
Earnings Growth and Employment Creation

An Assessment of World Bank Support in Three Middle-Income Countries

IEG

INDEPENDENT EVALUATION GROUP

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Acronyms and Abbreviations

AAA	Analytical and Advisory Activities
ALMP	Active Labor Market Policies
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CEDE	Centro de Estudios Sobre Desarrollo Economico
CCT	Conditional Cash Transfer
CPI	Consumer Price Index
CEDPL	Competiveness and Employment Development Policy Loans
CEM	Country Economic Memorandum
DANE	Departamento Administrativo Nacional de Estadística (Colombia)
DNP	Departamento Nacional de Planeación
DPL	Development Policy Lending
ECA	Europe and Central Asia
ECAL	Economic Competitiveness Adjustment Loans
ERL	Economic Reform Loan
ESW	Economic and Sector Work
ETP	Employment-to-Population ratio
FDI	Foreign Direct Investment
FIAL	Programmatic Fiscal and Institutional Adjustment Loan
FSAP	Financial Sector Assessment Program
GDP	Gross Domestic Product
GNI	Gross National Income
HD	Human Development
IEG	Independent Evaluation Group
IMF	International Monetary Fund
LCU	Local Currency Units
LPR	Labor Participation Rate
MENA	Middle East and North Africa
MICs	Middle Income Countries
MILES	Macroeconomic Conditions, Investment Climate and infrastructure, Labor market regulations and institutions, Education and skill development; and Social safety net
OECD	Organization for Economic Co-operation and Development
PAAA	Programmatic Analytical and Advisory Assistance
PC	Per Capita
PLaSSAL	Programmatic Loans Supporting Labor Reform and Social Development Policy
PPP	Purchasing Power Parity
SENA	Servicio Nacional de Aprendizaje
TA	Technical Assistance
TFP	Total Factor Productivity
UI	Unemployment Insurance
WDI	World Development Indicators

Vinod Thomas
Director-General
Evaluation

June 15, 2009

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

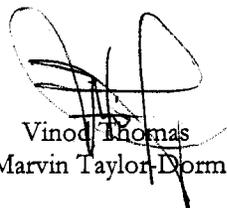
SUBJECT: Earnings Growth and Employment Creation: An Assessment of World Bank Support in Three Middle-Income Countries

This IEG report reviews World Bank support for earnings growth and employment creation during 1998-2007 in three middle income countries (Colombia, Turkey and Tunisia). It blends features of a thematic evaluation with those of a country evaluation. These countries faced major employment challenges during the decade, received significant Bank support, and together provide a comparative and cross-regional perspective on Bank engagement. The findings suggest ways in which the Bank's response to the current global crisis with respect to employment and earnings can be stronger. Effects of the crisis on employment are already evident. The projected impact (IMF, ILO) is that a decline in world output growth from 5.2 percent in 2007 to -1.3 percent in 2009 will increase unemployment from 5.7 percent to 6.8 percent.

A first finding of the report is that the employment-related outcomes in the three countries were mixed, with notable progress in economic growth, earnings and poverty reduction but clearly not in the employment-to-population ratio and the unemployment rate. This finding underscores the desirability of focusing on the full set of employment-related variables, and not on growth alone, as the Bank's support responds to the current crisis, especially in MICs. A stronger focus on earnings is needed to address the impact of the crisis on poverty. Such engagement will require an understanding of how policies can enhance both employment and earnings, presumably through increased demand for labor and skills and higher labor productivity. It will also require support from the Bank and other institutions in helping countries produce up-to-date data on earnings.

Second, the assessment highlights the cross-sectoral nature of employment related work and thus the integrative role that Country Partnership Strategies need to play. Upcoming CPSs will offer an opportunity to exercise this role as they help clients develop employment strategies that factor in macroeconomic, investment climate, labor market, education and social protection dimensions in countries affected by the crisis. The effectiveness of these strategies can be further leveraged if cross-sector work, which straddles several networks in the Bank, is strengthened. Examples of cross-sector issues include structural unemployment, which will rise as many who lose jobs fail to find new employment; policy coordination, as various policy initiatives aimed at employment outcomes need to be kept mutually consistent; and migration, as emigration from those countries with strongly adverse employment outcomes speeds up.

Third, the assessment finds that Bank support achieved differential progress in the individual policies with a bearing on employment, with the most progress on macro stabilization, followed in approximate order by progress on the investment climate, education, social protection, and labor taxation and regulations. Some areas still require considerable work, and the employment crisis may offer a window of opportunity for reform. Issues that prevailed prior to the crisis, such as artificially high minimum wages in some countries or weak labor mobility in others, may call for a fresh look as countries struggle to reduce stubbornly high unemployment rates. Conversely, the Bank can also help countries maintain progress even through the crisis period, as was the case with macroeconomic stability in the three countries reviewed.



Vinod Thomas
by: Marvin Taylor-Dormond

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Preface

This evaluation was prepared by Mauricio Carrizosa (task manager, adviser, Country Evaluation and Regional Relations, IEG). Background papers were prepared by David Goldsbrough and Carolina Mary Rojas Hayes (consultants, Colombia), Robert Lacey (consultant, Tunisia), and William Tyler (consultant, Turkey). Ms. Rojas Hayes also provided technical support on Tunisia and Turkey. Gary Fields (Professor of Labor Economics, Cornell University) and Steven Benjamin Webb (Adviser, Public Sector, Latin America and the Caribbean Regional Office) were peer reviewers. Pursuant to IEG policy, Mr. Carrizosa was recused from the analysis and findings of the Colombia assessment, owing to his former role as Sector Manager for economic policy in the Latin America and Caribbean regional office during the period covered by the evaluation. To formalize the recusal arrangements, Helena Tang provided oversight of the Colombia assessment independently of the broader preparation work on the report. Mr. William Hurlbut provided editorial support. Mr. Roderick L. De Asis provided administrative support.

Evaluation Summary

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

► Employment creation and earnings growth are critical to poverty reduction, the mission of the World Bank. In its work, the Bank has identified five policy areas that affect employment: macroeconomic conditions, investment climate, labor regulations, education, and social protection. This MILES framework, as it is known, is useful for evaluating employment creation and earnings growth performance, and this study uses it to assess the Bank's assistance to three middle-income countries (MICs)—Colombia, Tunisia, and Turkey—during 1998-2007. The three countries faced major employment challenges during the past decade, received significant overall Bank support, had sufficient data available, and provided cross-regional representation. The assessment considers the effect of the Bank on policies and of policies on employment and earnings. The comparative analysis of a set of country programs is an approach to drawing lessons that may be useful in other situations, such as the current global crisis, where numerous MICs face similar employment creation and earnings growth challenges.

► The three countries assessed had very different experiences during the evaluation period. Colombia went through a deep recession during 1998-99 that increased its unemployment rate to unprecedented levels, while its employment-to-population ratio ceased to grow after many years of increasing female labor participation. Despite its satisfactory rate of economic growth, Tunisia experienced a high unemployment rate that resisted efforts to reduce it for decades, although the employment ratio increased modestly. Turkey also saw a sharp rise in unemployment as it implemented structural reforms to stabilize after many years of double-digit inflation, and its employment ratio continued its long-term decline.

► Three sets of findings are worth highlighting. First, employment-related outcomes in the three countries were mixed, with notable progress in economic growth, earnings, and poverty reduction, but not in the employment-to-population ratio or the unemployment rate. This finding underscores the desirability of focusing on the full set of employment-related variables (GDP, poverty, employment, unemployment, and earnings) in an integrative fashion rather than just on employment when setting the objectives of Bank support. A related point is that many countries need to improve the delivery of employment-related statistics to allow timely monitoring and analysis of those variables, an area where the Bank has helped and can help further.

► Second, Bank program objectives in the three countries focused more on MILES components than on employment itself. The focus on MILES components suggests that employment-related issues, which straddle three Bank Networks (PREM, HD, and PSD), may fall by the wayside unless the Country Partnership Strategy serves as a vehicle for diagnosis, priority setting, and programming cross-sector work. Employment-related AAA, for example, is largely cross-sectoral in nature, covering such issues as structural unemployment, labor market rigidities and taxes, gender differences in labor participation, migration and remittances, and the impact of education on the extent of skills mismatch in the job market. From this perspective the Bank could usefully strengthen its role as knowledge provider, broker, and/or facilitator of knowledge creation.

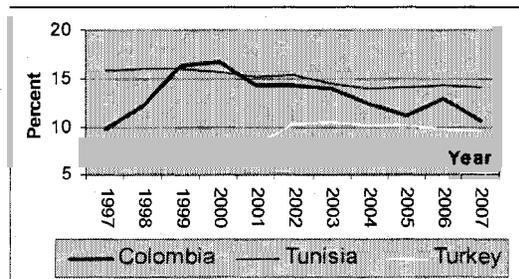
► Third, Bank support in the three countries achieved differential progress in the individual MILES components, with the most progress on macro stabilization, followed in approximate order by progress on the investment climate, education, social protection, and labor taxation and regulations. The experience of the three countries illustrates how AAA can be the main instrument of support in those areas (for example, labor regulations and taxes) where progress in reform is difficult and the need for building engagement and consensus is critical.

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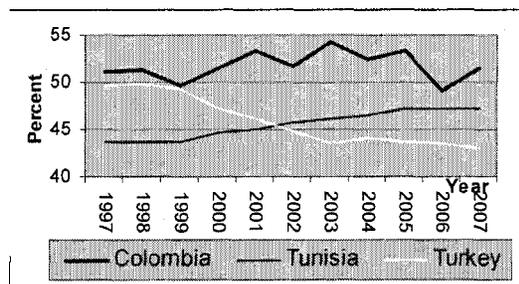
During 1998-2007, Colombia, Turkey, and Tunisia faced difficult employment challenges, as shown in the figure below. Over the first half of the review period, Colombia and Turkey experienced sharp increases in unemployment rate as deep recessions reduced employment demand, with Colombia's unemployment declining and Turkey's remaining higher as these economies recovered. Despite Tunisia's economic stability, it had the highest unemployment rate of the three countries, although unemployment declined moderately during the review period (Panel A). Furthermore, the employment-to-population ratio ceased growing in Colombia during the review period after many years of increases in female participation, and continued declining in Turkey. Tunisia's employment-to-population ratio increased by a few percentage points (Panel B) because female participation increased from a very low level. Earnings declined and poverty increased during the recessions in Colombia and Turkey, but these improved toward the end of the review period. Earnings in Tunisia increased and poverty declined.

Employment Performance in Colombia, Tunisia, and Turkey

A. Unemployment Rate: 1997-2007



B. Employment-to-Population Ratio: 1997-2007



Sources: The World Bank (World Development Indicators); Colombia Statistical Office (DANE); Turkey Statistical Office (Turkstat).

This report evaluates World Bank support for employment and earnings growth in Colombia, Tunisia,

and Turkey during 1998-2007. It aims at drawing findings that may help guide the Bank's work in this area, including its response during the current global crisis. The review looks at Bank support for the five areas embodied in the MILES framework developed by the Human Development (HD) and Poverty Reduction and Economic Management (PREM) networks: macroeconomic, investment climate, labor market, education, and social protection policies. These areas cover the key factors that affect the demand for labor, the workings of the labor market, and the supply of skills. While the demand for labor is expected to respond positively to economic growth, the two need not move in tandem, as the sources of economic growth include growth in skills, in physical capital, and in total factor productivity, in addition to growth in employment.

Although the MILES framework was not explicitly used in formulating the objectives of the country programs reviewed in this report, the framework can be used to identify binding constraints to employment creation and earnings growth. It thus offers an organizing device for the evaluation, into which the three country programs can be retrofitted and assessed. This approach thus differs in some (though not all) respects from the standard approach in many IEG evaluations of "evaluating against objectives," where the outcome of the Bank program is assessed relative to objectives stated at the outset. In this case, although the programs in the three countries sought to help increase employment, the employment-related objectives were not always formulated and unbundled into more proximate objectives.

The table below shows that the largest amounts of lending support in the three countries were for macroeconomic policies (including financial sector policies) followed by investment climate.

Country	Colombia		Tunisia		Turkey	
	Loans	AAA	Loans	AAA	Loans	AAA
Macro conditions	1,235	9	562	11	4,988	6
Investment climate	1,100	4	436	17	1,961	7
			0	11	500	7
			385	10	704	2
			0	3	1,715	1
			1,383	52	9,868	23

The following paragraphs briefly present the Bank's support and its outcome.

Colombia

Throughout the period, the Bank was engaged in the five areas of the MILES framework in varying degrees. Following the 1998-99 crisis, the Bank supported the government's efforts to strengthen fiscal performance (revenue collection, efficiency in the provision of health services, contingent liabilities, public administration, and public expenditure and debt management) and the financial system. These improvements were critical in redressing growth and earnings and in dampening a surge in cyclical unemployment. They did not, however, achieve a reduction in structural unemployment, which remained high due, *inter alia*, to an excessive minimum wage and high payroll taxes.

Beginning in 2002, reflecting the government's priorities and concerns that the economic recovery was slow to yield better employment and social outcomes, especially for the poor, there was increased emphasis by the Bank on improving competitiveness (through investment climate strengthening and labor market reforms) and on improving the social risk management system.

Bank-supported objectives in the MILES areas were largely achieved, although the Bank over-promised on the elimination of fiscal structural rigidities given the political economy constraints, and did not adequately factor in the fiscal implications of the conditional cash transfer program. Nonetheless, Colombian counterparts acknowledged the contribution of the Bank in several areas, such as tax administration. In some areas the Bank missed certain opportunities to use its convening power. A number of consultations suggested, for example, that the Bank (as well as the IMF) had been too timid in pressing the policy implications of its labor market diagnostics (particularly on the minimum wage and labor taxes), which were of good quality. In general, the Bank's interventions were relevant and AAA, technical assistance, and lending operations adapted to the government's changing priorities.

Bank-supported policies improved employment performance. The improvements in macroeconomic policy and in the investment climate helped increase average yearly GDP growth from 0.5 percent during 1997-02 to 5.6 percent during 2002-07, primarily through an increase in total factor productivity (TFP) growth. This allowed the unemployment rate to decline and earnings to grow despite a slowdown in employment growth.

IEG rates the outcome of the Bank program in Colombia with respect to progress in employment and earnings growth as *moderately satisfactory*. Key achievements can be summarized as follows:

- *Higher-order outcomes:* increased earnings growth and lower poverty with stable employment growth and mitigation of cyclical unemployment, particularly during the second part of the review period.
- *Intermediate outcomes:* the restoration of fiscal stability, substantial progress in the investment climate, gains in the coverage and financing of education, and broader coverage of the safety net.
- *Bank interventions:* significant Bank contributions in tax administration, bank restructuring, business climate improvements, labor market diagnostics, coverage and financing of education, and design of the conditional cash transfer (CCT) system. There were shortfalls in resolving Colombia's revenue and expenditure rigidities, as well as in lowering the minimum wage and the burden of non-wage costs, relative to objectives. There was also lower growth and higher structural unemployment.

Tunisia

In Tunisia, the Bank was also engaged in the five pillars of the MILES framework, though there were important differences of emphasis. In macroeconomic policy, where performance was the best among the three countries, the Bank's role was positive, albeit marginal on the fiscal front. It was most important on trade liberalization and facilitation and financial sector reform, both of which benefited from AAA and lending, including high-quality diagnostic financial sector work undertaken jointly with the IMF. Regarding the investment climate, Bank support addressed important reforms, including a reduction in the regulatory gap that favored the offshore over the onshore economy, improving competition law, opening the information and communications technology sector, and developing the regulatory framework in infrastructure.

The Bank had little impact on policies governing the labor market. The Bank conducted AAA of good quality, but the government did not adopt any of the Bank's key recommendations. In education, a great deal was achieved at the primary and secondary levels, and the Bank played a major role in this. The

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results of Bank support were more muted at the tertiary level, where there was less-than-full agreement on some key policy issues (such as financing and cost recovery reforms) and it is believed that aggressive expansion in coverage has been responsible for a deterioration of quality.

The key policies that improved GDP, employment, and earnings growth in Tunisia were macroeconomic stabilization and trade integration with the EU, the latter largely established before the review period. Improvements in the investment climate may have further contributed to the growth in earnings suggested by rising formal sector wages through improvements in productivity growth. These improvements have not yet had a discernible effect on investment levels. While education has contributed to rising productivity and earnings, it has also led to increased unemployment among the educated due to both skills mismatches and low investment levels. Unemployment has been persistently high, but declined moderately during the review period. Inadequate skills appear to be behind the high level of unemployment. The latter may also reflect the effect of minimum wages.

The outcome of the Bank program in Tunisia relating to employment and earnings growth is rated *satisfactory*. Key achievements can be summarized as follows:

- *Higher-order outcomes:* increased earnings growth and lower poverty with stable employment growth, lower structural unemployment, and increased GDP growth.
- *Intermediate outcomes:* sustained macroeconomic stability, significant progress in trade facilitation and the business environment, substantial progress in the investment climate, and gains in coverage of education.
- *Bank interventions:* significant Bank contribution to trade, the investment climate, and coverage in education. However, there were shortfalls in making labor markets more flexible, in improving education quality, and in strengthening public sector governance.

Turkey

In Turkey, the Bank was heavily engaged in the five areas of the MILES framework to varying degrees. In the earlier years, the Bank concentrated on macroeconomic stabilization and accompanying structural reforms. Bank support was delivered primarily through policy advice and development policy lending. Following the 2001-02 crises, the Bank supported re-

forms to strengthen fiscal performance and the financial system. This set of reforms was critical in redressing economic growth and earnings growth in Turkey. But they did not help reduce unemployment, which in fact increased. In later years, greater attention was devoted to employment and competitiveness issues. Within the scope of the MILES framework, the remaining problem areas are labor market regulations, education, and the investment climate.

Bank-supported objectives were largely achieved. Stabilization and related structural reforms were achieved, although the support was initially unsuccessful because weak macroeconomic stabilization undermined financial sector reforms. On investment climate matters, active Foreign Investment Advisory Service (FIAS) participation supported important changes in foreign direct investment legislation. The more recent Investment Climate Assessment (ICA) has, however, been less successful thus far and would benefit from stronger client engagement and dissemination. On labor policy issues, the Bank provided high-quality advice, although this did not translate into policies to ease the rigid regulations and high labor taxes that had been diagnosed. On education, the first operation was unfocused and suffered from procurement problems, but follow-on lending fared better. Despite these operations and several pieces of AAA, the Bank's engagement in the education sector was less successful than that in the other areas relating to employment.

Bank-supported policies, particularly those in the macroeconomic area, helped reignite growth and the demand for employment, with the employment ratio stabilizing somewhat after a long-term decline. Higher productivity triggered by some of the supported reforms helped increase earnings of the poor. On the other hand, structural adjustment, particularly migration away from agriculture, continued to decrease labor participation, while increasing productivity. On balance, average earnings declined until about 2003 and then recovered.

The outcome of the Bank program in Turkey with respect to employment and earnings is rated *moderately satisfactory*. Key achievements can be summarized as follows:

- *Higher-order outcomes:* increased earnings, lower poverty, and higher GDP growth.
- *Intermediate outcomes:* the restoration of fiscal stability and gains in the coverage of education.

- *Bank interventions:* significant Bank contributions towards macroeconomic stability and the CCT program. There were shortfalls in the effectiveness of support on the business climate, in lowering non-wage costs, and in relaxing labor regulations (though some progress was achieved the year after the end of the review period). Effectiveness in contributing to education gains was also limited. Employment growth declined and unemployment increased.

Findings

Three sets of findings are worth highlighting. The first set concerns outcomes. In the three countries, progress in economic growth and earnings was notable but not in the employment-to-population ratio or the unemployment rate. This finding underscores that higher economic growth does not always lead to lower unemployment. It also underscores the need to consider the full set of employment-related outcomes, not just employment, wherever employment objectives feature prominently in Bank strategies and programs. The full set would cover employment growth, the employment-to-population-ratio, the unemployment rate and earnings growth, as well as the impact of these on poverty and the uncertainties of that impact. This means that policies and programs need to be understood in terms of their possible joint effects on those variables. As monitoring employment-related outcomes requires adequate data, the Bank can provide a valuable service by continuing to help client countries to reduce the long lags with which critical data on employment performance (for example, earnings) are produced and disseminated.

A second set of findings refer to Bank country strategies and programs. In the three countries covered in this evaluation, the Bank primarily targeted multiple objectives with a bearing on employment (for example, objectives relating to MILES components) rather than explicit employment outcomes. This points to the usefulness of situating Bank support for employment and earnings growth within an integrative framework. For client countries where employment-related objectives underlie Bank support, the Country Partnership Strategy takes on added importance as a vehicle for diagnosis, priority-setting, and cross-sector work on employment issues, which straddle three networks (PREM, HD, and PSD) and may not otherwise get the requisite attention.

AAA has been an important component of the Bank's assistance on employment and earnings. Al-

though the impact that it had is unclear, the Bank's AAA was generally of good quality, addressing the right employment issues competently, and it was well appreciated by the three clients. This experience suggests that where it is judged that employment-related outcomes are central to country strategies, it would be advisable to deploy AAA in the critical areas, including: understanding and addressing the roots of unemployment, including its cyclical, classical, frictional, and structural components; and assessing labor market regulations and institutions and their effects. In particular, the Bank can help improve and extend the coverage of estimates and cross-country comparisons of labor rigidities and labor taxes.

In some cases the Bank was not sufficiently engaged on labor market issues. The experience of the three countries shows varying degrees of engagement, which in turn are likely to be driven by differences in the political economy of labor reform and in Bank proactivity regarding engagement on such issues. Where labor reform issues are deemed important to its country strategy, the Bank would be well advised to conduct the required AAA and find the right windows of opportunity to support the government (as was the case in Turkey).

All in all, sustained macroeconomic and financial stability in Tunisia and stabilization in Colombia and Turkey as well as higher education levels explain increased or recovered economic growth and earnings in the three countries, with some additional role attributed to improvement in the investment climate. However, progress in these three areas did not reduce unemployment rates in Colombia and Turkey and reduced them only moderately in Tunisia. High remaining unemployment is likely to reflect skill mismatches, rigid wages, or other structural conditions.

A third set of findings concerns the specific areas of support. Bank support for macroeconomic policies contributed effectively to country efforts on macro-financial crisis resolution in Colombia and Turkey and to trade and financial development in Tunisia. These efforts were the main factor that helped restore GDP growth in the first two countries and also contributed to sustaining higher growth in the third. Restored GDP growth increased the demand for labor, resulting primarily in the higher earnings growth documented earlier. Bank support for investment climate reforms covered the three countries and contributed to improvements in specific policy areas that helped raise investment or total factor productivity to varying degrees.

EVALUATION SUMMARY

Support for labor market regulations and institutions occurred primarily through AAA that was relevant and technically competent, but that had unclear impact. Labor rigidity and labor taxes remained a constraint to employment, particularly formal employment, in the three countries. Support for *education* contributed primarily to extensions in access and to an increased supply of the skills needed to raise output and earnings growth, but the impact on quality was more limited. And finally, support for *social protection* arrangements contributed successfully to conditional cash transfer (CCT) programs in Colombia and Turkey and less so to the unemployment insurance (UI) programs that are needed to move from job protection to worker protection. The three countries' experiences attest to the difficulties of setting up UI systems.

From a more general cross-cutting perspective, the Bank could usefully strengthen its role as knowledge provider, broker, and facilitator of knowledge creation. The Bank is in a good position to exercise leadership on employment issues as it has demonstrated capacity to use research for developing operationally relevant policy. In this regard, AAA, not lending, is often the best instrument to deal with the more sensitive policy issues that affect employment outcomes. As with the three countries reviewed in this report, the Bank can contribute to understanding employment issues where those issues are a central concern. This would include advising countries how to use available resources judiciously to address various employment challenges (such as unemployment insurance) while ensuring macroeconomic stability. It would also include looking at education quality, possibly with greater emphasis on addressing skills mismatches, which may be behind much of the structural unemployment observed in countries like the three reviewed in this report.

The Current Global Jobs Crisis

The findings presented in this report suggest ways in which the Bank can strengthen its response to the current global economic crisis. The crisis has reduced output growth from 5.2 percent in 2007 to -1.3 percent in 2009 and increased the world unemployment rate from 5.7 percent in 2007 to 6.8 percent in 2009, with the higher increases in developed economies, Central and South Eastern Europe (non-EU) and CIS, and Latin America and the Caribbean. The findings suggest the following three directions:

Country programs can respond by focusing on both employment and earnings outcomes,

which determine poverty outcomes. Country Directors are well positioned to deploy the Bank's multisector capacity to engage with client countries on how policies and adjustments to Bank programs can help improve the full set of employment-related outcomes, not just employment. Such engagement will require an understanding of how policies in different areas (including macro, labor market) can redress both employment and earnings in specific countries, presumably through increased demand for labor and skills and through higher labor productivity. Many governments have made adjustments to their policies in response to the financial crisis and/or may need well-tailored advice in these areas. Diagnoses and recommendations are likely to differ according to specific country circumstances, such as the degree of openness of the economy.

The Bank's effectiveness will be stronger as it integrates across networks to focus on those issues that are likely to be relevant during crises. Examples include improving employment and earnings monitoring; assessing the impact of global recession on structural unemployment; developing strategies to promote job flexibility and worker protection; finding the right balance between macroeconomic stability and the fiscal cost of other employment-related policies; strengthening the interaction between macroeconomic and microeconomic conditions affecting growth and employment demand; understanding the interface between quality of education and absorption of labor services; and assessing the possible effect of differential changes in employment and earnings on migration.

Country programs will be more effective as they focus on areas where progress in the enabling conditions has been slow but where windows of opportunity for reform surface. The area where progress has typically been slow is on making labor regulations more flexible and lowering labor taxes. Conversely, the Bank can also help countries maintain progress where it has been achieved, as was the case with macroeconomic stability in the three countries reviewed. In this regard, the Bank can deploy its multisector capacity to help countries avoid conflicts among employment policies (for example, ensuring that stimulus packages or extended social protection are affordable).

Colombia, Tunisia, and Turkey: Bank Program Outcome Ratings

Policies	Bank objectives	Instruments	Outcome and Bank contribution	Bank Program Outcome Rating																		
COLOMBIA																						
Macro Conditions	<i>Lending:</i> Improve tax, public expenditure and debt management, public administration, procurement, intergovernmental transfers, and capacity to manage/mitigate financial system weaknesses; reduce contingent liabilities.	1 investment loan; 4 fiscal and 2 financial adjustment loans: US\$1.24 billion	<i>Outcome:</i> Considerable gains in restoring fiscal and financial sector stability, to which the Bank contributed significantly. Key revenue and expenditure rigidities remain and are an obstacle to reforming the financing of social insurance and high payroll taxes. <i>Bank Contribution:</i> Lending operations in the fiscal area overestimated what could be delivered, given political economy constraints, but did support a major reversal in adverse fiscal trends, albeit through partial, "second best" reforms. The Bank contributed significantly in improving tax administration and restructuring the financial sector.	Moderately satisfactory																		
	AAA: Procurement, corporate governance, financial management, fiscal performance, and financial sector development	9 AAA reports																				
Investment Climate	<i>Lending:</i> Reduce transaction costs, facilitate trade and foreign investment; improve competitiveness, quality standards and technological innovation framework	3 Business product and efficiency loans (FY05-08): US\$1100 million	<i>Outcome:</i> Private investment recovered after 2000. Streamlining of administrative procedures. Frameworks for private participation in infrastructure and quality standards were strengthened, albeit less than expected, as were frameworks for expansion of credit to underserved groups. <i>Bank Contribution:</i> Operations supported what was a strong country priority. Bank AAA and lending operations helped to catalyze a policy debate on how to push forward the competitiveness agenda.	Satisfactory																		
	AAA: Infrastructure, competitiveness, trade, logistics and innovation	4 AAA reports																				
Labor Regulations and Institutions	<i>Lending:</i> Increase employment, particularly of the poor and the young. Improve labor regulations. Strengthen the ability of the Planning Department to carry out the PLARSSAL reform	1 social sector loan (training), 3 Labor Reform and Social Development Policy Loans (PLARSSAL), and one TAL.US\$857 million.	<i>Outcome:</i> Increased flexibility of labor market contracts and moderate gains in public training regime, but no progress in addressing key obstacles of high non-wage costs and high minimum wages. <i>Bank Contribution:</i> Bank AAA consistently and competently diagnosed the key issues but did not use its convening power assertively enough to advance its policy proposals.	Moderately unsatisfactory																		
	AAA: Labor market flexibility policies, payroll taxes, training, informality and active labor market policies	6 AAA reports																				
Education Policies	<i>Lending:</i> Improve access, retention rates, and learning in primary and secondary education, and quality and equity in tertiary education	7 projects. US\$662 million	<i>Outcome:</i> Substantial gains in coverage, including in rural areas, with the Bank making significant contributions to innovative approaches to rural education and financing access of the poor to tertiary education. Conversely, while test scores in international assessments improved modestly between 2003 and 2006, these scores remain below-average. <i>Bank Contribution:</i> Significant contributions to innovative approaches to rural education and financing access of the poor to tertiary education.	Satisfactory																		
	AAA: Contracting education services and on priorities for tertiary education	2 AAA reports																				
Social Protection	<i>Lending:</i> Better schooling, nutrition, and health outcomes for poor children	3 projects. US\$341 million	<i>Outcome:</i> Significant gains in coverage of social safety nets. However, longer-term financing of social protection (including health insurance) in a manner that does not impose an undue burden on formal sector <i>Bank Contribution:</i> Important contributions to improving the design and implementation of CCTs and to broadening the scope of health insurance for informal sector workers. However, more attention should have been paid to longer-term financing and sustainability from the outset.	Satisfactory																		
	AAA: Access to social protection, including expansion of pension coverage and of informal sector workers	4 AAA reports																				
Combined rating of MILES outcomes and of high order outcomes is right.	Most relevant CAS Objectives: Develop human capital (1997 and 1999), achieving fast and sustainable growth (2002 and 2004).		<table border="1"> <thead> <tr> <th>Outcomes during the decade ending in:</th> <th>1997</th> <th>2007</th> </tr> </thead> <tbody> <tr> <td>Slower PC GDP growth (avrg.)</td> <td>2.0</td> <td>1.4</td> </tr> <tr> <td>Lower Poverty (eop)</td> <td>52.7</td> <td>45.0</td> </tr> <tr> <td>Stable Employment Growth (avrg.)</td> <td>2.3</td> <td>2.3</td> </tr> <tr> <td>Higher Unemployment (eop)</td> <td>9.8</td> <td>10.7</td> </tr> <tr> <td>Higher Adj. PC GNI Growth (avrg.)</td> <td>1.3</td> <td>2.8</td> </tr> </tbody> </table>	Outcomes during the decade ending in:	1997	2007	Slower PC GDP growth (avrg.)	2.0	1.4	Lower Poverty (eop)	52.7	45.0	Stable Employment Growth (avrg.)	2.3	2.3	Higher Unemployment (eop)	9.8	10.7	Higher Adj. PC GNI Growth (avrg.)	1.3	2.8	Moderately satisfactory: Bank-supported policies increased earnings growth and lowered poverty, even though unemployment increased.
Outcomes during the decade ending in:	1997	2007																				
Slower PC GDP growth (avrg.)	2.0	1.4																				
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Higher Adj. PC GNI Growth (avrg.)	1.3	2.8																				

COLOMBIA, TUNISIA, AND TURKEY: OBJECTIVES, OUTCOMES, AND RATINGS

Policies	Bank objectives	Instruments	Outcome and Bank contribution		Bank Program Outcome Rating
TUNISIA					
Macro Conditions	<i>Lending:</i> Macroeconomic stability, fiscal sustainability, debt management, banking reforms	3 Economic Competitiveness and Adjustment Loans (FY99-05). US\$562 million	<p><i>Outcome:</i> Fiscal stability achieved before 1998 and sustained throughout the review period. Basically sound macroeconomic framework with less than 3 percent deficit sustained. Considerable achievements in opening economy to international competition. Shortfalls in reducing non-performing loans of banking system.</p> <p><i>Bank Contribution:</i> marginal albeit positive on fiscal front but significant progress in supporting trade liberalization/ facilitation and on financial sector. Medium-term challenges include reducing subsidies and addressing expenditure rigidities.</p>		Satisfactory
	<i>AAA:</i> Growth; debt management; financial management; financial system strengths, vulnerabilities and risks, and corporate accounting and auditing	11 AAA reports			
Investment Climate	<i>Lending:</i> Foster investment, including private participation; improve export promotion, including access to markets and finance; facilitate trade logistics; improve agricultural, municipal and ICT infrastructure and municipal management and finance; achieve sustainable growth of public transport; ICT and municipal infrastructure	7 investment loans US\$436 million, excluding ECALs, which addressed some of the key investment climate issues	<p><i>Outcome:</i> Private investment remains low despite a wide range of policies and actions with substantial Bank and AAA support, partly due to weaknesses in the public sector accountability component of economic governance. Reduced discrimination against onshore economy. Opened ITC sector. Impetus of infrastructure privatization waned.</p> <p><i>Bank Contribution:</i> Substantial Bank lending and AAA support. Interventions are of high technical quality and in most cases well-appreciated by the authorities. Significant breakthroughs in trade facilitation and improvements to business climate. Main outstanding issues relate to governance, a very difficult area to tackle.</p>		Satisfactory
	<i>AAA:</i> Exports, trade, investment, infrastructure, ICT, and agricultural competitiveness	17 AAA reports			
Labor Regulations	No lending		<p><i>Outcome:</i> Little progress in addressing high minimum wages and labor market rigidities impeding formal sector job creation especially for highly educated young. Most active labor market policies of limited effectiveness and fiscally expensive.</p> <p><i>Bank Contribution:</i> AAA consistently diagnosed key issues, but efforts to formulate agreed employment strategy lost momentum. Persistent gender issues in labor market performance require analysis.</p>		Moderately satisfactory
	<i>AAA:</i> Constraints to job creation, skills development, active labor market policies, and development of analytical capacity	4 AAA reports			
Education Policies	<i>Lending:</i> Increase coverage and quality at all levels	4 projects; US\$385 million	<p><i>Outcome:</i> Increases in coverage at the secondary and tertiary levels and improvement in test scores. Near-universal primary coverage and literacy for both genders. Improvements in vocational training and rapid expansion in tertiary education. Primary and secondary quality issues being addressed. Key challenges remain in tertiary sub-sector.</p> <p><i>Bank Contribution:</i> Long-term support has been critical in achieving near-universal primary and high secondary coverage for both genders. The focus on quality improvement at primary and secondary levels is appropriate. Useful diagnostic AAA on tertiary.</p>		Satisfactory
		2 AAA reports			
Social Protection	No lending		<p><i>Outcome:</i> Substantial coverage of pensions, health care, and direct subsidies for low-income households. Significant gains in coverage of social safety nets. However, longer-term financing of social protection (including health insurance) in a manner that does not impose an undue burden on formal sector</p> <p><i>Bank Contribution:</i> Analytical contribution to social security reform. Lack of unemployment insurance contributes to labor market rigidities.</p>		Satisfactory
	<i>AAA:</i> Strategy to increase coverage and quality	3 AAA reports			
Combined rating of MILES outcomes and of higher order outcomes at right.	Most relevant CAS Objectives: Human capital development (1996), support economic reforms to enhance competitiveness and increase employment (2000), enhance skills and employability of graduates and labor force in a knowledge economy (2004 and 2007).		<i>Outcomes during the decade ending in:</i>		Satisfactory: Bank supported policies increased GDP and earnings growth, lowering poverty. Unemployment declined.
			1997	2007	
			2.3	3.9	
			6.2	3.8	
			2.7	2.7	
			15.9	14.1	
	2.8	3.8			

COLOMBIA, TUNISIA, AND TURKEY: OBJECTIVES, OUTCOMES, AND RATINGS

<i>Policies</i>	<i>Bank objectives</i>	<i>Instruments</i>	<i>Outcome and Bank contribution</i>	<i>Bank Program Outcome Rating</i>
TURKEY				
Macro Conditions	<i>Lending:</i> Increase macroeconomic stability through support in key structural areas (fiscal, financial, and public sector)	6 public sector/fiscal/financial adjustment loans; US\$5 billion	<i>Outcome:</i> Inflation was reduced from 85 percent in 1998 to 9 percent in 2007. Under the FY01 FSAL, the absence of a stable macroeconomic environment contributed to a banking crisis two months after loan approval. Later, major improvements occurred in the fiscal accounts and in strengthening the financial system. A major challenge remains in reducing the continuing external vulnerability, as evidenced by high current account deficits (6 percent in 2007). <i>Bank Contribution:</i> High-quality AAA prepared the Bank to provide support on government finances, agricultural subsidies and personnel outlays, taxes, social security, and SOEs, all critical structural areas in need of reform. Support initially failed to duly account for macroeconomic risks to the success of financial sector reforms.	Satisfactory
	<i>AAA:</i> Structural policies to generate fiscal surpluses, including financial reform, banking sector, agriculture, social security, and budget institutions and management	6 AAA reports		
Investment Climate	<i>Lending:</i> Improve financial intermediation; develop export credit finance severance payments by agricultural parastatals	3 credit line loans; 1 adjustment loan, 1 Agricultural Reform Investment project (for severance payments) and 1 DPL; US\$1.96 billion, excluding Economic Reform Loan, which also covered investment climate issues	<i>Outcome:</i> Private investment increased largely due to stabilization. Improved legal and regulatory treatment of FDI contributed to increasing FDI net inflow from 0.4 percent of GDP in 1998 to over 3 percent by 2007). There were improvements in some business transactions costs (e.g., starting a new business) but little or no progress in others. <i>Bank Contribution:</i> FIAS was especially effective in supporting improvements in FDI policy. High-quality AAA (ICA report) generated private sector interest, but was followed by somewhat disappointing engagement, apart from some lending support, of the Bank with the government.	Moderately satisfactory
	<i>AAA:</i> Foreign investment and institutional arrangement for public/private collaboration on investment climate improvements (FIAS reports), Caspian oil and gas management, water, energy, infrastructure, investment climate (ICA) and deregulation	7 AAA reports		
Labor Regulations	<i>Lending:</i> Set foundations for reform of labor market regulations	Competitiveness and employment DPL; US\$500 million	<i>Outcome:</i> Labor regulations were made more rigid and labor taxes increased. <i>Bank Contribution:</i> AAA consistently and competently diagnosed the key issues, and the Bank's convening power was used to advance its policy proposals.	Moderately satisfactory
	<i>AAA:</i> Labor reform, severance payments, labor dispute resolution mechanisms, active labor market policies, and labor taxes	8 AAA reports		
Education Policies	<i>Lending:</i> Expand capacity of primary education in low-income areas; improve conditions for student learning	2 APLs and 1 project; US\$704 million	<i>Outcome:</i> Important improvements were made in enrollments, coverage and gender equality in the educational system. Major challenges remain in improving quality and in strengthening secondary education to better adapt it to changing labor force requirements. <i>Bank Contribution:</i> Even though its AAA was of good quality, the Bank's role was marginal in relation to the recorded sector gains.	Moderately unsatisfactory
	<i>AAA:</i> Preschool through secondary education policies, on higher education policies to make them more attuned with EU standards, on reducing regressivity of education expenditures (PER), and on measures to get the school population into and through the basic education system			
Social Protection	<i>Lending:</i> Reform of social protection system, including social security, unemployment insurance, health and social assistance reform	2 lending operations (+ assistance under 4 ERL)	<i>Outcome:</i> Establishment of an unemployment insurance (UI) system and initiation of a conditional cash transfer (CCT) system in 2001, which now reaches over 2.8 million children in poor households. Increased coverage of social protection. <i>Bank Contribution:</i> Bank played an effective role through AAA and lending support.	Satisfactory
	<i>AAA:</i> Access to social security (Poverty Assessment)			

COLOMBIA, TUNISIA, AND TURKEY: OBJECTIVES, OUTCOMES, AND RATINGS

Policies	Bank objectives	Instruments	Outcome and Bank contribution			Bank Program Outcome Rating
Combined rating of MILES outcomes and of higher order outcomes at right.	Improve competitiveness and employment (1997), restoring stable and higher growth (2000, 2001, 2005), creating employment (2000, 2001), reducing inflation (2000, 2001), expanding social services and social protection (2000, 2001), reduce the risk of reemergence of crisis (2005).		Outcomes during the decade ending in:	1997	2007	Moderately satisfactory: Bank-supported policies increased GDP growth and lowered poverty, although unemployment increased.
			Faster PC GDP growth (avg.)	2.2	2.5	
			Lower Poverty (<i>eop</i>)	34.5	27.0	
			Lower Employment Growth (avg.)	1.9	0.8	
			Higher Unemployment (<i>eop</i>)	6.8	10.1	
			Stable Adj. PC GNI Growth (avg.)	2.8	2.8	

Sources: WB documents.

1. Introduction

1.1 This evaluation has elements of both a country evaluation and a thematic evaluation. It focuses on employment creation and earnings growth, but is country-focused in that it looks in depth at the outcomes of Bank support in three middle-income countries, Colombia, Tunisia, and Turkey, during 1997-07. Its main purpose is to extract lessons that may be useful for Bank operations, both in the three MICs considered here and in other Bank client countries where specific focus on employment and earnings issues are judged pivotal to the poverty reduction and development agenda. It is a pilot IEG product for this approach.

1.2 The evaluation looks at employment and earnings challenges using an integrative framework that covers macroeconomic, investment climate, labor market, education, and social protection conditions and policies. This **MILES** framework, developed by the Human Development (HD) and Poverty Reduction and Economic Management (PREM) Networks, can be used to identify binding constraints to employment creation and earnings growth and to cover the relevant aspects of the Bank's programs in the three selected countries. Although the MILES framework was not explicitly used in developing or formulating the objectives of the country programs reviewed in this report, the framework offers a useful organizing device for the evaluation. This is because those country programs can be easily accommodated or "retrofitted" into the framework and assessed in the light of their support for employment creation and earnings growth, which are critical for the Bank's goal of reducing poverty. The approach used in this report thus differs in some (though not all) respects from the standard approach in many IEG evaluations of "evaluating against objectives" where the outcome of the Bank program is assessed relative to objectives stated at the outset. The individual country assessments in this report focus both on the intermediate objectives sought by each country in each of the MILES areas and on the extent to which each country achieved employment creation, earnings growth, and poverty reduction.

1.3 This first chapter provides the context for the evaluation, namely an account of the Bank's role in supporting employment creation and earnings growth, a statement and justification of the goal of the evaluation, and the methodological approach used. Chapters 2 to 4 dis-

Evaluation Essentials

- ❖ The evaluation develops lessons for employment creation and earnings growth from the experience of Colombia, Tunisia, and Turkey during 1997-2007
 - ❖ It assesses the effect of CASs, lending, and AAA on policies affecting employment creation and earnings growth
 - ❖ It uses the MILES framework, which is based on the idea that employment problems reflect multiple sector influences on labor supply and demand
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The evaluation looks at employment and earnings challenges using the MILES framework

cuss the three country cases. Each includes an analysis of the country's issues relating to employment and an assessment of the relevance, effectiveness, and efficiency of the Bank's support. Chapter 5 integrates the lessons learned from these cases by comparing employment outcomes and key employment policies as well as the role of the Bank in supporting those policies, across the three country cases.

Objective

The evaluation aims to develop lessons from assistance on employment creation and earnings growth from three middle-income countries during 1997-2007

1.4 The primary aim of this evaluation is to develop lessons from the Bank's experience in the three selected countries from the perspective of the impact of such assistance on employment creation and earnings growth. The evaluation focuses on employment creation and earnings growth because these have a strong bearing on the extent to which the central objective of poverty reduction is achieved.

1.5 Employment creation is an explicit or implicit objective in most Country Assistance Strategies, as it was in the cases of Colombia, Tunisia, and Turkey. Appendix A summarizes the explicit CAS objectives in three countries. It shows employment creation or human capital development as part of those objectives in most of the CASs. In some CASs, employment is absent from the explicit objectives, as in the Colombia's 2002, 2005, and 2008 CASs. However, Colombia's CASs increasingly contain references to employment beginning with the 1999 CAS progress report, reflecting the unprecedented rise in unemployment that was taking place at the time. Some of these references point to country actions that the Bank intended to support in order to address the problem. The focus on employment is further justified because, as the appendix shows, other CAS objectives closely bear on the employment objectives. This is the case, for example, with economic growth and stabilization objectives.

Questions and Methods

It assesses the effect of CASs, lending and AAA on policies affecting employment creation and earnings growth

1.6 The evaluation assesses the impact of the Bank's assistance on employment outcomes. This means assessing the effect of the Bank's CASs, lending, and analytic and advisory activities (AAA) on policies with a bearing on employment and earnings and, in turn, the effect of policies on employment creation and earnings growth, and on economic growth and poverty reduction. The evaluation attempts to indicate whether impacts are significant or not, not to arrive at any quantitative estimates of the impacts.

Table 1. The MILES Framework: Summary

M acroeconomic stability	A predictable and stable macroeconomic environment gives firms the incentive to create jobs.
I nterest rate	Firms will expand and create formal sector jobs when the costs of doing business (for example, from regulation or poor infrastructure) are low and predictable.
L abor market policies	When employment regulations are strict and non-wage costs of labor are high, firms may be more reluctant to hire new formal sector workers. Labor market policies also influence decisions to enter the labor force.
E ducation and skills	Higher productivity jobs require appropriate skills, so better education and training improves the chances of finding the type of job demanded by firms.
S ocial safety net	A strong safety net protects workers from shocks to employment and, if linked to human capital improvement and active labor market policies, can stimulate better employment matching.

1.7 The relevant relationships governing the assessment are as follows: employment outcomes result from policies, exogenous variables, and economic growth. In turn, policies result from the interplay of domestic actors, external actors, exogenous forces, and past employment and growth outcomes. Clearly, many policies – not just those directly concerning the labor market – affect employment and earnings outcomes. Disentangling these various influences, let alone identifying the particular impact of the World Bank, is difficult. Since virtually all policies can influence labor demand or supply, this report organizes the discussion of the various policy influences around the MILES framework developed within the Bank. The idea underlying the framework is that problems of unemployment and underemployment or low pay are not just labor market problems but reflect multisector influences on the supply and demand for labor. The relevant considerations are summarized in Table 1.¹

1.8 In the MILES framework, policies are classified as follows:

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

The underlying idea of the MILES framework is that employment problems reflect multiple sector influences on labor supply and demand

1.9 There are of course multiple linkages across MILES components that will ideally be considered in employment strategies. Four key linkages across MILES elements with a bearing on the cases discussed in this report can be highlighted: (a) Macro conditions and the micro indicators normally covered under investment climate (e.g., taxes, labor regulations) work to increase investment and growth; (b) education conditions, specifically technical quality and alignment to business needs, also shape the investment climate, and ideally will be built upon to accelerate employment and earnings growth; (c) social protection conditions, which are critical for enabling and designing labor regulations, the latter affecting the relative use of labor vis-à-vis capital and/or the relative size of the formal sector, largely independently of growth; and (d) the financing of enhanced social protection, which will need to be aligned to fiscal constraints to help maintain macroeconomic stability. Linkages within a MILES component may also be of interest, such as the need to include the interaction between the minimum wage and labor taxes in policies regarding labor regulations and institutions.

The evaluation focuses on relevance and effectiveness

1.10 The evaluation focuses on questions on relevance and effectiveness as follows:

- **Relevance:** Were the employment/unemployment objectives the Bank sought to support well aligned with government's program? Did the Bank diagnose the relevant constraints that needed to be addressed and give sensible and needed advice to its clients on how to improve employment performance? Were the policies finally supported by the Bank necessary and sufficient to improve employment performance as well as consistent with the country's overall development policy program?
- **Effectiveness:** Did employment, earnings, and overall economic outcomes improve? Were the short-term and long-term effects different? Did the AAA and research linked to the Bank's lending or on a free-standing basis support or enhance the adoption and effectiveness of policies with a bearing on employment? To what extent did finance extended by the Bank help the borrowers' overall labor market development outcomes?

The countries chosen—Colombia, Tunisia, and Turkey—cover conditions of either long-term growing, declining, or stagnant employment

1.11 The choice of countries was guided first by a classification of all those countries that had received Bank assistance for employment into three groups: transition countries, non-transition countries with long-term declining or stagnant employment, and non-transition countries with growing employment. The transition countries were excluded from selection as they faced a very specific set of challenges and consequently were not comparable with other countries. The selection from the other

two groups sought countries that satisfied four criteria: faced major employment challenges during the past decade; received significant overall Bank support; had sufficient data available; and provided cross-regional representation.

1.12 Following a review of all countries with employment and unemployment data,² Colombia, Tunisia, and Turkey were selected as useful examples that have presented policy makers with challenging and contrasting employment and earnings performance experiences and that have also received attention in recent Bank assistance programs.³ Colombia suffered from a severe unemployment shock in the late 1990s from which it recovered slowly. Turkey has been challenged by a long-term decline in its employment ratio and a more recent sharp increase in the unemployment rate following its macroeconomic crises at the turn of the century. Tunisia has experienced exceptionally high unemployment for many years. Within the middle-income group, the three countries offer a wide range of income and poverty levels. In 2007, per Capita GDP levels at purchasing power parity (PPP) prices were \$6,568, \$7,758, and \$11,293 respectively in Colombia, Tunisia, and Turkey. Poverty levels (head count ratio for a \$2.50 a day poverty line at PPP prices for the last year available) were respectively 35 percent (2006), 21 percent (2000), and 15 percent (2005) in Colombia, Tunisia, and Turkey.

1.13 The country studies draw on a wide range of evidence, including a review of World Bank loan documents, AAA reports, CASs and completion reports and government documents; academic research papers; previous IEG reviews of relevant components of the Bank's activities; impact evaluations of specific programs undertaken in each country; a client survey conducted as part of the IEG review of Bank support for middle-income countries⁴ and interviews with a wide range of individuals in Colombia, Tunisia, and Turkey as well as in the World Bank (Appendix E, Appendix I, and Appendix M). The interviews in the field were conducted during visits that took place October 23-November 11, 2008.

The country studies draw on a wide range of evidence

NOTES

1. This draws on a presentation on the MILES framework by Gordon Betcherman in 2008 and other available documents and presentations.

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

3. In 2008, the Bank had 19 active projects with undisbursed amounts of \$1.6 billion in Colombia; 14 active projects with undisbursed amounts of \$0.5 bil-

lion in Tunisia; and 14 active projects with undisbursed amounts of \$4.0 billion in Turkey. Lending and AAA activities in the three countries are listed in Appendices C, G, and K and summarized in the country ratings tables that follow the Evaluation Summary.

4. See Independent Evaluation Group, "Development Results in Middle-Income Countries: An Evaluation of the World Bank's Support," The World Bank, 2007.

2. Colombia

Introduction

2.1 During the past decade Colombia's labor market performance was challenged by (a) the recession of 1998-99 that was driven by reduced global growth, curtailed access to capital, the adverse security situation, poor fiscal performance, and disruptions to the financial sector; (b) an inflexible labor market with high payroll taxes and minimum wages; and (c) an increased labor supply driven by rising female labor participation. Urban unemployment more than doubled from 8.8 percent in 1995 to 20.2 percent in 2000 and declined only slowly as growth recovered after 2002, reflecting better external conditions, improved security, and policy actions that facilitated the operation of businesses. Fiscal performance had improved by the middle of the period, albeit without resolving many of the underlying fiscal rigidities. Once the fiscal and financial sector concerns were eased, the focus was on the slow response of employment and unemployment to the output recovery, suggesting that policies influencing the functioning of labor markets, including the matching of skills to the needs of the economy, were the most significant constraints. Rates of informality remain high by cross-country comparisons.

2.2 Throughout the period, the Bank has been heavily engaged in all of the five areas of the MILES framework, but the relative emphasis has changed over time. Following the 1998-99 crisis, the Bank supported the government's macro-stabilization efforts through a series of adjustment loans focused on the fiscal and financial sectors. Since 2002, reflecting the government's priorities and concerns that the ongoing economic recovery was slow to yield better employment and social outcomes, especially for poorer groups, there has been greater emphasis on improving competitiveness (through the investment climate and labor market reforms) and on improving the social risk management system.

