

OFFICIAL DOCUMENTS *LN 8528-YF*

Supplemental Letter No. 2

REPUBLIC OF SERBIA

October 7, 2015

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Re: IBRD Loan No. 8528-YF
(Competitiveness and Jobs Project)
Performance and Monitoring Indicators

Dear Sirs and Mesdames:

This refers to paragraph A, Section II of Schedule 2 to the Loan Agreement between the Republic of Serbia (the Borrower) and the International Bank for Reconstruction and Development (the Bank) for the above-captioned Project. The Borrower hereby confirms to the Bank that the indicators set out in the attachment to this letter shall serve as a basis for the Borrower to monitor and evaluate the progress of the Project and the achievement of the objectives thereof.

Very truly yours,

REPUBLIC OF SERBIA

By *Deen Ziri*
Authorized Representative

Attachment

**IBRD Loan No. 8528-YF
(Competitiveness and Jobs Project)**

Performance and Monitoring Indicators

PDO and Non-DLI Intermediate Indicators

Project Development Objectives

PDO Statement

The PDO is to improve the effectiveness and coordination of selected public programs to alleviate constraints to competitiveness and job creation, including investment and export promotion, innovation, active labor market programs, labor intermediation, and activation of social assistance beneficiaries.

These results are at

Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values		
		2016	2017	2018
New investor leads generated by the reformed investment promotion agency (Number), annual	20	22	25	30
Participants in export promotion programs that engage in new export activities (Number), annual	85	90	95	100
New collaborations facilitated between research organizations and the private sector (Number)	3	8	31	34
NES registered unemployment cases transitioning into formal job (Number), annual	232,280 (2014)	245,000	260,000	280,000

Intermediate Results Indicators				
Indicator Name	Baseline	Cumulative Target Values		
		2016	2017	2018
Component 1: Policy Planning, Monitoring, and Coordination				
Annual performance reviews of pilot policy planning, monitoring, and coordination system (to support competitiveness and jobs reforms) (see DLI 1) (Number)	0	1	2	3
Component 2: Investment and Export Promotion				
MoE investment and export promotion programs restructured [DLI 2]	DLI table	DLI table	DLI table	DLI table
Number of documented interests by investors (Number), annual	61	67	74	82
Component 3: Innovation				
Private financing catalyzed through IF support programs (Amount USD) [see DLI 3]	(2014) 0.3 m	0.7 m	1.4 m	2.1 m
Enterprises and startups financed through matching grants (Number) [see DLI 3]	(2014) 11	15	30	45
Enterprises and startups financed with female owner (Number - Sub-Type: Breakdown) [see DLI 3]	(2014) 1	2	4	6
Innovative products or services developed by MG beneficiary firms (Number) [see DLI 3]	(2014) 16	7	17	27
Innovative products or services launched by MG beneficiary firms (Number) [see DLI 3]	(2014) 3	0	3	6
Technology transfer: IF TTF service lines deployed [see DLI 4] (Number)	0	2	5	5
Technology transfer: transactions initiated (Number) [see DLI 4]	0	0	5	10
R&I strategy and action plan and public research sector reforms designed and adopted [see DLI 5]	DLI table	DLI table	DLI table	DLI table
Citizen engagement: Innovation matching grant beneficiary annual survey (Number of surveys)	0	1	2	3
Component 4: Labor				

NES registered female unemployment cases transitioning into formal job (Number), annual	122,491 (2014)	130,000	137,000	145,000
Number of employers contacted per year by the NES (Number) [see DLI 6]	Field visits to 15,927 employers (2014)	17,000	20,000	23,000
% of total NES staff that is operating as certified case worker (Percentage) [DLI 6]	0 (2014)	50	90	90
Standard Deviation of mean case load per branch office over all branch offices [DLI 7]	381 (2014)	350	300	250
Net placement rate of NES start-up support program for self-employment 6 months from completion (Percentage)	37 (2013)	37	39	42
Net placement rate of NES hiring subsidy program for new employment 6 months from completion (Percentage)	41 (2013)	41	43	46
Number of new or re-designed ALMPs in the NES [DLI 8]	0	0	0	1
Average effective tax rate for social assistance beneficiary with two children and nonworking spouse transitioning to a half-time minimum wage job [DLI 9]	100%			70%
Citizen engagement: Number of employers reached by client satisfaction and needs survey	0	1,000	2,000	3,000

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
New investor leads generated by the reformed investment promotion agency (Number)	Action demonstrating investor interest (e.g. a formal meeting between the potential investors and agency, site visit, MOU, etc.) following the initial contact or expression of interest by the investor.	Semi-annual	Progress reports	MoE

