

■ MORE THAN A BANK: THE IDB MARKS 40 YEARS

■ COMPUTER BARGAIN-HUNTERS

IDB AMERICA

Magazine of the Inter-American Development Bank

November–December 1999



**Trust
me.**

René Hernández Valiente,
justice of the Supreme
Court of El Salvador

**One country's battle
to make justice work**

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U.S. President John F. Kennedy and IDB President Felipe Herrera sign a cooperation agreement in 1961. See story on page 2.

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EDITORS' NOTEBOOK

Celebrating 6,000,000,000

ON OCTOBER 12, THE SIX billionth person officially arrived on earth to a chorus of commentary that has characterized the population question since 19th century British economist Thomas Malthus issued his famous predictions.

The "more the merrier" faction reiterated its unswerving faith in the ability of technology and man's ingenuity to stay one step ahead of what was once popularly referred to as the "population bomb." Others pointed to the sobering fact that the world has added one billion people in just the past 12 years. According to a recent report from Cornell University, more than half the world's people are presently malnourished and living in poverty. Average per capita world cropland is now only half of what is needed to produce a good diet, and per

capita availability of freshwater declined by 60 percent between 1960 and 1997.

While the two sides argue on, the numbers are changing. According to the United Nations Population Fund (UNFPA), global population growth is slowing because people are choosing to have fewer children. Fertility rates in developing countries have dropped from more than six children per woman in 1950 to less than three today. For the most part, the change is the product of many millions of individual decisions, particularly by women. For them, having fewer children is both a cause and effect of going to school, getting a job, and using maternal health services. The choices they make are not based on ideology, but on what seems best for them.

Mexico has seen a particularly dramatic drop in fertility.

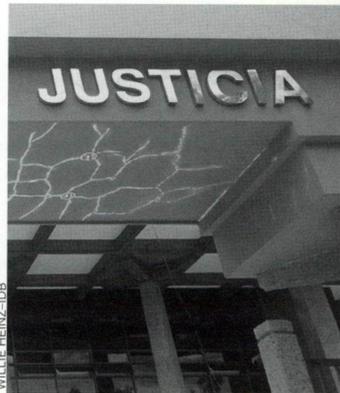
A generation ago, the government replaced its policy of promoting large families with voluntary family planning programs and a constitutional amendment giving individuals the right to determine family size. This, combined with increasing industrialization, migration to urban areas, more education and greater economic opportunities, resulted in halving the country's birth rate in 15 years.

But even so, Mexico's population will increase by nearly 50 percent by 2030. In other countries, where Mexico-style policies have not yet made their appearance, population continues to surge. According to the UNFPA, 78 million people a year are still being added to the world total, and 97 percent of that increase is in developing countries—the places least able to accommodate them.

THE COVER

View from the court. When it comes to fixing a judicial system, "access and credibility are intimately linked," says René Hernández Valiente. "There's no point in giving people access to a system that doesn't work and that they don't believe in." Although the story of El Salvador's judicial reform has many dimensions, it is ultimately about the struggle to build trust and credibility. See stories beginning on page 9.

—IDB photo by Willie Heinz



WILLIE HEINZ-IDB

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At the front line of judicial reform

By **CHRISTINA BIEBESHEIMER**



ACROSS LATIN AMERICA and the Caribbean, reform of systems of justice has become the theme of the moment. But this is more than a fad: it is a critical effort indispensable to establishing the rule of law and consolidating the democratic system which is, in turn, fundamental to an efficient market and growth with equity. Without the rule of law there cannot be an efficient state; without an efficient state there can be no efficient market, and without an efficient market there cannot be sustained and equitable growth. For these reasons, justice reform has become a crucial theme in development.

Latin Americans today expect their judicial systems to help stop crime and violence, guarantee human and civil rights, protect property and enforce business contracts. And local citizens are not the only ones going to their countries' courts. Following the wave of foreign direct investment in the region, nationals of other countries are testing the countries' legal guarantees in growing numbers.

Unfortunately, judicial systems in many countries have not been able to keep up with this unprecedented demand for services. Many governments are consequently attempting to reform the sector.

This issue of IDBAmérica focuses on the process of judicial reform in El Salvador, a country where more than a decade of effort is now starting to show results.

El Salvador's reform is one of the most comprehensive in Latin America. The country has adopted entirely new bodies of criminal, juvenile and family law. It has overhauled judicial procedures to replace written submissions with oral trials domi-

nated by prosecutors and defenders. It has taken aggressive steps to ensure the political independence of judges and improve the professional capacity of judicial officials as a whole.

As the articles in this issue show, El Salvador's experience proves that even a small country, starting with a very weak judiciary, can make enormous progress in just a few years. It also shows that deep reforms require broad political support and meticulous consensus-building among interest groups inside and outside government. Both citizens and decision makers must agree that change is so important that they are willing to make sacrifices to bring it about.

El Salvador's experience shows that lasting reform demands serious investments in training not only judges, but also the prosecutors, public defenders and private lawyers who must learn to operate under a new system. All this can be expensive. Over the years El Salvador has relied on several international donors to bolster its own considerable outlays for the re-

form. Most recently the IDB has supported the reform process with a \$23 million loan.

El Salvador has proven its willingness to tackle root problems: the country has dealt head on with judicial independence, changing the method of selection and promotion of judges and ensuring adequate funding for the court. Since serious reform cannot take place in the absence of at least a basic level of judicial independence, it is important to pay close attention to El Salvador's experience in dealing with this issue.

El Salvador still faces enormous challenges. One is violence and crime among youth, which are at frightening levels. This is due in large part to the country's civil war: though combatants on both sides were disarmed after the Peace Agreements of 1993, most of them had already learned the ways of violence rather than the lessons of school or the skills of a trade. Continued reform of the juvenile justice system is consequently at the heart of the country's IDB-financed justice project.

A follow-up project will support the current government's focus on crime prevention.

Through these initiatives, the government is working to improve public security while rehabilitating juvenile criminals so that they can go on to lead productive adult lives.

Interest in judicial reform is continuing to grow, as evidenced by the fact that 11 of the IDB's member countries are now using Bank loans to underwrite their own programs in the sector. For those who are just beginning this arduous task, El Salvador's pioneering efforts to make justice work should be both instructive and inspirational.

—The writer is principal specialist, IDB State and Civil Society Division.

"We have woken from the nightmare of apathy, indifference and fear."

Colombian newspaper editor Francisco Santos, quoted in *The Economist*, Oct. 30. Santos was referring to No Más!, an anti-violence movement that has organized marches where millions of Colombians have called for an end to the country's civil war.

"People are beginning to understand [the way the pension problem] takes tax revenues away from other areas such as education."

Antonio Kandir, a national deputy for Brazil's Social Democratic Party, quoted in the Oct. 28 *Financial Times*.

"Do you think we women are invisible?"

Rosario Robles, mayor of Mexico City, quoted by the *Financial Times* on Oct. 14. Robles directed her question to members of the city's municipal council a year ago, when many of them resisted her appointment to a senior post. She was subsequently elected to replace Cuauhtémoc Cárdenas as mayor.

"What Argentina is aspiring to is better ethics, sincerity, and the rule of law."

Martín Redrado, head of an Argentine economics research group, quoted in *The New York Times*, Oct. 26. Redrado was reflecting on the issues that dominated the country's recent presidential campaign.

"We are a literate country, but not an educated one."

Miguel Gutiérrez, coordinator of the State of the Nation project in Costa Rica, quoted by AFP on Oct. 25. Gutiérrez argued that continuing improvements in his country's literacy rate should not detract attention from persistent problems such as the high dropout rate in secondary schools.

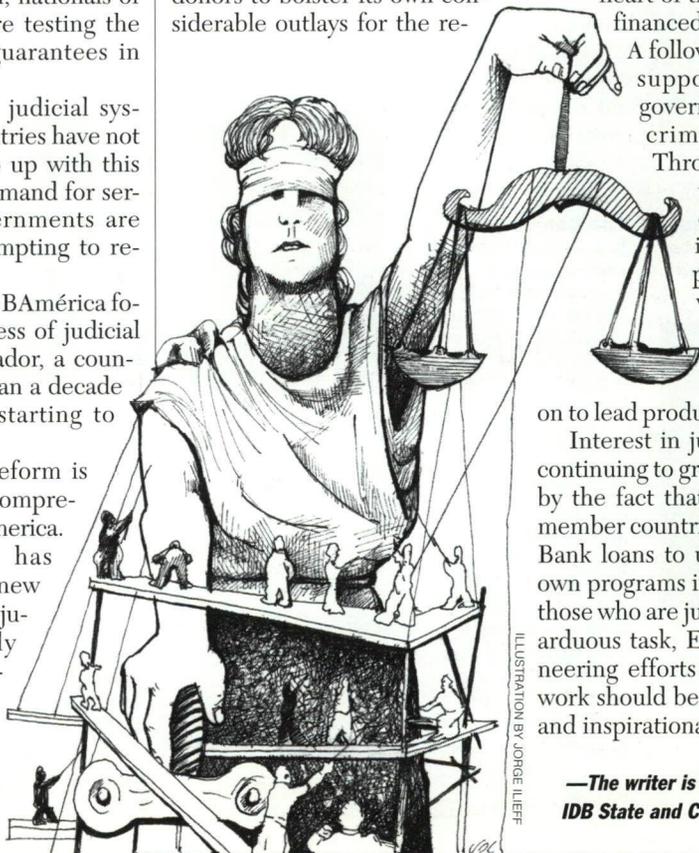


ILLUSTRATION BY JORGE ILEFF

'More than a bank'

The IDB looks to the future after four decades of breaking new ground

By PETER BATE

IF THERE EVER WAS A DEFINING MOMENT in the life of the Inter-American Development Bank, it happened in August, 1961, at the height of the Cold War, during an economic conference held by the Organization of American States at the Uruguayan seaside resort of Punta del Este.

The meeting's purpose, which took place a couple of months after the failed Bay of Pigs invasion, was to adopt President John F. Kennedy's proposed Alliance for Progress, a \$20 billion program that would channel financing from the United States to development projects in Latin America.

Ernesto "Che" Guevara, the Argentine-born president of the Cuban Central Bank, took the floor to ask U.S. Undersecretary of State Douglas Dillon whether Cuba would be included in the program. Dillon replied that the island nation could not participate since it was not a member of the IDB. That statement prompted the revolutionary leader to launch into a tirade in which he derided the year-old IDB as an institution chiefly concerned with financing the building of outhouses—a blunt jab at the Bank's loans for water and sanitation projects.



1959
The IDB is created by the United States and 19 Latin American countries.



1960
Chilean economist Felipe Herrera is elected the Bank's first president.

1961
The Bank's first loan, for a water and sewage project in Peru, proves that social projects are "bankable" and establishes the IDB as a pioneer in social lending.

1962
The IDB sells its first bonds: \$24 million in Italy. By the late 1970s, funds raised in the international capital markets will replace paid-in capital subscriptions as the principal source of IDB lending resources.

When Guevara finished, the IDB's founding president, Felipe Herrera, a young Chilean lawyer with a socialist political background, sprang up and walked over to the Cuban delegation. "You are absolutely right," he said, pointing at the guerrilla-cum-central banker. "We are the Bank of the bathrooms. We are the clean water Bank, the Bank that will protect Latin America's newly born and we will also be the Bank of economic integration."

Herrera's terse answer was recalled by Arnold Weiss, former manager of the IDB's Legal Department, who was present at the conference and whose recollections are included in a recently published history of the Bank. In that reply and the speech that followed, Herrera forcefully framed the mission of the Bank, which was to spur the economic and social development of Latin America and the Caribbean to ensure greater welfare and justice for its people.

For 40 years the IDB has followed that path, helping the countries of Latin America and the Caribbean to modernize their societies and overcome their legacies of poverty and inequality. This formidable "social debt,"



1965
The IDB creates the Latin American Institute for Integration, whose studies and technical advice will help create or strengthen the Central American, Andean, Caribbean and Mercosur common markets.

as Bank President Enrique V. Iglesias points out, remains the region's biggest challenge.

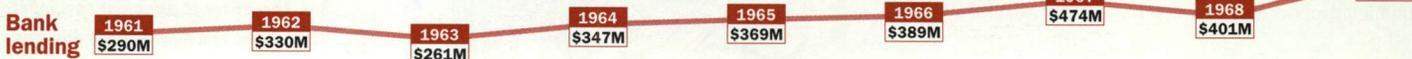
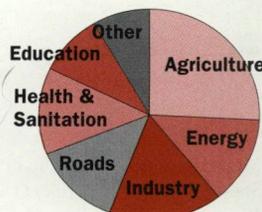
In the process, the Bank that was forged principally as an instrument for cooperation between Latin America and the United States has become an international institution with 46 member countries, including nations from Europe and Asia. Its authorized capital has grown from \$850 million to \$101 billion, and it has long established itself as the leading source for multilateral financing for development in the region.

It has also proven that early pessimists were wrong when they doubted that a financial institution that was majority-owned and run by its own debtors could be sound and sustainable. This singular institution has always maintained the highest-possible credit ratings, an achievement that has allowed it to provide its borrowing member countries with affordable financing for projects that otherwise would be unlikely to attract such backing in voluntary lending markets.

Along the way the IDB broke new ground in development banking. It was the first multilateral institution to finance social projects, to make global loans and to support micro-lending in the region. It financed expansion of higher education and major tourism projects. Today it is helping countries to close the wounds left by civil wars and border disputes and encouraging communities to organize against violence.

The story of how the IDB has carried out the mandates of its member countries is summed up in the new book *More Than a Bank*, written by three former staffers, Luciano Tomassini, Oscar Rodríguez-Rozic and Jorge Espinosa Carranza, who worked intimately with the three presidents who have led the Bank.

1960-69
IDB lending
Total: \$3.5 billion



Cold War beginnings. In many ways Felipe Herrera was the right man at the right time for the fledgling IDB. Although he was barely 38 years old when he became the Bank's first president, he had already accumulated vast experience in politics, public administration and international negotiations. He began work at Chile's Central Bank while he was still in law school. As a leader of the university student movement he became immersed in socialist politics. At age 26 Herrera was appointed legal counsel to the Central Bank, and he would eventually be named its general manager. As Chile's finance minister under President Carlos Ibáñez del Campo, he took part in the protracted talks within the OAS that led to the creation of the IDB in December 1959.

The concept of a regional bank for Latin America goes back to the 19th century. After the Second World War many governments in the region proposed the creation of a financial institution devoted to their own interests and separate from the Bretton Woods institutions. They viewed the newly established International Monetary Fund (IMF) and World Bank as already overburdened with the job of reconstructing the war-ravaged economies of Europe and Asia. They hoped that such a regional bank would be majority-owned and funded by the borrowing countries themselves. Given the troublesome evidence of social upheaval in several Latin American countries, such as the revolution that put Fidel Castro in power in Cuba, the Eisenhower and Kennedy administrations readily supported their neighbors' proposal during the late 1950s and early 1960s.

With Herrera at the helm, the IDB set out to become something "more than a bank," as its founding president used to say. Besides financ-

ing infrastructure projects—a staple of development banking—it became heavily involved in social programs, helping to fund water and sanitation systems, housing, health, education, job training and scientific and technological research. During Herrera's tenure, the Bank also welcomed as new members the Caribbean countries that had become independent from Britain.

When Herrera resigned in 1970, he left behind an established institution that had supported Latin America as the region posted an average annual economic growth rate of 5.5 percent for the decade.

The IDB's governors chose to replace Herrera with a man with a similar background, Antonio Ortiz Mena, a former finance minister of Mexico who had also been involved in the negotiations that preceded the Bank's creation. The new president would face the challenge of building an even bigger institution, one capable of weathering major international crises.

During the two decades that followed its inception, the IDB's lending program reflected Latin America's faith in the development model devised by the United Nations' Economic Commission for Latin America and the Caribbean (CEPAL) under the leadership of Argentine economist Raúl Prebisch. One of its principal tenets was that development does not happen simply as a product of market forces. Policies must be framed by long-term plans drafted by state agencies that are ultimately responsible for infrastructure. In the case of Latin America, industrialization was to be achieved rapidly by substituting imports with locally manufactured goods. This model, which was long sanctioned by the Washington-based financial institutions, would remain in place until it was shattered by the international debt crisis in the early 1980s.

Before it was eclipsed, however, Latin America's output grew 5 percent annually for nearly two decades, lifting millions of people out of poverty and into modern economic life. But the CEPAL model also kindled higher levels of inflation that masked disorderly public finances and economic inefficiencies that would eventually be its undoing.

Before that happened, however, Ortiz Mena led the IDB through a major expansion of its membership in the 1970s, when Canada, Japan, Israel and a group of European nations joined the Bank. The new members not only strengthened the Bank's financial position but also gave it access to a wider and more diverse talent pool of professionals with strong backgrounds in public service and international aid and development. It also mirrored Latin America's rising trade and investment links with other regions of the world.

