THE IDB

Inter-American Development Bank • November 1995

Crisis and growth

Power worker

Chile cools off ▪ The question of volatility
The Bank in Beijing ▪ Neighborly business

THIS MONTH

COVER PHOTO

Power worker
Lineman Henry Gay inspects equipment at the Bahamas Electricity Corporation's Big Pond Substation. The installation is part of an IDB-financed power expansion program.
Cover photo by Wilheim Heinz, IDB

Volume 22 Number 11
THE IDB reports on economic and social development trends in Latin America and the Caribbean and on the activities of the Bank. It is published 10 times a year in English, Spanish, French and Portuguese.

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The Bank at a glance
The Inter-American Development Bank (IDB) is an international financial institution established in 1959 to help accelerate economic and social development in Latin America and the Caribbean. The IDB is based in Washington, D.C.

The Bank has 28 member countries in the Western Hemisphere and 18 outside of the region.

In its 34 years of operations, the IDB has helped to provide, secure and organize financing for projects that represent a total investment of more than $178 billion. The Bank has also fostered a more equitable distribution of the benefits of development and has been a pioneer in financing social projects.

The Bank's highest authority is its Board of Governors, on which each member country is represented. The IDB's 12-member Board of Executive Directors is responsible for the conduct of the Bank's operations.

The IDB's country offices in Latin America and the Caribbean represent the Bank in dealing with local authorities and supervise the implementation of Bank-supported projects.

Crisis and the spirit of reform

By most yardsticks, Latin America had a good 1994, according to this year's edition of the IDB report *Economic and Social Progress in Latin America.* To list only several of the major accomplishments:

- ▶ A growth rate of 5 percent, the highest achieved since 1980, marking the fourth consecutive year of recovery.
- ▶ Continued progress against inflation, most notably the success of Brazil's Real Plan.
- ▶ A drastic reduction in fiscal imbalances, which are now about 3 percent of gross domestic product compared to the 9 percent of GDP in the early 1980s.

But the signal economic event of 1994, the event that economists will remember for many years to come, was the Mexican peso crisis. While the crisis and the consequent turmoil in the financial markets happened too late to affect most economic indicators for that year, it will certainly influence economic performance in 1995, according to the IDB report.

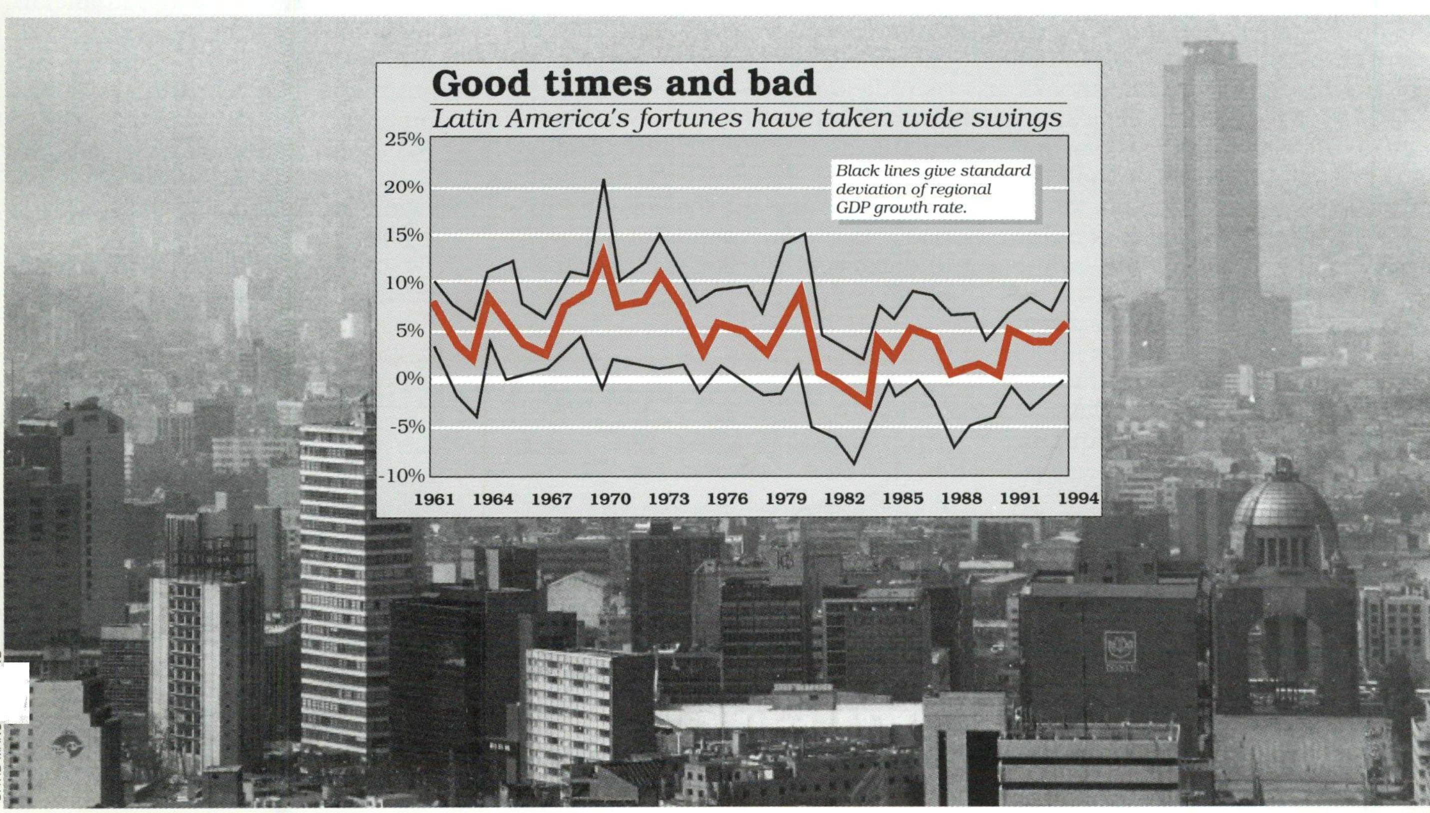
When the crisis hit, many feared the worst. But far from proving to be a repeat of the early 1980s, the crisis seriously affected only a few countries and is expected to be of relatively short duration. One reason was the quick and decisive action by the Mexican authorities and the international community. Even more important was the substantial progress Latin American countries have made in stabilizing and liberalizing their economies.

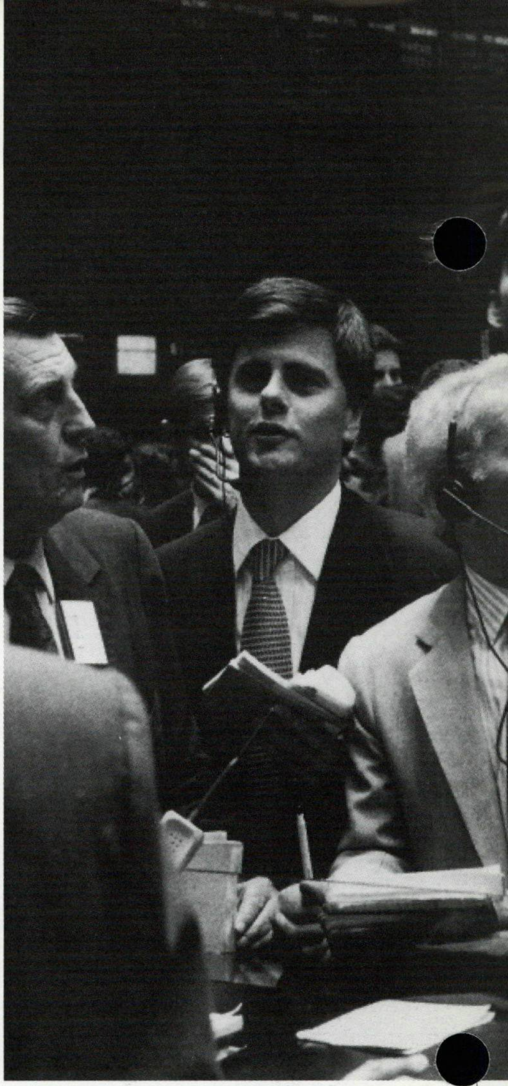
"The reforms," said the report, "have increased the resilience of the region to external shocks." In fact, the value of the reforms has become so clear that the governments of Mexico and Argentina reacted to the crisis with politically difficult adjustment measures, thus signaling their determination to continue with the reform process.

Latin America's reforms have increased its resilience to external economic shocks.

Rather than less reform, the peso crisis has pointed out the need for more, according to the IDB report. The decline in capital inflows caused by the crisis exposed the weakness of the banking systems in the countries most affected—Mexico and Argentina. Not coincidentally, finance ministers, chief banking executives and other top officials from throughout the hemisphere recently participated in a major IDB conference on banking crises in Latin America. The spirit of reform is very much alive and well in Latin America, as will be evident in the report on the conference that will appear in the next issue of *THE IDB.*

—the editor





POLICY

Coping with economic shocks

Latin America must come to terms with volatility

by Ricardo Hausmann

Economies are like forests. Given generous endowments, they will grow richer and more diverse. But even well-endowed forests are subject to storms that can disrupt their development. Over time, instead of a thick accumulation of trees, one may see stunted growth, deep scars in surviving trees, and the disappearance of species that are vulnerable to high winds.

In this way, the 1995 edition of the IDB report *Economic and Social Progress in Latin America* sums up the effect of economic shocks on the region's economies. Sharp changes in international prices for a country's main exports or foreign investors' appetite for its financial securities, shifts in the domestic political climate, reactions to other shocks or to failures in previous policies, even natural disasters—all can disrupt an economy and derail economic growth.

By such key measures as output, employment, consumption, inflation and investment, Latin America has been more volatile than any other region except Africa and the Middle East. More than a short-term nuisance, this volatility also affects long-term outcomes, including the region's overall economic development.

