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Positive Impact Case Study

Bridging the Gap from School to Employment in El Salvador

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The Setting

Framing the Problem

The workforce situation in El Salvador is typical of many countries around the world—on one hand young people struggle to find meaningful work while businesses complain that their growth and competitiveness is constrained by difficulty and cost of finding people with necessary skills and competencies. In El Salvador this problem contributes to a particularly vicious circle: low skills are considered a major constraint to competitiveness and productivity growth, resulting in low investment and growth rates. This contributes to both migration (2 million people of Salvadoran descent in the US compared to a population of 6.4 million) and some of the highest levels of violence in the world. Formal jobs have expanded at a rate of 1.1% per year over the past decade (lower than labor force growth), while three of ten people subsist in informal jobs. Most migrants are also in the informal/shadow economy in the US at the lowest skill levels.

By the age of 14, only one in four young people remain in school, and only 38% complete high school. This has led to what is known as ni-nis—the more than 25% of young people not in school and not working. Surveys indicate young people drop out because they do not see the value of education, low quality and boredom, and/or economic and personal hardships. For those continuing in school, educational outcomes are typically poor and most students continuing to tertiary education study social sciences and humanities, for which there is limited demand post-graduation.

Both employers and labor force participants face two major hurdles: 1) bridging the gap from school to employment, and 2) continuous improvement in skills and competencies needed to improve productivity, competitiveness and wages. This case study will focus on the first of these problems. How can young people be motivated to acquire the skills, competencies and confidence they need to make themselves more employable? How can employers collaborate with service providers to improve the quality of human capital while reducing their recruiting, training, and turnover costs? This case study will look at two different segments of the youth population—high school students and dropouts (considered at-risk youth) and tertiary students in universities and specialized institutes.

The Workforce Development Market System

The hypothesis underlying this case study is that the gaps between the supply and demand for labor and skills is the result of market and systemic failures. Within the complex ecosystem of workforce and skills development there are clear gaps in matching education and training services with labor market demands and addressing the issue of unskilled and untrained job-seekers. The challenge is how to move from the vicious cycle that exists to a more virtuous cycle in which all key actors take a more proactive role in bridging this gap. These gaps should represent market opportunities for entrepreneurial service providers or innovative alliances and organizations. (See Figure 1)

1 Lopez, Gustavo. Hispanics of Salvadoran Origin in the United States, 2013. Pew Research Center. September 2015.

2 Inter-American Development Bank/FOMIN

3 World Bank Education Statistics

4 World Bank. Male Youth Who Don't Work or Study Increase in Latin America. January 2016

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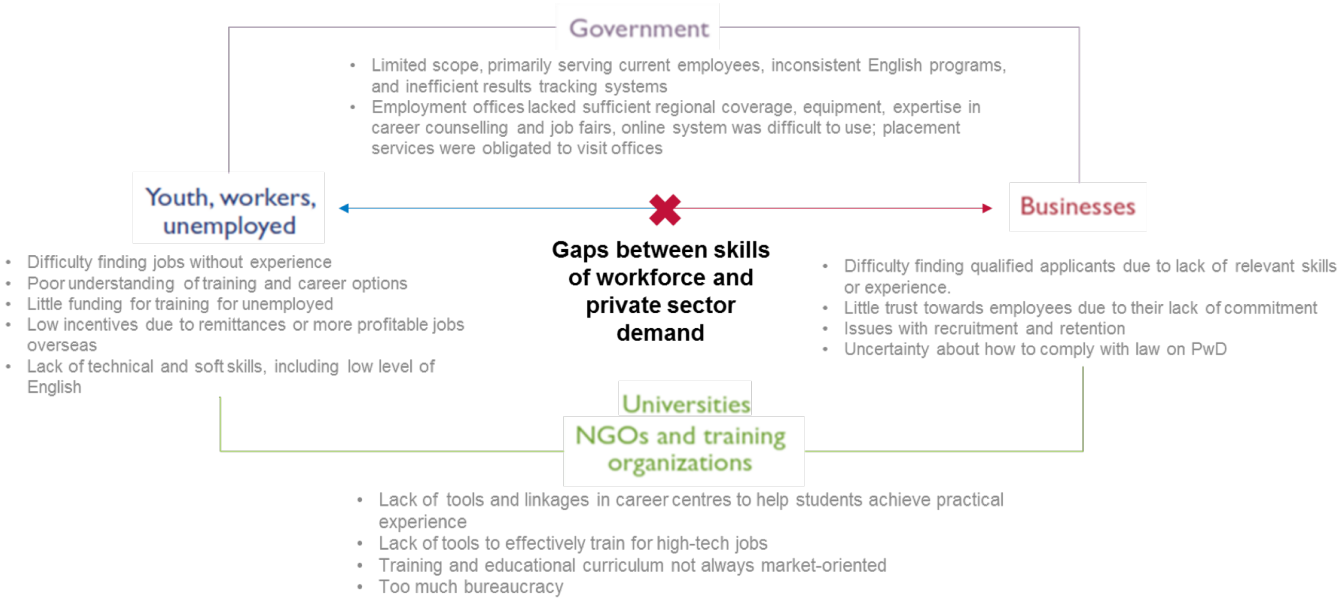
Figure 1: Gaps in El Salvador's Market