During Ortiz Mena's 17-year tenure, the Bank tripled its authorized capital to \$30 billion and lending soared to more than \$3 billion a year. Reflecting borrowing nations' priorities during that period, the lion's share of financing went to underwrite infrastructure and productive projects. The Bank also adopted an explicit policy to favor the least-developed nations by granting them concessional loans with longer maturities and grace periods, preferential interest rates and lower requirements for counterpart financing. Some of the more developed borrowers voluntarily declined to apply for loans and even set up funds to help poorer nations.

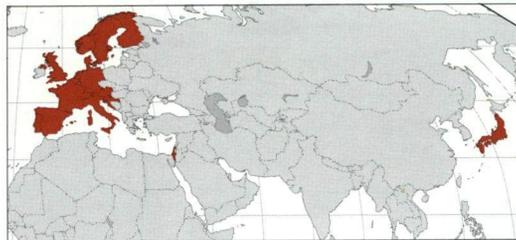
Ortiz Mena also revived the idea of establishing an investment banking affiliate, a project that had languished for years. In 1984, 34 of the Bank's member countries signed the charter of the Inter-American Investment Corporation, a new institution that would support small and medium-size



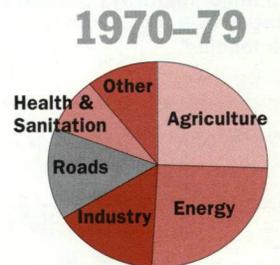
1970
Mexican Finance Minister Antonio Ortiz Mena is elected the IDB's second president.



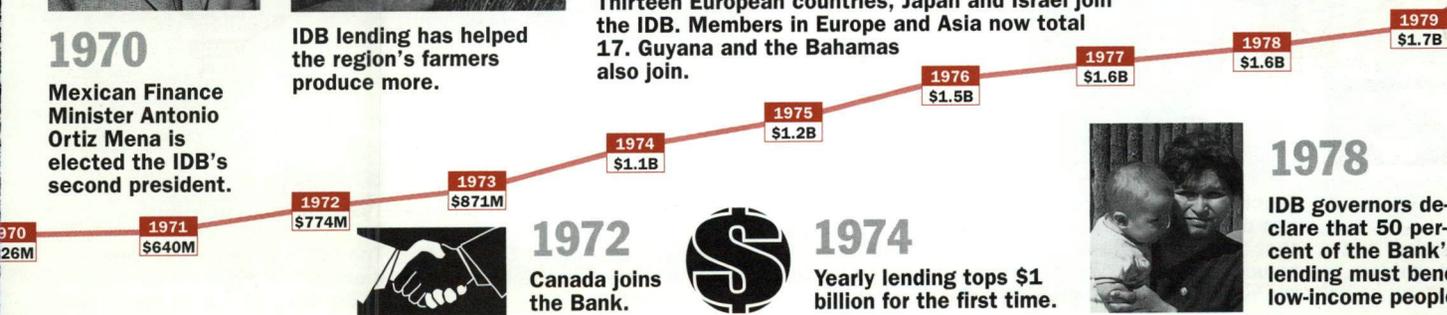
IDB lending has helped the region's farmers produce more.



1976-77
Thirteen European countries, Japan and Israel join the IDB. Members in Europe and Asia now total 17. Guyana and the Bahamas also join.



IDB lending Total: \$11.6 billion



1972
Canada joins the Bank.



1974
Yearly lending tops \$1 billion for the first time.



1978
IDB governors declare that 50 percent of the Bank's lending must benefit low-income people.

enterprises in the region with loans, equity investments and technical expertise.

Another legacy of Ortiz Mena's presidency was increased financing for subregional development agencies to encourage greater economic integration. He was also a leading proponent of value-added taxes, which he viewed as a stepping stone towards regionwide standardization of tax rules. Virtually all Latin American countries eventually implemented such taxes.

During his tenure the IDB also instituted stricter policies to mitigate its projects' social and environmental impacts. In the past such considerations had not always been a major priority for many borrowers, as was illustrated by an anecdote contained in the book *More Than a Bank*. When an IDB officer who was involved in a dam-building project asked a government official what plans they had for the people whose land would be flooded, the answer was: "We'll give them swimming lessons." But by the Ortiz Mena years, measures to mitigate such impacts had become a major focus of project design and execution.

By the end of Ortiz Mena's tenure the region was still reeling from the effects of the international debt crisis that started in 1982 when Mexico declared it could no

longer meet its commercial debt obligations. After that, voluntary lending sources dried up and bilateral and multilateral financing dwindled. The region was further hit by rising international interest rates and falling commodity prices. Latin America's ensuing economic crunch became known as "the lost decade" of the 1980s.

In 1988 the IDB's Board of Governors chose Uruguayan Foreign Minister Enrique V. Iglesias as its new president. A former secretary general of CEPAL, Iglesias would face the task of building up the Bank's resources in order to support the deep economic transformation the region would undergo during the following decade.

As the 1980s drew to a close, most Latin American and Caribbean nations embraced a new set of market-based policies aimed at achieving macroeconomic stability, trade and investment liberalization and state modernization. Many of the tools—privatization, deregulation, fiscal discipline, financial sector and trade liberalization, and tax reform—had been successfully employed by Prime Minister Margaret Thatcher in the United Kingdom and President Ronald Reagan in the United States to stage economic recoveries. Under these new policies, the private sector, and not the state, would lead economic growth. The region would also mend its relations with commercial banks in order to regain access to voluntary lending.

Iglesias led the negotiations among member countries that resulted in the IDB's seventh and eighth capital increases in 1989 and 1994, for \$26.5 billion and \$40 billion, respectively. The former enabled the Bank to grant large sector loans to support a wide

range of economic reforms in borrowing countries. In 1990, one of the first of those loans financed the bellwether privatization of Mexico's Telmex telephone company. The second capital increase led to a major internal reorganization of the IDB to help the Bank carry out its mandate to reduce poverty, modernize the state, protect the environment and help vulnerable social groups. In addition, the Bank now had the capital base to enable it to become self-financing.

Under Iglesias' stewardship the Bank has broadened and deepened its research efforts, establishing specialized offices devoted to economic investigation and the analysis of sustainable development issues.

During this period, the IDB has entered into areas of lending which would have been inconceivable in its early years. Among them are projects to strengthen democratic institutions, reform judiciary systems, promote the peace process among and within countries and bring together government and civil society. The IDB has also become a leading proponent of the economic links between culture and development. This is reflected, for instance, in the groundbreaking projects it is financing to revive the decaying urban centers of Latin America's colonial cities. Small-scale programs to extend credit to microentrepreneurs, which the Bank pioneered, were expanded to national levels through innovative financial mechanisms.

Throughout this period the Bank has worked to bring new groups into the development process, funding programs in which beneficiaries help plan and carry out projects. Projects have been funded to help indigenous peoples preserve their cultural iden-



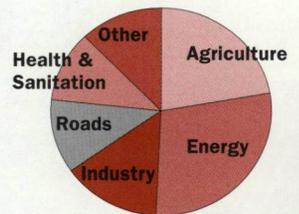
From major highways to rural roads, transportation has received a large share of Bank lending.



1986

The Inter-American Investment Corporation (IIC) is created as an IDB affiliate with its own lending resources to directly finance small and medium-sized private enterprises.

1980-89



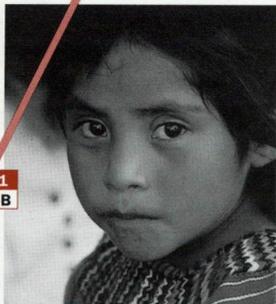
IDB lending Total: \$25.9 billion

1980
\$2.2B



1980
Suriname and Portugal join the Bank.

1981
\$1.6B

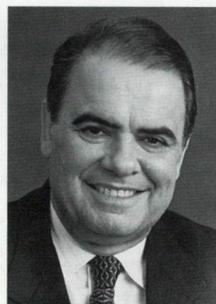


1982
Touched off by default in Mexico, the Latin American debt crisis plunges the region into a recession that lasts most of the decade. Countries have trouble coming up with counterpart funds, causing the execution of IDB projects to slow down.



1986
Norway joins the Bank.

1982



1988
Uruguayan economist Enrique V. Iglesias is elected the IDB's third president.

1987
\$2.1B



1989
The IDB's governors recommend a \$26.5 billion increase in the Bank's capital resources.

1989
\$2.6B

1983
\$3.0B

1982
\$3.3B

1984
\$3.4B

1985
\$3.1B

1986
\$3.0B

1988
\$1.6B

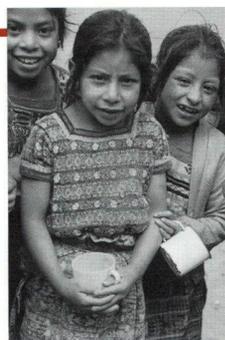
tity, slum residents to improve their neighborhoods, and rural villages to carry out public works.

In 1993 a group of member countries established the Multilateral Investment Fund to accelerate private sector development by helping to improve the region's investment climate. Since then, the fund has been instrumental in supporting countries as they transferred state utilities and services to the private sector, helping to design and improve policy and regulatory frameworks.

During this decade the IDB has also helped its borrowers grapple with a series of major crises. First was the financial storm triggered by the devaluation of the Mexican peso in 1994. Then came the havoc caused by the meteorological phenomenon known as El Niño and several hurricanes and earthquakes. Most recently, the region had to deal with the contagion effect from the East Asia economic meltdown and the Russian debt default. In response to these "imported" threats, in 1998 the Bank established a special line of emergency loans that complement the massive financial packages supported by the IMF and the World Bank.

In an interview at the close of the book, Iglesias, who is currently serving his third five-year term as president, assesses the region's achievements and shortcomings over this decade. On the positive side of the ledger, he notes that democracy is now firmly rooted, inflation has been tamed and economies have opened to international trade and investment. On the debit side, extreme poverty is still pervasive, income distribution is grossly skewed, high unemployment remains stubborn and many social groups have seen few benefits from economic recovery.

The first step in addressing those challenges is to make the region's economies more efficient. "At the same time," he said, "we must achieve social efficiency, solving social problems much more quickly than we have in the last few years."



1996

Bank backs peace accords in Guatemala with a \$50 million loan.

1998 \$10.0B

1999 \$9.9B

1999

The IDB approves more than \$7 billion in economic emergency loans to Argentina, Brazil, and several other countries in 1998-99. Economic instability returns to the region.



Education: key to the future.

1995

\$7.2B

1996

\$6.7B

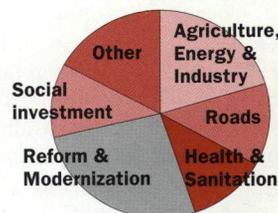
1997

\$6.0B

1998

Students pitch in to help (below) after Hurricane Mitch devastates Honduras and other parts of Central America. El Niño rains and drought cause billions of dollars in damages to roads and crops in South America. IDB disaster lending soars.

1990-99



IDB projected lending Total: \$66.8 billion



1992

Belize joins the Bank.

1992

\$6.0B

1993

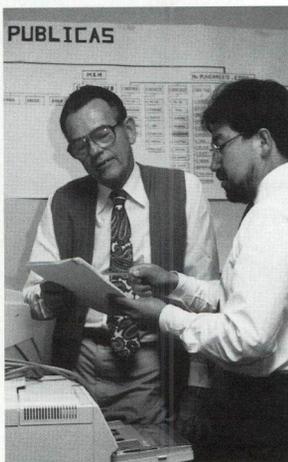
\$6.1B

1994

\$5.7B

1991

\$5.3B



1993

The Multilateral Investment Fund (MIF) is established by 25 member countries with \$1.3 billion in resources to provide financing and technical assistance for projects to accelerate Latin America's private sector development and improve its private investment climate.



1994

IDB governors recommend a \$40 billion capital increase to raise the Bank's total capital to \$101 billion—enough to sustain lending at \$7-to-\$8 billion a year.

Financial sector reform (left) becomes a priority as the region builds ties to the global economy.

1990

The IDB begins making large "sector" loans to stimulate countries to enact needed economic reforms, modernize institutions and create the more open economies needed to compete in the global marketplace.



Shorter waits for bigger hard drives

Two Brazilian school systems buy new computers quickly and at bargain prices

By PAUL CONSTANCE

DE LAYS ARE ALWAYS DAMNABLE, BUT NEVER more than when buying a computer. Like currencies in an inflationary spiral, today's computers must be used immediately, before their value and utility are obliterated by new technology. This vexing aspect of the information age can be devastating in large organizations that make equipment purchases through a central office bound by complicated and time-consuming procurement rules.

Consider the experience of the Education Secretariat in the state of Paraná, Brazil. In 1995, SEED, as the secretariat is known locally, bought computers for 1,300 state schools through a centralized procurement process. For a variety of procedural and bureaucratic reasons, the machines did not arrive at schools until 1997.

That experience strengthened the hand of Paraná state and SEED officials who had been arguing in favor of decentralizing many aspects of public administration. Some officials even suggested that if individual schools had the funds and the authority to buy their own computers, they might do a better job of finding the right equipment and quickly getting it into classrooms. Others urged that schoolchildren's parents also be a part of the purchasing process.

"The feeling was that if the schools and the parent-teacher associations were more involved, they would have more of a sense of ownership of the equipment and take better care of it," says Richard Pelczar, who was an IDB social development specialist in Brazil at the time.

In the summer of 1998, SEED officials got a chance to test their theory. As part of an

IDB-funded program to improve Paraná's public secondary school system through stronger management at the local, regional and state levels, SEED was preparing to buy \$12 million worth of computers and accessories for use by school administrators. Instead of placing a single order with a procurement office at the state level, SEED officials decided to divide up the money and give each school a proportionate share.

But that solved only part of the problem. The schools are scattered over a huge geographical area, and most of them are in villages or towns that do not have a single computer vendor, let alone price competition. Moreover, there was little incentive for vendors to travel to individual schools that were each planning to make a one-time purchase of only a few thousand dollars.

Computer fair. To overcome these obstacles, SEED officials decided to put representatives from schools and vendors under one roof at one time. Schools would have the benefit of competition and more choices, while vendors would reach a large market from a single location. Education officials in the Brazilian state of Minas Gerais had used this "computer fair" concept with great success, letting individual schools purchase more than \$20 million worth of equipment at rock-bottom prices as part of a project funded by the World Bank. According to the IDB's Pelczar, SEED officials hired consultants from Minas Gerais to help adapt the computer fair concept to Paraná. SEED also adapted a procurement manual developed in Minas Gerais that contained detailed instructions for school administrators on how to participate in the fair and document their purchases.

SEED officials then solicited proposals

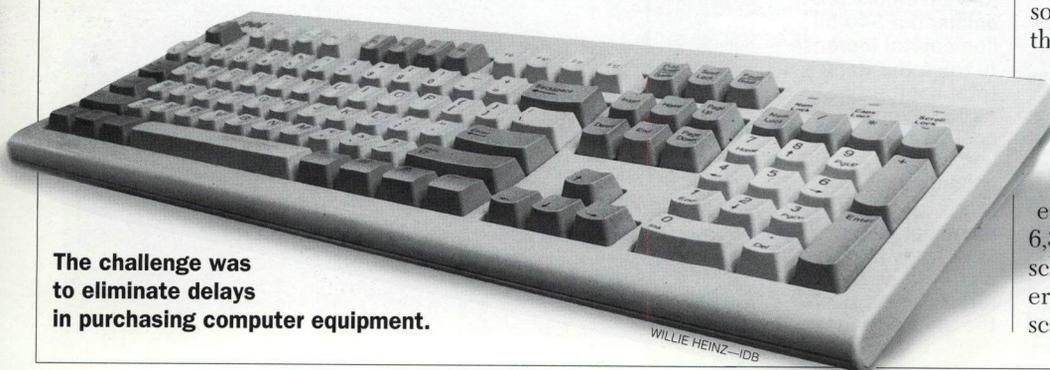


TOUGH BARGAINERS: Local schools joined forces to cut the best deals on new computers for their classrooms. Local administrators also got a chance to exercise financial autonomy.

from computer vendors who wished to showcase their wares at the fair. Eleven companies responded, and eight were finally selected. State officials then published the amount that each school would receive and scheduled two three-day fairs.

The results exceeded everyone's expectations, according to Pelczar. More than 1,800 people participated. School representatives spent half their time shopping and the rest in informatics training workshops. "They were very pleased with the workshops, which enabled them to make more informed purchases and to bargain for upgrades," he said.

