

■ MUSIC AT 3,636 METERS ■ CASH FROM TRASH

■ PARTICIPATORY BUDGETING

IDB AMERICA

Magazine of the Inter-American Development Bank

January-February 2000



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Universities struggle to balance open admissions and financial survival

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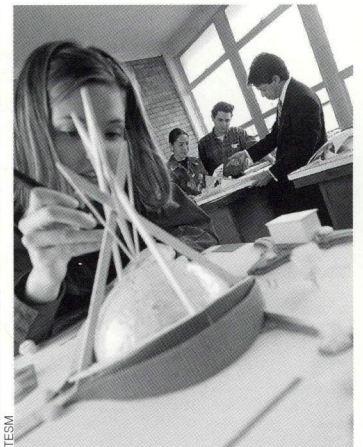
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Paying for education. As Latin American countries struggle to improve the quality and reach of higher education, the issues of access and cost are becoming more contentious. While some universities are paralyzed by funding problems, others are finding creative and unorthodox ways of generating revenues to supplement public financing. See story on page 8.

—photo by Arturo García, NOTIMEX

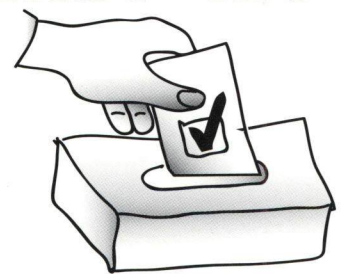


EDITORS' NOTEBOOK

Behind Bolivia's 'Two-Thirds Law'

THE YEAR 1989 MARKED A nadir in Bolivia's experience with democracy. During national elections that year, vote fraud was so widespread and flagrant that the Catholic Church joined dozens of civic groups in demanding a radical reform of the electoral system.

The crisis led to an unprecedented summit in which the nation's political parties agreed to relinquish control of the existing electoral system, name an independent Electoral Court, and begin drafting laws governing elections and the internal affairs of political parties. The cornerstone of the agreement was a decision that the new court would be composed of five individuals of unquestioned integrity who were not affiliated with any political party. For good measure, each candidate would need the en-



dorsement of two-thirds of the congressional representatives.

This last provision was crucial, because everyone knew that no single party, or even a ruling-party coalition, could gain a two-thirds majority in Bolivia's highly fragmented political landscape. The agreement meant, in effect, that every candidate for the country's Electoral Court would need the support of both the governing and opposition parties—an unthinkable scenario until then.

The new rule had a remarkable impact. "Today the Electoral Court is, without a

doubt, the most prestigious and legitimate institution in Bolivia," says Carlos Toranzo, a political scientist based in La Paz. Political meddling in vote counts and related kinds of fraud have virtually disappeared in recent elections, according to Toranzo, and voter turnout has risen as people have become more confident that their vote will be respected.

Indeed, the credibility of the new Electoral Court was established so quickly that Bolivia's legislature subsequently passed a "Two-Thirds Law" that requires the same majority for ratification of appointments to all of Bolivia's public agencies and institutions, including the Supreme Court.

See the upcoming issue of IDBAmérica for more on how this Andean nation is working to transform its politics.

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EDITOR: Roger Hamilton
MANAGING EDITOR: Paul Constance
ASSOCIATE EDITOR: Peter Bate
PRODUCTION EDITOR: Claudia Estrada
CONTRIBUTING EDITOR: David Mangurian
DESIGNER: Giselle Goicochea
ON-LINE EDITOR: Iris del Carpio
PHOTOGRAPHER: Willie Heinz

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What Venezuela can learn from Hurricane Mitch

By **CAROLINE CLARKE**

"We commit a kind of culpable homicide when we allow people to continue living in high-risk areas..."

Antonio Ledezma, mayor of the municipality of Libertador in Caracas, Venezuela, quoted by the Christian Science Monitor on Jan. 4. Ledezma was defending efforts to prevent displaced residents from rebuilding on slopes ravaged by landslides in December.

"... we will run it as well or better than the Americans."

Cecil Haynes, an 86-year-old inventory management specialist at the Panama Canal, quoted by the New York Times on Dec. 31. Haynes, the son of a Barbadian immigrant who helped build the canal, spoke following ceremonies ending United States control over the facility.

"My modest proposal is for an international standard that 'Twenty Years is Enough.'"

Jeffrey Sachs, an economist at Harvard University, quoted by the Financial Times on Jan. 4. He argued that international organizations should refuse to do business with national leaders who remain in power for more than 20 years.

"The sky is blue more often, and I'm noticing less throat irritation."

Liliana Cordero, an anthropology student in Mexico City, quoted by the Christian Science Monitor on Jan. 12. She referred to gradual improvements in the city's air quality that environmentalists attribute to a decade of antipollution efforts.

"Colombia's internally displaced people constitute the biggest humanitarian crisis in the Western Hemisphere."

Catherine Bertini, executive director of the United Nations World Food Programme, writing in the Washington Post on Jan. 28.

THE DEVASTATING FLOODS AND landslides that killed as many as 30,000 people in Venezuela last December came a little more than a year after Hurricane Mitch, which caused nearly 10,000 deaths in Central America.

That hurricane was followed by an ambitious international effort to assist in the reconstruction and transformation of Honduras, Nicaragua, Guatemala and El Salvador. The IDB has coordinated reconstruction assistance, setting up a consultative group of multilateral agencies and donor governments, disbursing millions of dollars in reconstruction loans, and helping the affected countries to draw up strategies and present funding proposals.

But despite these efforts, reconstruction throughout Central America has been slow in getting off the ground—a fact that has led all parties to express frustration and assign blame. Affected countries have argued that international assistance has been too slow, poorly coordinated, and plagued with cumbersome "conditionalities," or limitations on how the aid can be used. Multilateral banks and bilateral donors have asserted that the national governments are not involving local governments and civil society in reconstruction programs, that procurement procedures and resource allocation are not transparent, and that needed reforms in social sectors are not being carried out. Nongovernmental organizations have taken everyone to task for unnecessary delays, scant results, and the failure to uphold principles agreed to at a donors' meeting held last May in Stockholm.

Certainly, all these points are accurate to some degree. But we must not lose sight of the fact that landmark opportunities are emerging from this inherently

difficult exercise in reconstruction and transformation. Out of this experience will come—must come—a new approach to development in one of the world's most hazard-prone regions. The lessons learned will prove invaluable for countries everywhere. Venezuela, which is just beginning the monumental task of reconstruction, has the most to gain in learning from past errors.

Among the positive signs is the fact that the subjects of risk management and disaster mitigation are finally getting the attention they deserve. Never have governments so explicitly acknowledged that mitigation is a crucial element not only of reconstruction projects, but of development planning in general. Even while we are reminded almost daily of the failure to carry out mitigation measures successfully—newly replaced bridges washed away in this October's rainy season, and families resettling in high-risk areas—the fact remains that countries are taking steps to improve their risk management capabilities. They are establishing hazard monitoring and forecasting systems, mapping high-risk areas, adopting watershed management measures, strengthening regulations for construction, and encouraging mitigation activities at the community level.

This is at least a start. But by themselves, these measures will not give the people of this disas-

ter-prone region the security they need and deserve. The affected countries now have the daunting job of organizing national systems for disaster management both to guide the current reconstruction and to prepare for future emergencies. These systems must include the participation of public and private agencies and civil society organizations. Their chief objective must be to earmark resources for mitigation investments on a permanent basis.

Governments can no longer deal with disasters only after they happen. "Experience is good when you don't pay too dearly for it," according to the old adage. Venezuela and Central America clearly have paid dearly, making it all the more imperative that these lessons be turned into concrete action.

—The author is an IDB disaster mitigation and urban development specialist.

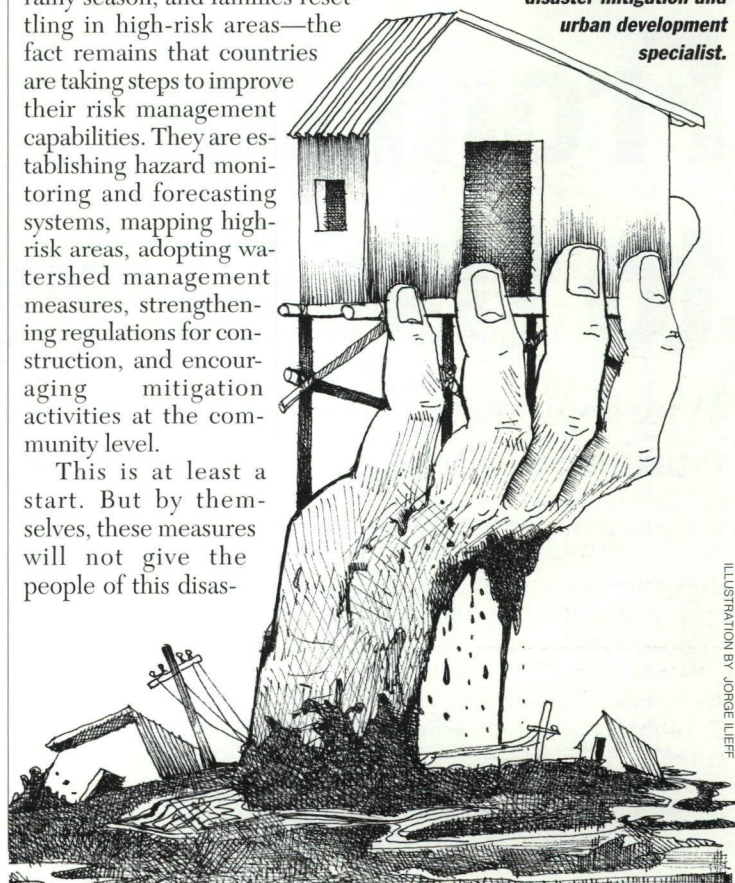
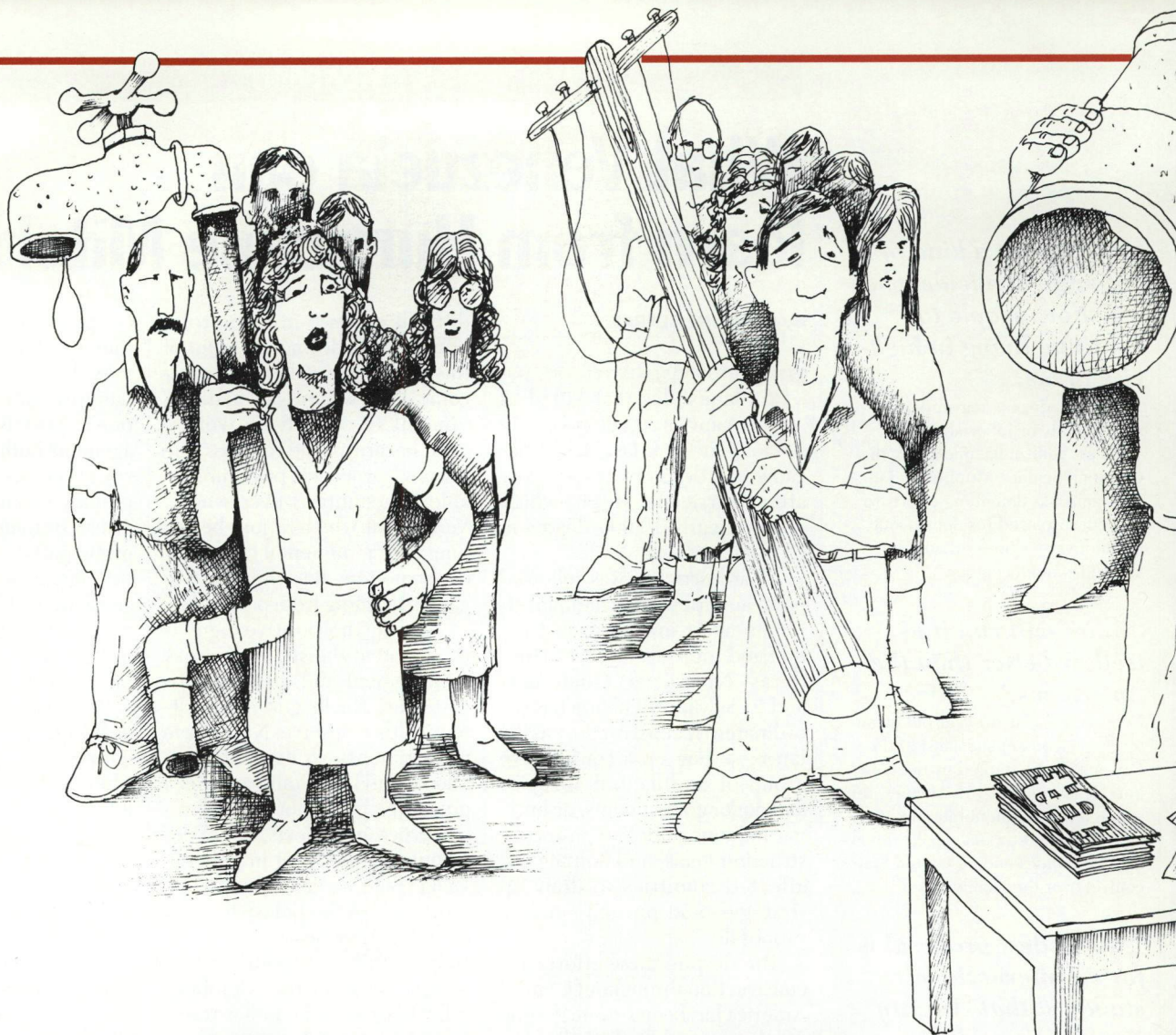


ILLUSTRATION BY JORGE LIEF



From the ballot box to the ledger sheet

Why some Latin American cities are asking ordinary citizens to decide how public funds should be spent

By DANIEL DROSDOFF, Porto Alegre, Brazil

THE SUBJECT WAS STREET LIGHTING. THE venue was City Hall. But the decision makers were not the mayor, not the City Council, not even a group of senior municipal officials.

Instead, the 32 "counselors" making the critical decisions on street lighting were delegates sent by neighborhood assemblies to defend local budget priorities. The meeting culminated a year-long process for 16 neigh-

borhood assemblies in Porto Alegre, a city of 1.3 million that is the capital of Brazil's Rio Grande do Sul state. In each case, the assemblies drew up their investment budget priorities and then chose delegates, known as counselors, to convey them to the city administration.

The counselors at the meeting were people of modest means, dressed informally in shirtsleeves, windbreakers and an occasional gaucho hat. The tenor of the discussion was businesslike and technical. Vera

Chiminazzo, director of Porto Alegre's Division of Public Lighting, answered questions for an hour in a subdued monotone.

One counselor wanted to know why street lighting in one part of the city costs three times more than in another part. Chiminazzo replied that the difference was due to higher infrastructure costs. Another counselor cited a budget item that called for "lighting in all the green areas of communities" in Region 6B. He wanted to know the exact location of these areas. The city officials promised to



ILLUSTRATION BY JORGE ILIEFF

find out. The meeting ended with a show of hands giving unanimous approval to the budget, even though 53 of the 75 budget items requested by the neighborhood assemblies were rejected with the simple notation *sem recursos*—no money. The lighting projects would be incorporated into a detailed budget proposal prepared by the municipality's executive branch. Eventually, the elected City Council would vote the budget up or down.

Local priorities. The meeting on street lighting was one of dozens held in Porto Alegre every year as part of an innovative form of citizen involvement in municipal affairs called "participatory budgeting." The system was put into practice 11 years ago when the local branch of Brazil's Workers Party won control of the municipal government with participatory democracy as a central plank in its campaign platform. Today, the Porto Alegre experience is being held up as a model for cities elsewhere in Latin America.

While the participatory budgeting process

has detractors, the concept is rapidly spreading in Brazil. According to Lenira Rueda, a researcher for the Brazilian city of Belo Horizonte who is tracking the phenomenon, approximately 70 of that country's jurisdictions (mainly municipalities but also two states) are using participatory budgeting to one extent or another. Outside of Brazil, the cities of San Salvador, El Salvador, and Cuenca, Ecuador, have adopted participatory budgeting procedures based on the Porto Alegre model (See articles on pages 5-7).

Mayors from these and other cities discussed citizen-based budgeting at an international conference on participatory democracy held last November in Porto Alegre. Víctor M. Vergara, a municipal development specialist at the World Bank, said Porto Alegre is a starting point for studying the phenomenon of participatory democracy as it relates to the budget process. Political scientist Ramón Borges-Méndez of Johns Hopkins University called the Porto Alegre model and other experiences like it "an en-

tirely new way of doing things" in Latin America, where "a whole new generation is getting political experience at the local level." Augusto Dueñas, a management consultant based in Porto Alegre, said participatory budgeting is "vital for development," because "it puts distribution of resources in synch with social priorities."