To examine the extent, causes and consequences of this volatility, we reviewed the existing economic literature and conducted our own research on the impact of economic stability upon long-run economic performance. Based on evidence gathered from the period 1970–92, we found not only that economic growth is hampered by volatility, but that poverty, income distribution and educational progress are adversely affected by macroeconomic instability.

The author, former planning minister for Venezuela, is the IDB's chief economist.

Causes and consequences. The volatility of such basic indicators as GDP growth and real exchange rates has been between two and three times higher in Latin America than in the industrial economies (see table). Also, Latin America has had more, longer and deeper recessions than most other regions.

One reason for the region's volatility is that macroeconomic policy in the region has itself been subject to wide swings. Using countries' fiscal deficits and public consumption as indicators, economic policy in Latin America has been twice as volatile as that in the industrialized countries.

A root cause for the volatility in policy is the interaction of political and external shocks—particularly sudden changes in the terms of trade and in international capital flows—with the region's relatively weak fiscal, monetary and financial institutions. Instead of being shock "absorbers" the region's policies and institutions have tended to be shock "amplifiers," magnifying their effects.

What are the consequences of this volatility on Latin America? Reviewing the evidence, we can draw the following conclusions:

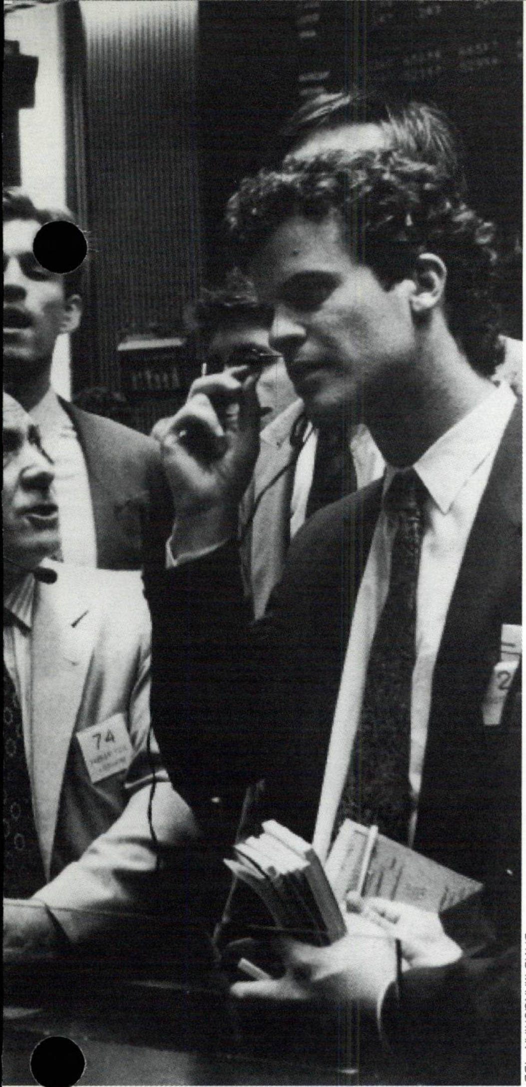
▶ *Volatility, and the uncertainty it produces, reduces economic growth*

Key indicators reveal a volatile continent*

The effects have been more and deeper recessions

	Latin America & Caribbean	Industrial countries	East Asian "Miracle"
Real GDP growth	4.7	2.2	3.0
Private consumption growth	5.6	2.1	4.1
Domestic investment growth	16.1	8.3	16.4
Change in real exchange rate	13.4	4.8	6.2
Fiscal deficit (% of GDP)	4.7	2.4	2.4

*Volatility (standard deviations) of economic indicators, 1970–92. Source: IDB, 1995.


DAVID MANGURIAN—IDB

The Mexican Stock Exchange has felt the shocks of the country's volatility.

by roughly one percent per year. This is due to its negative effects on productivity growth. Volatility also appears to adversely affect investment and education, and therefore accumulation of human and physical capital, thus reducing economic growth even more.

► *Volatility has a negative effect on income distribution.* This also seems to be at least partly due to volatility's negative impact on educational investments.

► *Volatility exacerbates poverty.* This is not surprising in light of its negative effects on economic growth and consumption, as well as on educational investments and schooling. Moreover, it seems plausible that the poor are less well equipped to ride out an adverse shock, and are therefore disproportionately affected by a volatile environment.

Why are Latin American economies so volatile? Our research reveals four primary reasons. First, the region's main exports—primary commodities—are particularly subject to changes in the terms of trade. Second, Latin America has historically suffered greater political instability than many other regions. Third, the region's financial systems have been relatively smaller and weaker than those of the industrial countries, limiting their ability to absorb shocks. Finally, exchange rate policy has often been destabilizing. The inclination to peg the exchange rate has tended to destabilize production, and because these pegs have often been unsustainable, policy has been destabilizing for the real exchange rate as well. All these variables tend to interact in ways that compound their negative effects and further increase volatility.

Policy proposals. What can be done to decrease the volatility of Latin America's economies? Our research suggests the following:

► Reduce political instability by promoting participatory democracy and strengthening judicial systems. Also, work toward a society-wide consensus on economic strategy.

► Counteract terms of trade volatility by diversifying exports, pursuing open trade and investment regimes, as well as regional interaction agreements, and developing mechanisms for risk management, such as futures and options contracts and commodity stabilization funds. Avoid protectionist policies, which discourage diversification.

► Reduce fiscal, monetary and exchange rate volatility by diversifying tax revenue sources, setting precautionary fiscal targets, developing proactive budgetary rules and institutions, and implementing sound debt management strategies. Also, adopt exchange rate policies that combine discipline with flexibility.

► Reduce financial volatility by establishing effective supervision and prudential regulation of the region's banking systems, offering indexed or "dollarized" deposit options, internationalizing the domestic financial system, and promoting long-term credit markets by improving the institutional and legal framework for private sector investment.

Colombia absorbs caffeine highs, lows

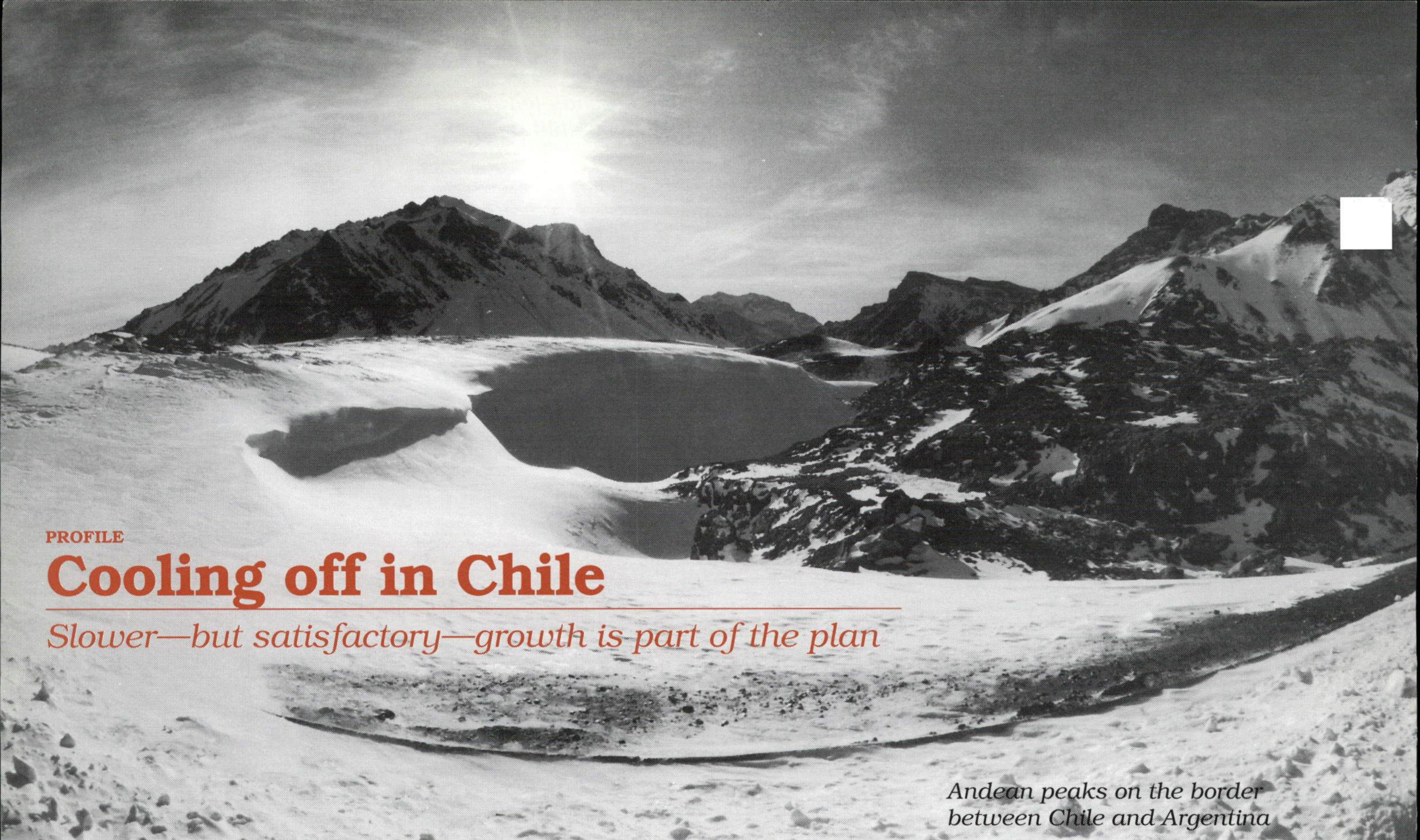
Some countries in Latin America have managed to develop institutions and policies that are able to absorb shocks rather than amplify them. A case in point is Colombia. Despite its heavy reliance on a single export, coffee, the Colombian economy has remained relatively insulated from movements in international coffee prices.