Aggressive bargaining became one of the hallmarks of the fair. "At first each school shopped individually," says Pelczar, "but they soon discovered that by grouping together they could bargain for better prices." By the end of the fair, "cartels" of 30 to 40 schools each were pooling their orders to extract better prices or upgrades from vendors. The bottom line: while officials had estimated that the \$12.3 million budget would be enough to purchase a total of 6,300 computers and related accessories, the schools succeeded in buying 7,708 computers and some 200 additional printers and scanners with that amount.



The challenge was to eliminate delays in purchasing computer equipment.



Despite the schools' determination to buy for less, the vendors who participated at the computer fair did not go away disappointed. The high sales volume compensated for the lower prices they received for the equipment. "They also liked the fact that the fair is much more transparent than a centralized procurement," said Pelzar.

Aleyone Saliba, a World Bank official who worked on the Minas Gerais computer fair, said transparency and fairness were consistently cited by vendors as one of its principal benefits. "If you are a computer company bidding for a single \$21 million contract, you could argue that it makes sense to pay a large bribe, so the risk of corruption is that much greater," Saliba said. "But if you are trying to sell to one school or to a small group of schools, in an open fair where everyone is exchanging information continually, it's going to be much harder to bribe. So this is how decentralized procurement can reduce the risk of corruption—by spreading it out among a lot of participants."

Saliba and Pelzar said that there are also risks in delegating financial authority to

school administrators who have never had such responsibilities. To protect against abuses, both the Minas Gerais and Paraná programs required officials from each school to read and comply with the guidelines contained in the procurement manuals. The program also hired independent firms to conduct audits during and after the fair to ensure that people had purchased what they

were supposed to purchase and that all funds were accounted for, according to Saliba.

So far, no irregularities have been uncovered in the Paraná program. On the contrary, the program appears to have fostered a better relationship between local communities and the schools that serve them. The decentralized computer procurement allowed local school personnel and PTA representatives to exercise leadership and produce an immediate return and ad-

vantages for the community, Pelzar said. "It encouraged pedagogic, financial and administrative autonomy at the school level, all of which tends to make school administrators more accountable to their local communities."

■ **Instead of the 6,300 computers officials had estimated could be bought with their \$12.3 million budget, hard-bargaining schools were able to buy 7,708 machines** ■

ROUND-UP

Help for young women

More than 30 wives of heads of state from the Americas meeting in Ottawa, Canada, in October, issued a declaration urging their countries' governments to do more to help preschool children, prevent violence to women, and provide education to young women with unwanted pregnancies or sexually transmitted diseases. According to a Pan American Health Organization report issued at the meeting, 20 percent of the children born each year in Latin America have an adolescent mother; in 3 percent of the cases, the mother is under the age of 15. Next year's gathering of first ladies will take place in Port-au-Prince, Haiti.



Young mother, young child.

Backing for Colombia reforms

Beset by a flagging economy and increased internal conflict, Colombia will receive a total of \$4.2 billion in financing to support a wide-ranging reform strategy agreed to by that country and the International Monetary Fund. The program, which is designed to restore confidence and reinvigorate the economy, will include financing for a social safety net. Measures include expanding social spending by \$900 million over the next three years. The IDB is contributing \$1.7 billion to the program. Other backers are the World Bank, the Andean Development Corporation and the Latin American Reserve Fund.

Slow growth still dogs region

Latin America's economic growth is still too slow to create the jobs needed to reduce income inequalities and poverty, said IDB President Enrique V. Iglesias at a forum on development banking held in October in Mexico City. He pointed to low rates of domestic savings as both a cause and a consequence of the lagging growth. With inadequate savings of its own, the region must put itself at the mercy of the fickle external capital markets.



At the mercy of foreign capital.



DAVID MANGURIAN-IDB

Use of high-producing rice varieties has made Latin America nearly self-sufficient.

Big boosts in rice and beans

Gains benefit poor farmers and consumers

By ROGER HAMILTON

LATIN AMERICA'S RICE AND BEAN PRODUCTION has grown with "extraordinary speed" in recent decades, bringing benefits for the millions of low-income consumers in the region who depend on this nutritious dietary duo, according to the author of a recent report by the International Center for Tropical Agriculture (CIAT).

Increased production of these crops has also enabled small farmers to sell to national urban markets and even internationally, as far away as Japan, according to Art van Schoonhoven, director of genetic resources research for the Colombia-based center.

The region's rice production doubled between 1966 and 1995, says the report. Bean production grew by 25 percent between 1983-85 and 1993-95, and in some areas yields increased by as much as 110 percent. The gains resulted from the development of improved varieties of the two crops and successful efforts to put them in the hands of the region's farmers.

In the case of rice, national research programs across Latin America have released an average of 10 new lowland varieties annually. Of the 300 new varieties, nearly 40 percent have come from crosses made at CIAT. These modern "semidwarf" varieties today account for virtually all of the region's rice production, making Latin America nearly self-sufficient in this staple commodity.

The report stressed that the gains in rice production were largely the result of achieving higher yields, not by putting more land into production. The area planted to rice rose modestly, from 5.8 million hectares in the mid-1960s to 6.7 million hectares in 1995.

As a result of this increased productivity, the price of rice has dropped by about 50 percent in real terms over the past three decades. About 60 percent of the benefits have gone to the consumer and 40 percent

to the producer, said CIAT. Cheaper rice has been particularly beneficial to poor consumers, since low-income people spend half of their total income on food, and 15 percent of these expenditures go to rice.

Rice supplies Latin Americans with more calories than wheat, maize, cassava and potatoes, and 70 percent of rice consumers live in cities. Today Latin America has about eight million hectares planted to rice, and it produces nearly half of the world's output.

Small farmer crop. While rice is typically grown on large farms, beans are the quintessential crop of the small farmers who work marginal lands.

Latin America's national agricultural programs have released about 180 new bean varieties, according to the CIAT report. Most of these were based on experimental lines developed at CIAT. The new seed is planted on at least 40 percent of the region's bean-growing area.

As in the case of rice, increases in bean production have been made largely through increasing yields, not by putting more area under cultivation. The 25 percent increase of the past decade was achieved with a rise of only 2 percent in area planted, according to CIAT.

Despite the gains in these two key staples, Schoonhoven warns that production must increase still more if Latin America is to continue to feed its burgeoning urban population and reduce rural poverty.

"Expanding economic opportunities in areas already under cultivation is critical for reducing human pressure on the region's forests, biodiversity and fresh water," he said.

The Colombia-based CIAT is one of three international agricultural research facilities located in Latin America that have received funding from the IDB.

Bean facts



DAVID MANGURIAN-IDB

- ▶ The region's eight million hectares produce half of global output.
- ▶ One hectare of beans produces 123 kg of protein, compared to 3.4 kg of protein from cattle.
- ▶ CIAT's gene bank safeguards 26,500 samples of cultivated beans and 1,500 samples of wild beans.
- ▶ Bean yields are growing at a rate of 2.7 percent annually, versus the region's population growth rate of 1.9 percent.

Rice facts



DAVID MANGURIAN-IDB

- ▶ Wetland varieties account for 55 percent of the region's crop; upland varieties account for 45 percent.
- ▶ Were it not for yield increases of irrigated rice, it would take twice the present cultivated area to produce the current annual production of 20.6 million tons.
- ▶ Annual per capita consumption in the region has tripled from 10 kg in the 1920s to 30 kg today.

JUDICIAL REFORM



PHOTOS WILLIE HENZ-DB

René Hernández Valiente, justice of El Salvador's Supreme Court, and Eduardo Dubón, deputy inspector in the National Civil Police.

THEY CALL IT THE ORPHAN BRANCH OF GOVERNMENT.

In a healthy democracy, the judiciary is supposed to stand with the executive and legislative branches as one of the three pillars of government that guarantee liberty and the rule of law. But in most Latin American and Caribbean countries, the judicial pillar is fractured, weak and incapable of supporting the weight of its constitutional responsibilities.

Byzantine written procedures. Endless delays. Overcrowded jails. Unaccountable judges. Questionable rulings. Political meddling. Bribery. Impunity.

Open a newspaper in Latin America today, and these are the words you will see associated with the judicial system. Year after year, public opinion polls show that the courts are the least respected institution in the region's countries. A recent review of these polls by Pilar Domingo, a legal scholar at the University of London, found a dismal consistency: "In Argentina, only 13 percent

of the public has anything good to say about the judiciary; in Peru, 92 percent distrust the judges; in Brazil, 79 percent distrust the justice system."

For much of this century, the dismal condition of Latin America's courts was overshadowed by ideological wars and military dictatorships. But in recent years, as democratic stability has taken root in the region, the judiciary has become the object of relentless public scrutiny. This is partly because the rules of the game have changed. Conflicts over government policies, which were once resolved through back-room negotiations between political blocks, are now being taken to the courts. Empowered by the ratification of treaties that protect an expanded definition of human rights, individuals by the thousands are suing for redress of wrongs that in some cases are not even contemplated by their countries' legal codes.

Landing on judicial systems that were already overburdened and vulnerable to pressure, this avalanche of litigation has provoked

an institutional crisis in many countries. Almost without exception, governments in Latin America are besieged by calls to reform the courts. Numerous reform programs are currently underway, but progress has turned out to be extraordinarily difficult.

Why is it so hard to fix the courts? What are the origins of the current crisis? Can confidence in the judiciary ever be restored? This special supplement examines the case of El Salvador, a country that has embarked on one of the region's most radical efforts to make justice work.

El Salvador's judiciary began a series of reforms in 1983 that are beginning to bear fruit today.



The history of an orphaned institution



SOMETIME IN THE YEAR 2000, THE percentage of prisoners awaiting trial or sentencing in El Salvador's jails will drop to around 50 percent.

There will be no celebrations to mark this milestone. Conditions in El Salvador's prisons preclude self-congratulation, and public opinion is far too preoccupied with the country's high level of violent crime.

Yet it will be a remarkable achievement. According to Walter Aquino, chief of the unsentenced prisoners department in El Salvador's jail system, seven years ago the country was holding some 12,000 prisoners in a system designed for a maximum of 7,000. Altogether, 90 percent of the country's inmates were improperly awaiting sentencing, meaning that they had been held without trial for longer than the law allowed for their alleged crimes. Why? The answers tended to have a generic quality: lost documents,

absent witnesses, botched investigations, missing defense lawyers, or simply the arrival of a more urgent case on a judge's desk.

This was by no means unusual for a Latin American country. The percentage of unsentenced prisoners has long been one of the more graphic indicators of the inefficiency of judicial systems throughout the region. In a 1998 study, Human Rights Watch reported that on average, 70 percent of all prisoners in Latin America and the Caribbean are awaiting sentencing. With few exceptions, serious overcrowding is the norm.

So what is going on in El Salvador? The short answer is that in April 1998 the country's Legislative Assembly scrapped a criminal code and a code of criminal procedure that had been in effect since 1860 and replaced them with entirely new ones. The new procedures are so much more efficient that the courts are finally clearing out

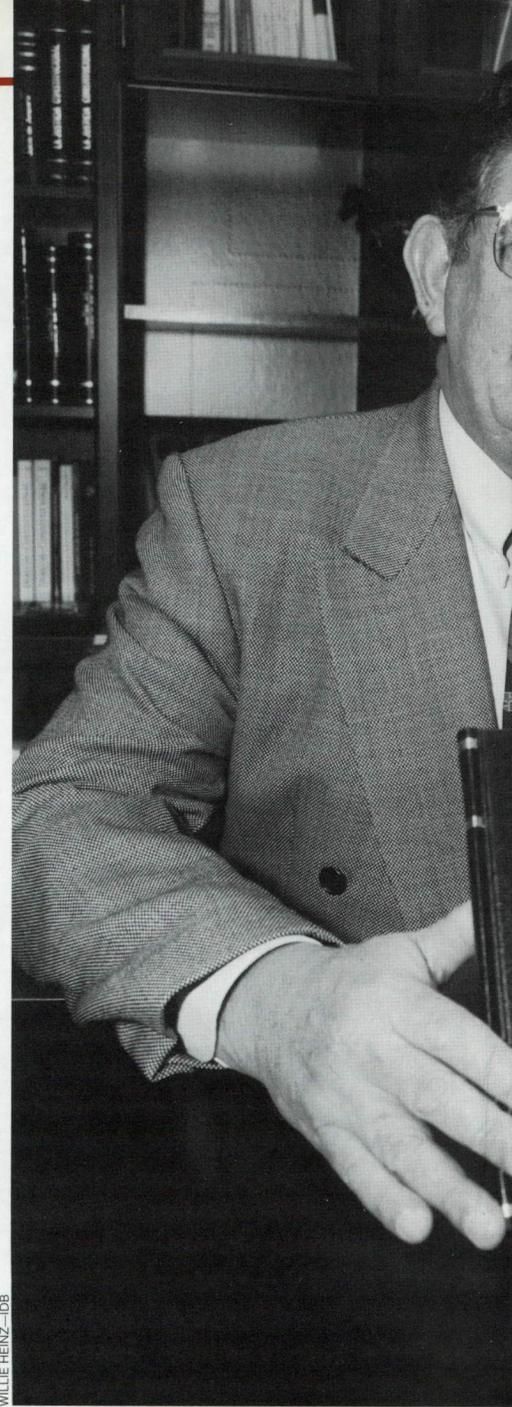
the backlog of pending cases. Thousands of inmates who should not have been in jail have been released, and new suspects are being sentenced or released, on average within six months of arrest.

But changes in the prisons are a relatively small part of a much bigger shift in the way justice is understood and administered in El Salvador. The means of access to the courts, the role of judges and other judicial officials, the definition of crimes, and the way trials are conducted have all been radically transformed in recent years. The financial resources of the institutions that make up the judicial system, as well as the training and compensation of those who work in them, have also been dramatically upgraded.

Why did El Salvador wait so long to tackle these problems? How did its courts become so dysfunctional in the first place? And why are things improving now? The answers, which can be traced to the first half of the 19th century, apply in some degree to every Latin American country.

A distinguished heritage. With the exception of former British colonies, virtually every country in Latin America and the Caribbean can trace its judicial system to ancient Rome. That is where the fundamental concepts of what is known as the civil law tradition were articulated. (Britain and its former colonies use what is known as the common-law tradition.) In the mid-19th century, when the newly independent Latin nations were defining their legal systems, many turned to the Napoleonic Code of 1804, which had formalized the Roman civil law in a set of detailed statutes. That code was translated into Spanish by the Venezuelan-born scholar Andrés Bello and adopted as the Chilean Civil Code in 1855. El Salvador's civil code, adopted in 1860 and still partly in effect today, was based on Bello's translation, as were those of many other Latin American countries.

In its 19th-century form, civil law had a number of distinctive features. Judges did not "make law" by issuing verdicts that were then used as precedents by other judges; rather, they were expected to merely apply statutes that had been defined by legal scholars and passed by national legislators. In many civil law countries judges were basically civil servants:



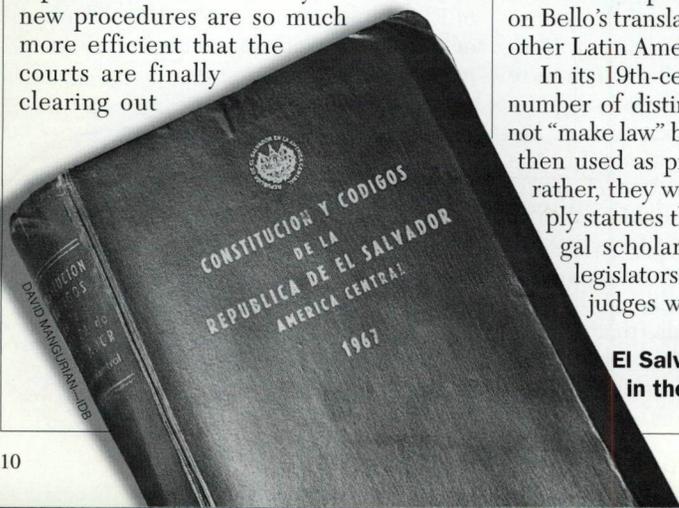
René Hernández Valiente, justice of the Supreme Court

they began their careers in minor courts soon after receiving a law degree and gradually rose through the ranks. In criminal cases, judges had what is called an "inquisitorial" role, where they both conducted the criminal investigation and issued a verdict. Public defenders and prosecutors had limited or nonexistent roles.

Finally, judicial procedures in civil law countries were based on a "written" process. Virtually every step in a legal proceeding was performed through the drafting and submission of briefs to court clerks or secretaries who subsequently presented them to a judge. Judges reviewed these documents and issued written directives or decisions, often without personally interviewing the parties or witnesses in a case.

El Salvador's laws are rooted in the Roman civil law tradition.

Special Report articles by Paul Constance.





...urt, displays a copy of the new criminal code.

The orphan branch. Like other legal systems, the civil law tradition has evolved significantly since the 19th century. In the countries of Continental Europe, for example, civil law systems have been revised and expanded to reflect modern legal, technical and social realities. Civil law procedures have also changed to reflect the increased efficiency required by industrialized economies.

