

Summit of the Americas

The IDB and Job Creation in the Americas



Report to the Summit of the Americas

**Mar del Plata, Argentina
November 2005**

Inter-American Development Bank



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By Golde White

Barbados, 1890–1977

Watercolor, 25.4 x 30.6 cms

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Mar del Plata, Argentina
November, 2005

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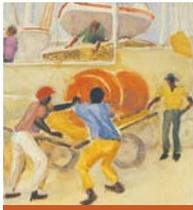
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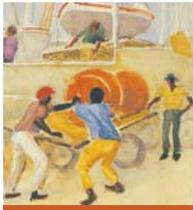


Preface

Creating jobs is one of the key development challenges facing Latin America and the Caribbean and one of the region's foremost needs. Job creation lies at the heart of resolving the region's inequality and high levels of poverty, improving competitiveness, and promoting sustainable economic growth. For this reason, the 2005 Summit of the Americas (Mar del Plata, Argentina) has made job creation its principal theme.

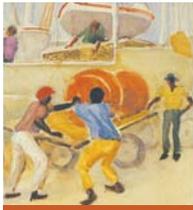
Job creation is not an exact science, set in motion by one single policy, program or firm. Creating the economic and social environment through which new, high quality jobs are generated and the least desirable jobs are lost involves getting a host of economic and social policies "right." As the largest multilateral lender to Latin America and the Caribbean, the Inter-American Development Bank takes a comprehensive approach to supporting job creation in the region. This publication examines job creation and the work of the IDB from two supporting policy perspectives: (i) policies and programs to improve the business climate and investment for private sector-driven growth; and, (ii) labor market policies and programs. For each of these two pillars, the publication examines overall policy frameworks and the links to job creation, and it reviews some of the IDB's contributions.

The countries of Latin America and the Caribbean are now taking steps to expand job-creating investments and enact more effective public policies to support employment growth. This report is intended as a resource for policymakers, the private sector, workers and their representatives alike. It is our hope that it will inform the efforts of these stakeholders as they prepare for new commitments and initiatives in the context of the Summit process.



Contents

■	Introduction	1
■	Private Sector Development and Job Creation	3
■	Supporting Labor Markets and Job Creation	13
■	Summary and Future Prospects	23
■	Bibliography	25
■	Annexes	29



Introduction

Labor is the single most important resource for the vast majority of the population in Latin America and the Caribbean. From those who work in multinational firms in São Paulo skyscrapers, to those who eke out a living selling wares in the Andean valleys, the labor market affects their incomes, the way they live, and their roles as workers and citizens. Job creation, the process through which the economy allocates income and resources across firms and workers, is affected both by the economic and social environment and by the quality of the institutions that govern the exchange of productive skills between firms and workers.

The performance of the region's economy and labor market in the last 15 years has generally been poor. This is true of both the number of jobs (relative to those who want them) and the quality of those jobs. Unemployment increased during the 1990s in spite of a growth surge in the first part of the decade. In addition, lackluster growth since 1998 contributed to further increases in unemployment. The record high growth of 2004—the fastest annual growth in the last 30 years—has not translated into reduced unemployment. The limited job growth that has occurred over time has been largely at the small, medium and micro level.

Work is becoming more informal in the region. This has meant that, today, more than half of all workers have precarious, informal jobs. The increase in the size of the informal sector strongly suggests that, on average, the quality of jobs has declined. This is consistent with the decade-old stagnation of productivity and wages. Of even more concern is the fact that the gap between the wages of skilled and unskilled workers has widened considerably, thereby worsening overall income distribution.

Low wages and unemployment have pushed a large number of workers and their families into poverty. Fiscal constraints and the ever-increasing scope of informality sharply reduced society's ability to protect the income of workers who lose their jobs. Being unemployed or having an informal job distances workers from quality services (e.g. health) and established benefits such as social security, further disenfranchising whole sectors of the population and contributing to the deterioration of governance.

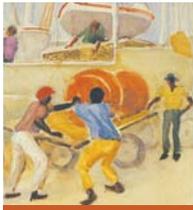
Single factor explanations of the principal economic trends (economic opening, macro stabilization, financial liberalization, fixed or floating exchange rates, globalization, technology, demographic trends, etc.) fail to provide a convincing and useful explanation of the region's employment picture. Today's economies are integrated into the global economy through a web of financial, technological and trade links that both

limit and magnify the impact of external factors on the domestic economy. Job creation is not easily affected in predictable ways by magic bullet policy recipes. Gone are the days when centralized decisions by a handful of public officials and representatives of private firms operating in a closed economy could affect employment and wage levels in a country. Employment growth cannot be stimulated through a single large domestic program or action.

Reducing unemployment and informality and boosting productivity and wages will be the product of far reaching policy changes that go well beyond the single policy of creating 'emergency' jobs with social policies that target resources to the poor. Analysts and practitioners alike tend to agree that at least three factors are crucial in order to change the dynamics of the labor market and the economy and improve performance: (i) a business-friendly social and political environment that fosters the development of private firms, which are the main engines of job creation; (ii) an institutional framework for the labor market that enables firms and workers to create good quality jobs protected by effectively enforced rules and regulations (e.g. that govern hiring and firing, worker protections, collective bargaining, etc.); and (iii) a stable and sustainable macroeconomic environment that stimulates growth and job creation.

Much has been written about the virtues of macroeconomic stability and its beneficial impact on the labor market and business growth; suffice it to say that reducing economic volatility is a recurring concern in all areas of the operations of the Inter-American Development Bank. The Bank's labor market and private sector policy framework rests on the two additional pillars of job creation: the promotion of a better business climate and the implementation of employment-friendly labor policies. By addressing both the business climate and labor market dimensions, job generation can be enhanced.

This publication examines in greater detail the two policy pillars that support job creation—business climate/investment and labor market policy—to draw practical program and policy implications from very complex processes. It is hoped that this small investment pays dividends in supporting the reorientation of countries' labor markets and business climate/investment policies and programs to stronger employment ends for Latin America and the Caribbean.



Private Sector Development and Job Creation

The Significance of the Private Sector

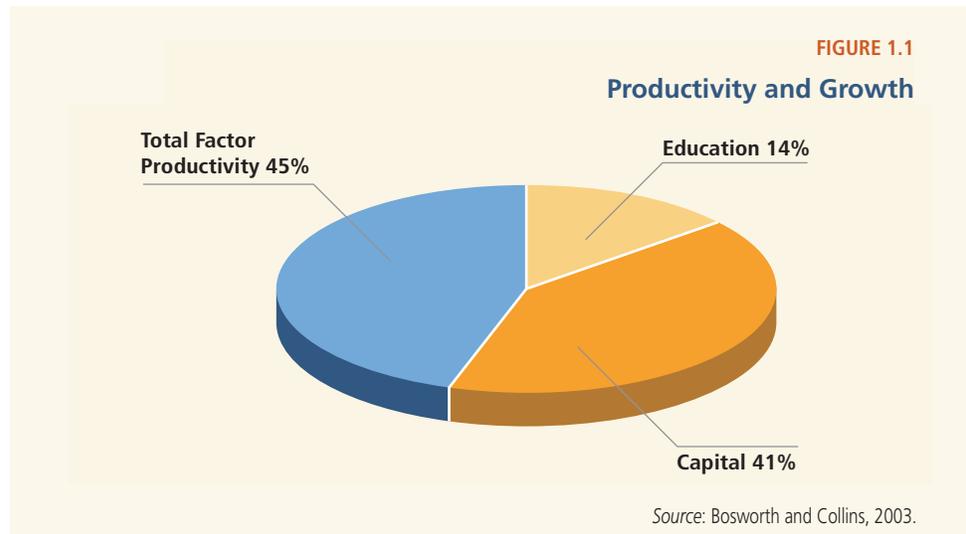
The private sector¹ accounts for the vast majority of jobs in Latin America and the Caribbean. Although there are differences among countries, the services sector is dominant in the region, accounting for 61 percent of total private production while manufacturing makes up roughly 31 percent and agriculture the remainder (IDB, 2003a).

For the most part, the private sector is dominated by microenterprises, which make up about 90 percent of all private firms, while SMEs (small and medium-sized enterprises) account for 8 percent, and the remaining 2 percent are large firms (IDB, 2003a). Small and medium enterprises account for between 20 and 40 percent of all private sector jobs and 10 percent of business activity in most countries in the region, while the informal sector makes up more than half of economic activity (IDB, 2003a). Private sector exports from the region are highly concentrated and generally limited to a few major products in capital-intensive natural resource industries or in-bond firms (*maquiladora*) that have accounted for a large number of new jobs in the past decade, but with low value added.

The entrepreneurial structure in the countries of the region is characterized by severe polarization: the small number of large national or multinational private companies that operate in the region are integrated into international markets and can attract the human capital and financial resources necessary to generate the productivity improvements that lead to greater competitiveness in international markets. However, many small enterprises, microenterprises and small rural producers have limited access to financial markets, skilled labor and technology, and thus face serious productivity constraints.

Whether formal or informal, large or small, firms face the same constraints in terms of insecure property rights, corruption, policy unpredictability, limited access to finance and an overburdening bureaucracy. Relieving these constraints would not only increase income for entrepreneurs and lead them to expand their activities, but it would also lower the barriers to entry that encourage informality. More importantly,

¹ The private sector is defined as all economic activities, profit and nonprofit, that do not involve production by the public sector. This definition includes all for-profit firms regardless of size, activity (goods, services, or financial), or location (urban or rural). It also includes institutions specifically established to serve the private sector such as industry associations.



a good business climate encourages a more competitive environment where firms have the incentives to increase investment, remove unjustified costs, and increase productivity. Cross-country studies suggest that the difference between countries in productivity levels, and hence income levels and job-creation capabilities, are mostly due to the difference in quality of their institutions and policies (Blyde and Fernandez-Aria, 2004). Where institutions and policies promote opportunities and entice firms to develop and innovate, efficiency improvement and economic growth soon follow. Total factor productivity growth has been proven to be closely correlated to the environment in which companies operate (Bosworth and Collins, 2003), and accounts for a more significant share (45 percent) of economic growth than education (14 percent) or capital investment (41 percent), as shown in figure 1.1.