Participants in export promotion programs that engage in new export activities (Number)	Number of participants in export promotion programs and services that export existing products to new markets or customers, new products to new or existing markets, or sell new products into export-oriented value chains	Semi-annual	Progress reports	MoE
New collaborations facilitated between research organizations and the private sector (Number)	New collaborations facilitated by the IF through its innovation and technology transfer programs, e.g. between firms, RDIs, university, innovation centers, investors, other consortia members, etc.	Annual	Annual & Progress Reports	Innovation Fund
NES registered unemployment cases transitioning into formal job (Number), annual	N/A	Annual	Social security administrative data on new formal employment matched with NES database of registered unemployed	NES

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Component 1: PPMC				
Annual performance reviews of pilot policy planning, monitoring, and coordination system (to support competitiveness and jobs reforms) (Number)	See DLI 1 description for contents of performance reviews.	Semi-annual	Progress reports	PPS
Component 2: Investment and Export Promotion				

MoE investment and export promotion programs restructured (Text)	See DLIs table below.	Semi-annual	Progress reports	MoE
Number of documented interests by investors (Number)	This is the inquiry stage of the investment generation process and might include actions by the investor such as: a call or a walk in to the Investment Promotion Agency seeking information, or a contact with the investors by the IPA where the investor responds positively by sharing information about their needs or requests a follow up.	Semi-annual		
Component 3: Innovation				
Private financing catalyzed through IF support programs (Amount USD)	Private financing committed by participants in mini, matching, collaborative grant schemes and technology transfer activities	Semi-annual	Progress reports	Innovation Fund
Enterprises and startups financed through matching grants (Number)	Number of enterprises and startups financed by the Innovation Fund.	Semi-annual	Innovation Fund quarterly reports	Innovation Fund
Enterprises and startups financed with female owner (Number - Sub-Type: Breakdown)	Number of enterprises and startups financed by the Innovation Fund with female owners or co-owners.	Semi-annual	Innovation Fund quarterly reports	Innovation Fund
Innovative products or services developed by MG beneficiary firms (Number)	N/A	Semi-annual	Innovation Fund quarterly reports	Innovation Fund
Innovative products or services launched by MG beneficiary firms (Number)	Products or services developed and launched with initial sales revenue generated	Semi-annual	Innovation Fund quarterly reports	Innovation Fund

Technology transfer: IF TTF service lines deployed (Number)	IF TTF roll out of services to support commercialization process	Semi-annual	Innovation Fund annual report	Innovation Fund
Technology transfer: transactions initiated (Number)	N/A	Semi-annual	Innovation Fund annual report	Innovation Fund
R&I strategy and action plan and public research sector reforms, designed and adopted (Text)	See DLIs table below.	As needed	Government orders adopting strategy and action plan and research sector reform	MoESTD
Citizen engagement: Innovation matching grant beneficiary annual survey (Number of surveys)	N/A	Annual	Report of survey results	Innovation Fund
NES registered female unemployment cases transitioning into formal job (Number), annual	N/A	Annual	Social security administrative data on new formal employment matched with NES database of registered unemployed	NES
Number of employers contacted per year by the NES (Number)	Employers reached by NES staff for the purpose of vacancy collection through individual visits or phone interview	Semi-annual	Management Information System of the NES	NES
% of total NES staff that is operating as certified case worker (Percentage)	% of staff that has passed the new certification process, to be defined as part of this project	Semi-annual	Management Information System of the NES	NES
Standard Deviation of mean case load per branch office over all branch offices	Standard deviation of the mean ratio of active jobseekers to case workers in NES branches	Semi-annual	Management Information System of the NES	NES
Net placement rate of NES start-up support program	Additional percentage of program participants who were in a formal job 6 months after program completion,	Annual	NES staff elaboration of data from Information System of the NES and	NES

for self-employment 6 months from completion	compared to the (econometrically generated) control group of nonparticipants		social security administrative data	
Net placement rate of NES hiring subsidy program for new employment 6 months from completion	Additional percentage of program participants who were in a formal job 6 months after program completion, compared to the (econometrically generated) control group of nonparticipants	Annual	NES staff elaboration of data from Information System of the NES and social security administrative data	NES
Number of new or re-designed ALMPs in the NES	ALMPs that were not offered the previous year or that are implemented differently than the previous year	Annual	Annual KPI reports, measured through NES information system	NES
Average effective tax rate for social assistance beneficiary with two children and nonworking spouse transitioning to a half-time minimum wage job	% of gross income foregone by worker through income tax, social contributions and withdrawal of social assistance (FSA and Child Allowance) when transitioning to a formal job paid at half the minimum wage	Annual	Simulations based on legislation on social assistance, social security minimum wage, and income tax	MoLEVSA
Citizen engagement: Number of employers reached by client satisfaction and needs survey	Number of employers surveyed	Semi-annual	Client satisfaction and need assessment survey	NES

