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Lending for Jobs Operations

David Robalino and Siv Tokle



WORLD BANK GROUP
Jobs

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ABSTRACT

This paper develops a general framework to inform the design of a new generation of jobs lending operations. The paper discusses the rationale for developing jobs focused lending operations with specific targets in terms of job creation, job quality, and labor markets outcomes for vulnerable population groups. It reviews the current portfolio of jobs-flagged lending operations, discusses the limitations of existing interventions, and outlines options to optimize countries lending portfolios and develop new, integrated, jobs lending operations based on Jobs Diagnostics and Jobs Strategies. The paper provides examples of innovative projects that are currently under preparation or implementation. They include jobs investment projects that link supply-side and demand-side interventions, jobs Program for Results (PforRs), and jobs Development Policy Lending. The final section describes the types of M&E systems that these new projects would require to track jobs outcomes.

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ABBREVIATIONS

ALMP	Active Labor Market Program
CPF	Country Partnership Framework
DPF	Development Policy Financing
GP	Global Practice
IFC	International Financial Corporation
IPF	Investment Project Financing
M&E	monitoring and evaluation
PforR	Program-for Results
WBG	World Bank Group

INTRODUCTION

Jobs are at the center of some of the most important development challenges facing client countries and there are growing demands for the World Bank Group’s (WBG) policy and financial support, particularly in the context of IDA18. The problems are not only related to unemployment; in the majority of countries, average unemployment rates are low. Rather, it is inactivity and underemployment that keep large numbers of households living in poverty. Most economies have been growing and creating enough jobs to match the expansion of the labor force. However, many of these jobs are in the informal sector or are in low productivity activities. They are oftentimes farm work, small-scale retail or own account work in small household enterprises and without pay. Although sectoral patterns of work have changed, structural transformations – the transition of jobs from low to higher productivity sectors – have been limited in most countries.

There are also important differences in the quality of jobs that people hold based on age, gender, and region that fuel income inequality and, in some cases, create social unrest. Unemployment and inactivity are particularly high for youth, and women are less likely to enter the labor market. Those who do earn less than men with the same level of education and experience. Workers in rural or low income regions or in poor households are more likely to have informal jobs. Demographics and technological change introduce additional challenges. The number of new entrants to the labor force is increasing while the share of workers who must work longer due to rising life expectancy will also increase rapidly. Meanwhile, the demand for certain types of skills might reduce due to innovation.

The World Bank engagement in the jobs agenda, however, has not been able to meet the challenges that countries face. Within the current portfolio of the first generation of Jobs operations, most interventions to date affect jobs only indirectly. They focused on relatively small labor supply-side programs or on macro and regulatory policies. Specifically, 54 percent of the jobs-flagged operations are investments operations involving training programs, employment services, public works, or sustainable livelihoods or community initiatives targeting individuals.¹ An additional 32 percent are investment operations that target farmers or firms, or that finance infrastructure, though there is not an explicit focus on jobs. The rest of the current active and pipeline jobs-flagged portfolio (14 percent) supports reforms in macro and regulatory policies to increase the level of investments and improve allocative efficiency. Jobs are considered a byproduct of these reforms, although the link between investments and different types of jobs outcomes is not straightforward.

This note develops a general framework to support the design of a second generation of jobs lending operations and is meant to inform discussions around jobs between Country Management Units, Global Practices (GPs), and client countries.² The operations have an explicit focus on jobs outcomes such as promoting job creation in the formal sector, improving the quality of informal jobs, or helping connect

¹ Source: Operations Portal. Data as of 5-23-2017, based on Jobs Flag/Theme and online Jobs portfolio [visualization tool](#).

² Specific guidelines on design of jobs operations are not addressed in this paper. It is expected that the experience with new operations (section 3) will generate lessons and good practice for additional guidance to Task Teams.

vulnerable groups to jobs. Their design is informed by Jobs Diagnostics³ and Strategies which identify the different types of policies and programs that need to be coordinated to achieve these outcomes. These include macro and regulatory policies, labor policies, and sectoral and regional policies. Therefore, jobs lending operations can be multi-sectoral or integrated operations, or single-sector operations that are coordinated within a jobs policy matrix. Because of their explicit focus on jobs outcomes, these operations – except for policy lending – require new monitoring and evaluation (M&E) systems that track beneficiaries (individuals or firms) over time, to measure changes in indicators. These indicators include, among others, job creation, labor productivity, economic activity, employment rates, earnings, and types of employment.

The core of the note is organized into four sections. Section 1 discusses the rationale for developing a new generation of jobs focused lending operations with specific targets related to job creation, job quality, and labor markets outcomes for vulnerable population groups. Section 2 reviews the portfolio of jobs-flagged lending operations and outlines options to optimize current portfolios and shift new lending towards jobs lending operations. Section 3 examines the link between Jobs Diagnostics, Jobs Strategies, and jobs lending operations, and provides examples of innovative projects that are currently under preparation or implementation. The final section briefly describes the types of M&E systems which would be needed during project appraisal and implementation.

³ The Jobs Diagnostic refers to analytical work based on business registries and labor force surveys which identifies challenges to jobs in the context of the macroeconomic environment, labor demand, and labor supply.

1. THE ECONOMIC RATIONALE FOR A SECOND GENERATION OF JOBS LENDING OPERATIONS

The paradigm driving the jobs agenda within the World Bank Group (WBG) has focused on increasing investments, improving allocative inefficiency, and promoting economic growth. In general, when economies grow they create jobs. When there are no distortions in the allocation of resources – labor and capital – those jobs are created in the sectors and economic activities where they generate the most value. Thus, over time, jobs tend to move from low to higher productivity sectors, from rural to urban areas, and from informal to formal activities. These structural transformations consequently contribute in lifting people out of poverty and increasing standards of living. For this to occur, several factors must be present. Firstly, countries need to have the right macroeconomic policies to ensure stability and reduce uncertainty. In addition, a business environment (including appropriate infrastructure) that reduces transactions costs and promotes competition and entrepreneurship is necessary. Governance and the rule of law to enforce contracts and the appropriability of returns on investments is crucial as well, as is human capital (that is, workers with the right skills to take on the jobs created by the private sector).

In this paradigm, the only set of policies which deal directly with jobs are those needed to improve labor market functionality and those which protect workers. Neither employers nor workers have complete information about job opportunities or the distribution of skills in the labor force. Therefore, active labor market programs (ALMPs) (including training and re-training) that help match jobs seekers with available vacancies have a role to play. Labor markets are seldom competitive and employers have more bargaining power as well. Therefore, labor regulations are needed to protect workers from abuse and exploitation. Because of liquidity constraints, myopia, and problems with insurance and capital markets, many are exposed to the risk of disability, longevity, disease, and the loss of labor income. To minimize their vulnerability, access to core social insurance programs such as pensions, and health and unemployment insurance is necessary.

However, the specific transmission mechanisms between private sector investments, growth, and jobs remains poorly understood. Policies that increase investments and maximize the rate of return to capital and therefore output, do not necessarily generate the distribution of jobs needed to address youth unemployment, low female participation rates, inequality, or poverty. At the global level, there is a large variance in the patterns of investment, growth, and job creation.⁴ The same level of investments in different sectors not only generates a different net number of jobs (in some cases negative⁵) but also a different composition of jobs in terms of age, gender, and skills level.⁶ There is also path dependence in the allocation of investments and job creation across economic regions. Many rural regions offer little in terms of good job opportunities, yet most poor or vulnerable workers live there.⁷

⁴ Thomas Farole, Esteban Ferro, and Veronica Michel Gutierrez. 2017. “Job creation in the private sector: an exploratory assessment of patterns and determinants at the macro, sector, and firm levels.” Jobs Working Paper No. 5. World Bank, Washington, D.C.

⁵ For a discussion of the indirect jobs and general equilibrium effects, see Robalino and Walker (2017).

⁶ The World Bank. 2015. “Tunisia Systematic Country Diagnostic (SCD).” World Bank, Washington, D.C.

⁷ Merotto et al. 2017. “Zambia Job Diagnostic.” World Bank, Washington, D.C.

