

IDB Charts New Directions in Development for Latin America

BUILDING POWER at the Base



BY **LUIS ALBERTO MORENO**

Over the past four years, Latin America has enjoyed stellar economic performance, with average GDP growth above four percent. Yet the majority of our citizens have not seen any real improvements in their quality of life. Today 70 percent of this region's population—some 360 million people—lives on \$300 or less per month. The vast majority are still waiting for the promised fruits of shared economic growth. As a result, we've heard repeated calls for change, and the very legitimacy of development efforts in this region has been called into question. So it was clear to those of us at the IDB that we needed to change the way we did business.

That's why, in addition to many internal changes and reforms, we decided to launch the "Building Opportunities for the Majority" initiative in June 2006. I wanted to force us all to turn our attention—and redirect our resources—to benefit those at the base of the economic pyramid.



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Over the years, the IDB has learned a great deal about what works and what doesn't in regard to social policy. This new initiative builds on our knowledge by placing its emphasis on a reduced number of critical issues, by taking to scale effective models so we can reach more of those in need, and by promoting multi-stakeholder partnerships that bring together the public and private sectors.

Focusing on the Kids

Let's look at some real challenges facing our region now. Today, about 15 percent of children under the age of five—about 8.5 million—do not have birth certificates. With no formal identity, these children do not have adequate access to basic social services, a decent education or real opportunities for employment in the formal sector. They simply can't make it in society. So I'm committing the IDB, working with local governments and organizations like the Organization of American States and UNICEF, to cut the percentage of undocumented citizens by half.

There's no question that young people are fundamental to finding solutions to these challenges. What we do today in terms of empowering youth with good schooling, job training, nutrition programs and entrepreneurship opportunities will produce huge benefits down the road. A recent IDB study by a group of leading economists from across Latin America posed the question: What would our priorities be if we had a magic wand? Their answer: focus on meeting the needs of children by making sure they get the stimulation and nutritious food in their early years that will help their brains develop and grow.

We've supported the growth of new programs in some of the poorest neighborhoods in Latin America that provide this kind of stimulating, healthy environment for kids of working parents. When visiting some childcare centers in Santiago and other cities, it's wonderful to see how children respond when they receive what they need to thrive.

Headed to Work

Preparing young people across Latin America as they grow up and seek to enter the workplace or begin their own businesses is also part of our efforts to reach out to the majority at the base of the pyramid. It's very difficult for today's youth to get that first job. When they don't have the skills or the training, it causes lots of frustration.

There's a huge demographic “youth bulge” in Latin America, and millions of those between 18 and 24 are competing for jobs. They need language skills. They need IT skills. They need to learn how to succeed in the workplace.

One program effectively addressing this need is *entra 21*. Over the past six years, this program—supported by the IDB's Multilateral Investment Fund—has trained nearly 20,000 unemployed youth across Latin America and the Caribbean in IT and employability skills. It placed more than half of them in jobs.

Evaluating *entra 21*

PHASE I

By the end of 2008, IYF's *entra 21* initiative will have reached more than 19,000 at-risk youth with IT and employability training. Other program highlights include:

35 Projects in 18 countries in Latin America and the Caribbean

87% Completion rate

75% Either working, studying, or both six months after graduation

54% Employment rate

US \$29.8 Total investment (IDB: US\$10 million, plus matching and local funds)
MILLION

PHASE II

Currently, 7,000 youth are enrolled in *entra 21*. The Phase II target is 50,000 youth over the next four years. Additional funds include US\$10 million from IDB, supplemented by matching and local funds.

Entra 21 continues to offer an important model for the Bank because it is not only about IT skills development, employment and entrepreneurship for youth. It is also about partnerships where NGOs, IT companies and the IDB work together to provide these skills and opportunities.

Credit Where It's Due

In addition to preparing young people for jobs, we also need to open up credit for them and everyone else struggling to build successful micro-enterprises in their communities. This is another significant component of the Building Opportunities for the Majority initiative.

Today, small businesses represent about 95 percent of the region's enterprises—about 60 million of them exist across Latin America. The region's informal economy represents up to 50 percent of the gross domestic product for Latin America and generates the largest share of employment. Yet most informal workers receive very low salaries.

While small businesses have enormous potential to boost the region's economy, it's difficult to sustain or grow them when just over six percent have access to credit from a formal financial institution. Most financial services only target those at the top of the pyramid. We must bring "financial democracy" to those at the bottom so their small

businesses can thrive and more people can improve their standard of living.

To achieve all of these goals, we need a more innovative approach to development. For example, more than a decade ago, Mexico started offering "conditional cash transfers" to poor families on the condition that they send their children to school and take them to a health clinic to ensure they stay healthy. This innovative policy, aimed primarily at raising school attendance, is now supported by the IDB in numerous countries and has been duplicated around the world, from New York to Egypt.

Unlocking Our Potential

As part of our strategy to boost opportunities for all, it's important that we not only change how we work, but also whom we work with. For example, the role of municipalities becomes critical. To be successful, these programs need a local face. Education and employment training are local responsibilities. So the commitment at the IDB is to work more closely and more effectively with thousands of state and local governments to build their capacity to improve the lives and prospects of our citizens.

We also know that when we encourage partnerships with the private sector, we can mobilize their vast resources

and talents. Perhaps most importantly, building strong public/private alliances is essential to opening up social and economic opportunities to the poorest segment of the population.

Indeed, we face huge challenges to reach and empower the majority of Latin American citizens. But I'm convinced we have the tools, the resources and the will to do this. The IDB is committed to intensifying its actions to help develop new products, strengthen local institutions and work with our private-sector partners. We plan to reduce the unregistered, undocumented population by half by 2011. We expect to triple microfinance lending in the next five years. We will increase our financing for job training by 50 percent and double our investments in basic infrastructure projects that will benefit low-income communities.

These are ambitious goals, but they are very much within our reach. We have a moral and economic imperative to change the way we do business in Latin America, to ensure that everyone can reap the benefits of a growing economy. Building opportunities for the majority is our clear objective. Our people deserve no less. **Y**

Luis Alberto Moreno is President of the Inter-American Development Bank.