2.3 The Bank's strategy and interventions were highly relevant in addressing Colombia's key employment and earnings-related issues. This is despite strategic planning that failed to anticipate well country priorities or that was not well timed to country planning cycles. The Bank's support, through its AAA, technical assistance, and lending operations, adapted to the government's changing priorities and generally addressed (or attempted to address) the most critical policy constraints

Evaluation Essentials

- ❖ Unemployment outcomes in Colombia mirrored the recession-recovery cycle in GDP growth
 - ❖ Major progress has been made on policies affecting economic performance and the labor market
 - ❖ Labor market outcomes are attributable to both exogenous factors and to inflexibility in the market and high unemployment among women
 - ❖ The Bank CASs had few employment and earnings objectives, but the Bank engaged heavily in all areas of the MILES framework
 - ❖ The Bank made significant contributions to financial sector reforms and improved economic performance
 - ❖ Analytic work on labor market issues was of high quality and identified clear reform priorities
-

Table 2. Colombia: Ratings Summary

	Outcomes	Bank Contribution	Bank Program Outcome Rating	
Macro	Considerable gains in restoring fiscal and financial sector stability, to which the Bank contributed significantly. Key revenue and expenditure rigidities remain and are an obstacle to reforming the financing of social insurance and high payroll taxes.	Lending operations in the fiscal area overestimated what could be delivered, given political economy constraints, but did assist a major reversal in adverse fiscal trends, albeit through partial, "second best" reforms. Bank contributed significantly to improve tax administration and restructure the financial sector.	Moderately satisfactory ¹	
Investment climate	Private investment recovered after 2000. Streamlining of administrative procedures. Improved frameworks for private participation in infrastructure and quality standards, albeit less than expected, and for expansion of credit to underserved groups.	Operations supported what was a strong domestic priority. Bank AAA and lending operations helped to catalyze a policy debate on how to push forward the competitiveness agenda.	Satisfactory	
Labor Regulations and Institutions	Increased flexibility for labor market contracts and moderate gains in public training regime, but no progress in addressing key obstacles of high non-wage costs and high minimum wages.	Bank AAA consistently and competently diagnosed key issues, but the Bank did not use its convening power aggressively to advance its policy proposals. ²	Moderately satisfactory	
Education Policies	Substantial gains in coverage, including in rural areas, with the Bank making significant contributions to innovative approaches to rural education and financing access of the poor to tertiary education. Although test scores in international assessments improved modestly between 2003 and 2006, these scores remain below-average.	Bank made significant contributions to innovative approaches to rural education and financing access of the poor to tertiary education.	Satisfactory	
Social protection	Significant gains in coverage of social safety nets. However, longer-term financing of social protection (including health insurance) in a manner that does not impose an undue burden on formal sector.	The Bank contributed importantly to improving the design and implementation of CCTs and to broadening the scope of health insurance for informal sector workers. More attention should have been paid to longer-term financing and sustainability from the outset. ³	Moderately satisfactory	
Combined rating of MILES outcomes and of higher order outcomes at right.	Outcomes during ten years ending in:	1997	2007	
	Slower PC GDP growth (avrg.)	2.0	1.4	
	Lower Poverty (<i>eop</i>)	52.7	45.0	Moderately
	Stable Employment Growth (avrg.)	2.3	2.3	satisfactory
	Higher Unemployment (<i>eop</i>)	9.8	10.7	
	Higher Adj. PC GNI Growth (avrg.)	1.3	3.8	

(as reflected, for example, in investment surveys and econometric analysis of constraints on productivity and employment). In terms of effectiveness the picture is more mixed. Much has been achieved: fiscal stability and financial sector soundness have been restored; the investment climate significantly improved; some greater flexibility was injected into labor contracts and training systems improved, even if weaknesses remain; and social safety nets have been widened. Al-

though attribution is difficult, the evidence discussed in this chapter suggests that Bank activities made an important contribution in all of these areas. The main areas where little has been achieved concern the interconnected issues of high payroll costs and the financing of social insurance, which cannot be resolved without addressing the considerable remaining rigidities in the tax and expenditure systems that Bank-supported macroeconomic programs failed to remove. In this area, while the Bank-supported fiscal adjustment operations contributed importantly to the restoration of fiscal stability, they promised more than could be delivered to eliminate structural rigidities given political economy constraints. A summary of the ratings for overall outcomes and Bank performance is shown in Table 2.

2.4 This chapter summarizes the employment and earnings growth outcomes, the exogenous factors and policies with a bearing on those outcomes, the impact of those factors and policies on the outcomes, and the Bank's support for the policies.⁴

Growth, Employment, and Earnings Outcomes

2.5 Table 3 provides key indicators of Colombia's performance relating to growth, employment, and earnings. Colombia's GDP growth from 1970 to 2007 averaged 4.0 percent but decelerating markedly, with major recessions in the early 1980s and late 1990s. The latter recession (1998-99) was especially severe, with real GDP contracting by 4.2 percent in 1999. Average annual per capita GDP growth declined from 2.0 percent during the 1988-97 decade to 1.5 percent during 1998-07, the period covered by this study. Long-term poverty trends show a substantial decline that was disrupted by the 1998-99 recession, but eventually resumed as growth recovered. Inequality also increased through the recession and then declined but, unlike poverty, it does not show a net long-term decline.

Average growth of 4 percent over 1970-2007 was punctuated by major recessions in the early 1980s and late 1990s

Table 3. Colombia: Key Economic Trends, 1970-2007

Indicator (percent, except wage index)	1970-1975	1976-1980	1980-1985	1986-1990	1991-1995	1996-2000	2001-2005	2006-2007
GDP growth ^{1*}	5.7	5.4	2.2	4.9	4.1	0.9	3.4	7.2
Per Capita GDP Growth ^{1*}	3.2	3.0	0.1	2.9	2.2	-0.8	1.8	5.8
Poverty (Headcount Ratio) ^{1**}				52.5	49.5	55.0	49.2	37.5
Gini Coefficient ^{1**}	52.8	54.5	53.2	49.1	55.9	56.3	55.3	54.1
Labor Participation ^{2**}				57.1	56.9	61.8	60.0	57.6
Employment ^{3**}				52.8	51.3	51.5	53.6	52.1
Unemployment ^{4**}				7.6	8.1	16.7	11.2	10.7
Wage Index (Manufacturing) ^{5**}				89.8	109.6	130.1	133.7	136.5

* Period Average; ** end of period.

Sources: See Appendix D. Colombia: Annex Tables and References ¹ Table 10; ² Table 11; Table 12; ⁴ Table 14; ⁵ Table 14.

Unemployment outcomes mirrored the growth cycle, with employment growth averaging 2.7 percent over the period

Unemployment rates were consistently higher for women

Earnings were influenced by increased formal sector wages offset by a reduction in the size of the formal sector and a decline in informal sector wages

Non-policy factors in the outcomes included deteriorating security and declining access to capital markets in the late 1990s, and improving terms of trade and access to capital markets in recent years

2.6 Unemployment outcomes mirrored the recession-recovery cycle in GDP growth. The unemployment rate rose sharply during the 1998-99 recession and was only slowly reversed. The rise in the unemployment rate occurred primarily through an increase in the labor participation rate driven by rising female labor participation, although a short-lived decline in the employment-to-population ratio also contributed. Annual employment growth averaged 2.7 percent during the review period (equal to employment growth during the prior decade) and the employment-to-population ratio declined briefly during the recession then increased during the economic recovery and declined toward the end of the review period to about its original level in 1997.

2.7 Female unemployment rates were consistently higher than those of men. The female urban unemployment rate (7 major cities) reached a peak of 24.5 percent in 2000 and was still 14.5 percent in 2007. The unemployment rate declined as growth rebounded, with labor participation rates declining slowly and the employment-to-population ratio recovering. Unemployment remained high for a number of years, not regaining its pre-recession levels until 2006-07.

2.8 Labor earnings reflect two contrasting trends: an increase in formal sector wages combined with a reduction in the relative size of formal sector employment and a decline in informal sector wages combined with an increase in informal sector employment.⁵ GNI and household survey data suggest that average incomes declined after 1998 and up to some point of the first half of the 2000 and recovered after about 2003.

Factors Underlying the Outcomes

2.9 *Exogenous Factors.* The performance depicted above was influenced by both exogenous factors and policies determining growth as well as the supply and demand for labor, all interacting in complex ways to affect both wages and employment. Three key *exogenous (non-policy) factors* influenced Colombia's economic and employment performance during the period reviewed:

- The country's security situation deteriorated toward the end of the Pastrana administration (1998-2002) and improved thereafter.
- After deteriorating in the late 1990s, Colombia's terms of trade improved dramatically – rising by about 50 percent in the last five years as prices for oil, coffee, and other commodities boomed because of strong global growth.
- Access to capital markets declined in the late 1990s following the Asian crisis, but increased in recent years.

2.10 *Policies.* At the same time, and partly in response to the above developments, Colombia has made major progress over the past 10 years in policies that have affected economic performance and the labor market. Some problems have not been resolved, however, and new challenges have arisen. Appendix B presents detailed outcome indicators in 1998 and 2007, the two end years of this evaluation.

Colombia has made major progress in policies affecting economic performance and the labor market

2.11 Policy progress and remaining challenges are summarized as follows.

Policy Achievements:

- After deteriorating at the end of the 1990s, macroeconomic stability was restored, with lower fiscal deficits and public debt, as well as a stronger financial sector.
- Following stabilization, other policies influencing the investment climate were greatly improved.
- Some greater flexibility was introduced into labor market contracts.
- Coverage of primary and secondary education was expanded and opportunities for access to tertiary education by the less well off were improved, although improving the quality of education has been more difficult.
- Social safety nets were expanded, most notably through the introduction and rapid expansion of conditional cash transfer (CCT) programs, linked to school attendance and health interventions for children.

Remaining Challenges:

- Many fiscal rigidities remain (for example, the tax system is not sufficiently broad-based and widespread earmarking of expenditures continues).
- High non-wage (payroll) charges interact with high minimum wages to constrain job growth in the formal sector.
- An exit strategy for participants in the rapidly expanding CCT programs, in a manner that maintains their fiscal sustainability and fosters good incentives for employment, has not yet been designed.

But some closely interlinked challenges remain

2.12 The remaining challenges are closely interlinked, since reducing the heavy non-wage charges would require shifting the financing of social insurance and other expenditures away from payroll taxation toward the general budget, which is not possible without further fiscal reform.

Link of Performance to Exogenous Factors and Policies

2.13 Colombia's recession (Table 3) and poor TFP performance in the late 1990s should be attributed partly to deteriorating external conditions, including reduced global growth and curtailed access to capital in Latin America. But Colombia's recession was deeper than average, with a larger decline in GDP growth, in part due to the poorer investment climate resulting from adverse security conditions and the poor fiscal performance and disruptions to the financial sector at the time. Conversely, recovering growth after 2002 reflected better external conditions and an improved investment climate that was due to improved security and policy actions to facilitate the operation of businesses. Poverty and inequality trends mirror the cycle described above and can ultimately be largely explained by the same exogenous and policy developments that determined the GDP recession and recovery.

Labor market outcomes are attributable to the factors affecting the GDP cycle, but also to inflexibility in the labor market and high unemployment among women

2.14 The path of labor market outcomes is also largely attributable to the factors behind the GDP cycle. In addition, the inflexibility of the labor market in response to a fall in demand, together with an increased supply because of higher, primarily female labor force participation, caused a doubling of urban unemployment to about 20 percent in 2000, with female unemployment rates consistently higher than those of men. The unemployment rate declined as growth rebounded, but it remained high for a number of years, not regaining its pre-recession levels until 2006-07. It has now increased again, possibly in response to the current global crisis.

2.15 The behavior of labor participation largely reflects changes in female participation, which had increased over a long period (since about 1970) as a result of increased education, an increased share of female heads of households, reduced fertility, and an increased average age of children in households (Arango and Posada 2005). During the period reviewed, female participation increased further and then declined again as women sought to offset changes in the earnings of other household members. The employment-to-population ratio declined briefly because of the recession and then increased as the economy recovered. However, the pace of employment growth in recent years did not match the acceleration in output growth. In particular, while formal employment has been facilitated by more flexible labor contracts, it was hampered by high minimum wages and payroll taxes. Without any downward wage flexibility, the formal market adjusted to the decline in labor demand during the recession through job losses; in contrast, the self-employed market increased in size – absorbing about one-third of laid-off wage earners⁶ – through large reductions in average earnings.

The Bank's Strategy and Contribution

2.16 *Overall strategy, objectives, and political constraints.* The Bank's support for Colombia was aligned with the national development strategies of the Pastrana (1998-2002) and Uribe administrations (2002-present), but this reflected flexibility in adapting the Bank's program as circumstances evolved. In practice, the role of the Country Assistance Strategy as a strategic planning instrument was limited for much of the period. The 1997 CAS was soon overtaken by the 1998-99 crisis. The 2002 CAS was prepared based on discussions with the incoming Uribe administration but was finalized six months before the government's own National Development Plan. Differences in approaches between the two meant the Bank's program had to be adapted to keep it aligned with the government's strategy. The judgment of the 2008 review of the CAS Completion Report was that "the scope of the CAS was very large and (at least in hindsight) overly ambitious. The Bank committed itself to deliver on some reforms which ended up having no government buy-in or not being its priorities or not being realistic given the country's political economy. As a result, these reforms and related Bank support seen in the CAS did not materialize...."⁷ These conclusions were supported by the views of a number of interviewees for this evaluation, who said that the Bank had adapted well to the government's strategy and objectives, but the CASs had not played a central role in setting priorities for Bank activities.

2.17 The CASs contained few explicit objectives for employment and earnings against which the overall effectiveness of Bank support in this dimension can be judged. The only employment-related quantitative objectives mentioned are: in the 1999 CAS Progress Report, training of 60,000 youths for the job market (achieved) and creating 80,000 jobs through labor-intensive public works (not achieved) and, in the 2002 CAS, reducing by half the gap between female and male unemployment rates (no reduction achieved).

2.18 Throughout the period, the Bank has been heavily engaged in all areas of the MILES framework, although that framework was never used in the various CAS papers. However, the relative emphasis changed over time. Following the 1998-99 crisis, the Bank supported the government's macro-stabilization efforts through a series of adjustment loans focused on the fiscal and financial sectors. It also pioneered approaches to using conditional cash transfers to strengthen the social safety net. Since 2002, reflecting the government's priorities and concerns that the ongoing economic recovery was slow to yield better employment and social outcomes, there has been greater emphasis on improving competitiveness (through the investment climate and labor market reforms) and on improving the social risk management system.

The Bank's support was aligned with Colombia's development strategies, adapting to several administrations

The CASs had few employment and earnings objectives, but the Bank engaged heavily in all areas of the MILES framework

Relations between the Bank and the government were excellent, but many thought that the Bank had been too timid on some politically sensitive matters

2.19 Three general points about the Bank's contribution emerged from the interviews. First, almost all interviewees characterized the relationship between the Bank and Colombia as excellent. The quality of the Bank's policy analysis was judged to be high and the practice (followed frequently but not always) of involving Colombia-based researchers had helped to ground the analysis in country-specific realities. Second, the custom of preparing a set of "policy notes" on key issues for each new government has had an important impact on the domestic policy debate. Third, despite this very positive overall view, many (but not all) of those interviewed in Colombia thought the Bank had been "too timid" in advancing its views on some critical, but politically sensitive, matters – most notably the interlinked issues of high payroll charges, the financing of social safety nets, and incentives for formal sector employment.

2.20 *Bank assistance and interventions.* Discussion of the Bank's contribution is organized around each component of the MILES framework. Appendix E gives details of major loan operations with substantial MILES components, together with any available IEG assessments of outcomes and Bank performance.

2.21 *Macroeconomic policy.* Helping Colombia restore fiscal and financial sector stability was a central element of the Bank's strategy from 1999 onwards. The key vehicles for this purpose were seven structural adjustment and development policy loans approved between FY00 and FY05.

Outcomes relating to fiscal and institutional reform fell short of targets

2.22 The outcomes of the four loans to support **fiscal and institutional reform**, negotiated in close collaboration with the IMF,⁸ collectively fell well short of target, both in the overall magnitude of fiscal adjustment and progress in addressing the key rigidities (discussed in Appendix C). Nevertheless, although the outcome was messy – with many "second best" solutions to the institutional challenges (such as the arrangements for transfers to subnational governments) and the eventual fiscal adjustment aided by stronger growth and higher oil prices – the result was still a major reversal in an unsustainable trend for Colombia's fiscal deficit and public debt. The Bank contributed to this turnaround, even if the outcome was not fully satisfactory. Key messages are:

- The loan targets overpromised the amount of fiscal adjustment that could be delivered, especially in the early years, given the political constraints on the government.
- The Bank's response to the Executive's difficulties in moving its proposals through Congress was often to set ever finer loan benchmarks on stages of processing the reform packages. This was not effective.

- Nevertheless, Bank support did have a significant positive impact. For example, its technical support for strengthening of tax administration was identified by many interviewees, including IMF staff, as a critical contribution.
- The main unmet challenge is how to finance social insurance/protection in a manner that will not hamper strong employment growth. Bank AAA has clearly identified the problem, but has not been successful so far in helping the government to address it.

2.23 The Bank has been heavily involved in supporting Colombia's **financial sector reforms** through an initial financial sector adjustment operation undertaken at the height of the banking crisis and two subsequent programmatic loans. It has also provided critical diagnostic inputs, including a 2004 report on the supervision of financial conglomerates. More recent reforms, including preparation of a new insolvency law, have been supported under the series of Business Productivity and Efficiency development policy loans (DPLs).

The Bank made significant contributions to financial sector reforms

2.24 Interviews with officials confirmed the judgment of earlier IEG assessments (IEG 2008) that the Bank had made significant contributions in the following areas: completing the clean-up of the banking system, including through the upgrading of mechanisms for bank resolution and the disposal of assets; the design and implementation of strengthened banking regulation; reforms to strengthen the housing finance market which had been severely weakened by the 1998-99 crisis; and to strengthen the institutional framework of capital markets. The first two reforms contributed to the improved outcomes for the financial health of the banking system. Interviewees generally agreed that two types of inputs from the Bank had been especially useful. First, the Bank's influence on the policy debate through its convening power had been high (for example, it had helped to initiate the process of formulating the financial sector reform law now in Congress, through a series of high-level seminars with policy makers and outside experts). Second, it had contributed specialized technical knowledge to help the authorities draft laws and regulations following the broad direction set by the government.

2.25 The components of the Bank's operations aimed at improving financial soundness have had more success, in terms of identifiable outcomes, than those aimed at financial deepening. For the latter, the institutional frameworks have been strengthened (for example, for mortgage finance and a new Securities Law), but the outcomes so far have been mixed. For example, housing credit still remains low almost a decade after the crisis. Two important constraints that have held back financial deepening could not be addressed comprehensively, primarily for political economy reasons, although the Bank's oper-

Operations aimed at improving financial soundness were more successful than those aimed at financial deepening

ations have contributed to some improvements at the margin: the financial transactions tax remains a significant obstacle to efficient financial intermediation and interest rate caps have crowded some borrowers out of the formal financial system.

2.26 *Investment climate.* The Bank's support for actions to improve the business environment increased substantially in the past 4-5 years as competitiveness became a greater priority for the government. Analytical work undertaken jointly with the government, most notably the 2005 Country Economic Memorandum (CEM) on Competitiveness, but also AAA that analyzed impediments in particular sectors, provided the basis for a series of three Business Productivity and Efficiency DPLs.

2.27 Although it is too early to assess the outcomes of some of these activities, the evidence suggests that the Bank support was focused on issues that were most critical to economic performance and made significant contributions on a number of these issues:

The Bank focused on investment climate issues critical to economic performance and made significant contributions

- The reforms supported by the loans addressed many of the most critical constraints identified in investment climate surveys and in econometric analysis of firm-level productivity. The only variable with a sizable influence on productivity not addressed was the degree of labor informality.
- A major streamlining of administrative procedures affecting business activities and foreign trade was implemented during 2005-07. These reforms were high on the government's agenda, so they cannot be attributed specifically to the Bank's operations. Nevertheless, officials said the Bank had played a catalytic role through its lending and the Doing Business rankings and that its detailed studies on particular issues (administrative procedures for doing business, intellectual property regulations, foreign trade procedures) had a substantial influence on the changes implemented.
- Many interviewees said that the 2007 Bank report on regional competitiveness⁹ had a major effect on the domestic policy debate on how to push forward the competitiveness agenda. Many officials flagged this as an example of the kind of innovative, fast-response analytical work – tailored to Colombia's specific circumstances – that they wanted from the Bank.
- The business productivity DPLs supported regulatory changes to strengthen private participation in the provision of infrastructure. Interviewees said these inputs had helped to improve the framework, but that problems still existed with the public/private concession contracts in some areas, most notably for roads. The Bank had provided policy advice on the issues, but some thought it could have been more proactive.

- Some interviewees in the Bank noted that some of the more ambitious agenda items set out in the first business productivity DPL in 2005 had been scaled back in the subsequent loans as the government lost momentum in pushing its reforms through Congress.

2.28 *Labor market policies.* The Bank has undertaken a wide range of analytical work on Colombia's labor market, most notably an assessment of the links between labor market outcomes and poverty (2002 *Poverty Report*); the 2005 report on *Labor Market Adjustment, Reform and Productivity*, which analyzed factors underlying labor market segmentation; and a 2008 report on *Informality*. Currently, the Bank is providing advice on income generation, including active labor market policies. Lending operations with significant direct labor market components included the FY02 Community Works project, which supported the *Empleo en Accion* program, the FY03 Social Sector SAL, and three programmatic loans supporting labor reform and social development policy (PLaSSALs; see Appendix E).

2.29 The review of the documentary record and interviews in Colombia and with Bank staff suggest the following messages:

- The Bank's analyses of labor market issues were of high quality: they provided convincing, evidence-based analysis; were conducted in close collaboration with Colombian researchers; focused on key elements of the domestic policy debate; and identified a short list of clear reform priorities. The AAA outputs gave a clear message about the importance of easing the disincentives to formal sector employment caused by high minimum wages and high non-wage charges, as well as emphasizing the close links between the latter and reform of social insurance.
- Although there was widespread praise for the quality of the Bank's analysis, many of those interviewed in Colombia thought the Bank had been too timid in pressing the implications of its analysis in the broader policy debate.
- The impact of the Bank on the 2002 labor reforms is not clear. Its most significant, indirect contribution was probably through the influence of its analysis on the domestic policy debate, beginning many years before the reforms were eventually implemented. The PLaSSALs probably had little effect on the reform, which was approved by Congress well before the first of the loans was negotiated. Rather, the main contributions of these loans in the area of labor market policies was in implementing some aspects of the law, especially improvements in the training system and in fostering a few useful changes at the margin to the social insurance system that

Analytic work on labor market issues was of high quality and identified a short list of clear reform priorities

Future efforts should focus on high payroll taxes and the minimum wage and bring fresh ideas on promoting better quality employment and wage growth in the informal sector

helped reduce disincentives to employment even though they did not address the central obstacles discussed above.

- Bank support for a range of government pilot schemes to boost employment of vulnerable groups in the years following the recession were unsuccessful: a community works project to provide temporary employment to poor workers had high costs per job created and low ratios of income transferred to the poor; and tax waivers and temporary wage subsidies for hiring hard-to-employ groups had very low uptake.

2.30 Looking ahead, interviewees said the Bank's main inputs on labor market policies in the next few years should cover two areas (although considerable differences of view existed on their relative importance). The first was a sustained effort to use the Bank's policy analysis and convening power to influence the policy debate on the central issues of high payroll taxes and the minimum wage. (Many of those interviewed said that, without progress on these issues, other policy actions would yield limited gains. In contrast, a few thought the Bank had already said all it could on the issue). The second area was to draw on its international experience to bring fresh ideas on how to promote better quality employment and wage growth in the informal sector. This should include further analysis of how to refine social protection policies to decrease disincentives to employment and to strengthen the links with human capital development to make recipients more productive and hence employable.

2.31 *Education and training.* The Bank's assistance in education involved a combination of policy and investment lending as well as AAA addressing specific issues. Other policy loans, notably the PLaSSALs, included a significant education component. The Bank also conducted a review of public training reform issues (the role of SENA) in 2004, but—at the government's request—the report was never finalized or made public. The Bank's strategy was to support the government's agenda of expanding coverage and improving the quality of basic and secondary education. These goals were recognized as key to improving competitiveness and growth, although no explicit link was made to employment objectives. It is difficult to identify the specific impact of Bank operations on overall outcomes, but the following points are worth noting:

- Targets for the expansion of primary and secondary enrollment were met or exceeded. Total net enrollment increased from 7.8 million in 2002 to 9.2 million in 2007, in line with the target under the PLaSSALs. Bank support for policy reforms helped to generate efficiency gains and improve incentives to local authorities to enroll students.

- Bank technical and financial support helped the government introduce a number of initiatives to improve quality, including teacher quality testing mechanisms and systematic student testing. However, student performance on recent international assessments was below average.
- Many interviewees in Colombia said the Bank's Rural Education project had played a major catalytic role in helping the authorities reform its approach to delivering education services in poor, hard-to-reach rural communities. Especially influential was the Bank's technical and financial support for innovative curriculum methodologies.
- The Bank contribution most frequently mentioned by interviewees was the higher education project, ACCES (*Acceso con Calidad a la Educacion Superior*) providing financial resources and technical assistance to develop a student loan scheme addressing the problems of demand for formal education. It is estimated to have increased access to tertiary education by 30 percent, especially among lower-income students.
- In the area of non-formal training, the Bank contributed significantly to what was only a "partial" success. SENA used to be a virtual monopoly, with high unit costs and output not well suited to private sector employment needs. Substantial headway has been made in some areas (such as a quadrupling of graduates from SENA training courses, lower costs of training, and progress toward a national framework for defining training standards and needs). However, although private sector training groups have been allowed entry, there are still problems in matching training to private sector needs, and SENA continues to play the triple role of financier, provider, and regulator of training. Nonetheless, a number of officials said less progress would have to be made without Bank involvement; for example, the benchmarks in the PLaSSALs had catalyzed progress, even if less than originally expected.

Targets for expansion of primary and secondary enrollment were met or exceeded, but success in the area of non-formal training was only partial

2.32 *Social protection.* Bank AAA work concerning social protection issues included the 2002 *Poverty Report*, a 2002 *Social Safety Net Assessment*, and the 2007 *Informality* report. Key lending included the FY01 Human Capital Protection project, which supported the introduction of the *Familias en Accion* conditional cash transfer (CCT) program, and three subsequent social sector operations that provided additional financing. In addition, the three PLaSSALs heavily emphasized actions to strengthen Colombia's social risk management system and improve health insurance coverage for the poor.

The Bank has made a major contribution to efforts to expand coverage and improve efficiency of the safety net

2.33 The evidence suggests that the Bank has made a major contribution to the government's efforts to expand the coverage and improve the

efficiency of its social safety net, but needs to do more to help address issues of long-term fiscal sustainability.¹⁰

2.34 The Bank was one of the principal catalysts behind the introduction of the *Familias en Accion* CCT program in 2000. The Bank and the IADB have been the main sources of the program's financing since its inception.¹¹ Interviewees in Colombia attributed to the Bank significant improvements in the program's initial design (including targeting and administration) through an effective mixture of AAA, lending, and close technical collaboration. They also said the Bank had pressed for a strong monitoring and evaluation system. Evaluation results showed a significant impact on nutritional health status as well as school attendance in rural areas, with much smaller effects in urban areas. Nevertheless, the government took a political decision to expand the program in urban areas. In light of this rapid expansion, many interviewees said the Bank should have given more emphasis to helping Colombia manage the challenges of sustaining the program efficiently, with suitable exit policies for participants.

NOTES

1. While the Bank's activities helped Colombia reduce its fiscal deficit and public debt, the Bank was less successful in helping Colombia to address some fiscal rigidities that contribute to the continued reliance on high payroll charges that in turn make it difficult to reverse the high levels of informality in Colombia's labor markets.
2. There are limits to what an external agency such as the Bank can do to address politically sensitive policy issues and that the Bank's policy work correctly diagnosed the underlying issues. However, many stakeholders interviewed in Colombia said that a bolder use of its convening power would be useful—especially to help lay the groundwork for future policy reforms.
3. The main concern expressed by those interviewed in Colombia was not about the current costs of the CCT but about the implications of the program's continuing rapid growth and the lack of a clear exit strategy. The various Bank documents discussing the CCT do not contain any overall analysis of these medium-term costs, despite the rapid expansion of the program.
4. The background paper providing a detailed discussion of these topics will be available in IEG's website.
5. Low-quality self-employment and other forms of informality of employment are high by international standards, accounting for about 55-75 percent of total employment depending on how informality is measured. Bernal (Bernal, 2007) discusses 27 possible definitions of worker informality in Colombia. The Bank's 2008 report on Informality in Colombia, which classified workers as informal if they did not contribute to both contributory health and pension schemes, estimates that, taking account of per capita income levels, informality in Colombia is about 20 percentage points higher than would be expected based on cross-country comparisons (World Bank, 2008a).

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6. As estimated by the Bank (World Bank, 2002).
 7. (World Bank, 2008c).
 8. Colombia also negotiated a series of arrangements with the IMF during this period, all of which were treated as precautionary (that is, the government announced it did not intend to draw on the resources).
 9. The World Bank (2008b).
 10. Some areas of social protection where the Bank has made significant contributions (such as child nutrition) are not discussed because they do not have a direct link to labor market issues.
 11. The United States also provided some initial financing.

3. Tunisia

Introduction

3.1 Tunisia's economic performance during the review period was impressive. Of the three countries reviewed in this report, Tunisia had the highest GDP growth rate, which contributed to its sustained record of poverty reduction. Yet, despite this impressive performance, Tunisia's high rate of unemployment of just over 14 percent was a major continuing challenge. A particular cause for concern is the fact that more than 20 percent of highly educated young people are unemployed. The economy is creating between 75,000 and 80,000 jobs per year and producing about 70,000 university graduates. This means that, unless the demand for skilled labor can be dramatically increased, or an outlet found for this skilled labor in other countries, unemployment could grow further.

3.2 The underlying causes of persistent high unemployment are complex: Tunisia's rate of growth is insufficient to absorb the surplus supply of labor; achieving higher growth is impeded by weak national private investment performance; investment is undermined by deficiencies in the business environment; labor market institutions and regulations impede job creation in the formal sector; there is an incongruity between the skills supplied by the tertiary education system and the demands of the labor market; and current social protection policies do not sufficiently encourage labor mobility and enterprise restructuring. There is, as yet, no coherent strategy for increasing employment that simultaneously embraces all of the key factors behind employment creation.

3.3 The Bank is, in general, well regarded in Tunisia. Using a wide range of instruments, both lending and analytical, it has demonstrated itself to be a useful and relevant partner to the country in meeting its development aspirations. National priorities, expressed in a series of five-year development plans, have found both an echo and support in the Bank's strategy for the country and in its operations.

3.4 Throughout the period, the Bank engaged in all five pillars of the MILES framework, though there have been important differences of emphasis. By far the most significant intervention has been in the

Evaluation Essentials

- ❖ Though growth averaged 5 percent during the 1997-2007 period, unemployment was persistently high, particularly among women and highly educated young people
 - ❖ Growth and stability have helped a modest rise in incomes at the low end of the distribution, contributing to poverty reduction
 - ❖ The Bank's strategies have reflected mounting government concern about employment
 - ❖ Analytic work contributed to financial sector reforms and helped narrow the gap between onshore and offshore economies
 - ❖ Unfinished reforms have resulted in disappointing private investment response
 - ❖ Labor market policies have been addressed in programmatic AAA, but it has had very little influence so far
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Table 4. Tunisia: Ratings Summary

	Outcomes	Bank Contribution	Rating	
Macro	Fiscal stability achieved before 1998 and sustained throughout the review period. Basically sound macroeconomic framework with less than 3 percent deficit sustained. Considerable achievements in opening economy to international competition. Shortfalls in reducing non-performing loans of banking system.	Bank contribution marginal but positive on fiscal front but significant supporting trade liberalization and facilitation. Medium-term challenges include reducing subsidies and addressing expenditure rigidities.	Satisfactory	
Investment climate	Private investment remains low despite a wide range of policies and actions with substantial Bank and AAA support, partly due to weaknesses in the public sector accountability component of governance.. Reform agenda in most areas unfinished. Key governance issues in onshore economy still to be tackled. Reduced discrimination against onshore economy. Opened ITC sector. Impetus of infrastructure privatization waned.	Substantial Bank lending and AAA support. Interventions are of high technical quality and in most cases well appreciated by the authorities. Significant breakthroughs in trade facilitation and improvements to business climate. Main outstanding issues relate to governance, a very difficult area to tackle.	Satisfactory	
Labor market	Little progress in addressing high minimum wages and labor market rigidities impeding formal sector job creation especially for highly educated young. Most active labor market policies of limited effectiveness and fiscally expensive.	Bank AAA consistently diagnosed key issues but efforts to formulate agreed employment strategy lost momentum. Persistent gender issues in labor market performance require analysis.	Moderately satisfactory	
Education	Near universal primary coverage and literacy for both genders. Improvements in vocational training and rapid expansion in tertiary education. Primary and secondary quality issues being addressed. Key challenges remain in tertiary sub-sector, which is failing to meet requirements of rapidly increasing graduate population and labor market. Potential for outward migration of educated labor and policy implications require analysis.		Satisfactory	
Social protection		Substantial coverage of pensions, health care and direct subsidies for low income households. Bank analytical contribution to social security reform. Lack of unemployment insurance contributes to labor market rigidities.	Satisfactory	
Combined rating of MILES outcomes and of higher order outcomes at right.	Moderately satisfactory	Outcomes during ten years ending in:		
		Faster PC GDP growth (avrg.)	1997 2.3 2007 3.9	Satisfactory
		Lower Poverty (eo p)	6.2 3.8	
		Stable Employment Growth (avrg.)	2.7 2.7	
		Lower Unemployment (eo p)	15.9 14.1	
Higher Adj. PC GNI Growth (avrg.)	2.8 3.8			

investment climate pillar. Lending, underpinned by a substantial corpus of analytical work, has been nearly three times as much as that in the other four pillars combined. While the Bank's programs were largely successful, its efforts failed in a number of areas, including the development of more effective dialogue on public governance issues that affect investment, a stronger impact of its good diagnostic work on labor market policies, and a better impact of education expenditures on education quality, particularly of higher education.

3.5 Table 4 summarizes the main factors considered in this assessment of Bank support for employment creation and earnings growth as well as the corresponding ratings. All in all, the Bank's strategy and interventions were highly relevant in addressing Tunisia's key employment and earnings-related issues. Results, however, have been mixed. In macroeconomic policy, the Bank's role has been positive but marginal on the fiscal front. Trade liberalization and facilitation have benefited from both AAA and lending. Regarding the investment climate, although considerable progress has been achieved in specific policy areas, the reform agenda is far from complete, and private investment has not yet convincingly responded. The Bank until now has had little impact on policies governing the institutions and operations of the labor market. Despite six years of programmatic analytical work and technical assistance, the government has not adopted any of the Bank's key policy recommendations. In education, a great deal has been achieved at the primary and secondary levels, and the Bank has played a major role in this. The impact on policy has been more muted at the tertiary level where, once again, there is less than full agreement on some key policy issues.

3.6 This chapter summarizes the employment and earnings growth outcomes, the exogenous factors and policies with a bearing on those outcomes, the impact of those factors and policies on the outcomes, and the role of the Bank's support for the policies.¹

Growth, Employment, and Earnings Outcomes

3.7 Viewed from a long-term perspective, Tunisia's real per capita incomes have nearly quadrupled since independence in 1954 to reach an estimated \$3,878 in 2008. Tunisia's GDP growth averaged 5.1 from 1970 to 2007, decelerating through the late 1980s and accelerating during the first half of the 1990s. The average GDP growth rate increased from 4.1 percent during 1987-97 to 5.0 percent during 1997-2007, with the acceleration of growth taking place in 1996, just before the beginning of the period under review. The 1997-2007 growth was faster than growth in the previous two decades (4.6 percent and 4.1 percent) but less rapid than during 1967-77. Average annual per capita GDP growth increased from 2.3 percent during the 1988-97 decade to 3.9

GDP growth averaged 5 percent during 1997-2007, ahead of the pace for the preceding two decades

percent during 1998-2007. The headcount poverty ratio, which had already fallen to about 6.2 percent by 1995, declined further to 3.8 by 2005.² Income inequality declined in the late 1990s and increased thereafter through 2005, the last year for which data are available.

Employment growth averaged 2.7 percent, but participation and employment have been almost trendless since 1984

3.8 Annual employment growth in Tunisia averaged 2.7 percent during the review period (equal to employment growth during the prior decade) and the employment-to-population ratio increased by about 2.1 percentage points, the result of a 1.5 percentage point increase in participation and a 1.9 percentage point decline in unemployment. These changes do not reflect any strong long-term trends; both the labor participation rate and the employment-to-population ratio appear to have been almost trendless since 1984, the first year for which statistics are available.

There is little data on earnings

3.9 There is very little data regarding earnings. Formal sector wages increased during the period, as well as income in general, as indicated by GNI data. There is no information on informal sector wages.

Factors Underlying the Outcomes

3.10 Tunisia's performance since 1999 has been influenced by both exogenous (non-policy) factors and by policies. These have interacted in complex ways to affect outcomes, including growth, poverty, employment, and wages.

Exogenous Factors

Exogenous factors include economic growth in export destination countries, competition for exports, and demographic transition leading to higher growth of the labor force

3.11 The main exogenous phenomena have been:

- Strong external economic growth in the main destination countries for Tunisian exports.
- Increasing international competition for Tunisia's main export products, especially textiles, following the ending of the Multi-Fiber Arrangement and the enlargement of the EU.
- Avoidance of direct participation in Middle East conflicts.
- Vulnerability to political turbulence in the region, particularly after the events of September 11, 2001.
- Susceptibility of the agricultural sector to periodic droughts (four consecutive droughts during 1999-02)
- Demographic transition, leading to high growth of the labor force and especially of the expected number of graduates from the secondary schools and the universities.

Policies

3.12 At the same time, the authorities have carried out a wide range of policies affecting economic and employment performance. Policy progress and remaining challenges are summarized as follows:

Policy Achievements

- Continued macroeconomic stability.
- Continued trade openness, particularly under the EU-Tunisia Association Agreement, signed in 1995.
- Continued foreign investment openness, particularly with the establishment of the offshore economy from 1972 and the modified investment code in 1992.
- A strong defense and promotion of women's rights.
- Implementation of active labor market policies, including wage subsidies, training schemes and other forms of assistance.
- Substantial investment in education. since the 1970s which has led to greatly increased enrollment rates
- Some improvements in the business climate.

Policy achievements include macroeconomic stability, openness to trade and foreign investment, and promotion of women's rights

Challenges that Remain

- Tunisia currently faces increased fiscal pressures.
- Private investment performance remains weak.
- Many of the ways in which the labor market is governed, and the nature of labor laws and institutions, impede or fail to encourage job creation in the formal sector.
- Tunisia's higher education system is currently failing to cater to the needs either of its clients (that is, the graduates) or of the economy as a whole, a factor that may have an adverse impact on investment.
- Current social protection policies do not provide adequate income protection to workers, while at the same time contain labor costs, and stimulate labor mobility and enterprise restructuring.

Challenges remain in all of the MILES framework areas

Link of Performance to Exogenous Factors and Policies

3.13 Acceleration of Tunisia's GDP growth rate, from 3.4 percent during 1986-95 to 5.1 during 1990-99, coincides with the *structural adjustment program* started in 1987 that covered increased competition, financial sector liberalization, integration with the EU, public enterprise reform, and privatization of certain sectors. The increased *stability of the growth rate* has been another factor behind increased growth levels after 1995. This increased stability has been attributed to its export diversification³ and declining inflation, the latter also achieved before 1998. Despite its satisfactory level, Tunisia's GDP growth rate may well be below its potential due to private investment

Acceleration of the growth rate from 1986-1995 coincides with the structural adjustment program

levels, which have been considerably below those attained by other successful emerging countries, possibly due to shortfalls in the investment climate.

Table 5. Tunisia: Key Economic Trends, 1970-2007

Indicator (percent, except Formal Wage Index)	1970-75	1976-80	1980-85	1986-90	1991-95	1996-00	2001-05	2006-07
GDP growth p.a. ²	7.9	6.3	4.2	3.0	3.9	5.6	4.4	5.9
Per Capita GDP Growth p.a	6.5	3.6	1.5	0.6	1.9	4.2	3.4	4.9
Poverty (Headcount Ratio), ey ¹	22.0	12.9	7.7	6.7	6.2	4.2	3.8	
Gini Coefficient, ey ²	44.0		43.4	40.2	41.7	39.8		
Employment Growth p.a	3.0	3.1		2.6	2.8	2.6	2.8	2.6
Labor Participation p.a. ²			47.6	46.1	45.3	45.3	46.3	46.8
Employment-to-Population, ey ²			39.8	38.8	38.1	38.1	39.0	40.2
Unemployment ey ¹	14.0	12.8	16.4 ³	15.9	15.8	16.0	14.2	14.1
Formal Wage Index, ey					103.7	100.0	110.9	114.2
Unemployment, ey (Higher Educ)			2.3	5.0	3.8	8.6	14.8	19.0

p.a.= Per Year average, ey=end year

Source: ¹Tunisia, National Institute of Statistics ²World Bank World Development Indicators; ³ Ministry of Employment: "Evolution du taux de chômage par niveau d'instruction".

Growth and its stability have helped a modest rise in incomes at the low end of the distribution, contributing to poverty reduction

3.14 Still, growth and its stability have been the major drivers of poverty reduction, as measured by growth-incidence curves that have been pro-poor (with the exception of the 1990-95 period). The modest rise in employment and increased productivity and wages, supported by investment in human and physical capital, may explain rising incomes at the low end of the income distribution. Increases in employment resulted from increased demand driven by GDP growth in a rather predictable way, for the employment elasticity of growth has been around 0.4 for many years, a level consistent with positive labor productivity and employment growth and above average in an ILO international comparison for 1999-2003. Although female employment has increase in recent years, its level remains constrained by the diverse set of factors discussed in Appendix G.

But employment remains high by international standards

3.15 However, unemployment, at 14 percent, remains high by international standards, despite Tunisia's satisfactory rates of economic growth. Indeed, the unemployment rate has been persistently high and fairly constant over a long period. This persistency appears to be the net result of positive investment-driven productivity shocks that appear to lower unemployment and raise real wages, and real wage shocks (for example, minimum wages) that lead to increases in unemployment. In addition, a demographic bunching of labor force growth and high growth of university graduates due to a significant expansion of universities has also put pressure on the unemployment rate, particularly at high skill levels.

3.16 Disaggregation helps understand the performance of unemployment: unemployment rates vary by level of schooling, from 5.9 percent for the illiterate level to 19 percent for those with post second-

ary and by gender, with widening differences over time. The unemployment rate for university graduates almost tripled from 7.9 percent in 1999 to 20 percent in 2007. There are now over 100,000 unemployed people with tertiary education qualifications. Due to the significant expansion of universities, and rapid increase in the number of secondary students obtaining a Bacca-laureate,⁴ a growing share of new entrants to the labor force will be university graduates. Already, some 70,000 students are graduating each year from the universities. When this is compared with the 80,000 total jobs generated by the economy each year it is easy to see why graduate unemployment is rising rapidly. Evidence from a tracer study carried out by the Ministry of Education and supported by the Bank suggests that inadequate skills are another reason for the high unemployment rate among those with tertiary education.⁵

Unemployment rates vary by levels of schooling and by gender

3.17 The gender dimension of participation, employment and unemployment presents something of a puzzle. Despite Tunisia's unswerving defense and support of women's rights, the overall female labor participation rate has risen only slightly since 1999, and at about 26 percent today remains far below that of men. Although it is somewhat higher than the average for the MENA region (though lower than, for instance, Morocco's) it is low by middle-income country standards. The survey of 2004 graduates also found significant gender differences: 40 months after graduation, 71 percent of the men had found work, but only 55 percent of the women. Even in the informal sector, female participation is low compared with other countries.⁶ Five factors may explain this low participation. First, registered labor participation rates are considerably lower among rural than urban women, while the level of education is lower and both the absolute and relative illiteracy rates are higher, hence there is a strong rural-urban divide. Second, the relatively weak maternity leave regulations and the limited coverage provided by the child care system may impede labor force participation by women. Third, restrictive employment termination regulations, which protect primary workers (usually male and experienced) and those in employment at the expense of those seeking it, may also limit the demand for female workers. Fourth, women show a strong preference for public sector as opposed to private sector employment, and the expansion of the public sector has slowed markedly in recent years. Fifth, notwithstanding Tunisia's progressive record, cultural factors may still play a role.

Overall women's labor participation rate has risen only slightly since 1999, though it remains low by middle-income country standards

The Bank's Strategy and Contribution

3.18 *Overall strategy, objectives, and political constraints.* At least since the early 1990s, there has been a close correlation between Tunisia's overall development objectives and the Bank's country strategy. The Bank's strategic documents have often been used by the Tunisian au-

Since the mid-1990s the Bank's strategic documents have reflected the government's mounting concern about employment issues

The Bank's focus on macroeconomic policy has mainly been on trade liberalization and facilitation

thorities in the preparation of their plans, drawing on an extensive and in-depth policy dialogue.

3.19 The government's mounting concern regarding the employment issue, dating roughly from the mid-1990s, has been reflected in the increasing attention given to the topic in the Bank's strategic documents. While the 1996 CAS made little reference to employment *per se*, the focus sharpened considerably in the 2000 CAS, and even more in the 2004 CAS. The latter document stated that the "the first and most pressing challenge" facing Tunisia was to reduce unemployment. Added urgency stemmed from the evidence that an increasing proportion of the unemployed were highly educated. In order to meet this challenge, the CAS emphasized the second and fourth pillars of the MILES framework – improving the investment climate and reforming the education system, especially the tertiary subsector. Significantly, the CAS also explicitly recognized the importance of the governance dimension – for the first time in a publicly available Bank document on Tunisia.

3.20 None of the CASs contains any quantitative performance or output indicators specifically related to the employment issue. Equally, there are no qualitative indicators related to the reform of labor market institutions. Except for a number of quantitative and policy targets in the education sector, the detailed Results Framework, which is used to assess advances in the 2007 CAS Progress Report, is equally bereft of employment-related indicators against which the effectiveness of Bank interventions could be measured.

3.21 *Bank Group Assistance and Interventions.* In the following paragraphs, discussion of the Bank's contribution is organized around each component of the MILES framework. Appendix G gives details of major loan operations with substantial MILES components, together with available IEG assessments of outcomes and Bank performance.

3.22 *Macroeconomic Policy.* Tunisia's principal external partner on the fiscal front is the IMF. The Bank's focus has been on trade liberalization and facilitation, though it has supported improved fiscal management at the margin. There has been extensive analytical work on the challenges posed by the evolving external environment, and both AAA and lending operations in trade promotion and facilitation. Two Export Development Loans totaling \$72 million were more successful in furthering facilitation than promotion. Among the important achievements have been the modernization of the customs service, dramatic reductions in clearance delays for exports and imports, and simplification of trade documentation. On the other hand, there is no convincing evidence that instruments chosen to promote exports were appropriate or that they had the desired effect. The very rapid expansion in manufactured exports is difficult to attribute to Bank intervention.

3.23 In reforming the financial sector, Bank interventions were based on high-quality diagnostic work, notably a 2002 FSAP, updated in 2006, and undertaken jointly with the IMF. Although there have been a number of important reforms – two publicly owned banks have been privatized, regulation and supervision have been strengthened, the Civil Code has been revised to facilitate loan recovery, and vulnerability indicators have improved – results were less satisfactory than the Bank had anticipated, and the dialogue was sometimes challenging. Even when acknowledging the need for reform, the government preferred a considerably more gradual approach than that advocated by the Bank and the IMF. Moreover, not all the government’s policies or actions had the support of the Bank. The proliferation of public credit institutions, with their overlapping responsibilities, less than fully transparent criteria, and potential for crowding out the private sector, was not in accordance with Bank advice.

High-quality diagnostic work contributed to financial sector reforms

3.24 *Investment Climate.* The Bank has been very active in supporting investment climate improvements. It included three policy-based loans (ECALs), and has been underpinned by a substantial corpus of analytical work. Results, however, have

Table 6. Tunisia: Targets Established in the Fourth Economic Competitiveness Adjustment Loan (ECAL)

Investment growth 2004-2007	Onshore investment	Offshore investment
Target value	+9.7%	+37.9%
Actual value achieved	+6.1%	17.7%

Source: ECAL IV ICR and ICR Review

The lending program had a very strong focus on improving the investment climate

been mixed. Although considerable progress has been achieved in specific policy areas, the reform agenda is far from complete, and private investment has lagged below target (Table 6). Investors, especially Tunisian nationals, have not yet convincingly responded.

3.25 Bank support has been focused in the following policy areas:

- The gap between the onshore and offshore economies has been narrowed by reductions in the regulatory and administrative obstacles to starting and running a business in the former; reforming and simplifying the taxation regime to reduce the relative advantages of offshore businesses; extending the simplification of Customs procedures to onshore transactions; permitting offshore enterprises to sell up to 30 percent of their output in the local market; widening the availability of export promotion facilities to onshore firms; establishment of a one-stop window, publication of all administrative procedures, and commitment to a time frame with the user having the right to claim damages in the event of delay; reductions in prior authorizations for FDI in onshore activities; and substantial reductions in the legal capital requirements to start a busi-

Analytic work focused on narrowing the gap between the onshore and offshore economies

It also helped transform the country's information and communications technology sector

And it addressed infrastructure bottlenecks

But an unfinished reform agenda has resulted in disappointing private investment response

ness. Moreover, in December 2007, a new Economic Initiative Law aims to simplify procedures further, facilitate access to financing for SMEs, and reduce the tax burden for onshore businesses. These accomplishments are the result of a productive policy dialogue in which the Bank has successfully brought to bear its international knowledge and experience.

- Addressing unfair competition through amendments to the Competition Law promulgated in 2006. It is too early to judge the effects of the new legislation, since businesses have not been surveyed since it came into effect.
- The Bank has played an important role in transforming Tunisia's Information and Communications Technology (ICT) sector. Reforms were based on a sector strategy note formally delivered in 2002 following more than two years of intense and productive dialogue. This was followed by a lending operation. According to interview sources, the authorities were particularly impressed by the technical excellence of the Bank team. The result was a decision to open the sector to private investment and to international competition. Issues still to be addressed include the predominance of the still 65 percent state-owned Tunisia Telecom, limited collaboration between enterprises and universities, a weak and fragmented regulatory framework, and poor connectivity among small firms which are the tissue of Tunisia's industry.
- The Bank has also played an important role in addressing infrastructure bottlenecks. As well as lending to finance improvements, the Bank helped to develop a legal and regulatory framework permitting private sector participation in large-scale infrastructure investments (PPI). The AAA was of good quality. However, early government enthusiasm waned in the face of departmental rivalries. Although the government agreed to adopt a strategy to encourage PPI, subsequent progress has been limited.

3.26 The disappointing private investment response to business environment reforms is due, first, to the unfinished reform agenda and, second, to prevailing *weaknesses in economic governance*. Although Tunisia is given relatively favorable ratings in many of the international investment climate indices, it does less well when indicators isolate the governance factor more precisely. Such indicators have been published every year since 2005 in the Bank's "Economic Developments and Prospects for the MENA Region." While Tunisia is placed in the top half of countries worldwide for Trade Policy, Business Climate, and Quality of Public Administration, it is ranked in the bottom quartile worldwide for current status and in the bottom half for progress made since 2000 regarding Public Sector Accountability. The Bank has approached this difficult issue through, first, informal

dialogue, where senior country and regional management engaged the Authorities; second, constructive criticism of some policies; third, sharpened analytical tools for measuring perceived comparative performance in the governance area; and, fourth, firm action where it perceives governance issues in areas where it is directly affected.⁷ It is hoped, that by such measures, the Bank's reputation in a difficult situation would be protected.

3.27 *Labor Market Policies.* The Bank has no lending program in Tunisia in the area of labor market institutions and regulation. Rather, it has relied on programmatic analytical and advisory assistance (PAAA), a multiyear program of studies, technical assistance,⁸ and capacity building. During the first stage, which ended in 2004, a major piece of diagnostic analytical work was completed covering all aspects of the demand for and supply of labor, as well as the functioning of the labor market. From

Box 1. Areas of Support Under the Employment PAAA

1. Development of modeling tools to evaluate the employment impact of different sectoral growth patterns.
2. Survey the business environment, including questions on employment.
3. Diagnosing the constraints felt by SMEs in employment creation.
4. Improve labor market information and dissemination for both enterprises and households.
5. Evaluation of employment programs (ALMPs, including training), and a review of policy options, based on international experience, to improve the social protection system.

this, five areas were identified for Bank assistance over the coming three years (Box 1). Work on these topics commenced following the signing of a Memorandum of Understanding with the government. Based on this work, an integrated strategy for employment creation covering all dimensions of the MILES framework was to be developed. A Policy Note containing the outlines of such a strategy was completed in mid-2008.