There are two types of jobs related externalities that can deviate patterns of investment and job creation from socially efficient levels.⁸ Firstly, there are social externalities related to jobs. For example, in Fragile, Conflict, and Violent (FCV) settings there can be social externalities linked to jobs for young men, which reduce the risks of criminality and radicalization and contribute to social stability. In addition, youth who are employed learn on the job, build their human capital, and make other workers more productive. Jobs for young women can also produce externalities by facilitating human capital accumulation in their children, partly through reduced fecundity and partly through more spending on early childhood development. Secondly, in the presence of high unemployment and/or underemployment, the market price of labor can deviate from the opportunity cost of labor, generating a labor externality⁹. Indeed, firms considering a new investment calculate the internal rate of return based on market prices and do not consider the social costs of having idle labor resources.

The externalities create a gap between social and private rates of return on investments and become a central justification for jobs investment projects. Even if policy makers succeed in tackling other factors that undermine firms' private investment returns, the private sector still might not invest enough. It might not generate the optimal portfolio of investments from the point of view of jobs outcomes either. Private investments that would be socially efficient – in part because of the number and types of jobs they could create – do not take place. Instead, an economy can see “too much” capital going into investments that are less efficient for society, from a jobs perspective. This is particularly important when there are also learning spillovers¹⁰ and coordination failures,¹¹ which can further amplify the gap between social and private rates of return that emerge when jobs-related externalities are considered.

The implication is the need for development strategies, Country Partnership Frameworks (CPFs), and lending operations that are more focused on specific jobs outcomes. Recent Jobs Diagnostics¹² suggest that three common challenges across countries exist. Firstly, the necessary acceleration of the job creation rate in the formal sector of the economy. Secondly, the improvement in the quality of informal jobs that exist today and that will continue to be created. And thirdly, the facilitation of labor market transitions particularly among vulnerable workers – from unemployment or inactivity into a job, or from low to higher quality jobs. A focus on these outcomes (Figure 1) can enable structural transformations, which are the center of economic growth and higher standards of living: with more people working; and which make

⁸ The 2013 World Development Report points to some of the sources of social externalities related to jobs: (a) women who have a job invest more in the human capital of their children; (b) youth who have a job learn on the job and make other workers in society more productive; and (c) jobs can contribute to peace and social stability.

⁹ See Jenkins, Kuo, and Harberger. 2011. “Cost-Benefit Analysis for Investment Decisions. Chapter 1: The Integrated Analysis Chapter.” P. 2.

¹⁰ Investments in new technologies and products can push the technological frontier forward and facilitate future innovation. They also can increase firms' absorptive capacity, that is, their ability to assimilate knowledge from their environment and in turn identify further opportunities for investment and job creation (see Aghion and Jaravel, 2015).

¹¹ Coordination failures emerge when economic agents are unable to achieve coordination among complementary activities. Coordination failures can lead the market to an inferior outcome relative to a potential situation where resources would be allocated efficiently. Jobs social externalities can amplify coordination failures (see Rodrik, 2006).

¹² Jobs Diagnostics for Zambia; Bangladesh; Democratic Republic of Congo; Sierra Leone. June 2017. Were all of these JDs published in June 2017?

each job in the economy more productive; and moving jobs from low to higher productivity sectors and regions.¹³

Figure 1

Key outcomes related to jobs



Source: Jobs Group. A Conceptual Framework for Jobs: Interventions and Outcomes. Forthcoming.

Note: For further definitions and explanation of these outcomes and related indicators, see Monitoring & Evaluation for Jobs Operations: Jobs M&E Toolkit (2017).

Development strategies and CPFs informed by jobs outcomes require rethinking macro and regulatory; sectoral and regional; and labor policies and programs. These three sets of policies and programs interact and influence the three type of jobs outcomes previously outlined. Macro and regulatory policies affect investors’ incentives to create new businesses as well as firms’ opportunities to grow. They also affect labor productivity and working conditions in the informal sector. Policies that target specific sectors or regions can affect the creation of formal jobs and the quality of informal jobs. Consequently, labor market opportunities for those working in those sectors or regions are affected. Finally, labor policies can help workers connect to jobs and protect them from exploitation and unemployment, but they also enable or constrain job creation in the formal sector of the economy.

- **Macro and regulatory policies.** Also referred to as “fundamentals”, these policies set the stage where the economic activity unfolds. Much of the focus of these policies has been to facilitate the right type of structural transformation. From a jobs perspective, there are two issues that need further attention: (a) how to prioritize reforms (for example, those addressing the binding constraints for job creation in the formal sector of the economy); and (b) how to balance the economic costs and benefits of economic transformations considering social externalities related

¹³ World Development Report, 2013.

to jobs. For example, the optimal path of fiscal adjustment in highly indebted countries might be more gradual when jobs losses are factored in. A similar gradual approach might be needed to implement policies to promote trade liberalization, eliminate restrictions on capital flows, or change the relative prices of tradable versus non-tradable goods.

- **Regional and sectoral programs.** These are interventions that target private investments in specific sectors and regions. They can include programs --often financed by WBG operations -- to support small and medium enterprises or startups; extension programs in the agricultural sector; investments to develop growth poles or special economic zones; value chain development programs; or investments in infrastructure such as roads or power. These interventions can play a key role in internalizing jobs externalities. To that end, it is necessary to improve mechanisms to select investments, beneficiaries and support services, as well as implementation arrangements and M&E systems to better capture and measure their direct and indirect impacts on jobs.

- **Labor policies and programs.** Labor regulations and ALMPs play an important role in addressing labor market failures and jobs externalities. However, it is necessary to rethink their design. Labor regulations must be more efficient at protecting workers, including in the informal sector, while internalizing the social costs of job destruction and reducing distortions that constrain the creation of formal jobs. This implies considering different approaches to guarantee a minimum level of income, ensure a fair distribution of value added between wages and profits, protect workers from unemployment, and the enforcement of core labor standards and adequate working conditions. Similarly, if the social value of connecting workers to jobs or helping them move from low to higher quality jobs goes beyond the value to the worker (and the employer when there is one) there is a rationale for increasing investments in ALMPs and expanding their coverage. To achieve this, delivery and financing systems need to be reformed. In particular, delivery systems should improve incentives to respond to the needs of workers. They should be better integrated with sectoral and regional programs that affect the demand-side of the labor market.

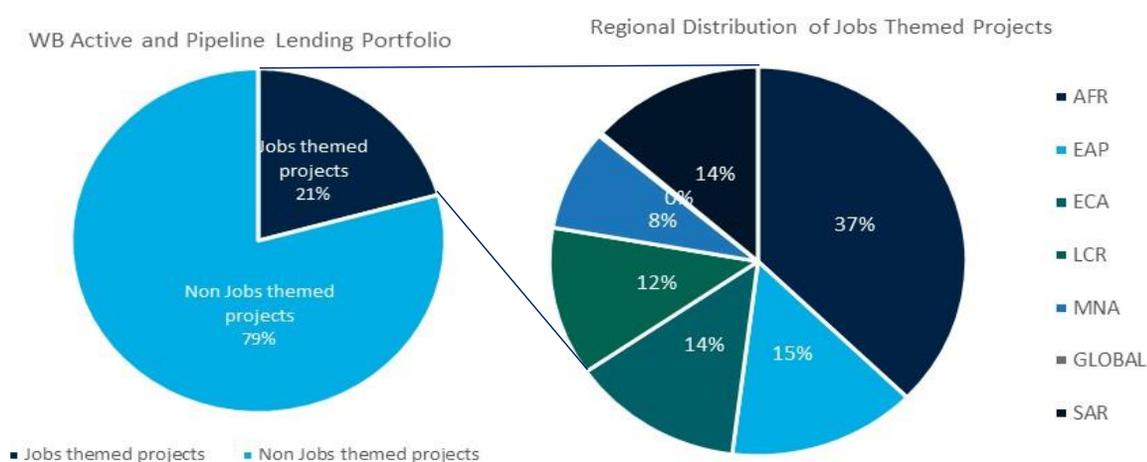
The need to rethink development strategies and CPFs with a jobs lens has implications for the portfolio of jobs flagged lending operations, as discussed in the subsequent sections.