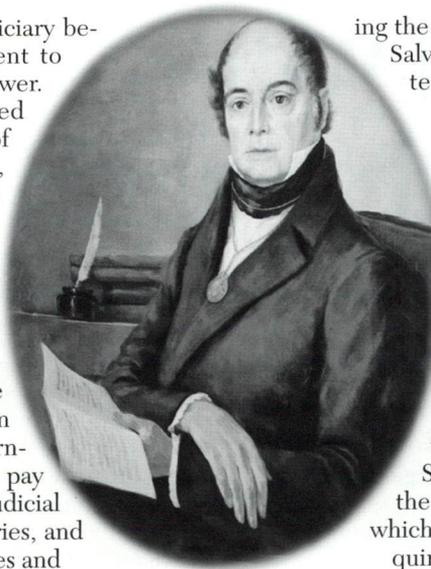
In Latin America, however, several factors held back this evolution. In countries with unstable and authoritarian governments, frequent military interventions and entrenched patterns of political patronage, the judiciary never had a chance to emerge as a strong and independent institution. Instead of providing a check on the power of the executive and legislative branches, in

many countries the judiciary became openly subservient to the reigning political power. Governments interfered openly in the naming of Supreme Court justices, or they simply replaced the entire court with malleable appointees. Lower court appointments were often doled out as rewards to political supporters.

The low status of the judiciary was reflected in the allocation of government funds. Miserable pay became the norm for judicial officials in many countries, and the lack of court facilities and resources made it impossible to keep up with demand for judicial services. When these factors combined with the inherently opaque system of written procedures, the result was a system that created incentives for influence-peddling and corruption. People who could not afford to pay bribes or hire well-connected lawyers were effectively denied access to justice. But for those with political power or economic means necessary to influence a judge, the system could actually work quite well. This last fact was crucial, because it meant that ruling elites had little incentive to embrace judicial reform.

War as catalyst. It took one of Latin America's bloodiest civil wars to push these problems to the breaking point in El Salvador. In 1983, while the country was still in the early stages of a conflict that would claim an estimated 70,000 lives, a small group of lawyers and legal scholars began to argue that El Salvador's judicial system was due for an overhaul. The government set up a commission to examine the civil code and propose revisions, and a new constitution adopted in 1983 established a National Judicial Council to help train and select judges. In 1990, President Alfredo Cristiani named René Hernández Valiente as minister of justice and urged him to pursue the matter further. Hernández's staff soon sent proposals to the assembly for new laws governing criminal, family, juvenile and sentencing issues.

Despite the gathering momentum for change, El Salvador's judicial and legal establishment showed little enthusiasm for the proposals. Indeed, the reform movement might never have prospered had it not been for the peace agreements signed between the government and the opposing Frente Farabundo Martí de Liberación Nacional (FMLN) in 1992. By then, the full horror of the human rights violations committed dur-



Andrés Bello's translation of the Napoleonic Code helped bring civil law to the Americas.

ing the war was apparent to both Salvadoran society and the international community. In 1993, an independent Truth Commission formed as part of the peace agreements issued a report assessing responsibility for the wartime crimes. The report argued that because of its failure to prevent impunity, El Salvador's judicial system shared responsibility for the tragedy of the war. "El Salvador has no system for the administration of justice which meets the minimum requirements of objectivity and impartiality so that justice can be rendered reliably," the report's authors concluded.

The report merely echoed what millions of Salvadorans had known for years. The judicial system was broken. If El Salvador was ever to recover from the war and become a true democracy, it would have to start by fixing the courts.

THE IDB AND JUDICIAL REFORM

UNDER ITS \$22.2 MILLION LOAN FOR THE Program to Support the Reform of the Justice System, approved in 1996, the IDB is helping to finance several aspects of El Salvador's ongoing reform. These include judicial training, a program to renovate and expand facilities for re-educating juvenile delinquents, and projects to strengthen administration and planning.

The importance that Latin American countries are giving to judicial reform is evident from the number who have requested IDB loans for this sector in recent years. In addition to El Salvador, the IDB is helping to finance judicial reform programs in countries including Costa Rica, Colombia, Panama, Honduras, Guatemala, the Dominican Republic, Peru, Argentina, Uruguay and Bolivia. In other countries, such as Ecuador, Paraguay and Venezuela, the IDB is financing technical assistance for the judicial sector. In numerous additional countries in the region, including Brazil, Chile and Nicaragua, the Bank is funding the development of alternative dispute resolution mechanisms.

 For more information on the IDB's judicial reform projects, search the Bank's website at www.iadb.org.

Would you trust this court?

Reformers strengthen judicial independence and fight to improve the credibility of judges



"CAN'T YOU AT LEAST MAKE ME A judge?"

In an old joke repeated by the head of a prestigious law school in El Salvador, this question is posed by a jobless lawyer to a high government official who owes him a favor.

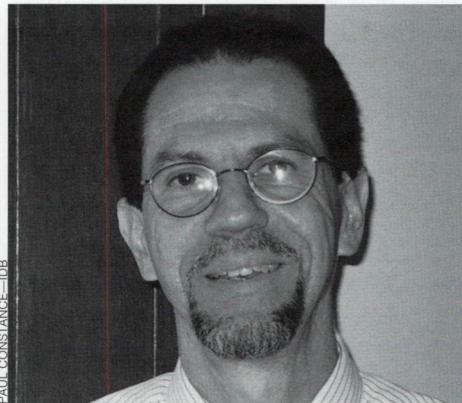
Like all durable jokes, this one contains a germ of truth. For Emma Dinorah Bonilla de Alvear, who heads the law school at the Universidad Centroamericana José Simeón Cañas in San Salvador, it encapsulates a shameful legacy that she and her colleagues must constantly fight to overcome as they train a new generation of lawyers and future jurists. "In the past—although we had some very well prepared judges—the truth is that judges were appointed for almost any reason other than their qualifications," she says.

The stereotype of judges as recipients of political favor has deep roots in many Latin American societies. In El Salvador it begins with the justice of the peace, a local official who traditionally represents the first and, for many people, the only contact with the judicial system. Until recently, justices of the peace in El Salvador did not have to be lawyers or have any particular legal training. This is not necessarily bad; in many countries untrained justices of the peace have a distinguished tradition of providing basic legal services to people in remote areas. But in El Salvador, the appointment process for these officials had become so blatantly politicized that the position had lost much of its traditional prestige.

Upper court judges did have to be lawyers, but they were appointed for short terms and promoted at the sole discretion of the Supreme Court. This would not necessarily have been a problem, except that the Supreme Court was replaced in its entirety by each new government. Candidates for the court were handpicked by the executive or by its allies and required only a simple majority for confirmation in the Legislative Assembly. "All this led to a profound lack of trust in the judiciary that continues to this day," says Rafael Durán Barranza, president of El Salvador's National Judicial Council. "People don't trust judges, they don't trust Supreme Court justices, they don't even trust lawyers."

A basis for trust. Some of the most radical reforms pushed through by El Salvador's assembly were intended to restore public faith in the integrity and capacity of judges and other key officials in the judicial sector.

First, the assembly took steps to end the judiciary's financial and political subservience to the executive branch. It enforced a constitutional amendment that requires 6 per-



PAUL CONSTANCE—IDB

“ [The new method for electing judges is] an enormous advance, based on a process that is infinitely superior to the old one. ”

FRANCISCO DIAZ RODRIGUEZ
National Judicial Council

cent of El Salvador's national revenues to be set aside for the judiciary's operating budget every year—one of the highest levels in Latin America. In addition to protecting the judiciary from financial interference, this gave the courts a predictable budget which enabled them to raise salaries across the board, invest in training and new facilities, and pay for the costs of administrative modernization and subsequent reforms.

A second law strengthened the National Judicial Council, which was conceived as a counterweight to the administrative power concentrated in the Supreme Court. As in

many Latin American countries, El Salvador's Supreme Court performs a number of functions, such as selecting and promoting judges and admitting or disbaring lawyers, that can create glaring conflicts of interest.

The judicial council was designed to take over some of these functions and to represent the interests of other professionals in the judicial sector. It is made up of six representatives elected by law schools, practicing lawyer's associations and the government ministry that houses public prosecutors and public defenders.

Today the council is the gatekeeper for entry to the judicial career. The first rung in a judicial career—the local justice of the peace—is now only accessible to lawyers who pass exams and attend training programs run by the council. The council also selects lists of candidates for court appointments and promotions, evaluates the performance of judges accused of malpractice or corruption and runs a professional judicial school (see article on page 19).

Finally, the Legislative Assembly overhauled the process for appointing justices to the Supreme Court. To limit ties with the government in power, the court's 15 justices now serve nine-year terms. Every three years one-third of the justices comes up for election. The executive and legislative branches no longer have a role in nominating candidates. Instead, two lists of possible candidates are drawn up: one by the National Judicial Council and one by a national election open to all the country's practicing lawyers. The highest-ranking candidates from each list are then merged into a single list that is presented to the assembly, which must confirm five of them with a two-thirds (instead of a simple) majority.

Has it worked? The new appointment procedures were put to a dramatic test in 1994 when they were applied for the first time to all 15 seats on the Supreme Court. The selection process was highly charged. Several incumbent justices (all of whom had been appointed during the civil war) ran vociferous public campaigns to retain their seats. But the first postwar assembly, which included a block of newly elected delegates for the FMLN, was much more diverse than its predecessors. In the end, not one of the 15 incumbent justices received enough votes to win confirmation.

Even more remarkable was the fact that none of the new justices was accused of incompetence or past corruption. An estimated 75 percent of the nation's lawyers had voted in the election, and the top candidates on the list who went to the assembly were widely regarded as reputable professionals. "This was an enormous advance, based on a process that is infinitely superior to the old one," says Francisco Díaz Rodríguez, a member



The public image of El Salvador's courts is improving, but critics still claim to see cracks in the institution's structure.

of the National Judicial Council who until recently headed FESPAD, a prominent legal research and advocacy organization in San Salvador.

The new Supreme Court threw itself into the implementation of several pending reforms and began to assert its independence in matters of law (see article on page 14). People started speaking of the courts as an emerging axis of power in the country. The political class, which had never paid much attention to the judiciary in the days when it was entirely subservient, suddenly took an interest in the appointment process. In 1997, when one-third of the seats on the court came up for renewal, the talk in the assembly was of "reparto," or the tradition whereby political parties agree behind close doors to divide up key positions based on the candidates' political affiliations. "There was much more pressure, more maneuvering and more vetoes" of candidates by political parties that time around, says Díaz.

The reemergence of political pressure is evident in other areas of the justice system as well. As part of the reforms, El Salvador's attorney general (whose appointment also requires two-thirds confirmation in the assembly) was given much greater power to investigate wrongdoing-

ing by private and public officials (see article on page 16). Salvadorans were stunned, for example, when the first attorney general to exercise these powers successfully jailed several members of the National Civil Police for fabricating evidence in the high-profile case of a murdered journalist. But when that attorney general's term expired last July, the assembly failed to renew his mandate and went into a protracted round of negotiations over who should succeed him. As of late October, the position was still vacant.

Many observers viewed the delay as proof that the executive and the assembly are not comfortable with a strong and independent attorney general. "To me, it's evidence of a process of counter-reform," says Benjamín Cuéllar Martínez, director of a well-known human rights institute in San Salvador.

Lorena Peña, an assembly delegate for the FMLN, is also concerned: "We think that when key positions are decided by 'reparto,' you've started on the path to corruption." But she also blames her own party for not taking the time to carefully review the credentials of judicial candidates. "You can't get a two-thirds majority in this assembly without the FMLN," she says. "We have contributed to some mistakes."

Her admission reveals one of the paradoxes of the reform process. Salvadorans will only begin to trust their judicial officials when citizens themselves, through their representatives in the assembly, exercise the vigilance necessary to keep the selection process clean.

WHO JUDGES JUDGES?

SINCE 1994, EL SALVADOR'S SUPREME COURT has removed or suspended one judge per month, on average. This is an astonishing record for a country in Latin America, where disciplinary actions against judges are still very rare. And yet it has not eliminated Salvadorans' doubts about integrity in the courts.

Part of the reason is that after the 1992 peace agreements, some groups called for an immediate purge of several dozen allegedly corrupt judges. Claiming such a move would have been illegal, the court instead set up an internal committee that began a slow process of hearing accusations, assessing evidence, and taking disciplinary measures.

While many critics of the reform concede that a one-time purge would have been improper, they argue that the Supreme Court should not be in charge of disciplining itself, lower court judges and the legal profession as a whole. They claim that Supreme Court justices are unlikely to accuse each other, and they say that the risk of sanction by the court, which also makes final decisions on promotions, undermines judicial independence in the lower courts.

These concerns led to a constitutional amendment in 1991 that gave the National Judicial Council the power to evaluate judges accused of wrongdoing. The council presents its evaluations to the Supreme Court, which then conducts its own inquiry and retains the exclusive power to sanction. This arrangement has not satisfied critics of the reform, who say the council should both evaluate and sanction judges without the interference of the Supreme Court.

LO DECIDIO EL SENADO
Suspendieron
 al juez del
 caso

A REGIONAL PROBLEM: A headline from an Argentine newspaper announces the suspension of a judge accused of malpractice.

Who wrote these laws?

New codes are designed to fill gaps created by a century of social and economic change



IF YOU WERE A BATTERED WIFE IN El Salvador, your husband would practically have to kill you before facing any serious risk of going to jail.

If you were the product of a common-law marriage, you could forget about receiving financial support from an unwilling father.

If you were a minor suspected of a felony, you would be headed for a jail cell crammed with hardened criminals twice your age, where you might wait for years to see a judge.

These are just a few of the situations that were technically legal in El Salvador until 1994. That is when the Legislative Assembly replaced the civil code in effect since 1860 with one of Latin America's most progressive bodies of family law. A year later, the assembly passed new laws categorizing juvenile crimes and mandating separate rehabilitation and detention facilities for juvenile delinquents. In April 1998 it put into effect criminal and sentencing codes that specified several new categories of crimes, decreed new procedures for criminal investigations and trials, and set new rules for sentencing and the treatment of prisoners (For highlights, see page 18).

El Salvador is relatively unique in Latin America for having chosen to wipe the slate clean and draft new laws in these areas, which account for more than half of the activity in its courts. (All other areas, including commercial and labor law, remain under the old civil code.) Most other Latin countries have taken an incremental path, passing modifications to the civil code or changing an aspect of court procedures to improve ef-

iciency, for example.

Several factors encouraged the all-or-nothing approach in El Salvador. One was the effect of the civil war, which exposed the link between human rights violations and the deficiencies in the country's laws and its judicial procedures. The war also forced policymakers to acknowledge the yawning gap between El Salvador's civil code and the social reality of most of the population. Thousands of children who had been orphaned or separated from their parents during the war were being held in makeshift government centers, for example. But since the civil code did not address such a situation, the government had no legal basis on which to create policies for the long-term care or placement of these children. Likewise, a postwar study showed that nearly half of all Salvadoran couples with children were not legally married. Because of the narrow definition of marriage in the civil code, these families lived in a legal vacuum where it was impossible to resolve disputes over child custody, assets or other issues.

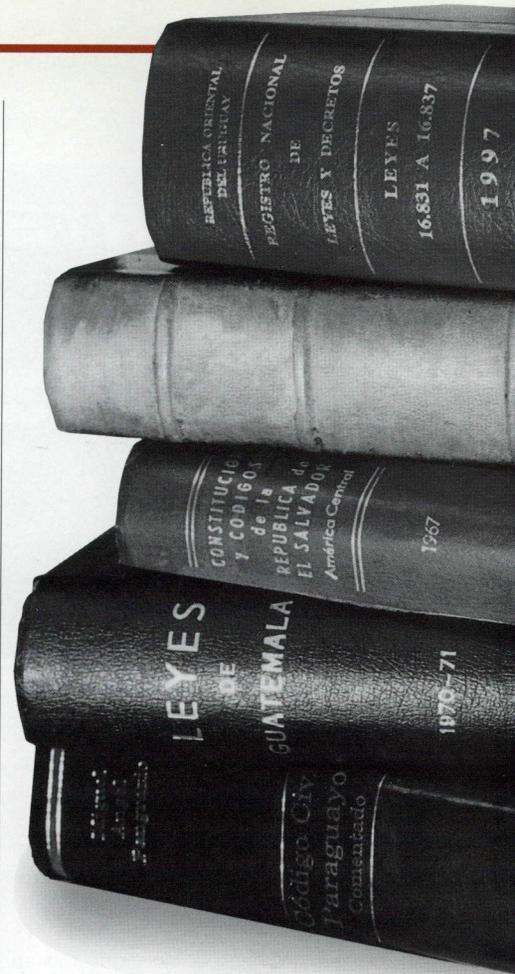
El Salvador's civil code also did not reflect rights and principles articulated in its 1983 constitution and in treaties (such as the International Convention on the Rights of Children and the Universal Declaration of Human Rights), that had been ratified by its Legislative Assembly. "We looked at our 1860 legislation, and we said, 'Where are the rights of children? Where are the rights of women? Where are the rights of the family?'" recalls María Teresa de Mejía, who now heads the Salvadoran Institute for the Protection of Minors. People were asking the same ques-



PAUL CONSTANCE—IDE

“ We looked at our 1860 legislation, and we said, ‘Where are the rights of children? Where are the rights of women?’ ”

MARIA TERESA DE MEJIA
Salvadoran Institute for the Protection of Minors



Civil codes are being revised in nearly every Latin American country.

tion about the rights of prisoners and of torture victims and about other problems—such as government corruption and industrial pollution—that were not contemplated in the 1860 code.