In El Salvador, a number of special characteristics frame the opportunities and challenges for the workforce development system.

Market shifts: Manufacturing expanded in the late 1980s and early 1990s based on apparel for export, but was challenged by a loss of competitiveness to lower wage countries. Concurrently, the potential for growth in El Salvador was mostly in services including business process outsourcing (call centers), aircraft maintenance, tourism and retail. To participate in these service sectors or move up the value chain in manufacturing, different skills (such as English) are needed.

Proactive private sector: Starting in the 1980s, the private sector realized that it would need to take a leadership role to address the deep economic and social challenges that had led to civil war and political polarization. The Business Foundation for Educational Development (FEPADE in Spanish) was established by the business community to address gaps in the educational and workforce development system.

Government focus on inclusion: In 2009, the political party of the former revolutionary front, won the presidential election and has remained in power since. While the government now spends more on education and initiatives to improve employment (from a very low base)—including a payroll tax on employers to finance a workforce development fund/agency (INSAFORP)—outcomes have been poor. Political polarization further complicates linkages with the private sector.

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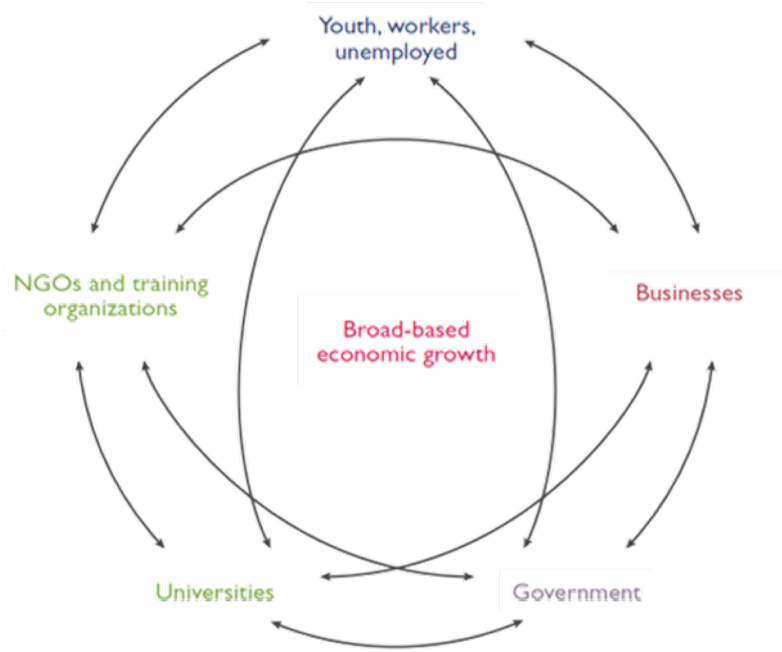

Active civil society: Non-governmental educational and training organizations have proliferated in El Salvador, supported by grants from international, private and religious donors. Donors such as the United States Agency for International Development (USAID) focused much of their attention on solutions to violence and migration to the US, which also meant solving the skills and employability gap.

Enterprising population: Salvadorans have a reputation for being enterprising and hardworking, but, for a variety of systemic reasons, find it difficult to improve their income and social levels (except maybe through migration).

