

Independent Evaluation Group

Employment Creation and Earnings Growth: An Assessment of World Bank Support in Three Middle-Income Countries

Approach Paper

Background

1. This approach paper proposes an evaluation of World Bank support for earnings growth and employment creation in three middle-income countries—Colombia, Tunisia, and Turkey. All three countries received significant Bank support in this area during 1998-2007 (the evaluation period). The proposed evaluation is a pilot in that it combines features of a Country Assistance Evaluation, notably the in-depth assessment of Bank support at the country level, with those of a thematic evaluation. Accordingly, it reviews the three country programs through the specific lens of labor market outcomes instead of covering the whole range of objectives pursued by the Bank and its entire program in a client country. While the experimental nature of this evaluation product gives rise to some uncertainty (for example, concerning the extent to which lessons drawn from a three-country assessment can be generalized), the depth of inquiry permitted by covering just three countries will likely yield more detailed lessons.

2. The evaluation will review the relevance, effectiveness, and efficiency of Bank support for employment and earnings growth in the three countries and is motivated by the central role that employment plays in much of the Bank's work.¹ A recent Human Development Network report on the Bank's activities related to employment expressed concern regarding the uneven impact of growth on employment, the creation of low-productivity and low-paying jobs, unemployment and/or underemployment.² And not without reason: labor force participation in the working age population increased from 68 percent to 72 percent over the 1980-2006 period in high-income countries, but declined from 75 percent to 73 percent in middle-income countries, and from 71 percent to 67 percent in low-income countries. As discussed in the next section, the Bank's work covers a wide variety of factors that interrelate to determine the quantity and quality of employment. These include, among others, gender considerations and those connected with the formal/informal sector divide.

¹ This role is suggested in the Bank's Articles of Agreement, which include the following Bank purpose: "To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labor in their territories."

² World Bank Report, "The WB & the Social Dimension of Globalization-An Update to the Board on the Bank's Activities on Employment and Collaboration with the ILO"; May 11, 2007.

3. Section I of this approach paper takes stock of the volume and coverage of the Bank's work on employment. It summarizes the Bank's areas of attention that have a bearing on employment. Section II discusses the questions to be addressed by the proposed evaluation. Section III discusses the proposed methodology of the three case studies. Section IV outlines the topics on which the evaluation expects to yield or illustrate useful lessons for the Bank's future work on earnings growth and employment. Section V summarizes the staffing and timetable of the task.

I. Bank Support for Employment Creation

4. Although Bank work on employment is dispersed across different Bank units, the Human Development Network report cited above (footnote 2), articulated a Bank strategy for employment and earnings covering both knowledge generation and operational applications. Under this strategy, knowledge generation would cover a wide range of areas, including labor market diagnostics, worker vulnerabilities, productive employment as the transmission channel between growth and poverty reduction, benefits to workers of structural reforms and globalization, labor market policies and institutions, skills development and upgrading, and international migration. The operational approach would comprise assessments of constraints to growth and job creation, identification of reform and policy priorities, and policy dialogue aimed at fostering more and better jobs.

5. This strategy reflects the considerable Bank research, lending, and analytic and advisory assistance (AAA) linked to employment and labor earnings. The considerable Bank work related to employment and earnings reflects the multiple interrelationships between most areas of Bank work: the Bank's poverty reduction objective depends on employment and labor productivity growth, given that labor is the main source of income for the poor. In turn, both employment and labor productivity growth are closely linked to economic growth, and the determinants of economic growth span a wide range of Bank-supported activities, including in infrastructure, education, health, trade, macroeconomic balance, and the adequacy of the investment climate, including the adequacy of labor markets. Education and health, in particular, are primary components of the supply of labor and human capital, and anything that affects economic growth will also affect the demand for labor. The strategy described above—and the MILES³ framework that goes with it—reflects these multiple interrelationships.

6. Not surprisingly, Bank products often contain references to or analyses of labor or employment issues. For example, in 2007, 27 percent of the 3,452 project document records of the Bank contained keyword references to labor or employment, and 26 percent of the 104 AAA records also contained those references. About 75 percent of country assistance strategies (CAS) contained at least one reference to key labor or employment concepts (such as “job creation”). The content of this work is quite diverse. The HD network briefing to the

³ The briefing argued that a comprehensive operational framework toward job creation should include five key sectors, summarized by the acronym MILES: **M**acroeconomic Conditions, **I**nvestment Climate and infrastructure, **L**abor market regulations and institutions, **E**ducation and skill development; and **S**ocial safety net.

