

PUBLIC

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

MODERNIZING PUBLIC EMPLOYMENT SERVICES (PES) IN LATIN AMERICA AND THE CARIBBEAN (LAC)

(RG-T2604)

TECHNICAL COOPERATION DOCUMENT

Under the Access to Information Policy, this document is subject to public disclosure.

RG-T2604

I hereby certify that this operation was approved for financing under the Korea Poverty Reduction Fund (KPR) through a communication dated June 5, 2015 and signed by Mr. Suyeong Yu, Director of the International Bureau, Ministry of Strategy and Finance of the Republic of Korea. Also, I certify that resources from said fund are available for up to **US\$800,000** in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount, may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

10/30/2015

Date _____

Approved:

OCT 30 1953

Date _____

TC Document
Modernizing Public Employment Services (PES) in LAC
(RG-T2604)

I. Basic Information

▪ Country/Region:	Regional
▪ TC Name:	Modernizing Public Employment Services (PES) in LAC
▪ TC Number:	RG-T2604
▪ Team Leader/Members:	Verónica Alaimo (SCL/LMK), team leader; Dulce Baptista (SCL/LMK); María Elisa Arango (LEG/SGO); Sofia Greco (LEG/SGO); Manuel González Schuler (SCL/LMK); and Ethel Muhlstein (SCL/LMK).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination	Client Support
▪ Date of TC Abstract authorization:	June 5, 2015
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Bahamas, Barbados, Brazil, and Peru
▪ Executing Agency and contact name (Organization or entity responsible for executing the TC Program)	Inter-American Development Bank (IDB), through the Social Sector, Labor Markets and Social Security Unit (SCL/LMK). Veronica Alaimo, valaimo@iadb.org.
▪ Donors providing funding:	Korean Poverty Reduction Fund (KPR)
▪ IDB Funding Requested:	US\$800,000
▪ Execution period:	30 months
▪ Disbursement period:	36 months
▪ Required start date:	November 2015
▪ Types of consultants (firm or individual consultants):	Individual consultants, national and/or international, and firms
▪ Prepared by Unit:	SCL/LMK
▪ Unit of Disbursement Responsibility:	SCL/LMK
▪ TC Included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ GCI-9 Sector Priority:	Yes, poverty reduction and equity enhancement (see paragraph 2.8).

II. Objectives and justification of the technical cooperation (TC)

- 2.1 Public Employment Services (PES), as a part of the Active Labor Market Policies (ALMP), is an effective tool for governments to reinforce job search, hence to fill the gap between job seekers and job vacancies by providing timely and useful labor market information. However, evidence shows that PES still face several challenges in Latin American and the Caribbean (LAC). First, coverage is restricted or almost nonexistent in several cases (Mazza, 2003): while the number of firms registered in PES agencies oscillates between 20% and 60% in Europe, it rarely exceeds 10% in LAC countries (IDB, 2015). Second, they are confronted with relevant financial constraints: public spending on labor intermediation programs in LAC countries is very low (0,04% of GDP) (Cerutti et al. 2014) in comparison to the Organisation for Economic Co-operation and Development (OECD) countries (0,17% of GDP) (OECD, 2011). And third, technical and human resources are limited which negatively affects performance: public agencies are not always equipped with the appropriate information and technology (IT) infrastructure to monitor processes and assess outcomes. On the other hand, vocational counselors do not have access to training opportunities which may improve quality of inter-personal service provided.
- 2.2 Jobs are essential for both the personal growth of people and the economic growth of countries. Helping people find and keep quality jobs is essential for sustained poverty reduction and social development. One of the policies oriented to this end is labor intermediation services through PES. Well-functioning PES allows job seekers access to information to job opportunities, to demanded skills by employers, to training opportunities, and assist them in developing a plan to achieve job insertion in a quality job (Alaimo et al, 2015). Currently, PES in the region do not have effective evidence-based information systems able to measure and monitor performance management. As a result, decision-making process is formulated based on foundations that are unrelated to a results-based management approach. In Brazil, for example, PES gathers lot of information about service provision; nonetheless, they do not have the necessary set of indicators to develop an adequate follow up. Hence, tracking, assessment and comparability of performance among different agencies in the country is difficult to implement. In LAC, the most advanced country in this field is Mexico, as it counts with a set of 71 performance indicators through which actions and results can be easily compared, facilitating therefore the performance assessment of various labor intermediation offices.
- 2.3 The IDB and the Government of Korea, through the Ministry of Employment and Labor (MOEL), are collaborating to support the ministries of labor in Latin America and the Caribbean to create policies that can effectively promote higher labor productivity while protecting workers against labor risks. The Korean experience is a valuable reference for the region: in half a century, the country became one of the top-15 world economies by focusing its growth strategy on the development of human capital and employment. Korea incorporated the best international practices to promote ALMP, to foster skills development and to support the unemployed who