The Workforce Development System

Successful workforce development programs are built on a solid understanding of the labor market and the workforce development system. Strong institutions and vibrant linkages create systems that align educational and training programs with growing sectors and business needs; champion needed policy reforms; build human capital, preparing a nation's populace for lifelong learning and employment; and boost inclusive socio-economic development. It is only by developing and tapping into the full human capital of all of society—including those disproportionately left behind such as women, lower-income individuals, vulnerable youth, and persons with disabilities—that nations can boost productivity, innovation, and competitiveness.

Case Study Hypothesis

IIn designing and implementing the Improving Access to Employment program (2009-2013), Palladium's hypothesis was that systemic solutions required all actors to see market-based opportunities that would benefit themselves as well as others. Demonstrating the potential of these opportunities would motivate key actors to agree to try new types of capacity building initiatives and linkages. Most critical to enduring success is the need for entrepreneurial service providers to develop innovative and commercially sustainable services linking the demand and supply sides of the labor market and simultaneously creating economic and social value for all.

5 At the time, CARANA Corporation, which has since become part of Palladium

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The Improving Access to Employment program incubated a range of partnerships with private companies, non-governmental organizations and government to address different gaps in the workforce development system. We assess the following three initiatives in this case study, which focus on bridging the gap from school (or unemployment) to employment:

- Youth with Commitment: A model for collaborating with employers to prepare and place at-risk youth, branded in Spanish as Jovenes Comprometidos.
- JOVEN360: A partnership with a leading recruiting firm, SEARCH to set up an online portal and services structured to help students make the difficult transition from school to work.
- English for Work: An initiative to develop curricula and teachers to provide English as a basic competency in the workforce, with customized modules for specific industries.

Since the support from Palladium and USAID ended in 2013, the case study provides an opportunity to determine:

1. Have the partnerships and/or service providers been able to evolve and grow on a commercial basis, sustained by evidence of the value they bring to students and firms?
2. What economic and social value has been created and how is it measured?

The Three Initiatives

Youth with Commitment

This program initiative focused on a particular segment of the market--vulnerable, disconnected youth referred to as "ni-ni" in El Salvador—meaning that they neither work nor study. Living mostly in poor peri-urban areas, they are also highly likely to be trapped in the informal economy, or in the case of girls, join the high percentage of women not active in the labor force. Some are likely to be recruited into the violent gangs that have devastated El Salvador with crime and violence. Many of these youth perceive formal employment as almost a hopeless goal. Meanwhile, employers looking for relatively low- skill entry-level workers such as retailers, hotels and fast food chains, perceived these youth to lack the minimal soft skills, competencies, and commitment required. Recruiting, training and turnover costs for these firms was high. Although a number of NGOs offered training programs for these youth, the numbers of individuals actually employed was low. These programs were generally long in duration and structured around specific types of vocational skills, but had not been developed in consultation with employers. Clearly something different was needed.

In setting up the Youth with Commitment program, Palladium started by signing partnership agreements with companies such as Walmart, American Franchising Corporation (owns and operates well known franchises in Central America), Hilton, Claro (part of America Movil a Mexican telecoms group), Pollo Campero (a food franchise chain) and others. The team worked with employers to identify the basic competencies required for success on the job and developed training programs incorporating those competencies as well as critical "soft skills" for success in interviews and in the workplace. The team announced training opportunities, which were linked directly to job vacancies, then held a one day information and orientation sessions for prospective participants.