Board reviewed investment projects for CY2000-05 that sought to improve labor market outcomes. The projects covered:

- Adjustment schemes for retrenched public sector and state-owned enterprise (SOE) workers
- Employment services
- Labor administration and institutional capacity building
- Employment subsidies
- Labor code revision
- Labor market information and monitoring
- Micro-enterprise development
- Public works
- Training or retraining for workers, the unemployed, first-time job seekers, and informal economy workers
- Unemployment assistance and unemployment insurance schemes
- Disadvantaged groups (women and the labor market, youth, poor)

7. In addition, much of the work that is not directed to labor issues will influence employment and earnings. Many Bank-supported actions, including reforms and investments in trade, education, health, infrastructure, macroeconomic adjustment, financial sector stability, and others will affect the demand or supply of labor. Accordingly, the answer to the question “How does Bank support affect employment outcomes?” is quite broad—even broader than the list above suggests. Answering that question would require reviewing much of the Bank work, certainly more than the 26-27 percent that has direct bearing on labor issues.

8. To make its scope manageable, the proposed task will limit its country coverage to in-depth case studies of three middle-income countries that faced important employment challenges during the past decade (1998-2007) and where the Bank was engaged. These studies will review the relevance, effectiveness, and efficiency of the Bank’s programs in those countries with a focus on the key actions or activities with a bearing on employment outcomes.

9. While the three cases will not allow any cross-country generalization or hypothesis testing, they may illustrate some of the key propositions or generalizations on the more important challenges the Bank faces when seeking improved employment and earnings outcomes. It is hoped that the cases will help show how the strategy outlined above applies and serves future Bank operations that emphasize earnings growth or employment creation. Some cross-country comparisons will prove useful for the proposed review. For example, in all three of the selected countries, the Bank conducted labor market diagnostics, a key component of knowledge generation in that strategy, and where the task may provide a comparative perspective on content and quality.

II. Questions to be addressed

10. The proposed assessment will focus on Bank country programs, as reflected in CASs issued between 1998 and 2007 that envisaged earnings and employment growth as an

outcome of Bank support. In terms of the MILES framework, strategies here are meant to cover (i) macro policies, with a bearing on growth and hence on the derived demand for labor; (ii) investment climate policies, with a bearing on private sector investment, growth, and the level and skill structure of the derived demand for labor; (iii) labor market policies, with a bearing on the quantity of labor demanded and/or supplied; (iv) education, with a bearing on the supply of skills; and (v) social protection, with a bearing on the scope for labor market flexibility. These policies can be listed with reference to the five MILES areas as follows:

- Macro policies—fiscal, monetary, foreign exchange, trade, financial sector stability
- Investment climate—policies affecting labor and capital productivity, access to finance, impact of health on private sector, cost of doing business, exports.
- Labor market policies and institutions—payroll taxes, policies that discriminate against specific demographic groups, labor flexibility, worker protection, active employment policies, such as placement services, retraining, public works.
- Education policies—policies affecting coverage and/or quality of education.
- Social protection—unemployment insurance and pension coverage.

11. Application of this framework will cover differences in performance and policies within different demographic groupings. In particular, gender differences are likely to deserve special consideration in the three countries selected for this review. Female labor participation is much lower than male participation in Tunisia and Turkey and considerable increases in female participation account for the large increase in overall labor participation in Colombia. Differences within other groupings (e.g., rural/urban, formal/informal) are also likely to be important in accounting for differences in the quantity and quality of employment.

12. In the Bank's operational work, the mix of the policies outlined above will vary from country to country. For example, growth and investment climate policies feature prominently in the three countries being proposed for review in this approach paper. Within the set of labor market policies, those affecting flexibility have been an important focus in Colombia while focus on active employment policies have been more important in Tunisia and growth policies have been at the center stage in Turkey. The proposed evaluation covers the effects of the policies on participation, employment, unemployment, wages, growth, and poverty reduction. Accordingly, the evaluation of the relevance, effectiveness, and efficiency of the Bank's support will run from Bank inputs (CASs, lending, and AAA) to outputs (policies with a bearing on wages, employment, and the unemployment rate), to intermediate outcomes (employment/unemployment and wages), and to higher-order impact (growth and poverty reduction). The purpose of this evaluation is to assess the extent to which outcomes and impact can be attributed to the Bank's inputs. The assessment of policy effects on outcomes and impact will depend primarily on existing research. Judgment on attribution to the Bank will rely on a review of the documentary evidence as well as discussion with the Bank teams involved, government officials and other knowledgeable parties and stakeholders.

