men. The first two groups have worse labor market outcomes, including higher rates of inactivity, unemployment, and informality. Improving the earnings of these groups would likely have positive effects on poverty and equality. This is also likely to be true for older men. While labor market outcomes are better for older (more experienced)

⁵⁸ See, for example, the Argentina Youth Employment Support Project (P133129); the Mongolia Employment Support Project (P159215); Attanasio, Orazio, Arlen Guarín, Carlos Medina, and Costas Meghir. 2017. "Vocational Training for Disadvantaged Youth in Colombia." *American Economic Journal: Applied Economics* 9(2):131-43; and Attanasio, Orazio, Adriana Kugler, and Costas Meghir. 2011. "Subsidizing Vocational Training for Disadvantaged Youth in Colombia: Evidence from a Randomized Trial." *American Economic Journal: Applied Economics* 3: 188–220.



men, workers in this age group are at greater risk from technological changes. For example, cross-country evidence suggests that workers between 36 and 55 years are most at risk of job loss from automation.⁵⁹ Unemployment of these workers can have poverty effects. More than 70 percent of households with unemployed male heads of household in this age group are in poverty. Other potential social externalities include improvements in productivity due to increases in knowledge and skills, improvements in social cohesion from increased youth employment⁶⁰ and activation of otherwise idle labor, and improvements in human capital investments in children from reduced parental unemployment.⁶¹

Components 1 and 2: Strengthening ALMPs

6. **International literature shows that training programs, especially those linked to employment support services, generally have a positive impact on employment and earnings.** Several impact evaluations show that training and employment services policies have positive impacts, though the impacts vary by outcome and target group. In a meta-analysis of studies of ALMPs in Latin America and the Caribbean, Escudero et al. (2019) found that employment and formal employment are the outcomes most likely to be positively affected by ALMPs, and that ALMPs are more likely to be effective for women and for young people.⁶² Table 2.1 summarizes some of the main impact evaluations of training and employment promotion programs in Argentina and in Latin America and the Caribbean.

7. **Several studies have been undertaken in Argentina.** Studying the impact of the training and employment services provided under *Seguro de Capacitación y Empleo* in Argentina, Mourelo and Escudero (2017) found that the program did not have an impact on employment but did increase the probability of formal employment by 1 percent and increased wages by 17 percent.⁶³ The program had more positive outcomes for young people, including decreasing unemployment, but mixed results by gender and education. In a quasi-experimental setting, Castillo, Ohaco, and Schleser (2014) showed that sector-based vocational training courses increase the probability of formal employment by 29 percent with larger impacts for older people and women.⁶⁴ Alzúa, Cruces, and Lopez (2016) evaluated a job training program for low-income young people in Córdoba and found an increase of 32 percent in formal employment after 18 months, alongside an increase in earnings of up to 50 percent from both higher employment and higher wages.⁶⁵ The impacts are larger for men.

8. **Several studies outside Argentina have focused on the impact of programs targeted at young people.** Attanasio et al. (2011) found that *Jóvenes en Acción* in Colombia increased the probability of employment and wages for women (7 percent and 20 percent) but not for men, though both experienced increases in formal

⁵⁹ Acemoglu, Daron, and Pascual Restrepo. 2018. "Demographics and Automation." Working Paper 24421, National Bureau of Economic Research, Cambridge, MA.

⁶⁰ Robalino, David, David Margolis, Friederike Rother, David Newhouse, and Mattias Lundberg. 2013. "Youth Unemployment: A Human Development Agenda for the Next Decade." Social Protection and Labor Discussion Paper 1308, World Bank, Washington, DC.

⁶¹ Francesconi, Marco, and James J. Heckman. 2016. "Child Development and Parental Investment: Introduction." *The Economic Journal* 126: F1–F27; Mörk, Eva, Anna Sjögren, and Helena Svaleryd. 2019. "Consequences of Parental Job Loss on the Family Environment and on Human Capital Formation: Evidence from Workplace Closures." *Labour Economics* 67.

⁶² Escudero, Verónica, Jochen Kluge, Elva López Mourelo, and Clemente Pignatti. 2019. "Active Labour Market Programmes in Latin America and the Caribbean: Evidence from a Meta-Analysis." *The Journal of Development Studies* 55 (12): 2644–661.

⁶³ Mourelo, Elva López, and Verónica Escudero. 2017. "Effectiveness of Active Labor Market Tools in Conditional Cash Transfer Programs: Evidence for Argentina." *World Development* 94: 422–47.