The questions were more than academic, because in the civil law tradition a criminal act can only be punished if it is explicitly described in the law.

A public debate. Starting in the mid-1980s, small technical teams in succeeding Salvadoran governments used financial support from the United States Agency for International Development and later the United Nations to produce draft versions of laws that might fill these gaps. In addition to codifying constitutional rights and specifying new kinds of crimes, the drafts proposed an entirely new kind of judicial process based on oral trials dominated by public prosecutors and defenders (see articles on pages 16 and 18).

Knowing that the new laws would not be approved in the Legislative Assembly without broad public support, the Ministry of Justice launched an extensive program of public consultation for each one, publishing the drafts around the country and calling for comments from interested parties. The family and juvenile codes, though controversial,



ily and juvenile codes, for example, the judiciary built and equipped dozens of new courtrooms that handle such cases exclusively. Almost from the day they opened in 1994, these new courts have been swamped. Peña points to the example of domestic violence. "Before the new family code was approved, around 300 cases of domestic violence were reported in El Salvador each year. After the law passed and the new courts began operating, they registered 14,000 cases in one year."

Francisco Díaz, a member of El Salvador's National Judicial Council, says the popularity of these courts is partly due to Salvadoran women's growing confidence in the possibility of obtaining legal redress. "The chances that a woman in conflict with her husband will get a favorable judgement are much, much greater than before," he says.

The family and juvenile courts do not simply issue verdicts, however. The new laws give the state responsibility for assisting families and juveniles beyond the sentencing stage through specially designated social workers and psychologists who monitor cases and subsequently advise the courts. Juvenile delinquents, for example, are turned over to the Salvadoran Institute for the Protection of Minors, which runs comprehensive reha-

bilitation programs at centers that are entirely separate from the regular prison system. IDB funds are now being used to renovate, equip and expand these centers.

Although it is still too early to assess the effects of the new criminal codes, there is at least one indicator that no one disputes. "The average criminal case under the old code took between two-and-a-half and three years to resolve," says justice René Hernández Valiente, who was appointed to the Supreme Court in 1994 after serving as Minister of Justice. "Today, the average is around four months."

The new codes have also improved access to the judicial system by vastly expanding the authority of the country's 323 justices of the peace. These officials, who operate courtrooms in each of the country's municipalities, must now have law degrees and pass competitive exams administered by the National Judicial Council. These qualifications are necessary because justices of the peace now handle a broad array of cases that would previously have been passed on to superior courts. In addition to keeping minor cases from clogging the higher courts, this arrangement allows people of limited means to resolve their legal problems more quickly and closer to where they live. ■

gained immediate support from a broad range of interest groups and passed relatively quickly.

The criminal codes were a different story. "We spent four years discussing them," recalls Lorena Peña, a delegate for the FMLN who heads the assembly's Commission on Childhood, Family and Women. "We listened to all the human rights organizations, all the lawyers associations, all the other interest groups, and we had tremendous debates among ourselves." The public debate has not stopped in the 18 months since the new criminal codes went into effect. Numerous modifications have been made to the original laws, and proposals for additional changes are being debated by the current assembly (see article on page 20). But for Peña, who herself disagrees with several key points in the criminal code, the long debate was essential to the reform's credibility. "Nobody can claim that these laws are not the product of a consensus," she says.

How successful? Good laws are no guarantee of justice, of course. To the extent that El Salvador's new codes are considered successful, it is because they required the creation of new points of access to justice and new procedures to make judicial services more efficient. To comply with the new fam-

The first point of access: a justice of the peace



Lesvia Alvarenga Barahona

"WE MAINLY GET CASES OF ARMED ROBBERY, burglary, assault, extortion and murder, often drug-related."

In a tiny courtroom off a dusty street in Soyapango, a large working-class suburb of San Salvador, Lesvia Alvarenga Barahona is describing a typical day's work. As a justice of the peace under the new criminal code, Alvarenga stands at the front line of access to El Salvador's judicial system. In contrast to her predecessors, who did little more than refer

cases to a higher court, Alvarenga runs a full-fledged courthouse that serves as a one-stop shop for all kinds of legal problems. She is authorized to conduct binding conciliations on offenses that have maximum jail terms of up to three years—a category that makes up much of the traffic in her court. She conducts arraignments for serious crimes and decides whether suspects should be put in preliminary detention or given a conditional release. She even handles civil and commercial cases involving less than 10,000 colones (around \$1,100).

These responsibilities can be overwhelming. Alvarenga's operating budget is so small that she must train her own staff and use her personal car to take suspects to detention centers. Still, she is a spirited defender of the new criminal codes and procedures. "We no longer have that bureaucratic process of drafting written statements, sending them to the judge, telling people to come back another day and wasting all kinds of time," she says. "Now, people come in and the case is usually solved the same day."

I'll see you in court!

New oral procedures give prosecutors and defenders the leading roles in criminal trials



IF PEDRO CRUZ AND ARÍSTIDES Perla were ever to face each other in court, it would be a lively matchup.

Cruz, a public prosecutor, runs the Special Crimes Unit in the Attorney General's office in San Salvador. Perla, a public defender, is the criminal defense coordinator for the Procuraduría General de la República in the department of La Libertad.

The Procuraduría and Fiscalía, as the Attorney General's office is known, are the two halves of what is known as the Public Ministry in El Salvador. Though it is technically not part of the judiciary, this ministry went from relative obscurity to the forefront of the judicial system on April 22, 1998, when the

country's new criminal code and code of criminal procedure went into effect. The new codes vastly expanded the powers and responsibilities of prosecutors and defenders in criminal trials.

Both Cruz and Perla are known as uncommonly zealous and effective practitioners of these new roles, though they each make only \$12,000 per year and have almost nothing in the way of technical or staff support.

When the law was still being debated in the Legislative Assembly, however, the prospect of assuming these new roles seemed overwhelming. "We thought we were doomed," recalls Cruz of the days before the new law went into effect. Though he had been able to attend a one-week crash course on the intricacies of the new codes, most of his colleagues had only a rough understanding of the coming changes. "The first few days were insane, because no one knew exactly how things were going to work out in practice," Cruz recalls.

“... if a police investigator fails to do something, [we] have the authority to demand an explanation.”

PEDRO CRUZ
Public Prosecutor

It was more than a bureaucratic concern. Among the most radical changes mandated by the code was a new hierarchy of control over the conduct of criminal investigations. In El Salvador, as in most Latin American countries, public prosecutors have historically played a marginal role in such investigations, which were directed by a judge and performed with wide discretion by the police. The police could assign detectives to a particular case, order arrests and handle evidence largely as they saw fit. The new codes turned that structure on its head.

Judges are now limited to issu-

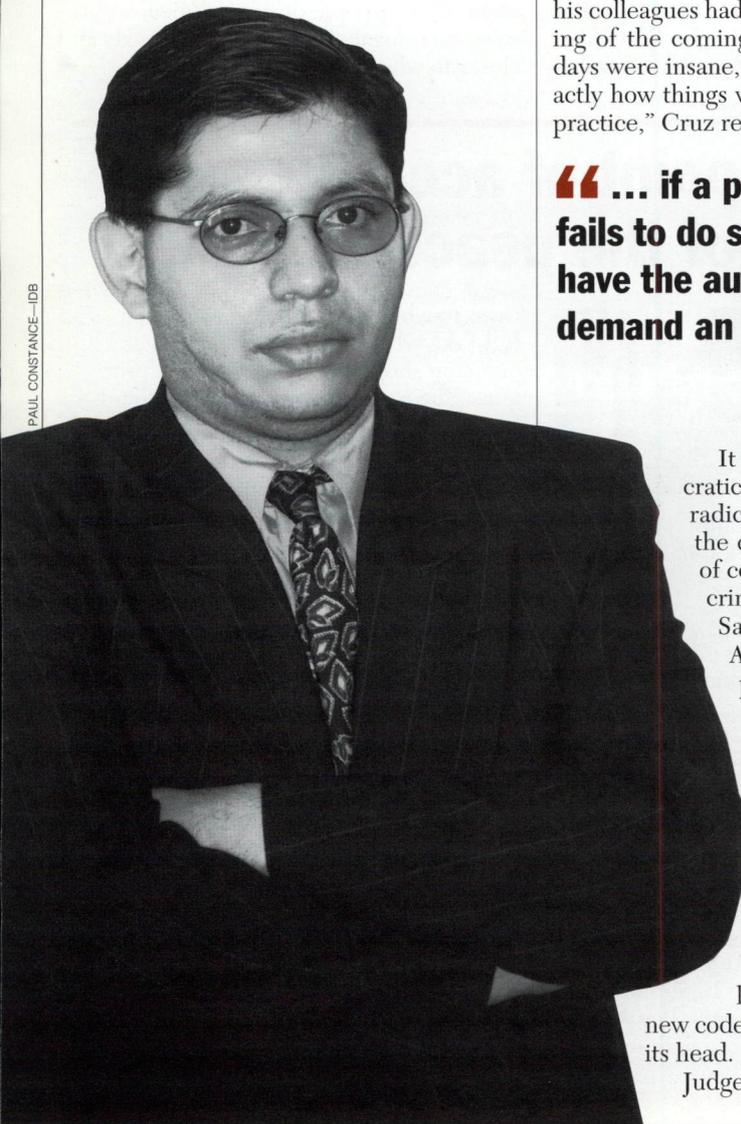


A three-judge panel in San Salvador prepares for a trial.

ing decisions based on the validity of evidence, testimony and oral arguments produced by prosecutors on the one side and defenders on the other—all during public trials in which plaintiffs and defendants must be present. Prosecutors, not judges, make the first determination as to whether there is sufficient evidence to make a case, and they have the power to shelve cases that fall short of the standard set by the law. As for the police, "they simply take orders from prosecutors," says Cruz. "The prosecutor tells the police exactly how to conduct the investigation, because the prosecutor knows what he is going to need to win a case before the judge."

The reforms were designed to prevent political interference in criminal investigations and limit evidence tampering and other due process violations. Predictably, many sectors within El Salvador's National Civil Police were not happy about the change. Senior police officials complained publicly that prosecutors were making it impossible to go out and arrest guilty criminals. Tensions flared repeatedly, particularly when the Special Crimes Unit indicted several police officers on charges of fabricating evidence in the case of a murdered journalist.

The Special Crimes Unit investigates complex cases involving high-profile murders, kidnappings, financial fraud and other organized crime. Cruz is expected to do this with a staff of eight prosecutors, one clerk, and two cars. Though Cruz is candid about the virtual impossibility of fulfilling his mandate on such meager resources, he passionately defends the new criminal code. "We still face all kinds of difficulties and obstructions. But now, if a police investigator fails to do something, prosecutors have the authority to demand an explanation, and if the police do not cooperate we can actually file charges. Somehow or other we manage to solve some cases, even if there is always the dissatisfaction of knowing that we could have done more."



PAUL CONSTANCE—IDB

WILLIE HEINZ—IDB



ear arguments from prosecutors and defenders.

“ We’ve become true custodians of the legal integrity of a judicial proceeding.”

ARISTIDES PERLA
Public Defender



Custodians of integrity. Aristides Perla is equally emphatic about the benefits of the new codes. “Before, the public defender was a decorative figure in a criminal trial, a mere formality,” he says. “We had no control over what took place during the criminal process, and as a result we had no credibility.”

Although El Salvador’s 1983 constitution established every suspect’s right to an attorney, in practice the chronically underfunded Public Ministry often failed to provide one. The position was so poorly paid that it rarely attracted serious professionals, and rules of evidence and procedure under the civil code gave defenders few effective ways of intervening on their client’s behalf. The dilatory nature of the written procedures, which often stretched out over the years, also made it unlikely that a public defender would follow a case through to completion.

Under the new laws, any judicial proceeding at which a defender is not present is considered void. Defenders can call witnesses, conduct their own investigations on a defendant’s behalf, and make objections about evidence or testimony based on clearly defined rules. “We’ve become true custodians of the legal integrity of a judicial proceeding,” says Perla. ■

THE CASE FOR ORAL PROCEDURES

“WE WERE NO LONGER JUDGING PEOPLE,” says Supreme Court Justice René Hernández Valiente. “We were judging papers, files, cadavers. There was no real contact between the judge and the evidence in a case. Instead, we had what some courthouse clerk had written about what he thought a witness had said.”

That is how one judge summarizes the case for adopting the oral procedures that now apply to all family, juvenile and criminal cases in El Salvador. For those who work in the judicial sector, this has been one of the most difficult aspects of the reform. Despite significant training and education efforts, the majority of the country’s lawyers and many of its judges were either unwilling or unprepared for such a radical change, and the transition continues to encounter resistance.

Yet judicial professionals who have learned oral procedure and are using it on a daily basis clearly support it. The most enthusiastic advocates are in the family and juvenile courts, which have been using oral procedure for five and four years, respectively. Doris Luz Rivas, a judge in the First Juvenile Court in San Salvador, says oral procedures have improved the credibility of judges by forcing them to deal more directly with citizens. “In the past, some judges delegated everything and didn’t even show up to sign the verdicts,” she says. “Now the judge has to listen to each youth, she has to listen to the prosecutor and to the public defender, and she has to justify her verdict in front of all the parties.”

In addition to making judges more accountable for their decisions, oral procedures concentrate the judicial process by forcing all interested parties to gather at one time, in one place. Issues that once required numerous written submissions are now resolved on the spot. This has helped to shrink the average length of a criminal case from three years to four months.

According to many practitioners, oral procedures also make it harder to corrupt the process. “The old system worked on the basis of friendships,” says Aristides Perla, the public defender profiled on this page. “I was a good defender if I had good friends in the court. There were no controls on evidence, no controls on the process, no controls on the judge because everything took place behind closed doors. In an oral trial the victim, the defender, the prosecutor and the judge are all exercising control over each other.”

A new legal landscape

In addition to replacing written procedures with oral ones, El Salvador's new codes include a number of substantive changes

BEFORE	AFTER
<div data-bbox="33 470 289 520" data-label="Section-Header"> <h2>Criminal Law</h2> </div>  <ul style="list-style-type: none"> ▶ Did not respect basic due process guarantees, Constitutional rights and international human rights treaties. ▶ Permitted unlimited pretrial detention for even minor crimes; punished all crimes with fines or imprisonment, regardless of severity. ▶ Did not codify many criminal acts, such as domestic violence, sexual harassment, commercial monopolies, abductions, money laundering, etc. 	<ul style="list-style-type: none"> ▶ Guarantees right to trial, due process and presumption of innocence as per constitution and international treaties. ▶ Allows release on bail and limits pretrial detention to 90 days; allows house arrest, probation and other alternatives to imprisonment for minor crimes. ▶ Specifies numerous crimes including domestic violence, torture, government corruption, money laundering and environmental crimes.
<ul style="list-style-type: none"> ▶ Full criminal process was applied to all crimes, overburdening the system with trivial cases. ▶ Did not address organized crime. ▶ Victims had limited ability to participate in trials. ▶ Narrow and rigid rules of evidence; allowed guilt to be inferred in some crimes in the absence of direct evidence. 	<ul style="list-style-type: none"> ▶ Allows various alternatives, such as conciliation, to resolve minor crimes. ▶ Defines accessory crimes, making it possible to establish various levels of responsibility and combat organized crime. ▶ Victims have right to active participation in trial and their testimony is admissible as evidence. ▶ Broader definition of evidence; emphasis on investigative and scientific evidence and assessment of concrete facts in each case.
<div data-bbox="40 1648 283 1698" data-label="Section-Header"> <h2>Juvenile Law</h2> </div>  <ul style="list-style-type: none"> ▶ Did not apply a special legal regime to juvenile delinquents as required by the Salvadoran constitution since 1950. ▶ Did not provide juveniles with substantive, due process or sentencing guarantees offered to adults. ▶ Regarded juvenile criminal behavior as a symptom of disease, to be treated by separating the minor from society. 	<div data-bbox="1208 1165 1439 1218" data-label="Section-Header"> <h2>Family Law</h2> </div>  <ul style="list-style-type: none"> ▶ Gives legal standing to common-law unions and eliminates all discrimination based on marital status of parents. ▶ Gives men and women equal rights and responsibilities in marriage, property and child custody. ▶ Specifies the fundamental rights of minors and the elderly and establishes the state's duty to protect families, minors and the elderly. ▶ Permits divorce to legally terminate a marriage that has ended in fact; gives judge discretion to assess motives.