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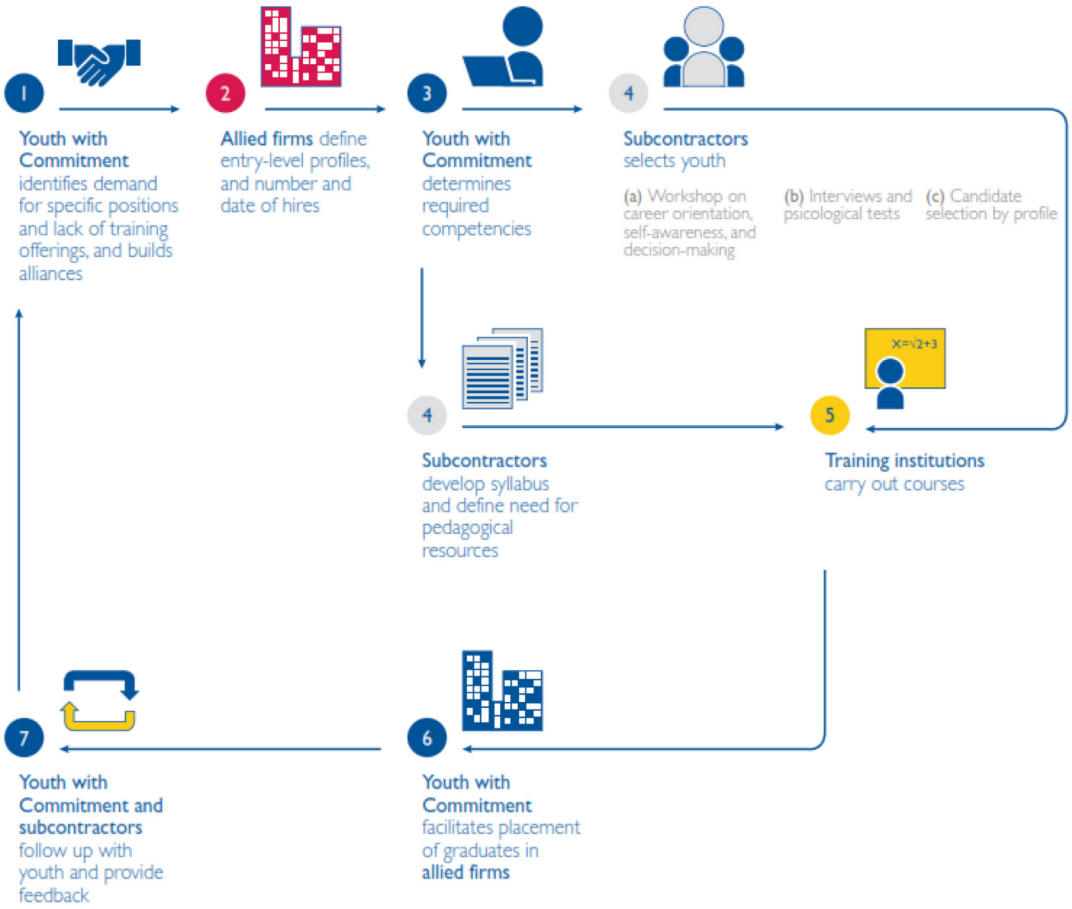
Figure 2: The Youth with Commitment Model



The Ministry of Labor, which operated job placement services, and NGOs were asked to help identify candidates.

Those that remained interested underwent preparatory assessments and participated in interviews for selection into the program. Selection criteria were different for each course, but each required some basic competencies in relevant areas, and most importantly an understanding and strong interest in the job, as demonstrated in the preliminary interview. On their side, companies committed to help with the curricula, send staff to support the training, and guarantee each participant an interview.

Courses were developed with partner businesses for the following occupational categories:

- Customer service and cashiers in restaurants and retail stores
- External and counter sales representatives
- Aero-maintenance assistants
- Accounting, administrative and sales assistants
- Motorcycle delivery and messengers
- Survey and data entry specialists
- Hotel housekeeping and management
- Micro-credit analysts and banking cashiers

Training courses—lasting between one to three weeks, depending on the career—were delivered by third party providers and culminated in job interviews. While there were sufficient job openings for all participants, companies made the hiring decisions. Technical training related to specific jobs was left to the internal training programs provided by employers. The process is shown schematically in Figure 2.

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The program coordinated the related social media initiatives which were so instrumental to overall success. For a campaign targeting youth aged 18 to 26, the communications team quickly realized that they needed to go where the youth were and speak their language. For example, a Facebook page provided advice on how to interview, prepare CVs, and look for jobs. Most importantly, though, it facilitated peer-to-peer communications. The page obtained over 60,000 fans in about a year, making it the most popular non-profit page in El Salvador. About 1,500 people per week shared tips and experiences with their friends becoming a community and a positive mutual support network. Forty companies posted job opportunities.

USAID invested $800,000 in the two years it supported the program while business partners invested an additional $500,000.