A study comparing Colombia with three other coffee exporters—Costa Rica, Côte d'Ivoire and Kenya—found that a 10 percent increase in coffee prices brings a nearly 7 percent increase in GDP in Costa Rica, a 12 percent increase in Côte d'Ivoire and 3 percent in Kenya, but only a 1.6 percent increase in Colombia. Declines in coffee prices prompt corresponding small drops in that country's GDP.

How has Colombia managed to protect its economy from fluctuations in international coffee prices? The answer is that fiscal policy has tended to move counter-cyclically in Colombia and procyclically in the other countries. The coffee revenues themselves are managed by a fund that is largely shielded from political pressure. The country also has a more diversified tax base, which reduces fluctuations in government revenues and spending.

► Mitigate the negative effects of volatility on workers by devising unemployment compensation plans that facilitate, rather than impede, worker mobility. In addition, raise educational standards to make workers more adaptable to changing conditions.

Many of these areas have been addressed, or are on the region's reform agenda. But more can be done both to dampen volatility and to make Latin America's economies better able to withstand the kind of volatility that is inevitable.



PROFILE

Cooling off in Chile

Slower—but satisfactory—growth is part of the plan

Andean peaks on the border between Chile and Argentina

DAVID MANGURIAN—IDB

by Roberto García López

When Chile registered slower economic growth last year than the year before, no one was disappointed.

Indeed, one of the prime objectives of the country's economic strategy in 1994 was to moderate growth in order to dampen inflationary pressures that had been mounting during the previous two years. The 4.2 percent increase in GDP was considered satisfactory, and other economic indicators put Chile squarely among Latin America's best-performing economies for the sixth year in a row.

For one thing, the pattern of growth was more sustainable than that of 1993, when high domestic demand and a bouyant non-tradables sector pushed GDP up 6.3 percent. In contrast, in 1994 growth was led by external demand, with a 25.7 percent increase in the value of exports to $11.5 billion. This contributed to a trade surplus of nearly $660 million, in sharp contrast to the $982 million deficit of 1993.

The writer, a citizen of Argentina, is an IDB country economist and coordinator for Chile.

Chile's top-performing sectors in 1994 were fishing (which grew 18.8 percent), communications and transportation (8.6 percent) and agriculture (6.9 percent). Retailing, manufacturing, construction and mining also grew, albeit moderately.

Certain industries that faced stiff competition from imports—particularly textiles, apparel, shoes and leather goods—declined by some 6 to 10 percent.

Higher wages. Domestic demand, which had been the driving force behind Chile's growth in 1993, in 1994 was lower than the overall growth of GDP. Gross fixed capital formation grew slightly less than GDP, while private consumption increased by 4.4 percent, reflecting modest expansion in employment and wages and slower expansion of consumer credit. The lowered domestic consumption and a marked improvement in the terms of trade led Chile to a new benchmark in its national savings, which rose to some 25.4 percent of GDP.

In the external sector, the country profited from a rebound in the prices of its main exports. Copper prices rose 23.3 percent, pushing the value of copper exports up to some $4.24 billion, or 36.6 percent of total exports. Imports, which grew only 6.8 percent—about a third as fast as exports—were primarily of capital goods.

Foreign investment in Chile, which had already reached a healthy $1.7 billion in 1993, nearly doubled to $3.2 billion in 1994. The largest share, 67 percent, was direct investment, most of it in mining, with the remainder in portfolio investments, primarily American Depository Receipts. Meanwhile, investments of Chilean capital elsewhere in the region reached $1.3 billion, up from $500 million in 1993.

The substantial inflow of capital, particularly during the second half of the year, produced a sizable balance of payments surplus in the country's capital account. By the end of the year, reserves had grown some $3.7 billion to $13.5 billion—a nearly 35 percent increase over the level of December 1993.

Chile's foreign debt rose 12 percent to $21.6 billion. The bulk of it was private sector debt, mostly medium and long term, with the share of short-term debt falling to only 18 percent of the total.

Inflation reached a 34-year low of 8.9 percent, down from 12.2 percent in 1993, vindicating the country's tight monetary policy.

One of the few dark spots in the economy's performance in 1994 was unemployment, which increased slightly from 4.5 percent at the end of 1993 to 5.9 percent in 1994. This was the result of lags in the adjustment process, such as a drop in construction and industrial activity, during the second half of the year.

Also somewhat problematic was the fact that public sector spending grew faster than the economy as a whole, continuing a trend from the previous four years. Most of this was social spending, which increased 43 percent over 1990.

Chile's social spending has shown results. The country has made significant progress in reducing poverty and improving living standards in the past few years.

For example, infant mortality has declined from 33 per thousand in 1980 to 14.3 per thousand in 1992. Literacy, which stood at 90.8 percent in 1980, rose to 95.3 percent in 1992. The proportion of undernourished children has declined from 8.8 percent in 1982 to 5.3 percent in 1993.

Progress in policy. In terms of economic policy, Chilean officials in 1994 continued to focus on medium-term equilibrium rather than short-term problems. This approach has allowed Chile to raise its level of domestic savings and achieve desirable fiscal and foreign balances. These, in turn, have enabled the country both to face the challenges of an increasingly globalized economy and to withstand short-term disturbances such as the recent Mexican peso crisis.

To achieve the desired level of inflation, officials kept interest rates high during 1994 by controlling the rates on short-term financial instruments offered by the central bank.

The currency exchange policy continued as a set rate with a floating band, as in previous years. This has allowed Chile to limit fluctuations, which has helped it to keep its exports competitive and to manage currency revaluations necessitated by major capital inflows.

The country's trade policy has focused on export diversification and integration into the four major trading blocs that are currently Chile's most important export markets: Asia (which buys 33 percent of total exports), Western Europe (25 percent), Latin America (21 percent) and North America (18 percent). Chile is hoping by the end of this year to complete trade negotiations with Nafta, Mercosur and the European Union.

DAVID MANGURIAN—IDB

Chile at a glance

Population	14,026,000
Total GDP growth rate	4.2%
Consumer prices growth rate	8.9%
Current account balance	–$753 million
Disbursed external debt	$20,884 million

Looking ahead. The outlook for Chile in the next year and beyond remains quite favorable. Based on the latest data, for first-quarter 1995, the country has managed to escape the fallout from the Mexican peso crisis. While other countries in the region have gone into recession, Chile is expecting a 6 percent increase in GDP this year.

Despite a decline in shipments to Mexico and Argentina, Chile's export sector is likely once again to spearhead growth this year. Growth in its other markets, along with good prices on copper, wood products and fruit, may well produce a trade surplus double the level of 1994. This, in turn, would bring the deficit in the current account down to less than 1 percent of GDP.

Figures on foreign investment for early 1995 show that interest in Chile remains strong. Indeed, during the first few months of this year, investment was up 20 percent. The structure of this investment is also changing for the better; direct investment has grown, while portfolio investment is declining—a trend that increases stability in short-term capital flows.

Public spending was expected to increase faster again this year than GDP, but this continues to be in response to objective needs in the social sector. The government's 1995 budget is consistent with macroeconomic equilibrium and continuing economic stability, and the fiscal balance is expected to show a surplus at about 1 percent of GDP.

With interest rates continuing at current levels—helped by the regional crisis and a rise in international interest rates—inflation is expected to remain in single digits. At the same time, real wages should increase moderately and unemployment should somewhat improve.

Extra efforts may be needed in the areas of work productivity, boosting the role of the private sector in general, modernizing the state through privatization and deregulation, and facilitating even greater export growth through regional integration.

Given such efforts, and with the current positive trends, Chile should succeed in its process of transformation, consolidating economic growth in a context of greater social equity.

SEMINARS

Inside look at the budgeting process

Politics, inflation and economic health

Limits to the collegial approach

■ Why do fiscal deficits vary so greatly from country to country? For example, in Latin America and the Caribbean the 1989–93 period, fiscal deficits ranged from 13.6 percent of gross domestic product in Guyana to a surplus of 3 percent of GDP in Jamaica.

This large variation cannot be explained by economic differences alone, nor by trade wars or recessions. How might differences in political and institutional factors affect on a country's budget procedures?

The relation between budget procedures and their political context is the subject of a new study by Ricardo Hausmann, IDB chief economist, Alberto Alesina, economist at Harvard University, and IDB economists Rudolf Hommes and Ernesto Stein. Their work was presented at a recent seminar at IDB heaquarters.

The study, which analyzes data for 21 countries in the region over a 13-year period (1980–1992), finds that more hierarchical and less collegial budget procedures lead to lower deficits and more fiscal discipline. A hierarchical procedure is defined by the authors as one that limits the role of the legislature in expanding the budget, that vests considerable power to a single individual in the budget negotiations (typically the finance minister), limits the prerogatives of the spending ministers, and imposes constraints on the admissible size of deficits.

The authors urge that further studies be carried out to determine the impact of budget reforms on fiscal deficits. Their own study hints that the reforms do indeed pay off.

Inflation and budget discipline

■ Why do a government's budgetary allocations generally fall short of final budget expenditures? Why does this particularly happen in times of inflation and volatile prices?

One explanation is contained in a new study titled "The Impact of Inflation on Budgetary Discipline" by IDB Chief Economist Ricardo Hausmann and Joshua Aizenman, professor at Dartmouth College and economist at the National Bureau of Economic Research. Their work was presented and discussed at a recent

Economic and political realities figure stro

IDB seminar on budget institutions and fiscal performance in Latin America.

Under conditions of volatility and high inflation, according to the study, a finance minister cannot predict how much an initial budgetary allocation will buy in the future, and therefore how much to give to each spending minister. Lacking the ability to make firm predictions, the finance minister typically underestimates initial allocations in order to get the budget passed, and then adjusts it upward later on depending on how much prices increase.

As inflation rises, budget allocations become less of a binding constraint on spending ministers, who can now hide behind the uncertainty that surrounds their actual financial position. This forces the finance ministry to spend increasing resources to monitor the expenditure process.

The September 19–20 conference "Budget Institutions and Fiscal Performance in Latin America" took a detailed, technical look at how this vital governmental function interacts with the a country's economic and political life.