Preliminary Disbursement-Linked Indicators Table with Verification Protocols

DLI	Baseline	Retroactive/2015	2016	2017	2018
1. Policy planning, monitoring, and coordination					
DLI 1: Policy planning, monitoring, and coordination (PPMC) system (in support of competitiveness and jobs reforms) piloted	No Competitiveness and Jobs policy planning, monitoring, or coordination framework exists. Systematic benchmarking, fixing targets, M&E and reporting, incentives and budgeting not done by line ministries.	Inter-ministerial Competitiveness and Jobs PPMC Working Group (“PPMC WG”) formally created by the Participating Institutions Each Participating Institution adopts institution-specific mandates and reporting lines for participation in PPMC system.	PPMC WG publishes on the PPS website one semi-annual progress report and one annual performance report of the PPMC system with inputs from each Participating Institution.	PPMC WG publishes on the PPS website one semi-annual progress report and one annual performance report of the PPMC system with inputs from each Participating Institution.	PPMC WG publishes on the PPS website one semi-annual progress report and one annual performance report of the PPMC system with inputs from each Participating Institution.
Amount of the Loan Allocated to DLI 1		(EUR 0.9 million)	(EUR 0.9 million)	(EUR 0.9 million)	(EUR 0.9 million)
<p><i>Verification protocol:</i> The Participating Institutions are the PPS, MoE, MoESTD, and NES (in cooperation with MoLEVSA).</p> <p><i>Retroactive/2015: Inter-ministerial C&J policy planning, monitoring, and coordination working group (PPMC WG):</i> Decree (or MoU) establishing PPMC WG signed by MoF, MoE, MoESTD, MoLEVSA, and PPS. Decree should cover leadership, membership (from each of the signatory institutions), resourcing, and mandate. Mandate should include inter alia: (a) oversight of the PPMC launch and implementation process and protocols, (b) liaison with those responsible for PPMC in participating ministries’, including suggestions regarding activities, indicators, targets, (c) assure alignment of activities, indicators, and targets with Government priorities, (d) data analysis, policy development, and M&E, (e) semi-annual PPMC WG meetings and progress reports (based on inputs from the ministry-level PPMC units), (f) annual performance reviews, including progress against targets, identification of constraints to improved performance, and suggested performance improvement measures (based on inputs from each ministry), (g) support to the development of impact evaluations in the participating ministries, and (h) competitiveness and jobs policy coordination across participating ministries.</p> <p><i>Ministry-level mandates and responsibilities:</i> The MoE, MoESTD (specifically the science and innovation branch of the ministry), and the NES (in cooperation with the MoLEVSA) should each identify their position or unit responsible for participation in the PPMC system, and the mandate of said position or unit, by ministerial decree or other verifiable change to internal procedures. Each unit should have a mandate and protocols to: (a) develop KPI (Key Performance Indicators) hierarchies (see KPI notes below), (b) establish baselines, (c) fix yearly targets, (d) create a platform to track/monitor indicators and relevant budget performance, (e) identify & troubleshoot problems, (f) periodically evaluate and revise protocols and targets as needed, (g) provide semi-annual progress reports to their line minister and the inter-ministerial PPMC WG, and participate in WG meetings, (h)</p>					

