

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**INSTITUTIONAL IMPROVEMENT OF THE PUBLIC EMPLOYMENT SYSTEM
(PES)**

(BR-T1405)

TC DOCUMENT

This document was prepared by the Project team consisting of: Tulio Cravo (SCL/LMK) Team Leader; Ethel Muhlstein (SCL/LMK); Tania Gaona (SCL/LMK); and Cristina Celeste Marzo (LEG/SGO).

INSTITUTIONAL IMPROVEMENT OF THE PUBLIC EMPLOYMENT SYSTEM (PES)

BR-T1405

CERTIFICATION

I hereby certify that this operation was approved for financing under the **Ordinary Capital Strategic Development Program for Social Development (SOC)** through a communication dated August 7, 2018 and signed by Mariana Mendoza. Also, I certify that resources from said fund are available for up to **US\$150,000** in order to finance the activities described and budgeted in this document. This certification reserves resource 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, representing a risk that will not be absorbed by the Fund.

Certified by:

Sonia M. Rivera
Chief
Grants and Co-Financing Management Unit
ORP/GCM

Date

Approved by:

Carmen Pages-Serra
Jefe de División
División de Mercados Laborales
SCL/LMK

Date

TC Document

I. Basic Information for TC

▪ Country/Region:	BRAZIL/CSC - Southern Cone
▪ TC Name:	Institutional Improvement of the Public Employment System (PES)
▪ TC Number:	BR-T1405
▪ Team Leader/Members:	Tulio Cravo (SCL/LMK) Team Leader; Ethel Muhlstein (SCL/LMK); Cristina Celeste Marzo (LEG/SGO); and Tania Gaona (SCL/LMK).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination	Client Support (CS)
▪ Date of TC Abstract authorization:	07 Aug 2018
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Federative Republic of Brazil, through the Ministry of Labor
▪ 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}	Inter-American Development Bank (IDB), Social Sector, Labor Markets Division (SCL/LMK)
▪ Donors providing funding (amount and Fund's name):	US\$150,000 - OC Strategic Development Program for Social Development (SOC)
▪ IDB Funding Requested:	US\$150,000
▪ Local counterpart funding, if any:	0
▪ Execution and disbursement periods:	24 months
▪ Required start date:	November 15, 2018
▪ Types of consultants (firm or individual consultants):	Firms; Individuals
▪ 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
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; institutional capacity and rule of law

II. Objectives and Justification of the TC

- 2.1 The objective of the technical cooperation is to contribute to the institutional strengthening of the Public Employment Services (PES) in Brazil. The technical cooperation will provide support for the reengineering process of the PES, which represents a major institutional reform of the National Employment System (SINE in Portuguese). More specifically, the technical cooperation will assist in the construction of the institutional and operational framework of the new SINE regulation, which requires a decentralized business model for about 2,000 SINE offices. The cooperation will prepare detailed studies and operation guidelines with instructions to undertake the institutional changes. These changes are mandated by the Federal Law 13.667/18 as a condition to access federal funds and improve the effectiveness of public employment services.
- 2.2 All 26 states, the federal district, and 1,300 Brazilian municipalities provide Public Employment Services (PES). The 2,000 SINE offices offer professional orientation and qualification, labor intermediation, unemployment insurance and labor market

information. Nowadays, SINE network does not provide standardized services and is funded by federal government through individual agreements negotiated with each state and municipality without a clear criterion to funding assignment. This process lacks a basis for funding eligibility and transparency, which leads to a discretionary use of funds. Consequently, the quality and efficiency of SINE services can vary, affecting placement effectiveness of jobseekers. For example, the employment offices of Paraná state only placed 15% of workers referred. In contrast, the state of Maranhão has a placement rate of 34%. The institutional improvement and the new operational guidelines supported by the technical cooperation also has the aim of increasing transparency and reducing the regional heterogeneity of SINE's effectiveness.