13. The evaluation will answer the following questions regarding the three countries covered:

ON RELEVANCE (OBJECTIVES, BANK INPUTS, AND OUTPUTS):

- ▶ **Objectives:** Were the employment/unemployment objectives the Bank sought to support relevant (for example, were they well-aligned with government's program, welfare-enhancing, achievable, and consistent with the countries' overall development objectives)?
- ▶ **Inputs:** Did the Bank diagnose the relevant (binding) constraints that needed to be addressed? Did the Bank give sensible and needed advice to its clients on how to improve employment performance (labor participation, employment, unemployment, and wages)? Did it reflect the latest findings in the research literature? Did the Bank offer a consistent package of financial services?
- ▶ **Outputs:** Were the policies finally supported by the Bank relevant (necessary and sufficient) to improving employment performance as well as consistent with the country's overall development policy program? Did the countries supported by the Bank effectively implement the needed policies?

ON EFFECTIVENESS AND EFFICIENCY (OUTCOMES, IMPACT, AND ATTRIBUTION TO BANK INPUTS)

- ▶ Did employment performance (labor participation, employment, unemployment, and wages) and overall economic performance improve? Were there improvements in gender differences and differences within other groupings? Were improvements the result of Bank projects, policies supported by the Bank, or of other policies or exogenous factors? Were the short-term and the realized or expected long-term effects different? Were there excessive costs involved in the achievements? These questions focus on (i) the outcomes of Bank-supported policies with effects on employment variables and (ii) the impact of the covered policies on economic growth and poverty reduction.
- ▶ Did the AAA/research linked to the Bank's lending or on a free-standing basis support or enhance the adoption and effectiveness of policies with a bearing on employment? Was the sequencing of Bank support (e.g., AAA and lending) well-considered? This question seeks to identify the links between the content and timeliness of the Bank's AAA/research/advice and policies adopted by countries.
- ▶ To what extent did finance extended by the Bank help the borrowers' overall labor employment and earnings outcomes? This question analyzes whether the financing provided by the Bank played a role in facilitating employment policies (for example, covering transition costs or improving confidence).
- ▶ Were the costs of the Bank's assistance adequate? This question probes how efficiently the Bank combined its own resources with those of the country and of other development partners.

14. The approach outlined above, as applied to the three selected countries (para. 15), can potentially address key thematic questions of Bank support in a cross-country context. These questions focus on labor participation, employment, unemployment, and wages, where attention is to be given to differences within relevant different groupings. One key example regarding participation compares Colombia's relatively high rates with the lower rates observed in Turkey and Tunisia due primarily to lower female labor participation. Another key example looks into the experiences in Turkey and Colombia regarding the unemployment shocks that these countries suffered in the early 2000s and into the dynamics of wages and participation observed during those shocks.

III. Approach and Method: Case Studies

15. To address these questions, the proposed task will analyze the Bank's experience in supporting MILES related policies in three selected countries from the perspective of earnings growth and employment creation. The limited number of countries will keep the scope of the task manageable, both in terms of budget and the desired depth for each of the case studies. The choice of countries was guided first by a review of all those countries that had received Bank assistance for employment. The countries were then classified into three groups: transition countries, non-transition countries with long-term declining or stagnant employment, and non-transition countries with growing employment. The transition countries were excluded from selection as the major changes in their product and factor markets made them a special case of a lesser comparability with other countries.⁴ The selection from the other two groups sought countries that satisfied four criteria: i) faced major employment challenges during the past decade; (ii) received significant overall Bank support; (iii) had sufficient data available; and (iv) provided cross-regional representation. These features will offer a stronger prospect that useful lessons can be obtained in regard to the relevance and effectiveness of Bank support for employment from the limited sample of countries.