were looking for a job. Korea established continuous systems for reviewing, monitoring and measuring results to systematically improve its public policies. The country has also developed a functional e-Government system to manage PES, namely WorkNet®.

- 2.4 Korean WorkNet® was founded 1998, and became a national job portal providing job openings for not only job centers of central and local government but also private employment services. Since 2011, WorkNet® services have also been provided through mobile services. WorkNet® offers four stages of services for job seekers (resume writing, job search, job application and finish up) and for employers (job posting, job search, job application, and finish up). WorkNet® consists of a high edge job search engine that is used for database searching including a number of items (location, occupation, wage level, education, etc.). It also offers career guidance services including online vocational and psychological tests. For a detailed description of WorkNet® main activities see 'About Worknet' annex. WorkNet® ultimately allowed them to play a key role in advising other countries (e.g. Vietnam, Turkey, and Saudi Arabia) on the subject.
- 2.5 The partnership between the Republic of Korea and the IDB to cooperate in the field of labor and employment policies has materialized in several ways since the signing of a Memorandum of Understanding (MOU) between MOEL and the Bank (September 23, 2014) in the occasion of the 2014 Regional Policy Dialogue "Towards an effective labor market inclusion in Latin America and the Caribbean" held in Seoul. The participation of an IDB/LMK official as a keynote speaker in the event "Building Competency for Employment Services" in Seoul (4-5th March, 2015); the participation of a representative from Korea Employment Information Service (KEIS) as a speaker in the "Labor Intermediation Seminar: Performance Management in Public Employment Services" in Washington DC (March 19, 2015); and the participation of KEIS experts as technical advisors in the Bank's mission to Peru, in the framework of operation PE-L1152, "Improving Employment Center effectiveness of services in labor insertion of urban youth" (March 23 to 27, 2015), can be mentioned as practical examples of IDB and Korea's joint work. Also, TransFormation "Skills for Work", the series of workshops held in seven different LAC countries and funded by technical cooperation RG-T2402, ATN/KP-14149-RG and RG-T2611, ATN/KP-15014-RG illustrates this joint work.
- 2.6 In the long term, it is expected that LAC countries are able to strengthen PES by enhancing their performance, thereby helping people find more and better jobs. In this regard, recommendations have been already formulated: (i) to reinforce institutional capacity through better technological instruments and high quality human resources; (ii) to diversify service provision including job-searching, hiring, and job-matching services; (iii) to better integrate the private sector to boost public and private partnership initiatives; (iv) to ensure reliable information on job opportunities

which will benefit both job seekers and employers; and (v) to promote evidence-based decision making as well as result oriented management practices.

- 2.7 The objective of this TC is to support Public Employment Services (PES) in LAC to define an action plan for improvement of services provided to employers and job seekers. To that end, the TC will fund diagnostic analysis, training of public officials, and involve all relevant stakeholders to prepare an action plan that is relevant and appropriate for each country's needs.
- 2.8 The TC aligns with GCI-9 lending programs for poverty reduction and equity enhancement (sector), and regional development goals of social policy for equity and productivity¹. The TC aligns with the purpose of the KPR fund of supporting poverty reduction and social development activities². For TC execution, the IDB will seek coordination with relevant stakeholders in each country, especially other donors currently working in similar topics in beneficiary countries.