3.28 Although the exercise started well and at the right strategic moment, the Bank's PAAA has had almost no influence on labor market policies. The early momentum of the diagnostic phase has not been sustained. The 2008 Policy Note is of a high technical quality and contains detailed recommendations on all aspects of labor market policy, including the demand for and supply of labor. However, it is clear from the interviews with Tunisian officials that the recommendations, and even the analysis, do not reflect a consensus within the government. The PAAA task team has changed composition and leadership a number of times since the outset of the program. The Tunisians perce-

Programmatic analytical and advisory assistance has been the principal tool for addressing labor market policies

But the program has had very little influence so far

ive that the degree of engagement of the Bank — frequency and length of missions, depth of discussions — is insufficient given the complexities and sensitivities of the task. The question was raised as to whether the budgetary resources made available were still adequate. In these circumstances, it is unsurprising that the set of active labor market policies (ALMPs) put in place by the authorities have not, for the most part, evolved from the PAAA (indeed, they are contrary to the thrust of its recommendations), and do not have the support of the Bank.

Substantial involvement in education focused on improving coverage and quality at all levels, including vocational training

3.29 *Education and Training.* The Bank has had a substantial involvement in Tunisia's education system. Two Education Quality Improvement Loans (\$99 million and \$135 million) supported, respectively, the universal completion of primary education and improved quality and school management at both primary and secondary levels. The second loan also aims to enhance vocational training, which is now the responsibility of the Education Ministry. Two further loans (of \$80 million and \$76 million) support reforms in the higher education subsector, including: increased access to, and enhanced quality of, higher education; greater autonomy in university management; greater market relevance of university study programs; development of a system of quality assurance; and a sustainable financial strategy with cost-sharing mechanisms and grants and loans for needy students. The projects draw upon a Higher Education Strategy Paper completed in 2004.

3.30 The Higher Education projects proceeded without full consensus between the Bank and the authorities concerning reform. Notably, there was no agreement on financing and cost recovery reforms. It is, therefore, unsurprising that the extent of reform achieved is somewhat tentative. This has affected the Bank's credibility in the Tunisian higher education subsector. Several independent interviewees (notably from the academic community) perceive the Bank's interventions as being restricted to areas in which the government feels comfortable. The decision to proceed with the projects was in order to keep the Bank's "seat at the table" and to push forward the reform agenda, albeit more slowly than had been hoped.

Future engagement may want to look into outward migration as a source of employment for educated Tunisians

3.31 *Outward Migration.* One policy option that has received little attention so far, but that would merit study in depth, is encouraging outward migration as a source of employment for educated Tunisians. This would be especially relevant given the likelihood that the supply of skilled labor in the domestic market will exceed the demand for some years to come. Historically, outward migration from the Maghreb countries, including Tunisia, has been predominantly low-skilled. However, there may be an important potential for highly educated emigration to the Gulf States and, to a lesser extent, to Europe. Previously, the Tunisian authorities considered skilled labor on-

ly in terms of domestic needs. Recently, there has been a change in focus. The Bank is preparing a preliminary report on the subject. A strategic approach would include: coherent and coordinated analysis of the migration; the implications for the education sector – which skills are likely to be needed, what type of certificate would be required, etc.; and the possibilities of financial assistance and contributions from receiving countries, especially the Gulf States.

3.32 *Social Protection.* No action has been taken on the Bank's recommendation to study the introduction of employment insurance with a view to encouraging greater labor mobility.

1. The background paper providing a detailed discussion of these topics will be available in IEG's website.

NOTES

2. Official estimates show a poverty reduction path that conflicts with Bank work that raised controversy. While there is no question that there has been a major decline in poverty since 1980, the period 1990-95 included three consecutive years of severe drought and of a drop in production of almost 25 percent during the years 1993-95 affecting the rural sector, where most of the poor are. Accordingly, in an unpublished Poverty Update of 2003, the Bank estimated an increase in poverty between 1990 and 1995, when a lower poverty line was used, albeit with a decline in poverty when a higher poverty line was used. See Ayadi et al. (2005). Recent research by Muller (2007) suggests that poverty remained stable for a low poverty line and increased for a higher poverty line the direction of change depends on the level of the poverty line selected.

3. Jansen (2004).

4. In Tunisia, a holder of the Baccalaureate has a virtually automatic right of entry into a university.

5. According to the tracer study, which covered graduates for 2004, only 43 percent of all 2004 graduates had found employment 18 months after graduating and 62 percent after 40 months, with 54 percent of the latter engaged by the public sector, 12 percent with regular, indefinite contracts in the private sector, 19 percent with fixed-term contracts, 5 percent under subsidized arrangements, and 10 percent without a contract. About 15 percent of those employed after 40 months, mostly in the private sector, found themselves in a mismatch between the tasks they perform and the skills they have acquired. In nearly all cases, this involves a *de facto* downgrading. These data suggests the possible effects of gaps in education. The indicated paucity of regular contracts in the private sector is likely to be influenced by Tunisia's rigid labor regulations, which lead many workers to the informal sector. Although available data does not distinguish between formal and informal sector employment, anecdotal information and data on work status indicates a substantial amount of employment in the informal sector. Workers reporting themselves as self-employed account for just over 25 percent of the labor force in work.

6. See Alter Chen, Jhabvala, and Lund (2002), Table 3, p. 27.

7. For example, the third and final tranche of ECAL III was canceled because of serious doubts concerning the bidding process for the second GSM license. This was done in the face of strong Tunisian protest and despite the fact that, apart from the bidding process, the transaction achieved its objectives – the successful bidder is a reputable firm, and much needed competition was introduced into the telecoms sector.

8. Normally financed from the Bank's budget or from resources made available by other partners but managed by the Bank.

4. Turkey

Introduction

4.1 The beginning of the period 1998-2007 saw a major change in Turkey's economic policies and, concomitantly, in the relations between the World Bank and the Turkish government. Spurring that change, and exogenous to the Bank, were a persistent macroeconomic crisis that had eroded the political resistance to economic reform and given rise to the political will to proceed with such reform; the emergence of a single party government that reinforced this political will; the earthquakes of 1999 that dramatized the Turkish government's need for outside assistance, presenting an opportunity for the Bank and paving the way for a much closer and more productive Bank-government relationship; improved prospects for accession into the European Union, strengthening incentives to modernize the economy and body politic and to implement reforms to comply with EU standards and directives in all the MILES categories; and a favorable international economic environment over the 2001-07 period, consisting of expanding world markets and high commodity prices.

4.2 The role and support of the Bank have undergone a gradual change over the period examined. In the beginning years the Bank concentrated, appropriately and effectively, on macroeconomic stabilization and accompanying structural reforms. In more recent years, greater attention has been devoted to employment and competitiveness issues. Within the scope of the MILES framework, the remaining problem areas are labor market regulations, education, and the investment climate. The role played by the Bank in reforming labor regulations, while perhaps a bit belated, has been relevant, effective, and even decisive. The Bank Group's involvement on investment climate matters has also been productive, especially in the early part of the period with active FIAS participation. Overall, and in relation to employment generation and earnings growth, the Bank has pursued relevant objectives, which for the most part have been well aligned with the government's program and general development objectives. Moreover, seen as a whole over the five MILES categories, the Bank has been effective in pursuing such employment-generating objectives. Table 7, presented below, summarizes the evaluation and provides the ratings.

Evaluation Essentials

- ❖ Growth during the 1997-2007 period was unstable, but per capita GDP increased and poverty likely declined, although the unemployment rate has increased
 - ❖ The main constraints to employment generation and earnings growth are in education, labor market regulations, and investment climate
 - ❖ Bank support for macroeconomic and financial sector stabilization helped improve the investment climate
 - ❖ Analytic work on the labor market was followed up with lending operations to overhaul labor regulations
 - ❖ Though the Bank has supported education for many years in Turkey, its role in the sector's progress has been limited
 - ❖ Important safety net features—pension reform and unemployment insurance—received effective Bank support
-

Table 7. Turkey: Ratings Summary

	Outcomes	Bank Contribution	Rating																		
Macro	Inflation was reduced from 85 percent in 1998 to 9 percent in 2007. Under the FY01 FSAL, the absence of a stable macroeconomic environment contributed to a banking crisis two months after loan approval. Later, major improvements occurred in the fiscal accounts and in strengthening the financial system. A major challenge remains in reducing the continuing external vulnerability, as evidenced by the high current account deficits (6 percent in 2007).	High-quality AAA prepared the Bank to provide support on government finances, agricultural subsidies and personnel outlays, taxes, social security, and SOEs, all critical structural areas in need of reform. Support initially failed to duly account for macroeconomic risks to the success of financial sector reforms.	Satisfactory																		
Investment Climate	Private investment increased, but largely due to stabilization. Improved legal and regulatory treatment of FDI contributed to increase FDI net inflow from 0.4 percent of GDP in 1998 to over 3 percent by 2007). There were improvements in some business transactions costs (e.g., starting a new business) but little or no progress in others.	FIAS was especially effective in supporting improvements in FDI policy. High-quality AAA (ICA Report) generated private sector interest but was accompanied by a somewhat disappointing subsequent engagement, apart from some lending support, of the Bank with the government.	Moderately satisfactory																		
Labor Market	Labor regulations were made more rigid and labor taxes increased.	Bank AAA consistently and competently diagnosed the key issues and used its convening power to advance its policy proposals.	Satisfactory																		
Education	Important improvements were made in enrollments, coverage, and gender equality in the educational system. Major challenges remain in improving quality and in strengthening secondary education to better adapt it to changing labor force requirements.	The Bank's role was largely ineffective and even marginal in relation to the recorded sector gains. The Bank's AAA was of good quality.	Moderately satisfactory																		
Social Protection	Establishment of an unemployment insurance (UI) system and the initiation of a conditional cash transfer (CCT) system in 2001, which now reaches over 2.8 million children in poor households.	Bank played an effective role through AAA and lending support.	Satisfactory																		
Combined rating of MILES outcomes and of higher order outcomes at right.		<table border="1"> <thead> <tr> <th>Outcomes during ten years ending in:</th> <th>1997</th> <th>2007</th> </tr> </thead> <tbody> <tr> <td>Faster PC GDP growth (avrg.)</td> <td>2.2</td> <td>2.5</td> </tr> <tr> <td>Lower Poverty (eop)</td> <td>34.5</td> <td>27.0</td> </tr> <tr> <td>Lower Employment Growth (avrg.)</td> <td>1.9</td> <td>0.8</td> </tr> <tr> <td>Higher Unemployment (eop)</td> <td>6.8</td> <td>10.1</td> </tr> <tr> <td>Stable Adj. PC GNI Growth (avrg.)</td> <td>2.8</td> <td>2.8</td> </tr> </tbody> </table>	Outcomes during ten years ending in:	1997	2007	Faster PC GDP growth (avrg.)	2.2	2.5	Lower Poverty (eop)	34.5	27.0	Lower Employment Growth (avrg.)	1.9	0.8	Higher Unemployment (eop)	6.8	10.1	Stable Adj. PC GNI Growth (avrg.)	2.8	2.8	Moderately satisfactory
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4.3 This chapter summarizes the employment and earnings growth outcomes, the exogenous factors and policies with a bearing on those outcomes, the impact of those factors and policies on the outcomes, and the role of the Bank's support for the policies.¹

Growth, Employment, and Earnings Outcomes

4.4 Turkey's average annual *GDP growth rate* from 1970 to 2007 was 4.5 percent, albeit with considerable instability, including recessions in 1980, 1994, 1999, and 2001. Growth became higher and more stable after 2002 and despite the 1999 and 2001 recessions. The average rate of growth declined from 4.3 percent during 1987-97 to 3.9 percent during the decade under review (1997-07) but annual per capita GDP increased from 2.2 percent during the 1988-97 decade to 2.5 percent between the two decades.

Growth was unstable during the 1997-2007 period, but per capita GDP increased and poverty most likely declined

4.5 *Poverty* most likely declined during this period. Between 1994 and 2002, the years for which comparable survey data are available, the proportion of the population with incomes beneath the national poverty line declined from 28.3 percent to 27 percent.² Additional information, not fully comparable, suggests that the trend to reduce the poverty headcount ratio continued (down to 18 percent in 2006). This decline was probably uneven, with likely temporary increases during the recession years. A slight increase in inequality is observed between 1994 and 2002. Although less comparable, GINI coefficient estimates show further in inequality since 2002.

4.6 At the beginning of the period under review, the *labor participation rate and the employment-to-population ratio* continued to decline, as they had for many years before, with female employment rates much lower than men's. The labor participation rate stabilized and perhaps increased after 2001, but the employment-to-population ratio continued its decline. Accordingly, the unemployment rate increased and has remained high since then, despite the recovery in GDP growth.

While labor participation stabilized or increased after 2001, the employment-to-population ratio continued to decline; hence, the unemployment rate increased despite GDP recovery

4.7 In 2007, the Turkish labor force participation rate was 51 percent of the 15-64 year old population. This was the lowest of any OECD country and compared poorly with the OECD average of 70.9 percent. For female labor force participation, the comparison was more striking – 26.6 percent for Turkey versus 61.1 percent for the OECD average, with Turkey having by far the lowest rate.³

4.8 Extensive labor *earnings* information is limited. An index for real labor compensation for the manufacturing sector indicates high real wage volatility and a decline in real wages over the past five or so years. However, broader household survey and GNI data (Table 25.). indicate that incomes and earnings declined sharply after 2000 but recovered after 2003.

Information on labor earnings is limited

On balance, exogenous factors have had positive impact on Turkey's economic performance

A number of policies relevant for economic and employment outcomes were implemented during the period

Remaining challenges include increasing current account balance, business climate issues, and coverage and quality of education

Factors Underlying the Outcomes

4.9 *Exogenous Factors.* When attempting to assess the effects of policies on economic growth, employment, and earnings, it is important at the outset to identify the relevant exogenous economic factors that have had a bearing on Turkey's economic performance. These factors have been positive, on balance:

- Robust (3.1 percent) world GDP growth during the period 1998-2007, as during the prior decade; and increased GDP growth in the Europe and Central Asia region from about -2.3 percent to 5.0 percent between the two decades.
- Stronger terms of trade after 2001.
- The ascendancy of Turkey's candidacy for full European Union.
- Expansion of international financial markets during the period.

4.10 *Policies.* During the period reviewed, Turkey implemented a number of policies that are relevant for economic and employment outcomes. With the exception of labor market regulations and taxes, policies have been on balance positive and can be summarized as follows:

- Macroeconomic stabilization after 2002 that required fiscal reforms to bring the deficit down, establishment of central bank independence to ensure monetary stability and banking reforms to stabilize the financial system.
- Further policies to improve the investment climate that covered relaxation of requirements to open new businesses, conduct border trade, and to a lesser extent to pay taxes.
- Establishment of a new employment service agency.
- Increased mandatory school attendance, from 5 to 8 years, massive new school construction and increased resources.
- Creation of an unemployment insurance system and a conditional cash transfer arrangement.

Challenges

- While the current account balance in the early stages of stabilization was reduced (as a percentage of GDP), it emerged recently once again as a sign of macroeconomic imbalance and vulnerability.
- A number of business climate areas still rate relatively low. These cover mainly the categories of obtaining credit, dealing with construction permits, registering property, employing workers, protecting investors, enforcing contracts, and closing a business.
- Labor reforms in 2002-03 that made job dismissal, subcontracting, and temporary employment more restrictive.⁴ The minimum wage increased as a percentage of average GDP and the

overall tax rate on wages also increased. Both were among the highest in OECD countries.⁵

- Although much progress has been achieved, the coverage and quality of education in Turkey still has considerable room for improvement.
- Again in comparison with other OECD countries, Turkey lags in terms of social protection afforded to workers “outside the firm.”

4.11 Extracting from the discussion of existing policies and their effects it would appear that, *at present*, the main binding constraints to employment generation and earnings growth lie in the MILES categories of education, labor market regulations, and investment climate, while the main economic problem affecting employment at the beginning of the 1998-2007 period – the adverse macroeconomic policy environment – has been largely removed through concerted policy action and reform.

The main constraints to employment generation and earnings growth are in education, labor market regulations, and investment climate

Link of Outcomes to Exogenous Factors and Policies

4.12 During the 1990s growth and labor productivity growth slowed, largely due to macroeconomic instability. Growth and TFP accelerated after 2002 due primarily to macroeconomic stabilization, but also due to accession prospects and privatization, which also helped encourage private investment; openness, which encouraged competitiveness and demand under a robust world and regional economy; and availability of international finance. The impact of stabilization occurred not only through better fiscal performance, which was needed to contain inflation. Central Bank independence also improved confidence on fiscal probity. Stabilization after 2002 went hand in hand with policies to strengthen and thus develop the banking system after the failed previous stabilization attempt undermined efforts to strengthen banking and trigger financial development, which has been shown to have an effect, at least in the short run on growth in Turkey. Finally, the removal of agricultural subsidies that was needed to achieve fiscal balance encouraged reallocation of resources to the more productive economic activities.

Growth and total factor productivity accelerated after 2002 due primarily to macroeconomic stabilization

Table 8. Turkey, Key Economic Trends, 1970-2007

Indicator (percent, except formal wage index)	1970-1975	1976-1980	1980-1985	1986-1990	1991-1995	1996-2000	2001-2005	2006-2007
GDP Growth	5.4	2.5	4.9	5.7	3.3	4.1	4.7	5.7
Poverty (Headcount Ratio) ^{a/}	36.6	33.9	34.6	30.1	28.3	27.0	26.3	18.6
Gini Coefficient ^{a/}	--	--	--	43.6	41.5	0.400	0.38	0.310
Labor Force Participation Rate ^{a/}	74.0	71.2	64.7	56.6	54.4	49.9	51.3	51.0
Employment Rate ^{a/}	69.2	65.2	59.9	52.1	50.3	46.1	45.9	45.8
Unemployment Rate ^{a/}	--	--	--	8.0	7.6	7.7	10.5	10.1
Formal Wage Index ^{a/b/}	--	--	--	128.7	92.3	100.0	80.9	76.3

Notes: ^{a/} end of period; ^{b/} Real Labor Compensation per Labor Unit Manufacturing (Index, 2000=100)

Sources: TURKSTAT, OECD database and World Bank reports and materials, including World Development Indicators.

Higher per capita GDP growth strongly influenced the reduction in poverty during the period 1997-2007

4.13 Higher per capita GDP growth played a strong role in explaining, at least in part, the reduction in poverty between 1997 and 2007. Available research suggests that poverty reduction is also attributable to reductions in income inequality observed between the mid-1990s and mid-2000s, which in Turkey originate in declines in the income shares of the bottom and top quintiles. The declines in poverty may well be linked to rural-urban migration, as urban wages are higher than rural wages.

4.14 Despite increased economic growth, the declining trend in the employment-to-population ratio was not reversed. Four primary explanations exist. First and most dramatic is the structural change away from agriculture – especially relevant in explaining declining *female* labor force participation, as women who have been commonly active in the agricultural labor force as unpaid family labor are more apt to find their skills unsuited to the urban labor markets, particularly in the formal sector. Second, productivity in agriculture is low and slowly growing and productivity in industry and services are seen to be growing fast. Third, there is a mismatch of labor demand and skills in the growing sectors, with employers complaining that they are unable to locate qualified employees for the positions that they seek to fill. Finally, rigid labor market regulations and institutions have also restrained employment growth.

4.15 The question of the falling labor participation rate for women has been a special concern of the government and the topic of some empirical analyses.⁶ The sector shift of employment out of agriculture and the accompanying rural-to-urban migration, as indicated above, explains much of the falling female labor participation ratio. The agricultural sector still employs the greatest share of women, and most of these women are unpaid family workers, that is, unregistered, informal sector workers. With continuing structural transformation and urbanization these jobs disappear. Beyond this sector shift, there are other im-

portant dimensions and determinants as well. Most importantly, educational attainment directly affects female labor market participation, with the most marked increases coming from university-level education. There are also considerable regional variations in female labor market participation, with Turkey's poorest regions, such as the south-east, having the lowest rates. One study, based upon econometric analysis of time series and regional data, presents evidence supporting the U-shaped curve hypothesis (for female labor force participation rates) and contends that it is likely that "there will be a secular upturn in female participation rates during the coming decades."⁷ This conclusion is based upon: the eventual decline of the workforce shift out of agriculture; increased female enrollments and educational attainment; and the reduction of regional income disparities and the eventual economic catch up of the poorer regions to those in the more prosperous western areas (the Aegean and Mediterranean regions).

4.16 Unemployment rates have not decreased appreciably, with higher growth since 2002. The accelerated structural transformation occurring over the past six years, which has been an important explanation for the noted slow *overall* employment generation, unquestionably has had a bearing on the inertia in the unemployment rate, with female unemployment rates for urban areas substantially higher than those for males (but lower than those for males in the rural sector). With the shift of resources out of agriculture, females have faced increased employment difficulties in urban labor markets.

Unemployment rates have not decreased appreciably even with higher growth

The Bank's Strategy and Contribution

4.17 *Overall strategy and objectives.* In the periodic economic plans and pronouncements of the Turkish government, employment generation has constituted a consistently present objective and priority for policy action. This was the case for the Seventh Five Year Development Plan (for 1996-2000) and for the Eighth Development Plan as well. In the Ninth Development Plan (for 2007-13), increasing employment was the second listed out of five main economic objectives. Under the general employment generation objective, more specific objectives include: improving the functioning of the labor market; increasing the sensitivity of education to labor demand; and developing active labor market policies.

Employment generation has been less common in Bank strategy documents than in government strategies and plans

4.18 The employment generation theme and objective in Bank strategy documents has been less explicitly articulated than in Turkish government plans and policy statements. The four CAS-type documents examined (dated 1997, 2000, 2003, and 2008) mention employment generation and/or earnings, but, if indicated as an objective, it has been subdued and, until recently, not actively pursued as a part of Bank Group strategy.

4.19 In the 1997 CAS, presented to the Board in FY98, employment generation was explicitly identified as a part of one (enhancing competitiveness and employment growth) of three broad development priorities for Turkey, along with: accelerating structural reforms and addressing poverty and social development. The CAS correctly emphasized that substantial employment could only come through private sector expansion. No specific employment, labor force, or labor market progress benchmarks were included.

4.20 In the 2000 CAS, employment generation was also set forth as a theme for Bank action and support, but no benchmarks were included. With the economic crisis experienced by Turkey in 2001, a Progress Report related to the 2000 CAS was prepared and discussed by the Board in June 2001. It dealt primarily with Bank support to Turkey during the crisis and focused on various dimensions of macroeconomic stabilization such as public finances, public sector reform, and financial sector issues. There was little mention of employment questions.

4.21 The 2003 CAS does not contain an explicit mention of employment generation as part of one of the pillars for Bank support, although the emphasis on macroeconomic stability, growth, and increased competitiveness indirectly involves job generation.

The most recent strategy includes increasing employment as a component in one pillar

4.22 The most recent CAS-type document, now called a Country Partnership Strategy (CPS) and presented to the Board in January 2008, includes a specific and explicit mention of increased employment as one of the four components of the first pillar for Bank strategy entitled "Improved Competitiveness and Employment Opportunities." It closely reflects the similar objective expressed in the government's Ninth Development Plan, as well as a number of other government objectives. In line with expressed government priorities, the CPS also explicitly mentions "enhancing the educational system and increasing the sensitivity of education to labor demand."⁸

4.23 Throughout the 1998-2007 period, major pillars for Bank strategy have entailed: macroeconomic stability; economic growth, competitiveness, and productivity; and poverty reduction and social development. While these building blocks for Bank strategy have evolved, they have been consistently present.⁹ Indirectly, the pursuit of assistance under these pillars has been consistent with a general objective of employment generation and earnings growth. Only in more recent years however, after the urgency of macroeconomic stability abated through policy changes and economic reform, have employment generation objectives become more explicitly pursued.

4.24 *Bank Group Assistance and Interventions.* The Bank has been active and heavily involved in all five of the MILES areas, with differing

emphases over the 1998-2007 periods. To the extent that the investment climate encompasses the infrastructure sectors, there is little in the Bank's program that is not included in the MILES areas.¹⁰ Appendix P presents a summary of Bank assistance in accordance with the five MILES categories. Lending and analytical work are listed separately.

Bank involvement has intensified over the period and covers all five MILES areas

4.25 In general terms, Bank involvement in Turkey has intensified dramatically over the 1998-2007 period. Lending commitments grew from \$18.5 million in FY97 to \$1.16 billion in FY07. Analytical and advisory assistance (AAA) and other non-lending support have increased commensurately. The lending portfolio improved from a problematic one to one without major problems.

4.26 *Macroeconomic Policies.* The mid-1990s were characterized by macroeconomic volatility, Bank ESW outlining the means to macroeconomic stabilization and adjustment,¹¹ and low-scale Bank-government relations. For some time preceding 1998, the Bank had identified macroeconomic instability as the major economic challenge for Turkey and pursued AAA on those issues, which frequently fell upon deaf ears within the government. Indeed, Bank persistence on such matters at times ruffled government sensitivities and served to undermine Bank-government relations. When the government's political will to proceed with stabilization emerged, the Bank through its previous analytical work was in a good position to play a useful role to provide support.¹² Because of the relevance and timeliness of Bank ESW and the government's need for international financial support, the Bank became an important actor having considerable influence, along with the IMF, in the design of the government's macroeconomic policy reforms, especially those related to public finances and the financial sector. In the initial stages, from 1999-2000, the Bank played a secondary role to the Fund in the design and pursuit of financial and banking sector measures,¹³ but this role evolved subsequently with later lending operations. Accordingly, the Bank's risky investment in pursuing macroeconomic issues in its AAA ultimately paid high dividends for both the country and the Bank.

4.27 Collaboration with the IMF on the first Stand-by Agreement in 1999 was intense, and this work gave rise to the period's first quick disbursing, policy-based adjustment loan – the Economic Reform Loan (ERL) in FY00. The milestone ERL operation focused its macroeconomic support on improved fiscal measures, the beginning of a social security reform, and the introduction of an unemployment insurance system.

The Bank collaborated with the IMF on the first Stand-by Agreement

4.28 The Bank also advised Turkey on bank failure resolution, deposit insurance, and on restructuring and privatization of state-owned banks. After the ERL, an FSAL supporting a strengthening of prudential regulations and banking supervision for the financial

It also advised Turkey on bank failure resolution, deposit insurance, and restructuring and privatization of state-owned banks

sector was made effective. The FSAL had one major shortcoming from the outcomes perspective: the absence of a stable macroeconomic environment based on a robust fiscal program. These conditions contributed to a major banking crisis two months after loan approval.

4.29 Learning from difficulties experienced in the ERL, the Bank modified lending instrument design with the introduction of programmatic adjustment loans. Fairly quickly, a series of three programmatic financial and public sector adjustment loans (the PFPSALs, approved in FY02 and FY04) was initiated. It was followed by the two programmatic development policy loans (PPDPLs approved in 2007 and 2008). These supported the structural reform program to maintain a macroeconomic stability framework, financial controls and expenditure management of public resources, and to improve the administration and governance of the public sector. In FY07 a new programmatic development policy loan series was initiated – the Competitiveness and Employment Development Policy Loans (CEDPLs); these loans, like their predecessors, are anchored in the maintenance of a stable macroeconomic policy environment. Over the 1998-2007 period a total of nine such adjustment loans have been made, totaling \$6.29 billion.

Policies supported by the Bank had a beneficial effect in achieving macroeconomic stabilization

4.30 There can be little doubt that the policies supported by the Bank and implemented by the authorities had a beneficial effect in achieving macroeconomic stabilization. Without the involvement of the Bank, and the Fund, it is doubtful that the necessary adjustment for the Turkish economy could have been so successfully achieved. The resumption of robust growth during the 2002-07 period is an outcome of those policy reforms. Indirectly, the demand for labor and employment have increased (or, rather, declined less) as a result.

4.31 *Investment Climate.* Growing out of the more general AAA was an emphasis on growth, competitiveness, the financial sector and private sector development, and the investment climate in general. Analytical work on investment climate issues has involved a number of infrastructure sector analyses and studies (including for electric energy, gas and oil, and water); a series of FIAS reports (starting in FY2000) focusing on the treatment and role of foreign direct investment, the private sector regulatory environment, tax issues for private sector development and investment promotion; and the recently divulged *Investment Climate Assessment* (2007).

4.32 On lending support, the Economic Reform Loan (ERL, FY00) contained, apart from its strictly macroeconomic (and financial sector) areas, elements related to privatization, the reduction of agricultural subsidies, and deregulation of the energy sector. Subsequent lending for agriculture (the Agricultural Reform Investment Project, or ARIP) provided resources for severance payments in agricultural state-owned enterprises as part of their privatization or closure and the fur-

ther reduction of agricultural subsidies. A number of credit line projects (the EFIL series) were also pursued, as were several projects in the electric energy sector. In 2007 the first CEDPL (Competitiveness and Employment Development Policy Loan) was approved; in addition to maintaining the macroeconomic policy framework, it supported various measures to improve the investment climate.

4.33 The Bank's support for macroeconomic and financial sector stabilization was perhaps its most important for improving the investment climate, as it was macroeconomic stabilization that really made the difference for investment and growth. After the macroeconomic and financial sector reforms, the area where the Bank Group has had the greatest impact in improving the investment climate has been with various features of the business legal and regulatory environment. The FIAS reports and engagement in the early part of the 1998-2007 period were of high quality and had a major impact. The successful FIAS engagement with the government resulted in close working collaboration and in the drafting and passage of the Foreign Investment Law of 2003 that eliminated the legal discrimination against foreign-owned firms operating in Turkey; the reduction of the top corporate income tax rate from 30 percent to 20 percent, and the establishment of governmental institutions to more effectively pursue private sector investment promotion and to improve the business enabling environment. These regulatory and policy changes, attributed in large part to FIAS initiatives and subsequent engagement, have been partly responsible for the expansion of private sector investment in general and that of foreign direct investment in particular. The FIAS engagement also resulted in a number of institutional changes designed to facilitate private and government collaboration on investment climate impediments.

Perhaps support for macroeconomic and financial sector stabilization was most important for the improvement in the investment climate

4.34 Another AAA effort of potential usefulness and importance is the recently divulged *Investment Climate Assessment* (2007). It was carried out, based in great part upon an insightful survey of manufacturing firms, in conjunction with a leading Turkish research and academic organization (TEPAV). So far the report's dissemination and engagement of Turkish stakeholders on these matters have not advanced very far, perhaps due to inadequate budgeting of Bank resources for such important follow-up activities.

4.35 *Labor Regulations and Institutions.* The Bank's Labor Market Study initiated more active and direct Bank participation on employment issues. This effort was planned in the 2000 CAS, but it was delayed through shifting Bank priorities related to the 2001 economic crisis and through staffing difficulties, including the reassignment of the Task Manager to additional functions in study's final stages. There was considerable interest on the part of the government, and after some initial discussions of results and recommendations the report

Analytic work on the labor market led to related lending operations to overhaul labor regulations

was finally divulged (in grey cover) in April 2006. This is a high-quality report, and it has had a considerable impact within the government. As a result, additional government requests for further work on related topics were extended, and the original report spawned additional AAA, including separate reports on estimating the impact of payroll taxes and youth employment.

4.36 This analytical work and related government policy actions have paved the way for directly related lending operations. The first programmatic CEDPL supported initial actions to overhaul labor market regulations. The second loan, CEDPL2, still under preparation, supports measures undertaken in the 2008 Employment Package along with various other measures designed to increase competitiveness.

4.37 As with reforms in the macroeconomic framework, the financial sector, and some investment climate measures, the Bank exercised a decisive and key role in supporting improvements in the labor market regulatory environment, but only toward the end of the review period. While the Bank's *Labor Market Study* was considerably delayed, it has served as a milestone in the Bank's involvement on such issues. It established the basis for a productive partnership between the government and Bank on labor market questions, spawning additional reports and collaborative work. The measures implemented as part of the Employment Package of May 2008 were a result of that work and that is being supported by the Competitiveness and Employment DPL series. These measures included, in particular, a general 5 percent reduction in employer social security contributions as well as a reduction of social security contributions for the young and women for firms hiring young people and women who have been out of the formal sector for at least six months.¹⁴ These are now being covered by the treasury. Excessive payroll taxation has been one of the issues that the Bank's advice has focused on for a number of years. This and other employment-related advice was developed in particular by the 2006 Labor Market Study, the 2007 ICA, the 2008 CEM, the 2008 your employment report, and the 2008 Labor Tax Report.

4.38 *Education.* Over an extended period, education has been a central sphere of the Bank's activity and lending in Turkey. In 1997 the Education Reform Law imposed sweeping changes in the educational system and extended mandatory education from five years to eight. Among other things, there was a large school construction program to try to meet the newly expanded demand. The Bank responded with a Basic Education Loan (APL), totaling \$300 million in 1999 – at a critical juncture in Bank-government relations. While the project from the beginning was beset with problems, including thorny procurement issues,¹⁵ it did come at an important time and was commonly seen as a willingness on the part of the Bank to support Turkey.

4.39 Additional educational sector lending, while continuing to be problematic, has fared better than the first Basic Education project. A second Basic Education Loan (APL2 in FY03) had much more specific project objectives – increasing coverage and improving the quality of basic education for low-income children. A Secondary Education project was approved in FY05.

4.40 To serve as a means to support lending and conduct a meaningful dialogue with the government the Bank undertook a *Education Sector Report*, which was disseminated (in grey cover) in December 2005. It is a competently done piece of analysis, drawing on, as a part of the team, considerable Turkish expertise and experience. It is unclear why this effort has not been more effective in pursuing a productive engagement with the government education authorities. A more recent *Higher Education Assessment* (FY07) raises equally relevant issues and also warrants more attention.

4.41 In many countries the education sector has proved a difficult sector in which to work for the Bank. This has indeed been the case for Turkey. While substantial and important advances have been made in the Turkish educational system, as witnessed by the increased enrollment rates (as noted above and in Appendix R), the Bank's role in this progress has been quite limited and perhaps even marginal. Effective engagement with the Ministry of Education over recent years has been, and continues to be, a challenge.

4.42 *Social Protection.* The ERL (FY00) included provisions and measures to include initial reforms of the pension system and the establishment, in 2001, of an unemployment insurance system. Those two systems continue at the forefront of Bank-government discussions on social protection. The PPDPL (FY06) supported government measures to further reform the pension system, revamp universal health insurance, and revise other social assistance programs. The pension (social security) system has recently undergone a new round of Bank-supported revisions (in the 2008 Employment Package). In addition, drawing from the earlier *Living Standards Study*, the Bank's Social Risk Mitigation Project (SRMP) of FY02 provided resources for conditional cash transfers to the poorest six percent of the Turkish families. Monthly stipends were provided to poor families conditioned upon school attendance and basic health care for their children. By mid-2008 2.8 million children were benefitting from this program.

4.43 The Bank has played an effective, important, and even decisive role in strengthening social protection. It has effectively pushed for ongoing reforms in the pension system, supported the nascent unemployment insurance system and pioneered the conditional cash transfer (CCT) program to poor families.

Although the Bank has long provided support to education in Turkey, its role in the sector's progress has been limited

The Bank continuously pushed for ongoing pension reforms and supported the establishment of unemployment insurance

NOTES

1. The background paper providing a detailed discussion of these topics will be available in IEG's website.
2. An earlier headcount poverty calculation for 1987 used the 1994 methodology but a less complete survey. It was estimated that in 1987, 38.5 percent of the population was living in poverty, suggesting a significant decline in poverty over the past three decades. Some earlier, but less well documented, estimates show headcount poverty reductions occurring since the early 1970s (Table 2).
3. Table 23 and Table 24 (Appendix L) presents details on employment and labor force participation rates.
4. An employment reform in 2008 reduced labor taxes.
5. See Fletcher (2007).
6. In addition to more general analyses, some specific studies include: Tansel (2002); Ince, Meltem and Demir, M. Hulusi, "The Determinants Of Female Labor Force: Empirical Evidence From Turkey" (2006), *Eskisehir Osmangazi Üniversitesi IIBF Dergisi*, Nisan 2006, 1(1), 71-90; and Capar et al. (2008).
7. See Tansel (2002), p. 20. A related study by the same author (Tansel, 2004) presents evidence from analysis of the 2002 HBS data that demonstrate a higher rate of return to education for women than for men.
8. World Bank, Country Partnership Strategy (January 2008), p. 27. A planned second programmatic Competitiveness and Employment Development Policy Loan (CEDPL2) is intended to address labor market issues.
9. Environmental protection and natural resource management have also been consistent pillars in Bank strategy, as evidenced in successive CASs.
10. The major exceptions are environment and health.
11. A good example is the 1996 CEM (Challenges for Adjustment).
12. This work included 1993, 1996, and 1997 reports that had developed a solid knowledge of Turkey's macroeconomic challenges during the years preceding the structural reforms.
13. In the Bank-Fund discussions on the initial stabilization measures, and the accompanying SBA and ERL, the Bank team wanted banking sector issues frontally addressed in the first SBA; however, the Fund decided to leave these related measures for later. The failure to address such problems up front ultimately contributed to the 2001 crisis.
14. The reform package is described in more detail in The World Bank (2008f), Box 5, p. 33.
15. See The World Bank (2006a), pp.45-47.

5. Key Findings

5.1 The cases reviewed in the preceding three chapters of this report depict a range of experiences relating to Bank support for addressing employment challenges. This chapter discusses a set of findings that can be drawn from Bank experiences assisting Colombia, Tunisia, and Turkey. The discussion focuses on the country's achievement of outcomes (GDP, poverty, employment, and earnings growth) and the contribution of Bank inputs, first from a cross-cutting perspective and then with reference to each of the five MILES areas of support. The chapter concludes with implications for Bank support during the current jobs crisis.

Comparison of Outcomes across the Three Countries

5.2 Two findings in connection with outcomes across the three countries are highlighted. First, progress in economic growth and earnings was better than progress in employment and unemployment. Second, while the availability of statistics on employment and outcomes has improved, there are still significant deficiencies.

5.3 When comparing the decade reviewed (1997-2007) with the previous decade, *the broad outcomes* (Table 9) are as follows: Tunisia did best. With stable employment growth, Tunisia increased its employment-to-population ratio and reduced the unemployment rate. Per capita GDP, GNI, and earnings growth rates also increased and poverty declined at an increased rate. Colombia also registered stable employment growth and an increase in the employment-to-population ratio, but the unemployment rate increased. The per-capita GNI and GDP growth rates declined, but earnings growth may have increased toward the end of the review period due to a decline in inequality. Poverty declined after having increased during the previous decade. Turkey experienced declines in employment growth and in the employment-to-population ratio, and an increase in the unemployment rate. The per-capita GNI and GDP growth rates increased and earnings growth possibly remained stable. Poverty declined at an increasing rate, particularly after 2002. The last column of Table 9 shows per worker output growth and TFP. Although Turkey, like Tunisia, increased TFP growth markedly, Turkey's growth, unlike Tunisia's, was "jobless." Based on this data, this assessment rates

Evaluation Essentials

- ❖ Progress in economic growth and earnings was better than progress in employment and unemployment
- ❖ Availability of data has improved, but more improvement is needed
- ❖ Bank support addressed areas with a bearing on employment more than it did employment outcomes
- ❖ The Bank's AAA was generally of good quality and was appreciated by the three clients, though its impact is unclear
- ❖ The Bank's proactivity and engagement on employment issues may not always have been well matched to country circumstances
- ❖ The Bank provided some successful support in all of the MILES areas
- ❖ All three countries are facing employment challenges in the current crisis

the Tunisia outcomes “satisfactory” and the Colombia and Turkey outcomes “moderately satisfactory.”

Although employment growth is positively correlated with GDP growth, changes in average growth over two decades were reflected primarily in changes in earnings growth

5.4 Although employment growth is positively correlated with GDP growth, as indicated by ILO (2005) estimates of the GDP elasticity of employment, *changes in average GDP growth rates between 1987-97 and 1997-2007 were reflected primarily in changes in earnings growth*, not on employment growth. A positive relationship between GDP and employment growth is to be expected because growth triggers demand for labor and because employment is one of the sources of growth. However, the simple correlation between employment and GDP growth is weakened by the relationship that has also been found between changes in GDP growth and changes in TFP growth (another source of GDP growth), particularly when fundamental changes in relevant policies have taken place. In fact, worldwide acceleration of GDP growth during the review period was linked to worldwide acceleration of TFP growth and the three countries were no exception. Changes in factor productivity growth allowed earnings growth to increase in Tunisia and Turkey, and possibly in Colombia where the change in average TFP growth between the two periods was small but income inequality declined.

Table 9. Colombia, Tunisia, and Turkey: Outcome Indicators

Year/ period	Employment		Unemployment		Income		Poverty		Income distribution			Output/TFP				
	Average annual change (%)	Employment-to-population ratio (%)	Unemployment rate	Real per capita GNI growth	Headcount ratio (not comparable across countries)	Gini coefficient (not comparable across countries)	Per-worker GDP growth/of which: TFP									
Colombia	2.3	2.3	51.0	51.4	9.8	10.7	2.2	1.9	52.5 ⁴	52.7	45.0 ²	53.1 ³	57.6	54.0 ²	1.58/ -0.01	1.16/ -0.18
Tunisia	2.7	2.7	38.1	40.2	15.9	14.1	2.2	4.0	7.7 ⁴	6.2 ⁵	3.8 ⁶	43.2 ⁴	38.9 ⁵	40.0 ⁶	2.37/ 0.75	3.04/ 1.42
Turkey	1.9	0.8	49.0	45.8	6.8	10.1	2.3	2.5	38.5 ⁷	34.5 ⁸	27.0 ⁹	44.4	41.6	39.5 ²	2.83/ -0.05	3.61/ 1.50
World average	1.7	1.6	63.0	61.8	6.1	6.0	1.4	1.9	71.8	67.2	56.6	61.9 ¹⁰	64.2 ¹⁰	63.4 ¹¹	0.83/ -0.44	2.99/ 1.32

Sources and Notes: GNI, Population and working age population: The World Bank (WDI). Employment and Unemployment: DANE (Colombia), Tunisia Institute of Statistics (Tunisia), OECD (Turkey), The World Bank (WDI) and ILO, "Global Employment Trends", 2009 (World). Poverty Headcount Ratio: DNP (Colombia); Tunisia Institute of Statistics (Tunisia); The World Bank (2005) and (WDI) (Turkey); The World Bank (WDI) (World). Gini Coefficient: DNP (Colombia); (World Bank updated (2008) poverty estimates (<www.worldbank.org>) (Tunisia); Dumlu and Aydin (2008) (Turkey). Output/TFP: staff estimates from Dale W. Jorgenson; Khuong Vu, "Information Technology and the World Growth Resurgence", hdl:1902.1/10702 UNF:3:vE7B5m3aMRtK6ZZi4IP4DA==; 1/ Average of 122 Economies. 1/1991; 2/ 2006; 3/1987 4/ 1985; 5/ 1995; 6/ 2005; 7/1987 8/1994; 8/ 1994; 9/2002/ 10/ 1988 and 1998, Milanovic (2005); 11/ 2000 and 2005, Hillebrand (2008).

5.5 Differences in outcomes across the three countries were linked primarily to differences in local exogenous forces and policies. External forces were favorable. Improvements in the world and regional

economic environment increased local demand for labor in the three countries. Per capita world GDP growth increased from 1.4 percent during 1987-97 to 1.8 percent during 1997-2007, with even larger increases in Latin America, ECA, and MENA. Access to international finance improved notably and the cost of this finance declined.

5.6 Improvements in **macroeconomic policies and other investment climate policies** were also a factor helping increase investment and the demand for labor in the three countries, but good macroeconomic policies were already in place at the outset of the review period in Tunisia, while these policies initially deteriorated in Colombia and Turkey. **Labor market rigidity**, non-wage costs, and minimum wages increased throughout the period in Turkey and remained unchanged in Tunisia. Rigidity was somewhat relaxed in Colombia but non-wage costs and the minimum wage also increased. In **education**, the three countries achieved increases in enrollment, particularly in secondary and tertiary, that is, toward the working-age range. These increases as well as demographic transition that reduced working-age population growth contributed to tame aggregate labor supply growth. Past education efforts also generated the supply of skills that allowed earnings to increase. Rural-urban migration spurred by economic sector adjustment in Turkey and rural violence in Colombia shocked urban labor supply. Furthermore, in Colombia, deteriorated security during the first half of the review period discouraged economic activity. All in all, the environment coming from local exogenous forces and policies was most favorable in Tunisia, less so in Turkey and least so in Colombia.

Improved policies were a factor in increasing investment and labor demand in all three countries

Increases in education enrollment and demographic transition helped tame labor supply growth

5.7 *In the three countries, poverty declined at an accelerating pace during the review period* (Table 31. , Appendix N.). This acceleration in poverty reduction comes as a surprise, for economic growth accelerated in Tunisia and Turkey and inequality declined in Colombia. Furthermore, the experiences of the three countries suggest that periods of economic distress, with low productivity growth, fall with more weight on the poor. This is shown by growth incidence curves in Tunisia and Colombia, which depict the incidence of growth by percentile of the income distribution. These curves indicated a pro-rich pattern during distress years. Increased inequality between 1994 and 2002 suggests that this may also have been the case in Turkey.

5.8 *Employment abroad has been an important source of income/transfers for nationals of the three countries, both for those living and employed abroad and for those living in their country and receiving remittances.* In Colombia, the economic and security crisis at the turn of the century triggered a substantial rise in the stock of emigrants (up to 4 percent of population) and in remittances (up to 7 percent of GNI), the latter declining as the economy improved (See Figure 1. , Appendix N.). In Tunisia, there was a gradual rise in the stock

Labor participation rates varied widely, as did the reasons for particular patterns

of emigrants after the year 2000 (up to 10 percent of population in 2007) and a rise in the level of remittances at the turn of the century (up to a little over 10 percent of GNI; (See Figure 2. , Appendix N). Turkey shows a sharp decline in remittances as the economy improved as well as a decline in the stock of emigrants (See Figure 3. , Appendix N).

5.9 *The dynamics of participation rates varied significantly across the three countries.* Turkey's long-term decline in participation continued and is primarily correlated with the decline in the share of the agricultural sector,¹ a decline that was given additional impetus by the removal of agricultural subsidies as part of the structural adjustment measures underpinning stabilization. Colombia's long-term increase in participation, primarily explained by increased in education levels that raised female participation rates, ceased during the period under review, reflecting the diminished capacity of the economy to generate employment due to lower growth and possibly minimum wages. Participation rates in Tunisia increased, reflecting higher economic growth.

5.10 Similarly, *the experience of unemployment in the three countries also varied considerably.* It suggests that changes in unemployment (Table 31. , Appendix N) in Colombia during the decade were primarily cyclical; that changes in Turkey's unemployment reflected changes in the cyclical component prior to 2002, when indeed there were wide swings of economic activity, with a rise in structural and/or frictional unemployment during stabilization, possibly as structural policies accelerated the rural-urban human resource reallocation; and that changes in unemployment in Tunisia were minor, reflecting the absence of cycles or major structural changes.

Unemployment rates remained high in all three countries, regardless of growth

5.11 *In the three countries, unemployment rates remained very high.* In 2007, these rates were 10.7 percent in Colombia, 14.1 percent in Tunisia, and 10.1 in Turkey, high even by regional standards in Colombia and Tunisia. These rates are not likely to reflect significant cyclical unemployment, for in 2007 output was close to potential in the three economies. They are more likely to reflect classical unemployment due to high minimum wages or structural unemployment due, for example, to skills mismatches, both issues of considerable importance in the three countries. Some frictional unemployment due to imperfect information may also be at work.

5.12 All this suggests that the Bank might usefully consider putting more resources into elucidating the hysteresis and structural roots of unemployment, including its cyclical, classical, frictional and structural components, as there appears to have been little success in reducing the long-term level of unemployment. The 10-year experience of the three countries reviewed in this report is striking in terms of the

impact (or lack thereof) of policies on structural unemployment. Understanding better the “classical unemployment” implications of minimum wages and the other sources of long-term unemployment may help sharpen engagement and dialogue on this critical issue.²

5.13 *There are also considerable differences in performance in employment indicators by gender.* In both Tunisia and Turkey, female participation rates are much lower than male participation rates for a variety of reasons discussed in the country chapters, including structural (for example, rural-urban migration in Turkey) and cultural factors (strong views of female roles at home). In Colombia, female participation rates, the highest of the three countries, declined after 2000, after several years of increasing, and male participation declined after many years of constancy. As with employment trends, the decline is linked primarily to slower economic growth, with some attribution due to minimum wage and labor taxes. In Turkey, female participation continued declining slowly, with no net changes in male participation. In Tunisia, female participation continued increasing and male participation continued declining. In all three countries, the authorities have been proactive in supporting women’s rights to work. Nevertheless, female unemployment rates are higher than male unemployment rates in Tunisia and more so in Colombia, with the gap between the two increasing in Tunisia largely as a result of skill mismatches. Turkey’s unemployment rates do not vary by gender. A distinguishing feature in Tunisia is that unemployment is higher among the educated, again due to a skills (quality) mismatch.

Employment indicators by gender differed significantly across the three countries

5.14 The experience on employment outcomes depicted in the paragraphs above suggests that Bank programs with employment objectives would benefit by considering the full set of employment-related outcomes when designing country programs. The full set would cover employment growth, the employment-to-population-ratio, the unemployment rate and earnings growth, and the impact of these on poverty, as well as the uncertainties of that impact. This is not to say that programs necessarily need to have quantitative targets for these variables, but that policies and programs need to be understood in terms of their possible effects on those variables.

5.15 *A review of the data that was available for this report concludes that while much progress has been achieved in collecting information, there are still important shortcomings.* For example, in Colombia, data is now being produced on a monthly basis and at the national level since 2001, but limited comparability with previous years limits the analyses and delays in production of the data prevents timely monitoring. Furthermore, sources (official, ILO, Bank) sometimes conflict with one another. While Colombian national data indicate that the participation rate ceased growing during the review period, both ILO and World Bank (WDI) estimates indicate that the

Data collection has improved, but more improvements are needed

participation rate continued growing. The Bank will better fulfill its objectives if it steps up its support, in coordination with other institutions, for better information gathering and availability on employment and earnings. The Bank has already been active in assisting countries in strengthening their household survey data. But more could be done. A good area to target is on the timeliness of dissemination. For example, the last available household survey data on earnings for Colombia, which allows analysis of formal/informal sector differences, is for 2006. The implied delays are too long for the needs of analysts, observers, and policy makers. In Tunisia and Turkey, the situation is not any better.

Comparisons of Bank Support across the Three Countries that Cuts across Policy Areas

5.16 Three findings are highlighted in connection with country program strategies. First, Bank objectives targeted primarily areas with a bearing on employment (e.g., MILES areas) rather than explicitly employment outcomes. Second, although its impact is unclear, the Bank's AAA was generally of good quality in terms of addressing the right employment issues competently; and it was well appreciated by the three clients. Third, the Bank's proactivity and engagement on employment issues may not always have been well-matched to country circumstances.

Most policies supported by the Bank in the three countries had implications for employment

5.17 *Although employment objectives have not been very explicit in Bank programs, most policies supported by the Bank in the three countries had some bearing on employment.* Bank strategies by and large focus on growth and poverty reduction as "grand objectives." Their references to employment or unemployment objectives are common, albeit often included only in passing. However, in the three countries covered by this report, references to employment in Bank programs increased during the review period, reflecting the increasing importance assigned to employment growth by authorities. Furthermore, the more concrete objectives generally included the policy areas with a bearing on employment, that is, the MILES areas.

5.18 This experience suggests that Bank strategies could move from just mentioning employment as an objective to better articulating how its support in different areas will affect the full set employment outcomes and poverty. Where employment issues are pivotal, country programs could articulate their impacts on employment outcomes by indicating the links between their concrete intermediate outcome indicators and employment outcomes, as defined above. This will make employment objectives more tractable and credible, and employment impacts more explicit or transparent. The rationale for this suggestion is that employment outcomes are the key channel through which

country programs affect poverty and poverty reduction is the Bank's overriding Bank objective.