16. Following a review of all countries with employment and unemployment data,⁵ it was concluded that Colombia, Tunisia, and Turkey provide useful examples that have presented policy makers with challenging employment performance experiences and that have also received attention in recent Bank assistance programs. The country cases are summarized as follows:

⁴ Kyrgyzstan illustrates the point. This country experienced quantum changes in all of the MILES dimensions, including development of an independent macro management, a private product market regime, independence of labor market institutions from a central union, and new education and social protection arrangements. These quantum changes dwarf the less radical changes that occurred in the three selected countries.

⁵ The review ranked employment performance indicators for all countries with available information in order to determine which of those where the Bank has engaged presented significant recent shifts in such indicators. That review resulted in a pre-selection of 15 cases. This was followed by a discussion of the cases and a selection, based on country knowledge, of countries that would be likely to offer the most useful lessons.

- *Colombia*: Until recently and since about 1973, Colombia's employment ratio (the ratio of employment to population aged 15-65) has been rising, primarily due to increases in female participation. Despite having achieved a relatively high employment to working-age population ratio (more than 60), the country suffered from a severe unemployment shock in the late 1990s. In 2003 it developed a program that included fostering growth and employment generation (with specific reference to labor reform). The Bank's 2002 country assistance strategy specifically responded with support that included analytical work and a series of three development policy loans (DPLs). The substantive focus was primarily on reform of labor regulation and training.
- *Turkey*: Turkey has been challenged by a long-term decline in its employment ratio (from 77 percent of 15-63 population in 1960 to 46 percent in 2006) and a more recent sharp rise in the unemployment rate. Female labor participation is considerably lower than male participation. The Bank has responded primarily by supporting the government's growth policies. The macroeconomics and business climate components of the 2003 country assistance strategy included employment as a focus, particularly in agriculture. Since 2005, support has increasingly focused more specifically on labor markets (through AAA).
- *Tunisia*: In 1999, Tunisia's employment ratio was about 44 percent and unemployment was 16 percent. That year, the government prioritized employment creation following the mid-term review of its ninth development plan. More recently, Tunisia has experienced increasing employment and a declining unemployment rate—one of the key aims of its tenth development plan (2002). The Bank's 2000 country assistance strategy focused on activities in areas of traditional Bank involvement, on reforms to increase employment and enhance competitiveness, and on selected new activities.

Annex 1 lays out the main facts of the proposed case studies. The cases offer both similarities and differences. With reference to the MILES framework, these cases are similar in that the three countries have implemented Bank-supported reforms to improve macro performance, the investment climate and education. They differ in the extent of labor market reforms, with Colombia being the most advanced and Tunisia the least so. There are also significant differences across the three countries in their efforts to implement labor-market efficient social protection arrangements (i.e., where payroll taxes are closely linked to social protection benefits and where employment protection is emphasized over job protection and inflexibility).

17. The case studies will address the questions proposed in Section I. The case studies will review (i) the setting, employment policies and Bank inputs in each country to determine relevance, and (ii) outcomes, impact, and attribution to determine effectiveness. Accordingly, each of the three case studies will cover:

- **Introduction:** A brief description of the case and a summary of findings.
- **Economic Performance:** A discussion of the stylized performance facts regarding growth, income distribution and poverty reduction, labor participation (total, employment and unemployment), and earnings (salaries/wages); and an analysis of the determinants of the observed performance, including exogenous non-policy

factors and policies. This section should address the question of what were the country's challenges, what did it achieve, and what explains the achievements.

- **The Bank's Strategy and Assistance:** A discussion of the Bank's strategy, lending, advocacy, dialogue, and convening activities, with the discussion of assistance organized along MILES (Macro, Investment Climate, labor regulations and institutions, education, social protection, and other) lines. The discussion should refer to the incentives, institutional and otherwise, behind the Bank's assistance. This section should address the question of how did the Bank seek to support and in fact supported the policies and other activities responsible for the country's achievements in connection with employment and earnings.
- **Attribution:** A discussion of the determinants of policies and client ownership, particularly of the political economy of policy making (including borrowing) and policy implementation, and an analysis of how the Bank's activities contributed to policies and other activities with a bearing on employment and earnings. This section should address the question of what were the Bank's role and effects on policy making (including development borrowing) and policy implementation, thereby suggesting the likely counterfactual of the absence of Bank support.
- **Lessons:** A discussion of the lessons conveyed by the case study with regard to the relevance, effectiveness, and efficiency of Bank support. This section should address the question of what is to be learned (of use for future operations) from the case study with regard to the relevance of the Bank's objectives and inputs, as well as with regard to the effectiveness and efficiency of policies and Bank support, including appropriate consideration of the incentives, institutional and otherwise, behind the Bank's support.