The IDB's Marcio Gomes da Cruz stressed the importance of citizen participation as a guarantee of transparency in public administration. "Only if a society effectively controls public administration can we see the establishment of a modern state," he said. Gomes da Cruz is project team leader of a 12-year fiscal reform project in which \$1.1 billion in IDB financing will help modernize public management in approximately 3,800 Brazilian municipalities. As part of the project, the municipalities will include citizen participation in their fiscal reform plans.

Pros and cons. Many urban experts see participatory budgeting as the wave of the future. But even strong advocates of participatory budgeting admit to a frequent weakness: a lack of involvement by the



DANIEL DROSDOFF—IDB

Raul Pont, mayor of Porto Alegre, Brazil, says participation is not "only for the poor."



(continued from page 3)
middle class. White-collar workers, professionals, business owners and the wealthy normally shun the mass meetings and assemblies at which neighborhood priorities are determined and delegates elected.

In the case of Porto Alegre, Mayor Raul Pont describes how the city government established "thematic assemblies" to counteract the notion that participatory budgeting is "only for the poor." These meetings deal not with specific neighborhood problems, but with broad subjects such as transportation, health and social assistance, education, culture, leisure, economic development, taxation and urban development. In San Salvador, Mayor Héctor Ricardo Silva's answer is to hold smaller meetings that have a broader scope and include issues—such as urban parks—that are more likely to interest middle-class residents.

Not everyone thinks participatory budgeting is a good idea. In the state of Rio Grande do Sul, the leader of the opposition and majority leader in the Chamber of Deputies, Cezar Busatto, can scarcely control his irritation when discussing the subject. According to him, the Porto Alegre system is "illegal," because there is no formal law regulating it. It is also "Machiavellian," he says,

because citizens curtail their expectations when they feel themselves to be part of the established political order.

But even Busatto concedes that participation in the budgetary process adds legitimacy to public institutions. So his party has decided to fight fire with fire and has established the Democratic Forum, a parallel sys-

“ [Representative democracy] must be combined with direct democracy of the citizens, so the people can control the state. ”

UBIRATÃ DE SOUZA
Rio Grande do Sul state official

tem of public hearings sponsored by the legislative branch that exists side by side with the participatory system established by the executive branch.

What happens when the political party that establishes participatory budgeting loses an election? The experience of the municipality of Santo André in Brazil's São Paulo state is instructive. After winning the may-

oral election in 1989, the Workers Party established a system of participatory budgeting. But four years later, when the party lost and the system was abandoned, there was little public reaction. Another four years went by, and the Workers Party retook city hall. This time, says Mayor Celso Daniel, participatory budgeting will be applied more vigorously, which hopefully will give the system more staying power. The first time, he admitted, his party took half measures, which he called a "lack of daring on our part."

Sustainability is a key aim in the town of Cabo de Santo Agostinho in Brazil's Pernambuco state. There, in the arid, poverty-stricken Northeast, a far cry from prosperous Porto Alegre, Mayor Elias Gomes is trying to build staying power into participatory budgeting by forging an alliance among six political parties. Once the system is sufficiently strong and well-accepted, he would like to see the process formalized by law. This was the approach taken in Ecuador, where the highland city of Cuenca consolidated participatory budgeting and planning through a voting ordinance.

Leaders of Brazil's Workers Party have a simple answer to the sustainability question: re-elect the same party to office, or another party that is similarly committed to the sys-

Thanks for asking, but we're out of cash

A mayor in El Salvador struggles to finance his constituents' requests

WHEN HECTOR RICARDO SILVA WAS elected mayor of El Salvador's capital of San Salvador three years ago, he was anxious to fulfill one of his main campaign promises: to launch a system of direct citizen participation in city government. Unfortunately, he says, "we didn't have a clear idea of what citizen participation was."

So with financial help from the Swedish government and the IDB, Silva sent a team of officials to Porto Alegre, Brazil, where citizens have participated in the budget process since 1989. Though he was convinced he could put many of the concepts of the Porto Alegre experience to work in his city, Silva decided on a gradual approach, in part because of the need to build up managerial skills of city officials.

Like other mayors, Silva cautions that participatory budgeting is not a cure-all, but rather just one tool for coping with the daunting fiscal challenges facing Latin America's cities. Indeed, he says it can be meaningless for citizens to go to assemblies and list their priorities for public works if there is no money in the treasury to pay for them. "To get money," he says, "we need to reform municipal finances."

To that end, Silva has pushed measures to boost efficiency and increase tax collection. He began by setting up a task force to collect \$267 million in debts owed to the city. "We were able to collect about half," he says. "The rest of the debt was from businesses that no longer existed, or from persons who had died." The next step was to modernize the city's cadastre, or list of taxpayers, using technology such as aerial photos to identify buildings subject to property taxes. Finally, the city has privatized some public services and awarded a number of concessions and build-operate-transfer contracts for others.

Although revenues have grown by 30 percent, they still fall short of Silva's goals. The problem, he says, is a combination of overly complex tax regulations and a failure to collect many types of revenue. The city does

not collect property taxes or fees for city space that is used by utilities and other service providers, for example.

Silva and others have proposed that the national legislative assembly overhaul the tax system, but their efforts have failed. "We're stuck," says Silva.

New priorities. Despite these limitations, San Salvador's experiment with participatory budgeting has led to notable changes. In the past, City Council sessions were closed to the press and minutes were not even published, making it difficult for citizens to determine what investment priorities were being considered.

But now, participatory budgeting has exposed new types of local investment priorities that were previously ignored. The first priority is the construction of retaining walls. The reason, explains Silva, is that poor people tend to live along the steep banks of rivers, where they are periodically at risk from flooding and landslides. A second priority is "common space," where people can meet. A third priority is crime prevention, with a focus on youth, an area in which

the IDB is providing financial assistance.

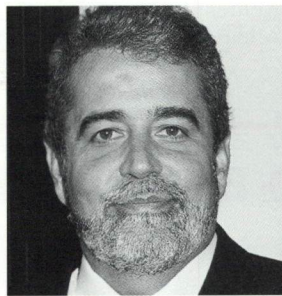
Although many citizens are participating in the popular assemblies, Silva is concerned that not all groups are involved. The challenge, he says, is to make sure the meetings are "much more than a convocation of the party [in power]" and to "promote participation of the middle class." Getting the middle class to attend is a major problem, he says. People from that social segment tend not to like the crowds and noise at the large assemblies and are often uncomfortable in associating with the poor.

Silva has tackled the problem by organizing smaller gatherings that deal with specific subject areas. One topic that proved particularly attractive to the middle class is parks and recreation, he says.

—Daniel Drosdoff



San Salvador,
El Salvador



Mayor of San Salvador,
Héctor Ricardo Silva.

FOTO: ROCHA

At a participatory budget meeting in Brazil's Rio Grande do Sul state, local residents prepare to discuss spending priorities with municipal officials.

tem. They say a law is superfluous because, under the Brazilian political system, the executive branch has the responsibility for drafting budgets, and it can opt to skirt a participatory framework if it chooses.

As Porto Alegre's Mayor Pont puts it, participatory budgeting "requires political will." But in his city it is also voluntary and open to members of all political parties. Without such openness, he contends, participants would feel "defrauded" and would refuse to participate, thereby making the system unravel. "We defend representative democracy," says Ubiratã de Souza, coordinator of budgeting and finance for the state of Rio Grande do Sul. "But it must be combined with direct democracy of the citizens, so the people can control the state."

Still in its infancy, participatory budgeting has a long way to go before it becomes an established political institution in Latin America. But as the roots of democracy continue to spread, a growing number of cities are likely to seek inspiration and guidance from pioneers such as Porto Alegre. ■

Rural traditions find home in city

In Ecuador's highlands, citizens revive a pre-Columbian concept of participation

WHEN CITIZENS IN THE ECUADORIAN municipality of Cuenca, in the Andean highlands, began taking a stronger role in government decision making several years ago, it was both an innovation and the continuation of a tradition that stretches back thousands of years.

As Cuenca Mayor Fernando Cordero Cuevas explains, the communal traditions of participation, known as the *minga* in the indigenous Quechua language, date back to long before the time of the Incas. Today, under Cordero's leadership, the process in which popular assemblies and their representatives establish and analyze the budget and declare priorities has put the municipality of 420,000 persons in the vanguard of the movement in Latin America to increase local participation in decision making.

Although cities are generally the leaders in social organization, such has not been the case in Cuenca, according to Cordero. In the municipality's 21 rural parishes, people participate more actively in the popular assemblies than do citizens in urban parishes. The reason, he said, is that "rural people live more in community."

In one of his first moves after coming to office, Cordero revamped the parish councils. Formerly their members had been appointed by the mayor. Now they are elective offices that supplement the City Council. Parish councils have been charged with identifying public works projects, setting priorities, meeting with city technical experts to make sure that the projects are viable, requesting technical studies and budget preparations, monitoring execution of the works and evaluating the results. Projects include schools, health, roads,



ROGER HAMILTON—DBE



FOTO ROCHA

Ecuador's indigenous peoples have managed resources collectively for millennia. Today, Cuenca Mayor Fernando Cordero Cuevas (left) is adapting that tradition to help solve municipal budget problems.

and parks and community centers. The rural parishes are also completing 20-year strategic development plans.

Cuenca's participatory budgeting is based on a local law that regulates the voting and membership for the parish juntas. In Brazil's Porto Alegre, the participatory system works without a special law.

As did other municipalities, Cuenca instituted participatory budgeting simultaneously with fiscal reform measures. The first step was to bring the cadastre, or tax roster, up-to-date. The city went about the job very meticulously, going "building by building," says Cordero.

Cuenca's fiscal reform received a boost from a change in the Ecuadorian constitution that gives municipalities the exclusive right to determine how to spend revenue from a special tax levied on buildings or neighborhoods for improvements. Under the Cuenca system, taxpayers that directly benefit from a public work pay a larger share of its cost. According to Cordero, payments on loans to finance works paid for by this "improvements tax" are up-to-date because citizens know that early remissions will lower interest rates, and hence their taxes.

Another part of the fiscal reform process consisted of reorganizing public services, such as telecommunications and sanitation, which had been a drain on the treasury. These were taken out of the hands of the municipal bureaucracy and converted into autonomous enterprises. Although popular assemblies are held to review the rates these enterprises charge, citizens understand that the services must earn enough money to function on a sustainable basis, Cordero says.

—Daniel Drosdoff

Two sides to a hot issue

Participatory budgeting is often presented as an inherently superior approach to handling municipal finances. But it has legitimate critics among Latin American mayors, accounting professionals and international experts. Below is a summary of arguments for and against.

▲ For participation

Transparency: Opening the budget to public scrutiny reduces the possibilities of corruption.

Accountability: When citizens participate, they have a clearer idea of expected benefits as well as limitations.

Efficiency: Chances increase that money for public works will be spent where citizens feel it is most needed.

Equity: The poor tend to participate more than the rich, spurring investments in low-income areas.

Budget balancing: Participatory budgeting typically increases spending on investments and reduces the amount spent on government salaries.

▼ Against participation

Manipulation: The governing political party can use the budgeting process to build popular support and improve its reelection prospects.

Sustainability: If a political party that gains office is not committed to participatory budgeting, the process dies.

Skewed power balance: Legislative bodies lose power when popular assemblies play a large role in the budget process.

Stagnation: Long-term development goals may be ignored in favor of more immediate neighborhood needs.

Co-optation: Since citizens feel like stakeholders in government operations, they are less likely to criticize the system.

Let us tell you how to fight crime

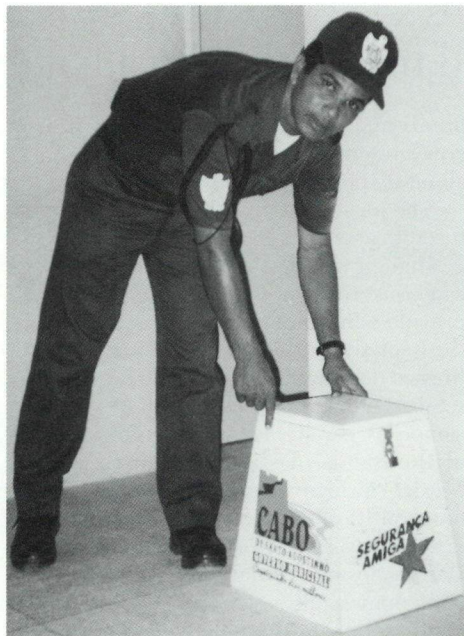
In a small Brazilian city, citizens help police and donate labor to build public works

IF YOU WANT A ROAD MAP FOR BEATING CRIME, talk to Elias Gomes. He cut the murder rate in his city's most dangerous neighborhood from six homicides per month to zero—in just six months.

Gomes is mayor of Cabo de Santo Agostinho, a seaside agricultural and industrial community in the Northeast Brazilian state of Pernambuco. Though it has little in common with the prosperous cities in southern Brazil that pioneered citizen participation in municipal affairs, Cabo de Santo Agostinho nevertheless decided to adopt this approach in areas including taxation, budgeting and public works. All are showing encouraging results, but it is the city's efforts in crime prevention that have produced the most dramatic gains.

Gomes said his town's crime prevention program, known as *segurança amiga* or friendly security, is based on the following measures:

- ▶ Pinpoint a crime-plagued neighborhood for a pilot program. In the case of Cabo de Santo Agostinho, the area selected was the Cohab district, the city's most violent. Other areas will be added in the future.
- ▶ Create a consultative council composed of representatives of the municipal, military and civil police, neighborhood leaders, priests and pastors, school officials, etc.
- ▶ Conduct seminars on crime prevention techniques for police officers and community leaders.
- ▶ Exclude from the program police officers who are not willing to work closely with community leaders.
- ▶ Draft a "crime map" showing where crimes occur, with what frequency, for what reasons, and at what time of day or night.
- ▶ Establish a police command post in the targeted neighborhood in which municipal and state police will work jointly.
- ▶ Treat police well, which in the torrid Northeast of Brazil means providing refreshments for the officers on patrol and air conditioning at the station.



DANIEL DROSDOFF—IDB



MUNICIPALITY OF CABO DE SANTO AGOSTINHO

A municipal policeman in Cabo de Santo Agostinho collects crime tips and complaints left in a "suggestion box" by local residents. Mayor Elias Gomes (left) credits citizen participation for helping to dramatically reduce homicides.

The program's command center is the "interactive" police station in the Cohab district. From there, four unarmed municipal police officers, assisted by an armed member of the Pernambuco state civil police, take turns patrolling the community in an official vehicle.

Tips from citizens. At the police station, municipal guard Reginaldo Francisco Albuquerque said the key to the project's success lies in getting reports from residents of suspicious activity or threats of violence, and then quickly taking action. "People phone in complaints or tips, walk into the station, or leave messages, often unsigned, in suggestion boxes placed around the neighborhood, in

schools, shops, and health clinics," he explained. Police gather up the notes and use them as part of their intelligence network in preventing crime.

The security pilot project is just one aspect of Cabo de Santo Agostinho's broader citizen participation program, known as *Parceiro Cidadão* or citizen partner.

As part of this three-year-old initiative, residents attend neighborhood assemblies at which they elect delegates who are charged with telling city officials what local people want included in the municipal budget. According to Gomes, these priorities typically involve improvements that immediately affect residents' daily lives, such as public safety, construction of walls to prevent landslides, roads, recreation centers, concrete steps up steep hillsides and drainage ditches. "A person who lives surrounded by mud wants his street paved," he said.

Tax tool. Gomes has also found that citizen participation in the budget process is a useful tool for raising more tax revenue. For example, he conducted a house-by-house campaign to urge homeowners to pay property taxes, declaring that public works in a given neighborhood would be completed only if a minimum of 70 percent of its residents paid their taxes.

"The population understands that if they want more investments, they have to pay more taxes," Gomes said. In addition, scarce tax dollars are stretched by organizing residents to donate labor while the city provides building materials.

As a result of the collection drive, which also included discounts for early payment of taxes, tax revenue doubled, and receipts from the property tax tripled, according to Gomes. The municipality did its part, too: the portion of the overall budget spent on investments increased in two years from 3 percent to 15 percent, and the number of municipal political appointees dropped dramatically—from 1,000 to 279.