2. CURRENT PORTFOLIO OF JOBS FLAGGED LENDING OPERATIONS

Jobs flagged lending operations represent almost a quarter of the active and pipeline lending portfolio¹⁴ across 128 countries (Figure 2a). The Africa region has the largest share (37 percent of active and pipeline projects), while 62 percent of jobs lending operations are in International Development Association (IDA) or blend countries (Figure 2b).¹⁵ The clear majority (96 percent) of World Bank financing for jobs is implemented through Investment Project Financing (IPF)¹⁶. Of the active and pipeline portfolio, only 2.6 percent (26 projects) are Development Policy Financing (DPFs), and 1.5 percent (15 projects) are Program-for Results (PforR).¹⁷ Investment projects are more likely to have explicit objectives related to jobs. However, most focus on intermediate outcomes from a jobs perspective, such as skills development, access to markets, and firm performance. The majority of IPFs have been implemented in three GPs: Agriculture; Social, Urban, Rural and Resilience; and Social Protection and Jobs (Figure 3).¹⁸

Figure 2a and 2b

Share of portfolio with jobs theme and regional breakdown



Source: Operations Portal. Data on active and pipeline lending operations as of 6-30-2017, based on Jobs Flag/Theme.

Region Legend: AFR = Africa; EAP = East Asia Pacific; ECA = Europe/Central Asia; LCR = Latin America and Caribbean; MNA = Middle East and North Africa; SAR = South Asia

¹⁴ Defined as having an explicitly stated and substantive link to creating jobs, improving the quality of existing jobs, or helping individuals connect to jobs, based on criteria agreed with GPs and IFC departments in [Jobs flag guidance note](#). (Please provide full reference.) January 2015.

¹⁵ Excluding regional and global projects.

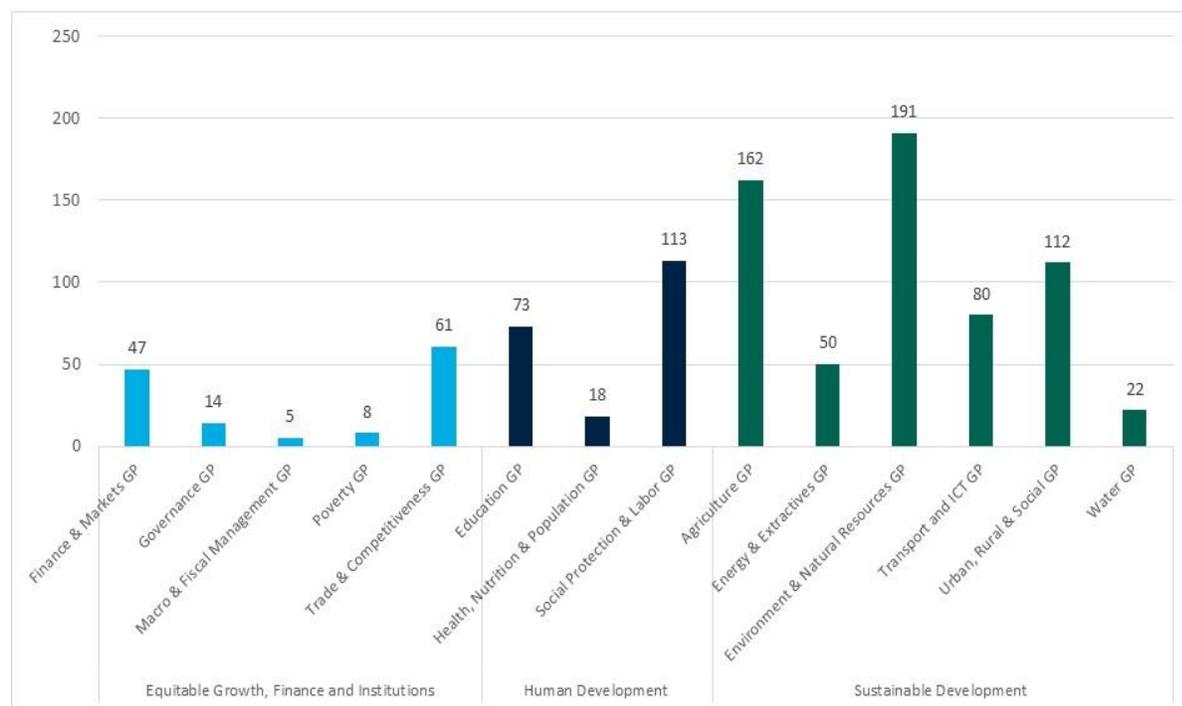
¹⁶ Includes the following instrument types: Adaptable Program Loan, Emergency Recovery Loan, Financial Intermediary Loan, Invest Project Financing, Learning and Innovation Loan, Sector Investment and Maintenance Loan, Specific Investment Loan, and Technical Assistance Loan.

¹⁷ The Advisory Services and Analytics portfolio has also been coded for jobs, but is not a focus of this paper.

¹⁸ The Jobs Group is currently working with key GPs to further analyze the current portfolio to identify lessons learned and specific design and implementation challenges that require future support and guidance.

Figure 3

Distribution of IPF projects by Global Practice and VPU



Source: Operations Portal. Data on active and pipeline lending operations as of 6-30-2017.

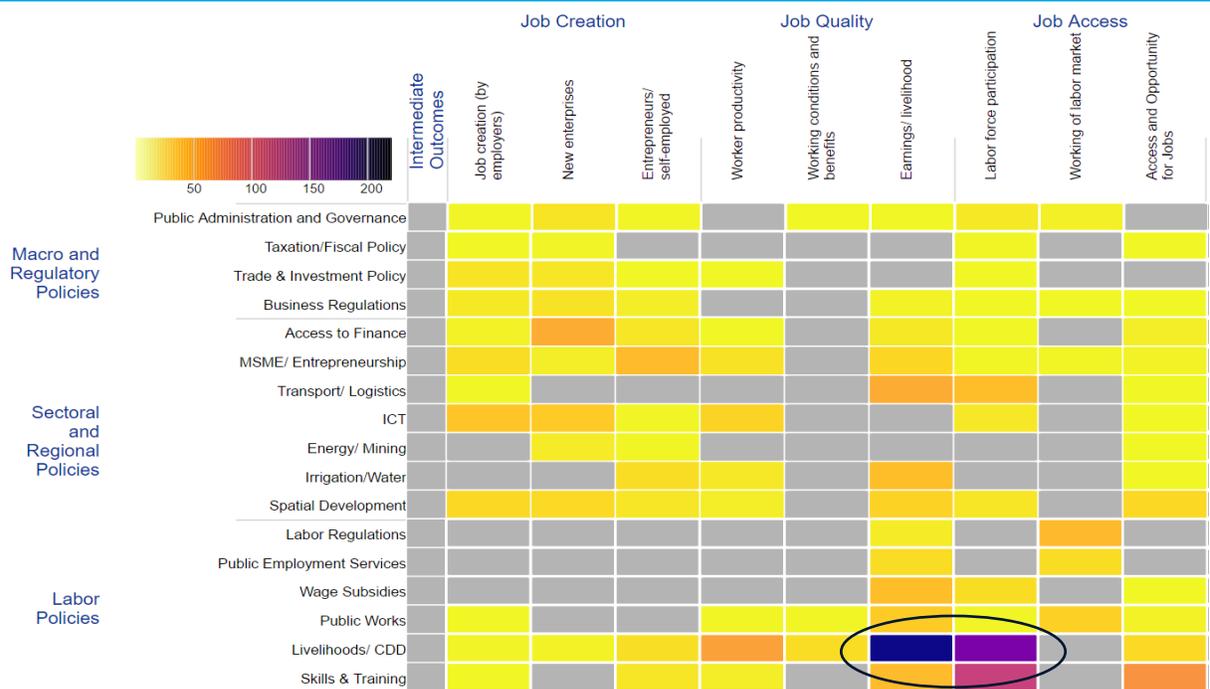
Regarding interventions, most projects have focused on the supply-side of the labor market despite mixed results and limited impact at scale. The most common “jobs projects” focus on livelihood improvement or skills development, particularly for youth (Figure 4).¹⁹ This is despite the fact that recent systematic reviews show that stand-alone supply interventions have had mixed results: less than 30 percent of programs evaluated have had a positive impact and successful programs have had only small impacts.²⁰ For example, in Tunisia, ALMPs have had low retention rates because firms are not growing enough to employ additional workers. Thus, only a small fraction of the unemployed that benefit from the many ALMPs actually receives a contract following the intervention. Whereas Tunisia’s formal private sector contributed to job creation during 2000-2010, the number of jobs only increased by 0.1 percent annually over 2010-2015. This case is not unique.

¹⁹ Without a recognized definition of demand and supply-side interventions, some GPs such as Agriculture, Social, Urban, Rural and Resilience, and Environment work on both types. For example, the agriculture portfolio covers both individual farmers and development of agribusiness that may create additional jobs.