Annex 2 provides a short outline of the overall report.

IV. Lessons

18. The report will conclude with a discussion of the lessons learned from each of the cases with regard to development effectiveness. As the task will look at only three cases, the lessons will necessarily be of an illustrative nature. The lessons will cover areas that are potentially useful as references or benchmarks for reviewing future Bank support for employment. They will refer to the questions listed in Section II as follows:

RELEVANCE

- Suitability of Bank strategy vis-à-vis country conditions.
- Bank's role in supporting employment policies: knowledge, advocacy, recognition, and/or finance; complementarity with other partners and stakeholders. How can the Bank's role be strengthened and better leveraged?
- Merits of the different Bank's instruments (DPLs, investment lending, technical assistance, AAA) and interactions among those instruments.

- How to do the “right” things: what is the right mix between growth, labor cost, and active labor policies? What is the appropriate mix and sequencing with respect to other policies?

EFFECTIVENESS AND EFFICIENCY

- **Outputs:** How to do things “right.” What are employment policies’ main implementation challenges (for example, fiscal policy implications of reducing payroll taxes/contributions) and constraints?
- **Outcomes:** What employment performance outcomes can be expected? How can employment performance outcomes be improved?
- **Impact:** GDP and poverty: are employment policies a key growth trigger? Do the poor gain from employment policies?
- **Attribution to Bank:** How to leverage output, outcomes and impact with AAA and finance in an efficient manner.

V. Staffing, Timetable, and Budget

19. The task team will be led by Mauricio Carrizosa⁶ under the overall guidance of Ali Khadr, Senior Manager for IEGCR. The team will also include Carolina Mary Rojas Hayes (consultant) and three other consultants that will prepare background papers on the selected countries. The peer reviewers include Gary Fields (Professor of Labor Economics, Cornell University), Steve Webb (Adviser, LCSPS), and Santiago Herrera (Lead Economist, DECPR). The team will visit Colombia, Tunisia, and Turkey during the second quarter of FY09 and issue the report to CODE in May 2009 (See Table 1).

TABLE 1	
TIMETABLE	
Approach Paper Send draft approach paper for comments Receive comments Send for One-Stop review One-Stop review Send to Region and Networks for comments Receive comments from Region and Networks Send Approach Paper to CODE	May 30, 2008 June 7, 2008 July 2, 2008 July 10, 2008 July 29, 2008 August 5, 2008 September 9, 2008
Missions Colombia (1 week, 3 people) Turkey, Tunisia (2 weeks, 3 people)	October-November 2008 October-November 2008
Report Send to Bank Management for comments Final Report to CODE CODE Discussion Date	April 7, 2009 May 28, 2009 TBD (June 2009)

⁶ To ensure independence, the review for Colombia will be conducted and drafted independently of the task manager, who is Colombian and worked in the Latin America and Caribbean Region during the period reviewed.