According to Gomes, citizen participation in the budgeting process is a counterweight to entrenched municipal bureaucracy, which constantly pressures the administration to spend budget resources on salaries. But he does not see participatory government as a constant tug of war between citizens and bureaucrats.

On the contrary, Gomes believes that participatory budgeting implies rights and obligations for both sides. City officials must undergo technical training, improve efficiency, and do a better job at project preparation and execution. Citizens must improve their ability to monitor projects. By combining democracy with greater efficiency, Brazilian municipalities are "opening windows for a better future," Gomes said.

—Daniel Drosdoff

Who pays for college?

Latin American universities seek new ways to balance open access and financial survival

By PETER BATE

HUNDREDS OF UNIVERSITY STUDENTS filled the Che Guevara auditorium, bellowing "Strike, strike, strike!" After decorating the dais with a dummy representing the university's president, they appointed representatives to a General Strike Council. At midnight, student leaders tried to hoist a black-and-red flag, but found that the flagpole had no rope. After improvising with some string, they closed down Latin America's largest university to protest against an increase in tuition fees.

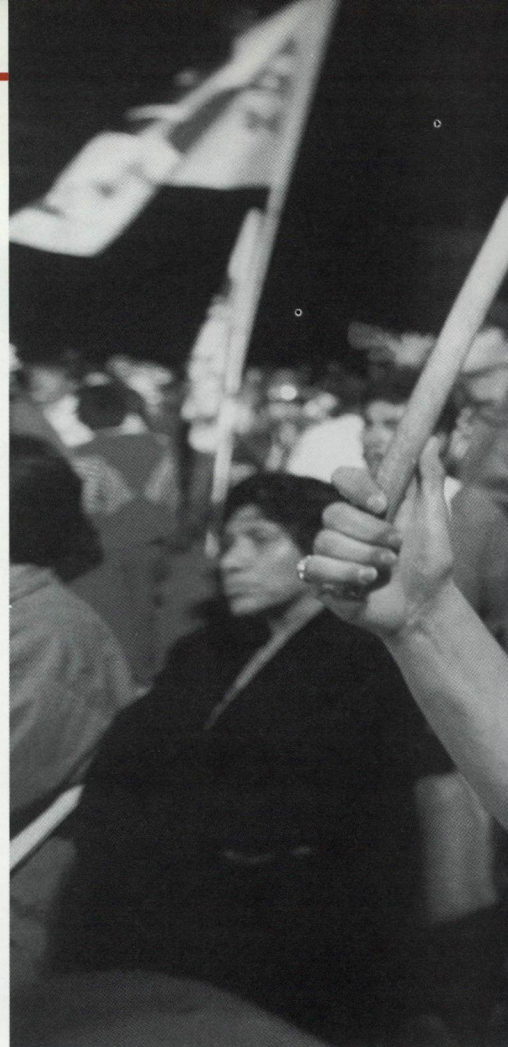
A scene from the radical 1960s? No, it actually happened in April 1999, at Mexico's 270,000-student National Autonomous University (UNAM), after its authorities decided to raise tuition fees for the first time in nearly half a century. Inflation had diluted the institution's already modest tuition to a symbolic two cents a year. Under new rules, all but the poorest students would pay the equivalent of \$140 a year, roughly 1.5 times Mexico's minimum monthly wage. Funds raised would be used to cover expenses for needy students and improve the university's

library and computer services. The Mexican government would continue to subsidize about 95 percent of UNAM's cost.

The most militant students, however, refused to accept even the slightest increase.

In their view raising fees violated a Mexican constitutional guarantee that the state provide education free of charge, in spite of the fact that other public universities in Mexico do charge for tuition. So the students set up roadblocks and closed off UNAM's main campuses, paralyzing the careers of hundreds of thousands of students and shuttering Mexico's principal scientific research center for months on end. Summing up the strikers' views was one of their signature slogans: "We're closing down UNAM so that it may remain open to all."

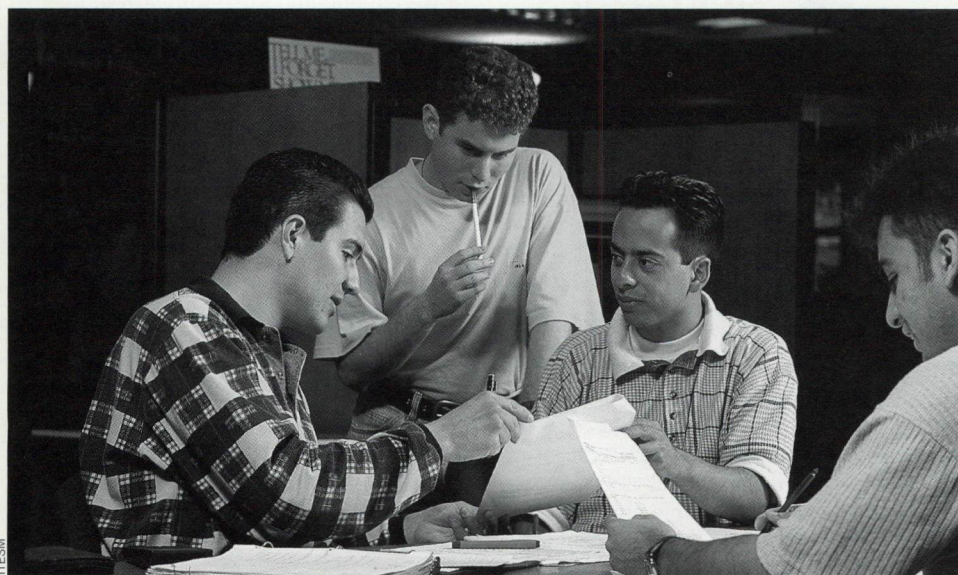
UNAM's plight is emblematic of the problems plaguing Latin America's large "multi-universities." These state-run entities are still the best option for higher education in many of the region's countries, producing much of the best scholarship and providing a professional stepping-stone for hundreds of thousands of working-class students. But Latin American universities also reflect the



broader fortunes of the region, suffering from economic instability and political repression and from technological backwardness. They tend to be shackled by a resistance to change archaic rules that prevent them from serving their purpose more efficiently. And they often lack internal controls on academic quality and financial management.

Because of these shortcomings, universities that are responsible for a large portion of Latin America's scientific research and development must rely almost exclusively on government subsidies. This dependency often spells trouble. A case in point is Argentina's Universidad de Buenos Aires (UBA), a leviathan second only to UNAM in enrollment. In November its president, Oscar Schuberoff, warned that UBA might not be able to open the following year because federal authorities had fallen short by some \$18 million on disbursements for the university. Yet although threatened and actual budget shortfalls are an almost annual ritual at the UBA, its leadership doggedly refuses to consider charging tuition fees. César Milstein, an UBA graduate and winner of the Nobel Prize for Medicine, has observed that the university could raise hundreds of millions of dollars a year just by charging tuition only to its middle- and upper-class students.

Catastrophes such as the UNAM strike tend



Comparing notes at ITESM, a tech-oriented university in Monterrey, Mexico.

A student strike over proposed tuition fees kept Mexico's giant UNAM closed for much of 1999.



DANIEL AGUILAR—REUTERS

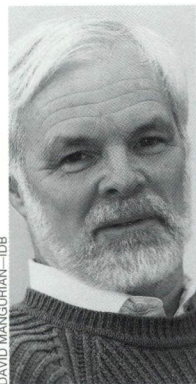
to reinforce the stereotype of Latin America's higher education as inefficient, mediocre and out of touch with the real needs of modern society. But while these problems are real, they are not the whole story. There are many efficient and competently run colleges in Latin America. Moreover, governments, citizens and private institutions in many countries are working to reform the region's universities so that they can better serve the needs of the seven million students who are currently enrolled.

A new strategy. The Inter-American Development Bank has been supporting these efforts for 30 years. During the 1960s and 1970s, the IDB lent nearly \$500 million to help develop and expand many of the region's leading universities. While boosting the universities' enrollment capacity was the chief aim, Bank-financed programs also promoted quality by encouraging full-time teaching, research and graduate education.

Over the past two decades IDB lending has shifted toward an emphasis on improving the quality and reach of basic education. Nevertheless, the Bank never abandoned the view that a sound higher education system is an indispensable element for creating more productive, prosperous and democratic nations. To further this commitment, in 1997 the Bank adopted a new, more selective strategy

to guide its lending for higher education in Latin America.

The new strategy is designed to support what the Bank considers sound education management policies in such key areas as equity and subsidies, performance incentives, governance and quality control. The IDB is



DAVID MANGURIAN—IDB

“Many students would be better off if they could get a job in two years instead of four.”

CLAUDIO CASTRO
IDB education expert

willing to work with both public and private institutions that are committed to reform, says Claudio de Moura Castro, the IDB's senior education advisor and one of the architects of the new strategy. “We fund what the market cannot fund and has to be funded, regardless whether it is in the public or the private sector,” he says.

As the crisis at Mexico's UNAM shows, a

basic question facing the region's universities today is who should pay. The IDB supports greater recovery of costs through tuition and other means, Castro says, but it does not advocate a one-size-fits-all solution. In most situations, a mix of public and private funding, in which tuition would be only one component, is the most promising approach.

For example, governments have good reasons to subsidize their academic leadership, that is, the elites involved in teaching and research that require high levels of intellectual preparation and ample funding that cannot be obtained entirely from private sources. But it may make sense to recover costs by charging for other types of higher education, such as specialized programs for professionals or technicians. To understand why, consider the difference between a biomedical researcher and a plastic surgeon. Training and supporting the researcher is much more expensive and time-consuming than training the plastic surgeon. But while the latter might quickly pay off education debts by performing lucrative face-lifts and tummy tucks, the former may eventually develop a disease-curing medicine that will benefit millions.

Moreover, professionals who make valuable contributions to society, such as judges, usually earn much less than colleagues who go into more profitable fields, such as corporate law. It stands to reason that governments would choose to subsidize training for judges, scientists and other similar professional groups by funding libraries, laboratories and research. The cost of educating professionals who will be adequately rewarded by the job market can be covered through tuition or the reimbursement of student loans.

Funding should also take into account the fact that most of the students attending public universities in Latin America come from the middle class. According to the Bank's strategy, many of UNAM's students would not have a priority claim to public funding, although others certainly would.

Creative solutions. Since tuition and other traditional forms of cost recovery still generate a great deal of opposition in most Latin American countries, many universities are finding alternative ways to generate revenue. Castro cites his native Brazil as an example. One popular approach is to develop a sophisticated network of specialized research organizations and foundations capable of generating revenue through contracts and partnerships with the private sector. Perhaps the best example is the Universidade Estadual de Campinas, a public university in the state of São Paulo with a \$230 million annual budget that has forged extensive ties with the private sector. More than a dozen

(continued from page 9)

foundations affiliated with the university generate revenues of nearly \$150 million by catering to the needs of Brazilian businesses and government. "In other words, inside those dinosaurs you have fiercely capitalistic gazelles that are selling research, services and training very aggressively," says Castro. According to the university's web site, these organizations have signed more than 800 agreements with private firms to conduct research, improve industrial processes, develop products and train personnel.

But despite the use of foundations, Brazil's public universities must still deal with serious constraints on initiative and imagination. Highly centralized rules and administration are part of the problem. Anglo-Saxon universities have a tradition of decentralization, where each department is free to pay or hire according to what it needs or can afford. In their most extreme forms, says Castro, universities in the United States have been described as a group of researchers that happen to use the same parking lot. Latin American universities follow a more rigid tradition. In some cases they may have the same criteria for hiring the head of a physics

■ Foundations affiliated with one public university in Brazil have signed more than 800 agreements with private firms worth nearly \$150 million ■

department or the coach of a sports team. For example, Pelé was able to become Brazil's minister of sports but could never teach soccer at a federal university because he does not have the right degrees.

Mexico's UNAM, once one of the most prestigious institutions in the region, has also suffered from a rigid and centralized tradition by which it must treat all students the same. "You cannot have elite education if you have more than 100,000 students," says Castro. "That's mass education. They allowed it to grow, they allowed governance to become very feeble, and every attempt to fix it finds fierce opposition."

The next wave. In Mexico, perhaps the best

example of creative funding is offered by the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM), which was founded in 1943 by a group of business leaders in that northern Mexican city. Now a network of 29 campuses in 26 cities with more than 80,000 students, ITESM has also developed a "virtual university" that has allowed it to expand its reach across Latin America. In addition, the university has built a network of nonprofit associations to raise funds. Tuition covers the cost of operations while donations pay for buildings and equipment. The university even holds lotteries to increase its budget for scholarships and loans, which benefit nearly one in three of its students. In the process, ITESM has become a major exporter of outstanding "courseware" via distance education, says Castro.

Latin America's elementary and secondary education has undergone a revolution over the past few decades that has swelled enrollment. This demographic wave moving through the schools has already reached the higher education system in some countries, Castro says. "It's not just the elites that aspire to a higher education degree," he says, "but children of much more modest backgrounds who have had weaker education." Instead of a full-blown university education, many of these students will prefer "short, post-secondary courses" that improve their chances of getting a job, according to Castro.

Institutions in Argentina, Chile and Venezuela have anticipated this demand for briefer, job-oriented training, and others in Brazil and in Mexico are beginning to offer such courses. Along the border, U.S. community colleges are starting to build links with Mexican institutions. El Paso Community College in Texas, which has long provided English language training for Mexican students, faces an ever-rising demand for its courses. This has led the Texas college to enter into an agreement with ITESM's campus in Ciudad Juárez, across the Rio Grande from El Paso, to offer English classes at the Mexican university's facilities. In June, the Alamo Community College District in San Antonio, Texas, hosted a conference for 40 Latin American university presidents on the development of technical education services with a view to building a system of community colleges offering short, job market-oriented courses. The IDB plans to follow up this initiative with another seminar this year to raise the profile of community colleges.

According to Castro, the potential demand for this type of education is tremendous. "From the narrow point of view of costs, two years of college are cheaper than four," Castro says. "From a personal standpoint, many students would be better off if they could get a job in two years instead of four."

There is also an equity issue. "This is the

A strategy to promote reform

THE IDB'S STRATEGY PAPER ON HIGHER EDUCATION, the fruit of several years of work and intense discussions with Latin American academic leaders, outlines the Bank's view of higher education in the region and suggests how its lending programs can promote improvement.

Claudio de Moura Castro, the strategy's principal author and the IDB's chief education advisor, emphasizes that the document was not put forward as a rigid blueprint but rather as a series of guidelines based on analytical concepts and data that can help the Bank identify partners interested in the sort of reforms it is prepared to support. These are some of the paper's main points:

Focus on quality: The IDB rejects both the notion that the state should play a marginal role in higher education as well as the view that higher education can only play its role properly if it is showered with more public funds. Quality and efficiency must be the central issues, no matter who provides the service.


Build on local initiatives: The impetus for reform in higher education must come from the Bank's local partners: regional associations, governments, academic insti-

tutions, civil society groups, private sector firms and individuals.

Complement the private sector: The Bank's lending should be targeted carefully to activities that make economic sense. It must finance activities that generate benefits that market forces on their own would not produce, or that represent a social priority that cannot depend on support from the private sector. By the same token, the Bank will avoid those areas that already do attract enough private funding.

Support reform: Higher education loans should help implement key reforms or support programs that can help countries to restructure or reorganize their higher education systems, build sound management systems and establish solid ties between incentives and governance.

Promote equity: The IDB will support initiatives that promote greater equity, such as scholarship programs for needy students and financing for institutions in poor areas.

 The text of the IDB's higher education strategy paper can be viewed at www.iadb.org/sds/.



Students at Mexico's Instituto Tecnológico de Estudios Superiores de Monterrey use laptop computers for an outdoor study break.

first opportunity for the region's working-class kids to get into higher education," says Castro. "Stuffing them with price equilibrium theory is not necessarily the best choice. A two-year course is often ideal. From the labor market's perspective, there will be a huge demand for well-trained technicians who can fix fax machines, cellular phones or computers."


While in the past an experienced mechanic could tune a car's motor by ear, today he must deal with dozens of computers under the hood. These new technologies—and the mammoth manuals they invariably spawn—require several levels of abstraction that can only be acquired in post-secondary education, says Castro. Latin American universities have traditionally been geared toward producing engineers who could understand the theory behind technologies but would have a hard time changing a tire. Community colleges could fill this vacuum. But if two-year institutions are given second-class status, they will fail to fulfill this role, says Castro. "We want to raise the profile of the community college concept, similar to what the United States and Europe have done."