²⁰ Jochen Kluge, et al. 2016. “Do Youth Employment Programs Improve Labor Market Outcomes? A Systematic Review.” The Institute for the Study of Labor (IZA). And Yoonyoung Cho, David Robalino, and Samantha Watson. 2014. “Supporting Self-Employment and Small-Scale Entrepreneurship: Potential programs to improve livelihoods for vulnerable workers.” Washington, DC: World Bank Group.

Figure 4: The Jobs Framework²¹

Portfolio map of WB active and pipeline operations, by number of interventions



Source: Operations Portal. Data as of 5-23-2017, based on Jobs Flag/Theme and online portfolio [visualization tool](#).²²

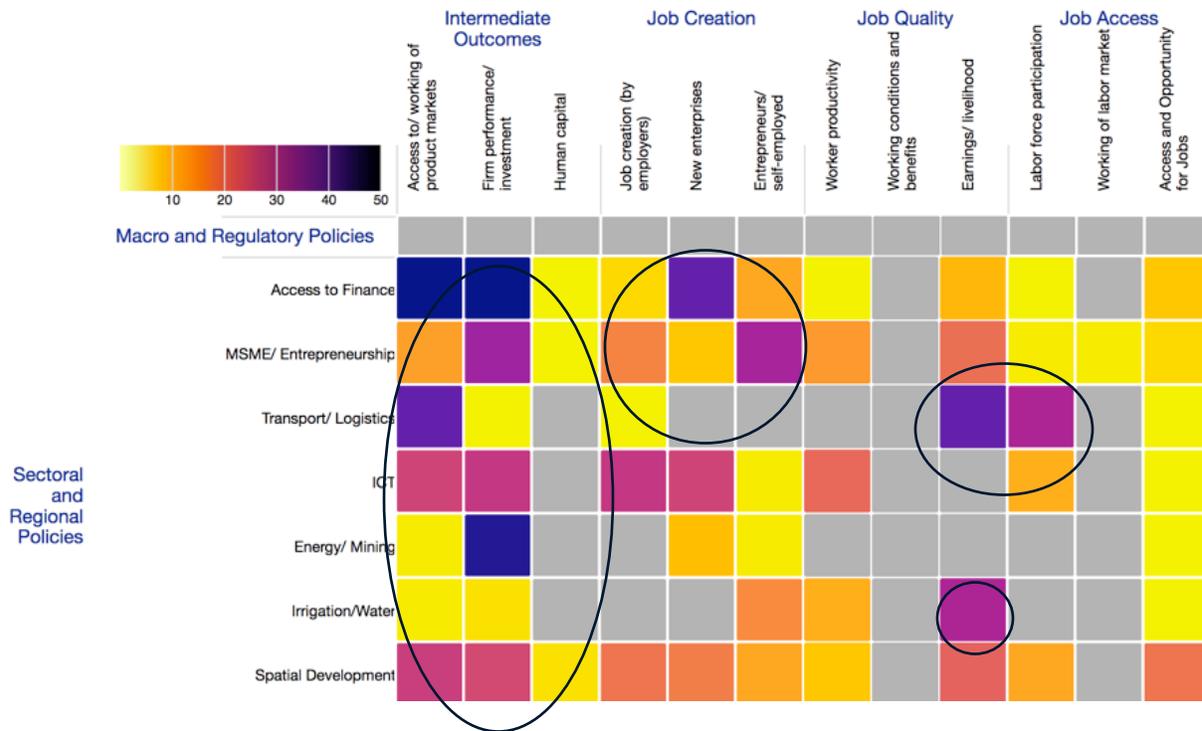
Demand-side interventions, on the other hand, have mainly supported jobs indirectly. Most interventions targeting firm-level beneficiaries lack an explicit focus on jobs and tend to ignore market failures justifying subsidies for job creation. Typical jobs-flagged operations include: reforms to reduce the cost of doing business and incentivize firm growth and entry; infrastructure development and access to markets; entrepreneurship promotion; and micro, small and medium enterprise access to finance. Oftentimes, these types of projects deal with firms or farmers but focus mainly on enhancing productivity or competitiveness, not on job creation. Thus, operations generally focus on intermediate outcomes (Figure 5). A recent evaluation by the Independent Evaluation Group found that only a quarter of WBG industry competitiveness interventions specifically referenced jobs in the projects’ objectives, interventions, or indicators (Independent Evaluation Group 2016). Sectoral and regional interventions have great potential to address local constraints to investments and job creation, as shown by the 2013 World Development Report. However, when projects do not have a focus on jobs, desired jobs outcomes might not materialize.

²¹ The framework presented in Figure 1 does not include columns for target groups in the interest of space; instead they are included separately in Annex B.

²² Jobs Group. “A Conceptual Framework for Jobs: Interventions and Outcomes.” Forthcoming.

Figure 5

Portfolio map of sectoral and regional policy interventions: labor demand-side

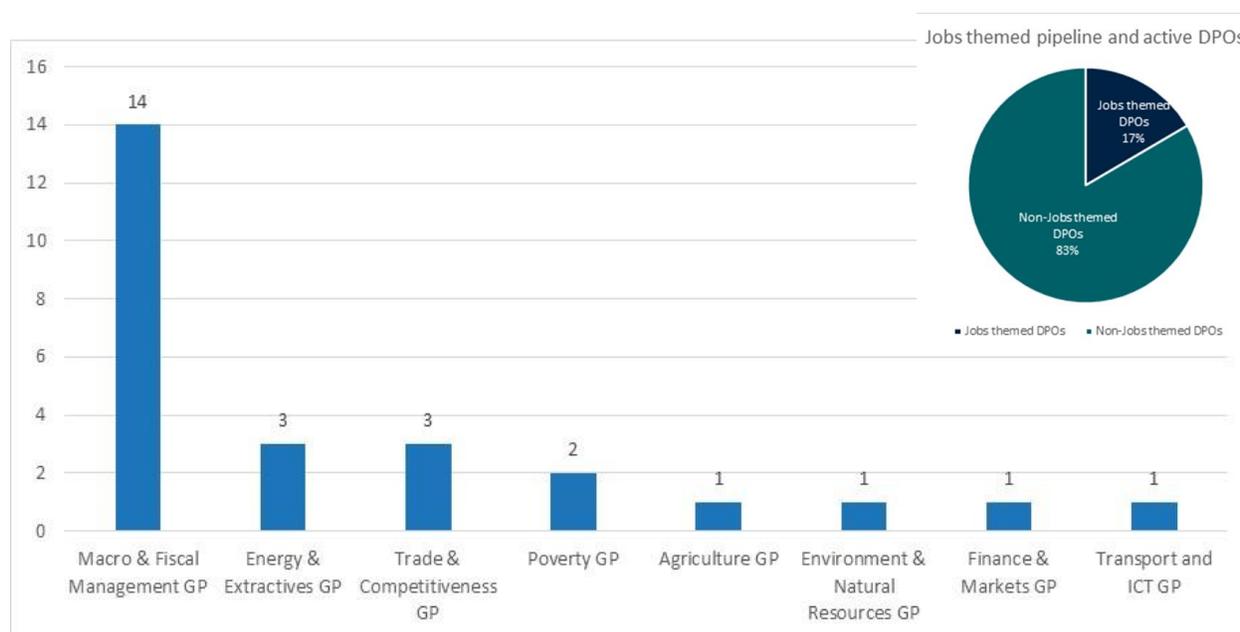


Source: Operations Portal. Data as of 5-23-2017, based on Jobs Flag/Theme and online portfolio [visualization tool](#).

Development Policy Financing (DPF) has not been optimized to address policy fundamentals for jobs, with only a small portfolio focused on growth and not directly on jobs. Of the limited projects addressing macro and regulatory capacities, approximately 40 percent are DPFs. The remaining percentage are IPFs, such as Trade and Competitiveness projects on competitiveness, and governance projects on tax administration and statistical capacity building. Of current active and pipeline operations with a jobs theme, only 2.6 percent are DPFs (Figure 6). A review of jobs in DPFs over 2005-2017 revealed several gaps²³; extensive discussions about the importance of jobs as a motivator for DPFs did not translate into jobs-focused policy actions and outcomes in the policy matrix, and the DPFs that sought to influence jobs outcomes often did not have clear theories of change or linkages with the policy actions or indicators. The operations rarely included jobs-related outcomes and indicators. Therefore, it is unclear what their effect on the quantity, quality, and distribution of jobs has been.

²³ Jobs Group. 2017. Of 344 Jobs-themed DPOs during 2005-17, 15 percent were reviewed.