5.19 *The Bank's strategy and interventions were highly relevant in addressing key employment and earnings-related issues in the three countries.* The Bank's support, through its AAA, TA, and lending operations, adapted to governments' changing priorities and generally addressed (or attempted to address) the most critical policy constraints. The Bank's ideas and its international perspective and experience mattered considerably. High-quality AAA was important in establishing and maintaining the extent and depth of the Bank's access to senior policy makers. This suggests that the Bank could usefully strengthen its role as knowledge provider and engage more strongly with its clients on employment policy. The Bank is in a strong position to strengthen its leadership on employment issues for a number of reasons. It has developed an integrative framework to identify constraints to employment. This framework allows the Bank to develop balanced views on policies affecting employment outcomes. It has demonstrated a capacity, as in other areas, to bring research into operationally relevant policy implications. AAA is the key instrument to deal with some of the more sensitive policy issues with a bearing on employment outcomes. And, again, its mandate of poverty reduction claims strong attention to employment outcomes. The Bank contributed to understanding employment issues in the three countries reviewed in this report. It can do so in many other countries that would benefit from this knowledge, even if the benefit takes time to materialize.

Although there were many important achievements, all three countries continue to experience macro vulnerabilities

5.20 *In terms of the effectiveness of Bank inputs, the picture is mixed. Much has been achieved:* in Colombia and Turkey, macroeconomic stability and financial sector soundness were restored and the investment climate improved. In Tunisia, macroeconomic and financial sector stability was sustained during the decade reviewed, despite a challenging combination of shocks in the early 2000s. Labor contract flexibility and training systems improved in Colombia, even if significant weaknesses remain in both areas. The three countries made further progress in coverage of secondary tertiary education, although in Tunisia progress in higher education was compromised by low quality. In Colombia, social safety nets were widened, albeit generating discernible fiscal pressures which cannot be resolved without addressing the considerable remaining rigidities in the tax and expenditure systems.

5.21 *But other goals remain elusive.* The three countries did not resolve a number of macro vulnerabilities. For example, considerable remaining rigidities in the tax and expenditure systems remain in Colombia. Strengthening private investment on a sustained basis, rather than due to a cyclical rebound, remains a challenge because key underlying causes of low investment, such as governance problems in

Tunisia, did not received enough attention. Little or no improvements in labor flexibility or in reducing the taxation of labor while financing social insurance were achieved in Tunisia or Turkey, and progress in Colombia was modest. Moreover, minimum wages possibly explain part of the informality and high unemployment rates in the three countries. Education quality did not make much progress in any of the three countries. A broad-based financing of social insurance that eases payroll taxes and contributions was not put in place.

5.22 *While rigorous "attribution" of results to Bank support is virtually impossible, the evidence discussed in the country chapters suggests that most Bank activities made important contributions.* Bank AAA is generally appreciated for its quality in the three countries. It appeared most critical in Tunisia, where the Bank is possibly the foremost provider of development knowledge products. The Bank's AAA covered all of the MILES areas. In lending, Bank-supported fiscal adjustment operations contributed importantly to the restoration of fiscal stability in Colombia and Turkey, although in Colombia these operations promised more than could be delivered to eliminate structural rigidities given political economy constraints.

5.23 *However, some of the Bank's lending operations supported messy, "second-best" reforms; it was right to do so, but overpromised what could be achieved.* Specific examples included the Bank's support for fiscal adjustment mentioned above, for the reform of the public training system, and for the Investment Stability Law in Colombia; and support for secondary education in Turkey. The Bank's involvement contributed to better outcomes in these areas even though the results were far from ideal.

Some of the Bank's lending operations were "second-best" reforms

Similarities and Differences across the Three Countries in Bank Support on the Specific MILES Areas

5.24 Key findings are summarized as follows: a) Bank support for *macroeconomic policies* contributed effectively to country efforts on stabilization and financial crisis resolution in Colombia and Turkey and on trade and financial development in Tunisia. These efforts were the main force that helped restore GDP growth in the first two countries and also contributed to sustaining higher growth in the third. Restored GDP growth increased the demand for labor resulting primarily in the higher earnings growth documented before; b) Bank support for *investment climate* policies covered the three countries and contributed to improvements in specific policy areas that helped raise investment or total factor productivity to varying degrees; c) support for *labor market regulations and institutions* occurred primarily through AAA of good quality in terms of relevance and competence but with somewhat uncertain and perhaps limited impact; d) support for *edu-*

tion contributed primarily to coverage and supported the increased supply of skills needed to raise output and earnings growth; e) support for *social protection* arrangements contributed successfully to CCT programs in Colombia, albeit with an unsustainable fiscal cost, and less so to unemployment insurance programs.

5.25 *Macroeconomic Policies.* Growth in Colombia and Turkey would have been less were it not for the stabilization that brought both countries out of recession during the first half of the review period. Bank support for macroeconomic policies was most important for employment growth in Turkey and Colombia. In Turkey, macroeconomic policies that on balance enhanced growth included reduction of fiscal deficits through both tax and expenditure measures that involved important structural reforms in the financial system, pensions, privatization and agriculture. Although initial stabilization efforts failed, the IMF and Bank provided considerable support to the macroeconomic stabilization efforts that were ultimately successful, with exception of pension reforms. Similarly, the Bank assisted Colombia in its macroeconomic stabilization efforts with success in helping tax administration but failing in its support to lessen fiscal rigidities. But clearly the structural reform challenges to stabilize were far more challenging in Turkey than in Colombia and, accordingly, the Bank's engagement in this area was correspondingly stronger in Turkey. In trade, the Bank successfully helped Tunisia in the area of facilitation and this may have contributed to employment outcomes.

5.26 This experience suggests that the Bank work with the IMF in advising countries to ensure fiscal prudence while using available policies and resources judiciously in terms of addressing varying employment challenges. This means relying largely on automatic stabilizers (allowing moderate deficits as revenue growth falters in recession and building treasury reserves during booms) rather than on discretionary policies that have often been biased toward increased public expenditure and that risk remission into fiscal distress. Discretion is likely to make more sense in expenditure allocation, with epochs of employment distress deserving more resources into UI and CCT programs and periods of employment booms allowing more resources to be spent on public investment. The Bank can help in this area through its PERs, which are typically multi-sector tasks. The rationale for the suggestion to avoid expenditure expansions to any significant degree is illustrated by the experience of Colombia and Turkey referred to above, where the first half of the review period was one of recession and deteriorating employment outcomes originating in declining confidence from an unsustainable fiscal stance (and deteriorating security in Colombia).

Bank support for macroeconomic policies contributed to country efforts on crisis resolution in Colombia and Turkey and on trade and financial development in Tunisia

Bank support for investment climate policies contributed to improvements in specific policy areas that helped raise investment or total factor productivity

5.27 *Investment Climate.* In Tunisia, private investment was relatively stable when compared with Colombia and Turkey, where the crises of the turn of the century led to a major decline in the ratio of investment to GDP (Figure 4 Appendix N). The latter declined until after the time when the recessions bottomed out in Colombia and Turkey, and then recovered significantly, even surpassing the prior maximum ratio in Colombia. The cyclical behavior of private investment in Colombia and Turkey and the relative macroeconomic stability in Tunisia reflect the major role of macro conditions in determining private decisions to invest, although a deterioration of security may also have played an important role in diminishing investment around the turn of the century in Colombia.³ No progress was achieved in raising Tunisia's low private investment ratio, possibly due to concerns with public governance that were covered in the country chapter. Foreign direct investment behaved more erratically but displayed a clear upward trend towards the end of the period under review in the three countries, reflecting both buoyant international capital markets as well as strong domestic recovery.

5.28 Stabilization in Colombia and Turkey, improved security in Colombia, and the prospect of accession in Turkey helped recover their investment performance. Policies in the areas normally covered by investment climate analyses also improved, with legislation providing for insurance against changes in most laws and regulations in Colombia and legislation removing discrimination against foreign investment in Turkey being some of the successful reforms supported by the Bank. These improvements may have contributed more to total factor productivity growth than to the investment-to-GDP ratios.

5.29 Given the close relationship between investment and growth, it would be worthwhile that PREM and PSD work more closely to better integrate macroeconomic with microeconomic approaches to growth. While macroeconomic changes probably explain increases in investment in Colombia and Turkey, improvements in investment in the restricted business climate variables (that is, excluding macro and trade) may have been primarily reflected in increased productivity, rather than captured by aggregate private investment. Some of the increases in TFP observed in the three countries toward the second half of the period reviewed may be due to better product market regulations. Furthermore, the Bank can strengthen its diagnostic work by following IEG recommendations on the Doing Business indicators, particularly with regard to tracing the impact of reforms and using more of the available analyses to choose indicators.

5.30 *Labor Regulations and Institutions.* The Bank's analytical work on labor market issues in the three countries has been of high quality. It has provided convincing, evidence-based analysis; was conducted in

Support for labor market regulations and institutions — primarily through AAA of good quality, but with somewhat uncertain and perhaps limited impact

close collaboration with local researchers and/or stakeholders; focused on key elements of the domestic policy debate; and identified reform priorities. The analysis also took clear account of the interaction between policies in different areas (i.e., it often effectively applied to a varying extent a broad framework similar to MILES). It addressed the two key components of the gap between the demand price and the supply price for labor that discourage employment: the rigidity of labor contract regulations, which creates a cost expectation to businesses, and payroll taxes and contributions. The Bank's work on contributions has been closely linked to its work on the social services that these contributions finance. Not surprisingly given the sensitivity of labor policy issues, this AAA work was delinked from lending.

5.31 Unfortunately, moving toward less rigid regulations or lower contributions is rarely an objective that countries pursue on any sustained basis. The idea of making contracts more flexible is controversial and politically sensitive and reducing taxes faces either fiscal constraints or reductions in government services on which it can be difficult to reach consensus. Data on Colombia, Tunisia, and Turkey suggests little or no movement in those directions, although measuring rigidity of labor markets is not easy and available indices are sometimes contradictory.⁴

5.32 *Continuing and extending AAA on labor markets can help improve labor market performance.* Using AAA capitalizes on the Bank's capacity for labor market analysis and lowers the risks of undermining reform that often come with the difficult political economy of labor reform. In particular, the Bank can help improve and extend (perhaps in partnership with the OECD and the Bank's *Doing Business* report) estimates and cross-country comparisons of labor rigidities and labor taxes. It can also further the understanding of low female participation and employment rate in countries like Tunisia and Turkey. The dialogue, dissemination, and advice part of AAA, while challenging, can make this instrument more effective, although there are always risks like the weakened dialogue on the matter in Tunisia.

5.33 *Education.* Key standard aims of education policies in most if not all countries have been to increase coverage, technical quality, and fit to the labor market. This has been the case as well in the three countries reviewed. To achieve those aims, and in addition to higher expenditures, policies in Colombia combined decentralization of expenditures, programs to target hard-to-reach populations, changes in curricula aiming to improve below-average quality of education, and expansion of non-formal training in an effort to improve the relevance of courses. Policies in Tunisia were aimed at increasing coverage and reducing gender gaps. In Turkey, the key policy was to expand

Support for education contributed primarily to coverage and the increased supply of skills needed to raise output and earnings growth

coverage by extending mandatory schooling from five to eight years. Progress is summarized as follows (Table 33, Appendix N):

- All in all, based on increases in average years of schooling for the population 15 years and older, progress during the past decade has been fastest in Tunisia, followed by Turkey.
- Net enrollment in primary education did not change in Colombia during the evaluation period and declined in Tunisia and more so in Turkey; it had increased considerably in Colombia and Tunisia during the previous decade.
- Net enrollment in secondary education increased most in Turkey followed by Colombia.
- Gross enrollment in tertiary education increased most in Turkey, followed by Tunisia.
- Average years of education continued increasing during the decade reviewed, at a rate of about 0.1 per year in Colombia and Tunisia and 0.04 per year in Turkey. During the previous decade, years of education had increased faster in Turkey, at about the same rate in Tunisia, and more slowly in Colombia.
- Expected years of schooling today are somewhat higher in Tunisia, followed by Turkey.
- Improvements in test scores between 2003 and 2006 suggest an increase in the quality of education during the period covered.
- However, the increase in the percentage of businesses that view the workforce as inadequately educated, particularly large in Turkey, suggests that increases in quality through education and training are not keeping pace with the changes in market requirements.

5.34 The Bank supported policies and expenditures to achieve the progress reflected in the results outlined above. Of Bank support in the three countries, support in Colombia, which included both AAA and project lending, was appreciated the most. This support helped improve quality, delivery of education services in poor, hard-to-reach rural communities, develop a student loan scheme for formal higher education, set up information systems within the Ministry of Education, and improve the effectiveness of non-formal training. Nevertheless, from an evaluation perspective, some of these projects were not entirely satisfactory either because they did not fully meet the objectives they set out to accomplish or because objectives were not clearly articulated.

5.35 The Bank's support in Turkey during the review period aimed to improve vocational training, help Turkey meet the OECD's educational standards, and expand coverage and quality of basic education. IEG ICR reviews rated these projects less than fully satisfactory in varying degrees in that they did not entirely meet the objectives they set

forth to accomplish, where the objectives were not clearly articulated, or where implementation, particularly of procurement, was difficult. AAA contributions have been of good quality and highlighted important policy issues directed to improving education of the poor. Among the three countries reviewed in this report, however, the education sector in Turkey has proved the most difficult sector for the Bank's work and where the Bank's impact has probably been more limited.

5.36 The Bank's support in Tunisia during the review period focused on training to improve the fit of the labor force to labor opportunities, restructuring of higher education to improve its responsiveness to the country's needs, coverage in anticipation of expected increases in enrollment, and quality to address the concern that large numbers of students fail to master basic skills. The projects have been rated satisfactory but the perceptions of stakeholders are that the Bank's support of higher education has not been sufficiently far-reaching, particularly in addressing issues of quality. As noted in Chapter 3, exceptionally high unemployment of university graduates must be at least in part attributable to the poor quality and/or fit of university education.

5.37 In the higher education sub-sector in Tunisia, the Bank's credibility has been damaged in the eyes of some observers because it has supported a rapid and quality compromising expansion in physical university facilities without first insisting on critical policy changes to increase university autonomy and accountability.

5.38 The Bank may find it appropriate to continue focusing on advice and projects to improve coverage and quality. In looking at quality, greater emphasis might usefully be ascribed to addressing skills mismatches, which appear to be behind much of the structural unemployment observed in countries like the three reviewed in this report. Mismatches of skills between supply and demand are thought to be an important source of structural unemployment, triggered for example by sector restructuring in Turkey and poor technical quality and inadequate skills in Tunisia. As discussed in the section on results, structural unemployment is an area where little or no progress was made in any of the three countries. And the data presented above indicate that skill mismatches may be increasing. In these regards, the education network could work more closely with the PSD network. The Bank should also continue its pursuit of gender equality in education, as the main lever that it has in supporting progress toward gender balance in labor participation.

5.39 *Social Protection.* Social protection policies may have an impact on employment when they achieve worker protection that can substitute for job protection and thus facilitate labor flexibility and mobility.

Support for social protection arrangements contributed successfully to CCT programs in Colombia, and less so to unemployment insurance programs

And indeed there is some evidence of this trade off in international comparisons,⁵ albeit separating countries in the Anglo-American tradition, where social protection “buys” more labor flexibility, from those in the European tradition. The key social protection instrument to substitute for job protection is unemployment insurance, but old age and health insurance, and cash transfer systems will also be relevant. There was little movement in this direction during the period under review. In Turkey, job protection was strengthened and an unemployment insurance system was introduced in August 1999 (it started paying benefits in 2002) as well as a CCT arrangement, together with pension reform. In Tunisia, there was no change in either. Colombia provides the richer experience as some relaxation of worker protection and a strengthening of a CCT system took place during the period reviewed. The impact of more flexible labor regulations was discussed above.

5.40 Bank support in the three countries addressed different issues. In Turkey, which has a three-tier social insurance system comprised of pension, health, and unemployment insurance (including both formal unemployment insurance and mandatory severance payments), the Bank recommended measures to improve the financial viability of the pension system, to develop a system that finances and purchases a basic system from a pluralistic provider market, and to eliminate mandatory severance in view of the presence of unemployment insurance and introduce unemployment benefit rates that decline with unemployment duration to encourage job search.⁶ In Colombia, the Bank played a strong role, together with the IADB, as a catalyst of the conditional cash transfer program. In Tunisia, the Bank recommended introduction of employment insurance with a view to encouraging greater labor mobility.

5.41 Strategies for dealing with the long-term fiscal costs of expanding social protection networks need to be built into the program design from the outset. The Bank (and IADB) helped to improve the design and finance the implementation of the main CCT program, *Familias en Accion*, which has had a positive impact on a range of social outcomes. However, the program is growing rapidly, well beyond its original role as a temporary response to alleviate the social consequences of the 1999 crisis. The Bank should have given more attention earlier to the longer-term fiscal implications of the program, including how it would be financed when external financing was no longer available.

5.42 The apparently insurmountable problems have led to establishing partial and imperfect systems that are unlikely to fit the bill from the perspective of delinking worker protection from job protection. The Bank needs to continue working on implementing worker protection in-

stead of job protection. This has not been easy, as the Colombian and Turkish experiences demonstrate. The key constraints, affordability on the one hand and a correct incentive structure need to be compatible. Efforts in this area should also factor in the informal sector, as an affordable and efficient UI system may help encourage formality.

The Current Global Employment Crisis

5.43 With world GDP growth declining sharply as a result of the solvency and credit crises in world financial markets, unemployment rates are increasing and employment and earnings growth are declining. In its 2009 Global Employment Trends Report, the International Labor Office (ILO) estimates that world unemployment will increase from 5.7 percent in 2007 and 6.0 percent in 2008 to within 6.1 percent and 7.1 percent by the end of 2009.⁷ In its "Scenario 2" projection, where the "negative impact on unemployment is taken in each country at the time of the largest year-on-year drop in GDP" and IMF November 2008 GDP growth projections are used (2.9 percent in 2009), the unemployment rate would reach 6.5 percent by the end of 2009, resulting in an increase of 31 million unemployed compared to 2007. Increases in world unemployment will be even higher (to 6.8 percent) under current (April 2009) IMF growth projections for 2009 of minus 1.3 percent.⁸ The largest increases in the unemployment are probably occurring in developed economies, Central and South Eastern Europe (non-EU) and CIS, and Latin America and the Caribbean. The employment-to-population ratio, which had been recovering since 2004, already declined by 0.2 percentage points in 2008 and likely to fall further in 2009. With declining output growth, declining earnings growth is projected to raise \$2-a-day poverty rates by up to 5 percentage points between 2007 and 2009.⁹ All of these projections are of course quite fluid and likely to change significantly.

5.44 The major economies are responding to the crisis primarily by increasing public expenditure (bailouts, infrastructure, education, health) and lowering interest rates, with the expectation that these measures will rekindle growth in late 2009 or 2010. The United States is also raising its low unemployment benefits. Many European countries are subsidizing part-time employment; and the United Kingdom is subsidizing hiring and training. Middle-income economies are reacting in various ways.

5.45 Performance and policy response in the three economies covered by this report provide a sample of the challenges being faced:

- In Colombia, the government estimates that growth declined to 3.2 percent in 2008 and expects will decline further to within 1 percent to 3 percent in 2009, from 6.9 per-

Countries are introducing a variety of policies to help contain the deepening of global unemployment

cent and 7.5 percent respectively in 2006 and 2007. While urban unemployment increased only marginally in 2008 (from 11.4 percent in 2007 to 11.5 percent in 2008), it is likely to rise more significantly in 2009 as a result of declining growth. Colombia's response to the crisis includes countercyclical fiscal policies with some tax reduction, and expenditures on infrastructure and business subsidies; access to international financing, expanded business finance, training and employment services, and conditional cash transfers. The Bank is supporting the CCT program and private sector efficiency and competitiveness programs.

- In Tunisia, the unemployment rate had remained stable at just over 14 percent in 2008. As in Colombia and Turkey, both fiscal and monetary policies are expansionary at this point. Macroeconomic/Investment climate policies are designed in part to combat the possible adverse impact of recession in Europe and target enhancements in global integration, business climate, and financial sector. The Bank is supporting these policies.
- In Turkey, growth is estimated to decline to 3.1 percent in 2008 and expected to decline further to -1.0 percent in 2009 in 2009, from 6.9 percent and 7.5 percent respectively in 2006 and 2007. Unemployment increased from 9.9 in 2007 to 10.7 in 2008 and may increase further to above 12 percent in 2009 as a result of declining growth. The Bank is supporting programs in education, competitiveness, employment and finance.

5.46 The following paragraphs summarize a number of implications concerning Bank support during the current global jobs crisis:

5.47 *The Bank may adjust its programs to emphasize more strongly its support for employment-related objectives.* Country Directors are the logical focal points to engage with country authorities on ways to increase Bank programs' impact on employment outcomes. Many governments have made adjustments to their policies in reaction to the financial crisis and the Bank can follow suit by emphasizing those areas it can support that best address constraints to employment creation and earnings growth. One obvious adjustment is to emphasize more AAA to diagnose constraints to employment in many of the countries (as the program in Turkey is doing at present).

5.48 *The Bank's integrative capability can be put to good use in providing support in the different areas affecting employment outcomes.* The current exogenous are likely to raise challenges in the macro, investment climate, labor regulation, education, and social protection areas. As current exogenous shocks to output in developing

countries raise unemployment, the Bank is well-positioned to help develop policy options in the various areas that have a bearing on the full set of employment outcomes, including unemployment and earnings. Under recession, slow employment growth, cyclical unemployment, and declining earnings or declining earnings growth become major issues. The Bank has a good integrative framework to help countries address these issues with a good balance between countercyclical policies and fiscal prudence; measures to speed up improvements in the business climate; measures to encourage employers to hire; training arrangements for those unemployed to speed up their rehiring; and safety nets. These are of course unlikely to apply uniformly. For example, the macro policy component will likely be more critical in a country like Turkey than in one like Tunisia.

5.49 Monitoring and analyzing employment and earnings conditions as they evolve has now become more of a priority. Yet there are important gaps in developing country employment and particularly earnings statistics. The Bank can work in concert with other partners, including the ILO, the OECD, the IMF, and the regional Banks to help countries speed up the delivery and improve the quality of employment and employment-related data (such as earnings, taxation of wages, minimum wages, and others).

5.50 *Given that employment policy issues straddle across networks, particularly PREM, HD and PSD, integrative work across these networks is likely to strengthen the Bank's effectiveness.* Examples of key employment policy issues of interest with regard to the current crisis include:

- *Improving monitoring of how the employment and earnings situations evolve and diagnosing evolving constraints to employment in many of the countries.* To assist in this endeavor, the Bank can consider work in concert with other partners, including the ILO, the OECD, the IMF and the regional Banks to help relevant countries speed up the delivery and improve the quality of data on employment-related variables. This data is sorely needed to assess the jobs and earnings situation as it unfolds.
- *The impact of global recession on structural unemployment.* As economies restructure in the face of recession, much of the new cyclical unemployment is likely to become structural. This strengthens the case for the Bank to consider helping to design policies to reduce skills mismatches. Bank engagement might also usefully spotlight minimum wages and their interaction with non-wage costs, which in the three countries reviewed may have caused unemployment and informality. These effects are likely to deepen during recession.
- *Strategies to promote job flexibility and worker protection.* Developing job flexibility today is likely to help bolster employment

and earnings growth, particularly as economies recover. Strengthening worker protection will help the unemployed, particularly as unemployment rates increase under the present crisis.

- *Finding the right balance between macroeconomic stability and the fiscal cost of other employment-related policies.* The experience reviewed in this report (Colombia) calls attention to ensuring the financing sustainability of expansions in social protection systems.
- *Strengthening the interaction between macroeconomic and micro-economic conditions affecting growth and employment demand.* As the report argues, an improved investment climate, which good macro policies will help achieve, may increase total factor productivity growth and investment and thereby encourage employment and earnings growth.
- *Understanding the interface between quality of education and absorption of labor services.* Skills mismatches remain an important source of structural unemployment that education policies may help address.
- *Assessing the possible effect of differential changes in employment and earnings on migratory flows.* Some countries are likely to be more adversely affected than others. This may trigger migratory flows with multiple effects on employment related and other key macroeconomic variables.

5.51 *Country programs will be more effective as they focus on areas where progress in the enabling conditions has been slow but where windows of opportunity for reform may surface as a result of the crisis, as has happened in Colombia and Turkey.* The area where progress has been typically slow is on making labor regulations more flexible and labor taxes lower. Employment crises in Colombia and Turkey created windows of opportunity for reform in this area and the current global crisis may also create further opportunities in this and other areas. Conversely, the Bank can also help countries maintain progress where it has been achieved, as was the case with macroeconomic stability in the three countries reviewed. In this regard, the Bank can deploy its multi-sector capacity to help countries avoid conflicts between employment policies (e.g., making sure that stimulus packages or extended social protection are affordable).

NOTES

1. See Pamuk, Sevket (2007), p. 269.

2. See, for example, Betcherman, Gordon (2000).

3. Private investment is sensitive to economic and political risk. See Le, Quan V. (2004), a paper that analyzes private investment in a set of 19 countries that include Colombia, Tunisia and Turkey. Increased macroeconomic and political instability will raise risk. investment because it raises risk

4. For example, an OECD study for the late 1990s ranked Turkey near the top of labor rigidity: see The World Bank (2003a), Volume II: Main Report, Table 5.2, p 92. More recent indicators actually suggest that in the late 1990s Turkey's labor regime was relatively less rigid, although it hardened during the decade.

5. See Favro-Paris (2003). Fig. 1, p. 32. In this paper, Turkey ranks at the top on the strictness of employment protection legislation in a sample of 27 primarily developed economies.

6. See World Bank (2000a), "Turkey: Country economic memorandum – Structural Reforms for Sustainable Growth": Main report, Report No. 20657-TR.

7. See ILO (2009) p. 34.

8. See IMF (2009)

9. See ILO (2009) p. 38.

Appendix A. CAS Objectives

Colombia, Tunisia and Turkey

Country	CAS Date	CAS Objectives: 1997-2008
Colombia	1997/10/15	1) promoting peace and development through a focus on the socio-economic determinants of violence, 2) promoting rural development, 3) developing human capital, 4) attaining public sector efficiency, 5) improving infrastructure services, and 6) ensuring sustainable development. (CAS p. 10).
	1999/11/01 (Progress Report)	1) promoting peace and development through a focus on the socio-economic determinants of violence, 2) promoting rural development, 3) developing human capital, 4) attaining public sector efficiency, 5) improving infrastructure services, and 6) ensuring sustainable development. (p. 2).
	2002/12/24	Support Colombia's quest for peace in three essential areas: (1) achieving fast and sustainable growth; (2) sharing the fruits of growth; and, (3) building efficient, accountable, and transparent governance. (p.22).
	2005/09/09	(1) Achieving fast and sustainable growth; (2) sharing the fruits of growth; (3) building efficient, accountable and transparent governance; (4) build the foundations for peace. (p.11)
	2008/03/04	(1) Peace and Security for Citizens, Promotion of Equity; (2) High and Sustainable Growth; (3) A State at the Service of its Citizens; and (4) Promotion of Environmental Sustainability, as well as support for its Transversal Themes ¹ (p. 14).
Tunisia	1996/06/25	(1) Deepening structural reforms; (2) Human capital development; (3) Modernization of services; (4) environmental management. (p. 15)
	2000/03/28	(1) Consolidating long-term development through activities in sectors of traditional Bank involvement; (2) Supporting economic reforms to enhance competitiveness and increase employment; (3) New initiatives of catalytic nature to strengthen local institutions, launch new development niches (e.g., information technology), and mobilize external finance. (p. 21)
	2004/06/03	(1) Strengthen the business environment to support the development of a more competitive, internationally integrated private sector and improve competitiveness of the Tunisian economy; (2) Enhance skills and employability of graduates and labor force in a knowledge economy; (3) Improve the quality of social services through enhanced efficiency of public expenditures. (p. i-ii)
	2007/08/13 (Progress Report)	1) Strengthen investment climate and competitiveness, (2) improve education quality and graduate employability for an increasingly knowledge-based economy, and (2) improve social services through more efficient public expenditure. (p.3)
Turkey	1997/08/06	1) Improve economic management (privatization, social security, agricultural subsidies, public financial management, banking); 2) Reduce poverty and increase social development (agricultural productivity, universal schooling through 8 th grade; health indicators; health insurance, pensions); 3) Improve competitiveness and employment (government's policy and regulatory role). (p.14-17)
	2000/11/28	Reduce vulnerability through: 1) restoring stable and higher growth; 2) creating employment; 3) reducing inflation; 4) improving public management and accountability; and 5) expanding social services and social protection. (p.ii)
	2001/07/10 (Progress Report)	Reduce vulnerability through: 1) restoring stable and higher growth; 2) creating employment; 3) reducing inflation; 4) improving public management and accountability; and 5) expanding social services and social protection. (p.14)
	2003/10/02	1) Mitigate the impact of financial and tectonic crises on people, and (2) Support the modernization and strengthening of institutions for the future. (p.8)
	2005/11/08 (Progress Report)	1) Reduce economic vulnerability; 2) achieve high and stable growth; 3) reduce the risk of reemergence of crisis; and 4) address the many challenges of preparing for EU membership. (p.3)
	2008/01/25	Unlock Turkey's potential for fast and sustained growth while establishing equal opportunity and allowing more citizens to share in the benefits of growth, through reforms that also facilitate Turkey's EU accession. Three pillars: 1) improved competitiveness and employment; 2) equitable human and social development, and efficient provision of high quality public services; 3) with emphasis on the reduction of regional differences. (p.23)

¹ Gender, Youth, Ethnic Groups and Intercultural Relations, Culture Demography and Development, Science and Technology, Migration Policy, Foundations and Cooperatives, Promotion of Economic Solidarity, International and Regional Dimensions of Development. (CAS, p.10)

Appendix B. Colombia: Baseline and Latest Outcome Indicators by Miles Component

Colombia: Indicators of Outcomes Organized Along the MILES Framework

Indicator	Baseline 1998	Latest 2007/8	Comments
Macroeconomic			
Inflation (12-month, %)	16.7	5.7	Major improvements in inflation and external debt service indicators.
External debt service ratio (%)	48.7	27.9 [2006]	
Central govt. deficit (% of GDP)	5.4	3.3	
Non-financial public sector (% of GDP)	4.6	1.0	Deficit peaked at 6.4% in 1999; sustained reduction began in 2003.
Tax revenue (% of GDP)	17.6	24.1	Most of the gains in tax revenue/GDP have occurred in the last three years.
Public capital expenditure (% of GDP)	8.0	7.2	
Public debt (% of GDP)	34.1	38.3	Public debt reached a peak of 60% of GDP in 2002 and has fallen sharply since.
Capital adequacy of banks: capital to risk-weighted assets (%)	9.4 [2000]	13.6 [Aug 2008]	Dramatic improvements in all financial soundness indicators.
Non-performing loans (% of total)	10.7	4 [Aug 2008]	
Provisions to non-performing loans	37.9	120 [Aug 2008]	
Investment Climate			
Ranking in WEF Global Competitiveness survey (% of countries ranked lower)	13	45	
ICRG score for corruption ¹	1.5	2.5	
Time required to start a business (days) ²	60 [2003]	36	
Average time to enforce a contract (days) ³	1,510 [2004]	1,346	
Average time to file all business tax returns (hrs) ⁴	456 [2004]	256	
Time required to complete foreign trade procedures (days) ⁵			
Export	34 [2006]	14	
Import	48 [2006]	15	
Domestic credit to private sector (% of GDP)	36.7	39.6 (check)	Credit to private sector slumped to 25% of GDP in 2003 before rebounding.

Colombia: Indicators of Outcomes Organized Along the MILES Framework

Indicator	Baseline 1998	Latest 2007/8	Comments
Foreign direct investment, net (\$ billion)	2.03	8.66	Large increases in FDI inflows in last few years.
Private investment (% of GDP)	14.3	17.6	
Labor Market			
Non-wage payroll costs (% of wage)	55	55	The non-wage costs of employing labor in the formal sector rose from under 40% to about 55% in the mid-1990s and have remained broadly unchanged since then.
Numbers of apprenticeship contracts (annually)	33,000 [2000]	75,000 [2005]	Substantial expansion in apprenticeship contracts, with growing share for non-SENA courses.
of which: from non-SENA training institutions	0	16,000	
Average dismissal costs (months of wages)	13.4	10.1 [2004]	Dismissal costs reduced moderately as a result of the 2002 reform.
Rigidity of employment index ⁶	27 [2004]	24	
Number of graduates from SENA training courses (annually)	0.9 million [2003]	4.1 million	
Education			
School enrollment (% net)			Significant increases in primary and secondary enrollment
Primary	87.3	88.5 [2006]	
Secondary	53.6	64.9	
Tertiary (% gross)	22.0	31.0 [2006]	
Primary completion rate (% of relevant age group)	90.1	105.2 [2006]	Increased primary completion rates.
Male	87.9	103.4 [2006]	
Female	92.3	107.1 [2006]	
Social Protection			
Number of beneficiaries of unemployment subsidies; of which:	0	110,000 [2005]	
Share of informal sector workers (%)	(0)	(46)	
Number of beneficiaries of conditional cash transfer schemes (million)	0	1.5	
Number of beneficiaries of subsidized health insurance (million)	10.7 [2002]	18.6 [2006]	

¹ 0=worst; 6=best.

² From World Bank "Doing Business" reports.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ From World Bank "Doing Business" reports. The rigidity of employment index is the average of three sub-indices: difficulty of hiring, rigidity of hours, and difficulty of firing. Index range is 0-100, with higher values indicating greater rigidity.

Appendix C. Colombia: World Bank Program by MILES Component

Colombia

Bank Program	Amount (US\$mn)	IEG Outcome Rating	Comment (Including conclusions of IEG reviews)
Macroeconomic Policy			
Lending			
Public Financial Management II [FY01]-P040109	35	Satisfactory	Objective was to strengthen the institutional capacity of tax agency (DIAN) and public expenditure management. Improvements in tax administration targeted were judged as very likely to be sustained, but the project did not significantly improve the discretionary tax policies.
Structural Fiscal Adjustment Loan [FY02]-P073572	400	Moderately Satisfactory	Rationalizing the system of transfers to local governments; improve efficiency in the provision of public health services; pension-related contingent liabilities; reorganization of public agencies and their current expenditures; managing public debt. Structural improvements achieved across a number of areas but failure to reduce actual fiscal deficit in 2002 and unsatisfactory Social Service Institute (ISS) reform detracted from the benefits achieved in other areas.
Fiscal and Institutional Adjustment Loans:			The project's objective was to support fiscal sustainability in the long term through a series of reforms to the tax system, expenditure, procurement, and rationalization of public administration. Results were mixed: fiscal adjustment was achieved but envisaged improvements in the legal and institutional frameworks in many areas were not achieved.
FIAL I [FY03]-P080831	300	Moderately Satisfactory	
FIAL II [FY04]-P083905	150	Moderately Satisfactory	
FIAL III [FY05]-P084762	100	Moderately Unsatisfactory	
Financial Sector Adjustment Loans:			Strengthen capacity to manage and mitigate weaknesses in the financial system; reduce outstanding fiscal contingent liabilities; also focuses on housing mortgage market, and securities regulatory framework. The overall objective was judged highly relevant and most immediate objectives achieved, but design of FSAL II judged deficient in some respects because of i) lack of a clear link between project components and outcomes; limited interval for implementation between FSAL I and II; and failure to address the financial transactions tax.
FSAL I [FY03]-P078869	150	Satisfactory	
FSAL II [FY05]-P082597	100	Moderately Satisfactory	
Analytical Work			
CPAR [FY01]-P076038			Analysis of public procurement and contract management.
Corporate Governance ROSC [FY03]-P082535			Corporate governance ROSC assessment in Colombia

Bank Program	Amount (US\$mn)	IEG Outcome Rating	Comment (Including conclusions of IEG reviews)
Auditing and Accounting - ROSC [FY04]-P085186			Within the ROSC Initiative, to review and identify the strengths and weaknesses of accounting and auditing standards in Colombia.
CFFA [FY04]-P078889			Analyzes Colombia's current system of public sector financial management.
Improved Public Expenditure Efficiency [FY04]-P066038			Reviewed Colombia's fiscal performance, including fiscal sustainability, tax policy, allocation of expenditures, and financial management.
CEM [FY05]-P089795			Country economic memorandum that investigates competitiveness, fiscal efficiency, and the impact of the US FTA on agriculture and SMEs.
CPAR [FY05]-P090009			Updates progress on Country Procurement Assessment Report since 2001 and concludes that the process of modernization and procurement reform is evolving slowly in spite of government commitment.
FSAP Update [FY05]-P090046			Assists authorities in assessing the development needs of the financial sector and identifying potential vulnerabilities of financial institutions and markets to macroeconomic shocks.
Policy Notes [FY06]-P094861			Notes for incoming govt. Discusses macro stability and fiscal performance.

Investment Climate

Lending

1st Business Product and Efficiency [FY06]-P094301	250		Enhances business environment by reducing transaction costs for entrepreneurial activities, facilitates foreign trade, legal framework for secure foreign direct investment.
2nd Business Product and Efficiency [FY07]-P095213	300		Enhances foreign trade competitiveness, improves quality standards and technological innovation framework.
3rd Business Product and Efficiency [FY08]-P105029	550		Improves the quality standards and technological innovation framework; and strengthens infrastructure and logistics.

Analytical Work

Recent Econ. Dev. in Infrastructure [FY04]-F086806			Provides an integral evaluation of recent economic developments in Colombia's infrastructure sectors: electricity, natural gas, telecommunications, water, and transport sectors.
CEM [FY05]-P089795			Country economic memorandum that will investigate, competitiveness, fiscal efficiency, and the impact of the US FTA on agriculture and SMEs. Discusses private sector participation.
Competitiveness Study [FY06]-P090870			Reviews the logistics chain and quality assurance for Colombian foreign trade products.
Regional Competitiveness & Infrastructure [FY07]-P101348			Explores overall investment climate; (b) infrastructure and logistics; and (c) human capital and innovation at the regional level to increase competitiveness.

Labor Market Policies

Lending

Bank Program	Amount (US\$m)	IEG Outcome Rating	Comment (Including conclusions of IEG reviews)
Community Works [FY00]-P068762	100	Moderately Unsatisfactory	Financed small, labor-intensive public workers to provide temporary employment to poor workers. Also known as <i>Empleo en Accion</i> . Project design inefficiencies led to substantial delays in implementation. Cost per job generated was significantly higher than that of similar programs and share of income transferred to program participants was low.
Social Sector SAL [FY03]-P069861	155	Satisfactory	In terms of labor market policy supports <i>Jovenes en Accion</i> (cash grants to choose on the job training), implement legislation to encourage incentive on-the-job training. Impact evaluation of <i>Empleos en Accion</i> .
Labor Reform and Social Development Policy Loans			
PLaRSSAL I [FY04]-P079060	200	Satisfactory	Supported the following objectives: (a) increase employment; (b) raise human capital formation; and (c) strengthen social protection. In terms of LMP supports reform of labor regulations to reduce non-wage costs and wages, reducing structural inefficiencies, employer incentives, and training infrastructure. The program as a whole and 3 rd loan in particular achieved most of the planned outcomes, in several cases surpassing targets. The Bank was also judged to have provided high-quality technical assistance.
PLaRSSAL II [FY05]-P082865	200	Satisfactory	
PLaRSSAL III [FY07]-P094097	200	Highly Satisfactory	
TAL to support the PLaRSSAL [FY05]-P094097	2		Assists the Department of National Planning (DNP) and the Ministries of Social Protection (MSP) and Education (MEN) to improve their knowledge, develop effective instruments, and strengthen their ability to carry out reforms supported by the PLaRSSALs.
Analytical Work			
Colombia Poverty Report [FY02]-P066036			Analyzes impact of economic development, or lack thereof, on the welfare of the Colombian population. Analyses labor market outcomes and proposes more flexibility in the labor market.
Public Training Reform Issues [FY04]-P074786			Analyzes the effectiveness, efficiency and equity of SENA's programs and lays out reform options to optimize its contribution to skills upgrading.
Labor Reform Agenda [FY05]-P074781			Analyzed the labor market and gauges impact of 2002 reform.
Informality /Soc Protection Study [FY07]-P095603			Background papers analyzing informality in Colombia's labor market.
Informality /Soc Protection Study II [FY08]-P100322			Phase II uses the surveys from Phase I and collect qualitative data from firms and workers to better understand the dynamics of the informal sector.
Poverty & Jobs [FY08]-P110542			Expands on poverty work done in 2006. Provides advice on income generation, including active labor market policies (ALMP)
Education Policies			
Lending			
Antioquia Education [FY98]-P006891	40	Moderately Satisfactory	Objective was to improve access and retention rates and improve effectiveness of delivery of educational services. Objectives only partly achieved (more in urban than rural)

Bank Program	Amount (US\$mn)	IEG Outcome Rating	Comment (Including conclusions of IEG reviews)
Pasto Education [FY98]-P046112	7.2	Satisfactory	areas, possibly because of armed conflict). Targets for dropout, repetition and student math achievements were not met. Communities were not able to assume management responsibilities as expected. Many of the activities under the project were plans, and their sustainability was not known. Objective was to improve access, retention, and learning in Pasto. Objectives partly achieved. Vouchers to low-income students greatly exceeded targets and the poorest students effectively reached. The quality enhancement objective was not met.
Cundinamarca Education Quality Improvement [FY04]-P077757	15	Highly Unsatisfactory	Most activities under the project not implemented because of changes in municipal political leadership
Antioquia Basic Education [FY08]-P082908	40		Increases equitable access and retention in primary education.
Antioquia Secondary Education [FY08]-P052608	20		Increases equitable access and retention in upper-secondary education. Increases the proportion of public school secondary-education graduates who continue on to tertiary education.
Rural Education APL I [FY00]-P050578	20	Satisfactory	Objectives and program design judged highly relevant, including focus on "access to quality" and recognition that problem of urban-rural disparities could be solved only with long-term support. Project served many more municipalities and students than originally targeted, but gaps in the definition of outcomes indicators, including quality measures, complicated measurement. Efficacy of project rated as substantial.
Higher Education - Improving Access [FY03]-P074138	200		Improve quality and equity in tertiary education through targeted and merit based student loans and a quality enhancement framework.
Second Student Loan Support Proj. [FY08]-P105164	300		Provides student loans to talented but needy students and improves management practices to allow ICETEX to operate more efficiently and increase sustainability.
Analytical Work			
Higher Education Strategy [FY02]-P077435			Highlighted the priorities for the tertiary education sector. Delivered in close collaboration with local counterparts.
Contracting Education Services [FY05]-P085591			Technical assistance on the practice of contracting education services
Education Quality Program I [FY08]-P106710			In progress
Social Protection			
Lending			
Human Capital Prot. - Cash Transfers [FY01]-P069964	150	Satisfactory	Supports Colombia's conditional cash transfer program, <i>Familias en Accion</i> . Considered a social protection intervention. Project objectives and design judged highly relevant, drawing on similar programs tested elsewhere in Latin America. Objectives of better schooling, nutrition, and

Bank Program	Amount (US\$mn)	IEG Outcome Rating	Comment (Including conclusions of IEG reviews)
			health outcomes for poor children substantially achieved
Social Safety Net Project [FY06]-P089443	86	Satisfactory	Consolidates and expands the successful <i>Familias en Accion</i> Conditional Cash Transfer program. Considered a social protection intervention.
Social Safety Add'l Financing [FY07]-P104507	105		Consolidates and expands the successful <i>Familias en Accion</i> Conditional Cash Transfer program. Considered a social protection intervention.
Analytical Work			
Colombia Poverty Report [FY02]-P066036			Analyzes impact of economic development, or lack thereof, on the welfare of the Colombian population. Discusses access social protection for poverty alleviation.
Social Sector Review [FY02]-P064857			Analysis of Colombia's social safety net system.
Informality /Soc Protection Study [FY07]-P095603			Discusses expansion of pension coverage.
Informality prog. II [FY08]-P100322			Discusses social protection mechanisms for informal sector workers.

Appendix D. Colombia: Annex Tables and References

Table 10. Colombia: Growth, Poverty, and Income Distribution Indicators

(percent, except first row)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
COLOMBIA																		
Per Capita GDP (International Dollars) ^{1/}	5,001	5,019	5,173	5,199	5,402	5,582	5,596	5,688	5,623	5,297	5,363	5,355	5,374	5,498	5,682	5,867	6,184	6,568
GDP (LCU) growth ^{1/}	6.0	2.3	5.0	2.4	5.8	5.2	2.1	3.4	0.6	-4.2	2.9	1.5	1.9	3.9	4.9	4.7	6.8	7.5
Per Capita GDP (LCU) Growth ^{1/}	4.0	0.3	3.1	0.5	3.9	3.3	0.3	1.6	-1.1	-5.8	1.2	-0.1	0.4	2.3	3.3	3.3	5.4	6.2
Poverty headcount ratio ^{2/}						11.2	13.5			16.5	16.8			15.4			16.0	
Poverty headcount ratio ^{3/}						31.0	33.0			37.6	36.9			33.1			34.8	
Poverty headcount ratio ^{4/}		18.7	20.9	17.7	17.6	15.5	17.2	18.5	20.8	25.4	19	18.7	20.7	15.8	17.4	14.7	11.3	
Poverty headcount ratio ^{5/}		52.5	52.9	50.0	49.9	49.5	50.9	52.7	55.3	57.5	55.0	55.2	57.0	50.7	52.7	49.2	45.0	37.5
Poverty headcount ratio ^{6/}						60				64							45	
Gini Coefficient ^{7/}						57.2	56.1			57.9	57.5			58.8			58.5	
Gini Coefficient ^{8/}	49.1	54.6	55.5	55.4	55.9	55.9	56.7	57.4	57.9	60.1	56.3	55.8	57.6	54.0	56.3	55.3	54.0	

^{1/} The World Bank (WDI).

^{2/} \$1.25-a-day poverty line (World Bank updated (2008) poverty estimates (<www.worldbank.org>).

^{3/} \$2.50-a-day poverty line (World Bank updated (2008) poverty estimates (<www.worldbank.org>).

^{4/} poverty line: cost of food basket meeting minimum nutritional needs (1991-05: Official DNP estimate. See Baltazar et. al. (2007). 2006: staff estimate based on DNP data).

^{5/} poverty line: 2.1 times (4/) based on ratio of total to food expenditure for the poorest 25 percent of the population; (1991-05: Official NPD estimate.; See Baltazar et. al. (2007). 2006-07: staff estimate based on DNP data).

^{6/} The World Bank (WDI)

^{7/} World Bank updated (2008) poverty estimates (<www.worldbank.org>) estimates; ^{8/} Staff estimates from data in Acevedo et. al. (2007), Montenegro (2006) and Embassy of Colombia (2008).

Table 11. Colombia: Population and Labor Force Participation (LFP) Rates

(percent except first row)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
COLOMBIA																			
Population, total (millions) ^{1/}	34.9	35.5	36.2	36.9	37.6	38.3	38.9	39.6	40.3	41.0	41.7	42.4	43.0	43.7	44.3	44.9	45.6	46.1	
Population growth (annual %) ^{1/}	2.0	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.5	1.5	1.4	1.4	1.2	
Urban population (% of total) ^{1/}	68.3	68.7	69.2	69.6	70.1	70.5	70.8	71.1	71.5	71.8	72.1	72.4	72.7	73.0	73.3	73.6	73.9	74.2	
Total LFP Rate (DANE) ^{2/}	57.1	57.6	56.8	56.2	56.4	56.9	56.4	56.6	58.5	59.4	61.8	62.3	60.2	63.0	60.0	60.0	56.3	57.6	
Total LFP Rate by Gender (DANE) – Total ^{3/}																			
Male ^{3/}																			
Female ^{3/}																			
Total LFP Rate by Gender (ILO) – Total ^{4/}	60.1	62.4	63.2	64.0	62.8	63.1	63.3	64.1	64.8	67.7	68.1	68.5	68.9	69.3	69.7	70.1	70.5	70.9	
Male ^{4/}	76.7	77.8	78.1	78.9	77.9	78.0	78.0	77.5	77.2	78.9	78.9	78.9	78.9	78.8	78.6	78.4	78.1	78.7	
Female ^{4/}	44.2	47.8	49.0	49.8	48.5	49.0	49.5	51.5	53.1	57.0	57.9	58.7	59.6	60.4	61.3	62.2	63.2	63.6	
Total LFP Rate by Gender (WDI) – Total ^{5/}	62.9	64	64.3	64.9	65.2	65.5	66	66.5	67.2	68.2	68.6	69.1	69.7	70	70.5	70.9	71.2		
Male ^{5/}	81.2	81.4	81.3	81.4	81.3	81.2	81.2	81.1	81.2	81.4	81.3	81.3	81.3	81.1	81.1	81	80.9		
Female ^{5/}	45.5	47.3	48	49.1	49.9	50.7	51.7	52.7	54	55.7	56.5	57.7	58.7	59.6	60.4	61.3	62.1		
Total LFP Rate by Gender - Total (WDI) ^{6/}	66.4	67.6	67.9	68.6	68.9	69.3	69.8	70.4	71.1	72.3	72.7	73.3	73.9	74.3	74.8	75.3	75.7		
Male ^{6/}	84.9	85.2	85.2	85.3	85.1	85	85	84.9	85.1	85.4	85.3	85.3	85.3	85.2	85.2	85.1	85.1		
Female ^{6/}	48.5	50.5	51.3	52.5	53.4	54.2	55.3	56.4	57.8	59.7	60.6	61.9	63	63.9	64.9	65.8	66.7		
Total LFP Rate by Sector - Total (WDI) ^{7/}																			
Urban ^{7/}																			
Rural ^{7/}																			
Urban LFP Rate (7 Cities) ^{8/}	59.8	59.6	59.9	62.2	63.1	64.3	64.6	65.0	65.3	64.0	63.7	62.2	62.0	54.6	54.3	55.0	54.4	55.1	
Urban LFP Rate (13 cities) ^{8/}																			
Urban LFP Rate by Gender (13 Cities) ^{3/}																			
Male ^{3/}																			
Female ^{3/}																			

Sources and Notes:

1/ The World Bank (WDI).

2/ 1990-96: Lopez, Castaño, Hugo, "Características y Determinantes de La Oferta Laboral Colombiana y su Relación con la Dinámica del Desempleo", 1996-00: DANE (National Statistical Office), www.dane.gov.co, Mercado Laboral, Encuesta Nacional de Hogares, 2001-07 (new methodology): DANE (National Statistical Office), www.dane.gov.co, Mercado Laboral, Gran Encuesta Integrada de Hogares (Serie Mensual 01-08). Data are for September and cover ages 10 and older (12 and older for urban population until 2000).

3/ DANE (National Statistical Office), www.dane.gov.co, Mercado Laboral, Boletín de Sexo. Data are for the 4th quarter and for ages 10 and older.

4/ ILO 1990-2007. Data are for ages 15 and older.

5/ The World Bank (WDI). Data are for ages 15 and more.

6/ The World Bank, World Development Indicators. Data are for ages 15-64.

7/ 1996-00: DANE (National Statistical Office), www.dane.gov.co, Mercado Laboral, Encuesta Nacional de Hogares. Data are for September and cover ages 10 and older (12 and older for urban population). 2001-07 (new methodology): DANE (National Statistical Office), www.dane.gov.co, Mercado Laboral, Gran Encuesta Integrada de Hogares (Serie Mensual 01-08). Data are yearly averages and cover ages 10 and older (12 and older for urban population until 2000).

8/ Banco de la República, www.banrep.gov.co. Data are yearly averages.

Table 12. Colombia: Employment-to-Population Ratio (percent) and Number of Hours Worked per Week

COLOMBIA	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total Ratio (DANE) (September) ^{1/}	52.8	53.4	52.7	53.1	52.3	52.3	51.0	51.0	51.3	49.8	51.5	53.4	51.5	54.3	52.5	53.3	49.0	51.4
Total Ratio by Sector (DANE) ^{2/}																		
Urban							51.0	51.0	51.3	49.8	51.5	53.1	51.9	54.2	52.9	53.6	49.8	52.1
Rural							50.7	51.0	50.5	49.1	50.9	52.7	52.0	54.3	52.9	53.7	50.8	53.1
Total Ratio by Gender (DANE) ^{3/}							51.6	51.2	53.6	51.3	52.9	54.2	51.8	54.0	52.7	53.6	47.2	49.3
Male ^{3/}												54.5	52.8	54.8	53.4	54.6	50.3	53.2
Female ^{3/}												67.9	65.9	67.6	67.3	68.2	64.9	66.9
Urban Ratio (7 Cities) ^{4/}												42.1	41.0	43.4	40.7	42.4	37.4	41.1
Urban Ratio (7 Cities) ^{5/}												54.6	55.4	56.8	55.6	56.9	53.7	56.6
Urban Ratio (13 Metro Areas) ^{6/}												52.8	53.5	54.6	54.3	55.0	54.4	55.1
Urban Ratio by Gender (13 Metro Areas) ^{3/}												52.7	53.4	54.2	53.8	54.5	54.0	54.8
Male ^{3/}												54.3	54.8	55.8	54.5	55.8	52.3	55.4
Female ^{3/}												64.6	64.4	65.3	64.5	65.5	62.6	65
Hours Worked (7 Major Cities) ^{7/}												45.5	46.8	47.8	46.2	47.6	43.8	47.5
Hours Worked per Week (Total) ^{7/}												42.4	42.3	43.6	44.2	46.8	46.0	
Male ^{7/}												45.9	46.0	45.8	46.3	48.6	48.5	
Female ^{7/}												37.3	37.1	38.9	39.4	42.3	45.7	
Hours Worked per Week (Manufacturing) ^{7/}												41.6	41.6	42.7	43.6	46.6	45.1	
Male ^{7/}												46.5	46.4	46.3	47.1	49.5	49.2	
Female ^{7/}												36.8	36.2	38.2	39.6	42.8	40.0	

Sources and Notes:

1/ September of each year, age 10 and older for urban population until 2000. Sources: 1990-95: Lopez Castaño, Hugo, Op. Cit.; 1996-00: DANE (National Statistical Office), www.dane.gov.co, Mercado Laboral, Encuesta Nacional de Hogares; 2001-07 (new methodology): DANE (National Statistical Office), www.dane.gov.co, Mercado Laboral, Gran Encuesta Integrada de Hogares (Serie Mensual 2001-2008).