In industrialized countries, at least half of higher education graduates go through community colleges or similar institutions. This is especially true in the case of older and less-affluent students who are already in the work force. Two-year schools frequently work in close contact with the private sector. Their boards of governors tend to include local business leaders as well as

government representatives. Their study programs are usually designed to match the requirements of the job market. In some cases their campuses are right next to the facilities of the companies where their graduates will eventually work.

However, funding will still loom as a problem as Latin American countries attempt to build similar institutions. Traditionally, community colleges are public entities that cover their costs with a mix of state and local government subsidies and tuition fees. But in most of Latin America, such hybrid solutions are still in their infancy.

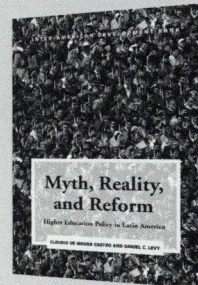
Will these financial constraints force Latin America to buck an increasingly popular trend? Clearly, massive admission into traditional universities with long academic courses has not been the solution for those students who must quickly acquire the practical skills needed to succeed in today's labor markets. In contrast, career-driven short courses seem like a reasonable option and a wiser investment of scarce public resources. As Castro notes, even though the region's political and cultural peculiarities may prevent it from replicating every aspect of the community college model, the winds are blowing in that direction.

 The websites of UNAM, UBA, Universidade de Campinas and ITESM can be found at www.unam.mx, www.uba.ar, www.unicamp.br and www.sistema.itesm.mx.

For more on the IDB's work in education, go to www.iadb.org/sds/edu.

Bridging extremes in higher education

WHILE MANY EXPERTS IN HIGHER EDUCATION advocate only modest change, many others want to overhaul the entire system. *Myth, Reality, and Reform*, a new book to be released by the IDB in March, bridges these two extremes. In it, authors Claudio de Moura Castro, IDB chief education advisor, and Daniel C. Levy, professor at the State University of New York, individually examine what they identify



as the four key functions of higher education. These are academic leadership, professional development, technological training and development, and general higher education. Castro and Levy suggest how to consolidate the strengths of higher education systems while carrying out reforms of their weaknesses.

For ordering information, contact the IDB Bookstore at www.iadb.org; call (202) 623-1753; or write to the IDB Bookstore, Stop E-0105, 1300 New York Ave., N.W., Washington, D.C. 20577.



The need to help Latin America's most economically vulnerable social groups remains at the center of the Bank's mission.

The IDB returns to its roots

Bank marks 40th anniversary by reaffirming commitment to reform

By **PETER BATE**, Petrópolis, Brazil

IN MANY CULTURES, A 40TH BIRTHDAY MARKS an important milestone, a transition between youth and maturity, a time to take stock and to set goals for the future.

And so too with institutions. The Inter-American Development Bank celebrated its 40th anniversary in December by holding a ceremony in Petrópolis, Brazil, where the formal decision was made to launch what would be the world's first regional lending institution.

As it happened, Petrópolis could already claim a place in history. This picturesque mountain city 65 km north of Rio de Janeiro was chosen by 19th century Brazilian emperor Dom Pedro II as the seat of his summer palace. An enlightened monarch who ruled for nearly 50 years, the emperor commissioned a detailed plan for the city and attracted immigrants to the area.

Petrópolis's major landmark, the stately Hotel Quitandinha, also boasts a colorful past. The massive Norman-style building, with 440 rooms and 13 great halls, started out as the largest casino in Latin America. But its splendor faded after Brazilian authorities outlawed gambling. Following decades of decline, the hotel's fortunes began to im-

prove in the 1990s after its facilities were spruced up and leased for conventions.

Old idea takes root. The idea for a regional bank, as well as a common market and a single Latin American currency, dates back to the late 19th century. But it wasn't until

“ We must avoid lapsing into the pendular swings that once were the hallmark of our region's policies. ”

ENRIQUE V. IGLESIAS
President, IDB

1954, in the Hotel Quitandinha's circular theater hall, that a meeting of finance ministers called by the Organization of American States made the first concrete proposal to create a financial institution to serve the nations of Latin America and the Caribbean. The proposal took root, and in 1958 received the decisive backing of Brazilian President Juscelino Kubitschek and U.S. President Dwight D. Eisenhower. The IDB was formally established the following year.

Last December, the heads of state of Bra-

zil, Costa Rica, Peru, Uruguay, and Trinidad and Tobago together with ministers and senior officials from the Bank's 46 member countries returned to the Hotel Quitandinha to look back at the Bank's accomplishments and review the challenges that lie ahead.

“The IDB must continue to play an important role in strengthening cooperation among our peoples,” Brazilian President Fernando Henrique Cardoso declared in his speech at the anniversary meeting. “The Bank has all the right tools to help Latin America and the Caribbean ease into the process of globalization in a more solid, less skewed, and socially inclusive way that will gradually eliminate inequality.”

History lessons. Several other speakers also stressed the urgency of addressing Latin America's persistent poverty and inequality. According to U.S. Treasury Secretary Lawrence H. Summers, the region simply has not been making the necessary investments in human capital. “At the brink of a new century, one-quarter of the people in Latin America lack access to safe water, one-third live in poverty, and one-fifth do not have access to sanitation,” Summers said. “If the same remarkable human ingenuity that makes it possible to stand virtually anywhere

in this continent with a cell phone in your hand and talk to anyone in the world were applied to these problems, they could be mastered as well."

Bank President Enrique V. Iglesias, who has led the IDB for the past 11 years, said the region's 3 percent growth rate during the 1990s was too slow to reduce poverty. GDP must grow by more than 6 percent a year over the coming decade, he said. "This is an achievable task," he added.

Iglesias urged the region's countries to resist the temptation of seeking short-term relief from the pressures of globalization by raising trade barriers or returning to populist profligacy. "We must avoid lapsing into the pendular swings that once were the hallmark of our region's policies," Iglesias said. "We must build upon our achievements, fine-tune our policies when necessary, but stay the course. That is history's lesson."

Strategic steps. The IDB's major challenge for the coming decade will be to help the region reduce its vulnerability to external shocks, Iglesias told the Committee of the IDB's Board of Governors during a December 2-3 meeting held in Rio de Janeiro, just before the Quitandinha ceremony. One of the keys to diminishing that weakness is to boost domestic savings, an area in which Latin America has lagged with respect to other regions. In fact, as Council on Foreign Relations economist Albert Fishlow told the assembled governors and guests, Latin America's savings rate stands practically at the same level as it was when the IDB was founded in 1959.

At the two-day meeting in Rio de Janeiro, the Bank's management and representatives of member countries discussed a proposed strategy designed to help the IDB better serve its borrowers' needs. In addition to the issue of vulnerability, the strategy proposes increased attention to improving the quality of democratic governance, promoting efficient markets, supporting regional integration, and investing in human and social capital. In the area of governance, several member countries have asked the Bank to beef up support for the trend toward decentralization that is taking place across the region. ■



Hotel Quitandinha, the IDB's birthplace.



Flood victims in Venezuela receive food staples from government relief workers.

IDB sends disaster aid to Venezuela

Emergency credits will finance relief and reconstruction following December floods

THE IDB IS PREPARING A SERIES OF EMERGENCY loans to help Venezuela rebuild after the devastation caused by flooding last December which left an estimated 30,000 dead or missing and up to 400,000 homeless.

The new credits will help finance rehabilitation and reconstruction, particularly of physical infrastructure, along with environmental safeguards and social assistance, for persons made homeless by the flooding and mudslides.

A 10-person IDB team traveled to Venezuela a week after the catastrophe occurred to consult with authorities and assess the extent of the damage and the country's needs. Bank officials are now working with the Venezuelan government to design loans to meet the country's most pressing relief and reconstruction needs.

The IDB has already provided a \$50,000 grant to help Venezuela meet initial emergency expenses and will soon disburse a \$20 million loan for that purpose. It is also re-directing \$120 million in resources from existing IDB loans to Venezuela to address immediate needs, particularly in the areas of health, education, rural roads and infrastructure. Finally, Bank officials are preparing an additional loan, whose size has not

yet been determined, to assist in long-term reconstruction efforts.

As of late December, Venezuela had received a total of \$35 million in cash and in-kind donations for disaster relief, according to government sources. A National Emergency Committee within the Ministry of Health has been coordinating the distribution of drinking water, food, blankets, medicine and other supplies. Some 286 "collective centers" have been set up, mainly in school buildings, to temporarily house people made homeless by the floods. Government officials have also taken measures to prevent the reconstruction of houses and other buildings on land known to be at high risk of future flooding and landslides.

Relief efforts have been hampered by continuing rains and flooding and by damaged bridges and roads. Among the most pressing short-term challenges is the construction of housing in safe areas for thousands of homeless families. Numerous public and private agencies are also working to reunite separated families and track down missing individuals.

For additional information on Venezuelan relief efforts see www.redcross.org or www.disasternews.net/venezuela.

A call to rally a country's youth

El Salvador's president calls for schools that foster creativity and participatory politics

By ROGER HAMILTON

GROWING UP CAN BE DIFFICULT EVEN UNDER the best of circumstances. But in El Salvador during the 1980s, when the effects of a brutal civil war were compounded by grinding poverty, environmental destruction and natural disasters, many of the country's young people saw little alternative but to retreat into cynicism and alienation.

As one who came of age during this sad period in his country's history, Salvadoran President Francisco Flores knows firsthand the challenges of encouraging youth to participate in public affairs. Speaking on this theme at a recent forum at the IDB's Washington, D.C., headquarters marking the Bank's 40th anniversary, he began by relating his own experience.

When war broke out, Flores was an 18-year-old student just starting college. "Members of my generation were being told that we had to go abroad, because there was no future in our country," he said. In 1977 he left, but then returned in 1983, which was perhaps the worst year of the war.

"I set out to construct my own little world," he said. "I and the other members of my generation rejected politics, which we considered a bad word. Instead, we looked for an isolated corner where we could live apart from the war."



“One cause of underdevelopment is the inability to imagine options.”

FRANCISCO FLORES
President of El Salvador

He found his refuge in El Tigre, a little community of 300 persons in the central part of the country. There he went to live and work with the farmers, founding a small school, establishing a health post and helping to build an irrigation system.



A town square in El Salvador: Young people cannot be fooled with promises, says Flores.

But Flores's isolation was soon to end. In 1989, his father-in-law, who had often visited Flores in El Tigre, was appointed minister of the Presidency. The two were close, and knowing this, the guerillas went to El Tigre and set fire to Flores's house.

"In that moment of brutal reality, I realized that in El Salvador it was impossible to build a world apart," said Flores. "One had to participate."

For Flores, this was a turning point, what he described as his "second birth." It was up to him to choose whether to cast blame or be a "creative person."

According to Flores, creativity is the crux of the matter: "One cause of underdevelopment is the inability to imagine options," he said.

School reform. A major obstacle to creativity is the education system, he said. "The truth is, in El Salvador and many other Latin American countries, education is based on memorization, repetition, rigidity and obedience. The teacher is a superior person who transmits knowledge to an inferior person, who uses the knowledge passively."

In a school system that fosters creativity, Flores said, the student must be exposed to many different perspectives and be encouraged to make up his own mind. The student body should be as heterogeneous as possible. The student should determine his own pace of learning. He will be on an equal level with the teachers, whose job will be to act as facilitators.

Out of such an educational ferment will emerge creative persons prepared to lead. "The mark of a leader is excellence, and the crux of excellence is pursuing one's own goals. The cultural wealth of diversity can only be guaranteed by the profound individuality of each human being. These qualities cannot be developed in an environment that emphasizes obedience and control."

"The magic word is participation," said Flores. "Youth tend to keep their distance, but not when they are invited to join in. Even youths who are members of gangs aspire to get out of the gang, to become productive, get a job, achieve something as a member of society."

"We need a new way of doing politics," continued Flores. "It cannot be a forced march to a Promised Land, behind a general-like leader who says, 'Follow me.' This style of leadership has come to an end because we have learned that the only Promised Land is the one we ourselves make with our work. Young people are not going to believe such a leader, because they know that large-scale public spending, manipulation of exchange rates, and large-scale social programs are an illusion. We must convince youth to shape their own future, and we must design the institutions to make this possible."



DAVID MANGURIAN—IDB

Longshoremen ready cargo containers for shipment in the port of Buenos Aires, which was modernized with IDB financing.

Emergencies and reform mark 1999

Bank disbursements at a record high

THE INTER-AMERICAN DEVELOPMENT Bank approved \$9.46 billion in loans during 1999, nearly half of which was emergency funding to help countries cope with global financial volatility.

The lending total was the second highest in the Bank's history and marks the sixth year in a row that the IDB was the chief source of multilateral credit to Latin America and the Caribbean. The year-end summary was presented by IDB President Enrique V. Iglesias to the Bank's Board of Executive Directors on December 15.

Also during 1999 the IDB disbursed \$8 billion for previously approved loans, a record amount for a single year.

Besides the emergency lending, last year's approvals reflected a continuing emphasis on social reform and modernization of the state. The Bank also approved substantial financing for natural disaster prevention and reconstruction in The Bahamas, Belize, Colombia, Honduras, Nicaragua and Peru.

In his report to the executive directors, Iglesias said the IDB loan portfolio was "generally performing well," with 90 percent of the projects expected to achieve their devel-

opment objectives.

Forty-four percent of the Bank's active portfolio of \$45.1 billion is allocated to social investments, 22 percent for infrastructure, 19 percent for reform and modernization of the state, and 15 percent for productive sectors and other areas.

Lending and loan guarantees prepared by the IDB's Private Sector Department reached a record \$634.7 million for 1999 and syndicated loans prepared by that department totaled \$499.2 million.

Iglesias highlighted the growing importance of the IDB's nonfinancial services. One example is the Bank's role in chairing the 1999 Stockholm meeting of the Consultative Group on the Reconstruction and Transformation of Central America, where more than \$9 billion in pledges were mobilized in the wake of Hurricane Mitch.

Looking ahead, Iglesias said the three great challenges facing the region are to boost investment in human capital and social sectors, modernize the state, and increase competitiveness and efficiency. He called exports and savings the "two Achilles heels of the region." ■

1999 LENDING HIGHLIGHTS

- ▶ The largest single IDB loan to Brazil, for \$2.2 billion, was approved to support measures to protect federal social spending levels and help maintain macroeconomic stability.
- ▶ The first IDB disaster relief loan approved on a special fast-track procedure enabled the Bank to provide \$20 million in financing to Colombia in a record 26 days after a major earthquake struck the country's coffee-producing region, causing many deaths and extensive damage.
- ▶ The first Private Sector Department operations were approved for Chile and the Dominican Republic, along with the department's first project in the telecommunications sector (Chile), its first toll bridge project (Argentina), and its first loan guarantee operation (Brazil).
- ▶ In its largest single loan operation for Mexico, the Bank approved \$800 million to help states and municipalities strengthen intergovernmental fiscal relations and resource allocation for public investments.
- ▶ The Bank financed 347 technical cooperation projects for a total amount of \$72.9 million, while the Multilateral Investment Fund, an autonomous fund administered by the IDB that promotes private sector development, provided \$134 million for 90 projects.



After the old shamans are gone, will their knowledge and traditions disappear as well?

A future for shamans

Traditional healers argue for respect and support from a fast-changing world

By ROGER HAMILTON

AN UNUSUAL GATHERING TOOK PLACE LAST June in the village of Yurayaco, in the foothills of the Colombian Amazon. For the first time, the shamans of traditionally rival communities set aside their differences to take aim at a much bigger problem: the growing threats to their culture and to the medicinal practices that are central to their way of life.

The shamans realized that mere physical isolation was not enough to shield their communities from outside pressures. Like traditional groups everywhere, their communities have become intertwined with people and events across the globe.

So the 42 *taitas*, as shamans are called here, decided they had to act. At the close of their week-long meeting they created a union of traditional healers and signed a joint declaration that would form the basis for an appeal that they would take to the road. On their itinerary was the IDB's Washington, D.C., headquarters, which they visited in October accompanied by Mark Plotkin, noted ethnobotanist and president of the nongovernmental Amazon Conservation Team, and Germán Zuluaga, that group's Colombian director.

High on their list of problems is what to do about nonindigenous charlatans who pose as *taitas* and sell *yagé*, a hallucinogenic plant used as a central part of sacred ceremonies. When *yagé* is administered outside of a controlled cultural setting it can produce many negative side effects, giving it a bad reputation. In fact, some authorities are campaign-

ing to declare the plant a narcotic and ban its use.

The *taitas* demand that they be allowed to continue using *yagé* as part of their religious and healing practices. In addition, they are calling on the government to go one step further and give official recognition to the health services that *taitas* provide to their peoples.