Strengthening the Business Environment for Job Creation

Despite significant progress during the last decade, many of the economies of Latin America and the Caribbean continue to perform poorly. Per capita income increased at an annual rate of only 2.6 percent between 1992–96, slowing to 1.7 percent from 1996–2002.² Total factor productivity decreased at an annual rate of 0.62 percent during the period, and the region ranked low in international competitiveness.³

² IDB calculations from household survey data, average for ten Latin American countries.

³ The World Economic Forum's *Global Competitiveness Report* shows that Chile, at number 28, is the highest ranked country in Latin America and the Caribbean, while most other countries are clustered between

Much of the region's infrastructure is characterized by relatively low investment levels, low savings and poor coverage and quality. Comparing the growth rate for infrastructure density in Asia and Latin America, one can see that during the 1980–1997 period the number of telephone lines per worker increased 64 percent more in Asia than in Latin America, the stock of electricity generation assets by over 100 percent, and the road network by 43 percent (Calderón and Servén, 2003). The average saving rate in Latin America is about 17 percent of GDP, that is, half that of the Asian developing countries, and much lower than that prevailing in other emerging economies (Calderón and Servén, 2003).

Limited savings, accompanied by weak institutions and ineffective public policies, have constrained the growth of Latin American private financial markets and limited the expansion of the basic infrastructure and services that are needed for private sector-led development. Few Latin American and Caribbean economies have created jobs and wealth commensurate with their potential. As a result, poverty remains endemic. Using national poverty data calculated from the Economic Commission on Latin America (ECLAC), overall, 43 percent of the population of Latin America and the Caribbean lives in poverty, and 19 percent of these poor live in extreme poverty (IDB, 2005).

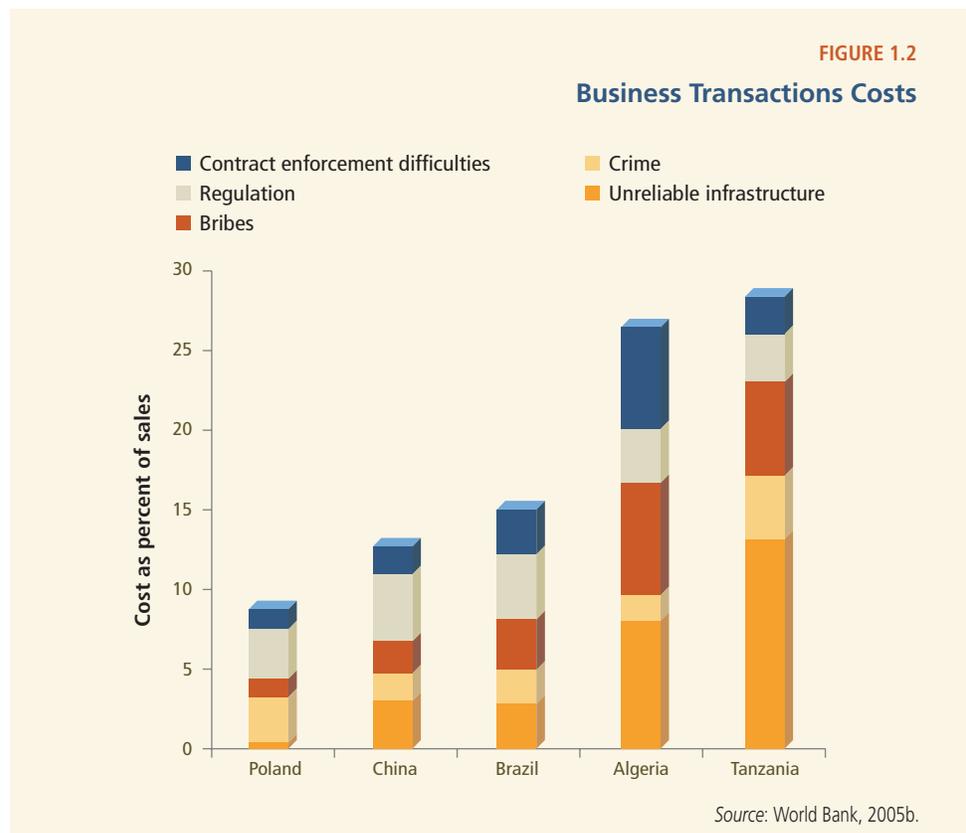
At the same time, some progress has been made: inflation is no longer a problem and governments throughout the region have improved their fiscal positions compared to previous decades. Thus, the context for private sector development has changed dramatically in the past decades. The wave of reforms in the 1980s and 1990s aimed to improve the efficiency of markets by opening economies to international competition through lower trade barriers, expanding access to international capital, shifting ownership of assets to the private sector, and stabilizing the economy. Numerous SMEs exited the markets following structural changes like trade liberalization, in part, owing to poor access to factor markets, an absence of long-term capital or the inability to acquire new technologies needed to develop competitive advantages. Many of these firms were concentrated in labor-intensive industries like footwear, furniture and clothing. Some countries, such as Argentina, Colombia, Mexico and Brazil, have been more successful in raising relative productivity, but others, like Jamaica, Peru and Uruguay, have fallen behind. The evidence suggests that past reforms were not sufficient to close the productivity gap with developed economies (World Economic Forum, 2005).

The continued lackluster performance of the private sector in many countries of the region is attributed in large part to a poor business climate. Surveys from various sources show that the general business environment in the region is in the “least friendly” category (World Economic Forum, 2005). The cost of doing business remains

positions 40 and 60. Half of the Latin American economies in that survey have competitiveness indicators that are lower than would have been expected given their income levels, implying that their growth is impaired by a poor business environment.

persistently high in many countries, and the public institutions needed to support a dynamic private sector continue to be inadequate. As shown in figure 1.2, high transaction costs result from weak credit frameworks, unwieldy bureaucratic procedures that promote corruption, and cumbersome labor laws. Weak public institutions fail to deliver the legal, educational, health, and infrastructure services that are required to do business. The combined effect of these factors on business is increased uncertainty and risk, shortened investment horizons, limited and costly financing (both external and domestic), reduced worker productivity, and, in general, more difficulties and lower profits for businesses attempting to pursue commercial opportunities.

Private enterprises flourish when public policies, institutions, and activities provide an attractive and equitable environment for private activities. Reflecting the overall trend toward a smaller public sector, private investment through the 1990s has been approximately three times as large as public investment (World Bank, 2005a). All too often in the region, however, the private sector is able to grow in spite of, rather than because of, the national business climate. To move forward with private sector development, a workable balance must be found between the complementary functions of the State and the private sector.



Many countries lack the necessary conditions for self-regulating markets to provide a complete solution to the problems of underperforming economies. This is particularly challenging when so large a portion of private activity is informal and tax evasion is widespread. Policymakers are looking for a middle ground between government intervention and the marketplace that avoids the costs of market and non-market failures. Public policy toward the private sector plays a fundamental role in defining the mix of government intervention and the market. Addressing institutional weaknesses, the related high costs of doing business, and improving the coordination of public-private interactions, make up the major part of a second-generation reform agenda. In particular, weak public institutions remain a substantial hindrance to private sector development. Unfortunately, institutional underdevelopment undermines the effectiveness of the very real progress that has been made during the first generation of reforms (macroeconomic stability, trade reform, and privatization) and has even called into question the validity of reform programs.

Small-scale production and widespread informality are characteristic of the business sector of many countries. Because of their scale, smaller firms are often more adversely affected by high bureaucratic costs than larger firms, and are more likely to remain in the informal, unregistered economy or exit the market when adverse changes occur. Moreover, informality places significant constraints on a firm's growth, reducing access to financial and other inputs, limiting access to public services and narrowing the kind of contracts or investments that they can make. The size of the informal sector can be a proxy for the quality of the business climate, since a poor climate acts as a deterrent to formalization. Small firms have lower productivity than their developed country counterparts and limited possibilities to expand and grow. Furthermore, there is a widening technology gap between smaller and larger firms in the region, which is detrimental to the long-run competitiveness of smaller firms. Thus, improvements in the business climate in Latin America and the Caribbean is expected to have significant economic and social repercussions because it would not only help reduce informality, but promote a more productive, healthier private sector able to compete internationally, more innovative, and ultimately able to create more jobs where they are needed.

The World Bank publication *Voices of the Poor* (Naraya, et al., 2000) recognized that poor people identify getting a job as their most promising way out of poverty. It is also clearly documented that better employment opportunities increase incentives for people to invest in their education and skills, thus creating virtual cycles of human capital development that have proven to be very positive for countries such as Korea, China and Chile.

Because the business climate articulates the way policies are implemented and how institutions function at the local level, it may vary not only across the region, but also within individual countries. As a result, improvements require more than formal changes in law or institutions. Furthermore, the range of issues encompassed by the business climate is very wide and has an impact on a host of potential government

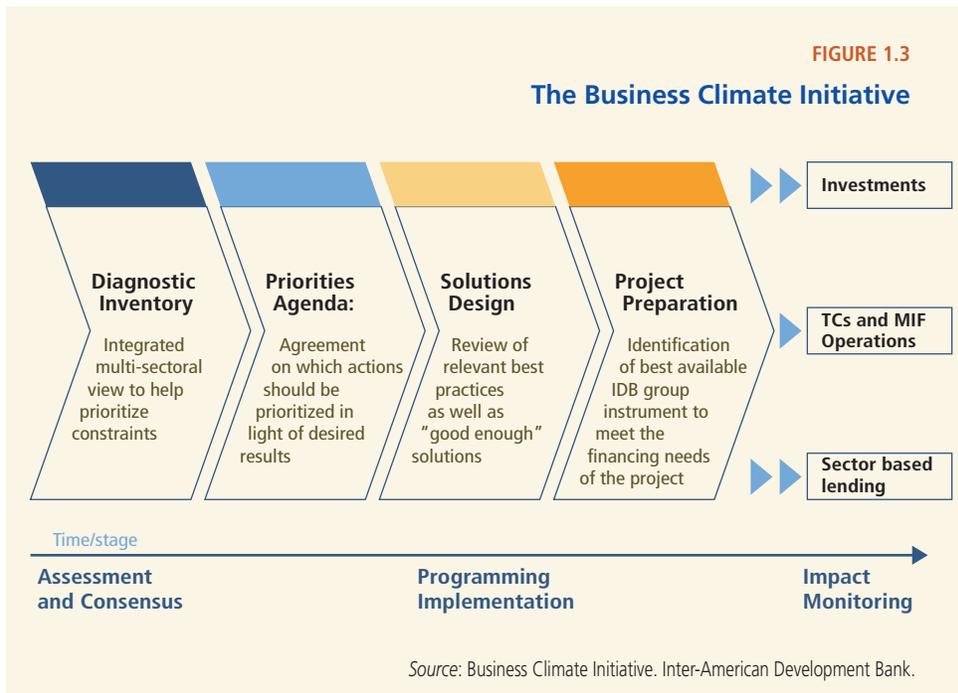
and institutional failures. Weak regulation, poor contract enforcement, poor access to financing, insufficient infrastructure and inefficient labor markets all demand solutions tailored to local conditions. At the same time, owing to the nature of specific solutions, much attention must be paid to the enforcement capacity of the institutions in place. The gap between the policy or legislative framework and its execution needs to be addressed, and thus improvements in the business climate cannot be seen as an event, but as an interdisciplinary process that builds over time upon gradual beneficial changes. Ample empirical evidence shows that entrepreneurs in Latin America and the Caribbean are concerned about uncertainty in the policy framework. As a result, they limit their investment in expansion and upgrading facilities with negative consequences on productivity and growth.

