

TC Abstract

I. Basic project data

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| • Country/Region : | BRAZIL/CSC - Southern Cone |
| • TC Name : | Monitoring and Evaluation System of Labor Market Policies |
| • TC Number : | BR-T1331 |
| • Team Leader/Members : | CRAVO,TULIO ANTONIO - Team Leader MUHLSTEIN,ETHEL ROSA - Project Assistant AVILA,KRYSIA A. - Attorney RIPANI,LAURA A. - Alternate Team Leader |
| • Indicate if : Operational Support, Client Support, or Research & Dissemination. | Client Support |
| • If Operational Support TC, give number and name of Operation Supported by the TC: | |
| • Reference to Request :(IDB docs #) | |
| • Date of TC Abstract : | 01 Jul 2016 |
| • Beneficiary (countries or entities which are the recipient of the technical assistance): | Federative Republic of Brazil, through the Ministry of Labor and Employment |
| • Executing Agency and contact name (Organization or entity responsible for executing the TC Program) {if Bank: Contracting entity} { if the same as Beneficiary, please indicate} | US-IDB - Tulio Cravo |
| • IDB Funding Requested : | \$ 300,000.00 |
| • Local counterpart funding, if any : | \$ 0.00 |
| • Disbursement period (which includes execution period): | 24 months |
| • Required start date : | |
| • Types of consultants (firm or individual consultants): | Individuals |
| • Prepared by Unit : | Labor Markets |
| • Unit of Disbursement Responsibility : | SOCIAL SECTOR DEPARTMENT |
| • Included in Country Strategy (y/n): TC included in CPD (y/n): | No Yes |
| • Strategic Alignment: | Social policy for equity and productivity |

II. Objective and Justification

Brazil benefitted from a favorable period of economic growth and social inclusion in recent past that had a positive impact in the labor market. Jobs were created at an unprecedented rate and from 2005 to 2013 unemployment rate fell sharply from 10% to 5.4%. Nevertheless, the recent slowdown exposes structural problems and poses some challenges to labor market policies. In 2015, the GDP fell by about 4% and, contributing to a poor performance of the labor market that lost more than 1.5 million formal jobs. Unemployment reached 9.0% at the end of 2015, an increase of 2.5 percentage points in comparison to the end of 2014.

To face these challenges, the country needs to improve its existing labor policies in order to facilitate the response of the labor market to future improvements in the economy.

Brazil has a considerable number of policies aiming at promoting employment, however, challenges remain regarding the manner the country respond to the current labor market conditions: (i) insufficient coordination among employment policies (labor intermediation, training, unemployment benefit; (ii) lack of in-depth studies about the labor market framework; and (iii) Monitoring and Evaluation (M&E) system that can be improved to provide more evidence-based technical knowledge that could contribute to the improvement of policy design.

The further development of labor policies in a country that has relatively well-structured institutions is challenging as more knowledge is required to provide innovative approaches to promote employment. The production of policy oriented studies and the strengthening of the M&E system are two strategies that can help MTE to improve labor policies.

A considerable number of studies about the labor market in Brazil is available, however, more evidence in the following topics are needed: (i) current employment policy framework and impact on labor market outcomes and productivity, (ii) the relationship between high labor mobility, informality and productivity, (iii) better labor intermediation strategies, quality job matching and productivity, and (iv) impact of short-time work subsidies on workers and the labor market.

A better M&E system is also an instrument with potential to contribute to the improvement of labor policies. The current M&E system of MTE focuses on processes and implementation rather than on the effectiveness and efficiency of the policies. The IDB is aware of the opportunities to improve the M&E system and has responded to the request of MTE by establishing the results framework for the National Labor Intermediation System (SINE). The expansion of such work to include all policies of MTE can contribute significantly to the improvement of policies.

Previous work undertaken by the IDB was fundamental to establish an active relationship with MTE that allowed the Bank to identify the needs of the government (BR-T1298, BR-T1258) in terms of studies and improvements in the M&E system.