⁶⁴ Castillo, Victoria, Moira Ohaco, and Diego Schleser. 2014. "Evaluación de impacto en la inserción laboral de los beneficiarios de los cursos sectoriales de formación profesional." Serie Documentos de Trabajo 6, ILO, Buenos Aires.

⁶⁵ Alzúa, María Laura, Guillermo Cruces, and Carolina Lopez. 2016. "Long-Run Effects of Youth Training Programs: Experimental Evidence from Argentina." *Economic Inquiry* 54 (4): 1839–59.



employment (7 percent and 5 percent, respectively).⁶⁶ Formal wages increased for women by 33 percent and for men by 23 percent. Looking at the longer-run impacts of *Jóvenes en Acción*, Attanasio et al. (2017) found that the program increased formal employment by 12 percent and formal earnings by 14 percent with similar impacts for women and men.⁶⁷ Card et al. (2011) found modest impacts of *Programa Juventud y Empleo* in the Dominican Republic with no effects on employment and modest effects on earnings.⁶⁸ However, in a later evaluation, Ibarrarán et al. (2014) showed an increase in formal employment of 17 percent for men and of 7 percent on earnings for employees overall without impacts on employment.⁶⁹ Evaluating the long-run effects of the program, Ibarrarán et al. (2019) found no impact on employment, an increase of 17 percent in formal employment, and a positive impact on earnings for a subsample in Santo Domingo. Impacts on formal employment are larger for men.⁷⁰

⁶⁶ Attanasio, Orazio, Adriana Kugler, and Costas Meghir. 2011. "Subsidizing Vocational Training for Disadvantaged Youth in Colombia: Evidence from a Randomized Trial." *American Economic Journal: Applied Economics* 3: 188–220.

⁶⁷ Attanasio, Orazio, Arlen Guarín, Carlos Medina, and Costas Meghir. 2017. "Vocational Training for Disadvantaged Youth in Colombia: A Long-Term Follow-Up." *American Economic Journal: Applied Economics* 9 (2): 131–43.

⁶⁸ Card, David, Pablo Ibarrarán, Ferdinando Regalia, David Rosas Shady, and Yuri Soares. 2011. "The Labor Market Impacts of Youth Training in the Dominican Republic." *Journal of Labour Economics* 29 (2): 267–300.

⁶⁹ Ibarrarán, Pablo, Laura Ripani, Bibiana Taboada, Juan Miguel Villa, and Brigida Garcia. 2014. "Life Skills, Employability and Training for Disadvantaged Youth: Evidence from a Randomized Evaluation Design." *IZA Journal of Labor & Development* 3 (10).

⁷⁰ Ibarrarán, Pablo, Jochen Kluve, Laura Ripani, and David Rosas Shady. 2015. "Experimental Evidence on the Long-Term Effects of a Youth Training Program." *ILR Review* 72 (1): 185–222.



Table 2.1. Selected Impact Evaluations of Training and Employment Promotion Programs in Latin America and the Caribbean

Study	Country	Target	Employment	Formality	Wages	Subgroups/Duration
Mourelo and Escudero (2017)	Argentina (<i>Seguro de Capacitación y Empleo</i>)		Null	Overall <ul style="list-style-type: none"> 1 percentage point (33%) increase 	Overall <ul style="list-style-type: none"> 17.35% increase 40.5% for young people 17.35% for women 	<ul style="list-style-type: none"> More positive for young people Mixed results by gender and education
Castillo, Ohaco, and Schleser (2014)	Argentina (sector-based training)	Not formally employed	n.a.	For informal or unemployed <ul style="list-style-type: none"> 3 percentage point (29%) increase 4 percentage point (24%) and 3 percentage point (32%) for men and women 4 percentage point (25%), 2 percentage points (29%), and 1 percentage point (39%) increase for 16–24, 24–49, and 50+ 	n.a.	<ul style="list-style-type: none"> More positive for women and older people
Alzúa, Cruces, and Lopez (2016)	Argentina (job training)	Unemployed or underemployed at-risk young with some secondary	n.a.	For informal or unemployed <ul style="list-style-type: none"> 8 percentage point (31.8%) increase 	Overall <ul style="list-style-type: none"> Up to 50% increase Conditional on employment <ul style="list-style-type: none"> Likely increased 	<ul style="list-style-type: none"> Effects on employment and earnings larger for men Effects fade in medium and long term