Organized by the IDB's Office of the Chief Economist, the meeting brought together key figures from government, academia and multilateral organizations. They included budget directors from Argentina, Mexico and Venezuela, experts from Harvard University, the University of California at Berkeley and Columbia University, and representatives from the World Bank, the International Monetary Fund and the Andean Pact.

Subjects included theoretical aspects of budgetary institutions, volatility and fiscal rules, the role of congress in the budgetary process, the impact of inflation on budgetary discipline, the budgetary process in Argentina and Colombia, and budget transparency and control.

ly in a country's budgetary procedures.

In this way, inflation undercuts the disciplinary role that the budget process should have in determining how resources are allocated. In place of an orderly set of procedures, say Hausmann and Aizenman, governments achieve discipline through constant monitoring of spending, which is costly, complicated and inefficient.

The authors used data from 12 Latin American countries to test the model's predictions and confirmed that higher inflation does increase budget error and results in underestimating the planned budget.

Copies of the studies referred to above are available in English from Cristina Echavarren, 1300 New York Avenue, N.W., Washington, D.C. 20577; Tel. (202)623-3709; fax (202)623-2481); or E-Mail cristinae@iadb.org

INTEGRATION

Another plus for neighborly trade

Good export market for industrial goods

Like diet and health, some kinds of trade make for more robust economies than others. Traditional commodities may account for the bulk of Latin America's export earnings, but trade in industrial goods plays a disproportionate role in building a healthy economy through the diversification and assimilation of new technology.

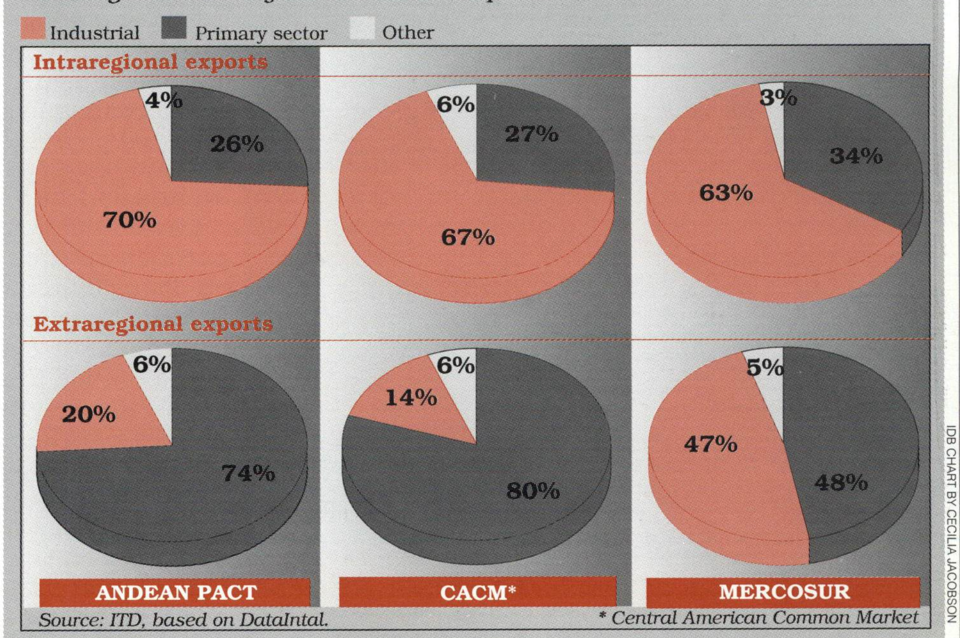
Latin America is developing its industrial exports at the same time it is forging ahead in building intraregional trade alliances. Not coincidentally, according to the 1995 edition of the IDB report *Economic and Social Progress in Latin America*, the two are linked: manufactured goods comprise a much larger share of what Latin American countries export to their neighbors within the region than of what they sell to their trading partners outside. Countries outside the region remain the major customers for Latin America's traditional agricultural and mineral commodity exports.

This difference in export composition is particularly noticeable with the countries of the Andean Pact and the Central American Common Market, but is still significant with the Southern Cone countries belonging to Mercosur.

With yet another good reason to build regional economic ties, the IDB report urges the countries to strengthen intraregional trade even further. For instance, it notes, even small preferences granted under a subregional trade agreement—together with the natural advantage of low transport costs—may be enough to fuel a substantial growth of commerce among neighboring countries at a similar level of development.

Next door markets

Intraregional trade favors industrial products.



Source: ITD, based on DataIntal.

** Central American Common Market*

PARAGUAY

New houses for the needy

Nearly 1,200 Paraguayans recently received subsidy certificates for low-cost housing as part of a new National Housing Council (Conavi) program financed by the IDB.

The certificates are for down payments covering 20 to 50 percent of the cost of privately built homes purchased on the open market. The beneficiaries must contribute down payments of up to 7 percent of the total cost of the homes from their own savings and obtain their own mortgages through the banking system.

The program marks a radical change for Conavi, which used to build and directly sell its own low-cost housing.

"The importance of this program is that Conavi is being converted into a regulatory agency," says Oswaldo Pacheco, project specialist with the Bank's Paraguay office. "The private sector will now be responsible for building, selling and financing low-cost housing."

The program, which is being financed with a $54 million IDB loan, will provide housing subsidies to 12,500 low-income families over a three-year period.

The Bank is also financing programs in Chile and Uruguay to privatize the construction of low-cost housing.

Low-income Paraguayans will be able to go to private sector institutions to obtain home mortgages.

TRINIDAD & TOBAGO

Master plan for tourism

In a Caribbean where all countries have their share of sun, sand and sea, what can Trinidad and Tobago offer tourists that will set it apart?

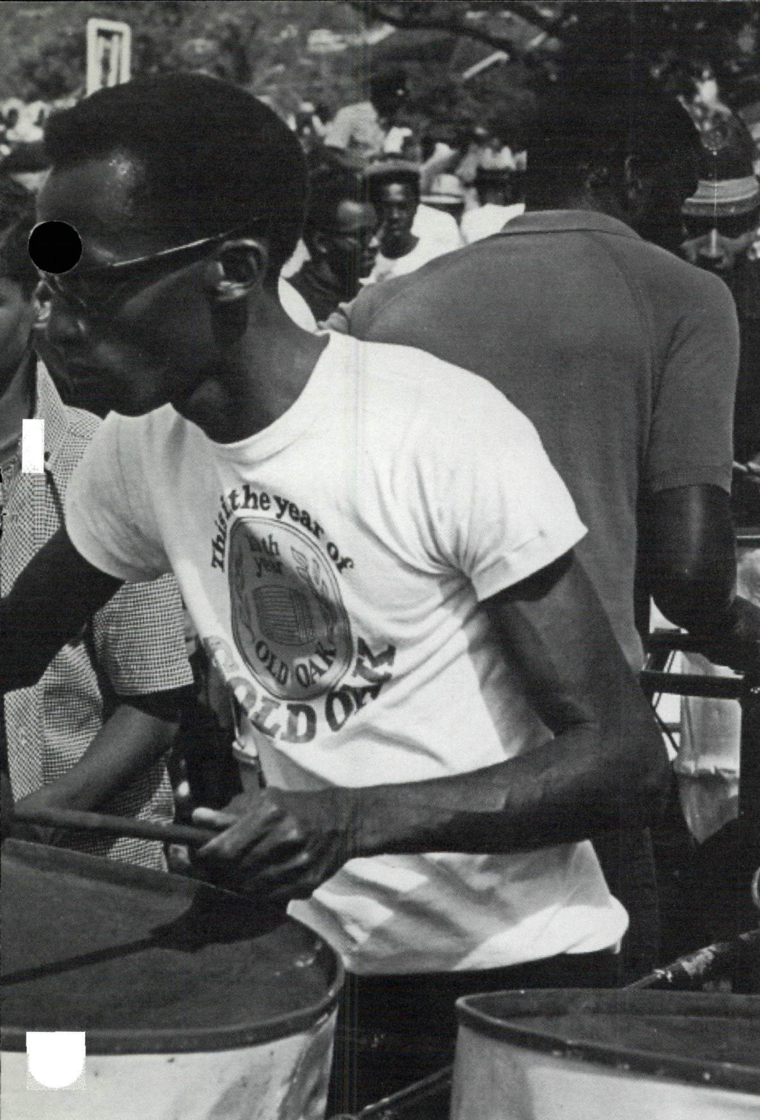
According to an IDB-financed plan, the island nation has a well-defined tourism niche in which the traditional Caribbean attractions are spiced with a distinctive cultural diversity and ecotourism attractions.

According to the master plan, the country could increase its tourism industry fivefold in the next 10 years, boosting tourism revenues from the current 2 percent of GDP to more than 7 percent. The plan was prepared by ARA Consultants of Vancouver, Canada.

Each island making up the nation offers different, but complementary, attractions. Tobago has fine beaches, coral reefs, and tropical forests. Trinidad, which also has tropical forests, is a birdwatcher's paradise. The country has one of the Caribbean's most ethnically diverse populations and is the birthplace of both Calypso and steel band music.

"We are behind other Caribbean countries in tourism development," said Wendell Mottley, the country's tourism minister. "But we have a unique product. We are counting very much on the tourism sector to broaden our base of employment creation."

Mottley made his comments in September after



NOEL NORTON—OAS

Birthplace of the steel band, Trinidad and Tobago will exploit its unique tourism attractions.

signing a $5.5 million IDB loan to implement a short-term forerunner to the tourism master plan.

This short-term plan includes beach cleanup, training for government tourism personnel, and improvements to eco-tourism sites, the airport and cruise port facilities.

The scarlet ibis graces Trinidad's one dollar bill.

URUGUAY

Computers vs. piracy

Uruguay is nearing completion of a project that will encourage private investment by providing better trademark protection.

The IDB-financed project, which is being carried out by Uruguay's National Bureau of Industrial Property, will digitize and classify the country's 60,000 registered logos and trademarks. Along with new trademark legislation, the bureau will be able to better protect existing trademarks from infringement and to speed up processing of the 15,000 new trademark applications received each year.