Annex 1: Basic Information on Proposed Case Studies

Initial labor, GDP, and poverty reduction performance	Development objectives	CAS objectives	Bank assistance	Country policies most relevant to employment/earnings	Labor, growth and poverty reduction results
<p>Colombia</p> <p>Participation increased from 70 percent in 1997 to 74 percent in 2002. Female (male) participation was 56 (85) percent in 1997.</p> <p>Unemployment (national) increased from 10 percent in 1996 to 15 percent in 2002</p> <p>Wages (industrial) increased until 2000 and stagnated in 2001</p> <p>GDP (ppp per capita) growth bottomed at -5.8 percent in 1999, with little or no growth thereafter until 2002</p> <p>Poverty count increased from 51 percent in 1996 (prior to the crisis) to 57, 55, 55 and 56 percent respectively in 1999, 2000, 2001, and 2002</p>	<p>2002</p> <ul style="list-style-type: none"> - Fiscal deficit +Growth & employment +Security +Equity +State efficiency +Environmental sustainability 	<p>2002</p> <p>Fast and sustainable growth</p> <p>Sharing fruits of growth</p> <p>Better governance</p>	<p>Prior to crisis (1995-97): <i>Loans:</i> primarily infrastructure loans; some education. <i>AAA:</i> local government capacity, agriculture, decentralization, and public sector.</p> <p>As the unemployment crisis developed (1998-2002): <i>Loans:</i> more infrastructure, education, and judicial and environment; public works employment project. <i>AAA:</i> economic and social development, peace, procurement, social safety net, and poverty.</p> <p>Following the crisis (2003-07): <i>Loans:</i> infrastructure, education, environment: series of policy-based loans (DPLs), covering fiscal, labor, financial, business productivity and social protection. <i>AAA:</i> ROSC, agriculture and land, REDI, public expenditure, procurement, labor market, competitiveness, environment, education, and SME financing.</p>	<p>Macro: Improved macroeconomic balance</p> <p>Investment Climate: Stronger internal security; business facilitation</p> <p>Labor legislation and institutions: Labor reform (2002), primarily to lower non-wage costs</p> <p>Education: Increased coverage of primary and secondary, from 82 percent in 2002 to 92 percent in 2006 (from 20 percent to 29 percent in tertiary education); increased teacher to pupil ratio, from 27 percent to 30 percent; improved education infrastructure; increased literacy</p> <p>Social protection: Increased coverage (e.g., health, from 55 to 71 percent)</p>	<p>Participation increased after 2002 to about 76 percent in 2006. Female (male) participation was 67 (85) percent in 2006.</p> <p>Unemployment declined after 2002 to 10 percent in 2005</p> <p>Wages continued to increase after 2001, by a total of 9 percent by 2007</p> <p>GDP (ppp per capita) growth accelerated from 0.4 percent in 2002 to 5.4 percent in 2006</p> <p>Poverty declined from 56 percent in 2002 to 45 percent in 2006</p>
<p>Tunisia</p> <p>Participation increased from 52 percent in 1997 to 54 percent in 2002. Female (male) participation was 26 (78) percent in 1997</p> <p>Unemployment remained at 16 percent until 2000</p> <p>Wages (average) increased by 20-25 percent during the 1990s (about 2 percent per year)</p> <p>GDP (ppp per capita) growth averaged 1.4 percent per year from 1981 to 1995</p> <p>Poverty headcount declined during the first half of the 1990s from 6.7 percent to 6.2 percent</p>	<p>2000</p> <ul style="list-style-type: none"> + employment Stronger preschool and basic education + investment in information technology, telecommunications and scientific research + competitiveness + coverage of basic services and social security + regional investment and autonomy <p>2004</p> <ul style="list-style-type: none"> + growth, employment, private investment, exports, saving, sustainable agriculture and rural electrification + Information and telecommunications technology - illiteracy + enrollment in tertiary education + coverage of social security 	<p>2000</p> <p>Consolidate long-term development (HR, environment)</p> <p>Transport, rural and municipal development)</p> <p>Support economic reforms for more competitiveness and employment</p> <p>Strengthen local institutions, launch new development niches, and mobilize external finance</p> <p>2004</p> <p>Increase competitiveness, skills and employability, and quality of social services</p>	<p>Prior to growth acceleration (1994-95): <i>Loans:</i> infrastructure, education. <i>AAA:</i> export growth, private sector assessment, poverty, and growth policies, food subsidies.</p> <p>High growth period (1996-2007): <i>Loans:</i> infrastructure, education, agriculture, competitiveness, exports, culture, environment, development of mountainous and forestry areas, municipal development, information and communications, energy. <i>AAA:</i> food subsidies, transportation, education, social/structural review, private sector assessment, agriculture, municipal finance, debt management, employment, public finance, infrastructure, development policy, health, trade, water degradation.</p>	<p>Macro: Good macro economic policies since 1984</p> <p>Investment climate: Privatization and deregulation</p> <p>Labor market: Active labor market policies (public employment, training, placement, subsidies, micro credits, and public works)</p> <p>Education: Stronger access to universities for students from private schools, information technology and related teacher training, reform of the structures of secondary and tertiary education, increased access to universities for students from private schools</p> <p>Social Protection: Increase coverage</p>	<p>Participation increased after 2002 to about 55 percent in 2006. Female (male) participation was 32 (79) percent in 2006.</p> <p>Unemployment decreased from 16 percent in 2000 to 14-15 percent in 2005-06</p> <p>Real wages increased by 14.5 percent between end 2000 and end 2007 (about 2 percent per year)</p> <p>GDP (ppp per capita) growth averaged 3.9 percent per year from 1996 to 2006</p> <p>The poverty headcount declined during the second half of the 1990s from 6.2 percent to 4.2 percent and remained at that level through 2005</p>