Another problem is bioprospecting by well-funded scientists, entrepreneurs and anthropologists, who remove medicinal plants from the forest with the intent of deriving marketable substances from them. Patenting these genetic resources violates what the *taitas* consider their intellectual property rights. They are opposed to such activities unless there are contracts in place that guarantee the Indians' rights.

A third threat is the loss of traditional Indian territorial lands and sacred sites. "If the forests disappear, so will medicine and life," states the *taita* declaration.

Plotkin, who has long warned that the disappearance of shamans represents an irreplaceable loss of botanical and other knowledge, concedes that these traditional healers don't have all the answers. But western medicine can learn much from them, according to Plotkin. "You don't have to be a romantic or a flower child to reach this conclusion," he said. Moreover, technological advances make Mother Nature an even more promising potential source of new drugs because new ways are being developed to find useful products, analyze them and manipulate molecules, he added.

Beyond cultural and health benefits, sup-

port for shamans offers economic benefits, according to Anne Deruyttere, chief of the IDB's Indigenous Peoples Unit. In some cases traditional medicine can be more cost-effective than western medicine, and several Latin American countries have shown an interest in using their services as part of their national health services.

Moreover, she said, in a time of rapid and often wrenching change, people who have a clear cultural identity based on traditional practices and ways of life are better able to adjust.

Meeting of cultures. While many nonindigenous people reject traditional medicine, still others become converts. Amazon Conservation Team's Zuluaga recalled his own experience on a trip to the Amazon, shortly after graduating from medical school. He was so impressed by the healing powers of the *taitas* that he declared that he would wear feathers himself. The *taitas* advised him to stick with western attire.

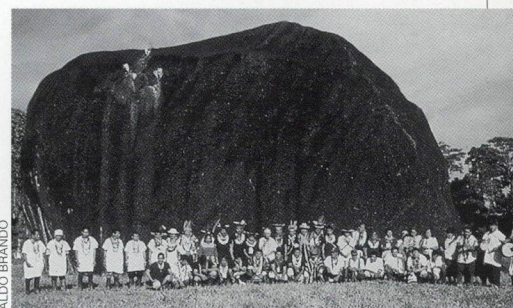
But while cultural differences must remain, Zuluaga urged a rapprochement between traditional and western medicine based on scientific research and legal support. *Taitas* could be incorporated into modern health care systems, he said, and the use of *yagé* and other medicinal plants could be regulated. Protected areas could be co-managed with the state.

Zuluaga also urged measures to stem incursions into Indian lands by small farmers who clear the forest and plant coca, and the recovery of sacred sites such as the Yurayaco Rock, an enormous black monolith. He said economic support should be provided for indigenous reserves and sustainable production programs.

Traditional medicine should be brought out of the forest and into the outside world, said Zuluaga. Discussions are underway to construct two hospitals, complete with botanical gardens, where traditional medicine will be taught to nonindigenous people and young Indians who will serve as apprentices as they learn botanical and healing skills.



For more information on the shamans' declaration and the Amazon Conservation Team, go to www.ethnobotany.org.



Shamans at the sacred Yurayaco rock.

Globalization: good, bad, or neither?

Writer calls for markets with a human face

GLOBALIZATION CAN BENEFIT LATIN America only if the free market system does a better job of meeting the needs of society, Mexican novelist Carlos Fuentes said at the inauguration of a cycle of seminars held by the IDB on the eve of the new century.

"The people will be enemies of the free market if the market is an enemy of the people," said Fuentes at the Bank's Washington, D.C., headquarters on October 19. His lecture was the first in the cycle, called Catedra Siglo XXI, being held to commemorate the IDB's 40th anniversary.

"Private enterprise is interested in investing, producing, employing and making profits," said Fuentes. "But in today's world we also have to understand that the market is not an end in itself, but a means to achieve the shared welfare of a growing number of consumers. The market is an instrument, not a dogma."

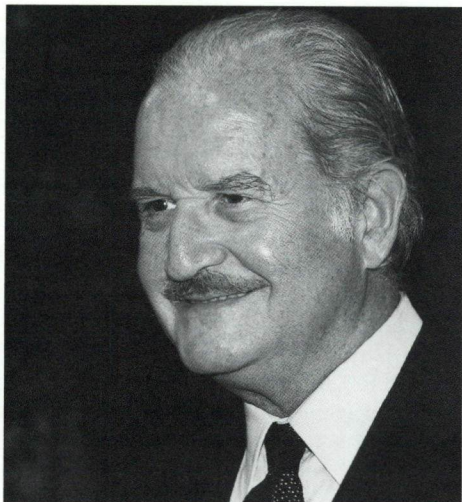
Similarly, globalization has both "vices and virtues," said Fuentes. "It can create prosperity, but also exclusion and the creation of a permanent underclass."

Raising the specter of what he called "global Darwinism," Fuentes warned that globalization can exacerbate inequalities and double the number of poor people in the world in 30 years. He asked: "Is this what we want? The globalization of poverty?"

But globalization can bring enormous potential benefits, said Fuentes. For one, it will increase the speed and universality of communication. "There were times when authoritarian regimes could hide their misdeeds. But not anymore. Official impunity has become increasingly more difficult in a globalized world."

Globalization has also brought technological advances, which bring benefits, but also dangers. When progress is so rapid, he said, countries unable to keep up will find themselves at a tremendous disadvantage.

Need for reforms. Gains in communication and technology will fuel the pace of investments. But here again, the benefits will not be automatic. Investments will benefit society only if countries do their part by strengthening security and improving health and education. Countries must make it clear, said Fuentes, that "society does not serve the market, but the citizen."



Mexican author Carlos Fuentes: "The market is an instrument, not a dogma."

Latin Americans will determine whether or not globalization will benefit their region, said Fuentes. He called on governments to carry out reforms, particularly of the state, which since World War II "grew but didn't become stronger, remaining characterized by patronage and influence-peddling." In contrast, governments in developed societies are strong though not big, and they function as regulators rather than owners, said Fuentes. A major task of a stronger state must be to reduce corruption. "It is perfectly easy to understand the reticence of international financial agencies, and even many transnational firms, to extend credits and invest in countries where corruption is flagrant," he said.

"If we want to be respectable countries, and be worthy of credit and investment, we must eliminate corruption, which is the most brutal form of robbing the poor."

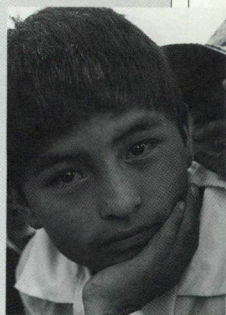
Fuentes concluded by highlighting the role of culture in an increasingly globalized world. Culture has a life of its own, he said, and in Latin America "it continues without disruptions, in contrast to the disruptions and weaknesses of our political and economic life."

In the 21st century, he said, Latin America must adjust politics and economics to its diverse sociocultural reality, in order to have "respect for the racial, ideological, sexual, linguistic, cultural and psychological differences within each of our societies." ■

ROUNDUP

Children at risk

Some 20 million working children between the ages of 5 and 15 are exploited and at risk in dangerous workplaces in Latin America, according to the International Labor Organization. Meeting in November in San José, Costa Rica, labor ministers from Central America and the Dominican Republic and ILO officials looked at how to reduce child labor and create protective legislation.



The check is in the mail

Immigrants from Mexico, El Salvador, Guatemala, Honduras and Nicaragua in the United States send an annual \$8 billion back home, according to a study by the United Nations Economic Commission for Latin America and the Caribbean (CEPAL). In El Salvador, remittances from immigrants equal 18 percent of gross domestic product and half of income from exports. CEPAL experts found a tendency among immigrants to pool their remittances and specify they be used for development projects in their native communities.

Advancing deserts

Even worse than losing forests is gaining deserts, and this is what Latin America is facing on a massive scale if environmental trends continue, warned United Nations experts at a November conference in Recife, Brazil. Some 10 million hectares of arable land are lost each year to the desertification, and among the most affected places are the northeast and north of Brazil, northern Venezuela, Chile and Argentina, the Peruvian and Bolivian altiplano, Central America, Mexico, Haiti and Cuba.



Mayors join hands

The mayors of more than 200 cities in the Americas meeting in Miami in November decided to create a hemispheric organization that will spur regional integration and political decentralization. At the close of the conference, IDB President Enrique V. Iglesias said that decentralization was essential, but also warned that transferring power to lower levels of government implies risks in areas such as inappropriate money transfers, political patronage and corruption.

Cash from trash

Communities across Latin America embrace recycling for profits—and pride

By DAVID MANGURIAN

RECYCLING IS NOTHING NEW IN LATIN America. For as long as anyone can remember, the poorest of the poor have earned a precarious living by scavenging city dumps by day and streets by night for anything they can sell. Many of these trash pickers are children, and in some places entire families live at landfill trash dumps, sharing the garbage with vultures and rats.

But in recent years, formalized recycling programs have been established in many Latin American countries. Some seek to benefit the long-time trash pickers at city dumps. Others were created in response to educational campaigns run by local and international environmental groups. The most successful ones combine environmental objectives with the economic returns essential for making a program truly sustainable.

The programs range from small grass-

roots projects to large-scale industrial enterprises. In Jambelli, a small coastal resort town in Ecuador, beautiful seaside views used to be marred by mounds of trash left by vacationers who could never find trash receptacles. With the financial support of a community-based coastal resources management program financed by the IDB, beachfront businesses placed recycling barrels at strategic locations and mounted an educational campaign to encourage both tourists and residents to use them.

A similar effort has transformed attitudes towards trash in Ayora, a small mountain town in Ecuador's Cayambe province. When the town council tired of the sloppy trash collection service provided by the nearby provincial capital, residents decided to take matters into their own hands.

The Ayora council obtained \$17,000 in grants—\$5,000 in IDB funds channeled through the Esquel Foundation and \$12,000 from the Canadian government—which it used to purchase red trash barrels and place them on street corners. Then it bought a cart and horse and inaugurated the town's own twice-a-week garbage collection. Next, the council set up a recycling center just outside of town where metal, plastic, glass and paper are separated for resale, while organic garbage is composted into fertilizer for sale to the valley's flower farmers. What little that remains is incinerated.

Trash collection is now a source of civic pride, particularly among children. After recycling was put on the school curriculum, kids went home and urged their parents to use the barrels for their trash.

"Change at home comes from the children," explains Gabriel Serrano, Ayora Town Council president. "The parents have less social and cultural education than their children. They pay attention to what their children say and do."

Recycling in Brazil, as with nearly everything else in that country, is taking place on

BRAGANÇA PAULISTA, BRAZIL: (left) Waste sludge generated as a byproduct by a paper factory is mixed with clay to yield lighter and stronger bricks.

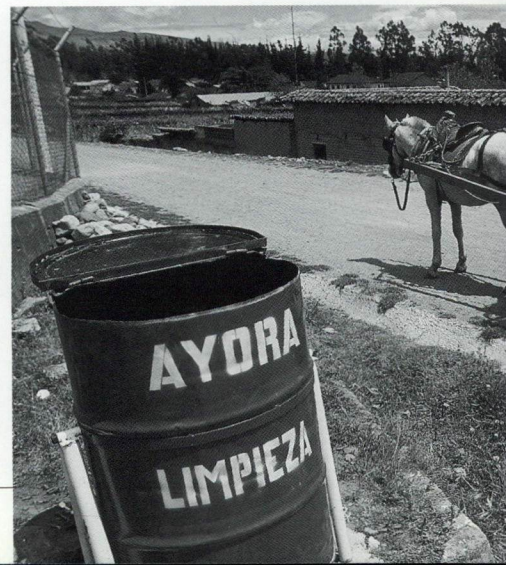
AYORA, ECUADOR: (right) A community-run garbage collection system conveys trash to a recycling center where metal, plastic, glass and paper are separated.



DAVID MANGURIAN—IDB



a larger scale. Consider the example of Fortaleza, the capital of Brazil's northeastern Ceará state. Nearly 1,000 people, including 300 children, formerly lived at the huge Jangurussú trash dump on the outskirts of this city of two million. They sifted through the city's garbage barehanded to separate out plastic, glass, metal and wood for resale. Trucks would haul trash to the dump day and night. It was difficult and often dangerous work, particularly at night, when children were not easy to see and occasionally were hit by the trucks.





DAVID MANGUIRIAN—IDB

“We worked out in the open in the hot sun, in the rain, amid the noise,” remembers jangurusseira Antônia Jocinéia Pacheco Ferreira. “We lived like animals.”

In the early 1990s, the city’s sanitation company, SANEFOR, asked the IDB to finance the expansion of the city’s sewage system and trash collection. The project included a recycling plant at the Jangurussú landfill and a plan to organize the jangurusseiros into a cooperative and build low-cost housing for them nearby. Today the plant operates three shifts and is slowly becoming self-sustaining.

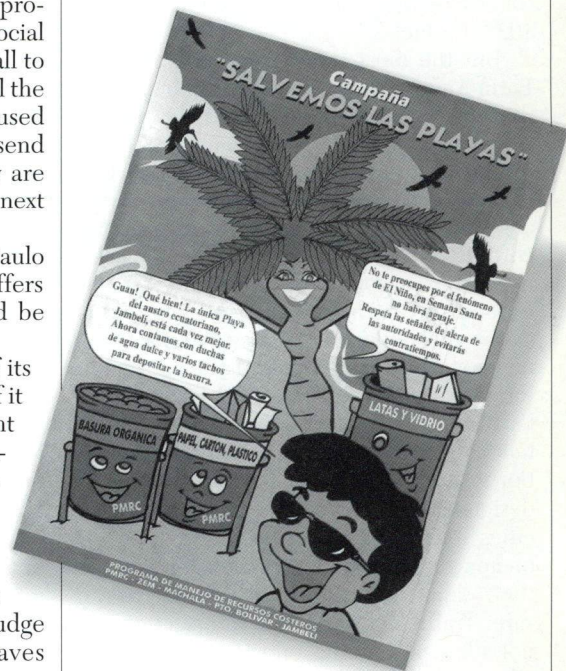
“Of all SANEFOR projects,” says Izelda Rocha Almeida, deputy advisor for the program, “this one is the best in terms of social benefits. But it is the most difficult of all to carry out. As a cooperative, they can sell the recyclables at a better price than they used to. But it’s difficult to convince them to send their children to school, because they are used to having their children working next to them at the landfill.”

In Bragança Paulista, a city in São Paulo state, the SANTHER tissue paper plant offers an impressive example of what could be called second-generation recycling.

The company manufactures most of its product from waste paper—100 tons of it a day. At the same time, about 80 percent of the sludge produced from its manufacturing process—some 90 tons a day—is used by nearby brick factories. The factories mix the sludge and clay at a 1-to-9 ratio to produce bricks that are lighter, stronger, and less expensive than conventional bricks. Giving away its sludge instead of paying for its disposal saves SANTHER \$30,000 a year. The company recently received financing in 1993 from the Inter-American Investment Corporation, an IDB affiliate, for new machinery to expand production.



DAVID MANGUIRIAN—IDB



JAMBELLI, ECUADOR: (above) A poster urges tourists at a coastal town to use new trash containers for recyclables.

The preventable plague

100,000 people die in traffic accidents in Latin America each year—a number that could easily be cut in half

By PAUL CONSTANCE

A TRAFFIC ACCIDENT HAS TO BE TRULY HORRIFIC to make headlines in Latin America these days. Like the bus in El Salvador that recently plunged into a ravine while attempting to pass on a curve, killing more than 30 passengers.

The danger of driving on most Latin American roads has become a macabre cliché—and a drain on the region's societies and economies. According to estimates compiled by the Danish Road Directorate in a study financed by the IDB, at least 100,000 people are killed in traffic accidents and 1.2 million are injured each year in Latin America. The cost of these accidents, measured in lost productivity, hospital bills and other factors, is estimated at \$30 billion.

Traffic accidents occur far more frequently in Latin America than in most industrialized countries. For every 10,000 vehicles in circulation, the average Latin American country registers around 18 traffic fatalities per year. In the United States, Canada, Japan and several European countries belonging to the Organization for Economic Cooperation and Development (OECD), the average is only 2.4 fatalities per 10,000 vehicles.

But the most singular phenomenon on Latin America's streets is the number of pedestrians who are hit and killed by vehicles. About half of all traffic accidents take place in the region's cities, and between one-half and one-third of those killed are pedestrians—not vehicle drivers or passengers. According to Charles Wright, a senior economist and transportation expert at the IDB, this is due partly to the fact that the region's cities are very densely populated and that walking is still the main form of transportation for most urban dwellers.