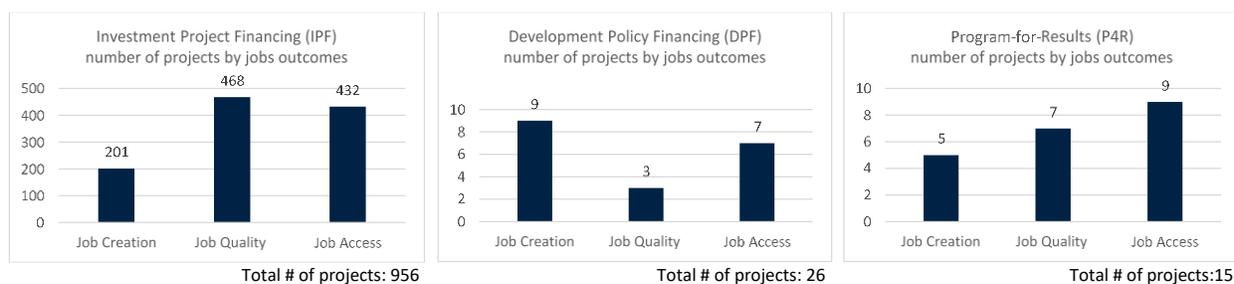
Figure 6
Distribution of DPFs with jobs theme



Source: Operations Portal. Data as of 6-30-2017.

Going forward, there are opportunities to develop more effective jobs lending portfolios with a larger focus on job creation. To date, most projects have concentrated on jobs quality and access to jobs, mainly through IPF focused on sustainable and rural livelihoods and improving earnings for informal sector activities (Figure 7). Much less has been done on job creation where DPFs could have a more important role to play by addressing the most binding constraints in macro and regulatory policies, and labor policies. There are also opportunities to use PforRs, which today represent a fraction of the portfolio. These could focus simultaneously on achieving specific targets in terms of job creation and on facilitating access to jobs to vulnerable groups. New thinking around these instruments is discussed in the subsequent section.

Figure 7
Jobs-themed WB projects by financing instrument



Source: Jobs portfolio database. WB active and pipeline lending portfolio, as of FY17 start.

3. FROM JOBS DIAGNOSTIC AND STRATEGIES TO LENDING OPERATIONS

To increase the impact of the lending portfolio on jobs, it is critical that the **Systematic Country Diagnostic and CPF be informed, respectively, by Jobs Diagnostics and Strategies**. The goal is not only to be able to identify the necessary jobs focused lending or investment operations and associated Advisory Services and Analytics, but also to identify synergies and complementarities between different operations (jobs focused or not) which are needed to achieve specific jobs outcomes. For example, the success of an operation in the promotion of the development of value chains in a given region might be dependent on changes in business regulations which are supported through policy lending. Or two separate jobs focused operations, one promoting small and medium sized enterprises' development and the other skills training, must be able to connect firms and workers, which requires coordination of in-class and on the job training.

Jobs Diagnostics have now been conducted in over 20 countries and they are underpinned by guidelines and support tools for rapid, standardized assessments of the main jobs challenges facing countries at the macro, firm, and household level.²⁴ At the macro-level, Jobs Diagnostics examine whether patterns of job creation and labor productivity growth are enabling the types of structural transformations needed to generate economic growth and increase standards of living. At the firm level, the focus is on the dynamics of firm entry and growth, and their impact on job creation and job quality. Finally, at the household level, the analysis examines labor outcomes and their determinants, identifying populations groups that might need support to access jobs or move from low to higher quality jobs. Thus, job diagnostics can help identify the type of jobs that are more likely to provide opportunities for the poor, women or vulnerable youth, or the regions/sectors where job creation would have a greater impact on poverty reduction.

Jobs Strategies use Jobs Diagnostics and sectoral technical reports to inform priorities for the three levels of policies and programs: macro and regulatory, labor, and sectoral/regional. Thus, a Jobs Diagnostic alone is not enough to prepare a Jobs Strategy. A Jobs Strategy also relies on in depth reviews of the market and institutional failures that a country needs to address across sectors. These are usually prepared by technical experts across GPs who work with technical teams in their counterpart ministries. Jobs Diagnostics serve to identify reform priorities to address specific jobs outcomes. For example, if an important issue in a given country is insufficient firm entry in higher productivity or value added sectors, the Jobs Strategy will focus on the main constraints that firms face in terms of regulations or access to capital and infrastructure. Similarly, if the Jobs Diagnostic identifies that inactivity and unemployment rates are higher among individuals of a certain educational background, the Jobs Strategy will identify the types of problems which education and training systems face and short-term corrective measures that can be considered to retrain and help connect workers to jobs.

Ultimately, a Jobs Strategy takes the form of a comprehensive policy matrix, linking interventions to specific jobs outcomes. The matrix can inform decisions about new lending operations, technical assistance to support specific policy reforms, or the implementation of particular programs to promote investments and job creation. It also allows the Country Management Unit to monitor progress in the

²⁴ Jobs Group (2015b).

implementation of ongoing reforms supported by the World Bank, donors, or implemented independently by the government. In a recent example of a Jobs Strategy developed for Tajikistan, the associated policy matrix (see excerpt in annex A) outlines critical reforms dealing with taxation and changes to competition law. It also indicates the need for investment operations to promote the development of value chains, particularly in agriculture and agribusinesses. Other countries currently developing Jobs Strategies include Bangladesh, Nepal, Paraguay, Jordan, and Zambia. Table 1 shows the simplified policy matrix for Zambia.

Table 1

A jobs action plan matrix for Zambia

Objectives→	Pillar 1: Job Creation	Pillar 2: Job Quality	Pillar 3: Job Access
Policies ↓	Create more formal sector jobs	Improve the productivity of informal jobs	Connect vulnerable groups (women and youth) to jobs
Pillar 1: Macroeconomic and regulatory policies (fundamentals)	<ul style="list-style-type: none"> a. Strengthen monetary and fiscal policy to mitigate effect of copper price fluctuations on job creation b. Keep jobs in mind when choosing tax instruments c. Re-think jobs in the public sector to maximize service coverage and quality while avoiding “crowding out” effects in the skilled labor market, for example, through indirect service provision. d. Improve product market regulation to increase competition and reduce entry costs for new firms e. Improve electricity regulation to strengthen supply and ensure affordable tariffs 		
Pillar 2: Strengthening labor supply and skills policies (supply)	<ul style="list-style-type: none"> a. Expand education access with quality, especially for low income households and girls b. Improve the quality and market-relevance of Technical and Vocational Education and Training (TVET) programs to address the needs of sectors with high jobs potential, linking service providers’ payments to trainees’ job placement and offering matching grants for in-firm training programs. 		
	<ul style="list-style-type: none"> c. Design labor regulations to encourage the growth of formal jobs 	<ul style="list-style-type: none"> (i) Train smallholder farmers for value chain inclusion, (small animal husbandry, horticulture, animal feed, etc.), especially women and youth (ii) Entrepreneurship development training for women and youth (iii) Construction sector training for youth: “green” building technology, site safety, and worker protection 	
Pillar 3: Sectoral and regional policies to create jobs (demand)	<ul style="list-style-type: none"> a. Define priority sectors with high jobs potential (for example, agribusiness, tourism, light manufacturing) in regions with high poverty density (center and east, outside Lusaka and Copperbelt) b. Promote infrastructure development (using both public investments and PPPs, as appropriate) in irrigation, electricity, and access roads c. Promote secondary town development including planning provision for industrial facilities d. Redesign subsidy policies to promote jobs-rich transformations, while protecting the poorest 		

Source: Sudha B. Krishnan, et al. 2017. “Zambia Jobs Diagnostic. Volume 2: Policy framework.” [Online]. [Accessed May 2018]. Available from: <http://documents.worldbank.org/curated/en/939371496842247611/Zambia-jobs-diagnostic-volume-2-policy-framework>.

Even when the preparation of the Systematic Country Diagnostic or CPF was done without a Jobs Diagnostic or a Jobs Strategy, it is recommended to produce a Jobs Strategy. First, the resulting policy matrix can help identify gaps within the CPF that can be adjusted over time. Second, the policy matrix becomes a tool to monitor and coordinate the implementation of different policies and programs. The Jobs Strategy can also inform the design of operations in the pipeline - both those that have a jobs focus and those that do not but can indirectly influence jobs outcomes.