Change Processes and Value Creation

The change processes facilitated by Palladium during the two years it developed Youth with Commitment are summarized below, according to each actor in the system:

ACTOR	CHANGE ACTIONS	RESULTS
Youth	• Commitment to getting a formal job • Preparatory assessments and interviews • Full time participation in intensive training courses • Acceptance of employment offers • Peer-to-peer advocacy	• 1.900 youth complete training • 78% of graduates employed immediately after training • 49% young women • 38% obtained their first job through the program
Businesses (American Franchising, Walmart, Claro, Hilton, Megaboutique and Pollo Campero & 15 others)	• Identify job openings • Identify basic competencies required for success on the job • Assist in curricula development • Participate in trainings	• 21 business partners in 16 occupational categories • Lower recruiting and training costs • Reduced turnover rate
Government	• Ministry of Labor identified candidates • INSAFORP takes over program management and financing	• Program sustainability thru INSAFORP • Scalable model for addressing youth unemployment
NGOs and training organizations (Fulsalmo, OutSource, FEPADE)	• Conduct training based on demand by businesses and real needed	• Capacity and flexibility to offer training tailored to market needs • Revenue stream for educational providers

In El Salvador, where gang participation is a large problem, businesses can have very negative stereotypes and images of youth, particularly those from specific geographic areas. Through pilots, Palladium proved that the Youth with Commitment selection and training program did, in fact, build competencies and accurately convey information to employers regarding job candidate competencies. When managers saw the Youth with Commitment logo on participant's polo shirts, they knew the quality of youth they were hiring.

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Company Perspectives

From the perspective of employers, value was created through decreased recruiting and training costs, lower turnover, and more rapid advancement within the company.

The partnership with Walmart provides an interesting example of this. Walmart signed one of the first partnership agreements with the program. It was rapidly expanding in El Salvador and recruitment and staffing had become a major challenge. They asked the Youth with Commitment program to structure 80 hour curricula emphasizing soft skills for three categories: cashiers, food handlers and entry level managers.

In less than two years, 380 individuals were hired through the program for a fee of $180 per person. Relative to this investment, the company estimated the return on investment as follows:

- Reduction of 15 days in the hiring cycle
- 30% lower turnover
- 15% lower training costs
- Faster advancement and promotions (not quantifiable)

After two years, Walmart decided to bring the program in-house. This was partly due to the end of the Palladium Improving Access to Employment program, but also because of strict new anti-corruption policies that led to a period of decreased outsourcing of services. Walmart also hired Palladium to provide advisory services at its Bentonville headquarters on how the process for screening and preparing youth could be rolled out worldwide, particularly as part of a global effort to improve the hiring and advancement of females. In El Salvador, Walmart hired the director of the Youth with Commitment program as its head of HR for Central America. She continued the program in-house, but now at a cost of $800. While the screening and intensive training process remained effective, they lost the advantage of pooling these costs with other employers.

Another major employer—the American Franchising Corporation—observed that typically out of a general pool of applicants, they select about 10% for jobs in their businesses. In contrast, they hire more than 90% of applicants from the Youth with Commitment program. In surveys, other businesses participating in the program also confirmed that Youth with Commitment graduates were more motivated and focused on their jobs than coworkers recruited through traditional means. They also experienced lower turnover.

An analysis of all the employers participating in the program revealed that the cost to the business of supporting and hiring through Youth with Commitment was more than compensated by the value created for 8 of 10 occupations considered, even without subsidy from USAID or INSAFORP.

Sustainability

While Walmart adopted the screening and employee preparation approach in-house, there were two other tracks for sustaining Youth with Commitment. The first involved a government agency. El Salvador has a payroll tax on all companies that goes to fund INSAFORP, the Institute for Workforce Development. This institute pays for training programs including courses requested by specific employers or industries. INSAFORP, seeing the effectiveness of the program, agreed to take over management and funding. However, while the program nominally continues to exist, it has lost its dynamism without effective leadership.

The second track involves a public private partnership known as NEO and two NGOs, Catholic Relief Services and Plan International, have adopted elements of the approach supported by donor funding. However, according to employers, these lack sufficient appreciation of their requirements and have more of a supply side approach. What

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is lacking is a commercially oriented service provider to take this up as a business opportunity. This key success factor was better addressed in the initiative described below.

JOVEN360 (Youth 360)

While educational attainment varies greatly in El Salvador, job seekers at all educational levels face a challenge making the transition from school to work, and often, from one job to the next. Universities, training institutions, and employment offices have lacked the resources and skills to guide youth and adults in selecting their educational and career path, which should be based both on labor market demand and on an individual's interests and competencies. In particular, youth have difficulty finding their first job when their experience is only academic, rather than practical.