DLI	Baseline	Retroactive/2015	2016	2017	2018
	provide annual performance reviews with performance improvement measures to their line minister and PPMC WG, and (i) use the progress reports and performance reviews to inform program-based budgeting decisions.				
	<p><i>2016-2018: Semi-annual reports</i> should cover all KPIs for each ministries' PPMC system, including KPI baseline values at project inception, progress, and targets for the following 2 years. Reports should also identify the relevant budget lines and activities associated with each indicator. Inputs from each ministries' PPMC unit should be shared with the PPMC WG according to reporting protocols established in the PPMC WG minutes. Reports should be publicly available and published on appropriate Government website(s), e.g. of the individual ministries and/or the Public Policy Secretariat.</p> <p><i>KPIs for each of the participating ministries are expected to cover, inter alia:</i></p> <p><i>Investment and export promotion:</i> Indicators to be defined as part of MoE agency reform process. Examples include: a) Export promotion: exports as a % of GDP; number and growth of export-oriented SMEs supported by the export promotion agency. b) Investment attraction: investment generated; number of firms that invest; number of investment MoUs signed; number of documented interests by investors (broken down by priority sectors). c) General: number of firms that benefit from sector support programs; number of events with the private sector to discuss agency reform process; user satisfaction with agency programs, etc.</p> <p><i>Innovation. Patents:</i> Number of new patents filed, broken down by: a) Innovation Fund beneficiaries, national patents; b) IF beneficiaries, international patents; c) RDIs, national patents; d) RDIs, international patents). Technology transfer: number of transactions initiated and number completed; value of technology transfer transactions completed; value of "in-licensing". Applied research publications (number), broken down by national and international journals. Publicly fund research projects with diaspora engagement (number). Amount of contract research conducted. Publicly funded research projects with international participation (number). Belgrade Technopark (BTP): occupancy level (%); number of tech firms and organizations housed in BTP; number of BTP incubator startups raising external financing; number of BTP startups/spinoffs receiving matched Business Acceleration Network support.</p> <p><i>Labor:</i> Employer services: frequency of contacts with employers; number of employers contacted; vacancy registration; time to fill vacancies; satisfaction of clients with employer services. Case management: number of case workers; number of case workers certified; number of successful job matches; frequency of engagement with active jobseekers; satisfaction of jobseekers with case workers services; ratio of active jobseekers per case worker across offices; number of active job seekers with risk profiles. ALMPs: number of new or re-designed ALMPs piloted; number of ALMP participants tracked after completion; placement rates of ALMPs. KPIs should be defined at national and branch office - and at case worker level where possible. The specific wording be chosen during the time of the project.</p> <p><i>Annual performance reviews</i> should discuss performance problems in each KPI, budget adequacy, and performance improvement measures (both planned and taken). Similar to the semi-annual progress reports, they should be publicly available and published on appropriate Government website(s), e.g. of the individual ministries and/or the Public Policy Secretariat.</p> <p><i>Mid-year progress and partial payments:</i> For 2016, EUR 0.2 million can be disbursed based on the publication of one semi-annual report (e.g. at mid-year). The remainder of the DLI amount (EUR 0.7 million) can be disbursed based on full completion of the DLI for that year. The same applies for 2017 and 2018.</p>				

DLI	Baseline	Retroactive/2015	2016	2017	2018
2. Investment and export promotion					
DLI 2: MoE investment and export promotion programs restructured	MoE agencies have overlapping mandates and weak, non-transparent performance history		Strategic framework and overall action plan for investment and export promotion (“Action Plan”) prepared and adopted by the MoE. Sectoral policies and sector-specific implementation plans adopted for target sectors identified in the strategic framework.	Action Plan for year 2017 implemented, monitored, and updated. Number of investment leads generated increased by at least 10 percent from previous year.	Action Plan for year 2018 is implemented, monitored, and updated. Number of investment leads generated increased by at least 10 percent from previous year.
Amount of the Loan Allocated to DLI 2			(EUR 7.3 million)	(EUR 6.4 million)	(EUR 6.17 million)
<p><i>Verification protocol:</i></p> <p>2016: The strategic framework and action plan should include an initial identification of target sectors, 3 year performance targets, and monitoring mechanisms. The action plan should be time-bound, costed, and sequenced, and cover reforms or restructuring of one or more of the MoE’s key agencies responsible for investment and export promotion (i.e. SIEPA, Development Fund, AOFI, and/or NARR). The restructuring could include the combination of existing or creation of new agencies. The action plan should also include the strengthening of governance structures of the selected agencies and the improvement of existing or development of new programs and services. Sectoral policies should include policies for investment and export promotion and value chain strengthening in the identified target sectors, with performance targets and monitoring mechanisms and sector specific action plans. The sectoral policies should be aligned with the revised Industrial Strategy for 2011-20. The strategic framework, action plan and sectoral policies should be officially endorsed in a letter signed by the Minister of Economy and be acceptable to the Bank.</p> <p>2017-2018: Implementation will be verified by semi-annual progress reports prepared by the MoE that cover the elements specified in the action plan, including: progress toward performance targets, proof of changes to the governing structure (e.g. revision of the agency legal bases, bylaws, and/or internal operating procedures), funding, cost/benefit analyses of the new/improved programs and services, etc. The year-end progress report should update the performance targets for the following 3 years and update the actions in the plan for the following year (as needed to improve performance).</p> <p>Mid-year progress and partial payments: For 2016, EUR 2.7 million can be disbursed based on the terms of reference designed and consultants hired to complete the strategic framework, overall action plan, and sector specific policies; the remainder (EUR 4.6 million) can be disbursed based on the completion and adoption of the framework, overall action plan, and sector-specific policies (with action plans). For both 2017 and 2018, EUR 3.7</p>					