How much for the law degree?

Reforms expose need for better education and specialized training for court officials and lawyers



"THE DAY THAT CODE GOES INTO effect is the day I quit."

According to Rafael Durán Barranza, president of El Salvador's National Judicial Council, that is how one veteran Salvadoran jurist announced his views while the draft of a new criminal code was still being debated.

That reaction points to one of the most nettlesome aspects of judicial reform programs: the unwillingness and inability of existing practitioners to change their ways. In El Salvador, the resistance was understandable. First, there were legitimate philosophical disagreements over the government's chosen approach to reform. Second, the new criminal procedures resulted in a significant transfer of authority from judges and the police to prosecutors and defenders (see article on page 16). For judges, attorneys in any capacity, and for the police, the reform also implied the need to learn and correctly apply a large new body of substantive and procedural law, with little or no time off to prepare. "When people have been working one way for many years, this is very hard," says José Albino Tinetti, director of the Judicial School run by the National Judicial Council.

Knowing that training would be critical to the success of the reform program, in the late 1980s the government began bringing foreign jurists to San Salvador to give seminars on trends in judicial reform. "The goal was simply to put us in touch with new ways of thinking," recalls Tinetti. Constitutional reforms passed in 1991 placed what was then an embryonic judicial school under the National Judicial Council and charged it with developing a systematic approach to training judges, prosecutors, defenders, and the police.

At the time, the very idea of a judicial school was considered radical. "In the past there had never been any kind of training for judges," says Durán. Today, the Judicial School is one of the most advanced institutions of its kind in Latin America. It offers an array of courses and workshops on matters ranging from constitutional theory to techniques for making effective oral presen-

“ The problems of the judicial system begin in university classrooms. ”

BEATRICE ALAMANNI DE CARRILLO
Federation of Salvadoran Lawyers Assn.

tations. Students are able to conduct mock arraignments and trials and view videos that show how the new judicial procedures are applied to an array of typical crimes, among other things.

These courses are widely praised by professionals who have taken them. But limited funds mean that only a small percentage of all the country's judicial professionals, mainly in the capital area, have been able to attend. Although the school publishes manuals and is working on an Internet training network, many judicial officials in the country's poor rural interior complain that they have been left to sink or swim.

It starts in law school. Some critics of the reform argue that inadequate education and training will ultimately doom the whole effort. Felipe Umaña, a legal adviser to El

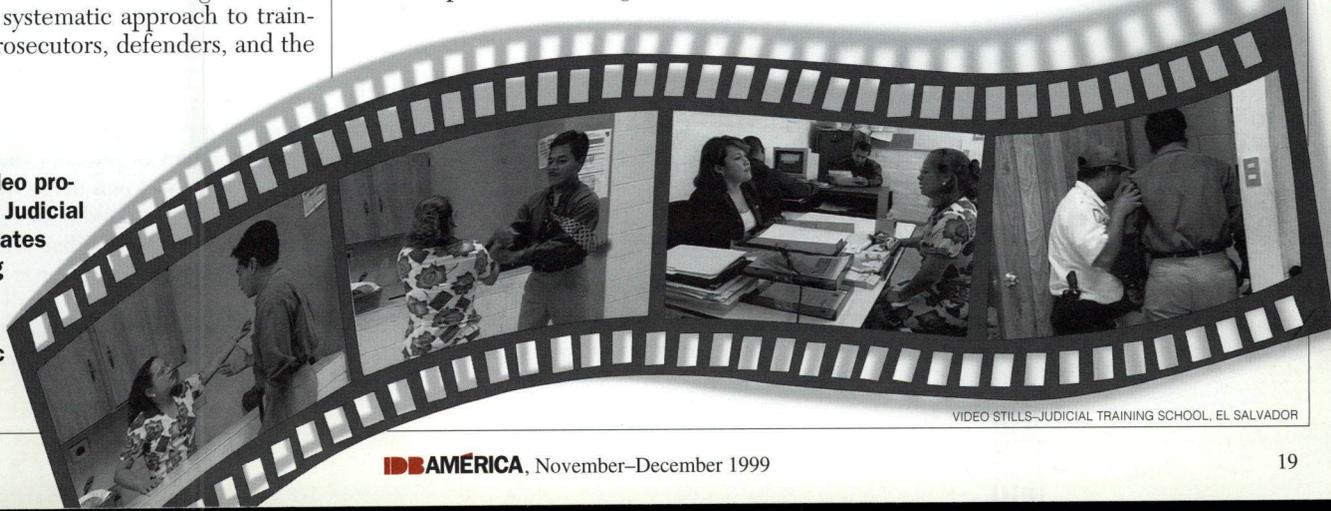
Salvador's National Association of Private Enterprises, uses the new category of environmental crimes as an example. "This kind of crime requires sophisticated examination of scientific evidence of things like airborne contaminants, but our judges are completely unprepared to do this," he says.

Beatrice Alamanni de Carrillo, president of the Federation of Salvadoran Lawyers Associations and a former law school dean at the Universidad Centroamericana José Simeón Cañas (UCA), makes an even bleaker assessment. "The problems of the judicial system begin in university classrooms," she says. She claims that second-rate law schools have proliferated in El Salvador in recent years, and that they graduate many more lawyers than the country can absorb. Even the few reputable law schools offer what she calls a purely technical approach to the law. "There is almost no emphasis on the humanistic culture and learning that students will need to properly interpret the law. They merely learn how to apply it—and poorly."

Emma Dinorah Bonilla de Alvear, current head of UCA's law school, agrees that universities need to work on developing students' "critical faculties." But she says law schools are also under pressure to update their curricula so that students have at least a basic ability to work with the new codes and procedures. Classes that might have been devoted to humanistic studies are instead being used to teach oral procedures, for example.

Alamanni de Carrillo and others also warn that the minimum requirements to practice law in El Salvador are far too low. "Students begin studying law at age 16 or 17 and graduate at 21 or 22. There is no bar exam. They simply present their degree to the Supreme Court and get authorized to practice law. Putting the lives of citizens in the hands of these youths strikes me as gravely irresponsible." Alamanni de Carrillo claims part of the blame for this situation rests with lawyers themselves, who have resisted initiatives to require membership by all lawyers in a single, self-governing bar association. "We lawyers need to learn to manage our own profession, to set standards and even to purge our own ranks," she says.

A training video produced by the Judicial School illustrates steps leading to court intervention in a domestic dispute.



VIDEO STILLS—JUDICIAL TRAINING SCHOOL, EL SALVADOR

Justice for whom?

Reforms spark debate over the rights of victims and criminals



ERNESTO ROSALES BONILLA WAS ABDUCTED outside his home in Soyapango, a working-class suburb of San Salvador, on the night of July 7, 1999.

Four days later, his body was found next to a highway outside the city. He had been bound, tortured and shot five times in the head. Perhaps because he was an employee of *El Diario de Hoy*, a leading newspaper, the death of this 27-year-old electrical engineer and former English teacher made headlines for a day. As of late October, however, no arrests had been made, and neither the police nor the attorney general had released any information about the case.

In the eyes of the public, the accomplishments of El Salvador's judicial reform are constantly being eclipsed by cases like Rosales'. Eight years after the peace agreements were signed, El Salvador remains a violent place to live. Weapons abound and they are used with numbing frequency. Marginal areas around San Salvador are terrorized by armed gangs, known as *maras*, that control entire neighborhoods and maintain close links with criminal organizations in Los Angeles and other cities in the United States. Although the situation is believed to have improved in recent years, the government's National Council on Public Security recorded 6,972 homicides in 1996—an average 19 per day in a country with only six million inhabitants. Yet according to the council, only 415 arrests were made in connection to those homicides, and less than one fourth of these led to convictions.

Although comparable figures are not available for the period following the implementation of El Salvador's new criminal

code, it is clear enough that improvements are coming very slowly. Critics of the judicial reform have seized on this fact, blaming the persistence of crime and impunity on the new criminal codes. The new laws are described in the media as "made in Switzerland" and totally inappropriate for El Salvador's "tropical" social reality. They are said to tie the hands of the police by imposing too many due process guarantees. In a Gallup poll of 1,200 Salvadorans carried out between August and October of 1999, 7 out of 10 respondents said they believe the laws protect criminals more than victims.

To defenders of the reforms, these criticisms reflect a fundamental confusion about causes of crime and the role of the judicial system. "Some people believe that crime is caused by a lack of repression," says Lorena Peña, a Legislative Assembly member. "We think it is caused by the social and economic conditions we live in. Just because we're poor doesn't mean we should have a judicial system from the Middle Ages."

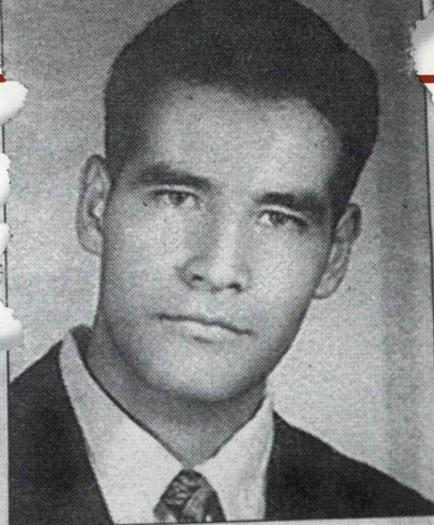
Francisco Rodolfo Bertrand Galindo, El Salvador's minister of justice and public security, believes that public sentiment against the new laws is due in part to the fact that "the reform was not adequately marketed" to the public. "The reform goes beyond this issue of the law," he says. "It has to do with judges, with prosecutors, with the police and their procedures. So when there is a failure, it can be due to any one of these things."

Moreover, El Salvador's new criminal code is not nearly as liberal as its critics claim. It allows so-called extrajudicial confessions (meaning that confessions made to the police, in the absence of a judge, are in some cases admissible as evidence in court), even though human rights groups report that such confessions have been associated with torture. And last

September the Legislative Assembly passed amendments to the criminal code that lengthened maximum sentences across the board and extended the use of pretrial detention.

The real problem, according to many observers,

Street signs in San Salvador urge citizens to support judicial reform.



Ernesto Rosales Bonilla

JOVEN ASESINADO.

Empleados de una funeraria

Ernesto Rosales was killed last July.

is that El Salvador's social problems simply exceed the resources of its institutions. Before they ever enter a courtroom, for example, most Salvadorans deal with the National Civil Police. Created as a result of the peace agreements, this force includes thousands of former soldiers and guerrillas.

Though enormous advances have been made in training and re-educating the police, their overall ability to investigate crimes is still very limited. The resources needed to collect and analyze evidence, find witnesses and conduct proper autopsies are often not available. The same can be said for El Salvador's prisons: although the new laws include ambitious mandates for rehabilitating prisoners, a lack of funds is keeping most of these reforms on paper.

In the long term, the risk for El Salvador's judicial reform is that it will generate expectations of justice that cannot be fulfilled in fact. "We are very proud of the institutional and judicial framework we've built," says María Teresa de Mejía, who runs the Salvadoran Institute for the Protection of Minors. "The new laws make it possible for everyone to claim their rights. But what if we are unable to answer those claims?"

El Salvador's current government is determined to prevent such a scenario. It has announced plans to launch a Project for the Social Prevention of Crime that will emphasize public education, youth programs, and a new concept of policing that will rely on cooperation between neighborhood groups and community-based police patrols.

For Benjamín Cuéllar, a human rights advocate, such cooperation is precisely what El Salvador needs. "The only way to keep this wheel from turning backward is to get people to trust, to participate, and to push in the same direction."



Villagers take charge

Local people in Guatemala's highlands overcome mud, isolation, and the legacy of 36 years of war

By CARLOS GONZALEZ, Guatemala

UP TO ITS AXLES IN MUD, THE 4X4 SLOGGED along a main street in Nueva Catarina, one of the many lost villages in the Sierra de los Cuchumatanes mountains of Guatemala's northern department of Huehuetenango. Eventually it arrived at the work site, where a crew was digging a drainage channel. One of the workers approached the visitors.

"It's going slowly," explained Hernando Delgado, member of the Microregional Representative Entity, which organized the project. The problem is the rocks: "When they are too hard or heavy to get out with pick and shovel, we have to use dynamite," he said. Just meters from the homes, the blasting must be done very carefully and with very small charges.

The work is hard, the days are long, and the pay nonexistent. Nevertheless, the men wielding the picks and shovels are enthusiastic, because this is their own project. Like 92 other communities throughout this formerly war-torn country, Nueva Catarina has

received funds and technical help through an IDB-financed program called Community Development Program for Peace (DECOPAZ, after its name in Spanish). The program, which is helping the country rebuild infrastructure and repair its social fabric after more than 30 years of civil war, involves communities to an unprecedented degree. Local people create their own village organizations, decide on projects, and then use program money to hire contractors and assemble work crews. Often illiterate and lacking experience in carrying out such responsibilities, they rely heavily on training courses and supervision from a group of organizations working with the program, among them CARE, the United Nations Office for Project Services, and the Canadian Center for International Studies and Cooperation.

The drainage project was Nueva Catarina's second. Their first, already completed, brought piped water to the community. "At first some families opposed that project," said resident Gaspar Cardona. "But we now have water connections in every house, and the doubters have joined in to

work on the new drainage system."

Leaving Nueva Catarina, the vehicle climbed higher into the mountains, where the mists permanently obscure some peaks. Here the people make the traditional fabric designs for which Guatemala is famous. They speak ancient Mayan languages such as Jacalteco, Q'anjobal and Mam. The distances between communities may be short, but the poor state of the roads can make the journey long.

The village of Mangalitos is less than a kilometer from the main road, but it can only be reached on foot. Until just two months before, eight of the community's families lived in houses made of sticks and palm thatch. Now these structures have been relegated to the status of kitchens, and their former residents have moved into new dwellings with concrete walls and metal roofs. Another 12 families are preparing to follow suit.

Solving water problems. Higher still, at 3,500 meters, the people of Tuisoch cannot grow corn and beans because of the cold and lack of rain. Instead, these traditional crops are replaced by potatoes and sheep and other livestock.

The people of Tuisoch decided that lack of water was their most persistent problem. Their nearest stream lies nearly 2 km from the village, says Javier Pablo, member of the village's Microregional Representative Entity. Family members had to make two to four trips a day to haul in fresh supplies.

The village decided on a simple but effective solution to help them get through the annual dry period: building individual water containers on the roof of the houses of each of the 70 participating families to collect rainfall. After passing through filters, the water comes out of the faucets.

Better water supplies were only the most visible project benefit, according to Pablo. "Just as important was learning how to join together to benefit the whole community," he said. "We manage the budget, hire the firms to do the work, and supply labor. We are very proud of ourselves."

Such intangible benefits are in many respects the most significant results of the program. Rallying around community projects is helping the people to overcome deep-seated suspicions and hostilities from the years of civil war. Even though the program is just getting underway, rivalries among former paramilitaries, guerrillas, refugees and displaced persons are showing signs of easing. Similarly, the former lack of trust toward government agencies, international organizations and nongovernmental organizations is being replaced by a more collaborative relationship.

One community leader put it best: "We are really glad someone is helping us to help ourselves. Working together we will improve our lives." ■



Rocky ground slows down the digging, and nearby houses make dynamiting dangerous.



Greasing the palm: once winked at as part of the cost of doing business, bribery is now condemned as a major drag on economies.

Strong government: a corruption antidote

NO ONE IS LIKELY TO CLAIM INTELLECTUAL authorship for the idea now, but until a few decades ago serious academics argued that corruption was actually good for economic growth. At the time, the prevalent perception was that bribes helped business people cut through red tape, greasing the wheels of otherwise lethargic bureaucracies and offering public servants an incentive to work.

This outdated notion was recalled by Paolo Mauro, an Oxford- and Harvard-trained economist with the International Monetary Fund spoke on the issue of corruption at a luncheon held by the IDB's Forum of the Americas program in September.

Since then the world has taken a much less sanguine view of this phenomenon. In recent years, corruption has ranked high on the list of public concerns in Latin America and the Caribbean, along with crime and unemployment. Private rating agencies and groups such as Transparency International regularly poll members of their networks in many countries to find out where corruption is rife and where it is marginal.