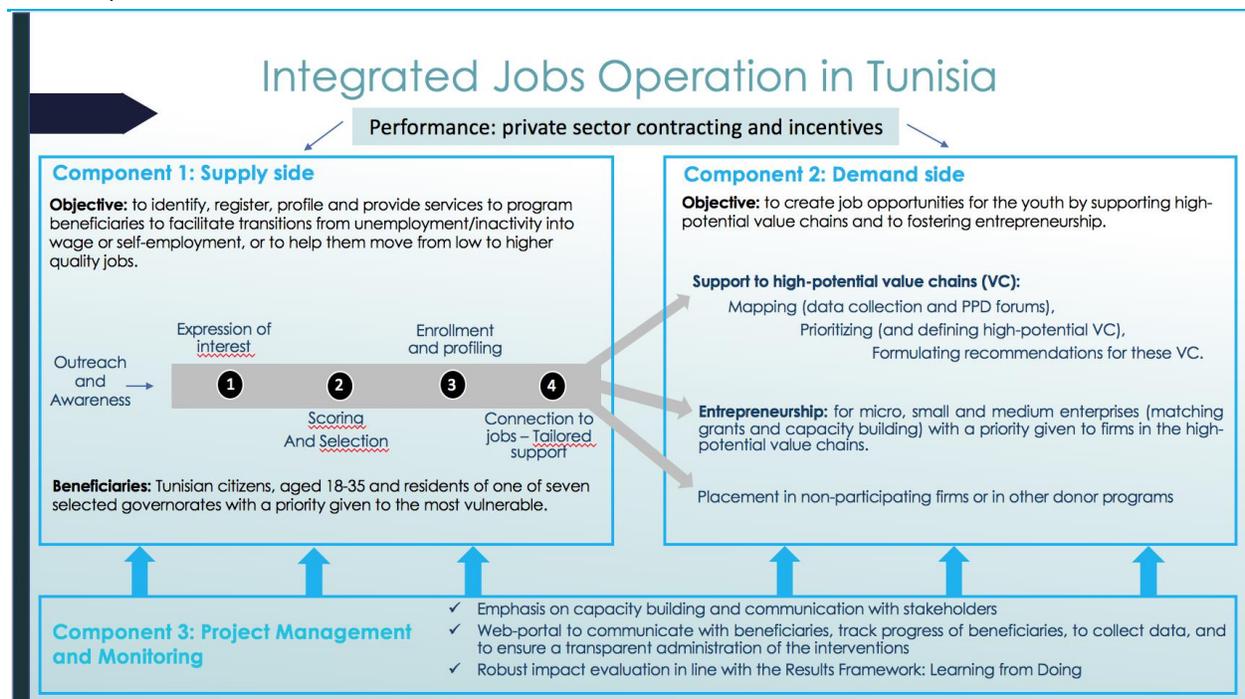
Below are five examples of the types of operations that can be informed by Jobs Diagnostics and Strategies.

New thinking 1: Policy lending anchored on multi-sector Jobs Strategies, with clear jobs metrics. In Jordan, the World Bank is currently engaged in policy dialogue with the government to design and implement a Jobs DPF. The goal is to support a series of structural reforms to create more formal sector jobs and connect youth to jobs. Preliminary diagnostics and the current National Employment Strategy (NES) suggest that key interventions will involve reducing the tax-wedge and re-financing the unfunded liabilities of the Social Security Corporation, rethinking the design of current wage subsidies and associated ALMPs, and leveling the playing field for firms in the private sector. Other potential areas of interest include public sector employment reduction, the facilitation of the integration of refugees in the labor market, and leveraging the diaspora for economic development.

New thinking 2: Better integration of supply-side and demand-side investment lending interventions focused on jobs outcomes. A new multi-GP, multi-sectoral lending operation in Tunisia provides an example of integrated interventions focused on improving jobs opportunities for youth living in lagging regions and marginalized peri-urban areas. On the supply-side, the project addresses the barriers youth face to access jobs or move from low to higher quality jobs in terms of incentives, information, skills, and mobility. On the demand-side, the project provides matching grants and business support services conditional on job creation to existing and new enterprises within selected value chains (Figure 8). The economic analysis suggests that the optimal subsidy for private sector development focused on jobs is about 40-50 percent of total investments. The social rate of return is estimated at 14 percent, while the private rate of return is equal to 7 percent. The integration of the two types of interventions increases the social rate of return by 2.7 percentage points.

Figure 8

Tunisian youth economic inclusion



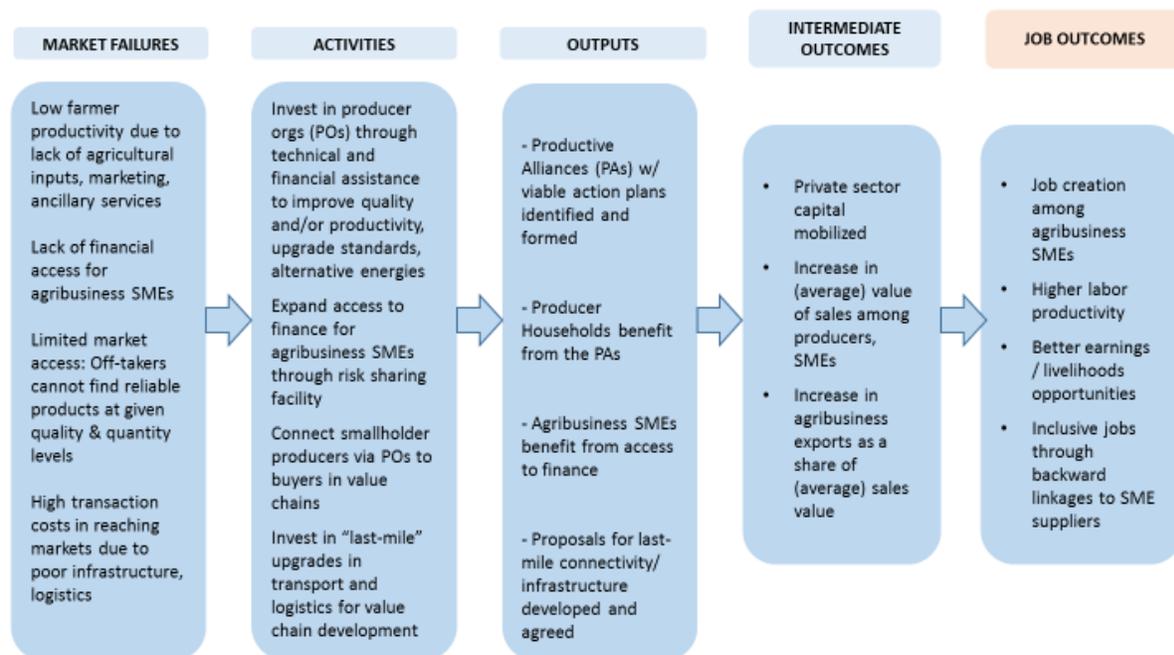
Source: The World Bank. "Youth Economic Inclusion project team (P158138)." [Online]. [Accessed May 2018]. Available from: <http://projects.worldbank.org/P158138/?lang=en&tab=overview>.

The Finance for Jobs (F4J) project in West Bank and Gaza (P151089) is another innovative example. The project aims to mobilize private investment financing in high potential sectors and generate job opportunities. Through an Entrepreneurship Ecosystem Matching Grant, Finance for Jobs supports investments conditional on job creation, and prepares the market for the deployment of other financing instruments. The project also has a component that focuses on skills development financed through Development Impact Bonds. These Development Impact Bonds create incentives to invest in training that responds to the market demands.

New thinking 3: Maximizing the jobs impact of single-sector interventions. This type of operation implies moving beyond intermediate outcomes to more explicit jobs outcomes in project design, irrespective of the sector. In particular, operations focusing on farmers, small and medium sized enterprises, or infrastructure development can have a better linkage between interventions and specific jobs outcomes, both in terms of job creation and the quality of existing jobs. This can be done by outlining the type of market failures that need to be addressed through these interventions, including social externalities. The Zambia Agribusiness and Trade project (P156492) provides an example of a jobs focused demand-side operation. The main objective is to increase agricultural productivity and the quality of jobs in rural areas. The project promotes the development of agribusinesses by expanding access to finance for small and medium sized enterprises, and by addressing coordination failures that preclude access to markets and value chains, and investments in basic infrastructure. It is expected that these interventions will increase wage and self-employment, while improving the quality of existing jobs, including farm jobs (Figure 9).