- 2.3 All states and municipalities providing PES will be mandated by law (Federal Law No. 13.667/18) to request access to federal funds under a new financing procedure and to adhere to the new institutional setting and business model to implement their services. However, it is difficult for the federal government to benchmark which SINE offices perform better and thus identify a business model that better suits the business network. Initial efforts to harmonize the provision of basic services and to standardize the management information system was done under the technical cooperation BR-T1298, ATN/OC-14523-BR which prepared the documentation and guidelines to standardize the main services of the SINE network. During the execution of the latter, we learned how important it was to conduct consultations across important players to both generate traction in the political sphere and ensure political buy in at early stages. This technical cooperation departs from the guidelines developed in BR-T1298 and takes a step further to operationalize the new institutional setting that will be the instrument to enforce the standardization of services.
- 2.4 The objective is to support the federal government in creating the enabling environment to coordinate the transition to the new rules among stakeholders, including various government agencies at local level that operate SINE services. The technical cooperation (TC) will include analytical products to help the Ministry of Labor put together the business processes to streamline the operational cycle of SINE services.
- 2.5 **Alignment.** The proposed TC is aligned with the Bank's Update to the Institutional Strategy 2010-2020 (AB-3008) as it seeks to reduce inequality and improve institutional capacity by streamlining the processes through which its Public Employment Service (PES) inserts more jobseekers into the labor market. In line with the latter, the TC also seeks to contribute towards the institutions and rule of law indicator of the Corporate Results Framework (GN-2727-6) by helping the Ministry of Labor update its institutional framework of the SINE network to ensure it abides by the recently approved law No. 13.667/18. The TC is also in tune with the Strategic Ordinary Capital (SOC) objective (GN-2819-1) which looks to strengthen the technical and managerial capacity of national and subnational governments. It is also in line with the LMK Sector Framework (GN-2741-7) which promotes appropriate performance targets (p. 4.14) in order to guide priority areas and calls for strengthening the management of PES (p. 5.5.1.g.) as a means to increase the scope and effectiveness of labor intermediation. Following this line, it also builds on priority area no. 2 of Brazil's Country Strategy (GN-2850) which looks to reduce inequity through the improvement of the quality of public services (p. 3.28).
- 2.6 Brazil recently approved a labor market reform. The reform changed the hiring conditions of the formal system by redefining modalities (home office, intermittent work, outsourcing), working schedules and leave (shifts, holidays, resting time,

maternity leave), rehiring procedures and collective bargaining schemes. As the labor reform takes effect, the country requires a more responsive PES that can insert jobseekers in the labor market more quickly. To this end, the PES is set to transfer federal funds faster based on the performance of SINE offices. In this line, the TC provides instruments for the establishment of infrastructure and management requirements that standardizes the functioning of SINE offices. These requirements can work as conditionalities in a future IDB operation to guarantee the efficiency and effectiveness of SINE investments.

III. Description of activities/components and budget

- 3.1 This TC will be financed with US\$150,000 in non-reimbursable resources from the Ordinary Capital Strategic Development Program for Social Development (SOC). The TC disbursement and execution period will be 24 months. The TC will include the following components:
- 3.2 **Component I: Component 1 – Appraisal of business and institutional requirements.** Appraisal of activities that each stakeholder within the Ministry of Labor and SINE network will need to adjust to access federal funds for labor intermediation. This component will be developed at federal level and include consultations to discuss processes, norms and responsibilities that each covenantee will need to follow to apply, execute and report resources from the worker support fund based on a menu of eligible goods and services.
- 3.3 **Subcomponent 1.1. Diagnostics of current SINE institutional framework.** Preparation of diagnostic of the SINE network to identify business requirements that will need to be adjusted to allow for the standardization of services required by the new law. The business requirements will be built upon guidelines provided by the consultation group for SINE reform within the Ministry of Labor, including the new competences of the divisions involved in SINE operationalization.
- 3.4 **Subcomponent 1.2. Development of normative framework for law regulation.** Develop the new normative framework of the SINE law and institutional framework to operationalize the new management system of SINE and its new funding mechanism. The normative framework will consider state and municipal laws and the norms of the councils of local authorities to make sure the new normative framework is not in violation of local legislation.
- 3.5 **Component II: Component 2 - Preparation of operational manuals for the new institutional framework.** Operation manuals will be developed for each service provided by SINE such as professional orientation and qualification, labor intermediation, unemployment insurance and labor market intelligence services. These products will follow the institutional set up and include division of responsibilities of each stakeholder, timeframe, deliverables, monitoring of results framework and business process flows of each service within a new operational cycle.
- 3.6 **Subcomponent 2.1. Operations manuals for different services.** Model the new business process flows within an operational cycle differentiated by service, target group, and service provider. These models will include a version of the regulation of the law at state and municipality level indicating the mandatory and optional aspects mandated within the new normative framework.
- 3.7 **Subcomponent 2.2. Design of fund application, disbursement and accountability.** Definition of eligibility criteria, component of budget plans, eligible

products and services and application form. Establish the legal norms to allocate resources and the accountability procedures to oversee their execution.

