

THE IDB

Inter-American Development Bank • July 1996

Bright lights, big cities



Heart to heart

**City of pragmatic dreams ■ Help for street kids
Self-help in Bolivia ■ Lessons for social lending**



Domingo Cavallo (left), Argentina's economy minister, U.S. Treasury Secretary Robert Rubin, and IDB President Enrique V. Iglesias in New Orleans.

NEW ORLEANS

Capital markets to boost investment

Finance ministers ask IDB to play larger role

Finance ministers from nearly all of the region's countries met in New Orleans in May to discuss the role of capital markets in boosting the flow of private investment to Latin America and the Caribbean.

The meeting began with discussions among business representatives, then shifted to Bank-sponsored talks between them and finance ministers on economic policies. The second day, hosted by the U.S. Treasury Department, was devoted to policy discussions.

The ministers urged the Bank to play a larger role in developing financial and securities markets and improving the conditions for investment, said Antonio Vives, chief of the IDB's Infrastructure and Financial Markets Division.

The ministers asked the Bank to:

- ▶ Host three future meetings to

identify and recommend ways to develop financial markets.

- ▶ Continue to support the work of the Committee on Hemispheric Financial Issues and the completion of the listing of national regulations affecting financial markets.

- ▶ Establish a program to train securities supervisors and bank examiners.

- ▶ Encourage private capital flows by helping to finance infrastructure, privatize state enterprises and support microenterprises.

- ▶ Establish a program to combat financial crimes.

The ministers will meet in two years to review progress made toward these and other goals.

IDB President Enrique V. Iglesias chaired the talks between the finance ministers and private sector representatives.

WASHINGTON, D.C.

New pledges for Nicaragua

Total tops \$1.8 billion

Donor countries and organizations belonging to the Consultative Group for Nicaragua pledged nearly \$1.8 billion for the period 1996-98 to support that country's economic and social recovery.

The pledges were made at a June meeting at the IDB's headquarters. Chairing the sessions was Miguel E. Martínez, Bank regional operations manager.

In the discussions, the donors reaffirmed their commitment to strengthening Nicaragua's democratic institutions, maintaining its stability and assuring its national unity and process of reconciliation as a foundation for long-term economic and social development.

In a final statement, the donor group stated that consolidating Nicaragua's macroeconomic stability will require sound structural reforms and economic policies. In addition, according to the statement, the government must push forward with its efforts to improve social services and carry out other initiatives to improve the quality of life of the population while reducing its own role in economic production.



The IDB's Martínez (right) and Nicaragua

A highlight of the meeting was an address by Nicaraguan President Violeta Barrios de Chamorro. Her country's delegation was led by Julio Cárdenas, minister of the Presidency, and included Orlando Trejos, Supreme Court president, Rosa María Zelaya, president of the Supreme Electoral Court, and Jaime Bonilla, first secretary of the National Assembly.

Members of the Nicaraguan delegation described the country's efforts to achieve growth with equity through monetary and fiscal policies and modernization of the state, consistent with the objectives of reducing inflation and attaining growth that can be sustained.

The delegation members provided details on Nicaragua's electoral process and progress in achieving national conciliation. They outlined the country's recent moves to reduce poverty, improve health and nutrition and improve education.

Members of the Consultative Group stressed the need for continued international cooperation to reduce Nicaragua's external debt burden, reactivate economic production and help the country's most vulnerable groups.

The Consultative Group statement noted that Nicaragua has successfully completed an unprecedented commercial debt buy-back of \$1.1 billion in promissory notes, at eight cents on the dollar, which the Bank helped to finance. It further noted the country's progress in debt negotiations with the Russian Federation. That country has agreed in principle to a 90 percent forgiveness of the debt, which is equivalent to about \$3.5 billion.

The IDB, Nicaragua's lead lender of concessional funds, is considering \$360 million in projects for the country for the period 1996-98.



WILLIE HEINZ—IDB

On the go in Uruguay

Rosse Marie Morinelli motors through the streets of Durazno, Uruguay, to her clothing shop. She and her sister Luribel opened the business earlier this year with the help of a \$3,500 loan that they received through a program financed by a \$2.5 million Multilateral Investment Fund grant. The women used the loan to rent space and buy merchandise.

LOANS

Bolivia. . . \$12 million

from the Fund for Special Operations to strengthen democratic institutions.



The resources will support modernization of the legislature by improving its supervisory capacity, information system, internal rules structure, and ability to take initiative.

The National Electoral Office will be strengthened so that the coverage and reliability of the civic registry system can be expanded. A large number of

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>

citizens—particularly rural groups with significant percentages of women—will be provided with identity documents to enable them to effectively join in civic life and enter into contracts. The country's

decentralization program will also receive support.

The total cost of the program is \$14.8 million.

For more information contact: Henry Oporto, Coordinador de la Gobernabilidad, Vicepresidencia

de la República, La Paz, Bolivia. Tel. (591-2) 370-100, fax (591-2) 392-420.