Study	Country	Target	Employment	Formality	Wages	Subgroups/Duration
Attanasio et al. (2011)	Colombia (<i>Jóvenes en Acción</i>)	Unemployed low-income young people	<ul style="list-style-type: none"> • 7 percentage points (12%) increase for women, null for men 	For informal or unemployed <ul style="list-style-type: none"> • 7 percentage point (35%) for women, 6 percentage points (17%) for men 	Overall <ul style="list-style-type: none"> • 20% increase for women, null for men • 33% for formal women, 23% for formal men Conditional on employment <ul style="list-style-type: none"> • Some evidence of increase 	<ul style="list-style-type: none"> • Effects larger for women
Attanasio et al. (2017)	Colombia (<i>Jóvenes en Acción</i>)	Unemployed low-income young people	n.a.	For informal or unemployed <ul style="list-style-type: none"> • 4 percentage point (12%) increase 	Overall <ul style="list-style-type: none"> • 13.6% increase in formal earnings 	<ul style="list-style-type: none"> • Impacts similar for women and men • Impacts persist in long term (approximately 10 years)
Card et al. (2011)	Dominican Republic (<i>Programa Juventud y Empleo</i>)	Low-income young people with incomplete secondary	Null	Null	Overall <ul style="list-style-type: none"> • Some evidence of positive impact 	<ul style="list-style-type: none"> • Impacts similar for men and women
Ibarrarán et al. (2014)	Same	Young people with incomplete secondary	Null	For informal or unemployed <ul style="list-style-type: none"> • 4 percentage point (17%) increase for men 	Overall <ul style="list-style-type: none"> • Null Conditional on employment <ul style="list-style-type: none"> • 7% increase 	<ul style="list-style-type: none"> • Impacts on formal employment for men • Impacts on earnings for women and men
Ibarrarán et al. (2019)	Same	Young people with incomplete secondary	Null	For informal or unemployed <ul style="list-style-type: none"> • 4 percentage point (17%) increase 	Overall <ul style="list-style-type: none"> • Null 	<ul style="list-style-type: none"> • Impact on formal employment driven by men • Long term (6 years)

Source: World Bank.

Note: n.a. means an estimate of the impact was not made.



9. **The net present value of the intervention is estimated by comparing the discounted stream of annual per beneficiary benefits ($BP_{y,g}$) and per beneficiary program costs ($CP_{y,g}$).** Program benefits are estimated based on the increase in total earnings from increased employment and earnings associated with the intervention. These are compared to program costs, which are determined using information provided by MTESS. The following key assumptions are made:

- (a) **Beneficiaries.** The primary focus of Components 1 and 2 is on young people, working age women, and older men. All targeted beneficiaries are unemployed people without formal work for the last three months who are not self-employed and are not beneficiaries of certain social transfers.⁷¹ In particular, there are three groups of beneficiaries (g): young people ages 18 to 24 with completed secondary school and with children or without completed secondary school with or without children ($g = 1$), women ages 25 to 59 with children and without tertiary education ($g = 2$), and unemployed men between ages 45 and 64 with children and without tertiary education ($g = 3$). The total number of beneficiaries of Components 1 and 2 is 600,000. Beneficiaries are split across each group g , as projected in the project indicators.
- (b) **Costs.** The costs of the intervention per beneficiary per year per target group ($CP_{y,g}$) are determined using information provided by the MTESS. Costs are assumed to be split across each target group by beneficiary share. The cost per beneficiary is US\$339.
- (c) **Effectiveness.** The benefits of the intervention per beneficiary per year per target group ($BP_{y,g}$) are valued by estimating the impact on total earnings with the intervention ($w_{y,g}^i$) and without the intervention ($w_{y,g}^{no}$). The interventions are assumed to influence total earnings by increasing the probability of formal employment. Improvements in productivity in informal jobs, measured as improvements in informal earnings, are also expected. While the intervention may affect the incidence of employment generally, distinguishing unemployed and informal workers is challenging given the frequently transitory nature of informal work and its common use as a safety net. This is consistent with the literature, which generally only identifies effects on formal employment for populations who are either informal or unemployed.

The probability of formal employment without the intervention ($p_{y,g}^{no}$), the probability of informal employment without the intervention ($1-p_{y,g}^{no}$), and earnings without the intervention for formal workers ($fw_{y,g}^{no}$) and informal and unemployed workers ($infw_{y,g}^{no}$) are estimated for each target group from the Household Survey (*Encuesta Permanente de Hogares*). Earnings for unemployed workers are conservatively set at the informal sector wage, which is equivalent to assuming a reservation wage of 100 percent of the informal sector wage. Earnings of formal workers are assumed to remain constant before and after the intervention.