The Business Climate Initiative

Launched in December 2003, the Business Climate Initiative (BCI) specifically recognizes the contributions of private sector activities to the economic growth of any country, and the preeminence of the State to create an enabling environment that will allow private firms to work efficiently and grow. By providing macroeconomic stability, essential infrastructure, capable institutions and market mechanisms that support competition, governments can foster the conditions necessary to sustain the activities that lead to the creation of a large number of productive jobs, and the sustained economic expansion that makes poverty reduction possible.

The BCI aims to identify and then reduce or eliminate critical barriers to the growth-promoting expansion of private sector activities through legal and regulatory changes in the institutions and policies that affect the investment climate. Issues such as property rights, liens perfection and execution, customs procedures and costs, registries, trade, investment and commercial codes, are a few of the many topics that are central to this effort. In its implementation, the BCI helps frame the dialogue between the Inter-American Development Bank, government authorities, and the private sector, to channel technical assistance, lending and program resources to areas that promise measurable near-term benefits in improving the business climate. In launching the initiative the IDB group (which includes the Multilateral Investment Fund, MIF, and the Inter-American Investment Corporation, IIC) was careful in positioning it as a pragmatic and results-oriented program of inter-sector work that would address issues and tackle business impediments in the region in a comprehensive and practical manner.

Based on an expression of interest from the appropriate government authorities, the Bank and the country will engage in a dialogue to start the process of implementation of the BCI, which will result in an Aide Memoire. The process then requires several steps (see figure 1.3) that are designed to ensure that the activities address specific urgent needs, and result in actions or projects that have an impact



on the business climate. Because of the IDB's focus on implementation, initial efforts for identifying business impediments in any given country are done by compiling existing diagnostic work so that no resources are dedicated to replicating work that may have already been done. Once an inventory is prepared, a validation phase assures that the problems identified are indeed still valid and that the analysis of the existing business climate is accurate and legitimate. On the basis of that analysis, stakeholders agree on an action plan or roadmap that includes a timetable and milestones. Implementation and monitoring phases follow, so that the implementation of BCI projects is mainstreamed through the activities of the IDB, the MIF and the IIC as appropriate, and actual progress can be measured at the end of each phase. To date, 22 countries have adhered to the initiative, and a number of them have already reached the stage in which projects are being prepared on the basis of the action plan agreed among all stakeholders.

The Program for Private Sector Development and Job Creation

The Inter-American Development Bank has been active in the area of private sector development since 1990, investing more than US\$4 billion in support of activities that directly sustain private sector growth, and actively promoting a private sector

development agenda. Through the Bank's public sector operations, the IDB group has increasingly focused on the regulatory and institutional aspects of private sector development that promote competitiveness, modernization of the State, financial and capital market development, and SMEs. Support totaling US\$14.5 billion (as of 2004) has been provided by means of investment and policy reform loans, technical cooperation operations, and nonfinancial activities. The bulk of this support was concentrated on strengthening financial markets (US\$7.7 billion), but significant resources were also earmarked for institutional and legal reforms (US\$2.6 billion), as well as economic stability and trade development (US\$2.8 billion). Technical assistance interventions to increase the participation of the private sector in infrastructure amounted to US\$77 million.

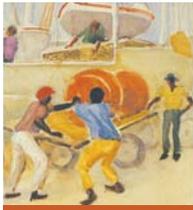
A common denominator of the IDB's approach to the numerous private sector development strategies that have been developed since 1990 and have guided the IDB group's investments in this area, is their focus on macroeconomic stability, expansion of basic infrastructure to provide access to markets, development of human capital and technology to sustain productivity growth, and the availability of financing, especially where access to credit is difficult. In addition, the IDB group has strived to address some of the main structural issues that influence the effectiveness of private sector investments in the region, such as the strengthening of the legal and institutional frameworks in which the private sector has to operate; the development of effective regulatory agencies and institutions; the strengthening and deepening of capital markets; the extension of property rights over assets that can be used as collateral for credit, such as land and housing; and the development of specific microfinance systems that extend access to credit to rural areas.

Since 1990, nearly US\$3 billion have been directed to various projects including local enterprise development, technical support to firms, creation or improvement of business clusters, human resource development programs for upgrading skills, innovation and technology enhancements to improve product quality, and programs to foment private sector production and marketing services. These activities have been complemented by nonfinancial interventions that have a direct impact on the operational efficiency of firms by improving factor productivity. Largely aimed at SMEs, these activities channel support to firms through intermediary institutions, training providers and marketing services or providing advice on distribution and technology, assistance for developing enterprise networks and tools for developing effective business strategies. The IDB group has also provided direct assistance to support technology transfers and innovation with information technologies like e-commerce, technology parks, incubators, and enhanced intellectual property protection.

Another focus of IDB group actions has been the promotion of dialogues and cooperation between the public and private sectors. The IDB sector strategies also mention private support for strategic goals such as leveraging private resources to expand regional infrastructure, greater corporate social responsibility to promote

social inclusion, and the adoption of ISO 14000 standards to improve environmental standards. Equity concerns, as they relate to private sector activity, are incorporated in the IDB group's multi-year plan to support private lending in lower-income countries.

The IDB group can build on a number of strengths in the area of private sector development. It has a long-standing record of credibility and continuity with governments in the formulation and implementation of policy agendas. Its exclusive focus on Latin America and the Caribbean gives it a more in-depth understanding of the region and a longer institutional memory than other organizations. With this perspective comes a concern for broader issues, such as equitable growth, social inclusion, and environmental concerns that might otherwise be overlooked. Over the past 15 years, the IDB group has also built an important body of experience with the private sector. The IIC, the MIF and the Bank's Private Sector and Sustainable Development departments interact directly with private sector clients, as do the IDB's Regional Operations departments.



Supporting Labor Markets and Job Creation

Labor market policies and programs can complement and support private investment and the business climate to promote employment growth. Programs that match workers more efficiently to jobs, and raise their productivity, should be part of any nation's strategy to support job creation.

In the past, there has been some confusion regarding the impact of labor market programs on job creation, particularly as some programs have included the words "employment generation" in their titles. This, however, is a misnomer. In general, public programs do not create permanent jobs if private sector supply and demand cannot sustain them. Rather, labor market policies and programs are designed to improve the quality and productivity of jobs and the efficiency of labor markets in pairing workers and jobs. This affects job creation, but only indirectly. When labor markets are operating efficiently, workers find jobs more easily, improve their skills more rapidly, and firms hire workers more quickly. The more efficient the labor market, the more employment can be created in response to market demand. Thus, labor market policies and programs support job creation *indirectly* rather than by directly creating jobs.

This chapter first reviews some of the key trends in employment creation and destruction in Latin America and the Caribbean. It shows that the region's record on job creation has been mixed and exhibits trends that, unless addressed, will continue to limit the region's ability to generate jobs, particularly good quality jobs. This review supports the second section of the chapter, which lays out the main objectives of a new labor policy agenda and provides recommended areas for policy intervention. The final section reviews the major trends in IDB loans and grants and highlights progress in a number of recommended policy areas.

Recent Labor Market Performance in Latin America and the Caribbean

Few are untroubled by the recent performance of Latin American and Caribbean labor markets. Indeed, public opinion surveys by *Latinobarómetro* put unemployment, low wages and job instability ahead of corruption, crime and other social issues as the most important problems in the region (Behrman, Gaviria and Székely, 2003). These

trends—in particular more recent trends in unemployment, widening wage gaps, stagnating productivity, and high job turnover—reflect key inefficiencies and limit the region’s ability to create jobs.

Unemployment, long considered a “luxury” labor trend of the developed world, has become significant in Latin America in the 1990s, principally in the Southern Cone and Andean subregions. To date, it appears that workers in Mexico and Central America turn to migration or low-remunerated informal work rather than remain unemployed. By 2001, open unemployment rates in Latin America⁴ exceeded those of both Eastern and Western Europe and were more than twice the rate in the United States.

Unemployment appeared on the scene while the region’s labor supply continues to increase at healthy rates. Overall the working age population in the developing world is rising rapidly. Latin America’s labor supply is growing at about 2 percent per year, slightly above the average for the developing world, but still below that of South Asia (2.3 percent) and the Middle East/North Africa (3 percent) (Bourguignon, 2005). Participation rates in Latin America and the Caribbean have remained high, with female participation rising rapidly in the 1990s. Unemployment rose for all labor groups, but youth and women continue to have the highest rates of joblessness (Duryea, Jaramillo and Pagés, 2003).