DLI	Baseline	Retroactive/2015	2016	2017	2018
million can be disbursed based on completion of the action plan requirement and the remainder of the DLI amount (EUR 2.7 million and EUR 2.47 million respectively) on the number of investment leads. (Both are envisioned to take place at year-end, rather than mid-year.)					
3. Innovation					
DLI 3: Enterprise innovation supported via the Innovation Fund (“IF”) Matching Grants Program (“MGP”)	EUR 0.7M, 2014, operational budget USD 2M, 2013, MG grant budget		At least EUR 0.7 million allocated for IF’s 2016 operational budget. At least EUR 2.7 million allocated to MGP in the Borrower’s 2016 budget for IF. At least 80% of 2016 IF MGP budget committed using IF’s international peer review and investment committee selection process.	At least EUR 0.7 million allocated for IF’s 2017 operational budget. At least EUR 2.7 million allocated to MGP in the Borrower’s 2017 budget for IF. At least 80% of 2017 IF MGP budget committed using IF’s international peer review and investment committee selection process. MGP implementation evaluation conducted.	At least EUR 0.7 million allocated for IF’s 2018 operational budget. At least EUR 2.7 million allocated to MGP in the Borrower’s 2018 budget for IF. At least 80% of 2018 IF MGP budget committed using IF’s international peer review and investment committee selection process. Proposal for scaling-up MGP submitted by MoESTD to the Borrower or development partner donor institutions
Amount of the Loan Allocated to DLI 3			(EUR 3.7 million)	(EUR 3.7 million)	(EUR 3.7 million)
<p><i>Verification protocol:</i> 2016-2018: For each year, IF confirms operational and MG budget allocations received. For 80% MG budget committed, see IF reports. Commitment of funds should be done in line with the IF’s relevant operations and grant manuals acceptable to the Bank.</p> <p>2017: Matching grants evaluation report.</p> <p>2018: MOESTD submits financing proposal to government or donors on behalf of IF.</p>					

DLI	Baseline	Retroactive/2015	2016	2017	2018
<p><i>Mid-year progress and partial payments:</i> For 2016, 2017, and 2018, EUR 1.4 million can be disbursed based on allocation of the IF operational and MG fund in the Borrower's (Republican) budget. For 2016, EUR 2.3 million can be disbursed once 80% of the IF budget is committed. For 2017 and 2018, EUR 1.8 million can be disbursed once 80% of the IF budget is committed. For 2017, EUR 0.5 million can be disbursed upon completion of the IF MG implementation evaluation. For 2018, EUR 0.5 million can be disbursed once the government or donor proposal is submitted.</p>					
<p>DLI 4: Technology transfer and commercialization facilitated via the IF TTF</p>	<p>No public entity with demonstrable TT transactional capacity exists</p> <p>No centralized technology transfer facility (TTF) or service lines exist</p>		<p>At least one TTF service line deployed.</p>	<p>At least EUR 0.9 million allocated in the Borrower's 2017 budget to TTF operations and services, and at least 3 technology transfer transactions initiated.</p>	<p>At least EUR 0.9 million allocated in the Borrower's 2018 budget to TTF operations and services, and at least 7 technology transfer transactions initiated.</p> <p>TTF program evaluation conducted and proposal for scaling-up technology transfer activities submitted by MoESTD to the Borrower or development partner donor institutions.</p>
<p>Amount of the Loan Allocated to DLI 4</p>			<p>(EUR 2.8 million)</p>	<p>(EUR 2.7 million)</p>	<p>(EUR 3.7 million)</p>
<p><i>Verification protocol:</i></p> <p>2016: One or more TT service lines deployed and verified by IF monitoring reports.</p> <p>2017: Allocation of USD 1 million for TTF and number of transactions initiated, to be confirmed by IF.</p> <p>2018: Allocation of USD 1 million for TTF and number of transactions initiated, to be confirmed by IF.</p> <p><i>Mid-year progress and partial payments:</i> For 2016, EUR 0.9 million can be disbursed once one or more TTF service lines is designed; the remainder (EUR 1.9 million) can be disbursed once they are deployed. For 2017, EUR 1.8 million can be disbursed once TTF funds are allocated in the Borrower's (Republican) budget (e.g. at mid-year); EUR 0.9 million can be disbursed once 3 tech transfer transactions have been initiated (e.g. at year-end). For 2018, EUR 1.8 million can be disbursed once TTF funds are allocated in the Borrower's (Republican) budget (e.g. at mid-year); EUR 1 million can be disbursed once the 7 cumulative tech transfer transactions have been initiated (e.g. at year-end). EUR 0.9 million can be disbursed based on completion of program evaluation and submission of Government/donor proposal.</p>					