The probability of formal employment with the intervention ($p_{y,g}^i$), the probability of informal employment with the intervention ($1-p_{y,g}^i$), and earnings with the intervention for formal workers ($fw_{y,g}^i$) and informal workers ($infw_{y,g}^i$) are estimated for each target group from the literature. Overall, impacts on the probability of formal employment are found to be substantial in most cases (Table 2.1). The literature does not always distinguish wage impacts conditional on employment but when possible finds evidence that impacts are likely positive. Impacts are generally found to be more positive for younger people and women so potential ranges of impacts are higher for the younger and female target groups.

⁷¹ These include pensions and public works.



Impacts on formal and informal earnings are infrequently distinguished in the literature, though there is some evidence that impacts on formal workers are larger.

Using the regional evidence and estimates from the impact evaluation literature summarized in Table 2.1 as a guide, the intervention is conservatively assumed to increase the probability of formal employment by between 1 percentage point and 5 percentage points for young people, by between 1 percentage point and 5 percentage points for women, and by between 1 percentage point and 3 percentage points for older men. This reflects the general regional findings that young people and women experience higher impacts than men but would understate the intervention's benefits if the impacts on men are higher, as some studies have found. The intervention is not assumed to increase formal earnings beyond the effect implied by a movement from informal to formal employment. The intervention is conservatively assumed not to increase informal earnings. This likely understates the impact of the intervention given the possibility that training, and employment services increase productivity in the informal sector.

- (d) **Duration.** The literature is somewhat mixed on the durability of benefits, but several papers indicate that impacts persist in the long-term (table 2.1). Thus, the intervention is assumed to have durable benefits ranging between 5 and 15 years (n). Given that the average age of the male target group is 52 (and the male retirement age is 65), the maximum duration of benefits for this group is set at 13 years.⁷²
- (e) **Discount rate.** The discount rate (r) is assumed to be between 2 and 10 percent consistent with the modest growth forecast for Argentina (1.7 percent in 2022 and 1.9 percent in 2023).⁷³

10. Using the terminology presented in the assumptions, the per beneficiary NPV can be expressed for each group as the per beneficiary discounted stream of benefits from the intervention:

$$NPV_g = \sum_{y=1}^n \frac{BP_{y,g} - CP_{y,g}}{(1+r)^y}$$

The per beneficiary benefits $BP_{y,g}$ can be broken down into the difference in an individual's earnings with and without the intervention:

$$BP_{y,g} = w_{y,g}^i - w_{y,g}^{no}$$

These differences in earnings can be broken down further into the probability of formal and informal employment with the intervention and formal and informal wages with the intervention:

$$w_{y,g}^i = (p_{y,g}^i)(fw_{y,g}^i) + (1 - p_{y,g}^i)(infw_{y,g}^i)$$

And into the probability of formal and informal employment without the intervention and formal and informal wages without the intervention

$$w_{y,g}^{no} = (p_{y,g}^{no})(fw_{y,g}^{no}) + (1 - p_{y,g}^{no})(infw_{y,g}^{no})$$

⁷² The average age of the young target group is 21 and of the women target group is 38.

⁷³ World Bank. 2016. "Discounting Costs and Benefits in Economic Analysis of World Bank Projects." World Bank, Washington, DC. World Bank. 2021. *Macro Poverty Outlook: Argentina*. Washington, DC: World Bank.



A beneficiary-weighted average of the per beneficiary benefits is used to calculate an overall NPV for the three groups.

11. **The assumptions above yield a distribution of IRRs with a mean of 34 percent and a median of 32 percent.** A small number of scenarios (3 percent) yield a negative IRR. The lower and upper quartiles of the estimates are 16 percent and 48 percent, respectively. This implies a median payback period of 4.3 years with 3.1 years and 6.7 years being the lower and upper quartiles, respectively. The IRRs are largest for women with a mean of 36 percent followed by young people with a mean of 32 percent and older men with a mean of 30 percent.