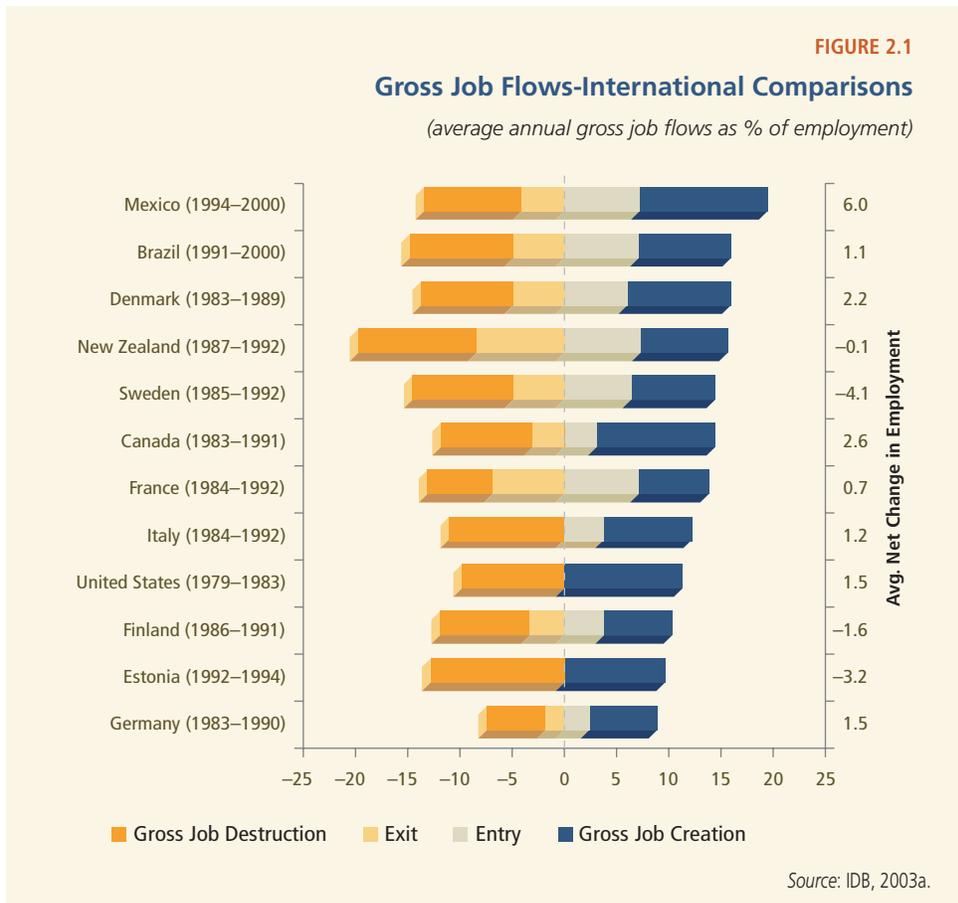
Data on employment creation and overall employment suffer from many statistical limitations and it is often hard to compare employment and unemployment figures across countries. Indeed, one of the policy recommendations for improving job creation in the region should be to improve the statistical base for measuring and tracking employment trends. The data available show that the region’s record of employment creation has been lackluster at best. Stefano Scarpetta (2003) argues, for example, that even when Latin American economies had relatively strong growth despite key crises (Mexico, Argentina), the “employment content” of that growth was low. Net employment growth in the region has largely come in the services sectors (typically more modern services such as electric power and telecommunications) and commerce. Included is growth in the *maquila* industries particularly in countries such as Mexico. When assessing rural employment a distinction should be made between farm and nonfarm employment. In absolute terms, rural nonfarm employment has grown in all countries, while, in many cases, farm employment has declined in absolute terms (World Bank, 2005a). Nonfarm employment constitutes 25 percent of rural employment in Latin America. Women, in particular, are increasingly employed in nonfarm activities. For 11 of 14 Latin American and Caribbean countries studied by the World Bank (2005a), between 65 and 93 percent of rural working women were employed in nonagricultural production.

Latin America’s rate of job turnover (new jobs created vs. jobs destroyed over the same year period) seems to be comparatively high. Data are not available for all

⁴ Unemployment rates in the Caribbean have declined substantially from their peak in 1987.

countries, and in many cases pertain only to the formal sector; but when available, it demonstrates that Latin American countries lose jobs at comparatively high rates (a principal factor is firm shutdowns), and create them at differing rates (high in the case of Chile and Mexico). Net turnover in some countries (e.g. Chile, Brazil) is comparable to the developed world, while for countries such as Mexico it is extremely volatile. Figure 2.1 compares job creation and destruction in Mexico and Brazil to other developed countries. Even at rates comparable to those of the developed world, Latin American and Caribbean workers face a much greater risk of job change, and most cannot afford periods of unemployment to look for appropriate work. Unemployment insurance, job search assistance and skill retooling are relatively limited in the region.

Inefficient matches between jobs and workers, which are manifested in high turnover rates, could be one of the explanations for the low productivity levels and low productivity growth rates in Latin America. Data on labor productivity is not always easy to obtain or comparable across the region, but there is little disagreement that productivity increases have been low across the region, contributing little to employment growth and limiting international competitiveness.



A final important trend in the region lies not only in the limited number of jobs created in many countries relative to job seekers, but also in the quality of jobs—namely, their pay and skill level. Average wages (in PPP-adjusted US dollars) remained constant or declined in most countries during the 1990s, falling predominantly in Central America and the Andean region, and very sharply in Mexico (Duryea, Jaramillo and Pagés, 2003). While average wages increased in a number of Southern Cone countries, these are the same countries that registered the sharpest increases in unemployment. Most troubling has been the incidence of poverty wages (the percent of the working population earning less than US\$1 a day) and the gaps between the wages of higher skilled and lower skilled workers. The incidence of low-paying jobs is high and rising in a number of countries in the region. According to the study by Duryea, Jaramillo and Pagés (2003), poverty wages range from 40 percent of the workforce in Chile, Panama, Costa Rica, Mexico and Uruguay to over 70 percent in Central America and Bolivia. Overall, poverty wages are disproportionately concentrated among women, ethnic and racial groups, youth, and rural workers, but the incidence of poverty wages among more advantaged groups (male urban workers with completed secondary education, for example) has been noted in a number of countries.⁵

The widening of wage gaps based on education (as a proxy for skill level) has been significant across the region, although varied in intensity across countries (IDB, 2003b). By the end of the 1990s, workers with a university diploma earned an additional 10 percent in income over their counterparts with a completed high school diploma. The gap between secondary and college-educated workers increased in Chile, Colombia, Argentina, Nicaragua, and Venezuela, and declined somewhat in Panama and Brazil (Avalos and Savvides, 2003). Wage differentials in earnings in manufacturing in Latin America have increased substantially since 1965, particularly between the top 10 percent and bottom 10 percent of wage earners. In comparison, during the same period in East Asia, wage differentials were reduced and growth increased substantially (Avalos and Savvides, 2003.) Taken together, the emerging trends of stagnating productivity, wage gaps, and high job turnover provide important guideposts for targeting the next generation of labor policy and programs for the region.

A Labor Policy Agenda for Latin America and the Caribbean

Labor market policies and programs in the Americas have evolved in different stages over time. In the 1970s and early 1980s, fiscal policy, particularly investments in large public projects, was the favorite tool for fighting unemployment and cushioning

⁵ In Bolivia, Nicaragua, Peru and Honduras, 40 percent of this cohort earns US\$1 per day (Duryea, Jaramillo and Pagés, 2003).

workers from the effects of negative economic impacts. In the high-inflation 1980s, wage indexation policies and modest targeted employment programs were used to dampen the impact of low growth on the labor market. During the 1990s, when financial constraints forbade the use of fiscal policies, attention turned to the reform of labor regulations that increased labor costs for firms hiring in the formal sector.

These policy efforts varied in intensity and scope in different countries in Latin America and the Caribbean, but never significantly affected labor market outcomes for large numbers of workers. Most importantly, the labor market policies and programs pursued in the region have been unable to stem some of the key negative labor market trends that affect job creation: growing unemployment, low productivity, and wage dispersion.

These labor market outcomes, however, are the product of more than just labor policies. They are affected by demographic trends, macroeconomic policies, structural reforms (particularly in the 1990s), technological change (or, in many cases, too limited technological change), private sector investment and competitiveness. So even when attempting to address key labor market problems such as productivity and wage growth, labor policies and programs must still be part of a larger effective mix of social, economic and fiscal policies.

This chapter suggests that a new labor policy agenda should be shaped around four key objectives that target particular inefficiencies in the region's labor markets.

Objective 1: increasing the efficiency with which workers are matched to jobs

Objective 2: adequately insuring workers against the risks of high job rotation

Objective 3: enhancing the opportunities of workers by increasing skills

Objective 4: enforcing and reforming regulations and core labor standards

Overall, these objectives move away from a more traditional and narrow approach of protecting only formal sector workers to addressing how resources and incomes are allocated across workers and firms in a more comprehensive manner. Each of these objectives, if pursued, would contribute to increasing productivity and wage growth, which are two principal targets of a “pro-employment” strategy.

This section provides in summary form a comprehensive labor policy agenda and analysis that is detailed in the 2004 IDB publication entitled *Good Jobs Wanted: Labor Markets in Latin America* to which the reader is referred. The proposed labor policy agenda assumes the likely scenario that labor market policies and programs will operate in a volatile macroeconomic environment, an issue that must be continually addressed. Labor market policies and programs need to be seen as part of a larger labor market system that involves not only public sector programs and private hiring, but also public-private training, nonprofit educational institutions, and nongovernment organizations. The new policy agenda requires the development of a more collaborative set of public and private partnerships to spur employment and income growth.

The four key objectives of a new policy agenda need to be supported through a number of specific programs and policy reforms; there is no single program or policy that can necessarily be expected to lead to greater job creation by itself. Following are specific program and policy areas and the principal objectives they serve.

Improving Worker-to-Job Matching

(Labor Policy Objectives 1 and 4)

Employment growth can only take off if the demand for workers can be quickly and efficiently met with an appropriate supply. Matching workers more quickly and efficiently to new jobs is important in a region such as Latin America and the Caribbean where one out of four jobs is changed each year. Job-hunting in the region is generally very inefficient and informal (it is largely done through personal contacts, informal announcements, and random searches). The majority of jobs are not openly advertised or known, leading to mismatches of workers to jobs, high job rotation, and low productivity on the job.