Mauro, who has been delving into the subject for a number of years, said that a review of recent empirical studies suggests that corruption can seriously hamper economic performance by discouraging investment, limiting growth and distorting public sector

spending. Similarly, a country that succeeds in reducing corruption and polishing its image could reap substantial rewards. According to the IMF official, a nation that moves up a notch on a corruption index where 0 is virulently venal and 10 is absolutely angelic could see its GDP growth rate increase by 0.25 percent. This may seem a small gain in a single year, but over the course of many years it can represent an enormous achievement.

A great deal of public corruption results from the economic power of politicians and bureaucrats. Trade restrictions, government subsidies, price controls, multiple exchange rate schemes and legal monopolies have long been suspected of breeding bribery, embezzlement and favoritism.

During the past decade many countries resorted to liberalization, deregulation and privatization policies to improve their economic performance, expecting as an additional benefit to limit the opportunities for rent-seeking. Nevertheless, not all countries have rushed to embrace such policies, nor has the public's concern over the problem subsided. Latin America is widely considered to have a somewhat higher level of corruption than the world average. Mauro, however, cautions that corruption indices have limitations due to the subjective nature of much of their data. For instance, they do not distinguish between high-level corruption (say, a defense minister demanding kickbacks for purchasing jet fighters) and low-level corruption (a policeman who takes a bribe for par-

doing a traffic violation). Nor do they differentiate between well-organized corruption (where crooked officials deliver on their promises) and chaotic corruption (where a bribe does not guarantee a favor will be granted).

Nevertheless, Mauro has found that corruption is most prevalent in countries cursed with political instability, red tape and weak legislative and judicial systems. Empirical evidence suggests that countries with democratic government, freedom of press and good-quality and well-financed education systems tend to have lower levels of corruption.

His policy conclusions: if you really want to get rid of corruption, you can't take gradual steps. One of the keys is to ensure fiscal transparency by avoiding off-budget transfers and opaque budget-allocation mechanisms.

—Peter Bate

 Papers and articles on corruption by Paolo Mauro can be found in the IMF's website www.imf.org.

Crises and the private sector

THE SCENARIO STARTS WHEN A COUNTRY OR region faces an unexpected debt or liquidity crisis, such as the Mexican peso crisis of 1994–1995. The private sector makes the first moves, making decisions on investments and capital withdrawals that can shake the economy of the country, a region, or even the world. Then multi-lateral financial institutions—the IMF, World Bank, IDB and others—step in to assemble a rescue package while the stricken nation

agrees to carry out stabilization and reform measures.

After the immediate crisis subsides, the pivotal question arises: how to get the private sector—always quick to bail out of a country when it perceives new risks or liabilities—to bail back in once things settle down.

This process of “burden sharing,” in which the private and public sectors join to rescue nations from a downward financial spiral, was the subject of a recent meeting of Latin American finance ministers, presidents of central banks and multilateral and academic experts held at the IDB’s Washington, D.C., headquarters.

Bailing in, bailing out

Burden sharing does not come easily. Public officials argue that since the private investment community stands to benefit from a successful rescue package put together from public resources, both the public and private sectors should share the costs of stabilization. Investment bankers and private financial institutions listen politely to these arguments, but at the end of the day shareholder pressure largely determines whatever steps they take to preserve and enhance bottomline performance.

Participants at the IDB meeting cautioned against establishing concrete bail-in mechanisms, stressing the voluntary nature of the arrangements as necessary to prevent an adverse reaction. A country that seeks prevention and relief must pursue its goal with great discretion. Otherwise, it may create the impression of impending uncertainty, provoking the very kind of irrational financial flows that it was trying to prevent in the first place.

Among the mechanisms the officials suggested were voluntary debt contracts that facilitate renegotiation in case of a crisis.

Another way to promote greater stability is to allow countries greater flexibility in making use of contingent credit lines established by the International Monetary Fund. Another is the establishment of revised financial standards that would be well suited to Latin America, especially the capital adequacy standards of the Bank of International Settlements (BIS). The meeting participants suggested that the BIS complement ratings from private agencies with market measures of risk to make the ratings more accurate and less volatile.

The participants proposed further study on giving the IMF a role as international lender of last resort.

—Daniel Drosdoff

For more information, go to the Bank’s home page and do a keyword search for Fernández-Arias Eduardo under Departments/RES/Publications for the paper “International Initiatives to Bring Stability to Financial Integration.”

Lessons of Y2K

Regardless of outcome, countries will have learned value of planning for emergencies

By PAUL CONSTANCE

WILL THE YEAR 2000 COMPUTER PROBLEM be remembered as a tedious example of media hype or an epic failure to prepare for disaster?

In the final weeks of 1999, contradictory predictions about the much-anticipated software problem abound. But one thing is clear: even if nothing happens on January 1, 2000, fixing the so-called Y2K problem will have prompted one of the most expensive infrastructure investments in history. Unlike other infrastructure projects, however, this one will leave no visible legacy; in the best-case scenario, it will merely preserve the status quo.

Though precise figures will never be known, software industry experts estimate that governments and corporations have spent several hundred billion dollars globally to ensure that their computers continue to function properly when two-digit date codes go from “99” to “00” right after midnight on December 31. Such numbers are difficult to believe, but the IDB itself provides a case in point. With less than 2,500 employees, the Bank is a small institution by commercial standards; yet it needed \$17 million to prepare all its computer, telecommunications and building infrastructure systems for Y2K. Large multinational commercial banks reportedly spent between \$200 million and \$600 million each.

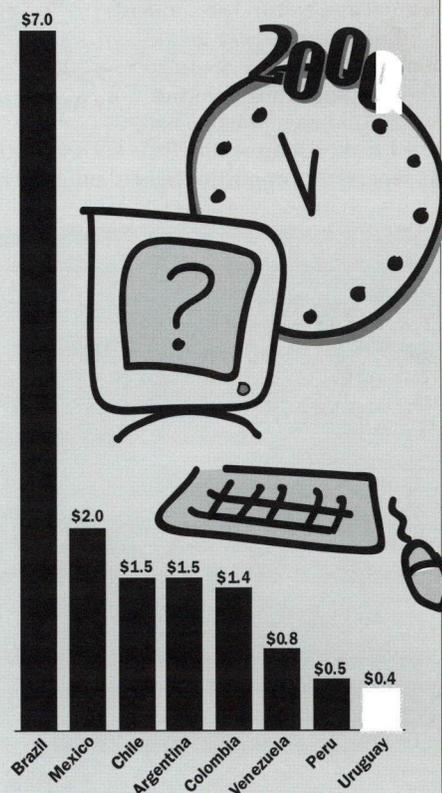
Although outlays in Latin America and the Caribbean were modest compared to those in Europe and the United States, they were still eye-popping. Lee Tablewski, a senior research associate at the University of Miami’s North-South Center, has been tracking the Y2K phenomenon in Latin America and the Caribbean for several years. Based on personal interviews with the national Y2K coordinators from the eight countries listed in the graph on the right, Tablewski estimates that the region spent at least \$15 billion on Y2K preparations.

Much of this money went to consultants and manufacturers of specialized software who performed the tedious job of scouring software programs for faulty date codes and subsequently “fixing” and testing them. Rather than fix old programs, however, many companies and organizations chose to solve their Y2K problem by simply buying brand new computers and software guaranteed to survive the date change. In this respect, Y2K may have had a silver lining. “There’s no

question that it helped to modernize the infrastructure of organizations that planned ahead,” says Ricardo Miranda, coordinator of the IDB’s own Y2K activities.

Miranda also believes Y2K will be remembered as a blessing in disguise because it has forced companies and governments to recognize their interdependence and think seriously about disaster prevention and contingency planning in general. “There are certain networks, like those that control telephones and air-traffic control, that are inherently global,” he says. “Every country that is part of the network has to be prepared. But what Y2K has shown is that in many areas we are not prepared to respond rapidly to grave crises. We didn’t have even 1 percent of the contingency plans we need for these things. Now we are doing a little bit better, so that is a positive outcome.”

THE PRICE OF PREVENTION



Estimated public and private expenditures, in billions of dollars, on measures to head off Y2K software problems.

SOURCE: NORTH-SOUTH CENTER, UNIVERSITY OF MIAMI.

Old styles in a new world

Venezuela's 19th century artists revered France, and their work showed it

By ROGER HAMILTON

STANDING IN THE IDB CULTURAL CENTER Art Gallery, in Washington, D.C., surrounded by paintings from 19th century Venezuela, one feels transported to, well, France.

With the exception of several charming primitives from early in the century, the exhibit "Leading Figures in Venezuelan Painting of the Nineteenth Century" stands as a testimony to the degree to which the mid-century Venezuelan elite regarded France as the model for material, intellectual and cultural attainment.

But this came later. In the early years of the century, the arts, including painting, were still being practiced at the handicraft level with little knowledge of perspective, proportion and shading. The



"Portrait of Emilia Alcalá," by Arturo Michelena.

reigning genre at that time was portraiture, along with the depiction of historical and mythological themes.

Venezuela's artistic horizons broadened after the country achieved independence. Inspired in part by the reports of German scholar Alexander von Humboldt, many writers, scientists, explorers and artists from overseas visited Venezuela, introducing new ideas. Artists began to explore new themes, such as landscape and local scenes.

Foreign influences increased in the 1840s, as Venezuela entered a period of prosperity. Drama and photography made their appearances, and formal art instruction became available at several institutions, including

the Academy of Fine Arts in 1849. The arts made further advances after national leader Antonio Guzmán Blanco arrived on the political scene in the 1870s. Considered both a great autocrat and a civilizing force, his rule spelled the end of the influence of the local leaders. He remodeled Caracas to give it the appearance of Paris, and oversaw the creation of the National Institute of Fine Arts. Young artists received fellowships to study in Paris and Rome. In particular, study at the Paris Academy was considered all but obligatory.

Politics and portraiture. One of Venezuela's most brilliant, versatile and prolific exponents of the French academic style, Arturo Michelena, was in constant demand to fill the broad, empty walls of public buildings with scenes from the nation's history: heroes, battles, allegories. His talents were put to good use by the church as well, and his religious works included the "Last Supper" for the Cathedral of Caracas. More intimate works also demonstrated the talents of this master of the turn of the century, such as his Portrait of Emilia Alcalá.

During this period, a whole generation of artists received commissions from the gov-



ernment for the decoration of public buildings, and painters working in the academic style turned out numerous depictions of national heroes and other illustrious figures. Meanwhile, the church resumed its patronage of the arts and private commissions gave artists another source of support.

But while the arts flourished, the wholesale acceptance of a foreign model affected the interpretative vision of the artist and the subject matter chosen. The result, according to IDB Cultural Center Curator Félix Angel, was a disconnect between art and social reality, reflecting the substantial difference between the idealized country and Venezuela's evolving cultural and political systems. In fact, it was only towards the end of the century that one artist, Emilio Boggio, took a fresh view of the function of art, thus spurring an artistic movement that more faithfully portrayed how Venezuelans actually lived at the time.

The French Academic style prevailed until 1909, when students of the Venezuelan Academy of Fine Arts went on strike against obsolete instructional methods. According to Marián Caballero, curator of nineteenth century art in Venezuela's Gallery of National Art, writing in the catalogue that accompanied the IDB exhibit, the strike marked a turning point, opening the way for an exploration of landscape painting, changes in the palette of colors, and the use of natural light.



Detail from "Departure to the fields," by Emilio Boggio.



"Hunters on horseback at the inn," by Celestino Martínez (above).
Detail from "The young mother," by Arturo Michelena (below).



DAVID MANGURIAN—IDB

Four hands, one piano

It's a wonder how one piano keyboard can accommodate four hands, especially those of such accomplished virtuosi as Steven and Stijn Kolacny. But these two brothers have honed their joint skills from a very early age, and their extraordinary talent was fully on display at a recent recital at the IDB Cultural Center. Champions of contemporary Flemish composers, their IDB performance included a piece by Westerlinck, as well as selections from Schubert, Ravel, Brahms, Satie and Dvorak.

A youthful vocation

One of the premiere musical groups in Washington, D.C., the Washington Chamber Symphony String Ensemble, played to a full house at an IDB performance in September. The 35-member orchestra, whose repertoire includes works that it has commissioned and premiered, makes a special effort to reach young people, who make up a third of its annual audience of 15,000.

For guitar lovers

Aficionados of the classical guitar had a rare treat in October when not one, but four masters of the plucked string performed at the IDB. The group, called Entre-Quatre, hails from Asturias, Spain, where it has achieved a considerable following of contemporary chamber music devotees. The group has premiered more than 30 compositions created especially for their unusual instrumentation. Their performance of works by six Spanish composers met with an enthusiastic response from the IDB audience.



DAVID MANGURIAN—IDB

PROJECT UPDATES

ECUADOR

Roundabout ship repairs

ANTONIO LABRA'S SHIPYARD IN Guayaquil, Ecuador, was heading nowhere. With one dry dock rail extending out into the Guayas River, he could repair but a single boat at a time, and the profits of his company, called Asenabra, were drying up.

The obvious alternative—to build more rail lines—would have been prohibitively expensive, because the Guayas River shoreline was both shallow and very muddy. It would take dozens of 15-meter reinforced concrete pilings to support the 200 meters of rail he needed.

Then Labra, an engineer by training, remembered that railroads repair many locomotives simultaneously by bringing the engines into a building called a roundhouse. There, a rotating platform distributes them onto parking rails arrayed around it. Why couldn't the same idea work for his shipyard?

His lone piling-supported rail was sufficient to get ships out of the water. All he needed now was to build a revolving platform. But there was a big difference between a platform for railroad locomotives and one for boats, says Jaime Santibañez, Asenabra's general manager at the time: rail locomotives weigh 20 to 25 tons, whereas fishing boats can weigh more than 250 tons. So the revolving platform had to support 10 times as much weight.

The project would cost



Back to ship shape.



A lazy Susan of massive steel rails enabled a shipyard to repair more than one vessel at a time.

\$400,000. Asenabra needed \$280,000 in long-term financing for the project, terms most Ecuadorian banks were reluctant to grant. The exception was a bank that specialized in loans to small and medium-sized firms and agribusinesses that had received a \$3 million loan and equity investment from the IDB's private sector affiliate, the Inter-American Investment Corporation.

Asenabra's revolving platform became operational in 1998. Company officials believe it is the first of its kind in Latin America and perhaps the world.

But the story had a bitter-sweet ending. The roundhouse platform did not increase Asenabra's earnings as expected because a few months after the project was completed, Ecuador plunged into its worst economic recession in decades. As a result, ship owners were forced to spend less on maintenance, according to Asenabra Production Chief Napoleón Cabrera. But at the same time, the revolving platform has enabled the company to work on more ships at the same time, which kept it from going bankrupt.

—David Mangurian

NEW PROJECTS

REGIONAL

Early warning on El Niño

A FIRST STEP IN DEVELOPING AN EARLY warning system for reducing the impact of the El Niño climate phenomenon in Latin America and the Caribbean will be carried out by the World Meteorological Organization (WMO).

The program will analyze the abilities of national weather and climate and forecasting agencies and pinpoint those areas and population groups most vulnerable to floods and drought caused by El Niño.

The IDB will contribute \$998,000 from the Japan Special Fund to support the program, which has a total cost of \$1,538,000.

The most recent El Niño episode of 1997–98 caused serious problems throughout the region, with Bolivia, Chile, Costa Rica, Ecuador, Panama and Peru declaring states of emergency.

The new program will include measures to improve govern-

ment forecasting systems and to boost the capacity of government agencies to take measures to mitigate the effects of natural disasters and to provide relief services.

Participating in the program are the International Food Policy Research Institute, the International Research Institute for Climate Prediction and the United States National Oceanic and Atmospheric Administration.

The launching of the new program follows the completion of an earlier study carried out by the WMO, Spain's National Meteorological Institute, and United States, Canadian and Latin American consultants, on ways to improve short- to medium-term weather forecasting.

BRAZIL

Urban heritage preservation

Four outstanding examples of Brazil's urban heritage will receive protection as part of a new program to safeguard that country's urban and cultural patrimony.



Investment projects will include restoration of monuments, improvement of streets, sidewalks, parking lots, and provision of incentives to building owners to repair their structures. A series of experimental activities will also be carried out to promote investment by private firms and enlist the participation of local residents and nongovernmental organizations.

The program will also include training for artisans, cultural and tourism agents, and for instructors in related fields. Educational activities will include television campaigns, videos for schools and the production of documentaries.

Brazil has a wealth of historic sites with an enormous potential cultural and economic value. But of the some 800 sites recognized as historically significant, only 20 percent are in good condition. Some 40 percent are in poor condition, and 10 percent are in ruins.

In a great many cases, buildings were allowed to deteriorate because they no longer serve a purpose that justifies their maintenance and the preservation of their historic and artistic features. For example, a city of 100,000 persons no longer needs 50 churches.