"This project will enhance services for the private sector and create a more favorable climate for foreign investment," says Ernesto Rubio, Latin American Director for the United Nations' World Intellectual Property Organization (WIPO), which is sponsoring the project.

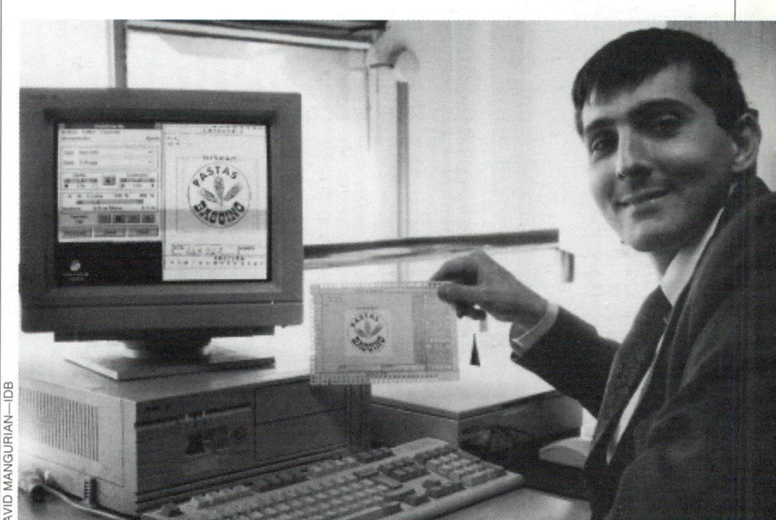
The computerized image data base will also enable Uruguay to join Chile and Venezuela in a pilot project to transfer data and 10,000 images each to CD-ROM. The project will test the feasibility of this technology as a low-cost means of speeding up image searches and exchanging data bases to control the pirating of logos and trademarks.

"This is a big step for trademark protection in Latin America, says Alejandro Roca, a WIPO Latin American specialist. "An automated system that permits the rapid comparison of images can prevent a country from granting rights that perhaps should not be granted. You avoid legal problems later." The WIPO system classifies images by their shapes and characteristics and permits comparison of similar images.

Adds Uruguay's Program Coordinator María del Rosario Moreira, "We will finally be able to get rid of our paper files."

Scanning and computer equipment for the Uruguay project was purchased with funds from an IDB technical assistance loan to support investment sector reforms. The IDB is financing similar projects in Paraguay and Trinidad and Tobago. Several countries in Central America are also digitizing and classifying their registered logos and trademarks with WIPO assistance.

Uruguay's Bureau of Industrial Property also has just completed a computer index of all legal decisions on trademarks and patents since 1980 to speed up the resolution of contested trademark and patent applications.



DAVID MANGURIAN—IDB

A computerized data base containing company logos will be a check against trademark piracy.

ENVIRONMENT

Suriname examines forestry alternatives

Bank offers technical and financial support

A group of 10 Surinamese parliamentarians arrived at Bank headquarters on September 8 for the first stop of an extensive program of meetings and site visits arranged by the IDB to review options for managing that country's extensive forest resources.

The parliamentarians, who represent eight different political parties, are responsible for reviewing contracts being offered to Suriname by several Asian companies for concessions that would permit logging on 12 million hectares, or 40 percent of the country's territory. The logging companies promise extensive investments, royalties and jobs. But critics of the proposed concessions argue that leaving the forest standing will preserve invaluable biological and environmental resources and at the same time ensure economic opportunities for future generations.

Briefings held. At the IDB, the parliamentarians met with Bank officials for briefings on a variety of subjects, including the Bank's experience in environmental and natural resource management projects. They later met with IDB President Enrique V. Iglesias, who offered Suriname the Bank's full support to explore forest management options.

On previous occasions, Iglesias has offered Bank financing to strengthen Suriname's ability to monitor environmental impacts, as well as a fast-disbursing loan to enable the government to carry out policy reforms. He has also suggested that the Bank could set up a trust fund that would accept contributions earmarked for forest management activities.

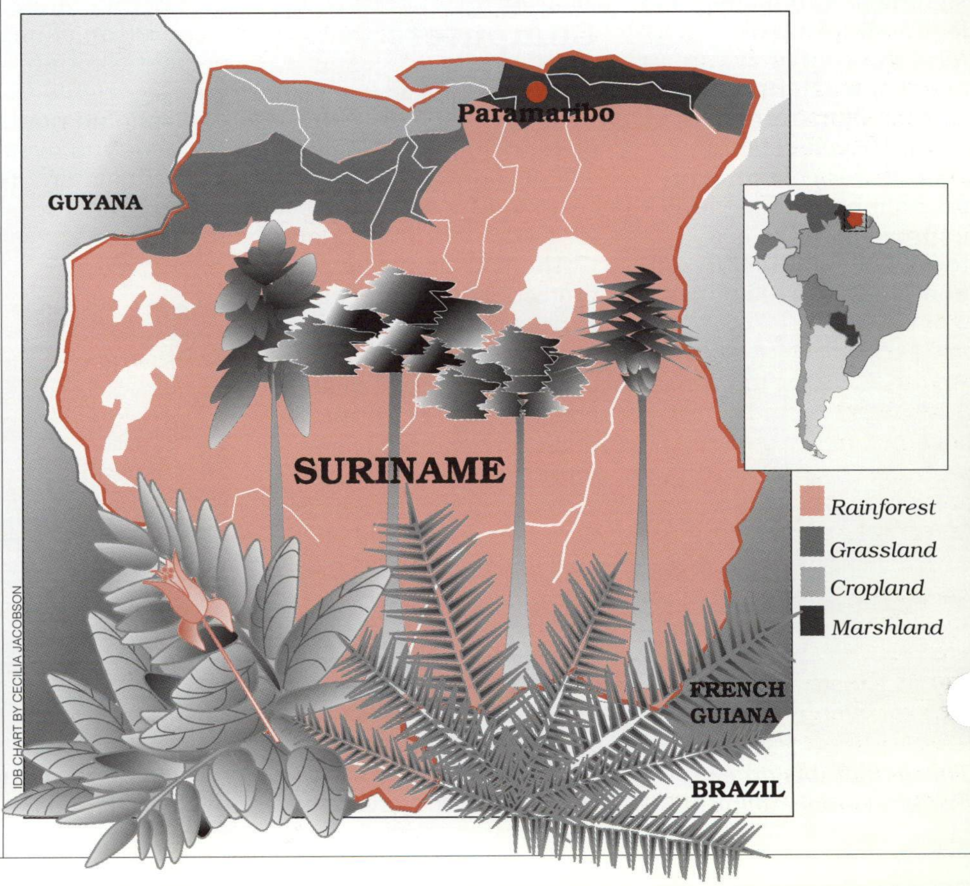
Following the IDB visit, the parliamentarians held discussions in Washington with environmental specialists at the World Resources Institute and Conservation International, visited the White House, and met with members of the United States Congress.

Visit to Costa Rica. The group then flew to Central America for a five-day visit to meet with Costa Rican government agencies and private groups involved in natural resource issues and to tour biological stations and ecological reserves. On their final day they met with Costa Rican President José María Figueres, who offered to accompany his Surinamese counterpart to the 50th anniversary celebrations of the United Nations to describe options and plans for natural resource management.

Costa Rica was chosen to host the Surinamese because of its widely recognized commitment to natural resource protection and the country's success in turning its natural attractions into a magnet for ecotourists.

Suriname's forests, which cover some 85 percent of the country's territory, are unmatched in their pristine quality and biological diversity. They are home to more than 4,500 species of plants and 674 kinds of birds in addition to jaguars, tapirs, monkeys, caimans and legions of colorful frogs.

The forests are also home to a large number of indigenous people. About 6,000 Wayana and Trio Indians make their living growing cassava, hunting and fishing. Some 41,000 decendents of African slaves who cultivate small forest plots and hunt, carry on traditions practically unaltered from their original homeland.



The IDB-sponsored youth delegation to the Beijing conference designed and lobbied for their own proposals for the meeting's Plan of Action.

Youth in full force. The 26 young women making up the Bank's special youth delegation, organized by the IDB's Gabriela Vega, participated in both the official U.N. conference and the nongovernmental organization forum.

The young women, one from each of the Bank's Latin American and Caribbean member countries, were selected on the basis of the efforts they have made to strengthen women's rights.

The young women designed their own proposals for the conference's Plan of Action, then lobbied their countries' delegations to incorporate them into the final document. Proposals addressed were reproductive health, sexual rights and the rights of pregnant adolescents to continue their education.

The youth delegate from Argentina, Valeria Tallarico, will coordinate the follow up activities that the young women will carry out in their countries.

BEIJING

Bank creates fund for women

IDB to back antidomestic violence campaigns

The Bank will create a Fund for Women's Leadership to finance NGO training programs, IDB Executive Vice President Nancy Birdsall announced to the plenary session of the United Nations Fourth World Conference on Women in Beijing, China.

Birdsall and IDB President Enrique V. Iglesias led the Bank's delegation to the September conference and the parallel nongovernmental organization forum. In her address, Birdsall set forth the IDB's vision of how men and women can work as partners in development and share prosperity and power in Latin America (see box).

Support offered. President Iglesias and Birdsall held separate meetings with members of official delegations and NGOs from Latin America and the Caribbean. Iglesias offered IDB support for designing public information campaigns against domestic violence and strengthening governmental and nongovernmental agencies that deal with women's issues.

"This is a subject that must be discussed broadly in public," Iglesias said.

Together with Sweden's Women's Forum Foundation, the IDB cosponsored panels on the participation of women in politics and on new ways of working with NGOs.

"The traditional relationship between the Bank and NGOs is that of donors and clients," said Marguerite Berger, head of the IDB's Women in Development Unit. "But we talked about how NGOs can influence the agenda of the Bank and become executors of IDB-financed projects."