“Labor intermediation” or job-finding services seek to expand the range of jobs openly advertised, improve the speed and quality match of worker to job, and connect workers with appropriate training to meet emerging private sector demand. Today’s modern systems, combining public, private and nonprofit providers, are quite different from the old models of a single, publicly-funded national employment service with little market impact. A more detailed analysis of such systems, the range of distinct public/private/nonprofit models and their potential applicability in Latin America and the Caribbean can be found in *Labor Intermediation Services: Lessons for Latin America and the Caribbean from International Experience* (Mazza, 2003). A series of reforms and improvements in the management of labor intermediation systems (a number of them with IDB support) are underway in the region. These reforms include: providing modernized services to both job seekers and employers, linking training and intermediation, adapting to rural and informal workplaces, and creating incentives to improve job placement rates.

Increasing Worker Skills and Training

(Labor Policy Objectives 3 and 1)

A key element in increasing worker productivity and the quality of employment in the region lies in improvements in training and education policies. The increasing wage differentials between skilled and unskilled workers are an important indicator of growing market demand for skilled workers. State or tax-financed training institutions dominate the provision of training in the region and, in the vast majority of cases, have provided training that is of limited utility and relevance to the marketplace. Table 2.1 provides data on training expenditures in seven countries, which cover small percentages of

Table 2.1 Training Programs in Seven Countries

	Beneficiaries		Expenditures	
	Thousands	% of total labor force	Millions US\$	% of GDP
Argentina	133.0	1.4	95.6	0.04
Brazil	740.5	1.6	310.2	0.06
Chile	36.6	0.8	18.3	0.03
Costa Rica	13.1	1.2	60.6	0.73
Jamaica	43.5	4.4	18.6	0.44
Mexico	410.3	1.8	135.0	0.04
Peru	1.5	0.1	5.0	-0.10

Source: Verdera, 1998.

the workforce. However, even in cases where expenditures are higher and there are more beneficiaries there are serious concerns about the effectiveness and utility of this training. Training system reform implies not only reforming State-based institutes but also developing a wider “system” of private and public institutions that respond more directly to the growing skill needs of the private sector and focus on productivity improvements via training. Strong, independent regulation of training and reforms of State-financed training institutions, as hard as they have been to accomplish to date, will not alone increase skill levels in the region. More comprehensive attention should be paid to the educational system itself, as well as changes in related tax, education, regulatory and labor market policies. In addition, skill certification systems, which are slowly emerging in the region, help make the training and employment marketplace more systematic and skills-based, ensuring that the specific skills demanded by local employers are the ones provided by training programs and obtained by workers.

Strengthening Labor Institutions and Data Collection (Labor Policy Objectives 4, 1 and 2)

Labor market policies and regulations are part of a larger social contract that needs to be enforced and advanced by the public and private sectors. This includes enforcement of occupational and safety standards, administration of labor policies and regulations, and enforcement of core labor standards, such as the right to organize and collective bargaining. Labor ministries and, more broadly, public sector institutions suffer from scarcity of resources, institutional weaknesses, and the poor preparation/skill levels of their staff. The low level of enforcement of labor regulations contributes to the ineffectiveness and inefficiency of labor policies in the region. Productivity and skill improvements and market-driven labor markets cannot function without the enforcement and protection of basic labor and social rights.

Important investments are needed as part of a labor policy agenda to set up institutional abilities and capabilities to implement labor policies. Included is the

technical capacity to collect comparable data on employment trends and job generation in the region. A number of Latin American nations, with IDB support, are building analytic “labor observatories” to more systematically collect and analyze labor market trends. New models are emerging as well for occupational health and safety compliance systems that draw on more direct industry participation and commitments.

Weathering Employment Instability More Efficiently (Labor Policy Objective 2)

The OECD countries have wide and varying forms of social and unemployment insurance intended to cushion workers from the effects of economic shocks and enable them to seek other employment in line with their skills. However, in most countries in the region, unregulated and precarious employment relations and self-employment are the rule. Well over 50 percent of the workforce is employed in informal work, which lacks the full protections available to formal sector workers. Even formal sector employment protections are being reduced; in some countries of the region as few as 20 percent of the formal sector workforce has benefits (Cox Edwards, 2002). As a result, employment and incomes are markedly affected by economic crises or downturns. While developing countries do not have the financial resources for large-scale programs, consideration can still be given to more limited and targeted programs to improve workers’ ability to weather high instability and seek productive employment in other jobs. In many cases, this could involve the review and rethinking of existing programs. Financial and human resources can be invested in the maintenance, reform and, in some cases, establishment of an effective network of institutions and policies to protect workers who have precarious labor contracts or are self-employed. Chile took this path when it initiated a reform of unemployment insurance moving to a private model that incorporated low-income workers. Consideration can be given, for example, to improving severance payments so that they can become a more useful tool for finding better jobs, broader forms of social insurance or income maintenance programs, and moving from severance payments to unemployment insurance schemes.

IDB Support for Labor Market Policies and Programs

The Inter-American Development Bank’s support for labor market policies and programs has totaled over US\$3 billion (US\$5 billion total financing with counterpart contributions) in a little over ten years. Grant financing (of over US\$400,000) in labor market programs has totaled US\$108 million in the same period. The annex provides a summary list of loans (annex table 2) and technical cooperation agreements (grants, annex tables 3–6).

In line with the labor policy agenda detailed above, IDB support has emphasized pilot programs to test new approaches to labor market programs, including improving linkages with private sector demand, strengthening labor ministries, and testing models tailored to excluded groups (such as youth, women, and other disadvantaged populations) who have specific labor market difficulties. The IDB and regional governments pioneered the youth traineeship model to assist large pools of disadvantaged youth in joining the labor market. The youth training model incorporated classroom-based training in basic workplace skills with traineeships within firms. Impact evaluations of programs in Chile and Argentina demonstrate that youths (particularly women) participating in the program had higher rates of labor insertion (job placement) than youths in a control group. In Argentina, participating youths also enjoyed higher incomes (Giordano, Torres, and Colina, 2005). Important to the traineeship model was its competitive nature; training firms bid on contracts to train and place youth within firms. This required training firms to find private sector positions for youth before training began. These programs have an impact on the participating youth as well as on the supply of training providers, inducing quality improvements and expansion of providers. Variations of the youth training model have been undertaken in Peru, Argentina, Venezuela, Chile, Honduras, Colombia and Panama.

The IDB has also supported comprehensive loans executed by labor ministries to improve labor market policies and programs. These loans simultaneously support new, more competitive training programs, the reform and/or modernization of intermediation systems and strengthening of labor market information, analysis and regulatory oversight. The Bank approved a comprehensive, multi-phase loan of this type for Mexico (e.g. ME-0233). IDB financing supports adult training for the workplace and training of unemployed workers, as well as national employment services, labor ministry strengthening, and creation of an observatory for tracking key labor market trends. Comprehensive labor market operations were also approved for the Dominican Republic, Peru and Panama.

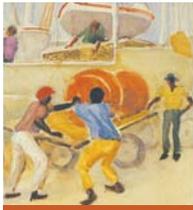
A smaller, but emerging set of loan operations supports the links between labor markets and education, and the labor market dimension of anti-poverty or social programs. The Bank approved a loan for the Bahamas (BH-L1003) that combines training and education and includes a school-to-work transition program. Other loans of this type were approved for Nicaragua (NI-0171: basic education for youth and adults) and Brazil (BR-0373, which incorporates a labor markets component within a larger social program).

The IDB has provided grant support to new pilot programs and methodologies in labor markets that, once tested, can contribute to wider national programs as well as provide lessons and applications for other countries in the region. Leading work has been done in the areas of skill certification standards and labor intermediation. Other examples include the fields of child labor, sector-based training, and training for women. These pilot efforts seek to experiment with labor programs that are

particularly adapted to the region, which has large pools of low-skill labor that often operates outside the formal system. The integration of these workers into a continuous training and education system is essential to the future competitiveness of the region's economies and to make headway in reducing poverty. In addition to loan and grant operations, the IDB sponsors research on labor market trends in the region, forums for the exchange of information on labor market policies and lessons among member governments, and publications based on this research.⁶

As always, future directions for IDB operations in the labor markets field stem from demand from member governments. The IDB hopes to provide support to its member governments in the areas of reform and modernization of training systems, the development of new models for enforcing labor regulations and oversight, advancement of labor intermediation or job matching services, and strengthening of labor ministries. To contribute to greater employment growth over time, labor market initiatives must be combined with larger efforts to improve the business climate, and increase investment and private sector growth in order to spur the kind of economic growth needed to generate more and higher quality jobs over the long-run.

⁶ Greater detail on the research and dialogue functions can be found at: www.iadb.org/sds/soc/labormarkets and www.iadb.org/res/publications.



Summary and Future Prospects

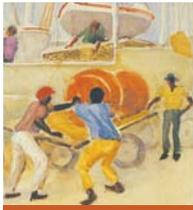
Job creation will remain one of the region's principal economic and social challenges over the next decade. Setting priorities and focusing national attention on how to best achieve employment growth represents a separate challenge because job creation cannot be achieved by relying on a single public policy or program.

This publication has examined ways to foster the creation of new jobs in Latin America and the Caribbean by focusing on the business climate, investment and labor market policies and programs, and examining regional trends, policies and programs. It has detailed a series of policy actions intended to contribute to progress in business climate and labor markets. Employment growth also requires attention to macroeconomic stability and complementary social and fiscal policies.

In looking forward, particular attention should be given to the trends of low productivity and wage dispersion as they affect both business climate and labor markets. Stagnating levels of productivity and greater wage differentials between unskilled and skilled workers affect the number of jobs created as well as the quality of those jobs. Revitalizing productivity is critical as well to spurring new job creating investment. The quality and number of jobs created are central to the future of Latin America and Caribbean economies.

In recent years, the Inter-American Development Bank has invested over US\$6 billion to support labor market programs and private sector and business development in order to improve the region's employment prospects. This includes not only large scale lending, but also financing for demonstration projects that can be used to test innovative methods, introduce new development approaches and build broadly-based support for needed changes. Based on demand from the region's governments, these efforts can be expanded and new areas for cooperation can be opened up in the future. The IDB can continue to play a role in disseminating best practices and convening public and private actors in constructive dialogue and consultation. Emerging areas of IDB support include initiatives dealing with labor markets and education, business development and competitiveness, and institutional development.

The coming years offer a fresh opportunity to focus regional attention on more integrated labor and business policies that more effectively support job creation, reduce poverty, and promote democratic development and sustainable economic growth. The IDB group enjoys many comparative advantages that make it committed partner in development capable of lending its support to policies and programs to create new jobs in the region.