Other reasons are the inability of the public sector to care for the buildings and the lack of contractors and artisans skilled in working with historic buildings. For example, a masonry façade painted with nonbreathable latex paint, rather than the traditional calcium-based paint, could cause the underlying material to deteriorate.

 For more on urban heritage preservation, see the Special Report in the May-June 1999 issue of IDBAmérica.

LATEST APPROVALS

THE FOLLOWING OPERATIONS WERE approved in recent weeks by the Inter-American Development Bank (IDB), the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF).

Argentina

A \$140 million IDB loan to support the modernization of small and medium-size firms through the use of technological innovations

A \$10 million IIC loan and a \$20 million IIC syndicated loan to Banco Río de la Plata, S.A., to provide small and medium-size companies with medium-term financing.

A \$6 million MIF investment in Argentina Risk Capital Fund for Small Enterprises to provide equity and quasi-equity to support small businesses.

A \$5 million IDB loan to support the process of shaping and strengthening foreign trade policy.

Belize

A \$1.05 million MIF grant to help the government reform the country's ports.

Bolivia

A \$2 million MIF financing line and a \$250,000 MIF technical cooperation grant to help develop the microfinance sector.

Brazil

A \$62.5 million IDB loan to help preserve urban historical and cultural sites, improve their management and develop a preservation strategy and priorities (see article, facing page).

A \$10 million IDB loan from ordinary capital and a \$10 million syndicated loan to expand and upgrade a toll road in Rio de Janeiro owned and operated on a concession basis by Linha Amarela, S.A.

A \$5 million IDB loan to support the process of shaping and strengthening foreign trade policy.

A \$898,950 grant from the Japan Special Fund to support the creation of decentralized energy services based on renewable sources in isolated communities.

Colombia

A \$38.6 million IDB loan to Empresa de Acueducto y

Alcantarillado de Pereira, S.A. E.S.P. Colombia to support the municipal water company's objectives to become operationally efficient and financially self-sustaining and to improve the water distribution and sanitation services of the metropolitan area of Pereira.

A \$36 million IDB loan to start an educational reform process that will decentralize school management, increase efficiency and social equity in the allocation of resources, and improve quality of educational services.

Dominican Republic

A \$71 million IDB loan to help reform and modernize potable water and sanitation services in order to increase coverage, efficiency, and quality.

A \$1.08 million MIF grant to help establish a new institutional and legal framework for the water supply and sanitation sector.

El Salvador

A \$5,044,500 IDB loan to help transform the Court of Accounts into the Office of the Comptroller General of the Republic with improved management, information and auditing systems.

A \$3,436,000 IDB loan to help the Legislative Assembly become more efficient, effective and transparent through changes in procedures, administration and information technology.

Guyana

A \$940,000 MIF grant to strengthen the country's property rights system.

Honduras

A \$7 million IIC loan to Banco La Capitalizadora Hondureña, S.A., to support small and medium-sized enterprises through a solid and highly regarded commercial bank with a track record in project lending.

Jamaica

A \$35 million IDB loan to strengthen the capacity of local governments to finance and manage basic services and to maintain infrastructure.

(continued next page)

In addition to specific investment projects, the program will help Brazil develop a broad-based strategy for heritage preservation, including measures to modernize the country's National Historic and Artistic Heritage Institute (IPHAN, after its name in Portuguese). The program is being funded with the help of a \$62.5 million loan.

Initial investments will be made in the following:

► Ouro Preto, in the state of Minas Gerais, focal point of the 18th century gold rush. The gold ran out, but many historic churches, bridges and fountains remain.

► Olinda, a short trip from the center of Recife and one of the most outstanding complexes of colonial architecture in Brazil.

► Bairro do Recife, the island where the North East city of Recife got its start. Until recently dangerous and run down, it is now being transformed into a picturesque place to visit by day and a lively place by night.

► Praça Tiradentes, in Rio de Janeiro, a neighborhood of historic buildings that its promoters say could become another New York Soho.

IDB BUSINESS SEMINARS

The Inter-American Development Bank, the largest source of development financing for Latin America and the Caribbean, this year expects to approve some \$10 billion in loans for social and economic projects. Thousands of contracts are awarded annually to firms in the IDB's 46 member countries for the procurement of goods and services for these projects.

IDB BUSINESS SEMINARS provide all the information firms need to start exploring these procurement opportunities. Participants learn:

- ▶ What projects the IDB will be financing.
- ▶ How the projects are initiated and developed.
- ▶ The procedures governing IDB procurement.

UPCOMING EVENTS

Environment, agriculture, water and sanitation

February 8, 2000

Topics include pollution control and waste management, sustainable development and ecotourism, geographical information systems, land titling, agricultural support services, coastal conservation, watershed management, potable water and sanitation systems, natural disaster emergency response programs, institutional strengthening, impact assessments, mitigation activities and studies.

Reconstruction and transformation of Central America

April (date to be announced)

Topics include overview of strategies for Central America, project presentations on transportation, urban development, agriculture, environment, water and sanitation, modernization of the state, education and health; and presentations on procurement and consulting procedures. Participants will include the IDB, World Bank, European Union, USAID, CIDA and JBC.

For a complete schedule and prices, visit the Bank's home page at www.iadb.org and look under "briefings" after clicking on the "business opportunities" button. Or contact the IDB Public Information Section, 1300 New York Avenue, N.W., Washington, D.C. 20577. Tel: (202) 623-1397. Fax: (202) 623-1403. E-mail: business@iadb.org.

Nicaragua

A \$982,456 MIF grant to support alternative mechanisms for settling property disputes.

A \$1.8 million grant from the Norwegian Agency for Development Cooperation to help the government strengthen the management of its social policy.

Peru

A \$1.5 million MIF grant to strengthen rural and municipal savings and loan institutions.

A \$1 million MIF grant to strengthen the regulation and supervision of credit unions.

Regional

A \$20 million IIC agency credit line to be managed by the Latin American Agribusiness Development Corporation, S.A. The corporation will channel long-term funding to small and medium-sized agribusiness enterprises in 19 Latin American and Caribbean countries.

A \$2.8 million MIF grant to help universities provide training in infrastructure privatization, regulation and finance, and to create synergies among the participating institutions.

Mitch and integration

SENIOR OFFICIALS FROM THE IDB'S Integration and Regional Programs Department concluded a special programming mission to Central America in November that laid the groundwork for accelerated economic recovery and integration in the isthmus.

The mission, led by department manager Nohra Rey de Marulanda and IDB executive director for Central America Edgard Guerra, met with representatives of national governments, regional organizations, private sector and civil society groups and the international donor committee.

Programming missions are conducted periodically by Bank officials to help define the IDB's three-year project pipeline. This mission enabled officials to define three priority areas for upcoming projects in Central America. These are accelerated economic growth accompanied by deeper regional integration; promoting human development; and supporting environmental sustainability and the prevention and mitigation of natural disasters.

These priorities dovetail with the agenda set by the IDB-led Consultative Group for the Reconstruction and Transformation of Central America, which met in May in Stockholm to formalize pledges of international support for Hurricane Mitch recovery efforts (see IDBAmérica, July-August 1999). The next meeting of the consultative group will be held in Madrid next year.

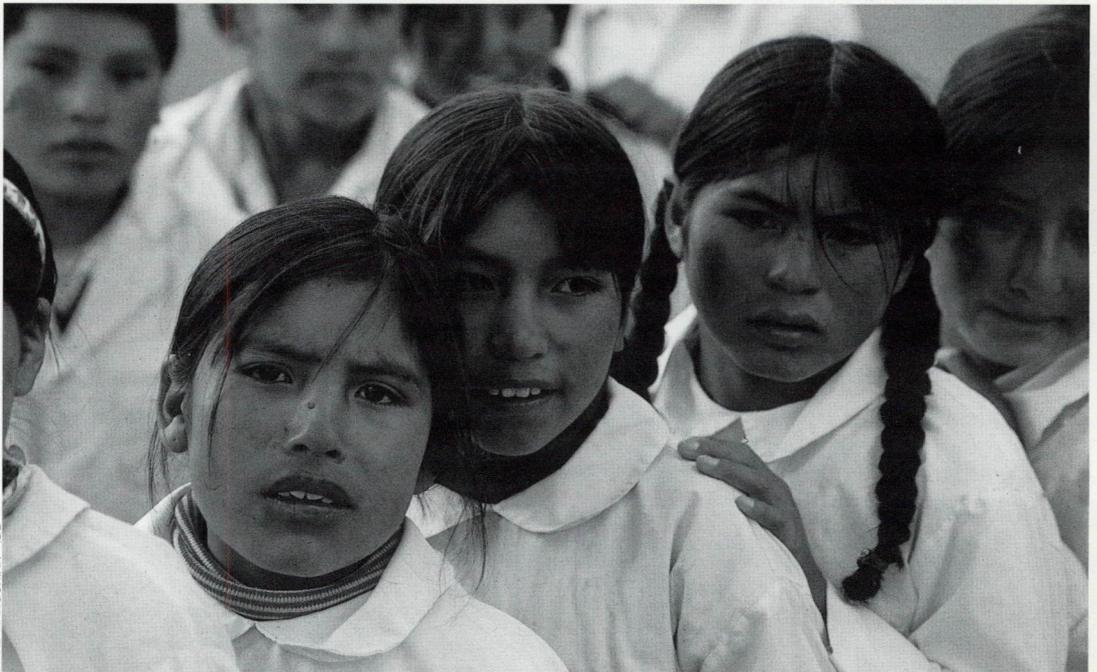
Support for ISO standards

THE IDB'S MULTILATERAL INVESTMENT FUND (MIF) held a conference in November on International Organization for Standardization (ISO) management system standards, certification and accreditation issues for small and medium-sized businesses.

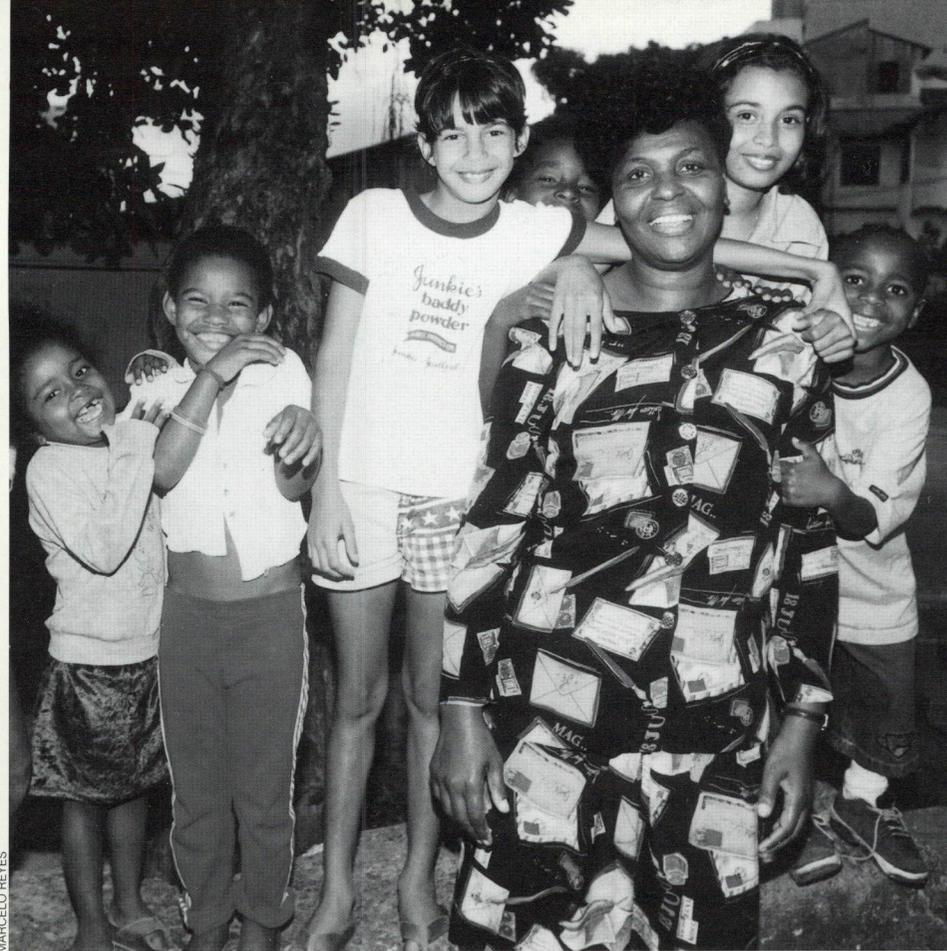
The meeting, held at IDB headquarters in Washington, D.C., was cosponsored by the United Nations Industrial Development Organization (UNIDO).

The MIF provides support for Latin American and Caribbean countries to adopt ISO standards.

 For more information, see www.iadb.org/mif/index.htm.



FORMING LINES: Girls in Huayllamarca, Bolivia, line up outside their elementary school before class. Under an education reform program supported by an \$80 million IDB loan approved in 1984, Bolivia's government is working to improve access to schooling among the country's poorest children.



Sticking close to her roots, Vice Governor Silva mixes it up with kids in a Rio favela.

From poverty to the halls of power

By ROGER HAMILTON

ON THE DAY BENEDITA DA SILVA WAS BORN in Rio de Janeiro 57 years ago, she already had three strikes against her: she was female, she was black, and she was poor. Variations on this same formula have sealed the fate of many thousands of other children in Rio de Janeiro's favelas, consigning them to lives of poverty, bad food and water, little education, few jobs, little hope and no future.

So how did Silva end up as vice governor of the State of Rio de Janeiro?

The story begins in the favela Morro do Chapéu Mangueira, a settlement of shacks, open sewers and dirt "streets" where Silva grew up. "Very early I felt right in my skin what it is to be a woman, black and poor," she says. But fortunately, she had a family that provided her with both hope and love. "This gave me the chance to fight," she says, "to make sure that what was happening to my friends would not happen to me."

It would not be an easy struggle. "I ran

into the obstacles of good looks, which means being white, and intelligence, which means not being poor. Even if you studied and got the best grades, you weren't considered smart. I met with prejudice and discrimination early on."

Such adversities would cause most people to give up in despair, but for Silva, being surrounded by such problems meant practically unlimited opportunities to help others. She learned to read and write, and then signed up with a community school to teach children and adults. A champion of women's rights, she founded a women's association in her favela, and then a women's department in the state federation of favela associations. Meanwhile, she served as a nurse's auxiliary and study social issues at the university.

A self-described "intense militant," Silva set her sights on public office. In 1982 she was elected to the Rio city council by the Workers Party, where she served as the party's leader. Then, in 1986, she was elected to the Brazilian congress. There she championed the rights of blacks, indigenous

peoples and minorities and worked to insert provisions in the national constitution on racially motivated crimes, pregnancy leave, equal salaries for equal work and the rights of incarcerated women to nurse their babies.

Reelected to congress in 1992, she then ran for mayor of Rio de Janeiro, but lost in the second round of voting. But in 1994 she was elected to serve in Brazil's senate, the first black woman to do so. During this period, she continued to live in her home in Chapéu Mangueira, where she received guests such as Jesse Jackson, Desmond Tutu and Stanley Jordan.

Help for youths. As vice governor for the state of Rio de Janeiro, Silva is responsible for programs designed to make a difference for those to whom she has dedicated her life—the poor, the black, the people of the favelas. Among these programs are more than 21 projects that are helping nearly 150,000 youths. Silva is particularly proud of a project known as Vida Nova. Here, some 1,500 youths in 50 communities are receiving job training while earning a minimum salary. A model of intergovernmental cooperation, Vida Nova draws on the resources and expertise of 13 different government agencies, which provide a wide range of services, including medical and legal help.

She is also proud of the state's gains in education. The problem has not been getting children to go to school, but ensuring that they will have teachers when they do. So with her support, the state has hired an additional 3,000 instructors. Medical and dental care and free meals give deprived children even more reasons to go to school.

The goal of all of these programs, Silva says, is to stamp out injustice and give people a chance to live worthwhile lives. "There are people who work, who produce wealth, who help others to make a profit," she says. "But if these people don't have a decent home, if they don't have water and sanitary services, if they see children die of malnutrition, they will turn against society. They will turn to robbing, carrying out assaults, dealing in drugs. A social program that does not recognize this is deceiving itself."

But Silva does not advocate giveaway programs. "Governmental agencies and private firms must pay very close attention to what the communities are saying. There is no investment, money or project that can produce good results unless community members are able to make their own choices and choose their own destiny.

"Communities should not be given things, as if they fell from heaven," she says. "People must receive the means to solve their own problems through their own hard work."

 For more information on the Vida Nova program, go to www.vidanova.rj.gov.br.



DAVID MANGURIAN—IDB

OFF TO WORK: A worker near Corralitos, Honduras, heads for a road construction site. Under an IDB-financed program launched in 1988, some 200 km of rural roads were upgraded to all-weather quality in order to facilitate access to markets.

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