The Bank also sponsored a meeting of delegations from multilateral development agencies, including the International Monetary Fund, the World Bank, and the Asian and African Development Banks. At the meeting, participants shared their experiences in supporting women's development.

Birdsall in Beijing

Following are some highlights from the IDB vice president's speech before the United Nation's conference:

▶ Forging a full partnership between women and men requires that men, as well as women, rethink their roles.

"The problem is...not that women have more choices; it is that men are not encouraged to engage in the work of raising children, and thus have too few choices..."

▶ Prosperity means reducing barriers to economic equality for women.

"[The benefits of] improving women's access to jobs, credit and equal pay...spread beyond the family to all of society..."

▶ Power for women is key to real development.

"Development...cannot happen unless women have more power over their own lives and more influence in shaping policies..."

HOUSING

New policy to help the poor

Efficiency is the watchword

The IDB will finance low-income housing in Latin America and the Caribbean, not just sites and services, according to a new policy approved by the Bank's Board of Executive Directors.

Under the previous policy, the Bank's lending for housing was limited to programs to prepare building sites and provide water, sanitation and other services, not to construct new homes.

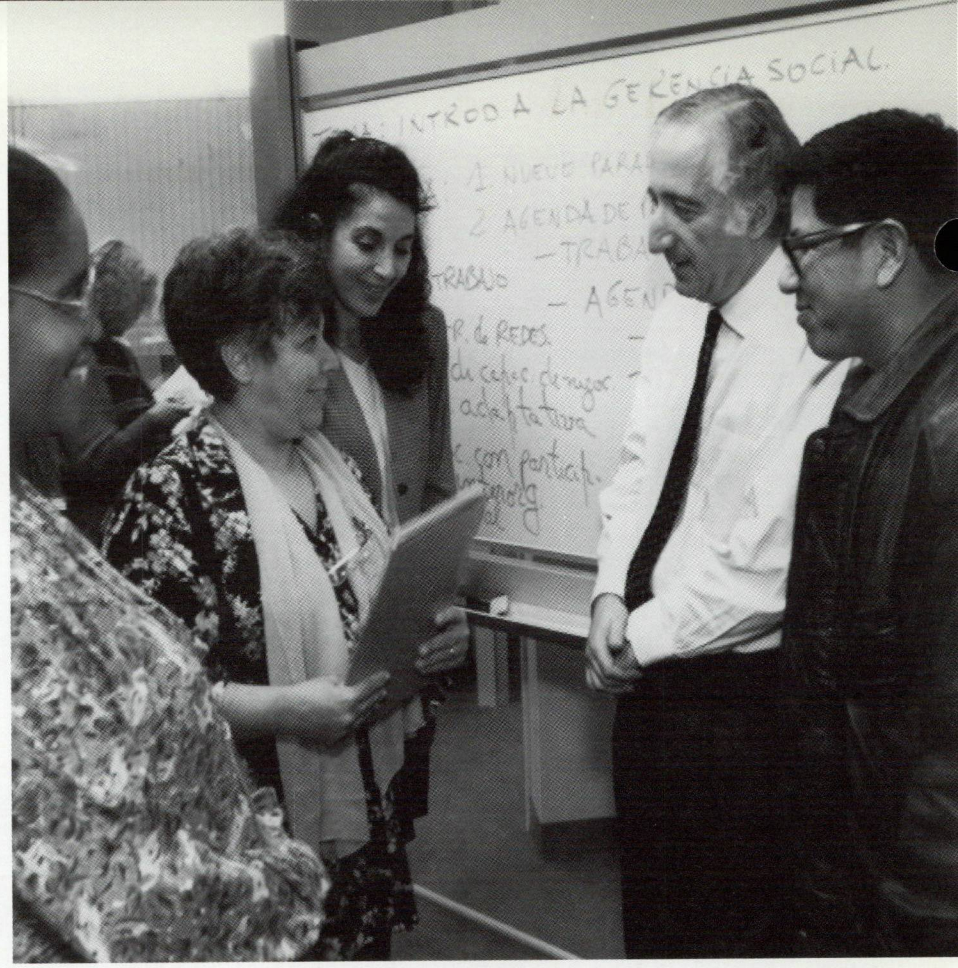
The Bank will now finance a wide range of cost-effective housing solutions, such as basic core housing and sites and services, including programs to upgrade existing low-income settlements.

The Bank has identified possible housing projects that could be eligible to receive some $800 million in IDB financing over the next two years.

Private sector role. According to the policy, governments will be encouraged to mobilize private and public sector funds to meet the housing needs of low-income people. In addition to direct financing of housing projects, policy and technical support will be provided to help the public sector both manage public funds and encourage private sector initiatives.

The lending program will focus on increasing efficiency in the allocation of resources for housing markets as well as related markets in land, financing and construction materials and services.

The new IDB housing policy is part of the Bank's efforts to target 50 percent of its operations and 40 percent of its resources to social programs, as called for by the Bank's Board of Governors under the recent increase in IDB resources.



The IDB's Bernardo Kliksberg discusses social policy with course participants.

TRAINING

Tools for social policy design

Antidote to reduced public sector budgets

Thirty-six senior and mid-level government officials in charge of social development programs in 18 Latin American countries met in Washington, D.C., in September to learn how to better design and manage the programs they oversee.

The course, the first organized by the IDB's new Institute for Social Development (INDES), was designed to teach Latin American social policy makers how to increase the effectiveness of their programs at a time when government spending is being slashed throughout the region.

"Latin America is paying dearly for underestimating the value of good public sector management," Bernardo Kliksberg, INDES coordinator, told the program participants. "We must take the step from administration to real management."

Participants agreed. "The great challenge to those of us who work in the social sectors is to combine political and economic considerations when we set social policies," said Miriam Coto, seminar participant and official from Costa Rica's Social Development Fund.

Participants in the one-month program alternated between class lectures and workshops on topics such as design of social policies, budgeting for social services, how to focus and manage social policies, and negotiating techniques.

At the end of the program they put their knowledge to the test in a simulation game in which they set social policies and allocated hypothetical budgetary resources in a negotiation session with the finance minister of a mythical country dubbed Macondo.

Part of the IDB's Integration and Regional Programs Department, INDES was created to strengthen the ability of governments, nongovernmental organizations and other groups to design and carry out social reforms more effectively.

LOANS

Argentina. . .$10 million to renovate, modernize and operate one of Buenos Aires' major port terminals.

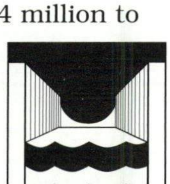
The loan to Terminales Portuarias Argentinas, S.A., will support the installation of modern cranes and cargo handling equipment and the upgrading of automobile storage facilities at Terminal 3 of Puerto Nuevo. The company will rehabilitate some existing wharehouses and others will be demolished.

The loan is the second this year to be made directly to the private sector without government counterguarantees.

The total cost of the project is estimated at $50.3 million. In addition to private investors, the International Finance Corporation is supporting the project through an investment and a loan.

For more information contact: Terminales Portuarias, S.A., Av. de los Imigrantes y Av. Edison, Acceso Maipú (Zona Portuaria), 1104 Buenos Aires, Argentina. Tel. (54-1) 416-6219, fax (54-1) 314-1002.

Brazil. . .$264 million to improve sewerage and potable water services for the municipalities on Todos Os Santos Bay.



The resources will enable the state of Bahia to expand waste collection and disposal services by installing treatment plants and pumping facilities and by building sanitary landfills.

The program will increase coverage levels for sewerage services in the municipality of Salvador from 26 percent of the population to 82 percent.

Eight other municipalities in the Todos Os Santos Bay area now without sewerage services will receive 70 percent coverage.

Two pollution control agencies, the Centro de Recursos Ambientais and the Empresa Baiana de Águas e Saneamento, S.A., will be strengthened.

The total cost of the program is $440 million, including $176 million in local counterpart funds.

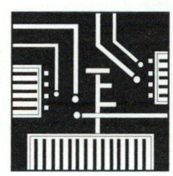
For more information contact: Carlos Helleno, project coordinator, Secretaria de Recursos Hídricos, Saneamento y Habitação, Avenida Luis Vianna Filho 420, Centro Administrativo de Bahia, Salvador, Bahia, Brazil. Tel. (55-71) 371-0598, fax (55-71) 371-0634

INFORMATION ON IDB PROCUREMENT

More details about these projects and opportunities to supply goods, works and services are published monthly in *IDB Projects*. The publication includes recently approved projects and those under consideration for IDB financing, as well as general procurement notices and notification of contract awards.

For a free sample copy of *IDB Projects*, contact the Public Information Section. Tel. (202) 623-1397, fax (202) 623-1403. *IDB Projects* is also available on the Internet at http://www.iadb.org.

Brazil. . .$160 million to improve scientific and technological capabilities and to increase corporate competitiveness.



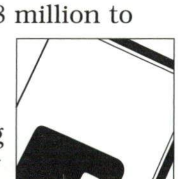
The resources will enable the Agency for the Financing of Studies and Projects to help businesses upgrade technology and to finance research and development projects submitted by universities and private nonprofit research institutions.

The program will help companies to better assimilate and adapt science and technology that originates in other countries and encourage cooperation between academia and the productive sector.

The total cost of the program is $320 million.

For more information contact: Financiadora de Estudos e Projetos, Praia do Flamengo 200, 13° Andar, Rio de Janeiro 22210-030, RJ Brazil. Tel. (55-21) 276-0330, fax (55-21) 242-2015

Brazil. . .$78 million to strengthen the federal tax system by increasing the efficiency of the Federal Revenue Secretariat.



The resources will enable the secretariat to train personnel and develop an integrated system for improving audits, collections, and overall management, as well as providing taxpayers with assistance.

Procedures will be shortened and simplified and foreign trade operations will be processed faster and at less expense.

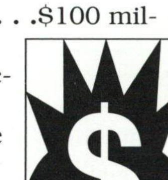
In addition, computer hardware and software will be acquired to revise and upgrade information technology.