2/ Same source as (1), but data for 2001-07 are August-October averages.

3/ DANE, www.dane.gov.co, Mercado Laboral, Boletín de Sexo. Data are for 4th quarter and for ages 10 and older.

4/ Banco de la Republica. <www.banrep.gov.co>. 4th quarter.

5/ Banco de la Republica. <www.banrep.gov.co>. Yearly average.

6/ Banco de la Republica. <www.banrep.gov.co>. Yearly Average.

7/ ILO, LABORSTAT, <<http://laborstat.ilo.org>>

Table 13. Colombia: Per Capita Gross National Income (GNI), Earnings by Education, Gender, and Sector, and Manufacturing Wage Index.
(US Dollar equivalent at year 2000 domestic prices except last two rows)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
COLOMBIA																			
Real GNI per worker ^{1/}	2240	2239	2325	2325	2482	2552	2591	2615	2525	2445	2381	2235	2312	2230	2398	2448	2848	2947	
Earnings by Years of Education: - None ^{2/}	1687	1613	1515	1685	1853	1858	1697	1562	1655	1554	1359	1411	1362	1341	1459	1407			
Earnings by Years of Education: 1-5 ^{2/}	1922	1862	1851	2046	2102	2080	1984	1958	1914	1891	1696	1630	1614	1598	1642	1710			
Earnings by Years of Education: 6-10 ^{2/}	2373	2306	2261	2486	2492	2468	2350	2339	2271	2172	1996	1786	1734	1713	1735	1786			
Earnings by Years of Education: 11 ^{2/}	3087	3007	2995	3234	3229	3163	3067	3122	3033	2998	2637	2314	2272	2206	2245	2265			
Earnings by Years of Education: 12-15 ^{2/}	3855	3765	3843	4174	4409	4154	4095	4048	4166	4179	3867	3188	3292	3155	3086	3202			
Earnings by Years of Education: 16+ ^{2/}	6565	6417	6745	7587	7717	8139	7923	8000	8422	8528	7437	6700	6740	6333	6636	6953			
Earnings by Gender - Males ^{2/}	3482	3444	3518	3881	3904	4006	3849	4009	4268	4140	3612	3242	3251	3224	3392	3369			
Earnings by Gender - Females ^{2/}	2428	2425	2428	2698	2879	2816	2838	2978	3090	3101	2771	2653	2733	2598	2745	2835			
Earnings by Sector - Industry ^{2/}	2911	2902	2883	3118	3148	3153	3044	3160	3423	3424	3011	2715	2645	2711	2800	2804			
Earnings by Sector - Utilities ^{2/}	3576	3472	3571	3827	3969	3710	4525	4616	4716	4554	4397	5103	5050	4772	4935	5356			
Earnings by Sector - Construction ^{2/}	2445	2524	2560	2740	2803	3001	2854	2834	2881	2686	2446	1710	1463	1490	1617	1498			
Earnings by Sector - Trade ^{2/}	1433	1410	1434	1601	1605	1612	1485	1509	1523	1446	1238	1091	1049	1049	1090	1082			
Earnings by Sector - Transport ^{2/}	3139	3105	3207	3387	3588	3422	3459	3568	3421	3270	3210	2541	2629	2511	2807	2448			
Earnings by Sector - Finance ^{2/}	6294	6016	6200	6753	7164	7462	6858	7490	8312	7773	7195	6241	6833	6202	6622	7274			
Earnings by Sector - Government ^{2/}	2240	2172	2220	2539	2770	2776	2836	3097	3412	3270	3412	3402	3582	3439	3356	3471			
Earnings by Sector - Social Services ^{2/}	739	739	749	865	876	871	897	920	967	991	841	866	896	871	929	948			
Earnings by Sector - Other ^{2/}	1571	1460	1511	1937	1701	1789	1723	1774	1799	2053	1678	1899	2474	2067	2211	2447			
Net Minimum Wage ^{3/}	58.9	58.7	58.7	57.1	45.8	44.9	45.8	46.7	48.8	53.3	51.7	53.5	54.4	52.9	51.3	50.1	48.4	46.6	
Formal Sector Wage Index ^{3/}	89.8	91.2	96.0	101.1	107.4	109.6	109.1	115.7	115.5	124.7	130.1	126.1	127.8	128.0	130.2	133.7	138.1	136.5	

Sources and Notes:

1/ The World Bank (WDI) for GNI; DANE for Employment. Nominal local currency GNI data was deflated with CPI (WDI, Index 2000=100) and converted to US dollars using the average exchange rate for the year 2000 (BR).

2/ Staff estimates with DNP/DANE Household Survey data. Real annual earnings in US dollars at the 13 major metropolitan areas projected backwards from 2000 to 1990 with data for the 7 major cities. The nominal incomes data was deflated using CPI index (Year 2000=100).

3/ BR and DANE. Percent of per capita GDP. Average daily net minimum wage for each year was multiplied by 250 days and divided by nominal per capita GDP.

4/ Banco de la Republica. Real wages in manufacturing, excluding coffee trilla (threshing).

Table 14. Colombia: Unemployment Rate and Duration

(percent, except last row)

COLOMBIA	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	
Total unemployment rate (DANE) ^{1/}	7.6	7.3	7.2	7.1	7.3	8.1	9.6	9.8	12.3	16.3	16.7	14.3	14.3	13.9	12.5	11.2	12.9	10.7	
Total unemployment rate by Gender (DANE) ^{2/}																			
Male ^{2/}																			
Female ^{2/}																			
Total unemployment rate by Gender (ILO) ^{3/}																			
Male ^{3/}																			
Female ^{3/}																			
Total unemployment rate by Sector ^{4/}																			
Urban ^{4/}																			
Rural ^{4/}																			
Urban unemployment rate (BR) ^{5/}	10.5	10.2	10.2	8.6	8.9	8.8	11.2	12.4	15.2	19.4	20.2	18.2	17.7	16.4	15.1	13.6	12.6	11.1	
Urban unemployment rate by Gender (ILO) ^{6/}																			
Male ^{6/}	10.2	9.8	9.2	7.8	7.6	8.7	12.0	12.1	15.0	20.1	20.5	17.4	17.2	15.8	15.1	13.3	13.2		
Female ^{6/}	8.1	7.4	6.5	5.3	4.9	6.8	9.6	9.8	12.5	17.2	16.9	8.1	11.2	9.3	9.1	7.2	8.3		
Urban unemployment rate by Gender (DANE) ^{2/}																			
Male ^{2/}	13.2	13.1	12.6	11.0	11.2	11.3	15.1	15.1	18.0	23.3	24.5	16.7	15.8	14.8	13.7	12.1	12.3	9.9	
Female ^{2/}																			
Female ^{2/}																			
Unemployed: No. of Weeks of Job Search ^{8/}																			
Male ^{8/}											17.3	18.2	17.6	16.6	15.3	13.9	12.9	11.4	
Female ^{8/}												44.8	43.0	44.6	43.2	39.6	32.2	25.0	
Unemployed: No. of Weeks of Job Search ^{8/}																			
Male ^{8/}												42.1	40.6	41.3	40.7	37.6	31.4	23.5	
Female ^{8/}												47.3	45.4	47.2	45.2	41.3	32.9	26.2	
Unemployed: No. of Weeks of Job Search ^{8/}																			
Male ^{8/}												48.0	48.7	49.1	48.3	42.6	34.6		
Female ^{8/}												46.8	47.5	48.1	46.7	41.1	36.2		
Female ^{8/}												49.1	49.7	49.8	49.6	43.7	36.7		

Sources and Notes:

1/ September, 1990-96: Lopez Castaño, Hugo, *oc.cit.*, 1996-00: DANE (National Statistical Office), www.dane.gov.co, Mercado Laboral, Encuesta Nacional de Hogares: 2001-07 (new methodology); DANE (National Statistical Office), www.dane.gov.co, Mercado Laboral, Gran Encuesta Integrada de Hogares (Serie Mensual 01-08), National, age 10 and older (12 and older for urban population until 2000)

2/ DANE (National Statistical Office), www.dane.gov.co, Mercado Laboral, Boletín de Sexo. Data are for the 4th quarter and for ages 10 and older.

3/ ILO (DANE). Data are for the 3rd quarter and for ages 15 and older.

4/ 1996-00: DANE (National Statistical Office), www.dane.gov.co, Mercado Laboral, Encuesta Nacional de Hogares. Data are for September and cover ages 10 and older (12 and older for urban population). 2001-07 (new methodology): DANE (National Statistical Office), www.dane.gov.co, Mercado Laboral, Gran Encuesta Integrada de Hogares (Serie Mensual 01-08), Data are yearly averages and cover ages 10 and older (12 and older for urban population until 2000).

5/ Banco de la República (BR). Data are yearly averages for the 7 major cities.

6/ ILO. Data are for 7 cities in each September.

7/ Banco de la República. Data are yearly averages for 13 metropolitan areas

8/ DANE, (National Statistical Office), Gran Encuesta Integrada de Hogares, Anexos Boletín, www.dane.gov.co

Table 15. Colombia: MILES Indicators

COLOMBIA	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Macroeconomic Conditions																			
Inflation, consumer prices (annual %) ^{1/}	29.1	30.4	27.0	22.6	23.8	21.0	20.2	18.5	18.7	10.9	9.2	8.0	6.3	7.1	5.9	5.0	4.3	5.4	5.4
Non-financial public sector deficit (% of GDP) ^{2/}							-3.0	-3.9	-4.6	-6.4	-3.5	-3.5	-4.2	-3.2	-1.3	0	-1	-0.8	-0.8
Central Gov't Balance (% of GDP) ^{2/}							-5.4	-5.4	-7.4	-5.8	-5.8	51.8	60.2	53.3	42.4	38.8	35.9	32.8	32.8
Public debt (% of GDP) ^{2/}								34.1	42.2	47.7									
Investment Climate																			
Ranking of WEF Global Competitiveness Index ^{2/}								47.0	54.0	-	-	65.0	56.0	63.0	64.0	57.0	65.0	69.0	74.0
WEF Global Competitiveness Index (% of countries ranked lower)								11.3	8.5	10.9	13.3	13.3	30.0	38.2	38.5	51.3	48.0	47.3	44.8
WEF Total Number of Countries								53	59	-	75	80	102	104	117	125	125	131	134
Time required to start a business, Doing Business Survey (days) ^{4/}																			
GFCF, private sector (% of GDP) ^{2/}	0.5	0.4	0.7	0.7	1.3	0.7	2.8	4.8	2.0	1.4	2.1	2.5	1.3	0.8	2.9	5.6	5.4	8.7	8.7
FDI (US\$ billions)								11.5	11.7	6.7	5.8	6.2	7.7	9.0	12.7	14.1	18.7	17.6	36.0
Labor Regulations and Institutions																			
Employment Law Index, Doing Business (smaller numbers are better) ^{4/}														27.0	27.0	27.0	27.0	27.0	24.0
Labor Freedom factor, Index of Economic Freedom (larger numbers are better) ^{5/}																			
Non-Labor Costs (percent of wage) ^{4/}	38.2	38.2	38.2	38.2	52.2	52.2	52.2	52.2	52.2	52.2	52.2	52.2	53.2	55.2	55.2	55.2	55.2	55.2	55.2
Education																			
Average Years of Schooling (Urban Workers)	7.9	8.1	8.2	8.2	8.4	8.5	8.6	9.0	9.1	9.0	9.0	9.1	9.3	9.4	9.6	9.6			
Primary enrollment rate ^{1/}																			
Gross		102.6							114.6	114.1	114.5	112.0	113.1	113.4	114.7	115.7	116.0		
Net		68.3							87.3	89.4	90.2	88.7	89.7		85.7	89.7	88.5		
Secondary enrollment rate ^{1/}																			
Gross		50.4							70.1	70.3	69.3	64.9	70.7	71.1	75.3	79.2	82.2		
Net		34.5							53.6	53.8	56.1	53.2	55.2		55.5	60.9	64.9		
Tertiary enrollment ^{1/}		14.0							22.3	22.0	23.1	23.9	24.0	23.8	26.6	29.0	30.8		
Social Protection																			
Health expenditure, private (% of total health expenditure) ^{1/}												20.0	18.0	16.0	16.0	15.0			
Health expenditure, public (% of total health expenditure) ^{1/}												80.0	82.0	84.0	84.0	85.0			

Sources and Notes:

1/ The World Bank (WDI)

2/ IMF Article IV consultations

3/ The Global Competitiveness Report, World Economic Forum, 2002-2007. The index is not comparable from year to year because the average sample of countries increases.

4/ The World Bank, Doing Business (DB) Indicators. / Doing Business (DB) Indicators Range from 0 to 100. The higher the number, the more difficult it is to hire. Years correspond to the years DB's data is collected, i.e., one year before DB report.

5/ The Heritage Foundation. Ranges from 0 to 100. The higher the number the greater freedom to hire labor.

6/ Staff estimates with data in World Bank (2005), Vol.2, p.35. Includes paid vacation; mandatory bonuses; unemployment benefits (cesantia); welfare, training, and family service taxes (parafiscales); unemployment and health insurance; and professional risks insurance.

Appendix E. Colombia: List of People Met

Central Bank

Miguel Urrutia	Former governor of the Central Bank governor, current researcher at Economics Department Universidad de los Andes
José Dario Uribe	Governor of Central Bank
Carlos Esteban Posada	Senior researcher in Labor markets

National Planning Department

Andrés Escobar	Deputy Director
José Fernando Arias	Director of Social Development Unit
Natalia Ariza	Deputy Director of Employment and Social Security
Omar Rodríguez	Director of Private Sector Development
Bertha Briceño	Director Public Policy Evaluation
Natalia Bargans	Director of Credit
Carolina Gonzales	Advisor to Director of Credit
Ingrid Abaunza	Advisor to Director of Credit
Juan Carlos Echeverri	Former Deputy Director DNP, currently professor at Universidad de los Andes and independent consultant

Ministry of Education

María Victoria Angulo	Directora de Fomento Educación Superior
Jose Ricardo Puyana	Advisor for International Cooperation

Ministry of Finance

Alejandro Gamboa	Former Coordinator of Multilateral Institutions, currently advisor to Colombian representative World Bank
Dora Lucia Solana	Advisor to Coordinator of Multilateral Institutions

Ministry of Social Protection

Jairo Nuñez	Former Technical Vice Minister
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SENA

Juan Bayona	Director of Employment
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OTHER INSTITUTIONS

NGOs/ Think tanks

Sergio Clavijo	Director of National Association of Financial Institutions, ANIF
Imelda Restrepo	Director of Center of Economic Studies, ANDI, National Association of Industries
Ximena Fajardo	Specialist in Sector Studies, ANDI
Mauricio Santamaría	Adjunt Director, Fedesarrollo

Multilaterals/ Bilaterals

Robert Rennhack	Advisor, Western Hemisphere Department
Ivan Duque	Advisor to Colombian representative IADB
Marcelo Castro S.	Representative in Colombia, ILO
Margaret Enis	Director of Economic Unit, USAID Colombia
Francisco Gonzalez	Economic Specialist, USAID Colombia

Universidad de los Andes, Economics Department

Ana María Ibañez	Director Centro de Estudios sobre Desarrollo Económico-CEDE
Ximena Peña	Assistant Professor

WORLD BANK

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Wendy Cunningham	TTL Labor & Social Reform PSALs
David Gould	Former Country Economist
Martha Laverde	TTL several education projects
Gladys Lopez-Acevedo	TTL Labor Market Policy AAA and the Poverty and Jobs TA
Jose Guillermo Reis	TTL AAA on Regional Competitiveness and logistics
Andrew Mason	TTL Informality AAA
Juan Carlos Mendoza	Former TTL Financial FSAL projects
Harry Patrinos	TTL Concessions Schools AAA
Alberto Rodriguez	TTL Higher Education Loans
David Rosenblatt	Current Country Economist
Eduardo Somesatto	Country Manager

Appendix F. Tunisia: Baseline and Latest Outcome Indicators by Miles Components

Tunisia: Indicators of Outcomes Organized Along the MILES Framework

Indicator	Baseline 1999	Latest 2007/8	Comments
Macroeconomic			
Inflation (12-month, %)	2.7	5.1	Higher inflation reflects rising food and fuel prices.
External debt service ratio (%)	18.5	9.9	
Central govt. deficit (% of GDP)	3.5	2.6	
Non-financial public sector (% of GDP)	3.7	3.0	
Tax revenue (% of GDP)	21.1	21.2	
Public capital expenditure (% of GDP)	6.9	6.2	
Public debt (% of GDP)	62.7	55.0	
Capital adequacy of banks: capital to risk-weighted assets (%)	10.6(2001)	11.0	
Non-performing loans (% of total)	19.2 (2001)	17.0	NPLs worsened to 24% in 2003 before improving again.
Provisions to non-performing loans	49.2	53.8	
Investment Climate			
Ranking in WEF Global Competitiveness survey (% of countries ranked lower)		36	
TI CPI score for corruption ¹	5.3	4.4	
Time required to start a business (days) ²	n.a.	93	
Average time to enforce a contract (days) ³			
Average time to file all business tax returns (hrs) ⁴	n.a.	250	
Time required to complete foreign trade procedures (days) ⁵			
Export	19	7	
Import	15	5	
Domestic credit to private sector (% of GDP)	42.7	63.2	
Foreign direct investment, net (\$ million)	420 (2001)	1,100 (2007)	
Private investment (% of GDP)	14.6	14.2	
Labor Market			
Non-wage payroll costs (% of wage)	n.a.	28	
Numbers of VET graduates finding jobs	n.a.	43,000	
Average dismissal costs (months of wages)			

Tunisia: Indicators of Outcomes Organized Along the MILES Framework

Indicator	Baseline 1999	Latest 2007/8	Comments
Rigidity of employment index			
Hiring		29	
Rigidity of hours		40	
Dismissal		80	
Number of graduates from VET training courses (annually)	n.a.	110,000 (2007)	
Education			
School enrollment (% net)			Significant increases in primary and secondary enrollment
Primary	91.1	98.8	
Secondary	68.4	75.2	
Tertiary (% gross)	12.0	33.0	
Primary completion rate (% of relevant age group)	91.1	98.0	Increased primary completion rates.
Male	87.9	97.4	
Female	92.3	99.6	
Social Protection			
Number of beneficiaries of unemployment subsidies	0	39,800 (2007)	
Share of informal sector workers (%)	28	41	
Number of beneficiaries of conditional cash transfer schemes (million)	1.2	1.5	
Number of beneficiaries of subsidized health insurance (million)			

Notes ¹0=worst; 6=best.

² From World Bank "Doing Business" reports.

³ Ibid.

⁴ Ibid.

Appendix G. Tunisia: World Bank Program by MILES Component

Bank Program	Amount (US\$ mn)	IEG Outcome Rating	Comment
Macroeconomic Policy			
Lending			
ECAL II [FY99]-P053255	159	Satisfactory	The project aimed to support macroeconomic stability (debt, balance of payments) and reforms in the banking sector (prudential requirements, privatization). The project performance was satisfactory in helping (i) to accelerate implementation of the Free Trade Agreement with the EU, (ii) to increase the private sector role in economic activity, and (iii) to improve the regulatory framework for private business, and (iv) to increase labor flexibility.
ECAL III [FY02]-P055815	253	Satisfactory	The project aimed to support reinforcement of the regulatory and supervisory framework in the financial sector, in particular in insurance, stable macro framework, and strengthen debt management and fiscal sustainability. The project contributed in sustaining a stable macroeconomic environment, in substantially improving the investment climate, and in facilitating Government divestiture from the banking, insurance and telecommunications sectors.
ECAL IV [FY05]-P075893	150	Moderately Satisfactory	Intended to support reforms in the business climate and financial sector, including improving bank vulnerability indicators. Main development objective – a stronger national private investment performance – not yet materialized. Macroeconomic performance during project implementation was overall good. Contribution to private investment climate was positive and noticeable, and led to increase in investments opportunities. Support to the financial sector helped to reduce the levels of non-performing loans and to strengthen the regulatory framework of the financial sector
Analytical Work			
Social and Structural Review (CEM) [FY00]-P057056			The report reviews the growth performance, macroeconomic management including debt, and public sector's contributions to growth.
External Sustainability [FY01]-P067220			Assessment of Tunisia's external sustainability in terms of integration and vulnerability of the economy towards external shocks.

available in iris

Debt Management Study [FY03]-P075087		Assessment and design of an action plan for the implementation of the public debt management strategy.
Accounting and Auditing Assessment (ROSC) [FY04]-P082200		Strengths and weaknesses of the accounting and auditing environment that influence the quality of corporate financial reporting. Analyzes Tunisia's current system of public sector financial management and finds it requires strengthening and improvement. Addresses sources of growth and future challenges including: internal and external imbalances, promoting an efficient financial sector, strengthening management of the public financial sector. Encouraged the creation of a new procurement system in the country. Discusses the banking sector, financial conditions and stress testing, non-bank financial institutions, pension funds, capital markets and the financial infrastructure of Tunisia.
Performance-Based Budgeting Reform [FY06]-P094359		Analyses the deficiencies of the present budget system, and describes a clear path of budget reform, based the progressive introduction of program/performance budgeting.

Investment Climate

Lending

Transport Sector Investment I [FY98]-P043700	50	Moderately Satisfactory	The project aimed to finance ports and railway infrastructure improvements and supported regulatory reform to promote private sector investment in this field. Project implementation permitted significant implication of the private sector (local and foreign) in transport investments; however, privatizations of ports services, promoting private investments in ports, and commercializing the railway parastatal were partly achieved.
Transport Sector Investment II [FY01]-P064082	38		
	36		
Export Development II (additional Finance) [FY08]-P106274	6		international standards. Survey of exporting firms confirmed good prospects for sustained export development.

Bank Program	Amount (US\$ mn)	IEG Outcome Rating	Comment
Second Agricultural Sector Investment Loan (ASIL 2) [FY98]-P050418	42	Moderately Satisfactory	The project intended to improve agricultural infrastructure (irrigation and drainage systems) as well as research and training in agricultural issues. The project had positive impact on policy and institutions related to small-scale irrigation; net income for all farm models increased ten times; targeted irrigated perimeters were achieved, cropping intensities increased, and research outcomes were satisfactory. Project shortcomings were (i) irrigation infrastructure was not fully used, because of inadequate quantity and quality of water, and (ii) average cropping intensity was lower than estimated.
Agricultural Support Services [FY01]-P050418	21		Supports creation of networks and institutions to improve market access of rural products.
ECAL II [FY99]-P053255 ECAL III [FY02]-P055815 ECAL IV [FY05]-P075893	159 253 150	Satisfactory Satisfactory Moderately Satisfactory	The project helped (i) to accelerate implementation of the Free Trade Agreement with the EU, (ii) to increase the private sector role in economic activity, and (iii) to improve the regulatory framework for private business, and (iv) to increase labor flexibility. The project contributed in sustaining a stable macroeconomic environment, in substantially improving the investment climate, and in facilitating Government divestiture from the banking, insurance and telecommunications sectors. Contribution in private investment climate was positive and noticeable, and led to increase in investments opportunities. Support to the financial sector helped to reduce the levels of non-performing loans and to strengthen the regulatory framework of the financial sector. However the project ICR was poor, as it didn't indicate whether the intended actions to strengthen the institutional capacity or the expected economic impacts were achieved
Municipal Development III [FY03]-P074398	78		Strengthens the institutional environment for the delivery of municipal basic services and infrastructure.
ICT Sector Development Project [FY05]-P088929	13		Support ICT sector through institutional and sector reforms, improving ICT infrastructure and promote participation in the private sector.
Urban Water Supply [FY06]-P064836	38		Improves water supply in Tunis.
Sustainable Municipal Solid Waste Mgt [FY07]-P095012	22		Strengthens key elements of sustainability of municipal solid waste management.
Tunis West Sewerage [FY07]-P099811	67		Improve the quality of sanitation services in Greater Tunis.
Analytical Work			
Export Promotion [FY98]-P054615			No information available.
Trade Sector Note [FY99]-P058506			No information available.

Bank Program	Amount (US\$ mn)	IEG Outcome Rating	Comment
Social and Structural Review (CEM) [FY00]-P057056			The report reviews the growth performance, and macroeconomic management in Tunisia. In Investment Policy proposes improving infrastructure for private sector development.
Private Sector Assessment Update [FY00]-P057771			Highlights the need of improved competitiveness for external markets. Includes suggested reforms to improve infrastructure and better financial resources for exporting companies.
Trade Strategy Note [FY02]-P071926			Analyzes Tunisia's trade sector. Identifies challenges and suggests strategies.
IT Strategy Note [FY02]-P072034			Sector strategy note to the Government of Tunisia to assist them in formulating a plan for the development of the country's ICT sector.
Agric. Competitiveness Policy Note [FY02]-P073169			Assessment of agricultural sector with the objective of increasing competitiveness in lieu of upcoming trade negotiations.
Tourism Strategy Note [FY03]-P075227			Report on the perspectives of a tourism strategy study for Tunisia.
Private Participation in Infrastructure [FY03]- P075551			Approach to stimulate the development of capital markets and private industries within the infrastructure sector nationwide.
Employment Strategy [FY03]-P075087			General employment assessments. In terms of Investment Climate discusses constraints to SME development to create jobs.
WTO Commitments on Telecommunications [FY03]-P078944			Compliance with Tunisia's WTO commitments of proposed telecommunications liberalization.
Development Policy Review [FY04]-083860			Suggests strategies to foster private investment like lowering transaction costs for business entry and operations, improving regulations and conditions for competition.
Agriculture Policy Review [FY06]-P089047			Addresses status and challenges of the agricultural sector, including increasing competitiveness to support trade openness.
SME Study [FY07]-P076448			Study focused on Technical centers of Ministry of Industry and Access to and management of industrial zones fro SME development.
Cost Assessment of Water Degradation [FY07]-P099094			Assesses water degradation and it's implications over agriculture.
Water & Wastewater Strategy [FY08]-P089416			Assessment of the water sector and proposed regulatory framework.
Global Integration Study [FY08]-P089681			Take's stock of Tunisia's recent integration policies and discuss opportunities and challenges associated with greater international integration. In Investment Climate discusses strategies to improve competitiveness of export sector.

Bank Program	Amount (US\$ mn)	IEG Outcome Rating	Comment
Labor Market Policies			
Analytical Work			
Social and Structural Review (CEM) [FY00]-P057056			The report reviews the growth performance, and macroeconomic management in Tunisia. In Labor Markets proposed labor reform to improve employability.
Social Conditions Update [FY00]-P065187			Assesses poverty issues including labor markets and job creation. (Unpublished).
Employment Strategy [FY03]-P075993			General employment assessments. In terms of Labor Markets provides a general overview, discusses labor market regulations and ALMPs.
[FY04]-P083860			General poverty profile of the country including labor as the main source of income. Analyzes alternatives for job creations, analyzes of existing ALMPs
Employment Strategy Technical Assistance [FY05]-P086046			Concept note indicates study of higher education system and relationship with labor market. (no documents available) Programmatic ESW. TA to relevant government agencies to develop a quantitative framework of the Tunisian labor market, calibrate a Computer Generalized Equilibrium model, and build technical capacities
Employment Strategy [FY06]-P095723			<i>Programmatic Economic Sector Work (PESW)</i> is to help the Government of Tunisia address the labor market challenges and priorities; and to strengthen the design and implementation of reform options that will improve employment policies over the medium term. Integrated to "Skills Development, Social Insurance and Employment".
Agriculture Policy Review [FY06]-P089047			Provides analysis of rural sector employment and labor.
Skills Development, Social Insurance and Employment [FY07]-P103309			TA for the analysis of macroeconomic policies and employment creation, skills development, social insurance, and active labor market programs.
Global Integration Study [FY08]-P089681			Take's stock of Tunisia's recent integration policies and discuss opportunities and challenges associated with greater international integration. Regarding labor market policies discusses impact of integration on employment creation.
Skills Development, Social Insurance and Employment II [FY08]-P107684			Phase II of Skills Development, Social Insurance and Employment, seeking to provide more concrete policy options on the issue of employment. In terms of labor markets suggests more specific ALMPs.
Education Policies			
Lending			

Education Quality Improvement Program (PAQSET I) [FY00]-P050945	99	Moderately Satisfactory	The projects aimed to promote excellence in teaching and learning and achieve near universal primary and expanded secondary coverage. The project performance for the first
Education Quality Improvement Program	130.3		

Education [FY99]-P059268			
Social Conditions Update [FY00] P065187			Assesses poverty issues including education levels of the population. (unpublished).
Employment Strategy [FY03]-P075993			General Employment Assessments. In terms of Education provides assessment of skills mismatch.
Poverty Note [FY04]-P079469			General poverty profile of the country including education levels analysis.
Development Policy Review [FY04]-P083860			Analyzes challenges of the education system for knowledge economy.
Higher Education Strategy [FY05]-P080203			Concept note indicates study of higher education system. (no documents available)
Skills Development, Social Insurance and Employment [FY07]-P103309			TA for the analysis of macroeconomic policies and employment creation, skills development, social insurance, and active labor market programs.
Skills Development, Social Insurance and Employment II [FY08] P107684			Phase II of Skills Development, Social Insurance and Employment, seeking to provide more concrete policy options on the issue of employment. In education suggests more specific reforms to match education with demand for skills
Global Integration Study [FY08]-P089681			Take's stock of Tunisia's recent integration policies and discuss opportunities and challenges associated with greater international integration. In education discusses human resource base to address integration challenges.

Social Protection

Analytical Work

Employment Strategy [FY03]-P075993			General Employment Assessments. In terms of Social Protection: Discusses unemployment insurance.
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Bank Program	Amount (US\$ mn)	IEG Outcome Rating	Comment
Skills Development, Social Insurance and Employment [FY07]-P103309			TA for the analysis of macroeconomic policies and employment creation, skills development, social insurance and active labor market programs.
Skills Development, Social Insurance and Employment II [FY08]-P107684			Phase II of Skills Development, Social Insurance and Employment, seeking to provide more concrete policy options on the issue of employment. In Social Protection it will discuss Pension reform.

Appendix H. Tunisia: Annex Tables and References

Table 16. Tunisia: Growth, Poverty, and Income Distribution Indicators
(percent except first row)

TUNISIA	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Per Capita GDP (International Dollars) ^{1/}	4635	4721	4986	4997	5063	5100	5385	5601	5795	6066	6279	6513	6548	6871	7218	7451	7758	
GDP (LCU) growth ^{1/}	7.9	3.9	7.8	2.2	3.2	2.4	7.1	5.4	4.8	6.1	4.7	4.9	1.7	5.6	6	4	5.7	6.3
Per Capita GDP (LCU) Growth ^{1/}	5.3	1.9	5.6	0.2	1.3	0.8	5.5	4.0	3.4	4.7	3.5	3.7	0.5	4.9	5.1	3.0	4.7	5.1
Poverty (Headcount Ratio) ^{2/}	5.9				6.5						2.6							
Poverty (Headcount Ratio) ^{3/}	9.1				9.7						5.8							
Poverty (Headcount Ratio) ^{4/}	7.4	..	..	..	7.7	..	..	..	..	..	4.1	..	..	..	..	..	..	..
Poverty (Headcount Ratio) ^{5/}	6.7				6.2						4.2							
Gini Coefficient ^{2/}	40.2				41.7						40.8							

^{1/} The World Bank (WDI).

^{2/} \$1.25-a-day poverty line (World Bank updated (2008) poverty estimates (<www.worldbank.org>).

^{3/} \$2.50-a-day poverty line (World Bank updated (2008) poverty estimates (<www.worldbank.org>).

^{4/} The World Bank (2003)

^{5/} Tunisia National Institute of Statistics.

**Table 17. Tunisia: Population and Labor Participation (LFP) Rate
(percent except first row)**

TUNISIA	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
Population, total (millions) ^{1/}	8.2	8.3	8.5	8.7	8.8	9.0	9.1	9.2	9.3	9.5	9.6	9.7	9.8	9.8	9.9	10.0	10.1	10.2
Population growth (annual percent) ^{1/}	2.4	2.0	2.0	2.0	1.8	1.6	1.5	1.4	1.3	1.3	1.1	1.1	1.1	0.6	0.9	1.0	1.0	1.2
Urban population (percent of total) ^{1/}	57.9	58.6	59.3	60.1	60.8	61.5	61.9	62.3	62.6	63.0	63.4	63.8	64.2	64.5	64.9	65.3	65.7	66.1
Total LFP Rate by Gender ^{2/}					45.3					45.3					45.8	46.3	46.6	46.8
Male ^{2/}					69.1					67.9					67.8	68.6	68.5	68.8
Female ^{2/}					21.4					22.8					24.2	24.4	25.0	25.3
Total LFP Rate by Gender ^{3/}	48.2	48.2	48.3	48.4	48.4	48.5	48.6	48.7	48.5	48.4	48.3	48.2	48.2	48.1	48.1	48.0	48.2	48.3
Male ^{3/}	75.5	75.3	75.0	74.8	74.5	74.2	74.0	73.7	73.3	72.9	72.5	72.1	71.8	71.4	70.9	70.6	70.5	70.9
Female ^{3/}	20.8	21.2	21.6	21.9	22.3	22.8	23.2	23.6	23.8	24.0	24.2	24.4	24.7	24.9	25.2	25.6	26.0	25.7
Total LFP Rate by Gender ^{3/}	48.2	48.2	48.3	48.3	48.4	48.5	48.6	48.7	49	49.4	49.7	50.1	50.5	50.9	51.3	51.7	52.1	
Male ^{4/}	75.6	75.3	75	74.8	74.5	74.2	74.0	73.7	73.9	74	74.2	74.3	74.5	74.8	74.7	74.8	75.0	
Female ^{4/}	20.8	21.2	21.6	21.9	22.3	22.7	23.2	23.6	24.2	24.8	25.3	25.9	26.5	27.1	27.9	28.5	29.2	
Total LFP Rate by Gender ^{5/}	50.5	50.6	50.7	50.9	51.0	51.1	51.2	51.4	51.8	52.2	52.6	53	53.5	53.9	54.3	54.8	55.2	
Male ^{5/}	79.1	78.9	78.7	78.4	78.1	77.9	77.6	77.3	77.4	77.5	77.7	77.8	78.0	78.2	78.1	78.2	78.3	
Female ^{5/} (15-64)	22.1	22.5	23.0	23.5	24.0	24.4	24.9	25.5	26.2	26.8	27.4	28.1	28.8	29.5	30.4	31.1	31.9	

^{1/} The World Bank (WDI)

^{2/} Ministry of Employment and Professional Integration of Youth, http://www.info-emploi.tn/observatoire/up_pdf/151226.PDF. Data are for ages 15 and older.

^{3/} ILO, < <http://laborsta.ilo.org/SIP/dsp>>. Data are for ages 15 and older.

^{4/} The World Bank (WDI). Data are for ages 15 and older.

^{5/} The World Bank (WDI). Data are for ages 15 to 64.

Table 18. Tunisia: Employment-to-Population Ratio (ETP)

(percent except last row)

TUNISIA	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total ^{1/}	40.5	40.5	40.6	40.7	40.8	40.7	40.8	41.0	40.8	40.7	40.7	40.9	40.8	41.1	41.4	41.2	41.3	41.5
By Gender: Total ^{2/}					38.1					38.1					39.3	39.7	39.9	40.2
Males ^{2/}					58.5					57.3					58.8	59.6	59.5	60.0
Females ^{2/}					17.7					18.9					20.1	20.2	20.7	20.8

^{1/} Bank estimates with data from ILO, Institute National de Statistiques, and Ministry of Employment and Professional Integration of Youth (http://www.info-emploi.tn/observatoire/up_pdf/151226.PDF)

^{2/} Ministry of Employment and Professional Integration of Youth, http://www.info-emploi.tn/observatoire/up_pdf/151226.PDF.

Table 19. Tunisia: Earnings and Private Sector Wage Index

(percent except last row)

TUNISIA	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Real GNI per Worker ^{1/}	6130	6060	6299	6166	6197	6325	6593	6797	6934	7151	7257	7458	7381	7506	7677	7757	8034	8215
Formal Sector Real Wage Index ^{2/}					97.5	103.7	99.6	101.2	100.4	100.1	100.0	102.4	104.4	107.5	108.9	110.9	112.8	
Minimum Wage ^{2/}									74.1	70.6	69.2	66.9	67.5	65.4	62.8	60.5	57.5	55.2

^{1/} The World Bank (WDI) for GNI. Ministry of Employment and Professional Integration of Youth (http://www.info-emploi.tn/observatoire/up_pdf/151226.PDF) for employment. Nominal local currency GNI data was deflated with CPI (WDI, Index 2000=100) and converted to US dollars using the average exchange rate for the year 2000 (IMF).

^{2/} Staff estimates from data at the Tunisia National Statistics Institute. (<www.ins.net.tn>).

Table 20. Tunisia: Unemployment Rate (percent)

TUNISIA	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total ^{1/}	15.9	15.9	15.9	15.9	15.8	16.0	16.0	15.9	15.95	16.0	15.7	15.1	15.3	14.5	14.2	14.2	14.3	14.1
By Gender: Total ^{2/}					15.8			15.9		16.0	15.7	15.1	15.3	14.5	14.2	14.2	14.3	14.1
Male ^{2/}			15.3					15.5		15.6	15.3	14.8	14.9	13.9	13.2	13.1	13.2	12.8
Female ^{2/}			17.5					17.4		17.2	16.9	16.2	16.3	16.2	17.1	17.3	17.3	17.8
By Level of Education: Total ^{2/}			15.8							16.0	15.7	15.1	15.3	14.5	14.2	14.2	14.3	14.1
Illiterate ^{2/}			16.8							11.9		10.1	12.8	11.3	12.7	7.8	8	5.9
Primary ^{2/}			19.2							18.9		17.1	16.6	15.8	15.7	15.7	15.2	13.5
Secondary ^{2/}			13							16.4		16.4	15.9	15.3	14.7	14.9	14.3	15.4
Higher ^{2/}			3.8							8.6		10.4	11.6	11.7	10.2	14.8	17.5	19.0

^{1/} 1994 and 1999: Ministry of Employment and Professional Integration of Youth, <http://www.info-emploi.tn/observatoire/up_pdf/151226.PDF>:1997 and 2000-03: ILO, <<http://laborsta.ilo.org/STP/do>>. 2004-07: National Institute of Statistics, <http://www.ins.nat.tn/indexr.php>.

^{2/} Institut Nationale de Statistiques and Ministry of Employment and Professional Integration of Youth (http://www.info-emploi.tn/observatoire/up_pdf/151226.PDF). "Evolution du marché de l'emploi en Tunisie» Data for 1997 taken from ILO, Labostat.

Table 21. Tunisia: MILES Indicators

TUNISIA	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Macroeconomic Conditions																			
Inflation, consumer prices (annual %) ^{1/}	6.5	8.2	5.8	4.0	4.7	6.2	3.7	3.7	3.1	2.7	2.9	2.0	2.7	2.7	3.6	2.0	4.5	3.1	
Central Gov't Balance, excl. grants and privatization (% of GDP) ^{2/}						-4.5	-5.1	-4.6	-3.6	-3.9	-3.9	-3.8	-3.5	-3.5	-2.9	-3.2	-2.9	-2.7	
Government Debt (% of GDP) ^{2/}						58.4	60.6	62.2	58.2	60	60.8	62.8	61.6	60.9	59.7	58.3	53.9	56.1	
Investment Climate																			
Ranking in WEF Global Competitiveness Index ^{3/}																			
WEF Global Competitiveness Index (% of countries ranked lower) ^{3/}																			
Time required to start a business, Doing Business survey (days) ^{3/}																			
GFCF, private sector (% of GDP) ^{1/}																			
FDI (US\$ billions) ^{1/}	0.1	0.1	0.5	0.6	0.4	0.3	0.2	0.3	0.7	0.3	0.8	0.5	0.8	0.5	0.6	0.7	3.2		
Labor Regulations and Institutions																			
Employment Law Index, Doing Business (smaller numbers are better) ^{4/}																			
Labor Freedom factor, Index of Economic Freedom (larger numbers are better) ^{5/}																			
Education																			
Primary enrollment rate ^{1/}																			
Gross		113.2								113.5	112.9	112.0	111.0	110.4	109.9	109.7	108.3		
Net		93.5								92.9	93.8	94.7	96.3	97.0	97.4	97.0	96.1		
Secondary enrollment rate ^{1/}																			
Gross		44.6								72.4	74.6	76.6	77.9	76.4	80.7	83.2	84.9		
Net											67.8	68.8	66.8	64.5					
Tertiary enrollment ^{1/}		8.5								17.0	19.0	21.3	22.8	26.1	28.5	30.1	31.0		
Social Protection																			
Health expenditure, private (% of total health expenditure) ^{1/}																			
Health expenditure, public (% of total health expenditure) ^{1/}																			
Population																			
Population, total (millions) ^{1/}	8.2	8.3	8.5	8.7	8.8	9.0	9.1	9.2	9.3	9.5	9.6	9.7	9.8	9.8	9.9	10.0	10.1	10.2	
Population growth (annual %) ^{1/}	2.4	2.0	2.0	2.0	1.8	1.6	1.5	1.4	1.3	1.3	1.1	1.1	1.1	0.6	0.9	1.0	1.0	1.2	
Urban population (% of total) ^{1/}	57.9	58.6	59.3	60.1	60.8	61.5	61.9	62.3	62.6	63.0	63.4	63.8	64.2	64.5	64.9	65.3	65.7	66.1	

Sources: WDI on December 5, IMF Article IV consultations, Doing Business, Heritage Foundation

^{1/} The World Bank (WDI)

^{2/} IMF Article IV consultations

^{3/} The Global Competitiveness Report, World Economic Forum, 2002-2007. The index is not comparable from year to year because the average sample of countries increases.

^{4/} The World Bank, Doing Business Reports, Years correspond to DB's data collection dates, which are one year before DB report date.

^{5/} The World Bank, Doing Business Reports, Index ranges from 0 to 100. The higher the number, the more difficult it is to hire.

^{6/} Ranges from 0 to 100. The higher the number the greater the freedom to hire labor.

Appendix I. Tunisia: List of People Met

Government

Abelhamid Triki	Vice Minister (Secrétaire d'État) Ministry of Development and International Cooperation.
Kamel Ben Rejeb	Director General of International Cooperation Ministry of Development and International Cooperation.
Brahim Toumi	Ministry of Education and Vocational Training
Mohamed Tonn	Ministry of Education and Vocational Training
Mohsen Ketari	Ministry of Education and Vocational Training
Slim Chaker	Executive Director FAMEX
Moncef Youzbachi	Director Ministry of Development and International Cooperation.
Ali Sana	Director General Ministry of Employment
Meftah Amara	Director "Mise à Niveau" Program Ministry of Industry and Energy
Saloua Ben Zaghou	Director Institute of Quantitative Economics Ministry of Development and International Cooperation.
Abdelmalek Saadouli	Director General of Resources Ministry of Finance
Said Faouzia	Budget Director Ministry of Finance
Habib Lahouij	Budget Administration Ministry of Finance
Raouf Sfar	Director General Fiscal Incentives Ministry of Finance
Mohamed Ali Ben Malik	Ministry of Finance
Jamel Bel Haj	Ministry of Finance
Borchol Moudhu	Ministry of Finance
Ben Abraham Mondprer	Ministry of Finance
Abdalla Riahi	Ministry of Higher Education and Scientific Research
Habib Fourati	National Statistical Institute
Noureddine Zekri	Director General Foreign Investment Ministry of Development and International Cooperation

Private Sector and Other Non-Government

Chekib Nouria	Managing Director CNI Group (textile manufacturer)
Maher Kallel	Managing Director Group Poulino
Hassen Zargouni	Managing Director Sigma Consulting
Riadh Bey	Marketing Consultant Sigma Consulting
Essma Ben Hamida	Director Enda Inter-Arabe
Michael Philip Cracknell	Co-Director Enda Inter-Arabe
Zoubeir Daly	Public Services Consultant
Berhouma	UTICA (Employers' Organization)

Sami Sallini	UTICA
Professor Zouari Abrazak	academic
Professor Azzam Mahjoub.	academic
Odoardo Como	First Secretary Delegation of the European Commission
Nabil Ben Nacef	Vocational Training and Employment Officer Delegation of the European Commission
Abdourahomene Charaf-Eddine	Principal Program Officer African Development Bank
Natsuko Obayashi	Country Economist African Development Bank

Bank Staff

Linda English	TTL - higher education projects
August Kouame	Lead Economist
Fareed Hassan	TTL CAE
Hamid Alavi	TTL PSD projects and activities
Ndiame Diop	Country Economist (based in Tunis)
Rebekka Grun	TTL Employment Strategy
Setareh Razmara	Former TTL Employment Strategy
David Robalino	Former TTL Employment Strategy
Cecile Fruman	TTL - CAS
Mats Karlsson	Country Director
Theodore Ahlers	Former Country Director
Mourad Ezzine	Sector Manager Human Development
Carmen Niethammer	Gender and Employment Issues
Nadereh Chamliou	Gender and Employment Issues
Adriana Jaramillo	TTL Skills Development and Vocational Training
Gordon Betcherman	Labor Economist

Appendix J. Turkey: Baseline and Latest Outcome Indicators by MILES Component

<i>Indicator</i>	<i>Baseline 1998</i>	<i>Latest 2007/8</i>	<i>Comment</i>
Macroeconomic Policies			
GDP growth rate (%)	3.1	4.5	Average growth for 2002-07 was 6.8% annually.
Inflation (12-month, %)	84.6	8.4	
Unemployment rate (%)	6.9	10.1	
Current account balance (% of GDP)	1.0	- 5.7	
Gross external debt (% of GDP)	57.7 (2001)	33.7	National income accounts were revised in 2008, but only back to 2001.
Public sector primary balance (% of GDP)	4.6	3.5	
Net public sector debt (% of GDP)	66.4 (2001)	38.8	National income accounts were revised in 2008, but only back to 2001.
Exports (% of GDP)	21.3	24.9	
Investment Climate			
WEF Global Competitiveness Index ranking	54 (2001)	53	Index nonexistent before 2001. Increase in country sample over time.
Gross investment (% of GDP)	22.1	22.2	
Foreign direct investment (% of GDP)	0.4	3.0	
Labor Market and its Regulations			
Employment Rate (% for 15-64 year olds)	49.2	45.8	
Labor force participation rates (% total)	52.8	51.0	
Male participation rate (%)	76.7	75.5	
Female participation rate (%)	29.3	26.6	See discussion in text.
OECD Employment Protection Legislation Index Ranking (for OECD)	26 (1999)	26 (2003)	For the 26 OECD countries examined Turkey rated as the most restrictive.
Education			
School enrollment (% gross)			Significant increases at all levels.
Primary	88.5	94.2 (2006)	
Male	97.0	96.4 (2006)	
Female	79.5	92.0 (2006)	
Secondary	77.6 (2001)	78.6 (2006)	
Tertiary	20.9	34.6 (2006)	
Ratio of girls to boys in primary and secondary schools (expressed as a %)	78.9	90.1 (2006)	
Ratio of females to males in tertiary education (expressed as a %)	68.3	75.4 (2006)	
Social Protection			
Coverage of unemployment insurance (UI)	0	4 % (2004)	Coverage of unemployed still limited.
Number of beneficiaries of conditional cash transfer schemes (million)	0	2.8	
<i>Source: World Bank reports, database and materials, IMF, OECD, TURKSTAT, World Economic Forum (WEF).</i>			

Appendix K. Turkey: World Bank Program by MILES Component

Bank Program	Amount (US\$ mn)	IEG Outcome Rating*	Comment
Macroeconomic Policy			
Lending			
ERL [FY00]-P068792	760	Satisfactory	In order to underpin country economic stabilization effort, the project supported reforms in key structural areas including fiscal and real sector reforms and provided back up to IMF programs. Most macroeconomic indicators improved as GDP grew by 7.9 in 2002 and 5.9 in 2003. Inflation dropped and fiscal performance improved as significant reform achievements were completed in the fiscal area.
FSAL [FY01]-P066511	778	Moderately Satisfactory	The project aimed to strengthen regulation and supervision of the banking sector. A banking regulatory and supervisory framework was created and strengthened and an action plan to deal with failing banks and the privatization of state-owned banks was adopted. Major shortcomings included: (i) a weak macroeconomic environment that provoked a major banking crisis, and (ii) lack of time-bound privatization plan for state banks.
PFPSAL [FY02]-P070560	1,100	Satisfactory	The programmatic projects aimed to support key public and financial sector reforms in the aftermath of the 2000 crisis. Achievements were as follows: (i) Regulatory and supervisory framework for the banking activity was further strengthened and upgraded; some progress in public finance management and governance reforms; (ii) Legal and regulatory framework for banking activity was strengthened; importance of state-owned banks diminished; public sector financial structure, management, and accountability strengthened and improved; public procurement enhanced, (iii) Financial sector stabilized and strengthened; substantial progress towards sustained fiscal adjustment and effective and transparent government, and noticeable improvements in financial transparency; fiscal and debt outcomes improved. On the flip side, social expenditures fell short of targets, privatization of one bank was not completed, and Savings Deposits Insurance Funds were not totally resolved.
PFPSAL II [FY02]-P070561	1,350	Moderately Satisfactory	
PFPSAL III [FY04]-P082996	1,000	Satisfactory	
PPDPL [FY06]-P071052	500			Structural reform program to maintain an macroeconomic framework, financial controls and expenditure management of public resources, and improving the administration and governance of the public sector.