Initial labor, GDP, and poverty reduction performance	Development objectives	CAS objectives	Bank assistance	Country policies most relevant to employment/earnings	Labor, growth and poverty reduction results
<p>Turkey</p> <p>Participation decreased from 53 percent in 1997 to 50 percent in 2002. Female (male) participation was 29 (77) percent in 1997.</p> <p>Unemployment increased from 6.6 percent in 1996 to 10.5 percent in 2003</p> <p>The employment-to-population ratio declined at least since 1960—it was 46.1 percent in 2003</p> <p>Wages declined by about 23 percent around the 2001 crises</p> <p>GDP (ppp per capita) growth averaged 2.7 from 1995 to 2000</p> <p>The poverty headcount was 22 percent in 2002</p>	<p>Fiscal balance and better governance</p> <p>Equitable human and social development</p> <p>Improved business climate</p> <p>Strong environmental management and disaster prevention</p>	<p>2003</p> <p>Country more resilient to crises</p> <p>Human development and more efficient delivery of education, health, and social protection</p> <p>Improve regional equity by better delivery of services and job creation</p> <p>Increase empowerment through enhanced local participation and civil society involvement</p>	<p>Until 2001 crisis (1995-01): <i>Loans:</i> Infrastructure, public financial management, health, education, commodities market development, industrial technology, emergency recovery, export finance, privatization social support, economic reform, financial and public sector adjustment, social risk mitigation, export finance, agricultural reform. <i>AAA:</i> Adjustment challenges, development prospects, economic reforms, procurement, forestry, public expenditure.</p> <p>After 2001 crisis: <i>Loans:</i> infrastructure, financial and public sector adjustment, education, export finance, energy, health, risk mitigation, privatization social support, public sector, SME access to finance, competitiveness and employment. <i>AAA:</i> financial institutions and capital markets, health, poverty, macroeconomic stability, labor, growth and convergence, ROSC, education.</p>	<p>Macro: Stabilization</p> <p>Investment climate: Accelerated privatization</p> <p>Labor regulations and institutions: None</p> <p>Education: Modernization of curricula, expansion of 8-year compulsory education, expand school places</p> <p>Social protection: Established unemployment insurance (1999); established national employment agency (2000); health reform, pension reform; conditional cash transfers</p>	<p>Participation recovered after 2002 to about 52 percent in 2006. Female (male) participation was 28 (76) percent in 2006.</p> <p>Unemployment remained constant at about 10 percent from 2002 to 2006</p> <p>The employment-to-population ratio remained constant at about 47 percent from 2002 to 2006</p> <p>Wages remained constant after 2001</p> <p>GDP (ppp per capita) growth averaged 5.9 percent from 2002 to 2006</p> <p>The poverty rate declined from 22 percent in 2002 to 14 percent in 2006</p>

Annex 2

SHORT OUTLINE OF REPORT

Evaluation Summary (4 pages)

I. Introduction

- a. Bank Involvement on Employment Creation (1-2 pages)
- b. Objective, Scope and Focus of evaluation: (1-2 pages)
- c. Questions and Methods (3-4 pages)
 - i. Relevance (Objectives, Bank Inputs, and Outputs)
 - ii. Effectiveness and Efficiency (Outcomes, Impact, and Attribution to Bank Inputs)

II. The Case Studies

- a. Colombia: A Case of Labor Market Reform (10-15 pages)
- b. Tunisia: A Case of Active Labor Market Policies (10-15 pages)
- c. Turkey: A Case of Growth Policies (10-15 pages)

III. The Lessons

- a. Relevance (10-15 pages)
- b. Effectiveness and Efficiency (10-15 pages)

Full Report: (59-84 pages)