DLI	Baseline	Retroactive/2015	2016	2017	2018
DLI 5: Public research sector reforms designed and adopted	<p>Current Strategy for Innovation expires in 2015</p> <p>No sector reform strategy or RDI level restructuring paths identified.</p>	2015-2020 research and innovation strategy adopted by the Borrower including commitment to reforming public RDI sector.	<p>Time bound action plan to implement research and innovation strategy action plan adopted by the Borrower.</p> <p>Time bound action plan to implement research and innovation infrastructure roadmap and action plan adopted by the Borrower.</p> <p>At least 50 RDI self-assessments completed.</p> <p>Pilot performance audits of at least 4 RDIs carried out by international experts.</p>	<p>Performance audits of at least 20 RDIs carried out by international experts.</p> <p>RDI sector reform program adopted by the Borrower, including performance based financing schemes, and deployment timeline</p>	Proposal (including costing, targets and timelines) for technical assistance funding to conduct RDI sector reform submitted by MoESTD to the Borrower or development partner donor institutions.
Amount of the Loan Allocated to DLI 5		(EUR 2.7 million)	(EUR 2.7 million)	(EUR 3.8 million)	(EUR 2.5 million)
<p><i>Verification protocol:</i></p> <p><i>Retroactive/2015:</i> Government order adopting R&I Strategy is based on recommendations from SRITTP and includes commitment to conduct RDI sector reforms Component 3. <i>Partial payments:</i> For adoption of R&I Strategy disburse EUR 0.9 million and for including sector reforms EUR 1.8 million.</p> <p><i>2016:</i> R&I Strategy Action Plan and Infrastructure Roadmap and Action Plan should reflect recommendations from SRITTP Component 3. MoESTD report to detail results of the self-assessments and pilot audits by international experts. <i>Partial payments:</i> 1/3 can be paid for each requirement met.</p> <p><i>2017:</i> The RDI performance audits should build on the 2016 pilot and be completed by international experts. RDI sector reform program, including performance based management at the institution and individual level, adopted by Government. <i>Partial payments:</i> For 2017, ½ can be paid for each requirement met.</p>					

DLI	Baseline	Retroactive/2015	2016	2017	2018
4. Labor					
DLI 6: Effectiveness of NES labor intermediation services delivered to clients (employers and unemployed) improved	0% of case workers certified with new certification system Number of employers visited per year by the NES: 15,927 (2014) Number of NES-registered unemployment cases transitioning into formal job: 232,280 (2014)		Action plan to enhance the quality of employer services and case management adopted by NES ("NES Action Plan")	85% of the total number of NES case workers as of December 31, 2017 are certified according to newly adopted standards under NES Action Plan	Number of employers contacted by the NES within the last 12 calendar month period: 23,000 Number of NES-registered unemployed individuals transitioning into formal jobs within the last 12 month calendar period: 280,000
Amount of the Loan Allocated to DLI 6			(EUR 2.7 million)	(EUR 1.9 million)	(EUR 2.7 million)
<p><i>Verification protocol:</i></p> <p><i>2016:</i> The action plan and related KPIs will be sent to the World Bank with cover letter stating its official adoption by the NES management, and be considered satisfactory to the World Bank. The plan will adopt the final list of KPIs to monitor the quality of employer services and case management. It will also include recommendations to be implemented throughout the project duration, including those planned to be implemented within one year from adoption of the action plan, as well as performance targets for 2018. Regarding case officers, the action plan should include changes to the regulations, standards for certification of case workers, curriculum for training case workers, KPIs to monitor certification and individual performance of case workers starting from 2016. NES rule book has to be revised and system to track the indicator must be in place. If any necessary legislation has to be revised, MoLEVSA submits new legislation to government. <i>Certification</i> system will focus both on compliance with regulations and on capabilities of case workers in working face-to-face with clients. Case workers need to be certified within 12 months from appointment.</p> <p><i>2017:</i> The number of case workers includes staff with case worker functions under both permanent and temporary contracts. Case worker certification rates are verified through the periodic reports of the monitoring unit. The December 31, 2017 date is used to calculate the total number of case workers as of that date. The DLI can be met anytime that at least 85% of that number of case workers are certified.</p> <p><i>2018:</i> Target values for these indicators will be set in the action plan to be prepared during 2016. As a result, the values may have to be revised at the time of the Project midterm review. The numbers will be reported through periodic reports of the NES monitoring unit.</p>					