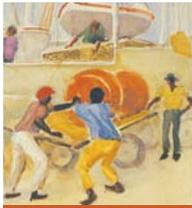


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Annexes

Table 1

Supporting Business Climate in Latin America and the Caribbean

Loans and Technical Cooperation Programs (1999–2004)

Country	Project Name	Project Code	Approval Year	Amount ¹ US\$Mill
Brazil	Program to Strengthen the Fiscal Administration of the State of Sao Paulo	BR-0372	2004	20.00
Chile	International Accounting and Auditing Standards Support Program	ATN/MT-8617-CH	2004	0.75
Chile	Program to Strengthen Regulation and Oversight of Cooperatives	ATN/MT-8696-CH	2004	1.14
Costa Rica	International Accounting and Auditing Standards Support Program	ATN/MT-8843-CR	2004	0.43
Dominican Rep.	Financial Reform Consolidation Program	DR-0151	2004	100.00
Guyana	Fiscal and Financial Management Program	GY-0053	2004	28.00
Honduras	International Accounting and Auditing Standards Support Program	ATN/MT-8802-HO	2004	0.49
Honduras	Program to Strengthen the Fiscal Management	HO-0208	2004	15.00
Honduras	Financial Sector Program	HO-0219	2004	25.00
Jamaica	Review of Jamaica's Tax System	ATN/SF-8667-JA	2004	0.50
Mexico	Program to Support the Incorporation of Business Assets into the Formal Sector	ME-M1002	2004	2.60
Panama	Program to Develop and Promote Intellectual Property Rights	ATN/MT-8609-PN	2004	0.50
Uruguay	ABN AMRO Uruguay Trade Finance Facility	UR-0152	2004	22.50
Regional	Program to improve access to the judicial system	ATN/SF-8668-RG	2004	0.15
Regional	Alternative Methods for Conflict Resolution Program	ATN/SF-8470-RG	2004	0.05
Regional	Technical Support for the Free Trade Area of the Americas (FTAA) Negotiations	ATN/SF-8794-RG	2004	0.75
Regional	Support for the Monitoring of Andean Integration Process	ATN/SF-8638-RG	2004	0.25
Regional	Support for the Caribbean Regional Negotiating Machinery from CARICOM	ATN/SF-8640-RG	2004	0.40
Regional	Consolidation of the Regional Market of MERCOSUR	ATN/SF-9014-RG	2004	0.50
Regional	Fiscal impact of integration and trade liberalization efforts in the Caribbean	ATN/SF-8666-RG	2004	0.36
Regional	Credera Regional Trade Finance Facility	RG-L100	2004	15.00
Regional	Program to Support the Establishment of a Caribbean Credit Rating Agency	RG-M1023	2004	0.32
Regional	Verification of Capacity in Administration of Rules Origin in Central America	ATN/SF-8934-RG	2004	0.10
Belize	Banking and Non-banking Supervision Program	ATN/MT-8538-BL	2003	0.50
Bolivia	Fiscal Sustainability Program	BO-0213	2003	63.00
Bolivia	Fiscal Sustainability Technical Cooperation Program	BO-0225	2003	2.50
Bolivia	Program to Support Competitiveness	BO-0219	2003	37.00
Bolivia	Land Regularization and Legal Cadastre Program	BO-0221	2003	22.00
Brazil	Banco Bradesco Trade Finance Facility	BR-0407	2003	50.00

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Table 1

Supporting Business Climate in Latin America
and the Caribbean

Loans and Technical Cooperation Programs (1999–2004)

Country	Project Name	Project Code	Approval Year	Amount ¹ US\$Mill
Dominican Rep.	Monetary and Financing Law Implementation	ATN/SF-8578-DR	2003	0.20
Dominican Rep.	Sector Facility for Foreign Trade	DR-0148	2003	5.00
Dominican Rep.	Competitiveness Promotion Program	DR-0152	2003	9.40
Dominican Rep.	Program to Strengthen the Regulation and Supervision of the Banking System	DR-L1001	2003	6.00
El Salvador	Competitiveness Program	ES-0151	2003	100.00
Guatemala	Support for Decentralization and Municipal Financial Management	ATN/SF-8414-GU	2003	0.40
Guyana	Program to Support the Establishment of a Commercial Court	ATN/SF-8423-GY	2003	0.50
Honduras	Program to Support Competitiveness	HO-0221	2003	10.00
Mexico	International Accounting and Auditing Standards Support Program	ATN/MT-8243-ME	2003	1.70
Mexico	Bankable Property Rights Program	ATN/MT-8245-ME	2003	2.00
Mexico	Rural Financial System Consolidation Program	ME-0243	2003	300.00
Nicaragua	Program to Support Improvement in the Secured Transactions Framework	ATN/MT-8428-NI	2003	0.70
Nicaragua	Program to Support the Fiscal Reform	ATN/SF-8464-NI	2003	0.29
Nicaragua	Modernization of the State and Fiscal Reform Program	NI-0172	2003	25.00
Paraguay	Cadastre and Property Registry Program	PR-0132	2003	9.00
Peru	Capital Market Development in Peru with an Emphasis on Venture Capital	ATN/MT-8244-PE	2003	1.15
Peru	Strengthening and Modernization Tax System Administration	PE-0223	2003	8.86
Peru	Competitiveness Reform Program	PE-0239	2003	300.00
Suriname	Financial Sector Strengthening and Rationalization Program	ATN/SF-8311-SU	2003	0.50
Trinidad and Tob.	Trade Sector Support Program	TT-0052	2003	5.00
Uruguay	International Accounting and Auditing Standards Support Program	ATN/MT-8476-UR	2003	0.42
Uruguay	Sector Program to Strengthen the Banking System	UR-0150	2003	200.00
Regional	Public/Private Summit on Investment Climate	ATN/SF-8492-RG	2003	0.12
Regional	Tax Policy Reform Technical Cooperation Program	ATN/SF-8571-RG	2003	0.10
Regional	Program for Overcoming Technical Barriers for Trade	ATN/MT-8225-RG	2003	0.50
Bolivia	Program for Strengthening Foreign Trade Management	BO-0212	2002	5.00
Brazil	Modernization and Institutional Strengthening of the Comissao de Valores Mobiliarios	ATN/MT-7887-BR	2002	2.00
Brazil	Program to Support Modernization of the Federal Court of Accounts	BR-0365	2002	5.00
Chile	Modernization of the Office of the Comptroller General of the Republic	CH-0170	2002	15.00
Colombia	Program to Strengthen the Capital Markets	ATN/MT-7793-CO	2002	1.02
Guatemala	Project to Strengthen Bank Supervision	ATN/MT-7827-GU	2002	1.00
Guatemala	Financial Sector Reform Program	GU-0119	2002	200.00
Honduras	Program to Support the Modernization of the Administration of Justice	HO-0210	2002	30.00
Nicaragua	Support for the Superintendency of Banks and Other Financial Institutions	ATN/MT-7975-NI	2002	1.24
Nicaragua	Program to Support the Modernization of the General Auditing Office	NI-0160	2002	5.40
Nicaragua	Strengthening Foreign Trade Management	NI-0165	2002	5.00
Panama	Program to Strengthen Economic and Fiscal Management	PN-0147	2002	10.00
Panama	Program to Support Competitiveness	PN-0145	2002	7.00
Paraguay	Strengthening of Transparency and Formalization of the Financial	ATN/MT-7926-PR	2002	0.64

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Table 1 Supporting Business Climate in Latin America and the Caribbean

Loans and Technical Cooperation Programs (1999–2004)

Country	Project Name	Project Code	Approval Year	Amount ¹ US\$Mill
	System			
Peru	Foreign Trade Policy Development Program	PE-0219	2002	5.00
Regional	Exchange of Know-How and Experience among Development Banks in LAC	ATN/MT-7872-RG	2002	0.28
Regional	Support for the Creation and Development of Financial Intelligence Units	ATN/MT-7884-RG	2002	1.32
Regional	Training for Mutual Evaluations of the Financial Action Task Force on Money Laundering	ATN/MT-7968-RG	2002	0.12
Regional	Modernization of Customs and Border Crossings	ATN/MT-8026-RG	2002	2.02
Argentina	Financial Services Sector Program	AR-0266	2001	500.00
Argentina	Financial Services Sector Program (TC)	AR-0284	2001	2.00
Argentina	Fiscal Support Sectoral Program	AR-0280	2001	500.00
Barbados	Administration of Justice Program	BA-0055	2001	8.80
Costa Rica	Program for the Administration of Justice	CR-0141	2001	22.40
Guatemala	Program to Support Foreign Trade	GU-0152	2001	5.00
Guyana	Program to Strengthen Banking Supervision	ATN/SF-7597-GY	2001	0.70
Jamaica	Support for Strengthening the Supervision of Non-Deposit Taking Activity	ATN/SF-7700-JA	2001	0.70
Nicaragua	Implementation of National Public Procurement System	ATN/MT-7467-NI	2001	1.05
Nicaragua	Program to Strengthen the Judiciary and Improve Access to Justice	NI-0081	2001	12.00
Peru	Transparency and Reform of Fiscal, Social, and Judicial Policies	PE-0212	2001	250.00
Venezuela	Program to Support the Reform of the Criminal Justice System	VE-0057	2001	75.00
Regional	Program for Harmonization of Public Debt Markets in Central America and Panama	ATN/MT-7357-RG	2001	0.60
Regional	Regional Financial Sector Policy Framework	ATN/SF-7464-RG	2001	0.15
Argentina	Commercial Mediation and Arbitration Centers	ATN/MT-6953-AR	2000	1.00
Barbados	Strengthening of the Barbados Securities Market	ATN/MT-7090-BA	2000	0.30
Bolivia	Institutional Strengthening of the Office of Insurance Oversight	ATN/MT-6950-BO	2000	0.84
Bolivia	Customs Reform and Modernization Program	BO-0159	2000	5.00
Colombia	Strengthening the Offices of the Controller General and Auditor General	CO-0244	2000	23.00
Costa Rica	Program for the Regularization of the Cadastre and Property Registry	CR-0134	2000	65.00
Dominican Rep.	Support Program for Bank Supervision	ATN/MT-7252-DR	2000	1.30
Ecuador	Institutional Strengthening for Debt Management	ATN/SF-7067-EC	2000	0.15
Ecuador	Investment Sector Program	EC-0194	2000	150.00
Honduras	Program to Strengthen the Financial Sector	ATN/MT-7240-HO	2000	1.46
Honduras	Efficiency and Transparency in Government Procurement	HO-0176	2000	14.60
Jamaica	Financial Sector Reform	JA-0049	2000	150.00
Mexico	Strengthening of Alternative Dispute Resolutions	ATN/MT-7066-ME	2000	1.35
Mexico	Support Consolidation of Banking Sector Reform Program	ME-0227	2000	250.00
Nicaragua	Efficiency and Transparency in Government Procurement	NI-0143	2000	18.00
Paraguay	Government Procurement System	ATN/MT-7244-PR	2000	1.26
Paraguay	Fiscal Management Strengthening and Modernization Program	PR-0115	2000	6.00
Trinidad and Tob.	Integrated Financial Sector Supervision Program	ATN/MT-6983-TT	2000	1.19
Trinidad and Tob.	Program to strengthen the alternative dispute resolution system	ATN/MT-6914-TT	2000	0.38
Trinidad and Tob.	Program to Improve the Secured Transactions Framework	ATN/MT-7064-TT	2000	0.65
Uruguay	Program to Strengthen the Judicial System	UR-0122	2000	6.13