The program is the largest of its kind supported by the Bank, which is currently financing tax administration reform in 18 countries of Latin America and the Caribbean.

The total cost of the program is estimated at $158.3 million.

For more information contact: Everardo Maciel, secretário da Receita Federal, Tel. (55-61) 314-2746, fax (55-61) 321-0488, or Pedro Luis Bezerra, coordenador de Tecnologia e Sistemas, Tel. (55-61) 225-2051, fax (55-61) 223-9729.

El Salvador. . .$100 million to promote productive investments in the private sector, providing resources for medium- and long-term credit.



The borrower, the Central Reserve Bank, will onlend the resources to the newly formed Banco Multisectorial de Inver-

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siones (BMI), which in turn will provide credit to eligible intermediary financial institutions serving the private sector.

The BMI will also prepare a pilot project to mobilize medium- and long-term domestic resources using debt instruments negotiable on the stock exchange. The project is intended to induce intermediary financial institutions to redouble their efforts to develop a capital market.

The IDB loan will finance the acquisition of fixed assets and the hiring of technical and managerial services to support investment.

As a complement to the program, the IDB-administered Japan Special Fund is expected to provide $340,000 in nonreimbursable financing to strengthen the BMI.

Local counterpart funds for the program total $25 million.

For more information contact: Banco Multisectorial de Inversiones, Edificio Banco Central de Reservas, Avenida Juan Pablo II, San Salvador, El Salvador. Tel. (503) 271-4539, fax (503) 271-4046.

CARLOS CONDE—IDB

Collection day

Trash trucks work to keep the city clean six days a week in Pereira, Colombia. The equipment was purchased as part of an IDB-financed urban development program for small and medium-sized cities and depressed fringe areas of large cities. Projects included water supply and sewerage, street improvements, new markets and housing.

El Salvador. . .$31.6 million to improve environmental management.

The Bureau of Environmental Protection and the Department of Renewable Natural Resources will use the funds to strengthen soil conservation in the upper Lempa River basin.

It will improve water quality monitoring in the watershed and strengthen conservation, management and planning at three natural protected areas: Montecristo National Park, San Diego La Barra Nature Reserve, and San Andrés-La Joya de Cerén Regional Park.

In the area of soil conservation, the program will help small farmers to adopt simple technologies and product diversification that will increase their farm income on a sustainable basis. The program will also strengthen institutions belonging to the national environmental management system.

For more information contact: Secretaría Ejecutiva de Medio Ambiente, Intersección Boulevard Los Héroes y Calle Gabriela Mistral, San Salvador, El Salvador. Tel. (503) 226-8000/7782/8384, fax (503) 225-8393.

Also contact: Dirección General de Recursos Naturales Renovables, Canton El Matazano, Soyapango, El Salvador, C.A. Tel. (503) 294-0566/0574; fax (503) 294-0575.

Guatemala. . .$150 million in two loans to modernize the national system of road building and maintenance and to rehabilitate roads in impoverished rural areas that were cut off from resources during decades of guerrilla warfare.

The General Directorate for Roads will use a $100 million IDB loan to reform the government's system of road building, maintenance and financing. Another loan, for $50 million, will finance the rehabilitation of some 250 kilometers of paved roads and 830 km of rural, unpaved roads in the departments of El Quiché and Huehuetenango, two areas affected by guerrilla unrest for three decades.

The total cost of the program is $370 million to which the Organization of Petroleum Exporting Countries is contributing $5 million.

For more information contact: Dirección General de Caminos, Ministerio de Comunicaciones, Transportes y Obras Públicas, Palacio Nacional, Guatemala, C.A. Tel. (502-2) 53-7886, fax (502-2) 81613.

Guyana. . .$38 million from the Fund for Special Operations to improve the soundness of the country's financial system and to increase its competitiveness.

The loan will also help the Finance Ministry to privatize banks wholly or partly owned by the state, and to improve the delivery of financial services to the rural sector.

The resources will help the country improve bank supervision, create an independent central bank, and make access to the banking system easier for smaller borrowers. The loan will also support the merger of two government banks: the Guyana National Cooperative Bank and the Guyana Cooperative Agricultural and Industrial Development Bank.

The program is being coordinated with financial sector reform projects of the World Bank, the International Monetary Fund, the International Fund for Agricultural Investment, and the IDB's Multilateral Investment Fund.

For more information contact: Ministry of Finance, Main and Urquhart Streets, Cooperative Republic of Guyana, Georgetown, Guyana. Tel. (592-2) 71114, fax (592-2) 61284.

Jamaica. . .$26,535,000 to improve the efficiency and quality of airport services.

The Airports Authority of Jamaica will use the resources to finance civil works at Norman Manley International Airport (NMIA) in Kingston and upgrade navigational facilities at both NMIA and Sangster International Airport in Montego Bay.

The runways at NMIA will be rehabilitated and strengthened, the underground fueling system will be replaced, a new approach lighting system will be installed, and the drainage system will be improved, among other investments.

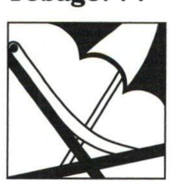
The loan is being complemented by a $570,000 grant from the Multilateral Investment Fund.

The MIF program will help prepare the sale of the landside operations at NMIA and help design the legal and regulatory framework for its functioning within the private sector.

The total cost of the program is $46,805,000.

For more information contact: The President, Airports Authority of Jamaica, Head Office, 53 Knutsford Blvd., Kingston 5, Jamaica. Tel. (809) 926-1622/3, fax (809) 929-8171.

Trinidad and Tobago. . . $5 million to strengthen the country's tourism industry.



The resources will support market research, enhance the capabilities of institutions related to the tourism industry, and finance the upgrading of small-scale sites and facilities, and feasibility studies.

In addition, the program will promote community and public awareness of the need to support tourism as a national economic resource, and it will support environmental management of tourism assets and ecotourism ventures.

The Canadian Technical Cooperation Program is contributing 500,000 Canadian dollars to the program.

For more information contact: Tourism and Industrial Development Company, 10-14 Phillips Street, Port of Spain, Trinidad and Tobago. Tel. (809) 623-6022; fax (809) 625-7548.

TECHNICAL COOPERATION

Regional. . .$7 million in nonreimbursable financing to support seven institutions and their agricultural research programs in Latin America and the Caribbean.

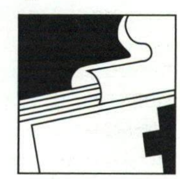
The resources, to be disbursed in local currencies, will contribute to agricultural development, the sustainable management of natural resources, training and the dissemination of agricultural technologies.

Programs to be supported are in the areas of tropical pasture crop systems, environmental protection, genetic improvement of corn, wheat, and plantains, and disease-resistant potatoes.

Other programs will improve vegetable production in Central America and the Caribbean and identify protected marine areas and manage coral reef fisheries.

The IDB resources will be disbursed as follows: $1.8 million to the International Center for Tropical Agriculture, Colombia; $1 million to the Argentina office of the International Food Policy Research Institute, United States; $1.5 million to the International Center for Maize and Wheat Improvement, Mexico; $1.5 million to the International Potato Center, Peru; $500,000 to the Colombia office of the International Plant Genetics Resources Institute; $450,000 to the Inter-American Institute for Cooperation on Agriculture, Costa Rica; and $250,000 to the University of the West Indies, Jamaica.

Dominican Republic. . . $900,000 in nonreimbursable financing to help design and plan health sector reform.



The resources will finance the preparation of a sector reform policy document, a master plan, feasibility studies, and the collection of background information necessary to process a new loan to finance the reform.

For more information contact: Fernando Rojas, secretario ejecutivo, Comisión Nacional de Salud, Edificio Montalvo, Gustavo Mejía Ricart 141, Santo Domingo, Dominican Republic. Tel. (809) 565-2768, fax (809) 540-6445.

Jamaica. . .$1,650,000 in nonreimbursable financing to strengthen the ability of Jamaica's Ministry of Health to undertake re-

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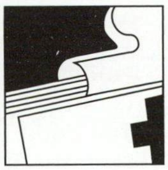
forms designed to improve the efficiency, equity and quality of health care services.

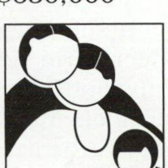


The resources will support a planning effort that will lead to restructuring the Ministry of Health into a policy-making and regulatory unit while turning over the operation of public health care services to regional and local levels.

The ministry will define a broad strategy for attracting qualified personnel for the health care system and seek ways to control costs and monitor and evaluate quality. The ministry's analytical and planning capacity will be strengthened, and personnel will be trained in such areas as administration, health economics, and financing. For more information contact: Ministry of Health, 10 Caledonia Ave., Kingston 5, Jamaica. Tel. (809) 926-9220/9230, fax (809) 929-3685/9679.

SMALL PROJECTS

Colombia. . .$650,000 from the Fund for Special Operations for a program to assist the deaf.

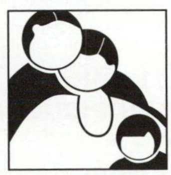


The resources include a grant of $420,000 to strengthen Colombia's National Federation of the Deaf, known as Fenascol, and a soft loan of $230,000 to help Fenascol to establish a graphic arts company that will publish texts and training and promotional materials to help the deaf obtain better opportunities.

An estimated 3,000 deaf persons will benefit from the program.

For more information contact: Fenascol, Avenida Caracas 35-07, Bogotá, Colombia. Tel. (57-1) 245-1343.

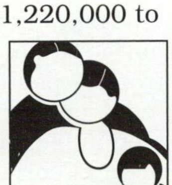
Colombia. . .$600,000 to strengthen the programs of a pioneering institution dedicated to rehabilitating mentally ill homeless persons.



The resources will enable the Fundación Granja Taller de Asistencia Colombiana to enlarge and modernize its job training and housing facilities, expand the scope and quality of its services, finance research, and develop new productive activities for patients.

The financing includes a concessional loan of $450,000 and a grant of $150,000.