III. Description of activities/components and budget

- 3.1 Component 1: Capacity building in PES. This component will finance the diagnostic of service provision and performance management of PES in at least three beneficiary countries. The activities involved in this process are: (i) a consultation mission to each country with the participation of experts from MOEL and KEIS, and other international experts if needed (e.g. technical officers, system integration developers and interpreters); major activities of consultation missions are consisted of research, data analysis, and interviews; (ii) the development of a strategic plan of action (SPA) for each beneficiary country which will address key issues such as population size, PES features and services, IT environment, among others; and (iii) and a training program in Korea for PES officers. One team of two members from each participant country, including vocational counselors, will travel to Korea to finalize the SPA and receive training on the implementation of the WorkNet® development projects and, operation and maintenance of WorkNet® in the target countries. More details for these activities are included in 'About Worknet' annex.
- 3.2 The current TC considers technical assistance to facilitate SPA implementation. However, each country will need to obtain its own funding to cover hardware and software purchases, which cost may vary between US\$1.5 and US\$5 million. The detailed budget needed for implementation will result from the consultation mission. Furthermore, The Republic of Korea will be able to donate the software of WorkNet®

¹ Improving the functioning of labor markets for higher productivity and increased social security coverage.

² Korea Poverty Reduction Fund (KPR) Operational Guidelines, October, 2012 (IDBdocs #37230667). TC operations submitted to KPR must be directly linked to programs under preparation or have been prioritized by the countries during the programming exercises with the Bank and/or show an appropriate level of commitment for their implementation and sustainability by the beneficiary government(s)

as an open Application Programming Interface (API). This means that beneficiary countries can use existing WorkNet® programs for free with marginal correction.

- 3.3 Component 2. Operational support, Monitoring, and Dissemination. This component will finance operational assistance to coordinate the dialogue among Korea, the Bank, and participating LAC countries representatives as well as monitoring and dissemination activities. The contribution of KPR and the donor (the Korean Ministry of Strategy and Finance) will be prominently recognized in any printed materials, websites, publications, presentations, training sessions in the process of project implementation and activities carried out in the TC. In this sense, the following activities will be held: (i) hire a coordinator who will follow up on the SPAs elaboration and reproduce annual monitoring reports. The coordinator will also be in charge of logistics for events, official missions and high level meetings between Korean cooperation officers and beneficiary countries representatives; and (ii) create a branding campaign reflecting IDB and Korea's partnership. Dissemination materials such as videos, press releases and interviews will be prepared to cover high level meetings, visits, workshops and training courses. Moreover, official documents will include the institutional image of both partners.

Indicative Results Matrix

Expected Results and Outputs	Unit	Baseline	Year 1	Year 2	Target	Exp. Completion Date	Source
Expected results: By the end of the project, countries will be able to assess the current status of PES and thereby establish the foundations for a long-term institutional strengthening strategy.							
Component 1: Capacity building in PES							
1.1. Consultation mission in at least three beneficiary countries completed	Report(s) approved by IDB	0	3		3	December 2016	IDB docs
1.2. Strategic Plan of Action (SPA) developed for each beneficiary country	Number of plans	0	0	3	3	December 2017	IDB docs
1.3 Training program for PES officers and counselors organized in Korea	Event	0	0	1	1	December 2017	IDB docs
Component 2: Operational support, Monitoring, and Dissemination							
2.1. Annual monitoring reports delivered	Report(s)	0	3	3	3	December 2017	IDB docs
2.2. Communication materials delivered	Materials	0	0	1	1	March 2018	IDB docs
2.3. Official documentation packages produced	Services	0	0	1	1	March 2018	IDB docs