Components 3 and 4: Strengthening Public Employment Services

12. **Assessments of public employment services generally find positive short-term impacts on employment and earnings with more mixed evidence on impacts on earnings in Latin America.**⁷⁴ There is little evidence of the impact on formality. Evaluations in other settings show that public employment services reduce the time in unemployment.⁷⁵ Experience from settings in Latin America and the Caribbean and beyond shows that strengthening information and evaluation systems is key to addressing labor market constraints. Recent literature shows that information provision can have a positive impact on job search and help jobseekers, particularly students, adjust their labor market expectations. Research has found a positive impact of informational interventions on employment in the short run and more robust positive impacts on job search. A field-in-the-lab experiment in the United Kingdom provided a web-based tool that displayed relevant alternative occupations and associated jobs to jobseekers at computer facilities.⁷⁶ The tool expanded the jobs considered and increased the number of job interviews, particularly for participants who had been unemployed for a few months. In Peru, short message service (SMS) text messages that informed jobseekers about job opportunities that matched their profiles had a positive impact on employment.⁷⁷ In India, recruiting services provided to women in rural villages that were designed to increase awareness of employment in the business process outsourcing sector increased employment both in and outside the sector.⁷⁸ Research also shows that students often hold incorrect expectations about the returns to education and the returns to particular fields of study. Providing information about estimated returns to education has been shown to lead students to update their beliefs. Studies of students in the Dominican Republic and Madagascar who were provided with information showed additional positive impacts of information provision on the number of years of school completed, test scores, and attendance.⁷⁹

⁷⁴ Card, David, Jochen Kluve, and Andrew Weber. 2018. "What Works? A Meta-Analysis of Recent Active Labor Market Program Evaluations." *Journal of the European Economic Association* 16 (3): 894–931; Escudero, Verónica, Jochen Kluve, Elva López Mourelo, and Clemente Pignatti. 2019. "Active Labour Market Programmes in Latin America and the Caribbean: Evidence from a Meta-Analysis." *The Journal of Development Studies* 55 (12): 2644–661.

⁷⁵ Krug, Gerhard and Gesine Stephan. 2016. "Private and Public Placement Services for Hard-to-Place Unemployed: Results from a Randomized Field Experiment." *ILR Review* 69 (2): 471–500; Behaghel, Luc, Bruno Crépon, and Marc Gurgand. 2014. "Private and Public Provision of Counseling to Job Seekers: Evidence from a Large Controlled Experiment." *American Economic Journal: Applied Economics* 6 (4): 142–74.

⁷⁶ Belot, Michele, Philipp Kircher, and Paul Muller. 2017. "Providing Advice to Job Seekers at Low Cost: An Experimental Study on On-Line Advice." *The Review of Economic Studies* 86 (4): 1411–47.

⁷⁷ Dammert, Ana C., Jose Galdo, and Virgilio Galdo. 2015. "Integrating Mobile Phone Technologies into Labor-Market Intermediation: A Multi-Treatment Experimental Design." *IZA Journal of Labor & Development* 4: 11.

⁷⁸ Jensen, Robert. 2012. "Do Labor Market Opportunities Affect Young Women's Work and Family Decisions? Experimental Evidence from India." *The Quarterly Journal of Economics* 127 (2): 753–92.

⁷⁹ Jensen, Robert. 2010. "The (Perceived) Returns to Education and the Demand for Schooling." *The Quarterly Journal of Economics* 125 (2): 515–48; Nguyen, Trang. 2008. *Information, Role Models and Perceived Returns to Education: Experimental Evidence from Madagascar*. Mimeo.



B. Rationale for Public Sector Financing

13. **Public sector financing is warranted by the presence of several market failures that make access to good jobs difficult for certain groups.** Less-skilled and vulnerable groups have limited access to labor market information and job search tools, as private job search services, including online services, tend to focus on medium- and high-skilled workers. The costs of providing services to these difficult-to-serve populations make doing so unprofitable. Vulnerable groups, particularly young people, have difficulty signaling their skills in the absence of experience, which can lead employers to favor older workers. Public sector financing is also justified by the presence of positive social externalities related to better access to good jobs. These include the social benefits of poverty and inequality reduction, the potential for higher employment to strengthen social cohesion, and improvements in productivity related to increases in knowledge and skills. These social externalities mean that the private sector underprovides training and employment services for more vulnerable groups relative to the social optimum. The rationale for public sector financing does not preclude the involvement of the private sector in delivering training and employment services.

C. Rationale for World Bank Involvement

14. **The World Bank has significant experience with projects on vocational training and employment services in both Latin America and the Caribbean as a whole and in Argentina in particular.** The project can draw on lessons learned from and innovations included in these projects to enhance the benefits of this project. In particular, the World Bank can draw on substantial innovations made in employment services and in linking training to other support services in recent years to offer technical assistance for enhancing the benefits of the project. The proposed project activities would also leverage government resources for greater impact at a particularly vulnerable time for Argentina's labor market as it recovers from the COVID-19 outbreak. Finally, the World Bank's involvement creates strong incentives for regular monitoring of program results.