To address this issue Palladium partnered with SEARCH, a leading private executive search and headhunting firm active throughout Central America. The owners of SEARCH, three women with a passion for social impact as well as profit, quickly saw an opportunity to create the JOVEN360 (Youth 360) on line platform which they call an "Ecosystem of Opportunities" and a "Meeting Place for Youth and Opportunities" (www.joven360.com). The name for the platform came from an insight on how young people could better assess and profile their full range of assets in marketing themselves. The platform provides tools for developing a complete 360 profile by going through 10 steps to consider and capture all their different experiences, competencies, leadership roles, volunteer activities, and interests.

Employers pay fees to post new job and internship opportunities and search the database of candidates. This has evolved into permanent online Employer360 "kiosks" where candidates can learn more about potential employers. The site also featured virtual job fairs and career guidance. There were 20,000 students

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registered in the JOVEN360 portal, along with 600 businesses during the Improving Access to Employment project. There are now 48,000 youth registered (65% university students) and SEARCH has expanded the platform to four other Central American countries and Ecuador.

In addition to employment opportunities, JOVEN360 also provides online exchanges for internships, social entrepreneurs (with challenge prizes) and volunteer work. The internship exchange allows youth to gain key skills and experience while companies have an opportunity to complete special projects and recruit top talent. In its first two years, JOVEN360 helped 1,047 students from universities and technical schools with internships in 294 different companies and institutions. Of these, 41% went on to be hired by the same firm, although hiring was not an immediate goal of the internship initiative.

A key success factor of the JOVEN360 program is its extensive outreach campaign. Representatives visited universities and technical schools to generate excitement about the platform. A Facebook page and Twitter have generated significant traffic. JOVEN360 also partners with three industry associations to manage outreach to member firms and encourage hiring of interns. Workshops for businesses and online tools help organizations develop meaningful internship projects and manage the experience in a way that is beneficial for both the student and the firm. As reported by one of the founders, much of the work is offline.

Change Processes and Value Creation

While the benefits to students of the JOVEN360 program are obvious, the question remains: 'what value is created for SEARCH and its client businesses?' During the first two years, USAID contributed about $350,000, while SEARCH and its business partners invested and estimated $1 million. As the end of the second year approached, the SEARCH partners considered three options: 1) shut down the project; 2) structure JOVEN360 as an NGO and seek grant support; or 3) register as a for-profit social enterprise. The founders decided that, despite the huge effort and cost, they wanted to persevere. As entrepreneurs, they did not want to constantly apply for grants and become one of many NGOs in El Salvador. So they opted to pursue the social enterprise model.

In their fifth year of activity, 2016, JOVEN360 was cash flow positive for the first time. It was also named one of the top 10 Social Enterprises in Latin America by Ashoka, a major promoter of social entrepreneurship. SEARCH gets economic value from this venture in two ways. The first is that students that graduate JOVEN360 for jobs become potential candidates for SEARCH's recruitment business down the road once these individuals have more experience. The second and most important is the deepening of relationship with corporate clients. Companies see JOVEN360 as both a solution to improving the intake of entry-level staff and an ability to have social impact by supporting the venture. Companies partner with JOVEN360 through HR and CSR channels, and also turn to SEARCH for specialized headhunting and recruitment needs. Several companies, including Unilever, Kimberly Clark, and Procter and Gamble and several banks are exploring how to set up dedicated programs with JOVEN360 for all of Latin America. Now that SEARCH has expanded JOVEN360 to five other countries, they are also looking into the possibility of franchising the model in countries such as Brazil.