- 3.8 **Component III: Component 3 – Performance benchmark and results framework.** Performance benchmarking and results framework for labor intermediation of fund applicants at municipality level. These products include setting SINE's goals based on standard labor intermediation measures such as capacity, historic performance, placement rate, and efficiency considering local labor market conditions. It will also generate the business information needs required to monitor performance from the Management Information System.
- 3.9 **Subcomponent 3.1. Definition of criteria for resource allocation and evaluation.** Structure a monitoring and evaluation tool with indicators that will define resource allocation.
- 3.10 **Subcomponent 3.2. Establishment of results framework.** Development of monitoring panel based on definition of process and results indicators and results framework design at local level. Design of evaluation cycle including definition of indicators, evaluation methodology and frequency based on previous impact evaluation experience.

Indicative Budget (US\$)

Activity/Component	Description	IDB/Fund SOC	Counterpart Funding	Total Funding
Component 1 – Appraisal of business and institutional requirements	Appraisal of activities that required adjustment to access federal funds for labor intermediation.	40,000	0	40,000
Component 2 - Preparation of operational manuals for the new institutional framework	Preparation of operational manuals including division of labor, timeframe, deliverables, process flows, and M&E of each service within a new operational cycle.	70,000	0	70,000
Component 3 – Performance benchmark and results framework	Establishment of performance benchmarking and results framework for resource allocation and goal setting.	35,000	0	40,000
Incidentals		5,000	0	5,000
Total		150,000	0	150,000

IV. Executing agency and execution structure

- 4.1 As requested by the Federal Republic of Brazil, through the Secretary of Public Policies of Employment (SPPE) (Ofício nº 371/SPPE/MTE) and approved by the Brazilian Agency of Cooperation (Ofício nº 0003616.00000619/2018-53) (see Annexes), the executing agency of this cooperation will be the Inter-American Development Bank (IDB). The IDB has developed a strong relationship with the SPPE,

in part, through BR-T1298/ATN/OC-14523-BR and BR-T1331/ATN/OC-15821-BR which were a stepping stone for the SINE reform this cooperation seeks to strengthen. Moreover, the regional technical assistance offered through RG-T2604/ATN/KP-15244-RG and by IDB specialists to provide inputs for the SINE reform has helped set the stage for this technical cooperation.

- 4.2 The Labor Markets Division will have the responsibility of the strategy, coordination, technical, and supervision work of this TC and the disbursement of its resources. The IDB will act as the executing agency due to its vast experience accumulated on projects that are similar to this TC. Furthermore, the IDB provides an independent and transparent execution of studies and assessments developed in this TC.
- 4.3 The Bank will maintain a close and constant dialogue with the SPPE, especially with the Department of Employment and Salary (DES). While the Bank will supervise the consultancy services, the officials from the SPEE and the DES will provide technical inputs, from the development of the Terms of Reference to the deliverables of the consultancies. These institutions are responsible for the support of public employment policies, and of activities described in this TC and will review the studies submitted by the consultants to the Bank.
- 4.4 **Procurement.** The Bank will hire the services of individual consultants and/or consultancy firms (see procurement plan in annexes) in accordance with all current Bank policies and procedures. More specially, the Bank will follow the (a) AM-650 for Individual Consultants; (b) GN-2765-1 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) GN-2303-20 for logistics and other related services. The risks associated with the implementation of the project regarding fiduciary management are considered low given the experience the executing agency has working under the same modality with the Ministry of Labor (MOL).

V. Major issues

- 5.1 The risks to executing the TC and achieving its objectives are unforeseen changes in the Directors of the SPPE as new elections are coming up. To mitigate such risks, the Bank will ensure that the design and monitoring of the preparation of the activities foreseen will be coordinated with the permanent technical staff of the SPPE and DES department, to ensure continuity in the delivery of the products. Also, to improve its sustainability, during and after the execution of the TC, the team will propose potential financial instruments and work plans through which states can execute and finance the recommendations put forward.

VI. Exceptions to Bank policy

- 6.1 None.

VII. Environmental and Social Strategy

- 7.1 Classification C – Due to the nature of this project, it is estimated that this TC will not have a considerable negative environmental or social impact. See Safeguards in [Safeguard Policy Filter](#) y [Safeguard Screening Form](#).

Required Annexes:

- [Request from client](#)
- [Results Matrix](#)
- [Terms of Reference](#)
- [Procurement Plan](#)