But the bigger reason for pedestrian fatalities, he adds, is that the traffic circulation system in most Latin American cities was designed with only vehicles in mind. In many cities sidewalks are narrow, poorly marked or nonexistent, forcing pedestrians to take their chances in the street. Stop signs are rare. Traffic lights at some intersections do not allow pedestrians enough time to actually cross the street. Poor lighting on many roads makes it difficult for drivers to see pedestrians at night or in the early morning hours when children are walking to school. Finally, a chronic lack of effective enforce-

ment keeps drivers from obeying speed limits and other rules of the road.

Unfortunately, things are likely to get worse. Economic growth and liberalized trade over the last decade have led to a surge in the number of automobiles in the region's roads. Though car ownership in the region remains low by international standards (about 100 vehicles per 1,000 inhabitants, compared to nearly 500 for industrialized countries in the OECD), it is poised to grow. The world's leading auto makers have invested billions of dollars in Mexican, Brazilian and Argentine production facilities during the last few years, hoping to capture a vast potential market for more affordable cars. The region's cities, already choking with vehicles, will only get more dangerous to drive in.

Quick fix. When they are confronted with the reality of traffic accidents, many Latin Americans react with fatalism. Traffic accidents are often thought to be a matter of bad luck. Any significant improvement in traffic safety is assumed to be prohibitively expensive.

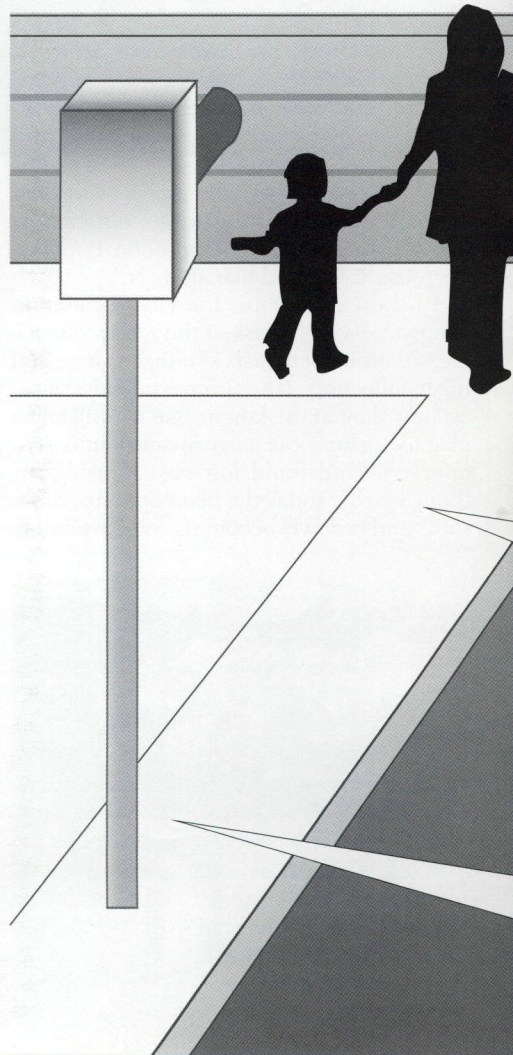
This is a tragic misconception. As Wright and other specialists continually point out, there are a number of relatively inexpensive measures that cities can take to quickly reduce pedestrian traffic fatalities by more than half. Several of these options are illustrated in the diagram on these pages. "When even a few of these measures are applied consistently and accompanied by effective public awareness campaigns, the results can be dramatic," says Wright.

Consider the case of Belo Horizonte, capital of Brazil's state of Minas Gerais, which until the late 1970s had one of the country's highest traffic accident rates. The city's roads, designed in the era of horse-drawn vehicles, funneled traffic from perpendicular and diagonal avenues and streets into a series of giant, multilane rotundas. As motor vehicle traffic grew, the rotundas became deathtraps for pedestrians and nightmares for motorists. In 1980 city officials decided to close the diagonal streets at the intersections and turn them into parking areas and pedestrian lanes. Sidewalks and medians at the intersections were extended in order to funnel traffic into just a few well-defined paths. Traffic lights were installed and programmed to give pedestrians adequate time to cross. Buses were rerouted and bus stops placed in protected areas. Traf-

fic fatalities in Belo Horizonte dropped by 75 percent after these measures were implemented, says Wright.

A thorough approach to road safety requires much more than the measures illustrated on this page, of course. Pedestrian-oriented transportation plans, better traffic laws and regulations, more effective enforcement by the police and stricter requirements for driving licenses are all needed. "These are the key long-term objectives," says Wright. "But in the meantime, cities can take simple steps that will save thousands of lives."

For a detailed look at these issues, see "Traffic Safety: Using Engineering to Reduce Accidents," by IDB consultant Philip Gold, available in English, Portuguese and Spanish. Call (202) 623-1753 or e-mail iddbooks@iadb.org.



TRAFFIC LIGHTS

These should only be used at high-traffic intersections. Traffic lights at low volume intersections may increase accidents because drivers are prone to ignore them. Lights must be programmed to allow sufficient time for crossing an intersection. They also should be combined with other measures to prevent high-speed right turns during a red light, for example.

PEDESTRIAN-ONLY STREETS

In highly congested commercial areas, closing some streets to vehicles can benefit pedestrians (who find it easier to get to stores), shopkeepers (who usually see increased customer volume) and drivers (who must dodge fewer pedestrians).

LIGHTING

Extra streetlights help drivers see pedestrians and other vehicles, reducing the risk of accidents. Some cities encourage children to wear light colors or reflector vests when they walk to school in the early morning or evening.

BUS LANES

Reserving certain lanes for buses, light rail or other kinds of public transport can both diminish congestion and prevent accidents. Road dividers and medians can also force cars to follow a more predictable course.

LOW-COST LIFE SAVERS

Some of the relatively inexpensive measures that some Latin American cities have used to cut traffic fatalities.

SIDEWALKS

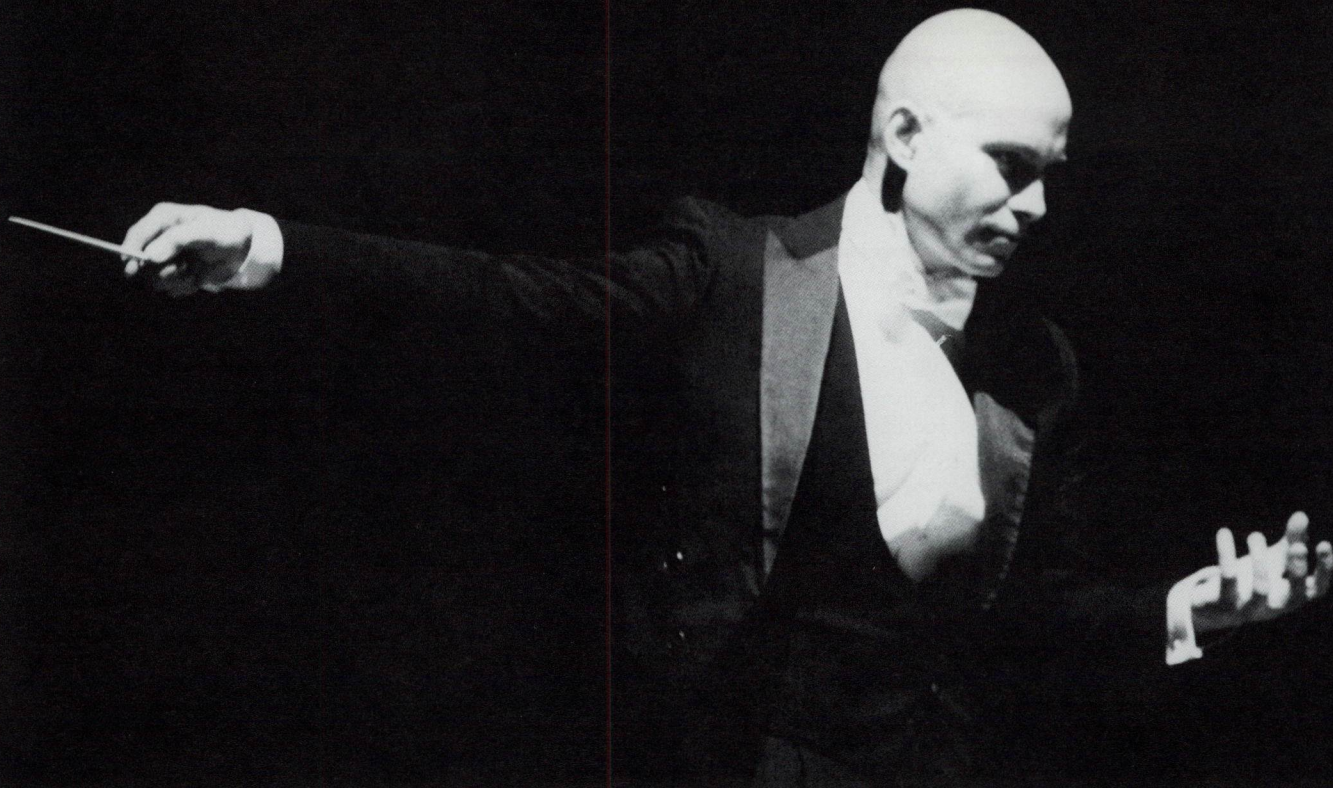
In many cities sidewalks should be widened and more clearly marked to separate pedestrians and cars.

VIDEO TRAFFIC MONITORS

Cameras, typically placed at busy intersections, record the license plates of cars running red lights or breaking other laws, making it possible to issue tickets to all offenders. They have a powerful deterrent effect and are increasingly popular in Brazil and several other Latin American countries. The systems typically pay for themselves through increased ticket revenues, in addition to a lower number of accidents.

SPEED BUMPS

This most basic of measures slows traffic where other means fail. The bumps must be well designed, clearly marked and preceded by multiple warning signs to prevent damage to vehicles.



Handel's vigorous conducting and unorthodox repertoire have attracted new audiences to Bolivia's National Symphony Orchestra.

Tchaikovsky on the altiplano

A U.S. conductor champions Bolivian music and revitalizes an orchestra

By PAUL CONSTANCE, La Paz, Bolivia

MOMENTS BEFORE AN EVENING CONCERT by Bolivia's National Symphony Orchestra in La Paz last July, scalpers outside the Municipal Theater were selling tickets at four times their face value.

Inside, a capacity crowd was soon clapping thunderously to the beat of a *cueca*, a traditional ballad and folk dance from the Bolivian highlands. Three subsequent performances of the program—which featured popular Bolivian singers and traditional songs arranged for orchestra by Bolivian composers—were also sellouts. A commercial recording of the concert is due out shortly.

This is not the kind of thing that Bolivians normally associate with their country's only permanent symphony orchestra. For most of its 54-year history, the orchestra has appeared only a few times per year to perform scaled-down operas or ballets for a loyal but basically elite audience. Until recently, performances were held in an elegant patio that seated only 200 and whose acoustics made it difficult to determine whether the playing was good or bad. Tickets were close to \$10—a prohibitive sum for most Bolivians.

After years of financial and artistic difficulties, the orchestra faced a crisis in the

summer of 1997 when its conductor and artistic director resigned days before several scheduled performances. David Handel, a 33-year-old U.S. conductor who had previously guest-led the orchestra and happened to be visiting friends in La Paz at the time, received an urgent call asking if he could stand in. He did, and the concerts were so well received that Handel was subsequently offered the vacant job.

He faced a difficult choice. After working for some eight years as a guest conductor based in Chicago, Handel's career was finally taking off. He had recently received offers from two other Latin American orchestras and one in the United States—all of them musically superior to the one in La Paz. But several factors ultimately persuaded him to choose Bolivia. One was the audiences, which Handel described as "very enthusiastic and supportive" during a recent interview in his La Paz apartment. Another was the fact that the orchestra had a tradition of working with corporate sponsors, even though it is primarily financed by the government. Finally, Handel saw a number of areas where he thought he could bring about immediate improvements—if he was given a decisive mandate. Tito Hoz de Vila, the Bolivian minister of Education, Culture and Sports who is responsible for the orchestra, made it clear that Handel could count on the

government's support. In short, "I thought it would be possible to build something here," Handel recalled.

He has been building very fast. During his first season, the orchestra performed 50 concerts, up from eight the year before. In order to attract larger audiences and offer better acoustics, Handel moved the orchestra from its patio to the Municipal Theater—La Paz's most prestigious venue. To make performances accessible to a broader audience, he introduced student discounts and replaced the single ticket price with a range of prices that starts at less than a dollar for students.

Doubled revenues. The public response was immediate. Within a year the total audience size grew by 500 percent and ticket revenues doubled. Nearly half of the new audience was under age 40, thanks to concerts and publicity targeted at university students. Media coverage increased dramatically as Handel took the orchestra on seven national tours in one season, up from just one the previous year. In addition to concerts in major cities like Sucre, Tarija, Potosí and Oruro, the orchestra performed for the first time in El Alto, an immense working-class suburb of La Paz that is populated primarily by Aymara Indians. "We performed twice in El Alto to completely full houses," Handel recalls. "It

was very emotional, because for years the orchestra had been emblematic of classism, and we were saying that's not what we're about."

Handel is aggressively expanding the orchestra's repertoire. He has established formal relationships with several Bolivian composers, both to arrange traditional music that has never been scored for orchestra and to premiere original compositions. He is also conducting works from the standard classical repertoire that have never been attempted by the orchestra. His second season included Bolivian premieres of major works by Tchaikovsky and Shostakovich.

On the management side, Handel spearheaded the creation of the Fundación Orquesta Sinfónica Nacional, a non-profit entity designed to promote the orchestra and supplement government funds with an expanded program of corporate and private sponsorships. Handel says that during its first year the foundation was able to increase revenues by around 80 percent thanks to tireless fundraising by a board of directors composed of leading figures from local corporate and artistic communities. "Our main goal is to generate the resources to improve the orchestra, raise our musicians' pay and hire additional musicians," says Miguel Navarro, a vice president at Bolivia's Banco Bisa who heads the foundation's development committee.

Although the new revenues made it possible for Handel to give his musicians a 20 percent bonus after his second season, he wants to do much better. Musicians' pay is still so low that orchestra members must hold

daytime jobs and rehearse in the evenings. By next season, Handel hopes to raise the payroll budget to the point where musicians will be able to work full-time for the orchestra. He also intends to hire 20 additional musicians. "This would allow us to become a fully professional orchestra capable of handling a more demanding repertoire," he says.

Question of relevance. Handel's ambitious agenda in La Paz did not spring from a vacuum. As a guest conductor in the early 1990s, he purposefully sought out opportunities in Latin America, where he says there are many fine orchestras that tend to be overlooked by foreign conductors. He performed on numerous occasions in Mexico, Guatemala, Argentina and Bolivia. In addition to perfecting his Spanish, which he first studied in high

school, these experiences deepened his interest in what he sees as cultural parallels between Latin America and the United States. "These are societies whose social and political development was very much determined by an immigrant population," he says. The blending of indigenous and European cultures—and the challenge of making a classical orchestra relevant in a multicultural society—are as evident in Chicago as they are in La Paz. So are the pressures of an open market economy where public funding for the arts is scarce.

"I'm an American just like a Bolivian is an American," says Handel, "and so I thought it might make sense for my broader career to help develop an orchestra in an environment that is culturally akin to the U.S."

■ **Within a year, the audience grew by 500 percent and ticket revenues doubled** ■

Art NEWS

An everyday battlefield

"For the same reason they believe that we are worthless, we are worth more," said the handicapped soldier, reflecting on the possibility of dying in battle. The play, called "The Night Before the Battle," was presented last November by a theater group called Imágenes at the Second International Dance and Theater Festival organized by the Center of Theater Arts of the Municipality of Lima, Peru.



The soldier's line took on particular significance because the actors belonging to Imágenes are themselves handicapped. Their performance in Lima marked the first time in Latin America that a theater group of handicapped people had been invited to participate in a professional festival. Its impact heightened by dance and choral presentations and fast-paced changes in scenery and costumes, the play's message was clear: the obstacles and dangers faced by soldiers on the battlefield are lived every day by handicapped people.

The IDB's Cultural Center provided grant funds that enabled Imágenes and three other Peruvian theater groups to participate in the festival.

—Elba Agustí, Lima, Peru

And the winner is . . .