Figure 9

Zambia agribusiness and trade project - expected jobs results chain

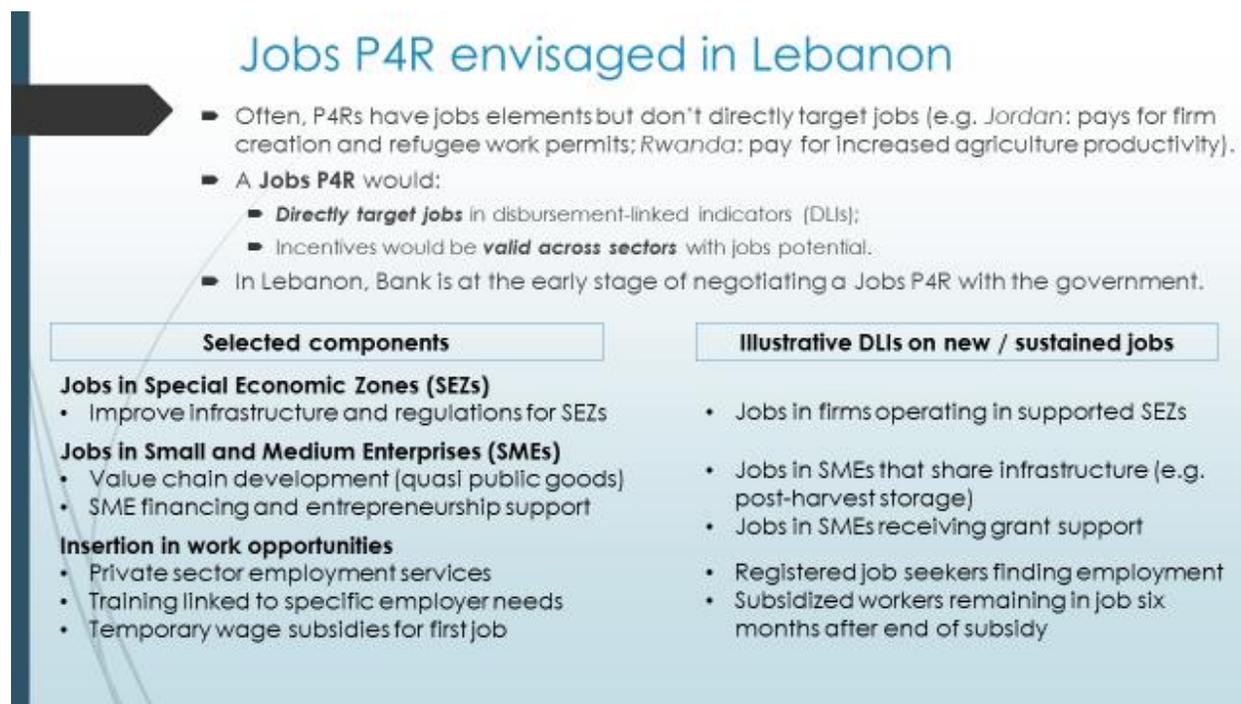


Source: The World Bank. "Zambia agribusiness and trade project team (P156492)." [Online]. [Accessed May 2018]. Available from: <http://projects.worldbank.org/P156492?lang=en>.

New thinking 4: Disbursing based on jobs related results or outcomes. In the case of PforRs, where projects disburse against eligible expenditure and results, disbursement-linked indicators can focus on jobs outcomes in terms of increased quantity, quality, and access. The Lebanon National Jobs Creation Program (P163576) aims to generate sustainable private sector job creation with a focus on youth, women, and the most vulnerable in lagging regions of the country. The project involves an integrated approach to (a) develop targeted infrastructure services including in special economic zones; (b) strengthen the business environment, competitive value chains, and entrepreneurs; and (c) prepare and connect people to jobs (Figure 10). Project disbursement-linked indicators under development may include (a) the number of firms located in the special economic zones; (b) jobs (including self-employment) among project beneficiaries receiving matching grants; and (c) number of jobs seekers registered, and number of job seekers in job one year after placement.

Figure 10

Lebanon National Jobs Creation Program (P163576)



Source: The World Bank. "Lebanon National Jobs Creation Program project team (P163576)." [Online]. [Accessed May 2018]. Available from: <http://projects.worldbank.org/P163576?lang=en>.

New thinking 5: Portfolio management to exploit synergies between operations based on Jobs Strategies. Jobs challenges are by nature multi-dimensional and require solutions through different types of interventions. Notwithstanding the emergence of more multi-sectoral jobs projects, these solutions may come from better synergies and linkages between existing or new projects. Unfortunately, operational portfolios tend to miss complementarities and opportunities to link interventions for results on jobs across projects.²⁵ The potential is large; the majority (56 percent) of World Bank client countries have enough projects to constitute a sizable jobs portfolio (5 or more jobs-themed projects), and 24 percent have more than 10 operations. Only 12 percent of Jobs-themed projects are managed by more than one Global Practice²⁶, and few of these address both labor supply and demand in one operation. Countries in Central Asia, Nepal, and Bangladesh are now aiming to build and monitor the implementation of the lending portfolio based on jobs policy matrices and specific jobs indicators.²⁷

²⁵ Sudha B. Krishnan and Teresa Peterburs. 2017. "Zambia: A Review of the World Bank Group Jobs Portfolio." World Bank, Washington, D.C.

²⁶ Operations Portal, April 2017.

²⁷ The portfolio matrix in Figure 4 has also been used to analyze ongoing jobs related operations implemented by other partners (donors, government, etc.) at country level. This allows partners to better pinpoint gaps and seek synergies.

It is expected that the emerging experience with jobs policy matrices and different types of new operations will generate lessons and good practices in terms of design and implementation.²⁸ Areas to explore include effective entry points in terms of analytical and operational work to tap into when designing and implementing a Jobs operation in a country; how best to identify and target beneficiaries to maximize results in terms of job outcomes; and criteria to prioritize possible interventions. Lessons on incentives for cross-ministerial and cross-sectoral collaboration will also be important.

²⁸ Guidelines for integrated operations for youth employment are forthcoming.

4. M&E AND COST BENEFIT ANALYSIS FOR JOBS LENDING OPERATIONS

Difficulties in accurately measuring jobs results have been a barrier to developing effective jobs-focused projects. The lack of resources available on jobs measurement has deterred task teams from articulating expected results on jobs in investment lending project objectives and in results frameworks. The Independent Evaluation Group therefore recommended the incorporation of jobs effects into the objectives, design, monitoring, and evaluation of interventions.²⁹ To help task teams and managers to better integrate jobs into their projects, the Jobs Group has developed several guidelines and support tools described below.

Projects can now select relevant jobs indicators that fit the design of a specific intervention and expected jobs results. These indicators - at the Project Development Outcome and intermediate levels - can be used to measure results in terms of: (a) job creation; (b) job quality; and (c) job access. The indicators are operation-related, and the selection of the indicators for a specific IPF or PforR operation depends on the objectives and activities the project team plans to implement. A sample of these indicators is provided in Table 2. There is a full overview of Jobs Indicators by beneficiary type - individuals and firms³⁰ - provided in annex B.

Table 2

Examples of jobs indicators per job outcome

Job Creation – Creating formal jobs	<ul style="list-style-type: none"> • Number of employed project beneficiaries • Number of full-time equivalent (FTE) jobs in beneficiary firms • Number of newly created firms with at least one paid employees • Number of self-employed project beneficiaries
Job Quality – Improving informal jobs	<ul style="list-style-type: none"> • Average output per worker among beneficiary firms • Job satisfaction rate among project beneficiaries • Average earnings of project beneficiaries per year
Job Access – Connecting vulnerable groups to jobs	<ul style="list-style-type: none"> • Beneficiaries disaggregated by gender, age group (youth) or region • Labor force participation rate among project beneficiaries • Average length of time for beneficiary firms to fill a vacancy, by type of position

Source: Sudha B. Krishnan, et al. 2017. "Monitoring & Evaluation for Jobs Operations: Jobs M&E Toolkit." Imagebank Report Number: 112666. World Bank, Washington, D.C.

²⁹ Independent Evaluation Group, 2016.

³⁰ Currently the indicators cover direct beneficiaries of projects (individuals and firms). The toolkit does not yet cover indirect beneficiaries (such as beneficiaries reached by infrastructure) or economy-wide effects. For users of infrastructure, data to collect may be the same as for direct beneficiaries, but data collection may differ. The data collection forms and guidance for indirect effects will therefore be developed in the next phase, after internal consultation and further research.