Uruguay. . .$1,220,000 to strengthen and expand services of two nongovernmental organizations in Uruguay that offer credit to low-income microentrepreneurs.



The Small Projects Fund of the European Union is providing a $620,000 grant to the Fundación Uruguaya de Ayuda y Asistencia a la Mujer (Fuaam) and the Japan Special Fund is providing a grant of $600,000 to the Instituto de Promoción Económico Social del Uruguay (Ipru).

The European and Japanese funds are administered by the IDB.

The resources from the European Union will enable Fuaam to improve the quality of its credit services and expand coverage to an additional 500 microentrepreneurs in the Montevideo area, 70 percent of whom are women. An estimated 1,500 persons will benefit indirectly from the program.

The resources from the Japan Special Fund will finance working capital and investment needs of small farmers and microentrepreneurs in impoverished urban and rural areas in and around Montevideo and in the departments of Canelones, San José, and Florida, and in the Salto-Artigas region. Approximately 300 microenterprises, including small agricultural holdings, will benefit directly from the program, and an additional 1,100 persons will benefit indirectly.

The managerial, financial, and technical capacity of both Ipru and Fuaam will be strengthened by the financing.

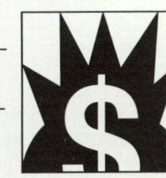
MULTILATERAL INVESTMENT FUND

Trinidad and Tobago. . . $2 million in nonreimbursable financing to help modernize personnel training to meet the needs of the tourism industry.

Another grant for $490,000 will assist the preparatory work for the divestment of the Non-Pareil Estate, a government-owned property that was once a commercial cocoa plantation.

INTER-AMERICAN INVESTMENT CORP.

Brazil. . .$5 million investment in Brazilian Equity Investments, a private equity fund for medium-sized companies.

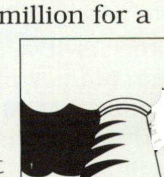


The fund will be managed by Garantia Bankir[illegible] Ltd., a subsidiary of Banco de Investimentos Garantia, S.A., of Brazil, and BEA Associates, a New York investment bank. BEA will invest $15 million of the fund's target capitalization of $80 million.

The fund will make minority investments ranging from $5 million to $10 million in about 15 medium-sized Brazilian companies.

The IIC's investment will make long-term capital available to private companies in the transportation, construction, and consumer goods industries.

Chile. . .$7 million for a $41 million cofinancing package to ensure the development of the Yumbes potassium nitrate



project by Minera Yolanda, S.A., the Chilean subsidiary of KAP Resources, Ltd. of Canada.

Cofinancing agreements to support the project have been signed between the IIC and four international financial institutions: Swiss Bank Corporation ($12 million), Bank of Austria Aktiengessellschaft ($10 million), Compagnie Financière de CIC et de L'Union Européen of France ($7 million), and Mediocredito Centrale SpA of Italy ($5 million). The cofinancing package complements the $39 million equity investment in the project, of which KAP will invest a total of $37 million and the IIC $2 million.

Yumbes is the world's only known commercially exploitable deposit of nitrate salts.

Regional. . .$4 million equity investment in the Andean Emerging Growth Fund, which will make both direct and indirect investments in equity securities issued by high-potential small- and medium-scale enterprises in Bolivia, Peru and Chile.

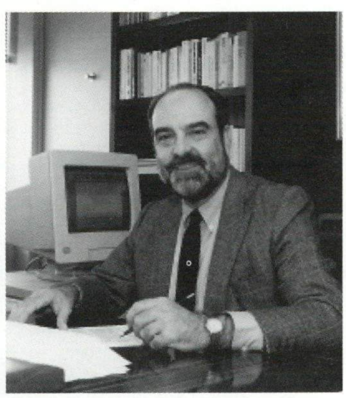
The closed-ended fund is targeting a capitalization of $50 million and will be managed by Del Sol Asset Management, Inc.

With its investment, the IIC is supporting a number of small and medium-sized companies that lack access to outside sources of equity.

NEW EXECUTIVE DIRECTORS

Javier Bonilla Saus has been elected IDB executive director for Bolivia, Paraguay and Uruguay.

A citizen of Uruguay, Bonilla Saus has carried out extensive consulting activities with various agencies of the United Nations and other organizations on socioeconomic development projects. He also has been a professor and researcher in sociology and political science at various universities, including the University of the Americas and the Technological Institute for Higher Education in Mexico, and the University of Paris in France. He is the author of numerous publications on political and social issues.



Javier Bonilla Saus

Bonilla Saus holds degrees in sociology and political economics from the University of Paris.

Ovidio Otazu has been appointed IDB alternate executive director for Bolivia, Paraguay and Uruguay.

A citizen of Paraguay, Otazu was until recently chargé d'affairs and minister of economics, trade and financial affairs at the Embassy of Paraguay in Washington, D.C. Before that, he held a number of high-level positions at the Central Bank of Paraguay, including chief of the monetary and research departments and member of the board of directors. He has been a professor in the School of Economics of the Catholic University of Asunción and dean of the Economic and Financial School of the Autonomous University of Asunción. He has written research papers and articles on economic, monetary, financial and foreign policy issues.

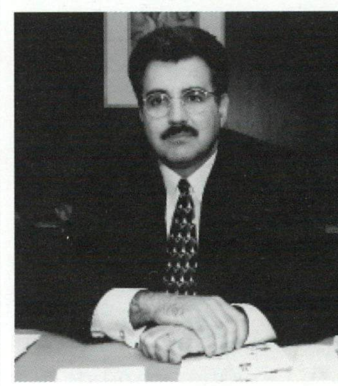
Ovidio Otazu

Otazu has a master's degree in fiscal policy from the Business School of Brazil and a Ph.D. in economics from the National University of Asunción.

Moisés Alberto Pineda has been elected executive director of the IDB for the Dominican Republic and Mexico.

A Mexican citizen, Pineda was formerly director of International Financial Organizations in the Ministry of Finance and Public Credit of Mexico. Prior to that, he worked at Somex Bank and the Mexican Office of International Commerce of the Ministry of Commerce and Industrial Promotion. He also has served as advisor to the executive director for Mexico at the World Bank at its Washington, D.C., headquarters.

Pineda has a degree in economics from the Instituto Tecnológico Autónomo de México (ITAM), in Mexico City. He has also pursued master's studies on public policy at Georgetown University in Washington, D.C.



Moisés Pineda

NEW FACES IN THE FIELD

Robert H. Bellefeuille has been appointed IDB representative in Ecuador. He was until recently the Bank's representative in Trinidad and Tobago.

Frank J. Maresca, formerly general consultant in the Regional Support Services Subdepartment of the Bank's Regional Operations Department 1, has been appointed IDB representative in Trinidad and Tobago.

EXHIBIT

An artist for all seasons

Celebrating a man and his Montevideo

Paintings of Pedro Figari, one of the pivotal artistic and national figures of Uruguay, but a relative unknown elsewhere, are currently on view in the IDB's Art Gallery.

Pedro Figari not only helped to establish a distinctive Latin American artistic identity, but also had a hand in bringing a modern political and social identity to his native country.

Figari began painting at age 60, after a long and distinguished career in law, politics and civic affairs. He was active in the 1920s and 1930s, a time when artists across the continent were developing the self-confidence to break from European artistic traditions and develop their own identity.

"For so long we have been dazzled by the wonders of the Old World," Figari said, "but such an attitude is out of step with the spirit of sovereignty and freedom that requires our own intense effort."

Rare ability. Figari, writes IDB Cultural Center Curator Félix Angel in the exhibition catalog, had the rare ability to synthesize meaning, technique and style in his work, applying to his art a mature series of ideas developed throughout a lifetime devoted to many different pursuits.

Before he began to paint, Figari rose to prominence as a leading citizen in his beloved city, Montevideo. As a law student, at the same time working in the Ministry of the Economy, he wrote a thesis proposing an agrarian law that revealed a liberal, progressive spirit that was the hallmark of Uruguay's emergence from an era of civil strife and rule by caudillos. He was appointed public defender and helped found a newspaper. He secured the release of a man unjustly accused of assassinating a local political figure, became active in politics, and proposed a law to establish a school of fine arts.

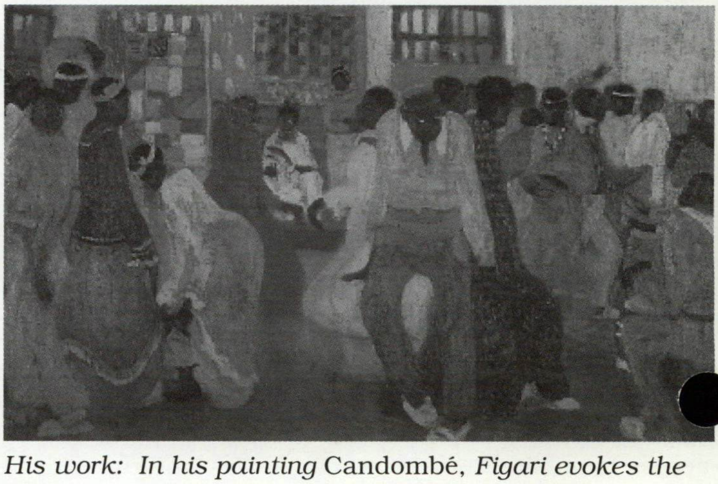
Figari was a protagonist in the social, political and cultural transformation of his country, equally interested in the material and spiritual progress of humanity.

The IDB exhibition marks the first time Figari's work has been placed in a perspective that integrates the man, his environment and his artistic accomplishments. The showing also features notable works from Figari's contemporaries, as well as images of the city from which he drew much of his inspiration.

The Uruguayan government has declared the exhibit of national interest.

The artist: After an illustrious career in politics and civic affairs, Figari devoted himself to painting.

His city: Figari drew inspiration for his paintings from vistas and daily life of Montevideo, capital of Uruguay.



His work: In his painting Candombé, *Figari evokes the images and sensations of the black folk dance.*