Paraguayan pianist Jorge Enrique Báez made his United States debut at the IDB in November before a full house that included many of his own countrymen. As the winner of the City of Asunción Music Competition last August, Báez received an IDB Cultural Center prize, which was to perform in Washington, D.C., as part of the Bank's concert series. At the IDB, Báez quickly departed from the standard repertoire of Bach and Liszt to present a varied selection of compositions by Paraguayan composers seldom heard abroad. Báez has performed extensively as a soloist in his country, where he teaches and produces a radio program. He recently won a scholarship to study in Germany.



ARLETTE PEDRAGLIO—IDB



The La Paz orchestra has traveled to provincial cities and even working class suburbs.

PROJECT UPDATES

MEXICO

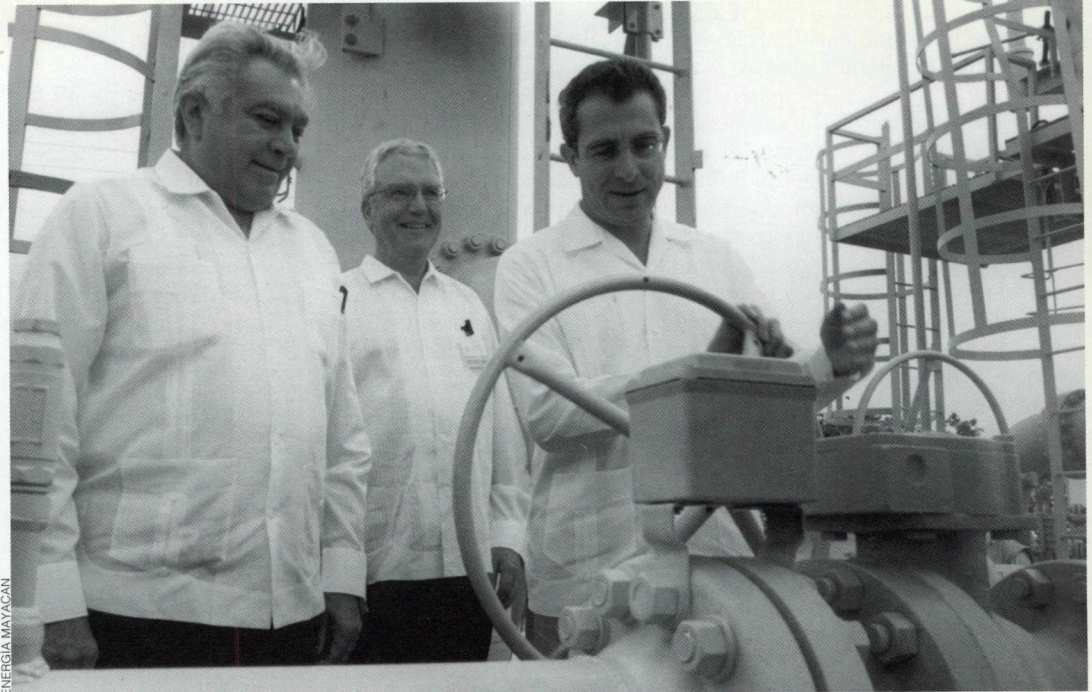
New gas line inaugurated

THE 692-KM MAYAKAN GAS PIPELINE, located in Mexico's Yucatán Peninsula, was inaugurated in November in a ceremony attended by Mexican President Ernesto Zedillo, Energy Secretary Luis Tellez, Commerce Secretary Herminio Blanco and Yucatán Governor Víctor Cervera.

The pipeline was sponsored by the firms Gutsa of Mexico, Transcanada Pipeline of Canada and Intergen of the United States. It was built by Bechtel of the U.S. With a total capacity of 370 million cubic feet per day, it will be the second largest in the country.

The project was developed by the private company Energía Mayakán with the help of a \$68.75 million IDB loan as well as a special \$142 million loan consisting of subscription agreements with the IDB by commercial banks. The project was the first large "build-own-operate" concession under Mexico's new regulatory framework for the natural gas sector.

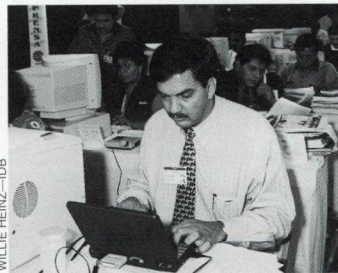
Although the state company PEMEX holds the monopoly on production and primary sales of gas, recently enacted legal reforms make it possible for private companies to construct, own and operate pipelines.



Mexican President Ernesto Zedillo (right) opens a valve at the new facility. Also appearing (l. to r.) are Víctor Cervera, Yucatán governor, and Doug Baldwin, president of Transcanada Pipeline Ltd.

The gas will be used in five existing plants that will be converted to natural gas and three new plants that will be built, for a total generating capacity of 1,627 megawatts. The fuel will also be used by local industries. Natural gas is a cheaper and less polluting fuel than oil, and one result of the switchover will be reduced emissions of hydrocarbons, sulfur oxides and particles.

Energy demand in the Yucatán Peninsula is growing by 7 percent annually, the fastest rate of any region in the country.



Reporting on the issues.

REGIONAL

Courses for journalists

SOME 225 LATIN AMERICAN JOURNALISTS will participate in a series of seminars and workshops in Cartagena, Colombia, designed to improve the quality of news reporting on political, social and economic issues.

Costs for attending the program will be covered in large part by IDB-funded scholarships. Topics will include corruption, elections, civil society, economic and political reform, conflict resolution, economic integration, environment, and poverty.

The program will be carried out by the Foundation for a New Ibero-American Journalism, which was founded by Colombian novelist and journalist Gabriel García Márquez.

GUATEMALA

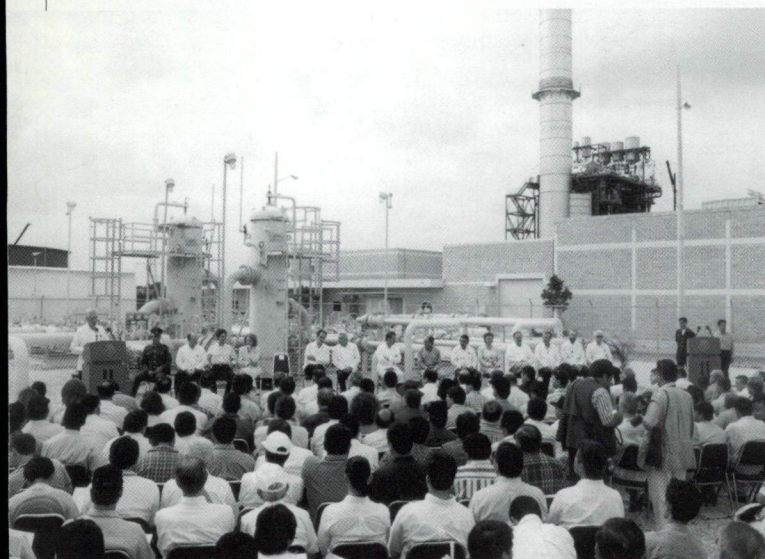
Watershed project produces change

INDIGENOUS COMMUNITIES IN Guatemala's highlands are changing agricultural practices and improving living standards as part of a project to reduce soil erosion and sedimentation of the Chixoy River, which feeds the Pueblo Viejo hydroelectric reservoir.

The IDB-financed Chixoy hydroelectric plant, the country's major energy source, has been threatened by rapid siltation due to poor land use practices in the watershed, primarily deforestation and cultivation of marginal, erosion-prone lands.

The project, which was financed with the help of a \$14.4 million IDB loan in 1992, includes soil conservation measures, training in forest management for local communities and works to stem erosion in gullies.

At the same time, the 12,000 people living in some 250 communities in the IDB-financed watershed management project area are benefiting from training in new agricultural techniques and business management. Schools and health centers have been constructed, and commu-



Inaugural ceremonies at the pipeline's CS1 Compressor station.

nal funds for small-scale production projects have been created.

Many of the community activities have been planned and carried out by community members. An important part of the project has been organizing local people and training leaders, a complex task because of the different Indian languages spoken by the various cultural groups benefiting from the program. A total of 200 agricultural and 100 agroforestry facilitators were chosen by the communities from among their ranks and provided with training. The peace agreements that ended the country's long-running civil war have been cited as a major reason for the success of the participatory process.

Among the project's achievements has been the establishment of soil conservation and sustainable farming practices on more than 9,600 hectares. In addition, forest management systems were instituted on 50,000 hectares in 115 communities, 10 million tree seedlings were planted on 5,600 hectares, and 2,300 hectares of degraded lands were rehabilitated through the repair of erosion prevention works. In all cases, original goals were exceeded, and in some cases substantially so.

The project is being carried out by a special unit of the Ministry of Agriculture.

—Carlos González, Guatemala

NEW PROJECTS

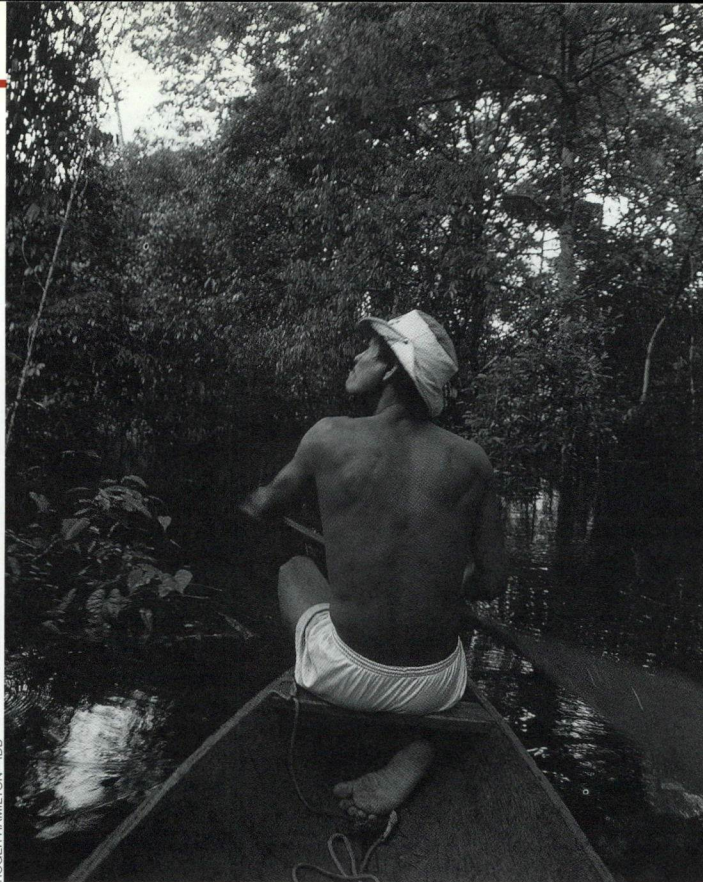
BRAZIL

Ecotourism for the Amazon

MANY ATTEMPTS HAVE BEEN MADE to open up Brazil's vast Amazon region to rubber production, mineral and timber extraction, and ranching. To one degree or other, these efforts have succeeded, but often at a great cost to the environment.

Now once again there are plans afoot to open up the Amazon: this time to tourists.

A new IDB-funded project will lay the groundwork to turn the Amazon, with its vast attractions as the world's largest intact rain



An Amazon tourist guide keeps a lookout for local wildlife.

forest, into a major tourist destination. The project, called Proecotur, will include studies of selected ecotourism sites, assessment of market demand, establishment of a legal framework, training programs, and local investments. The studies will form the basis for a much larger project set for the near future.

Participating in the project will be the nine Brazilian states making up what is called the Legal Amazon: Acre, Amapá, Amazonas, Maranhão, Mato Grosso, Pará, Rondônia, Roraima and Tocantins. The region is home for some 20 million people. Nearly one third of the world's fresh water flows through its river systems, and it contains the largest portion of the world's biodiversity. Deforestation has already affected large areas of the Amazon. Protected areas are too few and inadequately staffed and managed to adequately provide protection. As in many other parts of the world, ecotourism is seen as a way for local people to derive revenues from natural areas that are left intact.

As part of the project, master plans will be developed and pilot infrastructure works will be carried out in priority areas in five of the participating states.

The areas, ranging in size from 66,900 hectares to 441,600 hectares, were selected on the basis of their natural resources, transportation access, hotel infrastructure and the commitment of local government and other groups to support the program.

While ecotourism is one of the fastest growing segments of the tourism industry, it is largely undeveloped in Latin America. In the Brazilian Amazon, ecotourism is carried out largely on an ad hoc basis, limited mainly to jungle lodges and some river cruises in and around the city of Manaus and in the northern part of the state of Mato Grosso. Very few of the tourists are non-Brazilian, and they stay on average only 3.3 days.

A major focus of the project will be to educate and train local people, including providers of tourism services and local government officials, in how to conserve the natural resources on which the ecotourism industry depends.

The project's total cost of \$13.8 million will be financed with the help of an IDB loan for \$11 million. It will be carried out by the Secretariat of Coordination of the Amazon, an agency of the Ministry of Environment.

HONDURAS

Courthouse fit for a judge

A PROGRAM TO MODERNIZE THE Honduran judicial system recently completed the construction of 20 municipal courthouses and began work on 23 more.

A total of 80 courthouses will be built as part of the program, which is being carried out with the help of an \$8.7 million IDB loan. Funds will also be used to update legislation, improve access to legal services, and strengthen planning, management and information systems.

Access to the judicial system will be improved by providing equipment and training to the Office of the Public Defender and other legal aid offices, and the establishment of systems for mediation, conciliation and commercial arbitration.

Salvadoran Supreme Court President Armando Avila hailed the new facilities in a ceremony last year to inaugurate a courthouse in the Municipality of San José de Colinas. Judges cannot work in dilapidated surroundings, he said, adding that in some places, "the town bar is better than the courthouse."

The IDB is financing judicial reform projects in many Latin American countries. For an overview on the subject, see IDBAmerica, Nov.–Dec. 1999.

NEED DETAILS?

To read **press releases** on newly approved projects on the Internet, go to:

www.iadb.org/exr/prensa/releases.htm

For related

project documents, go to:

www.iadb.org/exr/english/projects/projects.htm

IDB Projects, a monthly listing of planned projects and procurement opportunities, is on the home page under "Business Opportunities."

For a sample printed copy, call (202) 623-1397 or fax (202) 623-1403. The Public Information Center can provide **further information** at (202) 623-2096, or e-mail pica@iadb.org.

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 \$1.4 million MIF grant to help finance a retail commerce training program.

Belize

A \$21.3 million IDB loan to improve the country's capacity to respond to hurricanes and other natural disasters.

A \$771,650 MIF grant to help establish a policy, regulatory, and purchasing environment that encourages the expansion of the domestic private sector in publicly and privately funded health services.

Bolivia

A \$40 million loan from the IDB's Fund for Special Operations for a project to improve potable water and sanitation services in small municipalities of up to 5,000 inhabitants.

A \$7.4 million loan from the IDB's Fund for Special Operations to support the country's Year 2000 National Population and Housing Census.

A \$1 million MIF grant for a craft development program.

Brazil

A \$250 million IDB loan to expand the coverage of the country's secondary education system and improve its quality.

A \$200 million IDB loan for the second stage of a massive project to improve the environmental quality in the Tietê River watershed that drains the metropolitan area of São Paulo.

A \$185 million IDB loan to finance a training program for nursing aides.

A \$100 million private sector IDB loan guarantee for the expansion of two electricity distribution



Workers in Panama City, Panama, add a fourth lane to the Avenida Simón Bolívar as part of an IDB-financed project.

companies, Companhia Paulista de Força e Luz, S.A., and Rio Grande Energia, S.A.

A \$75 million IDB loan and an \$80 million syndicated loan to Ecovias dos Imigrantes S.A., a private firm with a 20-year toll road concession from the state of São Paulo, to construct, rehabilitate, upgrade, and maintain the Anchieta-Imigrantes highway toll road system.

An \$11 million IDB loan to help prepare the groundwork for a major effort to promote ecotourism in the Amazon.

A \$2,250,000 MIF grant to implement several pilot projects that demonstrate promising private sector-led business models to provide renewable energy services to isolated communities.

Chile

A \$25 million IDB loan to Comunicación y Telefonía Rural S.A., a private company, to provide fully functional telephone service in areas of the southern part of the country where service is now minimal.

A \$2 million IIC senior loan and a \$3 million subordinated loan to Invertec Foods S.A. to expand its apple and capsicum dehydration facilities and increase its supply of apples, which are used as the raw material in the dehydration process.

A \$1.1 million MIF grant to strengthen Chile's water and sanitation regulatory authority.