DLI	Baseline	Retroactive/2015	2016	2017	2018
<p><i>Mid-year progress and partial payments:</i> For 2016, EUR 0.9 million can be disbursed based on provision of a draft action plan (e.g. at mid-year). For 2017, EUR 0.9 million can be disbursed once at least 40% of caseworkers (based on the number of case workers employed as of June 30, 2017) are certified (e.g. at mid-year). For 2018, EUR 0.9 million can be disbursed once at least 11,500 employers have been contacted and 140,000 NES registered unemployed transitioned into a formal job (e.g. at mid-year). The remainder of the DLI amounts can be disbursed once the full targets have been met (e.g. at year-end).</p>					
DLI 7: Case load management in NES branch offices improved	Standard deviation of mean case load per branch office over all branch offices: 381.	Special registry of unemployed persons who are temporarily prevented from working established by NES.	Staffing reforms adopted by NES for 2016 are implemented, and targets on case load per branch office are published on the NES website.	Standard deviation of mean case load per branch office is 300 or less.	Standard deviation of mean case load per branch office is 250 or less.
Amount of the Loan Allocated to DLI 7		(EUR 0.9 million)	(EUR 2.7 million)	(EUR 2.7 million)	(EUR 2.7 million)
<p><i>Verification protocol:</i> "Mean case load per branch office" is computed as the ratio of registered unemployed per case worker in each branch office for the baseline. As of 2016, it will be computed as active jobseekers (to be defined in DLI 8) per case worker in each branch office. The standard deviation of mean case load is computed across the mean of all branch offices). Verification of DLI is based on the periodic reports of the monitoring unit</p> <p><i>Retroactive:</i> NES will have two separate registries: the registry of active job seekers and the registry of persons temporarily prevented from working, in accordance with the law, which will ensure the improvement of performance, in terms of employment mediation for active job seekers, i.e. focusing of the case workers on the employment of active job seekers. This would help decreasing the caseload per case worker.</p> <p><i>2016:</i> Staffing plan: designed and adopted by the NES. Increase in the number of caseworkers can be achieved through a combination of (i) reassignment of administrative staff to case worker functions, (ii) redeployment of temporary workers, (iii) mobility of case workers from offices with low case load to offices with high case load, or other measures. For verification the plan should be sent to the World Bank with cover letter stating its official adoption by the NES management, and be considered satisfactory to the World Bank. Case workers must be certified within 12 months from appointment to be considered in the caseload indicator.</p> <p><i>2017-2018:</i> At mid-term review, a target on how much the standard deviation has to decrease for the remainder of the project will be set. Verification of DLI based on the periodic reports of the monitoring unit.</p> <p><i>Mid-year progress and partial payments:</i> For 2016, EUR 0.9 million can be disbursed once staffing reforms are designed (e.g. at mid-year); the remaining EUR 1.8 million can be disbursed once the full DLI is met (e.g. at year-end). For 2017, EUR 0.9 million can be disbursed once the standard deviation of mean case worker per branch office has been reduced to 350 (e.g. at mid-year); the remaining EUR 1.8 million can be disbursed upon</p>					

DLI	Baseline	Retroactive/2015	2016	2017	2018
completion of the full target. For 2018, EUR 0.9 million can be disbursed once the standard deviation of mean case worker per branch office has been reduced to 275 (e.g. at mid-year); the remaining EUR 1.8 million can be disbursed upon completion of the full target.					
DLI 8: Effectiveness of ALMPs improved through statistical evidence	Number of new or re-designed ALMPs piloted: 0. Number of registered unemployed with newly developed risk profiles: 0.	Rule book redefining “low-risk group” of its current risk profiling as “requiring minimal to no NES services”, taking into account registered unemployed individuals’ self-assessment of service needs, adopted by NES.	Action plan on monitoring, evaluation and re-design of ALMPs; and on profiling of registered unemployed individuals approved by NES management.	50% of unemployed individuals registered in NES as of December 31, 2017 have a risk profile according to the new methodology.	NES starts pilot of a re-designed ALMP, taking into account evidence from previous evaluations of ALMPs undertaken by NES. At least 1 service provider for labor market trainings hired based on a performance based contract.
Amount of the Loan Allocated to DLI 8		(EUR 1 million)	(EUR 2.7 million)	(EUR 2.7 million)	(EUR 2.8 million)
<p><i>Verification protocol:</i> <i>Retroactive:</i> New methodology to re-define “low-risk group” to “requiring minimal to no NES services” has to be found acceptable to the World Bank.</p> <p><i>2016:</i> <i>Action plan</i> should be satisfactory to the World Bank, and cover two parts: (part 1) strategy for monitoring, evaluation and re-design of ALMPs, and (part 2) jobseekers profiling tool. Both results of the DLI need to be met for DLI disbursement. The development of both parts should be informed by technical assistance. Adequate resources and deadlines should be identified for the implementation of each component. For verification the plan should be sent to the World Bank with cover letter stating its official adoption by the NES management, and be considered satisfactory to the World Bank</p> <p>-Part 1 should: (i) regulate the evaluation of ALMPs, which should institutionalize the quantitative evaluation methods piloted by the NES in previous TAs (such as IPA project); (ii) recommend KPIs to monitor regularly outcome indicators of ALMPs offered by the NES; (iii) establish the design of an in-depth evaluation on one of the ALMPs (“in-depth” is a study to understand the causes of observed outcomes from quantitative evaluation results and informs the changes in the design of the program).</p> <p>-Part 2: A profiling tool is defined as the method to segment registered unemployed according to their risk of becoming long-term unemployed, and to the level of active support that is required in order to bring the unemployed back into employment. The risk-profiling tool should allow to separate registered unemployed of each branch into two broad categories, those requiring no or minimal support from NES (see DLI 7); and those requiring medium to intensive support. The action plan should establish how to target case work and ALMPs for different customer profiles.</p> <p><i>2017.</i> Verification of DLI on assignment of risk profile to jobseeker is based on the periodic reports of the monitoring unit.</p>					