Bank Program	Amount (US\$ mn)	IEG Outcome Rating*	Comment
CEDPL [FY07]-P071052	500		Includes maintaining currently enabling macroeconomic framework and privatization of state owned enterprises (SOEs).
Analytical Work			
Living Standards [FY99]-P074181			<i>Economic reforms, living standards and social welfare study-</i> Stressed links between growth, employment and poverty reduction. Suggested policies to make agricultural sector more productive to absorb jobs.
CEM [FY00]-P057226			<i>CEM: Structural Reform for Sustainable Growth.</i> Included analysis of Turkey's macroeconomic framework. Recommends structural policies to generate fiscal surpluses, financial reform, banking sector, agriculture and social security.
CEM [FY03]-P59617			<i>CEM: Towards Macroeconomic Stability and Sustainable Growth.</i> Analyzed the context after de 2001 crisis, including issues of macroeconomic stability.
CEM [FY06]-P077776			<i>CEM: Promoting Sustained Growth and Convergence with the European Union.</i> Analysis determinants of growth and public financial management.
PER [FY01]-P088836			<i>Public Expenditure Review.</i> Analyses the budget, institutions of public expenditure management, and accountability.
PER [FY07]-P093169			<i>Public Expenditure Review.</i> Includes discussion on the effects of Social security reform over expenditure.
Investment Climate			
Lending			
EFIL [FY00]-P065188	253	Satisfactory	The first project intended to provide a credit line to banks supplying medium term credit to exporting firms and to SMEs at a time of tight credit and crisis in 2001. Private Banks were evaluated against prudential ratios and most of their ratios improved; strategic dialogue between the Bank and Turkish banking sector was established, and set the stage for Bank programmatic support to the financial sector. The second project aimed to provide adequate finance to facilitate export growth, and improve financial intermediation. There was a pick up in export growth resulting from increased financial intermediation targeting the export sector; Credit line to export sector facilitated export growth (number of exporters, volume and value of exports); Increased competition in the financial sector.
EFIL II [FY04]-P082801	303	Highly	
EFIL 3 [FY05]-P093568	305	Satisfactory	
ERL [FY00]-P065188	760	Satisfactory	The project aimed to reform key structural areas and contained elements related to privatization, reduction of agricultural subsidies and deregulation of the energy sector. Significant reform achievements in the fiscal and social security systems; reform progress in the agricultural,

Bank Program	Amount (US\$ mn)	IEG Outcome Rating*	Comment
ARIP [FY02]-P070286			energy and telecommunication sectors and in the privatization of SOEs.
CEDPL [FY07]-P0741181	500		Structural reform program. In terms of Investment Climate includes improving investment climate generally, access to investment capital, and promoting knowledge and
Analytical Work			
Caspian Oil & Gas 1 [FY00]-P066699			Explored options for moving away from the Turkish National Gas Company (BOTAS) as a sole-source gas buyer.
Caspian Oil & Gas 2 [FY01]-P071503			
Caspian Oil & Gas 3 [FY02]-P075254			
Caspian Oil & Gas 4 [FY03]-P080288			
Water Sector Review [FY03]-P079023			Review of the present situation of water sector in Turkey and private sector participation.
Energy Strategy [FY03]-P081072			Energy strategy note reviewing main issues and policy options in power and gas sectors.
Gas Sector Note [FY04]-P083619			Assists the Government of Turkey in developing a strategy to expand gas distribution and utilization in Turkey.
Infrastructure Note [FY06]-P089034			Infrastructure financing study. The results were incorporated into the full PER.
CEM [FY06]-P088836			<i>CEM: Promoting Sustained Growth and Convergence with the European Union.</i> Includes analysis of issues regarding deregulation and investment climate.
Investment Climate Assessment [FY07]-P084255			Analyzes Investment Climate based on a survey to 1,300 Turkish firms on issues such as industrial restructuring, administrative barriers for business operation, entry and exit dynamics.
Labor Market Policies			
Lending			
PSSP 1 [FY01]-P069894	250	Satisfactory	The project intended to support the Government's program to privatize state-owned enterprises (SOE), and to serve as a cushion to social impact of the economic reform program, including compensation for deployed workers. The privatization of state enterprises was successful; job compensation was provided to 18,261 laid off workers, and surveys to monitor the social impact of the reform program were conducted, albeit with some delay.
PSSP 2 [FY05]-P094167	465		

Bank Program	Amount (US\$ mn)	IEG Outcome Rating*	Comment
			policies includes setting the foundations for overhauling labor market regulations.
Analytical Work			
CEM [FY06]-P088836			<i>CEM: Promoting Sustained Growth and Convergence with the European Union.</i> Includes issues regarding labor market reform agenda.
Poverty Assessment [FY05]-P084809			Joint with the Turkish Statistical Agency: General poverty profile of the country including labor market analysis.
Labor Market Study [FY05]-P079189			<i>Labor Market Study.</i> Comprehensive study of labor market including suggested reforms to Labor codes, severance payments, labor dispute resolution mechanisms and active labor market programs.
Education Sector Assessment [FY05]-P084761			<i>Sustainable Pathways to an Effective, Equitable, and Efficient Education System for Preschool through Secondary School Education.</i> Includes background papers of the relationship between education policies and labor market.
Investment Climate Assessment [FY07]-P084255			Analyzes Investment Climate based on a survey to 1,300 Turkish firms on issues such as industrial restructuring, administrative barriers for business operation, entry and exit dynamics.
Estimating the Impact of Labor Taxes [FY08]-P111557			<i>Estimating the Impact of Labor Taxes on Employment and the Balances of the Social Insurance Funds in Turkey.</i> Studies more detailed effects of the proposed reforms to labor taxes and regulations.
Youth Labor Markets [FY08]-102193			<i>Investing in Turkey's Next Generation Study.</i> Analyzes youth labor market issues including education systems, government programs for worker placement, and regulations.
Education Policies			
			children of low-income families and children with special needs. Weak project performance was due to (i)

Bank Program	Amount (US\$ mn)	IEG Outcome Rating*	Comment
Basic Education (APL2) [FY03]-P059872	300	Moderately Unsatisfactory	The project aimed to expand basic education coverage in low income families and children with special needs. School infrastructure was expanded and renovated, and package of learning material reached an additional 3 million schoolchildren. However, project design was inappropriate, leading to inability to provide evidence on how funded outputs link to the stated project objective, and making project evaluation difficult.
Secondary Education [FY05]-P066149	104		Supported reform of general secondary and vocational education by improving conditions for student learning, establishing a career guidance system and enhancing foreign language teaching.
Education Sector Assessment [FY05]-P084761			<i>Sustainable Pathways to an Effective, Equitable, and Efficient Education System for Preschool through Secondary School Education.</i> Comprehensive analysis

Social Protection

Lending

ERL [FY00]-P068792	760	Satisfactory	Reform of key structural areas. In Social Protection they include: initial reforms of pensions and start of unemployment insurance.
Social Risk Mitigation Project (SRMP) [FY02]-P074408	500		Funded conditional cash transfers to poorest 6%. Grants for employability (skills) training, social service sub-projects, rehabilitation of schools, and temporary employment.
PPDPL [FY06]-P071052	500		Structural reform program. In terms of Social Protection includes reforming substantially the country's social protection system, which covers social security, universal health insurance (UHI), and social assistance.

Analytical Work

Poverty Assessment [FY05]-P084809			Joint with the Turkish Statistical Agency: General poverty profile of the country includes analysis of access to social security.
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Table 23. Turkey: Population and Labor Force Participation (LFP) Rates

(percent except first row)

TURKEY	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Population, total (millions) ^{1/}	56.2	57.3	58.4	59.5	60.6	61.7	62.9	64.0	65.2	66.3	67.4	68.5	69.6	70.7	71.1	72.1	73.0	73.9
Population growth (annual %) ^{1/}	2.3	2.0	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7	1.6	1.6	1.6	0.6	1.3	1.3	1.3
Urban population (% of total) ^{1/}	59.2	59.8	60.4	60.9	61.5	62.1	62.6	63.1	63.7	64.2	64.7	65.2	65.7	66.3	66.8	67.3	67.8	68.2
LFP rate by Gender (Official): Total ^{2/}	56.6	57	56	52.1	54.6	54.1	53.7	52.6	52.8	52.7	49.9	49.8	49.6	48.3	48.7	48.3	48.0	46.3
Male ^{2/}	79.7	80.2	79.6	78.0	78.5	77.8	77.3	76.7	76.7	75.8	73.7	72.9	71.6	70.4	72.3	72.2	71.5	69.3
Female ^{2/}	34.1	34.1	32.7	26.8	31.3	30.9	30.6	28.8	29.3	30	26.6	27.1	27.9	26.6	25.4	24.8	24.9	23.6
LFP by Gender (WDI): Total ^{3/}	58.1	57.8	56.8	53.1	55.6	55	54.6	53.3	53.4	53.3	50.5	50.3	50	48.7	52.3	52.2	52	
Male ^{3/}	81.5	80.9	80.4	78.8	79.3	78.5	78	77.4	77.2	76.3	74	73.1	71.8	70.6	76.7	76.5	76.2	
Female ^{3/}	34.4	34.3	32.9	26.9	31.4	31.1	30.7	28.9	29.3	30.1	26.6	27.1	27.9	26.6	27.8	27.7	27.7	
LFP by Gender (WDI): Total ^{4/}	60.7	60.4	59.3	55.7	58.1	57.4	57	55.8	55.8	55.7	52.8	52.7	52.6	51.3	55	54.8	54.6	
Male	84.5	83.9	83.4	82	82.4	81.4	81	80.5	80.3	79.4	77.1	76.3	75.2	74	80.3	80.1	79.8	
Female	36.2	36.2	34.6	28.5	33.1	32.7	32.3	30.4	30.7	31.4	27.9	28.5	29.4	28.1	29	28.9	28.8	

^{1/} The World Bank (WDI)

^{2/} Turkish Statistical Office. Series published by ILO and OECD are very similar. Data for 2007 are from the OECD.

^{3/} The World Bank (WDI), Ages 15 and above.

^{4/} The World Bank (WDI), ages 15-64.

Table 24. Turkey: Employment-to-Population (ETP) Ratio (percent) and Number of Hours Worked per Week

TURKEY	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
ETP ratio by Gender: Total ^{1/}	52.1	52.3	51.2	47.5	49.9	50.0	50.2	49.0	49.2	48.6	46.7	45.6	44.5	43.2	43.7	43.3	43.2	45.8
Male	73.5	73.2	72.6	71.1	71.6	71.7	72.0	71.7	71.4	70.0	68.8	66.6	63.9	62.9	64.7	64.8	64.6	67.9
Female	31.2	31.7	30.2	24.3	28.8	28.6	28.8	26.6	27.3	27.8	24.9	25.1	25.3	23.9	22.9	22.2	22.3	23.8
ETP ratio - Vulnerable Employment ^{2/}																		
Male																		
Female																		
ETP ratio - Child Labor ^{3/}																		
Male ^{3/}					8.8													2.6
Female ^{3/}					10.2													3.3
ETP ratio - Child Labor Employment Rates ^{3/}					7.3													1.8
Male ^{3/}					3.2													1.5
Female ^{3/}					4.8													2.2
ETP ratio - Rural Child Labor ^{3/}					1.5													0.8
Male ^{3/}					14.9													4.1
Female ^{3/}					16.0													5.0
Hours Worked per Week (Total) ^{4/}					13.7													3.3
Male ^{4/}																		
Female ^{4/}																		
Hours Worked per Week (Manufacturing) ^{4/}																		
Male ^{4/}																		
Female ^{4/}																		

Sources and Notes:

1/ Staff estimates from official data on labor participation and unemployment rates.

2/ a/ a. Includes self-employed and informal sector jobs;

3/ Age 6-14), by Gender, Rural and Urban, Selected Years, 1994-2006 (in % of Age Category); Source: ILO, Working Child 2006, based on TURKSTAT, Working Child Statistics, 2006.

4/ ILO. <www.laborstat.ilo.org>

Table 25. Turkey: Gross National Income per Worker, Earnings by Education and Gender, and Manufacturing and Agriculture Wage Indices.
(US Dollar equivalent at year 2000 prices except last three rows)

TURKEY	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Real GNI per worker ^{1/}	6042	5899	6207	7102	6270	6646	6991	7547	7559	7226	7886	7388	7964	8480	9115	9844	10430	10735
Public Sector ^{2/}	5736	8232	8724	9432	9432	8040	6036	7188	7092	10080	10776	9540	8664	8772				
Private Sector ^{2/}	5040	6912	7332	7452	6108	5760	5868	5688	6660	7428	7500	5988	5928	0				
Civil Servant Salary ^{2/}	3840	4116	4680	4776	3732	3660	3936	4584	4524	4728	4188	4032	4260	4224				
Minimum Wage ^{2/}	1068	1212	1320	1392	1176	1128	1332	1464	1392	1872	1608	1380	1488	1548				
Average Household Income ^{3/}					7824								6228	6132	6588	6804		
Household Income - 1 st Quintile ^{3/}					1896								1644	1836	1992	2064		
Household Income - 2 nd Quintile ^{3/}					3372								3060	3156	3516	3768		
Household Income - 3 rd Quintile ^{3/}					4932								4368	4440	5004	5388		
Household Income - 4 th Quintile ^{3/}					7452								6492	6408	7200	7692		
Household Income - 5 th Quintile ^{3/}					21480								15600	14808	15204	15120		
Per Capita Household Income ^{3/}					1764								1500	1488	1596	1668		
Per capita Household Income - 1 st Quintile					504								444	456	480	492		
Per capita Household Income - 2 nd Quintile					780								744	792	876	984		
Per capita Household Income - 3 rd Quintile					1080								1020	1068	1236	1332		
Per capita Household Income - 4 th Quintile					1596								1476	1512	1728	1836		
Per capita Household Income - 5 th Quintile					4428								3636	3480	3636	3600		
Minimum Wage ^{4/}	23.7	27.8	30.5	30.0	27.4	24.7	29.6	30.7	31.7	48.0	40.7	38.0	41.5	42.2	53.5	53.7	48.4	43.4
Formal Wage Index 5/6/	128.7					92.3			93.7	102.2	100.0	86.0	79.8	78.0	80.9	76.2	76.3	
Agricultural Wage 6/6/									104.3	118.4	100.0	93.1	78.8	77.4	82.9	88.4	98.4	

Sources and Notes.

1/ The World Bank (WDI)

2/ Ministry of Planning. <<http://www.dpi.gov.tr>>

3/ US dollars per month. Staff estimates using annual nominal household income survey data available at www.turkstat.gov.tr. These are estimates of monthly real incomes at December 1998 CPI prices converted to US dollars at the average December 1998 exchange rate. Annual nominal incomes were inflated to December using the ratios of the December CPI indices (IMF) to average annual CPI indices (IMF). Monthly incomes were estimated dividing the annual data by twelve.

4/ 1990-2005: Secretary of Planning, 2006-2007: www.turkstat.gov.tr. Data is percent of Per Capita GDP.

5/ Index of Real Labor Compensation per Labor Unit Manufacturing (Index, 2000=100). Nominal values deflated by the CPI. TURKSTAT

6/ Index of Wage of Permanent Agricultural Workers (Males), (Index, 2000=100). Nominal values deflated by the CPI. TURKSTAT

Table 26. Turkey: Unemployment Rates

(percent)

TURKEY	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Unemployment ^{1/}	8.0	8.2	8.5	8.9	8.6	7.6	6.6	6.8	6.9	7.7	6.5	8.4	10.3	10.5	10.3	10.3	9.9	10.1
Male ^{1/}	7.8	8.7	8.8	8.8	8.8	7.8	6.9	6.5	6.9	7.7	6.6	8.7	10.7	10.7	10.5	10.3	9.7	10.0
Female ^{1/}	8.5	7.1	7.7	9.3	8.0	7.3	5.9	7.7	6.8	7.3	6.3	7.5	9.4	10.1	9.7	10.3	10.3	10.5
Unemployed: No. of Weeks of Job Search ^{2/}											34.2	33.8	42.9	38.6	57.2	58.5	53.3	46.4
Male ^{2/}											31.2	31.2	40.7	36.0	55.0	55.9	50.3	43.3
Female ^{2/}											42.5	42.9	49.8	45.5	63.7	66.3	61.1	55.0

Sources and Notes.

^{1/} Turkish Statistical Institute. Statistical Indicators 1923-2007. <www.turkstat.gov.tr>. Series published by ILO and OECD are very similar.

^{2/} Turkish Statistical Institute. <www.turkstat.gov.tr>. Labor Force Statistics.

Table 27. Turkey: MILES Indicators Table

TURKEY	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
Macroeconomic Stability																				
Inflation, consumer prices (annual %)	60.3	66.0	70.1	66.1	106.3	88.1	80.3	85.7	84.6	64.9	54.9	54.4	45.0	25.3	10.6	10.1	10.5	8.8	8.8	
Central Gov't primary balance (% of GNP) ^{1/}										1.5	4.6	4.8	3.5	4.9	5.3	5.5	5.8	5.8	5.2	
Central Gov't overall balance (% of GNP) ^{1/}										-11.6	-11.2	-17.4	-13.8	-11.2	-7.1	-2.2	0.1	-0.7	-0.7	
Overall Balance of Public Sector ^{1/}										4.6	2.1	2.3	3.8	3.3	5.0	5.4	5.1	3.5	3.5	
										66.4	61.5	66.4	61.5	55.2	49.1	41.6	34.2	38.8	38.8	
Public debt (% of GDP)										57.7	56.3	47.3	41.2	35.1	35.1	39.5	39.5	33.7	33.7	
Gross External Debt										22.1	19.1	20.8	15.1	17.6	19.4	20	22.1	22.2	22.2	
Gross Investment										21.3	19.7	21.4	23.6	23.8	24.1	24.5	24.4	24.4	24.9	24.9
Exports										1.0	-0.7	-4.9	1.7	-0.7	-2.6	-4.0	-4.6	-6.0	-5.7	
Current Account Balance (% of GDP)										100	78.9	85.1	95.3	97.1	116.2	108.5	129.0	129.0	129.0	
REER Index 2000=100, Yr End ^{2/}																				
Investment Climate										40.0	44.0	54.0	69.0	65.0	66.0	66.0	59.0	53.0	63.0	
Ranking of WEF Global Competitiveness Index ^{2/}										24.5	25.4	28.0	13.8	36.3	36.5	43.6	52.8	59.5	53.0	
WEF Global Competitiveness Index (% of countries ranked lower)										53	59	75	80	102	104	117	125	131	134	
WEF Total Number of Countries																				
Time required to start a business, Doing Business survey (days) ^{2/}										7.7	7.6	7.5								
GFCF, private sector (% of GDP) ^{1/}		0.7	0.8	0.8	0.6	0.6	0.6	0.6	0.6	0.1	0.1	2.9	1.0	1.3	2.0	2.0	8.7	19.1	19.1	
FDI (US\$ billions)										0.4	0.3	0.4	1.7	0.5	0.6	0.7	2.1	3.8	3.0	
FDI (% of GDP)																				
Labor Regulations and Institutions																				
Employment Law Index, Doing Business (smaller numbers are better) ^{3/}																				
Labor Freedom factor, Index of Economic Freedom (larger numbers are better) ^{4/}																				
Total Tax Wedge including Payroll Taxes																				
Education																				
Primary enrollment rate																				
Gross		98.9																		
Male																				
Female																				
Net		89.2																		
Secondary enrollment rate																				
Gross																				
Male																				
Female																				
Net		42.0																		
Ratio of Girls to Boys in Primary and Secondary Schools (%)																				
Tertiary enrollment																				
Male																				
Female																				
Ratio of Females to Males in Tertiary Education (%)																				
Social																				
Health expenditure, private (% of total health expenditure)																				
Health expenditure, public (% of total health expenditure)																				
Population																				
Population, total (millions)		56.2	57.3	58.4	59.5	60.6	61.7	62.9	64.0	65.2	66.3	67.4	68.5	69.6	70.7	71.1	72.1	73.0	73.9	
Population growth (annual %)		2.3	2.0	1.9	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.5	0.6	1.3	1.3	1.2	
Urban population (% of total)		59.2	59.8	60.4	60.9	61.5	62.1	62.6	63.1	63.7	64.2	64.7	65.2	65.7	66.3	66.8	67.3	67.8	68.2	

Sources: All data from World Bank WDI consulted on December 5 2008, unless otherwise noted.

^{1/} IMF Article IV consultations

^{2/} World Economic Forum (WEF). The index is not comparable from year to year because the average sample of countries increases.

^{3/} Doing Business (DB) Indicators. Years correspond to DB's data collection timeline, one year before DB report

^{4/} Doing Business (DB) Indicators. Ranges from 0 to 100. The higher the number, the more difficult it is to higher.

Table 28. WEF Global Competitiveness Index Rankings, Selected Countries, 2007

Country	Overall	Infrastructure	Public Institutions	Macro Economy	Health & Primary Education	Higher Education & Training	Goods Market Efficiency	Labor Market Efficiency	Financial Market Sophistication
Turkey	53	59	55	83	77	60	43	126	61
Colombia	69	86	79	63	64	69	85	74	72
Tunisia	32	32	21	72	24	30	31	79	66
Azerbaijan	66	60	83	23	103	89	95	46	91
Poland	51	80	82	56	36	35	69	49	64
Croatia	57	53	65	73	44	46	71	56	68
Ukraine	73	77	115	82	74	53	101	65	85
Portugal	40	25	27	81	32	34	41	83	35
Cyprus	55	26	36	55	18	38	37	80	39
Bolivia	105	118	124	49	91	91	125	121	106
Spain	29	19	43	32	37	31	40	95	34
Armenia	93	87	96	57	99	95	104	40	110

Source: World Economic Forum, Global Competitiveness Report, 2007-08 (Geneva: WEF, 2007).

Appendix M. Turkey: List of People Met

WORLD BANK

Aristomene Varoudakis	Country Manager for Armenia
Ina Ruthenberg	Country Program Coordinator
Jeanine Braithwaite	Senior Social Protection Economist
Basil Kavalsky	Consultant, IEGCR
Arup Banerji	Sr Adviser, IEGWB
James Parks	Adviser, MDW
Fernando Montes	Sector Director, ECSPF
Paulo Guilherme Correa	Senior Economist, ECSPF
Jesko Hentchel	Country Sector Coordinator, ECSHD
Raif Can	Consultant
Carlos Pinerua	Country Sector Coordinator, ECSPF
Mark Thomas	Lead Economist, ESCPE
Mediha Agar	Economist, ECSPE
Maureen Anne McLaughlin	Lead Education Specialist, ECSHD
Kamer Karakurum-Ozdemir	Economist, ECSPE
Keiko Sato	Lead Operations Officer, ECCU6
Ulrich Zachau	Country Director, ECCU6
Ismail Arslan	Sr Evaluation Officer, IEGCR
James Hanson	Consultant, MNSED
Gordon Betcherman	Sector Manager, ECSHD

International Monetary Fund

Hossein Samiei
Davide Lombardo

Turkish Government Officials, Private Sector Representatives and Other Turkey-based Individuals

Ferudun Giresun	Department Head, ISKUR Turkish Employment Organization
Asim Keskin	Advisor to Minister of Labor, Ministry of Labor
Mehmet Akkul	Department Head, State Owned Enterprises, Treas-ury
Ozgur Pehlivan	Deputy General Director, Foreign Economic Relations, Treasury
Elvan Ongun	Department Head, Foreign Economic Relations, Treasury
Murat Alici	Deputy General Director, Foreign Investment, Treas-ury

Fatma Uluc	Education Project Officer, UNICEF
Mustafa Balci	Education Sector Manager, Economic Commission, European Union
Halil Ibrahim Alca	SPO State Planning Organization
Kemal Madenoglu	SPO
Guven Sak	Executive Director, TEPAV Economic Policy Research Foundation of Turkey
Emim Dedeoglu	Director, Governance Studies, TEPAV
Ozan Acar	Research Associate, TEPAV
Enver Tasti	Director of Social Statistics, TURKSTAT State Institute of Statistics
Didem Sozer	TURKSTAT
Gulay Aslantepe	Director, ILO
Ertan Tanriyakul	Deputy General Manager, TURK EXIM BANK
Neslihan Topbas	Funding Manger, TURK EXIM BANK
Ahmet Aksu	Vice President, Privatization Administration
Gunden Peker Cinar	Head of Project Group, Privatization Organization
Ozge Alpay	Coordinator, Project Coordination Unit, Privatization Organization
Irem Guner	Project Consultant, Privatization Organization
Zafer Ali Yavan	TUSIAD Turkish Industrialists' and Businessmen's Association
Orhan Beskok	Executive Vice President, Industrial Development Bank of Turkey TSKB
Gunduz Findikcioglu	Chief Economist, TSKB
Refik Akinci	Department Head, Economics and Engineering, TSKB
Hakan Altinay	Executive Director, Open Society Institute Assistance Foundation
Neyyir Bertkay	Coordinator, Education Reform Initiative ERG
Batuhan Aydagul	Deputy Coordinator, ERG
Ayla Goksel Gocer	Vice President and CEO, Mother Child Education Foundation ACEV
Necdel Kenar	Director General, MESS Training Foundation

Appendix N. Cross-Country Comparisons

1. The cases reviewed in chapters 2, 3, and 4 of this report depict a range of experiences relating to Bank support for addressing employment challenges. This appendix discusses a set of findings that can be drawn from Bank experiences assisting Colombia, Tunisia and Colombia. The discussion focuses on findings relating to the country's achievement of outcomes (GDP, poverty, employment, and earnings growth) and the contribution of Bank inputs, first from a cross-cutting perspective and then with reference to each of the five MILES areas support. The appendix concludes with implications for Bank support during the current jobs crisis.

Comparison of Outcomes across the Three Countries

2. Two findings in connection with outcomes across the three countries are highlighted: a) progress in economic growth and earnings was better than progress in employment and unemployment; b) while the availability of statistics on employment and outcomes has improved, there are still significant pitfalls.

3. *Outcomes, Exogenous Forces and Policies. When comparing the decade under review (1997-07) with the previous decade, the broad outcomes (Table 29.) are as follows: Tunisia did best. With stable employment growth, Tunisia increased its employment-to-population ratio and reduced the unemployment rate. Per capita GDP, GNI and earnings growth rates also increased and poverty declined at an increased rate. Colombia also registered stable employment growth and an increase in the employment-to-population ratio, but the unemployment rate increased. The per-capita GNI and GDP growth rates declined but earnings growth may have increased towards the end of the review period due to a decline in inequality. Poverty declined after having increased during the previous decade. Turkey experienced declines in employment growth and in the employment-to-population ratio, and an increase in the unemployment rate. The per-capita GNI and GDP growth rates increased and earnings growth possibly remained stable. Poverty declined at an increasing rate, particularly after 2002. The last column of Table 29. shows per worker output growth and TFP. Although Turkey, as Tunisia, increased TFP growth markedly, Turkey's growth, unlike Tunisia's, was "jobless".*

Table 29. Colombia, Tunisia, and Turkey: Outcome Indicators

Year/ Period	Employment		Unemployment		Income		Poverty			Income Distribution			Output/TFP			
	Average Annual Change (%)	Employment-to- Population Ratio (%)	Unemployment Rate		Real Per Capita GNI Growth		Headcount Ratio (Not Comparable across countries) Data at or closest to (as indicated):			Gini Coefficient (Not Comparable across countries) Data Closest to (as indicated)			Per-Worker GDP Growth/Of which:TFP			
	1987	1997	1997	2007	1987	2007	1987	1997	1987	1997	2007	1987	1997	2007	1989- 95	1995- 05
Colombia	2.3	2.3	51.0	51.4	9.8	10.7	2.2	1.9	52.5 ^{1/}	52.7	45.0 ²	53.1 ^{3/}	57.6	54.0 ^{2/}	1.58/ -0.01	1.16/ -0.18
Tunisia	2.7	2.7	38.1	40.2	15.9	14.1	2.2	4.0	7.7 ^{4/}	6.2 ^{5/}	3.8 ^{6/}	43.2 ^{4/}	38.9 ^{5/}	40.0 ^{6/}	2.37/ 0.75	3.04/ 1.42
Turkey	1.9	0.8	49.0	45.8	6.8	10.1	2.3	2.5	38.5 ^{7/}	34.5 ^{8/} 28.3 ^{8/} 30.3 ^{9/}	27.0 ^{9/} 9.5	44.4 41.5 ^{8/}	41.6 42.7 ^{9/}	39.5 ^{2/} 43.2 ^{6/}	2.83/ -0.05	3.61/ 1.50
World Average	1.7	1.6	63.0	61.8	6.1	6.0	1.4	1.9	71.8	67.2	56.6	61.9 ^{10/}	64.2 ^{10/}	65.1 ^{11/}	0.83/ -0.44	2.99/ 1.32

Sources and Notes: GNI, Population and working age population: The World Bank (WDI). Employment and Unemployment: DANE (Colombia), Tunisia Institute of Statistics (Tunisia), OECD (Turkey), The World Bank (WDI) and ILO, "Global Employment Trends", 2009 (World). Poverty Headcount Ratio: DNP (Colombia); Tunisia Institute of Statistics (Tunisia); The World Bank (2005) and (WDI) (Turkey); The World Bank (WDI) (World). Gini Coefficient: DNP (Colombia); (World Bank updated (2008) poverty estimates (<www.worldbank.org>) (Tunisia); Dumlu and Aydin (2008) (Turkey). Output/TFP: staff estimates from Dale W. Jorgenson; Khuong Vu, "Information Technology and the World Growth Resurgence", hdl:1902.1/10702 UNF:3:vE7B5m3aMRtK6ZZi4IP4DA==; 1/ Average of 122 Economies. 1/1991; 2/ 2006; 3/1987 4/ 1985; 5/ 1995; 6/ 2005; 7/1987 8/1994; 8/ 1994; 9/2002/ 10/ 1988 and 1998, Milanovic (2005); 11/ 2000 and 2005, Hillebrand (2008).

4. Although employment growth has been positively correlated with GDP growth, as indicated by the fact that ILO (2005) estimates of the GDP elasticity of employment, *changes* in average GDP growth rates between 1987-97 and 1997-07 were reflected primarily in changes in earnings growth, not on employment growth. A positive relationship between GDP and employment growth is to be expected because growth triggers demand for labor and because employment is one of the sources of growth. However, the simple correlation between employment and GDP growth is weakened by the relationship that has also been found between changes in GDP growth and changes in TFP growth (another source of GDP growth), particularly when fundamental changes in relevant policies have taken place. In fact, worldwide acceleration of GDP growth during the review period was linked to worldwide acceleration of TFP growth and the three countries were no exception. Increases in total factor productivity growth allowed earnings growth to increase in Tunisia and Turkey, and possibly in Colombia where the change in average TFP growth between the two periods was small but income inequality declined.

Table 30. Colombia, Tunisia, and Turkey: Sources of Growth

Period 1989-1995						
	GDP Growth		Capital	Labor		TFP
	Per worker	Total		Hours	Quality	
Colombia	1.58	4.35	1.18	2.77	0.42	-0.01
Tunisia	2.37	4.44	1.16	2.07	0.46	0.75
Turkey	2.83	4.11	2.46	1.28	0.41	-0.05
World 1/	0.83	1.66	0.83	0.87	0.41	-0.44
Period 1995-2000						
	GDP Growth		Capital	Labor		TFP
	Per worker	Total		Hours	Quality	
Colombia	-0.25	0.91	1.38	1.16	0.38	-2.01
Tunisia	3.45	5.47	1.26	2.02	0.42	1.77
Turkey	3.06	3.87	2.39	0.81	0.34	0.34
World 1/	2.63	3.75	1.33	1.11	0.36	0.95
Period 2000-2006						
	GDP Growth		Capital	Labor		TFP
	Per worker	Total		Hours	Quality	
Colombia	2.57	3.85	0.80	1.28	0.13	1.64
Tunisia	2.63	4.49	1.29	1.86	0.26	1.08
Turkey	4.17	4.51	1.39	0.34	0.11	2.67
World 1/	3.35	4.51	1.42	1.15	0.24	1.70

Source: Dale W. Jorgenson; Khuong Vu, "Information Technology and the World Growth Resurgence",
 hdl:1902.1/10702 UNF:3:vE7B5m3aMR1K6ZZi4IP4DA==; 1/ Average of 122 Economies

5. Differences in outcomes across the three countries were linked primarily to differences in local exogenous forces and policies. External forces were favorable. Improvements in the world and regional economic environment increased local demand for labor in the three countries. Per capita world GDP growth increased from 1.4 percent during 1987-97 to 1.8 percent during 1997-07, with even larger increases in Latin America, ECA, and MENA. Access to international finance improved notably and the cost of this finance declined.

6. Improvements in **macroeconomic policies and other investment climate policies** were also a factor helping increase investment and the demand for labor in the three countries, but good macroeconomic policies were already in place at the outset of the review period in Tunisia, while these policies initially deteriorated in Colombia and Turkey. **Labor market rigidity**, non-wage costs, and minimum wages increased throughout the period in Turkey and remained unchanged in Tunisia. Rigidity was somewhat relaxed in Colombia but non-wage costs and the minimum wage also increased. In **education**, the three countries achieved increases in enrollment, particularly in secondary and tertiary, i.e., towards the working-age range. These increases as well as demographic transition that reduced working-age population growth contributed to tame aggregate labor supply growth. Past education efforts also generated the supply of skills that allowed earnings to increase. Rural-urban migration spurred by economic sector adjustment in Turkey and rural violence in Colombia shocked urban labor supply. Furthermore, in Colombia, deteriorated security during the first half of the review period discouraged economic activity. All in all, the environment coming from local exogenous forces and policies was most favorable in Tunisia, less so in Turkey and least so in Colombia.

7. *In the three countries, poverty declined at an accelerating pace during the review period.* (Table 31.). This acceleration in poverty reduction does not surprise, for economic

growth accelerated in Tunisia and Turkey and inequality declined in Colombia. The experience of Tunisia and Colombia suggest that periods of economic distress, with low productivity growth, fall with more weight on the poor. In Tunisia, growth incidence curves, which depict the incidence of growth by percentile of the income distribution, show that growth has been pro-poor for several years, with the exception of the drought years during the early part of the century.¹ There were particularly sharp reductions in poverty towards the end in both Colombia and Turkey. Research by Cardozo and Grosse (2007)² use growth incidence curves to show that growth in Colombia was pro-poor for the overall 1996-05 period, particularly in the rural sector. Growth (or rather recession), however, was pro-rich during 1996-99 and pro-poor during the rest of the period, when the economy recovered. There are no available incidence curves for Turkey, but the data suggests that during the crisis of the early 2000s, poverty increased and growth may well have been pro-rich. Comparison of wage growth across the three countries shows the contrast between Colombia, where minimum wage regulations have pushed formal sector wages up (and informal wages down), and Turkey, where inflation was allowed to bring real formal sector wages down during the period of structural adjustment.

Table 31. Colombia, Tunisia, and Turkey: Poverty and Wages

Year/Period	Total Change in Poverty Headcount Ratio Change (Percentage Points)	Average Change of Real Wages in Manufacturing (Percent per Annum)	Change in the Unemployment Rate (Percentage Points)
<i>Colombia</i> ^{1/}			
1991-07	0.2	4.0	2.2
1997-02	4.5	2.0	5.3
2002-07	-9.5	1.3	-6.6
<i>Tunisia</i> ^{2/}			
1985-1995	-1.5	-0.6	-0.6 ^{4/}
1995-2005	-2.4	0.7	-1.9 ^{5/}
<i>Turkey</i> ^{3/}			
1984-94	2.7	2.2	0.9
1994-02	-1.3	-2.3	1.8
2002-06	-20.8	-2.6	-0.5

Source: Sources: ^{1/} Change in Poverty: Staff estimates from DNP data; Average Change in Real Wages: Central Bank; ^{2/} Change in Poverty: Data from Statistical Institute; Average Change in Real Wages: 1995-05: Data from Tunisia's Statistical Institute; 1985-95: Data from Tunisia's Statistical Institute and from World Bank 1995; ^{3/} Data from Turkey's Statistical Institute. 4/ 1984-94; 5/1994-04

8. Employment abroad has been an important source of income/transfers for nationals of the three countries, both for those living and employed abroad as for those living in their country and receiving remittances. In Colombia, the economic and security crisis at the turn of the century triggered a substantial rise in the stock of emigrants (up to 4 percent of population) and in remittances (up to 7 percent of GNI), the latter declining as the economy improved (See Figure 1.). In Tunisia, there was a gradual rise in the stock of emigrants after the year 2000 (up to 10 percent of population in 2007) and a rise in the level of remittances at the turn of the century (up to a little over 10 percent of GNI; (See Figure 2.). Turkey shows a sharp decline in remittances as the economy improved as well as a decline in the stock of emigrants (See Figure 3.).

9. *The dynamics of participation rates varied significantly across the three countries.* Turkey's long term decline in participation continued and is primarily correlated with the

decline in the share of the agricultural sector³, a decline that was given additional impetus by the removal of agricultural subsidies as part of the structural adjustment measures underpinning stabilization. Colombia's long term increase in participation, primarily explained by increased in education levels that raised female participation rates, ceased during the period under review, reflecting the diminished capacity of the economy to generate employment due to lower growth and possibly minimum wages. Participation rates in Tunisia increased, reflecting higher economic growth.

10. Similarly, *the experience of unemployment in the three countries also varied considerably*. It suggests that changes in unemployment (Table 31.) in Colombia during the decade were primarily cyclical; that changes in Turkey's unemployment reflected changes in the cyclical component prior to 2002, when indeed there were wide swings of economic activity, with a rise in structural or frictional unemployment during stabilization, possibly as structural policies accelerated the rural-urban human resource reallocation; and that changes in unemployment in Tunisia were minor, reflecting the absence of cycles or major structural changes.

11. *In the three countries, unemployment rates remained very high*. In 2007, these rates were 10.7 percent in Colombia, 14.1 percent in Tunisia, and 10.1 in Turkey, high even by regional standards in Colombia and Tunisia. These rates are not likely to reflect significant cyclical unemployment, for in 2007 output was close to potential in the three economies. They are more likely to reflect classical unemployment due to high minimum wages or structural unemployment due, for example, to skills mismatches, both issues of considerable importance in the three countries. Some frictional unemployment due to imperfect information may also be at work.

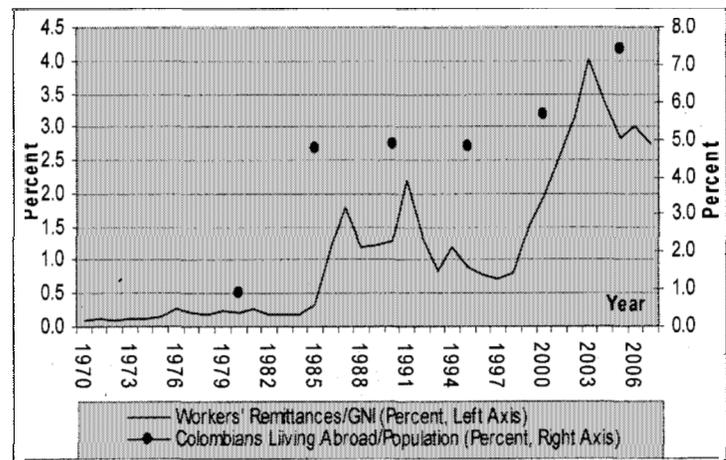
12. All this suggests that the Bank may usefully help elucidate the hysteresis and structural roots of unemployment, including its cyclical, classical, frictional and structural components, as there has been little success in reducing the long-term level of unemployment. During the 10-years reviewed in this report, the three countries made little or no progress in reducing unemployment on a sustained basis. Understanding better the "classical unemployment" implications of minimum wages and the other sources of long-term unemployment may help sharpen engagement and dialogue on this critical issue.⁴

13. *There are also considerable differences in performance in employment indicators by gender*. In both Tunisia and Turkey, female participation rates are much lower than male participation rates for a variety of reasons discussed in the country chapters, including structural (e.g., rural-urban migration in Turkey) and cultural factors (strong views of female roles at home). In Colombia, female participation rates, the highest of the three countries, declined after 2000, after several years of increasing, and male participation declined after many years of constancy. As with employment trends, the decline is linked primarily to slower economic growth, with some attribution due to minimum wage and labor taxes. In Turkey, female participation continued declining slowly, with no net changes in male participation. In Tunisia, female participation continued increasing and male participation continued declining. In all three countries, the authorities have been proactive in supporting women's rights to work. Nevertheless, female unemployment rates are higher than male unemployment rates in Tunisia and more so in Colombia, with the gap between the two increasing in Tunisia largely as a result of skill mismatches. Turkey's unemployment rates do

not vary by gender. A distinguishing feature in Tunisia is that unemployment is higher among the educated, again due to a skills (quality) mismatch.

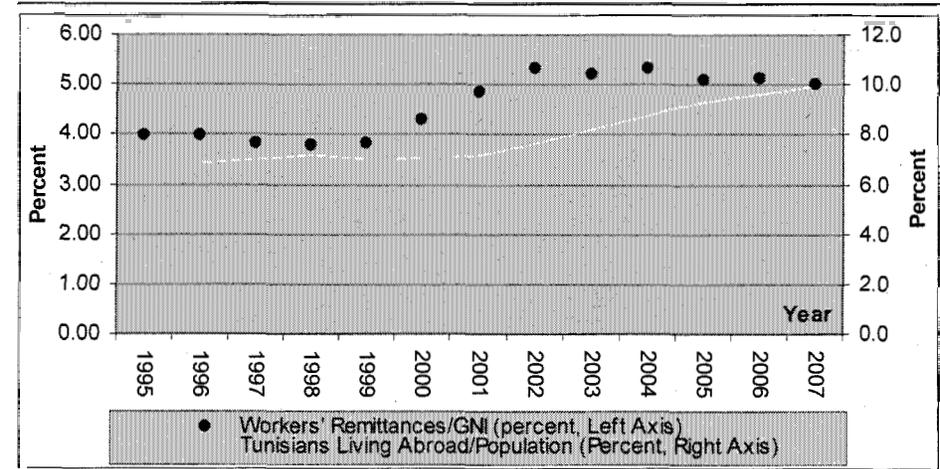
14. The experience on employment outcomes depicted in the paragraphs above suggests that Bank programs with employment objectives would benefit by considering the full set of employment-related outcomes when designing country programs. The full set would cover employment growth, the employment-to-population-ratio, the unemployment rate and earnings growth, and the impact of these on poverty, as well as the uncertainties of that impact. This is not to say that programs necessarily need to have quantitative targets for these variables, but that policies and programs need to be understood in terms of their possible effects on those variables.

Figure 1. Colombia—Number of Colombian Nationals Living Outside Colombia (Percent of Colombia's Population) and Workers' Remittances to Colombia (Percent of GNI)



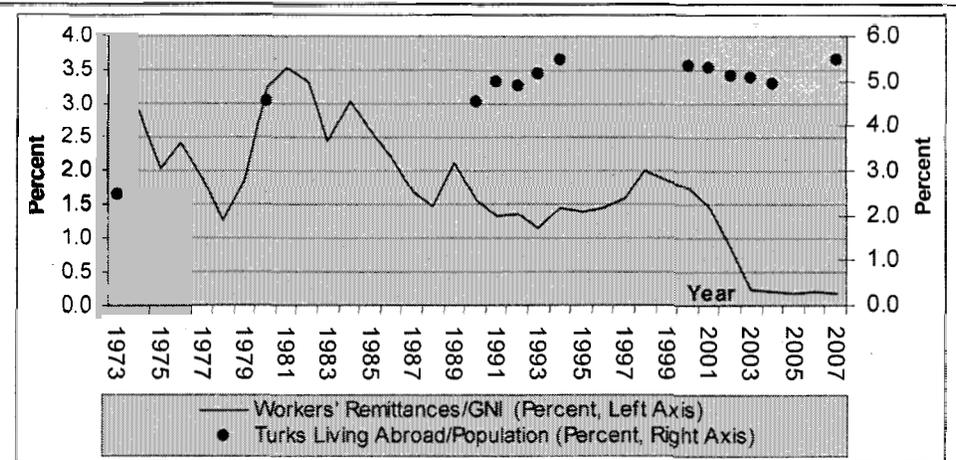
Sources: The World Bank (WDI): Population and Remittances. Organizacion Internacional para las Migraciones: Stock of Colombian Nationals Abroad.

Figure 2. Tunisia—Number of Tunisian Nationals Living Outside Tunisia (Percent of Tunisia's Population) and Workers' Remittances to Tunisia (Percent of GNI)



Sources: The World Bank (WDI): Population and Remittances. Ministry of Foreign Affairs: Stock of Tunisians Living Abroad.

Figure 3. Turkey—Number of Turkish Nationals Living Outside Turkey ((Percent of Turkey's Population) and Workers' Remittances to Turkey (Percent of GNI)



Sources: The World Bank (WDI) Population and Remittances. The World Bank; Icduygu, Ahmet, "Turkey and International Migration, 2004 - Sopemi Report For Turkey. Dept. of International Relations, Koç University, Gökdere, Ahmet, "An Evaluation Of Turkish Migration Towards End-1995"

15. Employment abroad has been an important source of income/transfers for nationals of the three countries, both for those living and employed abroad as for those living in their country and receiving remittances. In Colombia, the economic and security crisis at the turn of the century triggered a substantial rise in the stock of emigrants (up to 4 percent

of population) and in remittances (up to 7 percent of GNI), the latter declining as the economy improved (See Figure 1.) In Tunisia, there was a gradual rise in the stock of emigrants after the year 2000 (up to 10 percent of population in 2007) and a rise in the level of remittances at the turn of the century (up to a little over 10 percent of GNI; (See Figure 2.). Turkey shows a sharp decline in remittances as the economy improved as well as a decline in the stock of emigrants (See Figure 3.).

16. *Adequacy of Employment Data. A review of the data that was available for this report concludes that while much progress has been achieved in collecting information, there are still important pitfalls.* For example, in Colombia, data is now being produced on a monthly basis and at the national level since 2001, but limited comparability with previous years limits the analyses and delays in production of the data prevents timely monitoring. Furthermore, sources (official, ILO, Bank) sometimes conflict with one another. While Colombian national data indicate that the participation rate ceased growing during the review period, both ILO and World Bank (WDI) estimates indicate that the participation rate continued growing. The Bank will better fulfill its objectives if it steps up its support, in coordination with other institutions, for better information gathering and availability on employment and earnings. The Bank has already been active in assisting countries in strengthening their household survey data. But more could be done. A good area to target is on the timeliness of dissemination. For example, the last available household survey data on earnings for Colombia, which allows analysis of formal/informal sector differences, is for 2006. The implied delays are too long for the needs of analysts, observers, and policy makers. In Tunisia and Turkey, the situation is not any better.

Comparisons of Bank Support across the Three Countries that Cuts Across Policy Areas

17. Three findings are highlighted in connection with country program strategies. First, Bank objectives targeted primarily areas with a bearing on employment (e.g., MILES areas) rather than explicitly employment outcomes. Second, although its impact is uncertain, the Bank's AAA was generally of good quality in terms of addressing the right employment issues competently; it was well appreciated by the three clients. Third, the Bank's proactivity and engagement on employment issues may not always have been well matched to country circumstances.

18. *Bank Objectives. Although employment objectives have not been very explicit in Bank programs, most policies supported by the Bank in the three countries had some bearing on employment.* Bank strategies by and large focus on growth and poverty reduction as "grand objectives". Their references to employment or unemployment objectives are common, albeit often included only in passing. However, in the three countries covered by this report, references to employment in Bank programs increased during the review period, reflecting the increasing importance assigned to employment growth by authorities. Furthermore, the more concrete objectives generally included the policy areas with a bearing on employment, i.e., the MILES areas.

19. This experience suggests that where employment issues are important Bank strategies could move from just mentioning employment as an objective to better articulating how

its support in different areas will affect the full set employment outcomes and poverty. Where employment issues are pivotal, country programs could articulate their impacts on employment outcomes by indicating the links between their concrete intermediate outcome indicators and employment outcomes, as defined above. This will make employment objectives more tractable and credible, and employment impacts more explicit or transparent. The rationale for this suggestion is that employment outcomes are the key channel through which country programs affect poverty and poverty reduction is the Bank's overriding Bank objective.

20. *Country programs should be more concerned with the consistency of the policies supported with shared employment objectives, than with any precise targets regarding those objectives.* Bank strategy on employment and earnings growth is constrained by uncertainties in outcomes, country priorities, and political economy considerations. Bank programs typically aim at broad and general growth objectives and even broader employment objectives, primarily reflecting the similar generality observed in Government programs. This is probably inevitable given the considerable uncertainties in outcomes. Moreover, the timing of support to policies to address the different MILES issues in a country's strategy is unlikely to be driven solely by employment/earnings considerations but will consider political economy constraints the country faces in all areas, *particularly* with regard to labor regulations and institutions.

21. *The Bank's strategy and interventions were highly relevant in addressing key employment and earnings-related issues in the three countries.* The Bank's support, through its AAA, TA, and lending operations, adapted to governments' changing priorities and generally addressed (or attempted to address) the most critical policy constraints. The Bank's ideas and its international perspective and experience mattered considerably. High quality AAA played a key role in establishing and maintaining the extent and depth of the Bank's access to senior policy makers.

22. *In terms of the effectiveness of Bank inputs, the picture is mixed. Much has been achieved:* in Colombia and Turkey, macroeconomic stability and financial sector soundness were restored and the investment climate improved. In Tunisia, macroeconomic and financial sector stability was sustained during the decade under review, despite a challenging combination of shocks in the early 2000s. Labor contract flexibility and training systems improved in Colombia, even if significant weaknesses remain in both areas. The three countries made further progress in coverage of secondary tertiary education, although in Tunisia progress in higher education was compromised by low quality. In Colombia, social safety nets were widened, albeit generating discernible fiscal pressures which cannot be resolved without addressing the considerable remaining rigidities in the tax and expenditure systems.

23. *But other goals remain elusive.* The three countries did not resolve a number of macro vulnerabilities. For example, considerable remaining rigidities in the tax and expenditure systems remain in Colombia. Strengthening private investment on a sustained basis, rather than due to a cyclical rebound, remains a challenge because key underlying causes of low investment, such as governance problems in Tunisia, did not received enough attention. Little or no improvements in labor flexibility or in reducing the taxation of labor while financing social insurance were achieved in Tunisia or Turkey, and progress in Colombia was

modest. Moreover, minimum wages possibly explain part of the informality and high unemployment rates in the three countries. Education quality did not make much progress in any of the three countries. A broad-based financing of social insurance that eases payroll taxes and contributions was not put in place.

24. *Impact of Bank Support. Although attribution is difficult, the evidence discussed in the country chapters and their corresponding appendices suggests that most Bank activities made important contributions.* Bank AAA is generally appreciated for its quality in the three countries. It appeared most critical in Tunisia, where the Bank is possibly the foremost provider of development knowledge products. The Bank's AAA covered all of the MILES areas. In lending, Bank-supported fiscal adjustment operations contributed importantly to the restoration of fiscal stability in Colombia and Turkey, although in Colombia these operations promised more than could be delivered to eliminate structural rigidities given political economy constraints.

25. *However, some of the Bank's lending operations supported messy, 'second-best' reforms; it was right to do so, but overpromised what could be achieved.* Specific examples included the Bank's support for fiscal adjustment mentioned above, for the reform of the public training system, and for the Investment Stability Law in Colombia; and support for secondary education in Turkey. While the Bank's involvement contributed to better outcomes in these areas even though the results were far from ideal.

26. *To improve effectiveness, the Bank could usefully strengthen its role as knowledge provider and engage more strongly with its clients on employment policy.* For example, as discussed below, use AAA in an anticipatory fashion can position the Bank to be ready with support, including policy-based lending, when circumstances change. This may be particularly relevant for work on labor regulations and institutions, as in Turkey. The Bank is in a strong position to strengthen its leadership on understanding employment issues for a number of reasons. It has developed an integrative framework to identify constraints to employment. This framework allows the Bank to develop balanced views on policies affecting employment outcomes. It has demonstrated a capacity, as in other areas, to bring research into operationally relevant policy implications. AAA is the key instrument to deal with some of the more sensitive policy issues with a bearing on employment outcomes. And, again, its mandate of poverty reduction claims strong attention to employment outcomes. The Bank contributed to understanding employment issues in the three countries reviewed in this report. It can do so in many other countries that would benefit from this knowledge, even if the benefit takes time to materialize.

27. *Using AAA in an anticipatory fashion can position the Bank to be ready with support, including policy-based lending, when circumstances change.* In the case of Turkey, Bank staff and management had a clear understanding in the late 1990s that the major constraint to the country's economic growth (and indirectly employment generation) was the existing macroeconomic instability. Despite some reluctance on the part of the Government, the Bank continued to pursue macroeconomic and related structural reform issues as an important part of its AAA. When circumstances finally changed with the emergence of the political will to pursue stabilization and related objectives, the Bank was ready. Through having invested patiently, and rather expensively, in AAA, the Bank was in an excellent position to respond quickly to Government requests for supporting such economic reform,

including with assistance in the design of the Government's macroeconomic and related structural reform program. In another case, dialogue at the technical level has been facilitated by staff working on labor markets that has liaised effectively with former staff working in the country

28. *The conduct of AAA with substantive local involvement in the form of consultants and counterparts, while more time-consuming and administratively difficult, can be more effective in the longer term.* In those efforts in Turkey where such involvement has been intensive, institution-building has occurred, individuals involved go on and assume important policy-making roles, and promoting reform has yielded positive, and sometimes unforeseen, externalities.

29. *Dissemination and engagement after AAA report preparation needs to be adequately budgeted and anticipated.* The inability of the Bank to effectively follow through can result in missed opportunities for supporting reform. A case in point for Turkey may have been with the Bank's excellent Investment Climate Assessment. A similar example may also be the recently completed Financial Sector Assessment. Along similar lines, facilitating the "Revolving Door Effect" for Bank staff and Government officials (e.g., facilitating secondments in the form of unpaid external leave for Bank staff to accept temporary, time-bound assignments in their national Governments) can yield important dividends for economic reform and policy change. In the case of Turkey, the appointment of a Bank staff member as Minister of the Treasury in March 2001, just as the 2001 crisis was unfolding, had a major impact. The Bank-Government relationship, already quite solid and productive since 1999, was further strengthened. The new Minister, who in the end exercised a major influence over the country's economic reforms, had, from his own professional experience, considerable confidence in the Bank's work, and there an ease in professional communication was quickly established. He relied upon Bank advice and technical assistance in the design of the ongoing reforms. This arrangement proved beneficial to the Bank, the Government and ultimately the country.