Indicative Budget

Activity/Component	Description	IDB/Fund (KPR)	Total Funding
Component 1: Capacity building in PES			\$600,000
1.1. Consultation mission in at least 3 beneficiary countries completed	Consultation mission in LAC countries: event, travel, accommodation, translation services, etc.	\$300,000	\$300,000
1.2. Strategic Plan of Action developed for each beneficiary country	Consultancy for information and technology (IT) (PA C1)	\$100,000	\$100,000
1.3 Training program for PES officers and counselors organized in Korea	Training program in Korea: workshop, travel, accommodation, translation services, etc. (PA S2)	\$200,000	\$200,000
Component 2: Operational Support, Monitoring, and Dissemination			\$200,000
2.1. Annual monitoring report and final report delivered	Consultancy for operations and monitoring (PA C2)	\$80,000	\$80,000
2.2. Communication materials delivered	Consultancy for communications and dissemination (PA C3)	\$80,000	\$80,000
2.3. Official documentation packages produced	Official document production (PA S3)	\$40,000	\$40,000
TOTAL			\$800,000

- 3.4 The supervision of this TC will be carried out by a specialist from the Labor Market and Social Security Unit (SCL/LMK) and the designated focal points in the Country Offices, who will be responsible for the execution, expenditure management, monitoring arrangements and quality insurance of the products delivered by the consultancies financed by the TC. Final evaluation report different from an impact evaluation will be elaborated at the end of the TC.

IV. Executing agency and execution structure

- 4.1 Given the regional nature of the TC, it will be executed by the Bank through the Labor Markets and Social Security Unit (SCL/LMK), as stated in the letters of request of the participant countries included in the annexes. In addition, the MOU signed between MOEL and the Bank sets the ground for collaboration between Korea and LAC countries, positioning the IDB as a facilitator of that cooperation.
- 4.2 Procurement. The Bank will contract individual consultants, consulting firms and non-consulting services in accordance with current Bank procurement policies and procedures. For detailed information with respect to acquisitions, please refer to the procurement plan included in the annexes.
- 4.3 Prior to the initiation of activities in other regional countries, the corresponding letters of request will be obtained from the Country liaison entity with the Bank.

V. Major issues

- 5.1 Cultural and language barriers may limit an efficient communication among LAC stakeholders, IDB team and Korean partners. The TC therefore considers the hiring of translators for the consultation mission, as well as the hiring of a consultant fluent in English, Spanish and Korean (activity 2.1 of budget table) as specified in the terms of reference.
- 5.2 IT infrastructure, human resources qualification and public funding allocated to public employment services (PES) vary from one country to the other. Given the institutional limitations in some of them, decision making process may take more time than originally estimated, resulting in delays in TC execution. The Bank will therefore collaborate closely with Korean experts to ensure LAC countries receive support when needed to speed up such processes (preparation of presentations for stakeholders buy-in, etc.).
- 5.3 **Sustainability.** The TC provides technical assistance, but the implementation of the deliverables of this TC will depend on financing for hardware and software purchases and installation, human resource training once systems installed, among other expenses. There is a risk that countries do not have the funding to do this. However, beneficiary countries were selected based on a continuous dialogue between the IDB and countries, which allows identifying countries commitment with this type of investment. To mitigate these risks, the dissemination of the results of this TC to all relevant stakeholders will allow to raise awareness about the role of well-functioning PES for poverty reduction and social development, and the IDB will continue supporting the countries through technical assistance (such as Red SEALC, www.redsealc.net) and other operational products.

VI. Environmental and Social Strategy

- 6.1 Given the nature of this technical cooperation and based on the environmental and social safeguard filter, the proposed TC has been classified as Category C. See [safeguards reports](#).

Required Annexes:

Requests from clients: [Letters of request from clients](#)
[Procurement Plan](#)
[Terms of reference](#)

Optional Annexes:

[About Worknet](#)
[Multi-year Plan](#)
[Calendar](#)
[Letter of Approval from the Korean Ministry of Strategy and Finance](#)