DLI	Baseline	Retroactive/2015	2016	2017	2018
<p><i>2018:</i> DLI consists of two results. Disbursement equal to half of the DLI total amount can be made upon completion of each result. First result: ALMP pilot. Result is verified through transmission to the World Bank of report endorsed by NES management and adopted in National Employment Action Plan. The report should include description of the intervention, including relevant evidence from evaluations that were incorporated into its design, information on target, profile and number of participants, duration and location of intervention, number of individuals who completed the intervention. Verification of DLI will require an NES progress report on the pilot implementation. Second result: Verification will be executed when the World bank receives tender documentation; and after contracting of providers has been completed</p> <p><i>Mid-year progress and partial payments:</i> For 2016, EUR 0.9 million can be disbursed on the basis of a draft ALMP action plan (e.g. at mid-year); the remainder (EUR 1.8 million) can be disbursed based NES management approval of an acceptable action plan (e.g. at year-end). For 2017, EUR 0.9 million can be disbursed once 25% of unemployed as of June 30, 2017 have a risk profile (e.g. at mid-year) and the remainder (EUR 1.8 million) once 50% have a risk profile. For 2018, EUR 0.5 million can be disbursed based on the design of the pilot (e.g. and mid-year) and the remaining EUR 0.9 million based on the NES progress report on the implementation of the pilot. EUR 0.5 million can be disbursed upon publishing of the tender for performance-based contract (e.g. at mid-year) and the remaining EUR 0.9 million upon contracting of providers.</p>					
DLI 9: Transition of social assistance beneficiaries into formal jobs facilitated	AETR for a social assistance beneficiary household with two children, where one adult member transitions into a formal job at minimum wage, where the job is: half-time: 100%, full-time: 83%		Study to (i) design a program to reduce disincentives to enter formal jobs for social assistance beneficiaries; and (ii) improve activation of social assistance beneficiaries through improved services, carried out by the Borrower.	Pilot program to support formal employment of a select group of beneficiaries of social assistance and/or child allowance selected in accordance with criteria set forth in the Project Operations Manual, established by the Borrower.	Average effective tax rate for a social assistance beneficiary household with two children and who participates in pilot program for the previous calendar year, where one adult member transitions into a formal job at minimum wage, where the job is: Half-time: 70% or less, Full-time: 70% or less.
Amount of the Loan Allocated to DLI 9			(EUR 1.9 million)	(EUR 1.8 million)	(EUR 1.8 million)
<p><i>Verification protocol:</i> Definition of average effective tax rate (AETR): percentage of formal gross income that is foregone by the worker through taxation, contributions, and withdrawal of social benefits when transitioning into a formal job, either full time or at half time, at minimum wage.</p>					

DLI	Baseline	Retroactive/2015	2016	2017	2018
<p><i>2016:</i> The study should at a minimum: (i) assess current work disincentives; (ii) study best practice from OECD countries on formal employment of low productivity workers, including beneficiaries of social assistance; and (iii) provide recommendations on the design and implementation arrangements for a pilot to support formalization of a select group of beneficiaries of financial social assistance and/or child allowance; (iv) provide scenarios of budgetary implication including expenditure on social assistance, tax revenues; and (v) provide recommendations on how to improve services and institutional setup for activation, including linkages between NES and social welfare centers, and defining financial assistance that the beneficiaries would receive from the NES as an ALMP instead of the centers for social work so that the formal employment would yield higher income compared to receiving financial social assistance.</p> <p><i>2017:</i> Establishment of pilot program is verified by the adoption and implementation of needed regulations.</p> <p><i>2018:</i> A decrease for the average effective tax rate will be determined at mid-term review. Verification of the DLI is through an analytical paper transmitted with cover letter from the Ministry to the World Bank, which shows the computation of AETR based on the existing regulations and legislation.</p> <p><i>Mid-year progress and partial payments:</i> For 2016, EUR 0.7 million can be disbursed once the consultants are contracted to undertake the study. For 2017, EUR 0.7 million can be disbursed based on the description of the pilot design; the remainder (EUR 1.1 million) can be disbursed based on adoption of required regulations. There will be no partial payment for 2018.</p>					