English for Work

Several of the more dynamic business clusters in El Salvador, as well as the government's investment promotion agency (PROESA), indicated that English language skills were one of the most important competencies that would enhance the employability and advancement of individuals as well as the competitiveness of their industries. Discussions with different groups of businesses

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revealed, however, that English for work was not the same as the more basic conversational English already being taught. Additionally, certain industries had specific requirements. This led to a number of partnership initiatives that have developed new curricula, teaching capacity and systemic relationships, all of which contribute to greater employability and business growth in the long-term. These initiatives include:

- English for aircraft maintenance: Aeroman—an aircraft maintenance company that grew from 1,600 to 2,400 employees since 2011—entered into an agreement with Improving Access to Employment to develop a module of 160 hours of training for existing employees. After completing the program, 600 participants could adequately read maintenance manuals, fill out maintenance logs and simply explain the tasks they had completed. Many were able to get promotions and higher salaries (unfortunately not quantified). An intermediate version of this curricula was then introduced as part of the University of Don Bosco Aircraft Maintenance certification and degree programs, enhancing the employability of graduates for Aeroman as well as the growing aircraft maintenance cluster. Aeroman grew from 1,600 to 2,400 employees between 2011 and 2015 while other companies also started up operations in this cluster.
- English for call centers: Call and customer support centers emerged as one of the fastest growing clusters in El Salvador with about 10,000 jobs created in the years before the Improving Access to Employment project. International companies like Sykes and Dell provided services in both Spanish and English, but the latter were constrained by the number of people with sufficiently advanced language skills. These companies have sophisticated training programs, but test prospective employees to see if they meet the minimum level of competency before being hired. In partnership with FEPADE, potential employees go through customized training offered by local training institutes, thus raising most participants to the needed competency levels.
- National English for work: The evidence emerging from the English training initiatives provided the impetus for the Government to partner with the Improving Access to Employment program and FEPADE, which has been leading innovative workforce development programs for 30 years. The program's early focus was on the manufacturing sector, which was expanding rapidly at the time. In recent years FEPADE has recognized the need to support the modernization and expansion of the service sector as well as increasing the productivity of sectors requiring higher technical skill levels. This provided FEPADE with structured the English for Work curricula, involving 18 modules, each 40-50 hours for beginning, intermediate, and advanced levels of English. 60 master teachers in 8 institutions were trained. INSAFORP, the government workforce development agency, now provides matching funding to businesses and clusters that want to participate in the program. The national English for Work program now trains about 18,000 participants per year. They also coordinate with PROESA, the government's investment promotion agency, and different business clusters to continue the technical English competency for both existing employers and increase the pool for new investors.

In this case, the ongoing viability of the English for Work programs is based on well-articulated demand from different economic clusters and the strength of FEPADE as a business-led coalition to build both its own capacity as well as that of other service providers.

Summary Conclusions and Lessons Learned

As in most countries, the educational and workforce development system in El Salvador often fails to provide the skills and competencies required by employers on the demand-side of the market. This

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impacts employability, industry competitiveness, and the rate of economic growth. The Improving Access to Employment program incubated partnerships and proofs of concept design to demonstrate ways in which business, service providers and government could work together on solutions to bridge these gaps on an enduring basis.

Overall, the program achieved the following results over four years:

KPI	TARGET	ACTUAL RESULTS
Alliances with business, government and NGOs	20	21
People with new or improved jobs	4,480	14,622
Women with new or improved jobs	2,240	5,777
Youth with new or improved jobs	1,792	6,545
Number of people trained	8,000	16,195
Industries supported	8	9
Internships completed	1,000	1,047
People receiving career guidance	10,000	23,500

It is important to note that the 14,622 people with new and improved jobs through the portfolio of Improving Access to Employment initiatives may seem small, but it is actually significant considering that the Salvadoran economy created only 15,520 formal jobs in 2009, the year the program started. The number of additional people in formal jobs increased each year after, reaching 70,192 in 2013. Of the 16,195 people participating trainings, 90% found jobs (often their first jobs) or a new position with higher salaries within their organizations.

Addressing the "Missing Middle"

Workforce development initiatives are most effective when initiated from the demand side. However, this means that employers must proactively engage with educational and service providers in structuring the curricula, providing internships and other experiential learning opportunities and, most importantly, hiring commitments. In this regard, the workforce development system is not dissimilar to other supply chains.

Systemic or market gaps that appear as problems to employers and labor force participants also represent opportunities for service providers. However, they need to demonstrate sufficient value to employers, labor force entrants/participants, and the government to generate the level of revenue needed for sustainability and growth. In this case, social entrepreneurs and businesses were the most effective in responding to the opportunities on a commercially sustainable basis. Alliance and business-led coalitions such as FEPADE can spur incubation of innovative workforce development solutions. These are most effective when the value to all actors is evident.