30. *Technical excellence needs to be accompanied by a fuller appreciation of political economy considerations if consensus building for reform is to be attained.* In labor market regulations and institutions, there may be a need to broaden dialogue well beyond the circle of the Bank's normal interlocutors in the Government. Sometimes agreement with these interlocutors is achieved, but policies are still not implemented because of impediments from interest groups elsewhere. Experience with the series of development policy loans supporting business climate improvements in Tunisia suggests that the reason reform measures were taken was not that they were DPL conditions; rather, prior agreement through dialogue was a necessary requirement for including the measures as loan conditions.

31. *Proactivity and Engagement. The patient and resource-consuming consensus-building on policy issues require strong engagement, implying adequate Bank permanent presence in the country, which the three countries have.* Relying on periodic missions often is not adequate, as demonstrated, for example by dialogue on education Tunisia. In a number of policy areas and in economic dialogue generally, the beneficial presence of the Senior Country Economist resident in Tunis has already been felt. The Turkey and Tunisia cases show how local Bank presence helped develop the relationships with these countries. It also shows in-

stances where support that was occasional and scattered in time did not help develop the relationship.

32. *Cooperation between the Bank and other international organizations can provide greater benefits to the recipient country than the sum of their individual contributions.* In the case of Turkey, the World Bank Group, the IMF, the European Union, the OECD, the ILO, UNICEF and other UN agencies have all contributed positively to Turkey's modernization, economic growth, and employment generation through different, but frequently related, dimensions of the MILES framework. In most instances cooperation has been fruitful, and the messages provided have been similar and consistent. The combined effect has been to reinforce the resolve of the Turkish Government to proceed with a reform agenda.

Similarities and Differences Across the Three Countries in Bank Support on the Specific MILES areas.

33. Key findings are summarized as follows: a) Bank support for *macroeconomic Policies* contributed effectively to country efforts on stabilization and financial crisis resolution in Colombia and Turkey and on trade and financial development in Tunisia. These efforts were the main force that helped restore GDP growth in the first two countries and also contributed to sustaining higher growth in the third. Restored GDP growth increased the demand for labor resulting primarily in the higher earnings growth documented before; b) Bank support for *investment climate* policies covered the three countries and contributed to improvements in specific policy areas that helped raise investment or total factor productivity to varying degrees; c) support for *labor market regulations and institutions* has occurred primarily through AAA of good quality in terms of relevance and competence but with somewhat uncertain and perhaps limited impact; d) support for *education* contributed primarily to coverage and supported the increased supply of skills needed to raise output and earnings growth; e) support for social protection arrangements contributed successfully to CCT programs in Colombia and less so to unemployment insurance programs.

34. *Macroeconomic Policies and Growth. The three countries attests to the close connection between macroeconomic policy and cyclical unemployment, with Colombia and Turkey experiencing simultaneous cyclical movements in both GDP growth and unemployment and Tunisia experiencing stability in both.* Growth in Colombia and Turkey during the review period would have been less were it not for the stabilization that brought both countries out of recession during the first half of the review period. Bank support for macroeconomic policies was most important for employment growth in Turkey and Colombia. In Turkey, macroeconomic policies that on balance enhanced growth included reduction of fiscal deficits through both tax and expenditure measures that involved important structural reforms in the financial system, pensions, privatization and agriculture. Although initial stabilization efforts failed, the IMF and Bank provided considerable support to the macroeconomic stabilization efforts that were ultimately successful with exception of pension reforms. Similarly, the Bank assisted Colombia in its macroeconomic stabilization efforts with success in helping tax administration but failing in its support to lessen fiscal rigidities. But clearly the structural reform challenges to stabilize were far more challenging in Turkey than in Colombia and, accordingly, the Bank's engagement in this area was correspondingly stronger

in Turkey. In Tunisia, the Bank successfully helped in the area of trade facilitation and this may have contributed to economic and employment outcomes.

35. *An important finding in Turkey is that the impact of policies on economic growth was probably larger than the impact on employment growth.* In Turkey, where the partial elasticity of employment with respect to growth has been estimated at around 0.5⁵, macroeconomic policies that on balance enhanced growth included reduction of fiscal deficits through both tax and expenditure measures that involved important structural reforms in the financial system, pensions, privatization and agriculture). A most visible manifestation of these policies was the reduction in inflation, which had been shown to have a positive impact on economic growth through the “Phillips Curve” mechanism, lower uncertainty, or the real exchange rate⁶. Moreover, the structural reforms that were required for stabilization may also have encouraged growth: privatization, through improved investment and TFP; reduced agricultural subsidies, through improvements in resource allocation; strengthening of the financial system, through improved access to finance; and monetary independence, through reduced macroeconomic uncertainty. However, while these policies may well have raised the rate of economic growth, not all need have increased employment growth. Most specifically, the reduction in agricultural subsidies probably accelerated the rural-urban migration that has reduced labor participation and employment, particularly of women. In Colombia, the impact of policies on economic growth was also probably larger than the impact on employment growth as the latter may have been contained by the adverse effect higher minimum wages and labor taxes.

36. *The experiences in Colombia and Turkey suggest that the Bank can usefully work with the IMF in advising countries on how to ensure fiscal prudence while using available policies and resources judiciously in terms of addressing varying employment challenges.* This is likely to mean, on the one hand, relying largely on automatic stabilizers (allowing moderate deficits as revenue growth falters in recession and building treasury reserves during booms) rather than on discretionary changes in aggregate expenditure that have often been biased toward increased public expenditure and that risk remission into fiscal distress. On the other hand, discretion is likely to make more sense in expenditure allocation, with epochs of employment distress deserving more resources into UI and CCT programs and periods of employment booms allowing more resources to be spent on public investment. The Bank can help in this area through its PERs, which are typically multi-sector tasks. The rationale for the suggestion to avoid expenditure expansions to any significant degree is illustrated by the experience of Colombia and Turkey referred to above, where the first half of the review period was one of recession and deteriorating employment outcomes originating in declining confidence from an unsustainable fiscal stance (further undermined by deteriorating security in Colombia).

37. *In Turkey, the IMF and Bank provided considerable and mostly successful support to the macroeconomic stabilization efforts. The reason for the success of the Bank's assistance in supporting Turkey's macroeconomic stabilization efforts was its readiness to help, including its preparedness to tackle the different issues and its building of confidence, dialogue, and partnership with the authorities.* The Bank has a long-standing history of monitoring and analyzing macroeconomic conditions in Turkey in considerable depth. The substance of the Bank's AAA work that was particularly relevant for its support during the review period is reflected in its several reports, particularly in Bank (1993, 1996, 2000, and

2003), and covers fiscal and debt sustainability, privatization, financial sector strengthening, pensions, and agricultural subsidies, the major issues surrounding macroeconomic stability. These are reports that monitored evolving policy analyzed the key fiscal balance and related structural reform issues and provided policy recommendations. With this knowledge, the policy dialogue that went with it and the partnership that had continued during the 1990s particularly in the education sector, the Bank was ready to help when the time was right for macroeconomic adjustment. It is only natural that as growth collapsed in the late 1990s and early 2000s, the Government had a strong incentive to reform and to seek the support of the Bank and the IMF in identifying, designing and implementing the required reforms.

38. On lending support, the Economic Reform Loan (ERL, FY00) contained, apart from its strictly macroeconomic (and financial sector) areas, elements related to privatization, the reduction of agricultural subsidies and deregulation of the energy sector. Subsequent lending for agriculture (the Agricultural Reform Investment Project (ARIP)) provided resources for severance payments in agricultural state owned enterprises as part of their privatization or closure and the further reduction of agricultural subsidies. An early (FY2000) credit line project (EFIL) concentrated on the provision of medium term credit to exporting firms at a time of tight credit and crisis in 2001. Successor credit line lending operations, also evaluated positively in ICRs, extended this framework in an attempt to reach SMEs. At the same time several projects were pursued in the electric energy sector. In 2007 the first CEDPL (Competitiveness and Employment Development Policy Loan) was approved; in addition to maintaining the macroeconomic policy framework, it supported various measures to improve the investment climate.

39. In justifying its rating of outcomes from Country Assistance in the area of Macroeconomic Stability ("moderately satisfactory"), IEG's 1993-04 CAE assessed the outcomes as follows:

"Substantial growth with declining inflation and rising primary surplus after 2001, following years of volatility and three financial crises. Most extra budgetary funds eliminated and fiscal controls streamlined,,,,, Large SOE losses converted to modest surpluses; agricultural subsidies substantially reduced and made less distorting; and scope for financing of off-budget subsidies by state-owned banks sharply curtailed, all contributing to sustainable fiscal *improvement*." but,... pension system deficits have risen rapidly, offsetting much of this gain....⁷

40. But even in the case of pensions, the Turkey CAE attributed to the Bank a positive contribution, indicating its support for measures that "if not enacted would have meant a still larger deficit today"⁸.

41. Similarly, the Bank assisted Colombia in its macroeconomic stabilization efforts with success in improving tax administration. But clearly the structural reform challenges to stabilize were far more challenging in Turkey than in Colombia and, accordingly, the Bank's engagement in this area was correspondingly stronger.

42. Trade is an area where the Bank was involved primarily through AAA in the three countries. The Bank has of course recommended trade opening normally on a neutral basis,

but in effect trade opening in the three countries as in most of the world has been on a preferential basis. Increased trade is important for employment as it may have raised the relative demand for skilled labor as had happened during the 1980s⁹ and accounted for some of the unemployment that happened while the economies restructured.

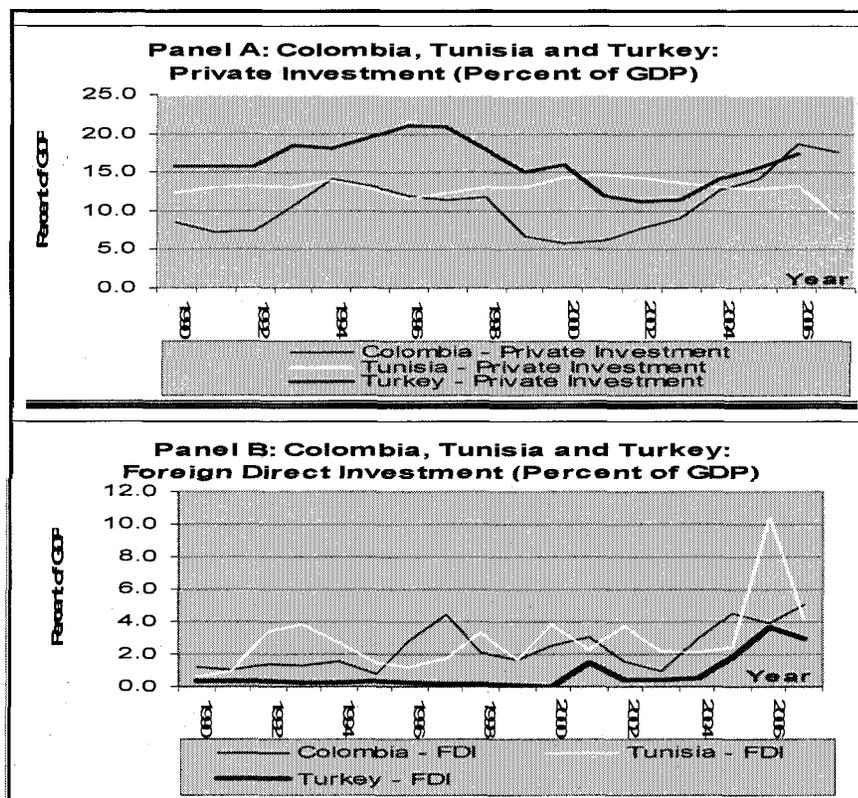
43. *As the experience with Colombia shows, outcomes will depend on how supportive political economy and institutional conditions.* These need to be factored in when assessing the macroeconomic reforms to be supported. In Colombia, the considerable amount of expenditure mandates and earmarking of public revenues contributed to impede the stronger fiscal adjustment that the Bank was expecting.

44. In the spirit of the MILES framework, the experience of the three countries suggests that Bank work on employment issues needs be more closely integrated with macroeconomic work and social safety net policies. An important area covers the implications of trade for employment. During the recessions of the turn of the century, the demand for imports declined in Colombia but continued increasing in Turkey, as trade liberalization proceeded there. Sluggish world demand for exports was one source of declining growth. Some attribute at least part of the unemployment increases that these economies suffered to trade and indeed some of those increases may have responded to lower exports or higher imports. These economies remained open, letting resource reallocation across sectors work itself out instead of reacting with higher protection. This is indeed a reasonable approach in that it avoids higher import tariffs and controls that may be difficult to reverse and that hurt consumers. What was (and is) missing at the time was a social safety system that could provide relief to the unemployed. In this regard, the three countries do not yet have satisfactory unemployment insurance systems in place. The current crisis may provide an opportunity for reform in this area aimed at a sharper targeting of social assistance that takes into account the more limited resources that will become available.

45. *Investment Climate.* The Bank's support for macroeconomic and financial sector stabilization was perhaps its most important for improving the investment climate, as it was macroeconomic stabilization that really made the difference for investment and growth. After the macroeconomic and financial sector reforms, the area where the Bank Group has had the greatest impact in improving the investment climate, has been with various features of the business legal and regulatory environment. In Turkey, the FIAS reports and engagement in the early part of the 1998-2007 period were of high quality and had a major impact. The successful engagement on the part of FIAS with the Government resulted in close working collaboration and in the drafting and passage of the Foreign Investment Law of 2003 that eliminated the legal discrimination against foreign-owned firms operating in Turkey; the reduction of the top corporate income tax rate from 30 percent to 20 percent, and the establishment of governmental institutions to more effectively pursue private sector investment promotion and to improve the business enabling environment. These regulatory and policy changes, attributed in large part to FIAS initiatives and subsequent engagement, have been partly responsible for the expansion of private sector investment in general and that of foreign direct investment in particular. The FIAS engagement also resulted in a number of institutional changes including the establishment of a Coordination Council for the Improvement of the Investment Environment (YOIKK), which involves active private and government collaboration on investment climate issues.

46. In Tunisia, private investment was relatively stable when compared with Colombia and Turkey, where the crises of the turn of the century led to a major decline in the ratio of investment to GDP (Figure 4.). The latter declined until after the time when the recessions bottomed out in Colombia and Turkey and then recovered significantly, even surpassing the prior maximum ratio in Colombia. The cyclical behavior of private investment in Colombia and Turkey and the relative macroeconomic stability in Tunisia reflect the major role of macro conditions in determining private decisions to invest, although a deterioration of security may also have played an important role in diminishing investment around the turn of the century in Colombia.¹⁰ No progress was achieved in raising Tunisia's low private investment ration was achieved, possibly due to concerns with public governance that were covered in the country chapter. Foreign direct investment behaved more erratically but displayed a clear upward trend towards the end of the period under review in the three countries, reflecting both buoyant international capital markets as well as strong domestic recovery.

Figure 4. Colombia, Tunisia, and Turkey: Private Investment and Foreign Direct Investment



Source: Private Investment: Colombia: 1990-96: Rubio M., Orlando; Ojeda J., Jair and Montes, Enrique, "Deuda Externa, Inversión Y Crecimiento En Colombia, 1970 - 2002", Banco de la Republica, 2003, Por: U.1, 3 de Diciembre de 2003, Grafico 2, p.6, 8. 1997-07: IMF Article IV Consultation Reports; Tunisia: 1990-01: Staff estimates; 2002-06: Paloma Casero, Paloma and Varoudakis, Aristome, "Private Investment and the Cost of Doing Business in Tunisia", The World Bank, Middle East and North Africa Working Paper No. 34, 2004, Figure 10; 2002-2006: Country Assistance Strategy Progress Report FY05-08", The World Bank, 2005, Table 1, p. 2.; 2007: The World Bank, Tunisia's Global Integration: Second Generation of Reforms to Boost Growth and Employment, Social and Economic Development Sector Unit Middle East and North Africa Region, The World Bank, Draft Report No. 40129-1, May 2008, p. 45. Turkey: Turkish Statistical Institute, Statistical Indicators, < <http://www.turkstat.gov.tr/Start.do>>
 10: The World Bank: World Development Indicators, except Tunisia and Turkey for 2007 (IMF).

47. Stabilization in Colombia and Turkey, improved security in Colombia, and the prospect of accession in Turkey helped recover their investment performance. Bank support for macroeconomic stability is a key factor of its support for the investment climate. The experience of the three countries suggests that macroeconomic stabilization is the “low hanging fruit” in accelerating private investment and was probably more important than simplification of business regulations. It was critical in Colombia and Turkey in order to redress investment and growth. In addition prospects of joining the EU may also explain the rise in private investment in Turkey after 2003. The Tunisia case exemplifies how macroeconomic stability, not surprisingly, also helps stabilize investment. The Colombia case captures the effect of both stabilization and enhanced security. It confirms that support to adjustment lending to Colombia at the time, despite its failings, had a measure of success in helping the country recover.

48. Policies in the areas normally covered by investment climate analyses also improved, with legislation providing for insurance against changes in most laws and regulations in Colombia and legislation removing discrimination against foreign investment in Turkey being some of the successful reforms supported by the Bank. These improvements may have contributed more to total factor productivity growth than to the investment-to-GDP ratios.

49. Given the close relationship between investment and growth, it would be worthwhile that PREM and PSD work more closely to better integrate macroeconomic with microeconomic approaches to growth. While macroeconomic changes probably explain increases in investment in Colombia and Turkey, improvements in investment in the restricted business climate variables (that is, excluding macro and trade) may have been primarily reflected in increased productivity, rather than captured by aggregate private investment. Some of the increases in TFP observed in the three countries toward the second half of the period reviewed may be due to better product market regulations. Furthermore, the Bank can strengthen its diagnostic work by following IEG recommendations on the Doing Business indicators, particularly with regard to tracing the impact of reforms and using more of the available analyses to choose indicators.

50. *The* topics covered by investment climate analyses are captured in the Bank’s Doing Business surveys¹¹. Some of these – e.g., employing workers – overlap with other MILES categories under which we discuss elsewhere in this report. These variables have been shown to have an impact on productivity.¹² Taking all of the conditions together, Turkey (43) ranked above Tunisia (68) and Tunisia above Colombia (91) in the 2008 survey, which reflects conditions at the end of the review period. Ranks are not available for earlier years but a look at the bulk of the individual components of the survey suggests that this order was preserved since the first year of the survey (2003). Comparing the 2008 with the 2009 survey, the three countries seem to be making some progress in the index of ease of doing business, with most progress in Colombia, followed by Tunisia and then Turkey, suggesting a pattern of convergence. In the survey, this progress appears to be in a few categories: starting a business, paying taxes, and trade in Colombia; starting a business, registering property, getting credit, and trade in Tunisia; starting a business, getting credit, paying taxes and closing a business in Turkey. The more detailed review in Chapters 2-4 and their background papers (accessible in IEG’s website) identifies progress as follows:

51. **Colombia:** reduction in the time and cost of administrative procedures faced by businesses, enactment of legislation that provides for insurance against changes in most laws and regulations; unification of banking supervision; improvement in the framework for private sector participation in infrastructure. Bank support included AAA on competitiveness and impediments in particular sectors and three DPLs covering five policy areas (business environment, foreign trade competitiveness, financial system and capital markets, quality standards and technological innovation, and infrastructure and logistics). Chapter 2 concludes that this support addressed most of the critical investment climate issues identified as critical, with the exception of labor informality. Feedback from stakeholders was that the Bank's work was positive, albeit not proactive enough.

52. **Tunisia:** a reduction of the gap between the treatments of the onshore and offshore economies, a reduction of unfair competition from the informal sector and discriminatory application of regulation, a strengthening of the soundness of the financial system, and development of the ICT sector. However, private investment (Figure 4.) appears to have been impervious to these changes, a result that may reflect the lack of predictability and transparency of the regulatory framework, limited market contestability, undue discretion by the government, and weak voice and participation. Bank support included AAA (a private sector assessment, an investment climate assessment, an FSAP, a Private Sector in Infrastructure (PPI) strategy paper, and a recent report addressing the on-shore offshore gaps) and three adjustment loans. The feedback from stakeholders is that the AAA, more than the loans, has been the critical Bank support that helped with reforms, except in infrastructure, where internal rivalries may or narrow discussion of the issues may have progress.

53. **Turkey:** elimination of discrimination against foreign investment, which very likely helps explain, together with macroeconomic stabilization and the prospect of accession to the EU, that the amount of net foreign direct investment flowing into Turkey increased from 0.4 in 2003 to 3.6 in 2006. The Bank's AAA on investment climate issues has involved a number of infrastructure sector analyses and studies (including for electric energy, gas and oil, and water); a series of FIAS reports (starting in FY2000) focusing on the treatment and role of foreign direct investment, the private sector regulatory environment, tax issues for private sector development and investment promotion; and the recently divulged *Investment Climate Assessment* (2007). The Bank's advice in connection with the structural reforms underpinning macroeconomic stabilization, including the strengthening of the financial sector and privatization of SOEs, had positive effects on the investment climate. Similarly, its advice on product market regulations helped Turkey relax some of those regulations.

54. *Labor Regulations and Institutions.* The Bank's analytical work on labor market issues in the three countries has been of high quality. It has provided convincing, evidence-based analysis; was conducted in close collaboration with local researchers and/or stakeholders; focused on key elements of the domestic policy debate; and identified reform priorities. The analysis also took clear account of the interaction between policies in different areas (i.e., it often effectively applied to a varying extent a broad framework similar to MILES). It addressed the two key components of the gap between the demand price and the supply price for labor that discourage employment: the rigidity of labor contract regulations, which creates a cost expectation to businesses, and payroll taxes and contributions. The Bank's work on contributions has been closely linked to its work on the social services that these contributions finance.

Table 32. Colombia, Tunisia, Turkey, France, and Singapore: Labor Market Rigidity

Country	Average Labor Flexibility (percent of Singapore's)	Percent Change in Labor Flexibility Indicator (+ means more flexible)				
		World Economic Forum 1996-07	Heritage Foundation 2005-08	Doing Business Report 2003-08	International Institute for Management Development 1995-07	Fraser Institute 1995-06
Colombia	58.5	0.3	1.8	0.1	8.3	14.6
Tunisia	47.0	0.1	-1.9	0.0	n.d.	9.6
Turkey	62.2	-0.3	-4.4	0.0	-41.4	-28.8
France	25.2	-0.1	-16.4	0.0	-44.6	28.0
Singapore	100.0	0.1	-0.1	0.0	-3.2	10.3

Source: Staff estimates with data from the World Economic Forum, the Heritage Foundation, the World Bank's Doing Business Report, International Institute for Management Development and the Fraser Institute.

55. A key feature of this AAA work is that it has been delinked from lending. This is not surprising given the sensitivity of labor policy issues. In the one instance of lending in support for labor reform (Colombia), the labor reform supported was not based on Bank advice. But AAA should not necessarily be linked to lending. Independent exercises, such as the study of Tunisia's integration into the global market and the first employment strategy report, were highly appreciated by the Government. Moreover, avoiding automatic links with the lending program and its frequently demanding timetables offers greater opportunity for consensus building. The Bank's AAA work, to the extent that it expands knowledge, will have an impact when the time is right. Such was the case of the AAA that the Bank had done on stabilization well before the 2001-02 adjustment programs

56. Government receptivity towards Bank work on labor varied across the three countries, with less receptivity in Tunisia than in Colombia or Turkey. A number of the interviewees in Colombia actually suggested that the Bank should be less timid in advancing its views on some critical, but politically sensitive, issues (especially high payroll cost). In particular, many (although not all) thought the Bank should use its 'convening' power more proactively to influence the policy debate on these critical issues.

57. Bank work on labor regulations and institutions in the three countries has addressed the two key components of the wedge between the demand price and the supply for labor: the rigidity of labor contract regulations which creates a cost expectation to businesses and payroll taxes and contributions. The Bank's work on contributions has been closely linked to its work on the social services that these contributions finance, while the work on payroll or income taxes that help finance the general budget has been addressed more in the context of fiscal and tax policy.

58. Less rigid regulations and lower taxes and contributions are of course expected to encourage employment, particularly in the formal sector, although the size of the effect is rather uncertain. But lower contributions may also create further imbalances in the financing of social protection arrangements that are often too generous in terms of the resources available

and that need to be covered by the general budget. It is often thought that to the extent that they are covered by the general budget, their effect on the labor market would be less.

59. Recent Bank work in Turkey estimated a modest elasticity of employment to taxes, albeit high by international standards, the effect being larger for low than for high income levels and for conditions of relatively higher unemployment.¹³ Several studies for Colombia also point to non-negligible impacts of non-wage costs on employment and the unemployment rate.

60. However, moving towards less rigid regulations or lower contributions is rarely an objective that countries pursue on any sustained basis. The idea of making contracts more flexible is controversial and politically sensitive and reducing taxes faces either fiscal constraints or reductions in government services that are not easy to reach consensus upon. Available data (Table 32.) suggests that regulations may have become more rigid in Turkey and changed little in Colombia and Tunisia, although measuring rigidity of labor markets is not easy and available indices are sometimes contradictory¹⁴. Most countries have tended to increase labor taxes, and Turkey and Colombia have been no exceptions¹⁵. In Colombia, the Bank reported that the tax wedge Colombia increased from 47 percent of the payroll in the 1980s to 60 percent in 2004, particularly through reforms in 1993 and 2002. There was a net decline during the review period, as the 2002 reform added 1 point to cover unemployment insurance and 2 points for pensions but reduced by severance payments on unjust dismissals by about seven points.¹⁶ For Turkey, the OECD reports an increase of about 2.6 percent of wages, from 40.4 to 42.8, between 2000 and 2004.¹⁷ Tunisia had no changes in labor taxation, reported at 28 percent by the Bank,¹⁸ during the review period. The 2009 Doing Business Report estimates of labor taxation, which are comparable across countries (albeit different from those cited above) indicate that Colombia's labor taxation (33.4 percent) is considerable higher than Tunisia's (24.6 percent) or Turkey's (24.5 percent).

61. **The Bank can help improve labor market performance by continuing and extending AAA on labor markets, as the main modes of support.** This will take advantage of the Bank's capacity for labor market analysis and lower the risks of undermining reform that often come with the difficult political economy of labor reform. In particular, the Bank can help improve and extend (perhaps in partnership with the OECD and the Bank's Doing Business report) estimates and cross-country comparisons of labor rigidities and labor taxes. It can also further the understanding of low female participation and employment rate in countries like Tunisia and Turkey. The dialogue, dissemination, and advice part of AAA, although difficult, can make this instrument more effective, although there are always risks like the weakened dialogue on the matter in Tunisia.

62. Measuring rigidity of labor markets is not easy and available indices are sometimes contradictory¹⁹. There are today a number of indicators (Table 32.) that provide a better idea of cross-country comparisons and time dynamics, one of which is the "Rigidity of Employment Index" calculated for the Bank's Doing Business Report. Comparing with other countries, labor rigidities in Colombia, Tunisia and Turkey are well within the range defined by France (most rigid) and Singapore (least rigid), with Tunisia's degree of rigidity higher than Colombia's and Turkey's, which are similar. WEF surveys confirm this ranking to some extent, in that the share of businesses that regard labor regulations as most problematic is higher in Tunisia (13.9 percent) than in Colombia (8.4 percent). However, it is also much

lower in Turkey (2.4 percent), suggesting that the rigidity “in the books” in Turkey may overstate the rigidity in practice more than in Colombia. Be that as it may, the increased rigidity indicated for Turkey for the review period is even more worrying given that already in the late 1990s, Turkey had one of the most rigid labor legislations in the world. Relaxing regulatory rigidities would help reduce unemployment in Tunisia, albeit not resolve the skills mismatch that also contributes to it.²⁰

63. Current conditions of rising unemployment provide the Bank with an opportunity to engage with governments on labor reform, as has happened in Colombia and Turkey. Unemployment conditions provide an opportunity for reform that improve flexibility and reduce labor costs. Not only is the potential employment effect larger under these conditions than under conditions of boom; the potential would appear to be especially strong for the poor, as suggested by the more recent work on employment elasticities. Furthermore, the political economy for such reforms is also supportive, as the experience of Colombia suggests. Finally, given appropriate constraints imposed by fiscal balance, labor tax reductions would appear to be sensible countercyclical policy. Accordingly, the current financial crisis is a good time to make labor contracts more flexible and to reduce the non-wage component of labor costs. The Bank is in a good position to provide advisory support to these efforts.

64. *Education.* Education is of course expected to have a positive impact on participation and earnings, particularly of women. In the short run, increased education coverage may reduce participation and earnings as more youth leave the labor market to get schooling. In the long run, increased coverage increases participation and earnings as the educated get access to better employment options.

65. Key standard aims of education policies in most if not all countries have been to increase coverage, technical quality, and fit to the labor market. This has been the case as well in the three countries under review. To achieve those aims, and in addition to higher expenditures, policies in Colombia combined decentralization of expenditures, programs to target hard-to-reach populations, changes in curricula aiming to improve below-average quality of education, and expansion of non-formal training in an effort to improve the relevance of courses. Policies in Tunisia were aimed at increasing coverage and reducing gender gaps. In Turkey, the key policy was to expand coverage by extending mandatory schooling from five to eight years. Progress is summarized as follows (Table 33.):

- All in all, based on increases in average years of schooling for the population 15 years and older, progress during the last decade has been fastest in Tunisia, followed by Turkey;
- Net enrollment in primary education did not change in Colombia during the evaluation period and declined in Tunisia and more so in Turkey; it had increased considerably in Colombia and Tunisia during the previous decade;
- Net enrollment in secondary education increased most in Turkey followed by Colombia;
- Gross enrollment in tertiary education increased most in Turkey, followed by Tunisia;
- Average years of education continued increasing during the decade under review, at a rate of about 0.1 per year in Colombia and Tunisia and 0.04 per year in Turkey.

During the previous decade, years of education had increased faster in Turkey, at about the same rate in Tunisia, and more slowly in Colombia;

- Expected years of schooling today are somewhat higher in Tunisia, followed by Turkey.
- Improvements in test scores between 2003-06 suggest an increase in the quality of education during the period covered.
- However, the increase in the percentage of businesses that view the workforce as inadequately educated, particularly large in Turkey, suggests that increases in quality through education and training are not keeping pace with the changes in market requirements.

Table 33. Colombia, Tunisia, and Turkey: Education Outcomes

Year	Closest to 1985	Closest to 1997	Closest to 2007
Colombia			
Net Enrollment – Primary: T,M,F (year) ^{1/}	65, nd, nd, (1985)	87, 87, 88 (1997)	87, 87, 87 (2007)
Net Enrollment – Secondary: T,M,F (year)	34, nd, nd, (1991)	54, 50, 57 (1997)	67, 74, 61 (2007)
Gross Enrollment – Tertiary: T,M,F (year)	14,14,14 (1991)	22,22,22 (1998)	31,30,32 (2006)
Average Years of Schooling T,M,F (year)	4.6 (1985)	5.0 (1995)	5.6 (2007)
Expected Schooling T,M,F (year)		11,11,11 (1998)	12,12,13 (2006)
PISA Test Score - Math: T,M,F (year)			370, 382, 370 (2006)
PISA Test Score - Reading: T,M,F (year)			385, 375, 394 (2006)
PISA Test Score - Science: T,M,F (year)			388, 393, 384 (2006)
Skills Mismatch		2.1 (2003)	2.4 (2007)
Tunisia			
Net Enrollment – Primary: T,M,F (year)	93,99,87 (1985)	98,100,97 (1997)	96,96,97 (2006)
Net Enrollment - Secondary: T,M,F (year)	23,28,17 (1980)	54,54,54 (1997)	64,61,68 (2003)
Gross Enrollment – Tertiary: T,M,F (year)	9,10,7 (1991)	17,17,17 (1999)	31,26,37 (2006)
Average Years of Schooling T,M,F (year)	3.3 (1985)	4.5 (1995)	5.0 (2000)
Expected Schooling T,M,F (year)		13,13,13 (1998)	14,13,14 (2006)
PISA Test Score – Math: T,M,F (year)		359, 365, 353 (2003)	365, 373, 358 (2006)
PISA Test Score - Reading: T,M,F (year)		375, 363, 387 (2003)	380, 361, 398 (2006)
PISA Test Score - Science: T,M,F (year)		385, 380, 390 (2003)	386, 383, 388 (2006)
Skills Mismatch		5.7 (2003)	7.5 (2006)
Turkey			
Net Enrollment – Primary: T,M,F (year)	98, nd, nd, (1985)	97,100, 94, (1996)	91,93,89 (2006)
Net Enrollment - Secondary: T,M,F (year)	36,nd,nd, (1985)	51,59,43 (1996)	69,74,64 (2006)
Gross Enrollment – Tertiary: T,M,F (year)	13,16,9 (1991)	21,25,17 (1998)	35,39,30 (2006)
Average Years of Schooling T,M,F (year)	3.7 (1985)	5.1 (1995)	5.3 (2000)
Expected Schooling T,M,F (year)		13,13,13 (1998)	13,13,13 (2006)
PISA Test Score - Math: T,M,F (year)		423, 430, 415 (2003)	424, 427, 421 (2006)
PISA Test Score - Reading: T,M,F (year)		441, 431, 460 (2003)	447, 427, 471 (2006)
PISA Test Score - Science: T,M,F (year)		434, 438, 434 (2003)	424, 418, 430 (2006)
Skills Mismatch		1.1 (2003)	5.5 (2006)

Source: ^{1/} T,M,F: Total, Males, Females.

Net Enrollment: The World Bank, Education Statistics

Average years of Schooling: Barro-Lee Data Set <<http://www.cid.harvard.edu/ciddata/ciddata.htm>>; 2007 for

Colombia: estimate based on National Planning Department Data.

Expected Schooling: The World Bank, World Development Indicators.

PISA Test Scores: The World Bank, Education Statistics.

Skills Mismatch: World Economic Forum, Global Competitiveness Indicators, 2003-04 and 2007-08: Percent of business responses indicating "inadequately educated workforce" as a problematic factor for doing business.

66. The Bank supported policies and expenditures to achieve the progress reflected in the results outlined above. Of Bank support in the three countries, support in Colombia, which included both AAA and project lending, was appreciated the most. This support helped improve quality, delivery of education services in poor, hard-to-reach rural communities, develop a student loan scheme for formal higher education, set up information systems within the Ministry of Education, and improve the effectiveness of non-formal training. Nevertheless, from an evaluation perspective, some of these projects were not entirely satisfactory either because they did not fully meet the objectives they set out to accomplish or because objectives were not clearly articulated.

67. The Bank's support in Turkey during the review period aimed to improve vocational training, help Turkey meet the OECD's educational standards, and expand coverage and quality of basic education. IEG ICR reviews rated these projects less than fully satisfactory in varying degrees in that they did not entirely meet the objectives they set forth to accomplish, where the objectives were not clearly articulated, or where implementation, particularly of procurement, was difficult. AAA contributions have been of good quality and highlighted important policy issues directed to improving education of the poor. Among the three countries reviewed in this report, however, the education sector in Turkey has proved the most difficult sector for the Bank's work and where the Bank's impact has probably been more limited.

68. The Bank's support in Tunisia during the review period has focused on training to improve the fit of the labor force to labor opportunities, restructuring of higher education to improve its responsiveness to the country's needs, coverage in anticipation of expected increases in enrollment, and quality to address the concern that large numbers of students fail to master basic skills. The projects have been rated satisfactory but the perceptions of stakeholders are that the Bank's support of higher education has not been sufficiently far-reaching, particularly in addressing issues of quality. As noted in Chapter 3, exceptionally high unemployment of university graduates must be at least in part attributable to the poor quality and/or fit of university education. In the higher education sub-sector in Tunisia, the Bank's credibility has been damaged in the eyes of some observers because it has supported a rapid and quality compromising expansion in physical university facilities without first insisting on critical policy changes to increase university autonomy and accountability.

69. It is **suggested** that the Bank continue focusing on advice and projects to improve coverage and quality. In looking at quality, perhaps more emphasis might be assigned to addressing skills mismatches, which are possibly behind much of the structural unemployment observed in countries like the three reviewed in this report. Mismatches of skills between supply and demand are thought to be an important source of structural unemployment, triggered for example by sector restructuring in Turkey and poor technical quality and inadequate skills in Tunisia. As discussed in the section on results, structural unemployment is an area where little or no progress was made in any of the three countries. And the data presented above indicate that skill mismatches may be increasing. In these regards, the education network could work more closely with the PSD network. The Bank could also usefully continue its pursuit of gender equality in education, as the main lever that it has in supporting progress toward gender balance in labor participation.

70. Bank advice on education will continue to be an important priority as an instrument of policy advice and advocacy of good practices and, accordingly, to be a critical component of its employment support. The role of education policies on employment outcomes is widely acknowledged. At the very least, it is unlikely that the increased education coverage would have been the same without the allocation of public expenditures to education that is made possible by economic growth. However, improvements in technical quality remain an elusive objective that is difficult to evaluate due to the paucity of test scores that are comparable through time and the lack of data to assess the impact of increased coverage on average quality. Moreover, education is a challenging sector where satisfaction with outcomes for all stakeholders is difficult to achieve. The three countries reviewed suggest better success in AAA than in project work. The Bank appears to do a good job in its AAA, despite the controversial nature of some of the issues in education management, but Governments often have difficulties or constraints in adopting some of the Banks recommendations (e.g., reallocating expenditures to teaching materials, cost recovery in tertiary education, testing).

71. Are closer and more integrated work between PREM, PSD and HD would be advisable, as Bank support for growth is an ingredient in achieving education outcomes. Progress in education outcomes in the three countries must be attributed in part to the economic growth that raised earnings, the demand for education, and the resources to finance education services. At the same time, improved education outcomes support output, if only through the role of human capital in the production function, and worker earnings. This simultaneity calls for strategies that account for the interactions between the two objectives, specifically for strategies that are cost-effective in financing education.

72. *Social Protection. Social Protection.* Social protection policies may have an impact on employment when they achieve worker protection that can substitute for job protection and thus facilitate labor flexibility and mobility. And indeed there is some evidence of this trade off in international comparisons²¹, albeit separating countries in the Anglo-American tradition, where social protection “buys” more labor flexibility, from those in the European tradition. The key social protection instrument to substitute for job protection is unemployment insurance, but old age and health insurance, and cash transfer systems will also be relevant. There was little movement in this direction during the period under review. In Turkey, job protection was strengthened and an unemployment insurance system was introduced in August 1999 (it started paying benefits in 2002) as well as a CCT arrangement, together with pension reform. In Tunisia, there was no change in either. Colombia provides the richer experience as some relaxation of worker protection and a strengthening of a conditional cash transfer system took place during the period under review. The impact of more flexible labor regulations was discussed above.

73. Bank support in the three countries addressed different issues. In Turkey, which has a three tier social insurance system comprised of pension, health and unemployment insurance (including both formal unemployment insurance and mandatory severance payments), the Bank has recommended measures to improve the financial viability of the pension system, to develop a system that finances and purchases a basic system from a pluralistic provider market, and to eliminate mandatory severance in view of the presence of unemployment insurance and introduce unemployment benefit rates that decline with unemployment duration to encourage job search.²² In Colombia, the Bank played a strong role, together

with the IADB, as a catalyst of the conditional cash transfer program. In Tunisia, the Bank recommended introduction of employment insurance with a view to encouraging greater labor mobility.

74. Strategies for dealing with the long-term fiscal costs of expanding social protection networks need to be built into the program design from the outset. The Bank (and IADB) helped to improve the design and finance the implementation of the main conditional cash transfer program, *Familias en Accion*, which has had a positive impact on a range of social outcomes. However, the program is growing rapidly, well beyond its original role as a temporary response to alleviate the social consequences of the 1999 crisis. The Bank could perhaps have given more attention earlier to the longer-term fiscal implications of the program, including how it would be financed when external financing was no longer available.

75. The difficult problems of extending social protection have led to establishing partial and imperfect systems that are unlikely to fit the bill from the perspective of delinking worker protection from job protection. The Bank needs to continue working on implementing worker protection instead of job protection. This has not been easy, as the Colombian and Turkish experiences demonstrate. The key constraints, affordability on the one hand and a correct incentive structure need to be compatible. Efforts in this area should also factor in the informal sector, as an affordable and efficient UI system may help encourage formality.

76. Reducing the labor participation of children is an objective that needs joint Bank work by education and social protection staff. Children are often taken out of school when families are subject to economic shocks. In Colombia, there is a clear drop in enrollment rates, except for the preschool level. In the rather limited literature on the subject, recession is shown to drop school attendance²³. Moreover, it has been shown that conditional cash transfers can ameliorate this impact²⁴. The Bank has considerable experience in cash transfer programs and, in the present financial crisis, can help governments reduce the impact of the shock on school attendance.

The Current World Employment Crisis

77. With world GDP growth declining sharply as a result of the solvency and credit crises in world financial markets, unemployment rates are increasing and employment and earnings growth are declining. In its 2009 Global Employment Trends Report, the International Labor Office (ILO) estimates that world unemployment will increase from 5.7 percent in 2007 and 6.0 percent in 2008 to within 6.1 percent and 7.1 percent by the end of 2009.²⁵ In its "Scenario 2" projection, where the "the negative impact on unemployment is taken in each country at the time of the largest year-on-year drop in GDP" and IMF November 2008 GDP growth projections are used (2.9 percent in 2009), the unemployment rate would reach 6.5 percent by the end of 2009, resulting in an increase of 31 million unemployed compared to 2007. The largest increase in the unemployment will probably occur in Latin America, where the impact of the US recession is likely to be largest. Increases in world unemployment will be even higher under current (March 2009) IMF growth projections for 2009 of -1.0 percent to -0.5 percent²⁶. The employment-to-population ratio, which had been recovering since 2004, already declined by 0.2 percentage points in 2008 and likely to fall further in 2009. With declining output growth, declining earnings growth is projected to raise \$2-a-

day poverty rates by up to 5 percentage points between 2007 and 2009.²⁷ All of these projections are of course quite fluid and likely to change significantly.

78. The major economies are responding to the crisis primarily by increasing public expenditure (bailouts, infrastructure, education, health) and lowering interest rates, with the expectation that these measures will rekindle growth in late 2009 or 2010. The US is also raising its low unemployment benefits. Many European countries are subsidizing part time employment; and the UK is subsidizing hiring and training. Middle income economies are reacting in various ways.

79. Performance and policy response in the three economies covered by this report provide a sample of the challenges being faced:

- In Colombia, the Government estimates that growth declined to 3.2 percent in 2008 and expects will decline further to within 1 percent to 3 percent in 2009, from 6.9 percent and 7.5 percent respectively in 2006 and 2007. While urban unemployment increased only marginally in 2008 (from 11.4 percent in 2007 to 11.5 percent in 2008), it is likely to rise more significantly in 2009 as a result of declining growth. Colombia's response to the crisis includes countercyclical fiscal policies with some tax reduction, and expenditures on infrastructure and business subsidies; access to international financing, expanded business finance, training and employment services, and conditional cash transfers. The Bank is supporting the CCT program and private sector efficiency and competitiveness programs.
- In Tunisia, the unemployment rate had remained stable at just over 14% in 2008. As in Colombia and Turkey, both fiscal and monetary policies are expansionary at this point. Macroeconomic/Investment climate policies are designed in part to combat the possible adverse impact of recession in Europe and target enhancements in global integration, business climate, and financial sector. The Bank is supporting these policies.
- In Turkey, growth is estimated to decline to 3.1 percent in 2008 and expected to decline further to -1.0 percent in 2009 in 2009, from 6.9 percent and 7.5 percent respectively in 2006 and 2007. Unemployment increased from 9.9 in 2007 to 10.7 in 2008 and may increase further to above 12 percent in 2009 as a result of declining growth. The Bank is supporting programs in education, competitiveness and employment and finance.

80. The suggested areas of attention developed above can apply to the current world crisis as follows: addressing unemployment and earnings in recession; b) Develop and support countries efforts to produce updated information on employment related variables; c) Country programs need to be reviewed along MILES or similar lines to assess how they can better target support for employment and earnings growth. d) with employment issues on governments' radar screens, this is a good time to step up proactivity on engaging on employment issues; e) the Bank can take the opportunity to work with the IMF on helping countries balance macroeconomic stability with countercyclical needs; f) Bank should help countries with further improvements to the investment climate and to avoid short-term policies that may undermine it as economies recover; g) more work on labor regulations and the impact

of more flexibility; h) more on improving technical quality and reduce skills mismatch; i) more on improving CCTs UIs and pensions.a

81. The findings above suggest a number of implications for Bank support during the current global jobs crisis. These are summarized as follows::

82. *Deploy the Bank's integrative capability to provide support in the different areas affecting employment outcomes.* As current exogenous shocks to output in developing countries raise unemployment, the Bank can contribute considerably by developing policy options in the different relevant areas with a bearing on employment outcomes. Under recession, slow employment growth, cyclical unemployment and declining earnings or declining earnings growth become the major issues. The Bank has a good integrative framework to help countries address these issues with a good balance between countercyclical policies and fiscal prudence; measures to speed up improvements in the business climate; measures to encourage employers to hire; training arrangements for those unemployed to speed up their re-hiring; and safety nets. These are unlikely to apply uniformly. Presumably, the macro policy component will be more critical in a country like Turkey than in one like Tunisia.

83. *Focus on the classical, cyclical, and structural sources of unemployment.* As economies restructure in the face of recession, much of the new cyclical unemployment is likely to become structural. This strengthens the case for more Bank effort into designing policies to reduce skills mismatches (the retraining referred to in the previous point). Also, the Bank needs to engage more proactively on minimum wages and their interaction with non-wage costs, which in the three countries reviewed may have caused unemployment and informality. These effects are likely to deepen during recession.

84. *Update/Improve Employment and Earnings Data.* The Bank can work with other partners, including the ILO, the OECD, the IMF and the regional Banks on a concerted basis to help countries speed up the delivery and improve the quality of employment and employment related data (e.g., earnings, taxation of wages, minimum wages and others).

85. *Adjust Programs to Emphasize Support with Strong Employment Earnings Effects.* It is recommended that country directors engage with authorities to discuss adjustments to Bank programs to increase their impact on employment outcomes. Presumably many governments have made adjustments to their policies in reaction to the financial crisis and the Bank can follow suit by emphasizing those areas it can support that best address constraints to employment creation and earnings growth. One obvious adjustment is to emphasize more AAA to diagnose constraints to employment in many of the countries (as the program in Turkey is doing at present).

86. *Advice Countries on Affordable Fiscal Stimuli.* It is recommended that the Bank work together with the Fund to advise countries on the appropriate amounts of fiscal stimuli that can be afforded by affected countries as well as on policy options to reallocate expenditures to programs addressing the needs of the unemployed.

87. *Help develop Unemployment Insurance Mechanisms.* Bank work on unemployment insurance will be critical in addressing the current wave of unemployment. The three country experiences attest to the difficulty of setting up effective social protection systems in devel-

oping countries, but the Bank can assist in defining the focus, targeting, and incentives that makes UI affordable and effective. Unemployment insurance, the most relevant form of social insurance to help delink worker protection from jobs, is a daunting challenge in the three countries. The sheer size of the target population that would need to be insured (10 percent to 15 percent open unemployment rates) and of the informal sector, and the limited financial capacity to cover insurance benefits explains why none of the three countries have set up effective systems. For example, coverage in Turkey is about 4 percent, far lower than the 25-75 percent found in OECD countries. Other social insurance tiers (pensions, health, cash transfers) face similar difficulties. Bank advice has focused on affordability, an incentive-compatible structure of benefits, and a low burden on the payroll tax wedge. Clearly, however, a comprehensive approach will need to also address the roots of the challenge, namely unemployment itself and informality.

88. *Develop strategies to advance in job flexibility and worker protection.* Developing job flexibility today will help employment and earnings growth, particularly as economies recover. Strengthening worker protection will help the unemployed, particularly today as unemployment rates increase.

¹ See Bibi (2005) and Ayadi et.al. (2004)

² Adriana Cardozo, Melanie Grosse, "Income And Non-Income Pro-Poor Growth In Colombia From 1996 To 2005: A Multidimensional Approach"

³ See Pamuk, Sevket, "Economic change in twentieth-century Turkey: is the glass more than half full?, processed, 2007, p. 269.

⁴ See, for example, Betcherman, Gordon, "Structural Unemployment: How Important are Labour Market Policies and Institutions?, in Special Issue on Structural Unemployment, Canadian Public Policy, XXVI Supplement, July 2000

⁵ See Akkemik, K. Ali, "The Response of Employment to GDP Growth in Turkey; An Econometric Estimation, Applied Econometrics and International Development, Vol. 7-1 (2007), pp. 65-74. Note that this econometrically calculated partial elasticity, which includes lagged effects, is not comparable to the elasticities calculated by ILO (2005), which are total contemporaneous arc or point elasticities.

⁶ See, for example, Erbaykal, Erman and Okuyan, H. Aydın, "Does Inflation Depress Economic Growth? Evidence from Turkey", International Research Journal of Finance and Economics, Issue 17 (2008), and Nas, Tevfik F and Perry, Mark J., "Inflation and Output Growth in Turkey, 1963-1999", University of Michigan-Flint.

⁷ The World Bank, "The World Bank in Turkey: 1993-2004, An IEG Country Assistance Evaluation", The World Bank, 2006, p.13.

⁸ Ibid. p. 22.

⁹ See Epifani, Paolo and Gancia, Gino, "The Skill Bias Of World Trade", The Economic Journal, 118 (July, 2008), 927-960, Figure 5, p.950..

¹⁰ Private investment is sensitive to economic and political risk. See Le, Quan V. "Political And Economic Determinants Of Private Investment, Journal of International Development. J. Int. Dev. 16, 589-604 (2004), a paper that analyzes private investment in a set of 19 countries that include Colombia, Tunisia and Turkey. Increased macroeconomic and political instability will raise risk. investment because it raises risk

¹¹ The Doing Business surveys cover conditions for starting a business, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and closing a business.

¹² See Escribano, Alvaro and Guasch, J. Luis, "Assessing the Impact of the Investment Climate on Productivity Using Firm-Level Data: Methodology and the Cases of Guatemala, Honduras, and Nicaragua", World Bank Policy Research Working Paper 3621, June 2005, and

¹³ The World Bank, "Turkey: Country Economic Memorandum Sustaining High Growth: Selected Issues (In Two Volumes) Volume II: Expanded Report", Report No. 39194-TR, 2008, p. 107. Confidence on price elasticities of employment has been slow to build. It is interesting to note though that the Bank's former employment report was less sanguine on the possible effect of lowering labor taxes than 2008 report and than the simultaneous CEM. See The World Bank, "Turkey Labor Market Study, The World Bank, 2006, p. 32; and The World Bank, "Turkey Country Economic Memorandum: Promoting Sustained Growth and Convergence with the European Union." (In Two Volumes) Volume II: Expanded Report, Report No. 33549-TR, The World Bank, 2006, p. 140.

¹⁴ For example, an OECD study for the late 1990s ranked Turkey near the top of labor rigidity; see The World Bank, "Turkey Country Economic Memorandum: Towards Macroeconomic Stability and Sustained Growth", (In Three Volumes) Volume II: Main Report, Table 5.2, p 92.. More recent indicators actually suggest that in the late 1990s Turkey's labor regime was relatively free, although it hardened during the decade.

¹⁵ See Lin, Zhengxi, "Payroll taxes – recent trends", Perspectives, Statistics, Canada, Autumn 2000, Table 2, p.29.

¹⁶ See The World Bank (2005b) Vol II, Box 3.5, p. 35.

¹⁷ See < <http://www.oecd.org/dataoecd/50/41/36371703.pdf>>

¹⁸ See The World Bank, "Tunisia's Global Integration: Second Generation of Reforms to Boost Growth and Employment, Social and Economic Development", Draft Report No. 40129-TN, The World Bank, 2008, P.43. See also The World Bank, Republic of Tunisia Employment Strategy, (In Two Volumes) Volume I: Main Report, Report No. 25456-TUN, 2004, p. 44, footnote 45.

¹⁹ For example, an OECD study for the late 1990s ranked Turkey near the top of labor rigidity; see The World Bank, "Turkey Country Economic Memorandum: Towards Macroeconomic Stability and Sustained Growth", (In Three Volumes) Volume II: Main Report, Table 5.2, p 92.. More recent indicators actually suggest that in the late 1990s Turkey's labor regime was relatively free, although it hardened during the decade.

²⁰ See Koranchelian, Taline and Fanizza1, Domenico, "How Does Employment Protection Legislation Affect Unemployment in Tunisia? A Search Equilibrium Approach", IMF Working Paper, WP/05/92, 2005, May.