The Jobs M&E Toolkit aims to help project teams capture results relating to jobs³¹. The toolkit provides task teams and project implementation units (PIUs) with simple tools for data collection for the selected jobs indicators. It contains guidance on indicators, data collection forms, and training material for clients (Table 3). The resources can be used throughout the project cycle, that is, during project design; implementation and monitoring; and in mid-term, or final impact evaluations. Through the integration of the data collection in the project administrative systems at the outset, teams can avoid the burden of resource-heavy survey efforts. The toolkit allows indicator disaggregation by gender, age group, location, and so on, and is available online. The toolkit will be enhanced and improved based on experience in implementation currently underway in several WBG operations. Additional modules are envisaged for specific needs, such as for agricultural projects or International Finance Corporation (IFC) investment operations.³²

Table 3

Jobs M&E toolkit resources

<ul style="list-style-type: none"> • Jobs indicators menu for each Job Outcome, for use at the and intermediate level.
<ul style="list-style-type: none"> • Jobs indicator guidance with a definition of each indicator, unit of measure, methodology, and examples of World Bank projects where the indicator is used.
<ul style="list-style-type: none"> • Data³³ collection forms, tailored by beneficiary type (individuals or firms). These are short administrative forms to be used by project implementation units to establish baseline and periodic data collection for the selected Jobs Indicators.
<ul style="list-style-type: none"> • Data collection manuals with guidance on data collection in the field among project beneficiaries.
<ul style="list-style-type: none"> • Implementation guidance and support, such as model Terms of Reference, templates for data processing for reporting; resource estimates, training packages, online survey models, and so on.

Source: Sudha B. Krishnan, et al. 2017. "Monitoring & Evaluation for Jobs Operations: Jobs M&E Toolkit." Imagebank Report Number: 112666. World Bank, Washington, D.C.

³¹ P153920 Evaluation (Jobs). The resources made available through [The Jobs M&E Toolkit](#) have been developed by the WBG's Jobs Group with Trade and Competitiveness, based on a portfolio review of WBG projects and consultation with Task Team Leaders (TTLs) from different GPs.

³² Tools for measuring indirect impacts are also under development, related to the effects of private investments and private sector policies on job creation across sectors, to identify a menu of potential good practice estimation methodologies for indirect, induced and secondary job effects. This work is part of the Let's Work Partnership, and led by the Jobs Group and IFC.

³³ The toolkit works with data collection undertaken by projects; and does not aim to cover national level statistics and data on jobs. Notwithstanding issues of data access and quality, national statistics are useful in providing comparative information, and context analysis.

Finally, new guidance on economic analysis for jobs will help Task Teams to justify the benefits of new jobs operations in a systematic way. To systematize approaches to economic evaluation for jobs projects, the Jobs Group has developed a guidance note³⁴ on cost benefit analysis for public investment programs when there are externalities linked to the jobs that these programs create. The note builds on established understanding of the expected jobs development impact in some sectors. However, it also captures innovative jobs projects that do not always fit neatly into traditional schemes for economic appraisal. The guidance provides methodologies to calculate the Social Rate of Return that incorporates the social externalities (or social benefits) of jobs outcomes. When applying this guidance to a multi-sector jobs operations combining supply and demand-side interventions (such as project P158138 in Tunisia), the task team established a positive Social Rate of Return and additional spill-over benefits. The spill-overs from this integration increased the rate of return by two to three percentage points.

³⁴ David Robalino and Ian Walker. 2017. "Guidance Note on the Economic Analysis of Jobs Investment Projects." World Bank, Washington, D.C.

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ANNEX A: TAJIKISTAN POLICY MATRIX - EXTRACT

Objective	Type of intervention/policies	Intervention/policies	Intervention type	Priority identified in the Systematic Country Diagnostic/CPF	Priority in Govt strategies	WBG activities: Operations Advisory Services and Analytics Current/Pipeline	GPs	Gov't Programs	Donor activities	Short Medium Long-term	Risk: Low/high/moderate	Summary (gaps, etc.)
Job creation	Macro and regulatory policies	Reform budget formulation process; reduce tax discretion	Taxation / Fiscal Policy	Yes	No	Tax Admin Reform (P127807) P162221 - PEFA 2016; IFC Central Asia Tax Project	Gov	No	IFC, DFID, Swiss investment climate; UK Switzerland	Medium-term	High	covered adequately
Job Quality	Sectoral and regional policies	Support links between small producer and lead firms in the value chains	Value chain develop-ent	Yes	Yes	Tajikistan Agriculture Commercialization (P132652) Jobs in VC: tourism and construction (TF); IFC Agri Finance Project (599521)	AG Social Protection and Jobs Trade and Competiveness	1) Agricultural reform program 2) Export support and import substitution program	EU - Enhanced Competitiveness of Tajik Agribiz, USAID; GIZ - Rural Inclusive Growth and Economic Resilience); Aga Khan Foundation - VC program	Medium-term	Low	Expand to other sectors, beyond agriculture
Job Access	Labor policies	(Gender) Expand access to childcare and early childhood education, thereby bringing women to labor market	Skills and training		Yes	Global Partnership for Education (P131441)	ED	Program for development of private pre-school and secondary education 2014-20	USAID VC program; UNICEF, GPE, Aga Khan - pre-school improvement	Long-term	Low	the current support could be scaled up

Source: Tajikistan Strategy Action Plan. Jobs Group. Forthcoming.

Note: This is an extract as example. The original matrix currently has around 16 policy actions for Job Creation (12 for macro fundamentals and 4 for sector/regional policies); seven policy actions for Job Quality (five sector/regional policies, and two labor policy actions); and 16 policy actions for Job Access (15 labor policies and 1 sector/regional policy action).

ANNEX B: MENU OF JOBS INDICATORS BY OUTCOME

Job Outcomes		Job Indicators	Individuals	Firms
WBG Corporate Scorecard		Number of project beneficiaries reached by jobs-focused WBG interventions	X	X
Job Creation	Job creation	• Number of (self- and/or wage) employed project beneficiaries (*)– *disaggregate by self- and wage-employed project beneficiaries	X	
		• Number of full-time equivalent (FTE) jobs in beneficiary firms (*)		X
	New enterprises	• Number of newly established firms with more than one paid employee (**)		X
	Entrepreneurs/Self-employed	• Number of self-employed project beneficiaries (*)	X	
Job Quality	Worker productivity	• Average output per worker among beneficiary firms (**)		X
	Working conditions and benefits	• Number of project beneficiaries covered by social security insurance (*)	X	
		• Share of project beneficiaries reporting satisfaction with their job (*)	X	
		• Average number of hours worked per project beneficiary per week (*)	X	
Earnings/ Livelihoods	• Average annual earnings of project beneficiaries (*)	X		
Job Access	Labor force participation	• Labor force participation rate among project beneficiaries (*)	X	
	Working of labor market	• Number of project beneficiaries using (public or private) employment services (*)	X	
		• Average length of time for beneficiary firms to fill a vacancy		X
	Access and Opportunity for Jobs	• Disaggregation by gender and/or age for indicators marked with (*) • Disaggregation by gender of firm owner for indicators marked with (**)	X	X
Intermediate	Access to/ working of product markets	• Number of project beneficiaries who are member of a cooperative or producer group (*) / (**)	X	X
		• Number of beneficiaries with new commercial relationships (**)		
		• Average time to get to market where output can be sold or traded	X	X
	Firm performance/ Investment	• Additional sales revenue for beneficiary firms (US\$) (**)		X
		• Investment generated (US\$) (**)		X
• Share of newly established beneficiary firms still operational after X months (**)			X	
Human Capital	• Share of project beneficiaries completing training	X		

Source: Sudha B. Krishnan, et al. 2017. "Monitoring & Evaluation for Jobs Operations: Jobs M&E Toolkit." Imagebank Report Number: 112666. World Bank, Washington, D.C.

Note: All indicators marked with (*) can be disaggregated by gender and/or age in order to capture their 'Jobs Access' dimension (see outcome 'Access and opportunities to jobs'). All indicators marked with (**) can be disaggregated by gender of the firm owner in order to capture their 'Jobs Access' dimension.

Examples of Target Groups for Outcomes (*/**)
Gender/women
Youth
Poor/Bottom 40
Vulnerability /Fragility

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