Measurement

Some of the systemic or market failures seen here can be attributed to poor metrics for measuring outcomes that meets different actors' value propositions. As often happens with donor and CSR-financed programs, Improving Access to Employment focused on key performance indicators related to numbers of participants trained and employed rather than value created across the system. As such, almost no attention was paid to whether enough value was created for employers, service providers, and Government in order to justify sustaining and scaling the proof of concept. However, actors like Walmart and SEARCH who measured economic value created were more inclined to invest in scaling.

The case study suggests that measuring the following key indicators would inform all actors as to the efficacy of different programs and approaches in delivering value.

6 These are officially registered jobs by employers contributing social security and payroll taxes, and distinct from the significant number of people who are underemployed in informal jobs.

7 USAID Improving Access to Employment Program Final Report. November 2013.

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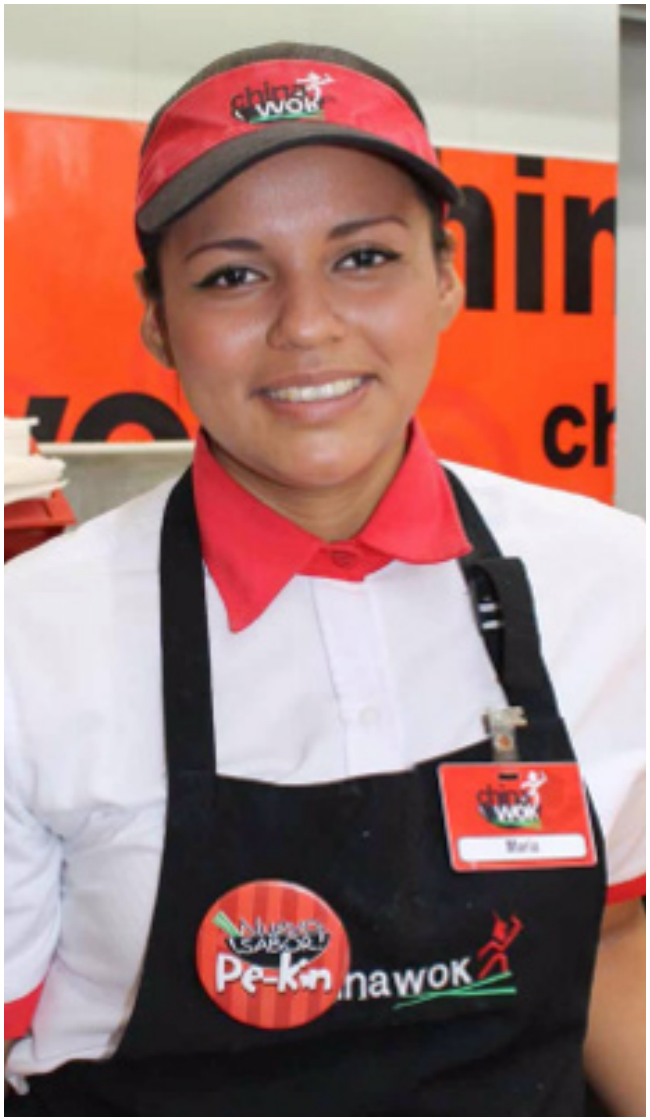
	INVESTMENT/COST	ECONOMIC VALUE	SOCIAL VALUE
SYSTEMIC	Cost/ participant	Total wages from new & improved jobs Placement rate (%)	Number of new and improved jobs % active in study or work
INDIVIDUALS	Fees	Placement rate (%)	Projected earning potential
BUSINESS	Fees, contributions to program development & operation, staff time Cost/person	Savings on recruiting and training (decreased turnover) Productivity gains	Total number of trainees employed through programs (includes other employers) Additional payroll tax
SERVICE PROVIDERS	Program development	Revenues and ROI	Educational outcome measures
GOVERNMENT	Contributions to program development and operations, especially for target populations	Savings on social safety net	

Paths to Sustainability and Expansion

Going forward, there are two obvious pathways to sustainability and expansion. The first of these involves companies and providers seeing value in the programs, trainings, and platforms. This was evidenced in the case of SEARCH and its corporate partners who turned to them for specialized headhunting and recruitment needs. The second option would be to form a coalition of companies to continue facilitating innovative types of workforce development solutions. This could build on the work of FEPADE, which is one example of a coalition in El Salvador already trying to address these issues.



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