A \$1.9 million MIF grant to lay the institutional and methodological foundations for developing a na-

tional system of job competency certification.

Colombia

A \$300 million IDB rapid dispersing loan for a series of reforms to improve the government's capacity to deal with problems in its financial sector and improve the sector's efficiency.

A total of \$133.7 million in redirected IDB loans to assist in the recovery of the country's coffee-producing region from a 1999 earthquake.

A \$1,231,000 MIF grant for a program to introduce quality and environmental management system standards in small and medium-size enterprises.

A \$640,000 MIF grant to improve the productivity of small-scale



road rehabilitation project.

El Salvador

A \$29,847,000 IDB loan to establish and consolidate systems for environmental management to reduce hazards and economic losses caused by pollution.

Guatemala

A \$150 million IDB loan to help fund rehabilitation and maintenance of highways and rural roads for the period 2000–2003.

A \$55.44 million IDB loan for the second phase of a long-term program to improve basic health services, particularly for low-income people.

A \$19,532,000 IDB loan to help finance the first phase of a six-year \$65.9 million project to strengthen the country's municipal sector and its principal municipal support agency.

A \$10 million IIC A loan and an \$11 million B loan to Hidroeléctrica Río Las Vacas S.A. to develop, construct, and operate a 20 megawatt power plant.

Guyana

A \$30 million loan from the IDB's Fund for Special Operations for a comprehensive air transport sector improvement program that includes regulatory and institutional reforms, investments in infrastructure, and institutional modernization.

A \$27 million loan from the IDB's Fund for Special Operations to improve the quality and availability of water supply and sewerage services in Georgetown.

A \$27 million loan from the IDB's Fund for Special Operations for a program in which the government will divest large amounts of land to assist the settlement of low-income families.

A \$900,000 MIF grant to develop a microenterprise training services market.

Honduras

A \$26 million loan from the IDB's Fund for Special Operations to promote and consolidate reforms at the municipal level for efficient and sustainable potable water and sanitation services.

Jamaica

A \$10 million IDB emergency loan for an ongoing government effort to ensure that critical computer systems are Y2K-compliant and to develop contingency plans for systems that are not fully compliant and may be affected by failures.

An \$8.4 million IDB loan to help the government establish a more dynamic, equitable, and efficient land market.

Haiti

A \$2 million MIF grant to set up an incentive mechanism that will encourage private enterprises to increase their efficiency and output through training.

Mexico

A \$800 million IDB loan to strengthen the autonomy and administrative management capacity of state and municipal governments throughout the country. This is the largest financing ever by the IDB for a single operation in Mexico.

A \$75 million IDB loan from the ordinary capital and a \$102.3 million syndicated loan to Termoelectrica del Golfo, a private sector company, for building and operating a 230 megawatt power plant in the state of San Luis de Potosí.

A \$4 million MIF trust investment in the Tijuana Development Fund and a \$1,370,000 grant to Consejo de Desarrollo de Tijuana to promote equity and quasi-equity investments to support small enterprises in the export and maquila supplier sector.

Nicaragua

A \$13.9 million loan from the IDB's Fund for Special Operations for a program to modernize the management of water and sewerage services.

A \$10 million loan from the IDB's Fund for Special Operations to strengthen the country's fiscal and customs systems.

A \$9,255,479 loan from the IDB's Fund for Special Operations and a \$330,000 grant to strengthen regional and local government

and institutional capacity in the Atlantic Coast region.

A \$6 million IIC financing, including a senior loan of up to \$4 million and a subordinated loan of up to \$2 million, to Banco de Crédito Centroamericano S.A. to further the development of small and medium-size enterprises.

A \$4 million IIC senior loan and subordinated loan of \$2 million to Banco de Crédito Centroamericano S.A. for small and medium-size enterprises.

A \$1,022,000 MIF grant to help establish a training and accreditation program for construction workers and to promote the modernization of the national training system.

A \$923,000 MIF grant to strengthen the technical and professional skills of public accountants and private independent auditing firms.

Panama

A \$48,850,000 IDB loan to support social investments and small-scale infrastructure in low-income communities.

A \$15.8 million IDB loan to help implement the country's Law of the Environment and its National Environmental Strategy.

A \$1,050,000 MIF grant to provide continuing support to the country's Interoceanic Regional Authority to transfer government-owned assets to private investors.

Paraguay

A \$67 million IDB loan to support the second stage of the National Rural Roads Program, which will upgrade the level of service on a substantial part of the priority rural roads network.

A \$7.5 million IIC credit facility to Banco Alemán Paraguayo S.A. for on-lending to small and medium-size enterprises, mainly for export-related products.

Peru

A \$120 million IDB loan to further assist the reconstruction of physical infrastructure and the

farmers in the center-south area of the country's Cauca Valley Department.

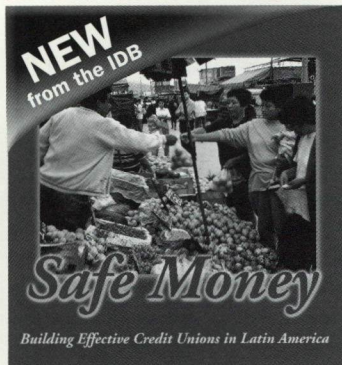
Costa Rica

A \$900,000 MIF grant to promote competitiveness among national suppliers of high technology multinationals.

A \$685,000 MIF grant to help the private sector to define mechanisms for training young people for the tourism sector and to provide for their entry into the labor market.

Dominican Republic

A \$150 million loan guarantee for La Compañía de Electricidad de San Pedro Macoris, Ltda., a special purpose company that will build a 300 megawatt, combined-cycle thermal power plant and additional facilities.



Safe Money: Building Effective Credit Unions in Latin America

Glenn Westley and
Brian Branch, Editors

AVAILABLE IN APRIL 2000

The challenges faced by Latin America's credit unions today are likely to force them to further modernize and consolidate, fine-tune their inherent advantages, improve mechanisms for prudential regulation, and find ways to increase their share of low- and middle-income markets. *Safe Money* explores these issues and presents the new thinking on how credit unions can compete effectively in modern financial markets while still retaining their social mission.

"Safe Money puts credit unions squarely back on the table for consideration in development circles, especially those concerned with the small end of financial markets. This book addresses major contemporary issues in financial development, including professionalism and grass roots voluntarism, scale economies in retail finance, responsiveness to clients, balance between the interests of savers and borrowers, and government regulation."

—J.D. Pischke,
President,
Frontier Finance International

Inter-American Development Bank,
1300 New York Avenue, NW, Wash-
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(continued from previous page)
resumption of services affected by El Niño.

An \$87 million IDB loan for the first stage of a \$197 million program to modernize and reform the health care system in order to improve its quality and expand its coverage.

A \$1 million IDB loan to help the National Customs Superintendency consolidate and expand its quality system and to meet standards of the International Organization for Standardization.

Venezuela

A \$100 million IDB loan to strengthen the country's capacity to carry out scientific research and technological innovation and to improve the competitiveness of its productive sector.

Regional

A \$7.5 million MIF investment and a \$100,000 grant for the Central American Small Enterprise Fund.

A \$10 million MIF equity financing and a \$170,000 grant for a program in which the Compañía Española de Financiación de Desarrollo will promote productive investment in small businesses in Latin America.

A \$3.8 million MIF grant to improve the quality of training in the agricultural sector for Mercosur countries.

A \$1,291,600 IDB grant to Mundo Maya Organization for an economic and social development program in five countries that will showcase and preserve shared cultural, historical and environmental heritage and provide alternative sources of income for the poor.

A \$600,000 MIF grant for a capacity-building program for small and medium-size entrepreneurs in El Salvador, Guatemala, and Panama.

A \$300,000 IDB grant to Fundación para un Nuevo Periodismo Iberoamericano for training for journalists in Latin America.

IDB named top borrower

INTERNATIONAL FINANCING REVIEW (IFR), a trade publication, named the IDB "Supranational Borrower of the Year" for 1999. The magazine, which covers the activity in the bond markets, cited the Bank's Finance Department for successfully increasing its funding target and broadening its investor base during last year's difficult economic environment.

The IDB generates funds by selling bonds on the international markets at favorable rates and then lending the proceeds to its Latin American and Caribbean member countries.

Although its AAA credit rating gives the Bank access to a wide range of borrowing options, the negative investor sentiment produced by financial crises in Latin America during 1999 made it somewhat harder for it to obtain ideal terms for its bond issues.

The need for additional funds to provide emergency funding to countries affected by the financial crises and natural disasters put additional pressure on the

IDB. According to Stephen Abrahams, head of the IDB's Capital Markets Division, the Bank borrowed \$9 billion in 1999, up 50 percent from the previous year.

The IFR commended the IDB for its sophisticated choices of currency, bond pricing and issue timing throughout the year. It also praised the Bank for attracting a number of new bond buyers in the United States, Canada, Asia and the United Kingdom.

APPOINTMENTS

Jorge Elena, FORMERLY THE IDB's representative in Brazil, has been named representative in Argentina, effective April 1. He is succeeded by **Waldemar F. Wirsig**, who was manager of the Bank's Sustainable Development Department.

J. James Spinner, previously deputy general counsel of the IDB's Legal Department, has been named general counsel and manager of the same department.

Jairo Sánchez, who was the Bank's representative in Mexico, has been named deputy manager for Regional Operations Department 2. He succeeded **Terry Powers**, who has retired after many years with the IDB.

Maritza Izaguirre, previously an advisor to the manager of Regional Operations Department 2, has succeeded Sánchez as IDB representative in Mexico.

Martin Stabile, formerly the Bank's representative in Nicaragua, has been named representative in Uruguay. He succeeds **William Large**, who has retired after many years with the IDB.



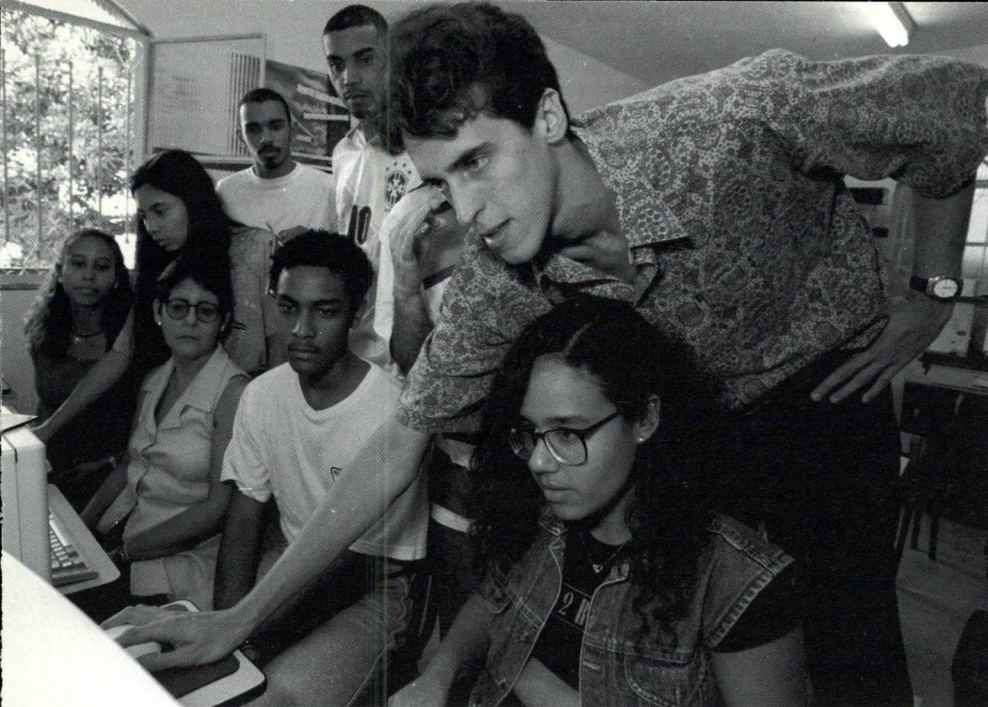
WILLIE HEINZ - IDB

HARVEST TIME: A woman tends her crops in Haiti, where IDB-funded programs are improving access to irrigation.

Correction

A map on page 3 of the Nov.-Dec. 1999 issue of IDBAmérica showing some member countries, incorrectly identified the territory of Japan. Following is the corrected map.





Baggio offers software tips to students at one of 107 computing schools in Brazilian favelas.

Brazil's nonprofit software tycoon

By PAUL CONSTANCE

CALL HIM THE GEEK WITH A CONSCIENCE. Rodrigo Baggio taught himself software programming at age 12, when his father gave him a Paralógica TK-82—the first personal computer widely sold in Brazil. “From that point forward I was fascinated by computing,” says the 29-year-old Rio de Janeiro native.

But unlike other stereotypically self-absorbed computer enthusiasts, Baggio also showed an early interest in society. Even as he was mastering the TK-82, he volunteered as a coordinator at a sports program for street kids from Rio’s notorious favelas. “That really shook me up,” he recalls, “because it showed me a reality that was very different from mine.”

At 15 Baggio volunteered to help manage the Rio office of an extractive reserve in the Amazon jungle. Soon he had designed environmental management software for the reserve that integrated satellite imagery and data from field studies. After a brief stint studying social sciences at Rio’s Federal University, Baggio was lured away by a job offer from Andersen Consulting, which put him to work as a programmer.

The corporate world proved too slow for the preternaturally restless Baggio. At age 22, with his father’s help, he opened Baggio Informática, a computer and systems inte-

gration business. Among his early clients was a group of private schools that was so impressed with his work that they asked him to create a computing class that would complement the traditional curriculum. His class—which used interactive software to enliven



DAVID MANGURIAN—LOB

“I went from ‘madman’ to ‘visionary’ overnight.”

RODRIGO BAGGIO
Software entrepreneur

subjects such as astronomy, anatomy and biology—was a hit. Through word of mouth, Baggio soon had more clients than he could handle. “I started making a lot of money,” he says. “I bought an apartment, a car, a boat, cell phones.”

By 1993, he was also feeling “very unhappy,” Baggio says. “I was so busy that I had dropped my efforts in the social area.” One night he had a dream in which he saw poor children using computers “to discuss their own reality.” The dream set off a chain reaction that culminated the following year, when

Baggio formed the Committee for Computer Science Democratization (known as CDI in Brazil). His goal was to teach “computing and citizenship” to young people in favelas so that they could improve their chances of finding a job while discussing ways to tackle their communities’ problems.


The idea was dismissed as crazy “by 99 percent of the people I shared it with,” recalls Baggio. Eventually, through sheer persistence, Baggio found a Catholic church in the Santa Marta favela that agreed to give him space to start the school. A large clothing store donated five state-of-the-art computers, and a nongovernmental organization agreed to coordinate everything. Possibly because of Baggio’s earlier exploits, local and national media mobbed the school on its opening day, giving the project much-needed publicity. “I went from ‘madman’ to ‘visionary,’ overnight,” jokes Baggio.

During the first two days of registration, the school signed up 600 12- to 30-year-old youths eager to learn about computing. Baggio recruited volunteers to train local teachers and devised a flexible system of one- to three-month courses with either morning or afternoon sessions. The courses cover basic software applications like word processing and spreadsheets, plus more advanced subjects including computer maintenance. Students learn spreadsheets by processing figures on local health indicators; they use word processors to print community newspapers and pamphlets.

Tuition covers costs. Baggio’s idea has spread like a computer virus. Since 1994, CDI has helped open a total of 107 computing schools in poor neighborhoods in 13 Brazilian states. Some 32,000 youths have already taken the courses. Though the schools continue to depend on donated computers and facilities, they are financially self-sufficient, thanks to a modest tuition fee, averaging \$3 per month, that provides a decent wage for instructors—all of whom must live in the community where the school is located.

Most recently, groups in Japan, the Philippines and Colombia have invited Baggio to come and tell them how they can replicate his program.

His next goal? “I’m asking telephone companies to donate telephone lines so that all Brazilian schools can get Internet connections,” he says. CDI has launched a new drive, called “Campanha Conectar” to also collect donated modems and other equipment necessary to hook up existing computers. “Today only three of our schools in Rio and two in Minas Gerais are connected,” Baggio says. “But in three months, we expect half of our schools to be online.”

 For more information on CDI and their current projects, go to www.cdi.org.br.



DAVID MANGURIAN—IDB

RECESS BUDDIES: Under an IDB-financed program launched in 1997, elementary schoolchildren in Guatemala are receiving new textbooks and educational materials. The program's aim is to improve primary education for indigenous and low-income children.

Inter-American Development Bank
1300 New York Ave., N.W.
Washington, D.C. 20577