²¹ See Maria Maddalena Favro-Paris, "Job Protection Schemes And Unemployment Benefits: Are They Functional Equivalents?", processed, Fig 1, p.32. In this paper, Turkey ranks at the top in terms of the strictness of employment protection legislation in a sample of 27 primarily developed economies.

²² See The World Bank (2000), Turkey : Country economic memorandum - structural reforms for sustainable growth : Main report

²³ See, for example, Umaña, Claudia Marcela, "Child Labour and the Economic Recession of 1999 in Colombia", Departamento Nacional de Planeación, *Revista de Economía del Rosario*, Vol. 6, No. 2, 2003;

and Duryea, Suzanne, Lam, David; and Levison, Deborah, "Effects of Economic Shocks on Children's Employment and Schooling in Brazil", *J Dev Econ.* 2007 September; 84(1): 188-214

²⁴ de Janvry, Alain; Finan, Frederico, Sadoulet, Elisabeth, and Vakis, Renos, "Can conditional cash transfer programs serve as safety

nets in keeping children at school and from working when exposed to shocks? , *Journal of Development Economics*

²⁵ See ILO, "Global Employment Trends, January 2009", Geneva, 2009, p. 34.

²⁶ See IMF, *Global Economic Policies and Prospects*, Meeting of the Ministers and Central Bank Governors, March 13-14, 2009, London, U.K., Note by the Staff of the International Monetary Fund.

²⁷ See ILO, *ibid.*, p. 38.

Appendix O. Colombia, Tunisia, and Turkey: External Assistance

Total Net Receipts (ODA*, OOF**, and Private), 2001-2007

In US\$ million

	2001	2002	2003	2004	2005	2006	2007
COLOMBIA							
Total Net Receipts	595.4	-2,390.0	1,961.7	1,370.3	990.4	6,345.5	7,309.0
o/w ODA	380.1	439.7	801.1	518.4	624.6	987.4	730.8
o/w OOF	627.4	-226.2	1,927.8	-37.3	-866.1	1,248.4	935.0
o/w Private	-412.1	-2,603.5	-767.2	889.2	1,231.9	4,109.7	5,643.2
ODA+OOF, total	1,007.5	213.5	2,728.9	481.1	-241.5	2,235.8	1,665.8
o/w Multilateral	792.5	-144.5	2,054.1	148.3	-694.7	1,414.2	1,085.5
o/w IBRD (Net)	136.3	248.8	775.5	199.6	486.9	621.5	132.4
TUNISIA							
Total Net Receipts	1,019.0	612.7	563.0	871.8	514.3	34.2	1,435.9
o/w ODA	376.9	264.7	297.7	327.3	364.5	431.9	310.1
o/w OOF	313.8	167.3	120.8	174.5	-73.5	-328.5	228.6
o/w Private	328.2	180.7	144.5	370.0	223.3	-69.3	897.2
ODA+OOF, total	690.8	432.0	418.5	501.8	291.0	103.5	538.7
o/w Multilateral	378.8	320.9	255.0	282.1	138.4	-139.3	472.9
o/w IBRD (Net)	146.9	-36.9	45.8	-88.7	-54.9	-254.8	-8.0
TURKEY							
Total Net Receipts	1,385.4	-1,191.9	2,818.7	3,545.2	11,617.2	17,354.2	28,197.4
o/w ODA	168.7	410.3	164.7	285.7	398.7	569.5	797.2
o/w OOF	1,104.6	886.6	359.1	1,853.1	-407.1	1,844.2	3,324.3
o/w Private	112.1	-2,488.8	2,294.8	1,406.5	11,625.7	14,940.4	24,075.9
ODA+OOF, total	1,273.3	1,296.9	523.9	2,138.7	-8.4	2,413.8	4,121.5
o/w Multilateral	1,401.6	1,007.0	350.2	2,007.7	329.7	2,394.5	3,930.1
o/w IBRD (Net)	1,105.7	594.3	-220.2	919.0	-294.0	989.1	557.1

Source: OECD DAC online database, and Client Connection, retrieved January 27, 2009.

*ODA - Official Development Assistance: Grants or loans to countries and territories on Part 1 of the DAC

list of Aid Recipients (developing countries) that are: 1) Undertaken by the Official Sector; 2) Have promotion of economic development and welfare as their main objective; and 3) Are granted at concessional terms (the loan has a grant element of at least 25 percent).

**OOF - Other Official Flows: Transactions by the official sector with countries on the List of Aid Recipients that do not meet the conditions of ODA or Official Aid eligibility, either because they are not primarily aimed at development, or because they have a grant element of less than 25 percent.

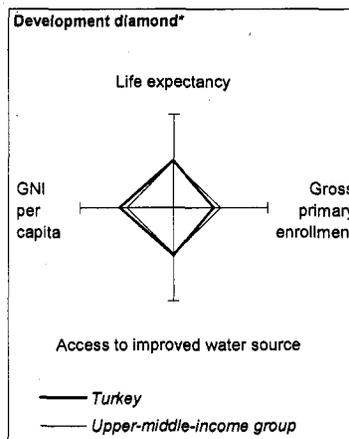
Appendix P. Colombia, Tunisia, and Turkey: At a Glance Tables

Turkey at a glance

9/24/08

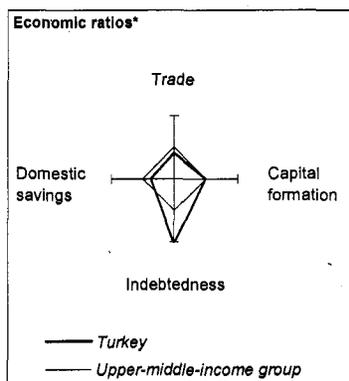
POVERTY and SOCIAL

	Turkey	Europe & Central Asia	Upper-middle-income
2007			
Population, mid-year (millions)	73.9	445	823
GNI per capita (Atlas method, US\$)	8,020	6,052	6,987
GNI (Atlas method, US\$ billions)	592.9	2,694	5,750
Average annual growth, 2001-07			
Population (%)	1.3	0.0	0.7
Labor force (%)	2.5	0.5	1.3
Most recent estimate (latest year available, 2001-07)			
Poverty (% of population below national poverty line)	27	..	..
Urban population (% of total population)	68	64	75
Life expectancy at birth (years)	71	69	71
Infant mortality (per 1,000 live births)	24	23	22
Child malnutrition (% of children under 5)	4	..	..
Access to an improved water source (% of population)	97	95	95
Literacy (% of population age 15+)	87	97	93
Gross primary enrollment (% of school-age population)	94	97	111
Male	96	98	112
Female	92	96	109



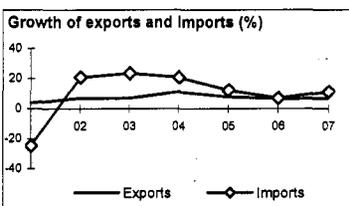
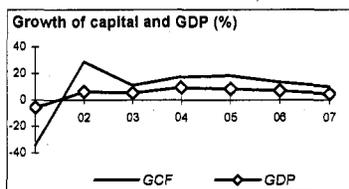
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1987	1997	2006	2007
GDP (US\$ billions)	122.3	267.0	529.9	657.1
Gross capital formation/GDP	..	..	22.1	22.2
Exports of goods and services/GDP	..	..	22.7	21.9
Gross domestic savings/GDP	..	..	17.1	17.1
Gross national savings/GDP	..	..	16.2	16.3
Current account balance/GDP	-0.7	-1.0	-6.2	-4.9
Interest payments/GDP	1.6	1.4	1.4	..
Total debt/GDP	33.5	31.8	39.2	..
Total debt service/exports	41.2	22.4	33.5	..
Present value of debt/GDP	..	..	40.8	..
Present value of debt/exports	..	..	178.6	..
	1987-97	1997-07	2006	2007
(average annual growth)				
GDP	4.1	4.2	6.9	4.5
GDP per capita	2.1	2.7	5.6	3.2
Exports of goods and services	..	7.0	6.6	6.7



STRUCTURE of the ECONOMY

	1987	1997	2006	2007
(% of GDP)				
Agriculture	9.5	8.9
Industry	28.7	28.3
Manufacturing	19.8	19.0
Services	61.8	62.8
Household final consumption expenditure	70.5	70.7
General gov't final consumption expenditure	12.3	12.2
Imports of goods and services	27.6	27.0
	1987-97	1997-07	2006	2007
(average annual growth)				
Agriculture	..	1.3	1.4	-6.8
Industry	..	4.9	10.2	5.4
Manufacturing	..	4.8	8.4	5.4
Services	..	5.2	6.0	5.9
Household final consumption expenditure	..	5.1	4.6	4.6
General gov't final consumption expenditure	..	3.2	8.4	2.8
Gross capital formation	..	7.3	13.3	10.1
Imports of goods and services	..	9.9	6.9	11.1



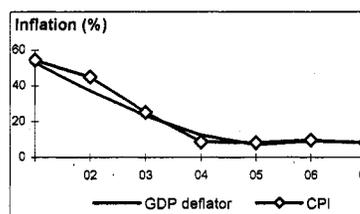
Note: 2007 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

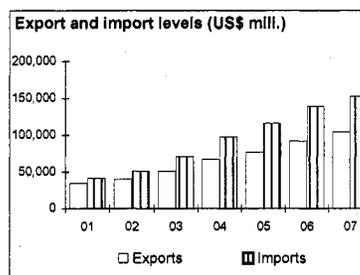
PRICES and GOVERNMENT FINANCE

	1987	1997	2006	2007
Domestic prices				
(% change)				
Consumer prices	..	85.0	9.6	8.1
Implicit GDP deflator	88.1	86.1	9.3	8.1
Government finance				
(% of GDP, includes current grants)				
Current revenue	16.3	16.9	21.2	21.1
Current budget balance	4.3	0.2	-7.7	-7.3
Overall surplus/deficit	-4.1	-5.5	0.2	-0.8



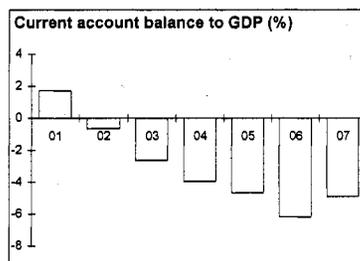
TRADE

	1987	1997	2006	2007
(US\$ millions)				
Total exports (fob)	10,190	32,110	91,937	104,235
Agriculture and livestock	3,316	9,969	19,438	..
Mining and quarry products	1,826	4,365	4,521	..
Manufactures	9,050	30,648	87,179	99,023
Total imports (cif)	14,158	50,954	138,973	152,421
Food	830	2,425	2,537	..
Fuel and energy	3,275	6,258	29,664	..
Capital goods	3,956	11,353	23,316	..
Export price index (2000=100)	107	117	138	143
Import price index (2000=100)	114	106	149	154
Terms of trade (2000=100)	94	111	92	93



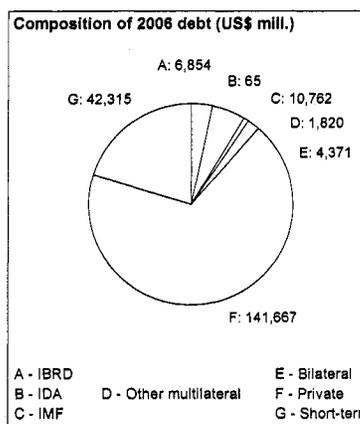
BALANCE of PAYMENTS

	1987	1997	2006	2007
(US\$ millions)				
Exports of goods and services	14,135	51,358	116,427	130,625
Imports of goods and services	15,179	55,494	144,304	156,810
Resource balance	-1,044	-4,136	-27,877	-26,185
Net income	-2,085	-3,013	-6,584	-6,940
Net current transfers	2,323	4,511	1,687	1,820
Current account balance	-806	-2,638	-32,774	-32,228
Financing items (net)	1,775	5,954	36,494	37,526
Changes in net reserves	-969	-3,316	-3,720	-5,298
Memo:				
Reserves including gold (US\$ millions)	2,740	19,993	60,705	69,438
Conversion rate (DEC, local/US\$)	8.60E-4	0.2	1.4	1.3



EXTERNAL DEBT and RESOURCE FLOWS

	1987	1997	2006	2007
(US\$ millions)				
Total debt outstanding and disbursed	40,944	84,785	207,854	..
IBRD	6,290	3,587	6,854	7,541
IDA	170	118	65	59
Total debt service	5,981	11,914	40,511	..
IBRD	776	999	1,135	1,055
IDA	5	7	6	6
Composition of net resource flows				
Official grants	42	58	415	..
Official creditors	480	-134	720	..
Private creditors	1,285	3,755	33,400	..
Foreign direct investment (net inflows)	115	805	20,070	..
Portfolio equity (net inflows)	0	8	1,939	..
World Bank program				
Commitments	957	35	1,909	867
Disbursements	787	266	1,796	1,223
Principal repayments	320	732	813	672
Net flows	467	-466	983	551
Interest payments	461	273	329	389
Net transfers	7	-740	654	162



Note: This table was produced from the Development Economics LDB database.

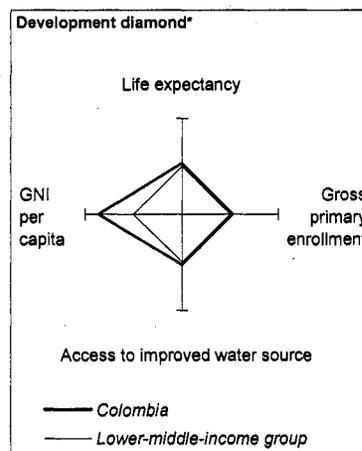
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Colombia at a glance

9/24/08

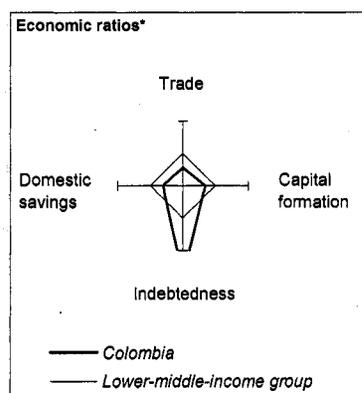
POVERTY and SOCIAL

	Colombia	Latin America & Carib.	Lower-middle-income
2007			
Population, mid-year (millions)	46.1	563	3,437
GNI per capita (Atlas method, US\$)	3,250	5,540	1,887
GNI (Atlas method, US\$ billions)	149.9	3,118	6,485
Average annual growth, 2001-07			
Population (%)	1.4	1.3	1.1
Labor force (%)	2.7	2.1	1.5
Most recent estimate (latest year available, 2001-07)			
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	74	78	42
Life expectancy at birth (years)	73	73	69
Infant mortality (per 1,000 live births)	17	22	41
Child malnutrition (% of children under 5)	5	5	25
Access to an improved water source (% of population)	93	91	88
Literacy (% of population age 15+)	93	90	89
Gross primary enrollment (% of school-age population)	116	118	111
Male	117	120	112
Female	115	116	109



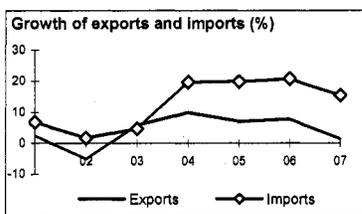
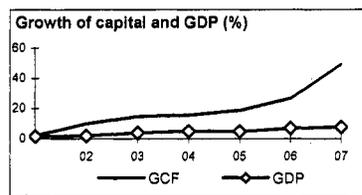
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1987	1997	2006	2007
GDP (US\$ billions)	36.4	106.7	135.7	172.0
Gross capital formation/GDP	19.1	20.9	23.6	24.4
Exports of goods and services/GDP	17.0	14.8	22.5	19.4
Gross domestic savings/GDP	23.1	15.0	21.1	23.3
Gross national savings/GDP	21.2	13.3	20.0	..
Current account balance/GDP	-0.1	-5.4	-2.3	-3.4
Interest payments/GDP	3.7	1.6	1.8	..
Total debt/GDP	46.8	29.9	29.3	..
Total debt service/exports	38.9	29.4	32.5	..
Present value of debt/GDP	..	..	30.3	..
Present value of debt/exports	..	..	125.7	..
	1987-97	1997-07	2006	2007
(average annual growth)				
GDP	4.0	3.0	6.8	7.5
GDP per capita	2.1	1.4	5.4	6.2
Exports of goods and services	7.0	4.5	7.8	1.4



STRUCTURE of the ECONOMY

	1987	1997	2006	2007
(% of GDP)				
Agriculture	18.7	13.7	12.0	10.5
Industry	36.0	29.4	35.7	29.3
Manufacturing	21.1	14.9	16.7	12.6
Services	45.3	56.9	52.3	60.1
Household final consumption expenditure	68.2	64.6	61.1	63.4
General gov't final consumption expenditure	8.7	20.4	17.8	13.3
Imports of goods and services	12.9	20.8	24.9	20.5
	1987-97	1997-07	2006	2007
(average annual growth)				
Agriculture	-1.1	0.6	2.3	2.4
Industry	3.2	2.7	9.2	4.3
Manufacturing	-0.7	3.0	10.8	3.1
Services	4.9	3.4	5.5	9.4
Household final consumption expenditure	3.6	2.5	6.7	-3.2
General gov't final consumption expenditure	9.0	1.5	2.1	6.6
Gross capital formation	7.8	8.2	26.8	49.3
Imports of goods and services	15.4	6.5	20.8	15.4



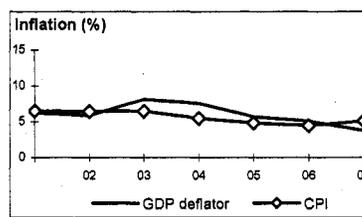
Note: 2007 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

PRICES and GOVERNMENT FINANCE

	1987	1997	2006	2007
Domestic prices				
(% change)				
Consumer prices	24.0	17.7	4.5	5.1
Implicit GDP deflator	23.4	16.8	5.1	3.8
Government finance				
(% of GDP, includes current grants)				
Current revenue	10.5	12.5	20.1	0.0
Current budget balance	2.6	0.3	2.2	0.0
Overall surplus/deficit	2.0	-3.7	-0.6	0.0



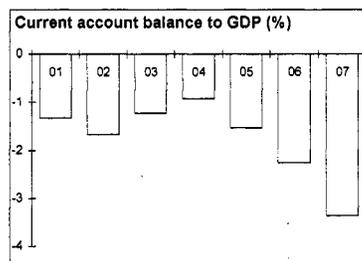
TRADE

	1987	1997	2006	2007
(US\$ millions)				
Total exports (fob)	5,409	11,549	23,930	25,049
Coffee	1,651	2,259	1,461	1,528
Petroleum products	1,369	2,707	6,328	6,949
Manufactures	1,071	7,466	9,237	9,048
Total imports (cif)	4,228	4,083	23,976	26,214
Food	215	1,673	2,332	2,236
Fuel and energy	109	439	681	563
Capital goods	1,518	5,826	7,154	10,964
Export price index (2000=100)	12	58	47	..
Import price index (2000=100)	12	57	38	..
Terms of trade (2000=100)	104	102	125	..



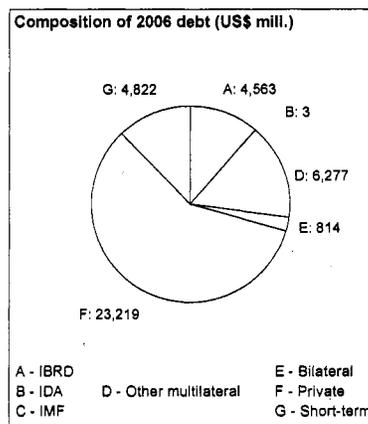
BALANCE of PAYMENTS

	1987	1997	2006	2007
(US\$ millions)				
Exports of goods and services	6,422	13,690	27,303	30,071
Imports of goods and services	5,751	17,958	26,829	31,733
Resource balance	670	-4,268	474	-1,662
Net income	-1,692	-2,312	-5,983	-8,251
Net current transfers	1,001	496	4,450	..
Current account balance	-21	-5,751	-3,057	-5,773
Financing items (net)	43	5,474	3,034	7,632
Changes in net reserves	-22	277	23	-1,860
Memo:				
Reserves including gold (US\$ millions)	..	9,908	15,440	..
Conversion rate (DEC, local/US\$)	242.6	1,141.0	2,361.1	2,078.3



EXTERNAL DEBT and RESOURCE FLOWS

	1987	1997	2006	2007
(US\$ millions)				
Total debt outstanding and disbursed	17,024	31,937	39,698	..
IBRD	4,113	1,723	4,563	4,756
IDA	17	10	3	2
Total debt service	2,815	4,511	10,640	..
IBRD	618	573	468	688
IDA	1	1	1	1
Composition of net resource flows				
Official grants	17	89	245	..
Official creditors	234	-452	1,114	..
Private creditors	-318	4,194	-147	..
Foreign direct investment (net inflows)	319	5,562	6,463	..
Portfolio equity (net inflows)	0	278	-30	..
World Bank program				
Commitments	180	75	683	632
Disbursements	364	189	942	564
Principal repayments	299	437	259	432
Net flows	65	-249	683	132
Interest payments	319	137	210	256
Net transfers	-254	-385	473	-124



Note: This table was produced from the Development Economics LDB database.

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Tunisia at a glance

9/24/08

POVERTY and SOCIAL

2007

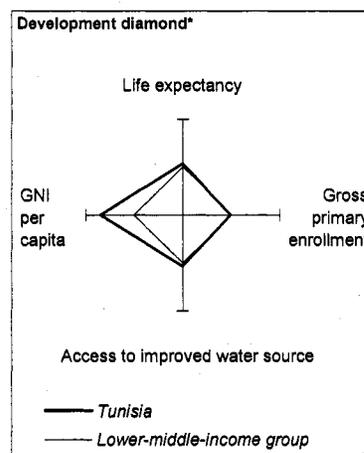
	Tunisia	M. East & North Africa	Lower-middle-income
Population, mid-year (millions)	10.2	313	3,437
GNI per capita (Atlas method, US\$)	3,200	2,794	1,887
GNI (Atlas method, US\$ billions)	32.8	876	6,485

Average annual growth, 2001-07

	Tunisia	M. East & North Africa	Lower-middle-income
Population (%)	1.0	1.8	1.1
Labor force (%)	2.8	3.6	1.5

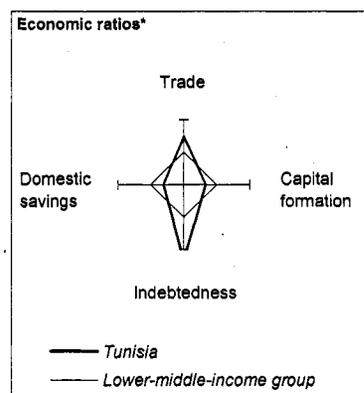
Most recent estimate (latest year available, 2001-07)

	Tunisia	M. East & North Africa	Lower-middle-income
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	66	57	42
Life expectancy at birth (years)	74	70	69
Infant mortality (per 1,000 live births)	19	34	41
Child malnutrition (% of children under 5)	..	..	25
Access to an improved water source (% of population)	94	89	88
Literacy (% of population age 15+)	74	73	89
Gross primary enrollment (% of school-age population)	108	105	111
Male	110	108	112
Female	107	103	109



KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1987	1997	2006	2007
GDP (US\$ billions)	9.7	18.9	31.0	35.0
Gross capital formation/GDP	23.5	26.4	23.5	23.4
Exports of goods and services/GDP	34.8	43.8	53.2	51.8
Gross domestic savings/GDP	22.5	24.0	23.6	23.0
Gross national savings/GDP	22.5	23.4	25.4	23.9
Current account balance/GDP	-1.0	-3.1	-1.1	-1.2
Interest payments/GDP	3.6	2.5	2.2	..
Total debt/GDP	70.3	59.4	59.7	..
Total debt service/exports	28.4	15.7	14.5	..
Present value of debt/GDP	..	..	58.4	..
Present value of debt/exports	..	..	103.7	..

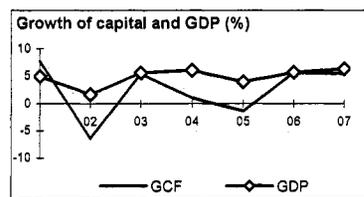


(average annual growth)

	1987-97	1997-07	2006	2007	2007-11
GDP	4.3	4.8	5.7	6.3	5.9
GDP per capita	2.4	3.7	4.6	5.1	4.5
Exports of goods and services	5.4	3.9	3.9	4.2	5.3

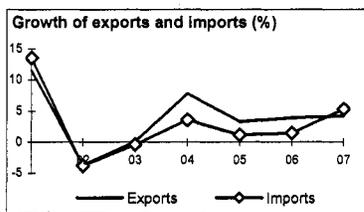
STRUCTURE of the ECONOMY

	1987	1997	2006	2007
(% of GDP)				
Agriculture	16.5	13.2	11.1	10.9
Industry	29.5	28.6	27.8	27.5
Manufacturing	15.1	18.5	17.0	16.9
Services	54.1	58.2	61.1	61.6
Household final consumption expenditure	60.6	60.2	63.0	63.6
General gov't final consumption expenditure	16.9	15.8	13.4	13.4
Imports of goods and services	35.8	46.2	53.1	52.2



(average annual growth)

	1987-97	1997-07	2006	2007
Agriculture	3.9	2.7	3.0	4.5
Industry	4.8	3.8	3.8	4.1
Manufacturing	3.0	4.0	4.2	4.4
Services	4.2	5.7	7.1	7.7
Household final consumption expenditure	3.7	5.2	4.8	7.4
General gov't final consumption expenditure	3.8	4.4	2.6	6.4
Gross capital formation	5.9	3.0	5.6	5.5
Imports of goods and services	5.1	3.4	1.4	5.3



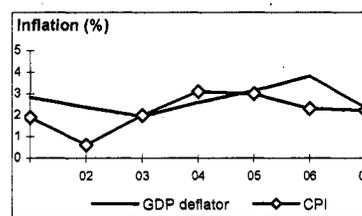
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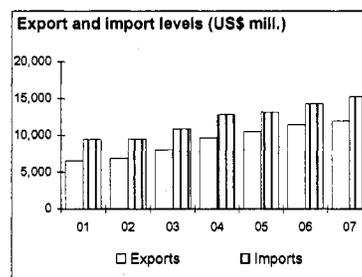
PRICES and GOVERNMENT FINANCE

	1987	1997	2006	2007
Domestic prices				
<i>(% change)</i>				
Consumer prices	8.1	3.7	2.3	2.2
Implicit GDP deflator	5.2	4.0	3.8	2.4
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	28.3	24.0	23.0	22.8
Current budget balance	4.9	2.4	3.5	3.6
Overall surplus/deficit	-1.4	-4.3	-3.0	-2.9



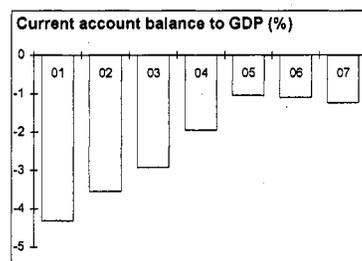
TRADE

	1987	1997	2006	2007
<i>(US\$ millions)</i>				
Total exports (fob)	2,137	5,559	11,488	11,971
Fuel	505	503	1,737	1,766
Agriculture	276	616	1,228	1,234
Manufactures	959	3,680	7,814	8,288
Total imports (cif)	3,028	7,951	14,299	15,246
Food	312	691	900	924
Fuel and energy	318	597	2,075	2,113
Capital goods	520	1,724	2,797	2,997
Export price index (2000=100)	44	82	150	151
Import price index (2000=100)	62	114	152	153
Terms of trade (2000=100)	71	72	99	99



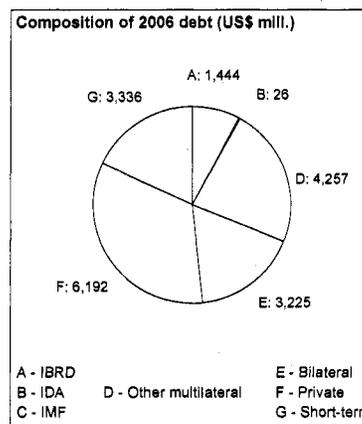
BALANCE of PAYMENTS

	1987	1997	2006	2007
<i>(US\$ millions)</i>				
Exports of goods and services	3,377	8,174	15,868	16,790
Imports of goods and services	3,473	8,695	15,840	16,919
Resource balance	-96	-521	27	-129
Net income	-486	-863	-2,339	-2,384
Net current transfers	484	791	1,974	2,078
Current account balance	-99	-593	-338	-435
Financing items (net)	215	917	2,785	959
Changes in net reserves	-116	-324	-2,447	-524
Memo:				
Reserves including gold (US\$ millions)	535	1,988	6,824	7,348
Conversion rate (DEC, local/US\$)	0.8	1.1	1.3	1.3



EXTERNAL DEBT and RESOURCE FLOWS

	1987	1997	2006	2007
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	6,816	11,228	18,480	..
IBRD	1,052	1,434	1,444	1,571
IDA	63	45	26	24
Total debt service	1,105	1,413	2,520	..
IBRD	177	275	438	236
IDA	2	2	2	2
Composition of net resource flows				
Official grants	85	137	185	..
Official creditors	131	72	-208	..
Private creditors	-121	583	-265	..
Foreign direct investment (net inflows)	92	339	3,270	..
Portfolio equity (net inflows)	17	55	65	..
World Bank program				
Commitments	200	167	143	28
Disbursements	166	127	112	161
Principal repayments	100	175	368	172
Net flows	66	-48	-257	-10
Interest payments	79	103	72	67
Net transfers	-13	-151	-329	-77



Note: This table was produced from the Development Economics LDB database.

9/24/08

Appendix Q. Colombia, Tunisia, and Turkey: Millennium Development Goals

Colombia

	1990	1995	2000	2007
Goal 1: Eradicate extreme poverty and hunger				
Employment to population ratio, 15+, total (%)	..	58	58	63
Employment to population ratio, ages 15-24, total (%)	..	43	42	46
Income share held by lowest 20%	..	3	3	..
Malnutrition prevalence, weight for age (% of children under 5)	..	6	5	5
Poverty headcount ratio at national poverty line (% of population)	..	60	64	..
Prevalence of undernourishment (% of population)	..	..	..	..
Vulnerable employment, total (% of total employment)	..	30	35	44
Goal 2: Achieve universal primary education				
Literacy rate, youth female (% of females ages 15-24)	..	92	..	98
Literacy rate, youth male (% of males ages 15-24)	..	89	..	98
Persistence to last grade of primary, total (% of cohort)	..	..	61	82
Primary completion rate, total (% of relevant age group)	67	80	92	105
Total enrollment, primary (% net)	..	..	93	92
Goal 3: Promote gender equality and empower women				
Proportion of seats held by women in national parliament (%)	5	..	12	8
Ratio of female to male enrollments in tertiary education	..	..	109	109
Ratio of female to male primary enrollment	..	..	100	99
Ratio of female to male secondary enrollment	..	..	110	111
Ratio of young literate females to males (% ages 15-24)	..	103	..	101
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	..	44.9	48.8	..
Goal 4: Reduce child mortality				
Immunization, measles (% of children ages 12-23 months)	82	95	75	88
Mortality rate, infant (per 1,000 live births)	26	24	20	17
Mortality rate, under-5 (per 1,000)	35	31	26	21
Goal 5: Improve maternal health				
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	..	79	67
Births attended by skilled health staff (% of total)	82	86	86	96
Contraceptive prevalence (% of women ages 15-49)	66	72	77	78
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	130
Pregnant women receiving prenatal care (%)	83	83	91	94
Unmet need for contraception (% of married women ages 15-49)	11	8	6	6
Goal 6: Combat HIV/AIDS, malaria, and other diseases				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	10	18	23
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	63	57	51	45
Prevalence of HIV, female (% ages 15-24)	..	..	..	0.3
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	1
Tuberculosis cases detected under DOTS (%)	..	..	87	83
Goal 7: Ensure environmental sustainability				
Annual freshwater withdrawals, total (% of internal resources)	..	..	..	..
CO2 emissions (kg per PPP \$ of GDP)	0.5	0.3	0.3	..
CO2 emissions (metric tons per capita)	1.7	1.5	1.4	..
Forest area (% of land area)	55	..	55	55
Improved sanitation facilities (% of population with access)	68	71	74	78
Improved water source (% of population with access)	89	90	91	93
Marine protected areas, (% of surface area)	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..
Goal 8: Develop a global partnership for development				
Aid per capita (current US\$)	3	4	4	22
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	35	24	21	19
Internet users (per 100 people)	0	0	2	26
Mobile phone subscribers (per 100 people)	0	1	5	74
Telephone mainlines (per 100 people)	7	10	17	17
Other				
Fertility rate, total (births per woman)	3	2.8	2.6	2.3
GNI per capita, Atlas method (current US\$)	1200	2100	2080	3250
GNI, Atlas method (current US\$) (billions)	41.7	80.2	86.8	149.9
Gross capital formation (% of GDP)	18.5	25.8	13.7	24.4
Life expectancy at birth, total (years)	68	70	71	73
Literacy rate, adult total (% of people ages 15 and above)	..	81	..	93
Population, total (millions)	34.9	38.3	41.7	46.1
Trade (% of GDP)	35.4	35.5	40.9	39.9

Source: World Development Indicators database

TUNISIA

	1990	1995	2000	2007
Goal 1: Eradicate extreme poverty and hunger				
Employment to population ratio, 15+, total (%)	..	41	42	45
Employment to population ratio, ages 15-24, total (%)	..	27	27	29
Income share held by lowest 20%	6	6	6	..
Malnutrition prevalence, weight for age (% of children under 5)	9	..	..	..
Poverty headcount ratio at national poverty line (% of population)	7	8	..	..
Prevalence of undernourishment (% of population)	..	..	..	..
Vulnerable employment, total (% of total employment)	..	..	..	..
Goal 2: Achieve universal primary education				
Literacy rate, youth female (% of females ages 15-24)	..	..	..	..
Literacy rate, youth male (% of males ages 15-24)	..	..	..	..
Persistence to last grade of primary, total (% of cohort)	..	..	88	94
Primary completion rate, total (% of relevant age group)	80	91	87	120
Total enrollment, primary (% net)	..	..	95	98
Goal 3: Promote gender equality and empower women				
Proportion of seats held by women in national parliament (%)	4	..	12	23
Ratio of female to male enrollments in tertiary education	..	..	97	142
Ratio of female to male primary enrollment	..	..	96	97
Ratio of female to male secondary enrollment	..	..	106	110
Ratio of young literate females to males (% ages 15-24)	..	..	..	..
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	..	23.1	24.6	..
Goal 4: Reduce child mortality				
Immunization, measles (% of children ages 12-23 months)	93	91	95	98
Mortality rate, infant (per 1,000 live births)	41	32	25	19
Mortality rate, under-5 (per 1,000)	52	40	31	23
Goal 5: Improve maternal health				
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	..	8	7
Births attended by skilled health staff (% of total)	69	81	90	..
Contraceptive prevalence (% of women ages 15-49)	50	60	66	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	100
Pregnant women receiving prenatal care (%)	58	..	92	..
Unmet need for contraception (% of married women ages 15-49)	..	..	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	..	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	31	31	25	25
Prevalence of HIV, female (% ages 15-24)	..	..	..	0.1
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	0
Tuberculosis cases detected under DOTS (%)	..	..	101	81
Goal 7: Ensure environmental sustainability				
Annual freshwater withdrawals, total (% of internal resources)	..	..	..	..
CO2 emissions (kg per PPP \$ of GDP)	0.6	0.5	0.4	..
CO2 emissions (metric tons per capita)	1.6	1.8	2.1	..
Forest area (% of land area)	4	..	6	7
Improved sanitation facilities (% of population with access)	74	78	81	85
Improved water source (% of population with access)	82	86	90	94
Marine protected areas, (% of surface area)	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..
Goal 8: Develop a global partnership for development				
Aid per capita (current US\$)	48	8	23	43
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	26	18	21	15
Internet users (per 100 people)	0	0	3	17
Mobile phone subscribers (per 100 people)	0	0	1	77
Telephone mainlines (per 100 people)	4	6	10	12
Other				
Fertility rate, total (births per woman)	3.5	2.7	2.1	2
GNI per capita, Atlas method (current US\$)	1430	1820	2090	3200
GNI, Atlas method (current US\$) (billions)	11.6	16.3	20	32.8
Gross capital formation (% of GDP)	27.1	24.7	27.3	23.4
Life expectancy at birth, total (years)	70	71	73	74
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	..
Population, total (millions)	8.2	9	9.6	10.2
Trade (% of GDP)	94.2	93.7	92.7	103.9

Source: World Development Indicators database

TURKEY

	1990	1995	2000	2007
Goal 1: Eradicate extreme poverty and hunger				
Employment to population ratio, 15+, total (%)	..	51	47	47
Employment to population ratio, ages 15-24, total (%)	..	42	38	39
Income share held by lowest 20%	..	6	..	5
Malnutrition prevalence, weight for age (% of children under 5)	..	9	7	..
Poverty headcount ratio at national poverty line (% of population)	..	28	..	..
Prevalence of undernourishment (% of population)	..	..	..	..
Vulnerable employment, total (% of total employment)	..	..	46	41
Goal 2: Achieve universal primary education				
Literacy rate, youth female (% of females ages 15-24)	88	..	..	..
Literacy rate, youth male (% of males ages 15-24)	97	..	..	..
Persistence to last grade of primary, total (% of cohort)	..	..	..	..
Primary completion rate, total (% of relevant age group)	..	..	..	96
Total enrollment, primary (% net)	..	..	..	90
Goal 3: Promote gender equality and empower women				
Proportion of seats held by women in national parliament (%)	1	..	4	9
Ratio of female to male enrollments in tertiary education	..	..	68	75
Ratio of female to male primary enrollment	..	..	91	95
Ratio of female to male secondary enrollment	..	..	..	83
Ratio of young literate females to males (% ages 15-24)	92	..	..	..
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	..	16.7	19.1	20.3
Goal 4: Reduce child mortality				
Immunization, measles (% of children ages 12-23 months)	78	65	86	98
Mortality rate, infant (per 1,000 live births)	67	52	38	24
Mortality rate, under-5 (per 1,000)	82	63	44	26
Goal 5: Improve maternal health				
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	..	51	39
Births attended by skilled health staff (% of total)	..	76	81	..
Contraceptive prevalence (% of women ages 15-49)	63	63	64	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	44
Pregnant women receiving prenatal care (%)	..	62	68	..
Unmet need for contraception (% of married women ages 15-49)	..	11	10	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	..	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	49	40	31	29
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	..
Tuberculosis cases detected under DOTS (%)	..	..	..	80
Goal 7: Ensure environmental sustainability				
Annual freshwater withdrawals, total (% of internal resources)	..	..	..	..
CO2 emissions (kg per PPP \$ of GDP)	0.4	0.4	0.4	..
CO2 emissions (metric tons per capita)	2.6	2.8	3.3	..
Forest area (% of land area)	13	..	13	13
Improved sanitation facilities (% of population with access)	85	86	87	88
Improved water source (% of population with access)	85	89	93	97
Marine protected areas, (% of surface area)	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..
Goal 8: Develop a global partnership for development				
Aid per capita (current US\$)	21	5	5	8
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	30	24	19	16
Internet users (per 100 people)	0	0	4	18
Mobile phone subscribers (per 100 people)	0	1	24	84
Telephone mainlines (per 100 people)	12	21	27	25
Other				
Fertility rate, total (births per woman)	3	2.8	2.6	2.2
GNI per capita, Atlas method (current US\$)	3070	3870	3930	8020
GNI, Atlas method (current US\$) (billions)	172.6	238.8	265.2	592.9
Gross capital formation (% of GDP)	..	..	20.8	22.2
Life expectancy at birth, total (years)	66	68	70	71
Literacy rate, adult total (% of people ages 15 and above)	79	..	..	..
Population, total (millions)	56.2	61.7	67.4	73.9
Trade (% of GDP)	..	..	43.2	48.9

Source: World Development Indicators database

Appendix R. Colombia, Tunisia, and Turkey: Total Cost of Bank Programs

Cost of Bank Programs, FY98-FY08

	Lending	Project Supervision	ESW	Total
US\$ Thousands				
Colombia	\$ 19,450	\$ 20,326	\$ 11,291	\$ 51,067
Tunisia	\$ 10,036	\$ 17,916	\$ 9,608	\$ 37,561
Turkey	\$ 23,447	\$ 28,196	\$ 18,325	\$ 69,967
AFR	\$ 376,284	\$ 470,412	\$ 347,283	\$ 1,193,978
EAP	\$ 234,403	\$ 259,563	\$ 214,130	\$ 708,096
SAR	\$ 176,295	\$ 197,805	\$ 162,902	\$ 537,002
ECA	\$ 303,703	\$ 355,938	\$ 305,198	\$ 964,839
MNA	\$ 102,562	\$ 127,049	\$ 184,532	\$ 414,143
LCR	\$ 239,838	\$ 320,779	\$ 204,183	\$ 764,800
Bank	\$ 1,457,452	\$ 1,809,902	\$ 1,463,349	\$ 4,730,702
Proportion of total				
Colombia	38.1	39.8	22.1	100.0
Tunisia	26.7	47.7	25.6	100.0
Turkey	33.5	40.3	26.2	100.0
AFR	31.5	39.4	29.1	100.0
EAP	33.1	36.7	30.2	100.0
SAR	32.8	36.8	30.3	100.0
ECA	31.5	36.9	31.6	100.0
MNA	24.8	30.7	44.6	100.0
LCR	31.4	41.9	26.7	100.0
Bank	30.8	38.3	30.9	100.0

Source: BW Direct Costs of Programs Reports 4.1 and 4.2 as of January 23, 2009

Appendix S. Colombia, Tunisia, and Turkey: Average Cost of Tasks, Total and by MILES

Average Cost per task, FY00-FY07 (thousands of US)

	Total FY00 - FY07	INV	DPL	ESW	TA
Colombia					
All tasks	260.7	118.8	64.7	69.8	7.4
MILES tasks	310.3	112.0	111.5	86.8	0.0
Tunisia					
All tasks	287.7	118.2	48.2	115.7	5.6
MILES tasks	309.3	106.6	66.6	134.0	2.1
Turkey					
All tasks	367.0	86.4	168.4	90.6	21.6
MILES tasks	633.5	124.5	393.8	115.3	0.0
LCR	233.5	89.3	41.3	93.0	9.9
MNA	191.0	61.4	15.0	68.8	45.8
AFR	487.4	423.1	30.4	25.5	8.5
ECA	168.5	68.9	13.2	66.3	20.1
SAR	196.9	67.2	22.2	90.2	17.3
World	255.5	142.0	24.4	68.7	20.3

Note: Total cost of projects opened and closed between FY00 and FY07. MILES tasks refer to World Bank Lending, AAA and TA that has a bearing on employment creation and earnings as defined by this evaluation.

Source: BW Report 4.1 Direct Costs by Service

Appendix T. Colombia, Tunisia, and Turkey: IEG Project and QAG AAA Ratings

IEG Project Ratings, Projects approved FY98-08

Approval FY	Name	Evaluation Type	IEG Outcome	IEG Overall Bank Performance
Colombia				
1998	CO ANTIOQUIA EDUCATION	ICR review	Moderately Satisfactory	Satisfactory
1998	CO PASTO EDUCATION	ICR review	Satisfactory	Satisfactory
2000	CO RURAL EDUCATION APL I	ICR review	Satisfactory	Satisfactory
2000	CO- COMMUNITY WORKS (MANOS A LA OBRA)	ICR review	Moderately Unsatisfactory	Unsatisfactory
2003	CO- Social Sector Adjustment	ICR review	Satisfactory	Satisfactory
2001	CO- Human Capital Prot.- Cash Transfers	ICR review	Satisfactory	Satisfactory
2002	CO Structural Fiscal Adjustment Loan	ICR review	Moderately Satisfactory	Satisfactory
2004	CO CUNDINAMARCA EDUCATION QUALITY IMPRVM	ICR review	Highly Unsatisfactory	Moderately Satisfactory
2003	CO Programmatic Fin. Sector Adj Ln I	PPAR	Satisfactory	Satisfactory
2004	CO 1st PSAL Labor & Soc Ref	ICR review	Satisfactory	Satisfactory
2003	CO Program. Fiscal and Institutional Adj	ICR review	Moderately Satisfactory	Satisfactory
2005	CO 2nd Programmatic FSAL	PPAR	Moderately Satisfactory	Satisfactory
2005	CO- 2nd Prog. Labor & Social Sector Ref	ICR review	Satisfactory	Satisfactory
2004	CO Prog Fiscal and Institutional Adj II	ICR review	Moderately Satisfactory	Satisfactory
2005	CO Prog Fiscal and Institutional SAL III	ICR review	Moderately Unsatisfactory	Unsatisfactory
2007	CO- 3rd Prog.Labor and Social Sector	ICR review	Highly Satisfactory	Satisfactory
Tunisia				
1998	TN Higher Education Reform Support I	ICR review	Satisfactory	Satisfactory
1998	TN-TRANSPORT SECTOR INVESTMENT PROJECT	ICR review	Satisfactory	Moderately Satisfactory
1998	TN-ASIL 2	ICR review	Satisfactory	Moderately

Approval FY	Name	Evaluation Type	IEG Outcome	IEG Overall Bank Performance
				Satisfactory
2000	Education PAQSET I	ICR review	Satisfactory	Moderately Satisfactory
1999	TN-ECAL II	PPAR	Satisfactory	Satisfactory
1999	TN-EXPORT DEVELOPMENT	ICR review	Satisfactory	Satisfactory
2002	TN-ECAL III	PPAR	Satisfactory	Satisfactory
2005	TN - ECAL IV	ICR review	Satisfactory	Moderately Satisfactory
Turkey				
1998	BASIC ED	ICR review	Unsatisfactory	Unsatisfactory
2003	BASIC ED 2 (APL #2)	ICR review	Moderately Satisfactory	Moderately Unsatisfactory
2000	EFIL	ICR review	Satisfactory	Satisfactory
2001	FSAL	ICR review	Satisfactory	Moderately Satisfactory
2000	ERL	ICR review	Satisfactory	Satisfactory
2001	PRIV SOC SUPPRT	ICR review	Satisfactory	Satisfactory
2002	PFPSAL 2	ICR review	Satisfactory	Moderately Satisfactory
2002	PFPSAL	ICR review	Satisfactory	Satisfactory
2004	EFIL 2	ICR review	Highly Satisfactory	Highly Satisfactory
2004	PFPSAL 3	ICR review	Satisfactory	Satisfactory

Source: WB Business Warehouse tables 4a.5 as of February 2, 2009.

QAG Economic and Sector Work Ratings, FY98-08

Approval FY	Name	Evaluation Type	QAC Overall Rating	QAC Bank Inputs and Processes
Colombia				
1999	Fiscal Sustainability	QAC Review	Satisfactory	Satisfactory
2001	CPAR	QAC Review	Satisfactory	Satisfactory
2002	Poverty Assessment	QAC Review	Satisfactory	Marginally Satisfactory
2002	Social Sector Review	QAC Review	Highly Satisfactory	Highly Satisfactory
Tunisia				
1999	Social and Structural Review	QAC Review	Satisfactory	Satisfactory
2000	Private Sector Assessment Update	QAC Review	Satisfactory	Satisfactory
2000	Social Conditions Update	QAC Review	Satisfactory	Satisfactory
2001	External Sustainability	QAC Review	Marginal	Marginal
2002	IT Sector Note	QAC Review	Satisfactory	Satisfactory
2006	Overall AAA Assessment FY02 - FY06	QAC Review	Satisfactory	Satisfactory
Turkey				
1999	Living Standards and Welfare	QAC Review	Satisfactory	Highly Satisfactory
2000	CEM	QAC Review	Satisfactory	Satisfactory
2001	Corporate Sector Impact Assessment	QAC Review	Highly Satisfactory	Satisfactory
2001	CPAR	QAC Review	Satisfactory	Marginal
2002	Poverty and Crisis	QAC Review	Satisfactory	Satisfactory

Source: Source: QAC reports as of February 2, 2009

Appendix U. Colombia, Tunisia, and Turkey: Bank Senior Management

Colombia: Bank's Senior Management, FY 2000 - 2008

Year	Vice president	Country director	Chief / resident representative	Lead Economist
2000	David de Ferranti	Olivier Lafourcade	Alberto Chueca Mora	David Yuravlivker Marcelo Giugale
2001	David de Ferranti	Olivier Lafourcade	Alberto Chueca Mora	Marcelo Giugale
2002	David de Ferranti	Olivier Lafourcade	Alberto Chueca Mora	Marcelo Giugale
2003	David de Ferranti	Isabel Guerrero	Alberto Chueca Mora	Joaquin Cottani
2004	David de Ferranti	Isabel Guerrero	Alberto Chueca Mora	Joaquin Cottani David Gould
2005	Pamela Cox	Isabel Guerrero	Alberto Chueca Mora	David Gould David Rosenblatt
2006	Pamela Cox	Isabel Guerrero	Miguel Lopez-Bakovic	David Rosenblatt
2007	Pamela Cox	Isabel Guerrero Axel van Trotsenburg	Miguel Lopez-Bakovic	David Rosenblatt
2008	Pamela Cox	Axel van Trotsenburg	M.Lopez-Bakovic Eduardo Somensatto	David Rosenblatt

Source: World Bank Group Directory

Turkey: Bank's Senior Management, 1991 - 2008

Year	Vice president	Country director	Chief / resident representative	Economist
1991	Willii A. Wapenhaus	Michael Wiehen	Luis de Azcarate	-
1992	Wilfried Thalwitz	Michael Wiehen	Luis de Azcarate	R. Coutinho
1993	Wilfried Thalwitz	Michael Wiehen	Luis de Azcarate	R. Coutinho
1994	Wilfried Thalwitz	Michael Wiehen	Frederick Thomas Temple	S. Otoo
1995	Wilfried Thalwitz	Rachel Lomax	Frederick Thomas Temple	S. Otoo Jacob Kolster
1996	Johannes Linn	Kenneth Lay	Frederick Thomas Temple	S. Otoo Jacob Kolster
1997	Johannes Linn	Kenneth Lay	Frederick Thomas Temple	S. Otoo
1998	Johannes Linn	Ajay Chibber		S. Otoo
1999	Johannes Linn	Ajay Chibber		S. Otoo
2000	Johannes Linn	Ajay Chibber *		S. Otoo
2001	Johannes Linn	Ajay Chibber *		James Parks *
2002	Johannes Linn	Ajay Chibber *		James Parks *
2003	Johannes Linn	Ajay Chibber *		James Parks *
2004	Shigeo Katsu	Andrew N. Vorkink *		James Parks *
2005	Shigeo Katsu	Andrew N. Vorkink *		Rodrigo A. Chaves*
2006	Shigeo Katsu	Ulrich Zachau *		Rodrigo A. Chaves*
2007	Shigeo Katsu	Ulrich Zachau *		Mark Roland Thomas*
2008	Shigeo Katsu	Ulrich Zachau *		Mark Roland Thomas*

Source: The World Bank Group Directory 1995 - 2005

Note: * Staff located at the Country Office at Ankara, Turkey

Andrew N. Vorkink * was the country director from August 2003 to November 2006.

Ulrich Zachau * has been CD for Turkey since January 2007.

The title " Chief / resident representative" for Turkey has not existed since 2003.

Tunisia: Bank's Senior Management, 1991- 2008

Year	Vice president	Country director	Resident Representative
1991	Willii A. Wapenhaus	Kemal Dervis	-
1992	Caio Koch-Weser	Pieter Bottelier	-
1993	Caio Koch-Weser	Harinder S. Kohli	-
1994	Caio Koch-Weser	Daniel Ritchie	-
1995	Caio Koch-Weser	Daniel Ritchie	-
1996	Kemal Dervis	Daniel Ritchie	-
1997	Kemal Dervis	Christian Delvoie	-
1998	Kemal Dervis	Christian Delvoie	-
1999	Kemal Dervis	Christian Delvoie	-
2000	Jean-Louis Sarbib	Christian Delvoie	-
2001	Jean-Louis Sarbib	Christian Delvoie	-
2002	Jean-Louis Sarbib	Theodore O. Ahlers	-
2003	Christiaan J. Poortmann	Theodore O. Ahlers	-
2004	Christiaan J. Poortmann	Theodore O. Ahlers	-
2005	Christiaan J. Poortmann	Theodore O. Ahlers	-
2006	Christiaan J. Poortmann (until 9/7/2006)	Theodore O. Ahlers	-
	Daniela Gressani (from 9/8/2006)		-
2007	Daniela Gressani	Theodore O. Ahlers (until 7/31/07) Mats Karlsson (from 11/1/07)	-
2008	Daniela Gressani	Mats Karlsson	-

Source: World Bank Group Directory

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