In this context, the main objective of this technical cooperation is to support the elaboration of studies that will contribute to fill in knowledge gaps in order to design better labor policies to create more and better jobs. Also, it seeks to better structure the M&E system to understand the implementation, effectiveness and cost-benefit of policies under the responsibility of the MTE. The production of these studies will provide an opportunity to engage with the academic community in Brazil.

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III. Description of activities and outputs

Component 1 will finance strategic studies with potential to contribute to the improvement of labor policy design and implementation in the country. The studies will focus on topics such as the current employment policy framework and impact on labor market outcomes and productivity, the relationship between high labor market mobility, informality and productivity, better labor intermediation strategies, better quality of job matching and productivity, and impact of short-time work subsidies on workers and labor market (Budget - US\$ 150 000).

Component 2 will finance the activities needed to improve the M&E system and strengthen parts of the system that are not structured. The component will focus on the expansion of results framework and the establishment of benchmark for the policies implemented by MTE , plan the evaluation cycles (including impact evaluation and cost-benefit analysis) and will also finance courses for MTE staff on monitoring and evaluation (Budget - US\$ 110 000).

Component 3 will finance the engagement with the research community and policy makers in order to disseminate the findings and discuss possibilities of improving the design of labor policies (Budget - US\$ 40.000).

Outcomes

Name:

Components

Name: Component 1 – Studies on labor policies and outreach events.

Description: This component will comprise all the activities needed to produce studies with new evidence on key issues that can contribute to the design of better labor policy design. (US\$ 150.000)

High-quality series of studies to influence and improve the design of labor market policies.

Name: Component 2 - Structure and upgrade the M&E system

Description: This component will finance the activities needed to improve the M&E system and strengthen parts of the system that are not structured. The component will focus on the expansion of results framework and the establishment of benchmark for the policies implemented by MTE , plan the evaluation cycles (including impact evaluation and cost-benefit analysis) and will also finance courses for MTE staff on monitoring and evaluation (US\$ 110 000).

Consolidated monitoring and evaluation of labor market policies, high-quality evidenced-based evaluations, and increase transparency on the design and implementation of MTE programs.

Name: Component 3 - Engagement with the research community and policy makers.

Description: This component will finance the engagement with the research community and policy makers in order to disseminate the findings and discuss possibilities of improving the design of labor policies (US\$ 40.000).

Strengthened interaction between policy makers and research community in the decision making process.

IV. Budget

Indicative Budget

| Activity/Component | IDB/Fund Funding | Counterpart Funding | Total Funding |
|--|------------------|---------------------|---------------|
| Component 1 – Studies on labor policies and outreach events. | \$ 150,000.00 | \$ 0.00 | \$ 150,000.00 |

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|---|---------------|---------|---------------|
| Component 2 - Structure and upgrade the M&E system | \$ 110,000.00 | \$ 0.00 | \$ 110,000.00 |
| Component 3 - Engagement with the research community and policy makers. | \$ 40,000.00 | \$ 0.00 | \$ 40,000.00 |

V. Executing agency and execution structure

Inter-American Development Bank, Social Sector, Labor Markets and Social Security Division (SCL/LMK) US-IDB – TULIO CRAVO (tcravo@iadb.org)

At the request of the Government of Brazil, the Labor Markets and Social Security Division (SCL/LMK) of the Inter-American Development Bank (IDB) will be responsible for the management, supervision, coordination and evaluation of the Technical Cooperation. SCL/LMK has knowledge of labor market issues in Brazil and has developed a close relationship with the MTE, which allows the Bank to execute the TC in close collaboration with MTE.

VI. Project Risks and issues

There are no expected difficulties in the execution of the TC. A strategy for the execution is designed in line with the objectives and components of the TC. Nevertheless, there is perceived risks related to political instability (e.g. changes in the structure and strategies of the ministry) and staff rotation in the beneficiary institution.

VII. Environmental and Social Classification

The ESG classification for this operation is [C]