(continued on next page)

Table 1**Supporting Business Climate in Latin America
and the Caribbean****Loans and Technical Cooperation Programs (1999–2004)**

Country	Project Name	Project Code	Approval Year	Amount ¹ US\$Mill
Venezuela	Strengthening of the Venezuelan Agricultural Commodities Exchange	ATN/MT-6872-VE	2000	0.49
Regional	Program for Tax Armonization in the Andean Community	ATN/SF-7016-RG	2000	0.07
Regional	Customs Measures for Facilitating International Business	ATN/MT-7080-RG	2000	3.00
Regional	Creation of a Communitarian Mechanism of Financial Deposits Reinsurance	ATN/SF-7018-RG	2000	0.08
Regional	MERCOSUR Financial Systems Integration	ATN/SF-7032-RG	2000	0.15
Regional	Administrative Secretariat of the Free Trade	ATN/SF-7225-RG	2000	3.00
Regional	Technical Support for the Free Trade Area of the Americas (FTAA) Negotiations	ATN/SF-6860-RG	2000	0.65
Argentina	Institutional Strengthening for Foreign Trade Policy	AR-0256	1999	5.00
Bolivia	Capital Market Consolidation and Development	ATN/MT-6354-BO	1999	1.15
Bolivia	Institutional Strengthening for the Servicio Nacional de Impuestos Internos	BO-0186	1999	3.20
Brazil	Alternative Dispute Resolution Methods	ATN/MT-6378-BR	1999	1.60
Chile	Commercial Arbitration and Mediation Services	ATN/MT-6376-CH	1999	0.70
Colombia	Financial Sector Reform Program	CO-0232	1999	300.00
El Salvador	Support Program for the Financial Sector	ATN/MT-6400-ES	1999	2.96
El Salvador	Strengthen Financial Sector Supervision	ES-0115	1999	3.80
Nicaragua	Institutional Strengthening of the Tax and Customs Administrations	NI-0105	1999	10.00
Panama	Commodity Exchange Support Program	ATN/MT-6665-PN	1999	0.48
Paraguay	Insurance Industry Reform Program	ATN/MT-6357-PR	1999	0.92
Peru	Financial Sector Reform Program	PE-0202	1999	310.90
Peru	Program to Strengthen the Superintendence Banks and Insurance	ATN/MT-6634-PE	1999	1.00
TOTAL				4,418.83

The operations listed in this table focus in the following three main areas: financial market development, institutional and legal reform and economic stability and trade development. The table includes IDB and MIF operations and does *not* include trust fund operations.

1. Amount refers to the total amount approved by the Bank for each operation.

Table 2

Supporting Labor Markets in Latin America and the Caribbean

Loan Operations (1992–2005)
(In millions \$US)

Country	Project Name	Loan Number	Project Number	Approval Year	IDB Financing	Total Amount
Bahamas	Education and Training for Competitiveness		BH-1/003	2005	20	25
Haiti	Professional Training Program	PR-2450-1	HA-0017	2005	22	22
Peru	Youth Training Program	1534/OC/PE	PE-0241	2004	18	26
Honduras	Secondary Education and Training Program	1552/SF-HO	HO-0202	2004	31	34
Mexico	Multiphase Competency-Based Human Resources Program	1579/OC-ME	ME-0250	2004	50	84
Nicaragua	Basic Education for Youth and Adults	1528/SF-NI	NI-0171	2004	10	11
Brazil	Cultura and Citizenship for Social Inclusion	1486/OC-BR	BR-0373	2003	20	30
Panama	Employment and Training System Development	1403/OC-PN	PN-0125	2002	8	11
Guatemala	Labor Markets Program	1401/OC-GU	GU-0158	2002	10	11
Mexico	Active Labor Markets Program	1384/OC-ME	ME-0233	2001	300	600
Bolivia	Strengthening of Technical Training	1093/SF-BO	BO-0197	2001	60	8
Argentina	Program of Fiscal Equilibrium and Social Management	1295/OC-AR	AR-0271	2000	400	400
Colombia	Social Support Network Program	1280/OC-CO	CO-0247	2000	270	386
Mexico	Labor Markets Modernization Program — Phase II	1256-OC-ME	ME-0118	2000	200	433
Brazil	Turn Nurse Workers into Professionals	1215/OC-BR	BR-0305	1999	185	370
Dominican Republic	Labor Training and Reform Program	1183/OC-DR	DR-0134	1999	17	21
Argentina	Attention to Vulnerable Groups	1021/OC-AR	AR-0161	1997	33	55
Argentina	Reform of Higher, Non-University Education	1060/OC-AR	AR-0181	1997	83	165
Brazil	Professional Education Sector Reform	1052/OC-BR	BR-0247	1997	250	500
Argentina	Youth Program for Employability and Productivity	1031/OC-AR	AR-0169	1997	280	547
Mexico	Labor Markets Modernization — Phase I	983/OC-ME	ME-0186	1996	250	417
Argentina	Social Sector Reform Program	871/OC-AR	AR-0189	1995	450	450
Argentina	Labor Reconversion Program “Youth Project”	925/SF-AR	AR-0062	1994	154	221
Paraguay	Labor Training and Education/Formation	851/OC-PR	PR-0038	1994	21	24
Venezuela	Labor Training for Youth	805/OC-VE	VE-0042	1993	15	25
Chile	Labor Training Program “Chile Youth”	686/OC-CH	CH-0024	1992	40	80
	TOTAL				3197	4955

Table 3**Training, Intermediation and Labor Policy****Technical Cooperation Grants (1994–2005)**

(Above US\$400,000)

Country	Project Name	TC Number	Approval Year	IDB Financing	Total Amount
Regional	Design and Implementation of Labor Policies in Latin America	ATN/SF-9074-RG	2005	250,000	500,000
Uruguay	Development of Entrepreneurial Networks in the Winemaking Sector	ATN/ME-8541-UR	2003	500,000	830,000
Regional	Demand and Training Services System for Mesoamerica (SIDCAM)	ATN/MH-7952-RG	2002	1,400,000	2,000,000
El Salvador	Intermediation Services for Employment	ATN/MH-7496-ES	2001	1,633,557	2,333,444
Argentina	Private Services for Labor Market Placement	ATN/MH-7595-AR	2001	1,730,000	3,460,000
Barbados	Pilot Project to Improve Productivity in Barbados	ATN/MH-7725-BA	2001	416,580	694,300
Peru	Small Enterprise Management Training	ATN/MH-7486-PE	2001	405,000	680,000
Brazil	Technology Information Program	ATN/MH-7466-BR	2001	860,000	1,446,000
Mexico	Program of NGO Professionalization as Providers of Goods and Services in the Marketplace	ATN/MH-6887-ME	2000	2,000,000	3,350,000
Peru	Interactive System of Technology and Distance Education	ATN/MH-7094-PE	2000	1,000,000	1,700,000
Regional	Financial Sustainability of Non-Governmental Organizations	ATN/MH-7156-RE	2000	900,000	1,500,000
Argentina	Enterprise-based Training Program	ATN/MH-6026-AR	1998	2,502,500	4,995,000
Guatemala	Project to Increase Private Sector Participation in Technical Training in Rural Areas	ATN/MH-5736-GU	1997	2,000,000	2,889,000
Panama	Pilot Program in Demand-based Training and Employment	ATN/MH-5739-PN	1997	2,622,821	5,248,111
Ecuador	Services and Training in Employment	ATN/MH-5566-EC	1997	450,000	600,000
Regional	Regional Management Training	ATN/MH-5418-RG	1996	3,749,205	7,161,105
Bolivia	Program for Youth and Firm-Based Training	ATN/MH-5130-BO	1996	2,939,109	3,793,109
Paraguay	Mid-Management Level Training	ATN/MH-5355-PR	1996	1,446,822	2,309,822
Jamaica	Technology and Assisted Computer Training	ATN/MH-4849-JA	1995	1,000,000	1,000,000
Jamaica	Pilot Program in Human Resource Development	ATN/MH-4630-JA	1994	3,476,740	4,506,540
Paraguay	Training and Basic Education	ATN/MH-4760-PR	1994	1,567,686	1,567,686
TOTAL				32,850,020	52,564,117

Table 4

Sector-Based Training

Technical Cooperations (1994–2004)

(More than US\$400,000)

4.1 Gender-based Training

Country	Project Name	TC Number	Approval Year	IDB Financing	Total Amount
Peru	Labor Placement for Women in Marginal Areas	ATN/SF-6348-PE	1999	400,000	672,000
Regional	Non-Traditional Training for Women	ATN/MH-5523-RG	1997	1,650,000	2,425,000
Colombia	Training Program for Female Heads of Household	ATN/MH-5082-CO	1995	2,544,071	4,544,071
Argentina	Female Heads of Household Training Program: Regional/Argentina	ATN/MH-5081-RG (AR)	1995	1,044,997	1,753,826
Bolivia	Female Heads of Household Training Program: Bolivia	ATN/MH-5081-RG (BO)	1995	909,359	1,619,043
Regional	Vocational/Technical Training for Women: Argentina, Bolivia, Costa Rica and Uruguay	ATN/MH-5081-RG (CR)	1995	1,117,798	1,909,498
		ATN/MH-5081-RG (RG)	1995	650,523	793,623
TOTAL				8,316,748	13,717,061

4.2 Training for Youth and Disadvantaged Groups

Country	Project Name	TC Number	Approval Year	IDB Financing	Total Amount
Regional	Social-based Model for Soccer Teams	MIF/AT-607	2004	3,817,012	6,329,855
Peru	Youth Entrepreneurship Promotion	MIF/AT-568	2003	690,000	1,140,700
Colombia	Development of Youth Entrepreneurs	ATN/CK-8495-CO	2003	200,000	300,000
Brazil	Support to Culture and Citizenship	ATN/JF-8327-BR	2003	450,080	562,600
Regional	Analysis of Youth Entrepreneurs in Latin America and the Caribbean	ATN/SF-8556-RG	2003	150,000	150,000
Guatemala	Social and Economic Insertion of At-Risk Youth in Marginal Urban Areas	ATN/SF-8569-GU	2003	237,000	287,000
Regional	Youth Program: Technology Training for Employment	ATN/MH-7153-RG	2001	10,000,000	23,750,000
Chile	Youth Program: Chile	ATN/MH-7403-CH	2001	276,602	540,817
Ecuador	Program for Youth: Ecuador	ATN/MH-7404-EC	2001	201,449	488,318
Regional	Training for Youth Entrepreneurs: Chile, Ecuador, Paraguay and Peru	ATN/MH-7405-PR	2001	204,707	462,440
	Training for Youth Entrepreneurs: Peru	ATN/MH-7406-PE	2001	202,951	408,425
Peru	Promotion of Youth Enterprises in Peru	ATN/ME-7138-PE	2000	815,000	2,375,000
Regional	Regional Program for Labor Market Placement of the Blind: Argentina, Chile and Uruguay	ATN/MH-6958-AR	2000	626,900	1,048,300
		ATN/MH-6959-CH	2000	500,700	829,600
		ATN/MH-6960-UR	2000	272,400	482,100
Regional	Human Resources Training in the Agriculture Sector in the Southern Cone	ATN/MH-6699-RG	1999	3,800,000	6,400,000
Brazil	Solidarity Training: Training of At-Risk Youth	ATN/SF-6345-BR	1999	10,000,000	11,000,000
Brazil	Solidarity Training: Technical Training for Urban Youth	ATN/MH-6211-BR	1998	5,150,000	11,329,000
Paraguay	Youth Training in Rural Areas	ATN/MH-5646-PR	1997	1,260,000	1,930,000
El Salvador	Private Sector Training Consortium	ATN/MH-5167-ES	1996	4,000,000	5,000,000
Mexico	Training and Services for Street Children	ATN/MH-4744-ME	1994	745,000	816,000
Trinidad and Tobago	Youth Training Centers	ATN/MH-4739-TT	1994	3,600,000	4,650,000
Uruguay	Training and Entrepreneurial Development Program for Youth	ATN/MH-4526-UR	1994	906,000	906,000
		ATN/MH-4525-UR	1994	1,594,000	1,594,000
Mexico	Social Support Program to Low-Income Groups	ATN/TF-3717-ME	1991	557,000	848,900
TOTAL				50,256,801	83,629,055

Table 4

Sector-Based Training (continued)

Technical Cooperations (1994–2004)

(More than US\$400,000)

4.3 Tourism Sector Training

Country	Project Name	TC Number	Approval Year	IDB Financing	Total Amount
Regional	Etno-Tourism Projects in Areas of Extreme Poverty	ATN/JF-8568-RS	2003	750,000	900,000
Brazil	Tourism Sector Certification Program	MIF/AT-496	2002	1,675,000	3,350,000
Nicaragua	Improving Service Quality in the Small and Medium-Sized Tourism Sector	ATN/ME-7549-NI	2001	817,000	1,203,000
Belize	Support to the Creation of a Training Program in Eco-Tourism	ATN/MH-7092-BL	2000	700,000	1,000,000
Costa Rica	Network of Youth Training in Tourism	ATN/MH-6700-CR	1999	685,000	970,000
Regional	Health, Occupational Safety and Resource Conservation Program for Tourism in the Caribbean	ATN/MH-6214-RG	1998	1,337,000	2,229,000
Perú	Training Program for the Tourism Sector in Ayacucho	ATN/MH-5876-PE	1998	1,600,000	2,300,000
Jamaica	Development of a Human Resources Management System for Tourism	ATN/MH-5416-JA	1996	1,427,675	2,282,675
Trinidad and Tobago	Training for the Tourism Industry	ATN/MH-5024-TT	1995	2,000,000	3,314,000
TOTAL				10,991,675	17,548,675

4.4 Training for Agriculture and Industrial Sectors

Country	Project Name	TC Number	Approval Year	IDB Financing	Total Amount
Colombia	Textile Industry Competitiveness	ATN/ME-7855-CO	2002	1,100,000	1,850,000
Paraguay	Efficiency and Competitivity Program for the Construction Industry	ATN/MH-7358-PR	2001	840,000	1,312,000
Honduras	Competitiveness Program for the Ready-to-Wear Textile Sector	ATN/MH-7185-HO	2000	1,100,000	1,997,500
Colombia	Technical Training for the Paper Industry	ATN/MH-6002-CO	1998	1,900,000	6,067,750
Nicaragua	Training Program for Entrepreneurial Development in León and Chinandega	ATN/MH-5611-NI	1997	813,276	1,213,276
Uruguay	Human Resources and Training Program in the Forestry Sector	ATN/MH-5196-UR	1996	530,575	876,575
TOTAL				6,283,851	13,317,101

Table 5 Labor Competencies and Skill Standards

Technical Cooperations (1994–2004) (Above US\$400,000)					
Country	Project Name	TC Number	Approval Year	IDB Financing	Total Amount
Ecuador	Skill Certification System	MIF/AT-567	2003	778,385	1,108,044
Brazil	Skill Certification System in Sustainable Tourism	ATN/MH-8032-BR	2002	1,675,000	3,350,000
Panama	Support to the Development of Labor Competencies	ATN/MH-8128-PN	2002	1,400,000	2,103,760
Peru	Development of National Norms and Aptitudes and Regional Training in the Tourism Industry	ATN/MH-6377-PE	1999	1,087,000	1,800,000
Argentina	Program of Labor Skill Standards	ATN/MH-6605-AR	1999	3,677,000	7,390,160
Chile	Labor Skill Certification Project	ATN/MH-6698-CH	1999	1,892,500	3,917,500
Brazil	System of Norms and Certification for the Tourism Sector	ATN/MH-6050-BR	1998	2,500,000	5,000,000
Regional	Support to the Development of a Regional Certification System in the Hotel and Tourism Industry	ATN/MH-5945-RG	1998	2,200,000	3,900,000
Brazil	Certification Program of Basic Abilities	ATN/MH-5738-BR	1997	850,000	2,850,000
		ATN/MH-5614-UR	1997	590,354	854,354
Uruguay	Program to Strengthen the Training Market	ATN/MH-5615-UR	1997	800,000	1,137,000
		ATN/MH-5616-UR	1997	800,000	1,149,000
Mexico	Pilot Project of Norms and Skill Certification Standards (CONOCER)	ATN/MH-5333-ME	1996	2,801,330	5,213,023
Chile	Innovation Program in the Development of Basic Abilities	ATN/MH-5393-CH	1996	1,009,375	1,999,000
TOTAL				22,060,944	41,771,841

Table 6 Labor Retraining and Reconversion

Technical Cooperations (1994–2004) (Above US\$400,000)					
Country	Project Name	TC Number	Approval Year	IDB Financing	Total Amount
Venezuela	Labor Reconversion Program for Guayana	ATN/MH-6356-VE	1999	828,485	5,367,485
Mexico	Human Resources-Based Investment for Local Development: Nueva Vizcaya – Mexico	ATN/MH-5709-ME	1997	1,259,000	2,349,281
Peru	Labor Reconversion for Displaced Workers in the Process of Privatization	ATN/MH-4906-PE	1995	5,374,202	6,574,202
Uruguay	Central Administration Modernization	ATN/MH-4628-UR	1994	3,083,289	3,083,289
		ATN/MH-4629-UR	1994	588,696	588,696
Colombia	Strengthening of Non-Governmental Organizations as Providers of Training and Services to Displaced Workers	ATN/MH-4573-CO	1994	787,709	1,050,529
		ATN/MH-4574-CO	1994	879,044	1,298,079
Chile	Pilot Program for the Outsourcing of Labor Reconversion Services	ATN/MH-4671-CH	1994	1,840,897	3,043,600
TOTAL				14,641,322	23,355,161

Table 7**Labor Mediation****Technical Cooperations (1994–2004)**

(Above US\$400,000)

Country	Project Name	TC Number	Approval Year	IDB Financing	Total Amount
Brazil	Training of Union Management	ATN/MH-6951-BR	2000	1,534,000	3,068,000
Venezuela	Labor Market Modernization Program: Support to the Institute for Union Studies (INAESIN)	ATN/MH-6458-VE	1999	680,425	1,101,500
Dominican Republic	Training in Labor Mediation	ATN/MH-5521-DR	1997	663,000	828,000
Uruguay	Labor Relations Modernization Program	ATN/MH-4707-UR	1994	849,703	849,703
Regional	Training of Youth Labor Leaders	ATN/SF-4685-RG	1994	419,500	468,500
TOTAL				4,146,628	6,315,703

Table 8**Labor Policy Modernization****Technical Cooperations (1994–2004)**

(Above US\$400,000)

Country	Project Name	TC Number	Approval Year	IDB Financing	Total Amount
Argentina	Occupational Health and Safety Program	ATN/MH-7063-AR	2000	2,300,000	4,600,000
Regional	Regional Labor Modernization Program: Central America and Panama	ATN/MH-5978-RG	1998	4,000,000	6,300,000
Regional	Training Program in Labor Pension Funds	ATN/MH-6215-RG	1998	2,364,000	2,364,000
Bolivia	Labor Relations Modernization Program	ATN/MH-5524-BO	1997	1,479,450	1,819,450
TOTAL				10,143,450	15,083,450