Paraguay. . . \$28 million

to reduce poverty and provide more social services to the poor.



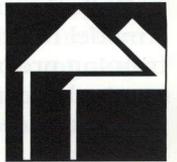
A loan of \$20 million will finance infrastructure and services to benefit 780,000 persons, among them women, indigenous groups, and street children. An \$8 million grant will finance help for street children and support day-care, tutoring, and job training and creation.

The total cost of the program is \$31 million.

For more information contact: Secretaría de Acción Social, Benjamín Constant 973, 4º Piso, Edificio Arasá, Asunción, Paraguay. Tel. and fax: (595-21) 440-248.

Venezuela. . . \$52 million

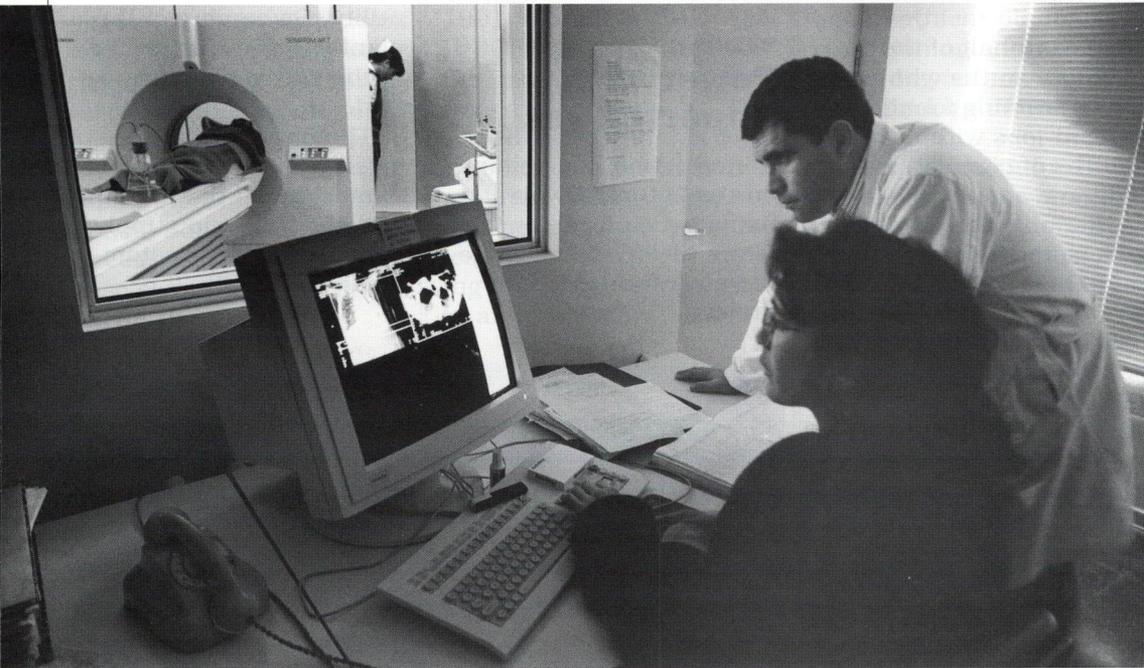
to help increase the access of the poor to better housing.



The resources for the pilot program will finance 17,000 new housing units and housing improvements.

The total cost of the program is \$87 million.

For more information contact: Instituto Nacional de la Vivienda, Av. Francisco de Miranda, entre Calle Guaicaipuro y San Ignacio de Loyola, Torre Inavi, Piso 17, Chacao, Estado Miranda, Apartado Postal 1060, Venezuela. Tel. (58-2) 262-0687, fax (58-2) 262-0469.



Taking a closer look

A doctor uses a magnetic resonance imaging scanner to search for clues to his patient's illness. The equipment, made by the Siemens Corporation, is located in a new hospital in Valdivia, Chile, that was built with part of a \$70 million IDB loan. The financing was used to improve the efficiency of the country's public health system.

MULTILATERAL INVESTMENT FUND

Dominican Republic . . . A

\$600,000 investment to help establish the Banco de la Pequeña Empresa, S.A., the country's first bank designed to serve small businesses and microenterprises.



The creation of the new institution, which will provide loans and accept deposits, is a result of an initiative by *Fondo para el Financiamiento de la Microempresa* (Fondomicro), a nongovernmental organization that has operated as a second-tier financial institution in the country since 1990.

Honduras . . . \$1.53 million to support financial sector and capital market reform.



Private access to investment financing will be made easier, and its cost will be lowered. Support will be provided to prepare a new regulatory framework for the stock and insurance markets.

For more information contact: Comisión de Banca y Seguros, Edificio Anexo Banco Central de Honduras, 9º Piso, Comayagüela, Honduras. Tel. (504) 37-7979, fax (504) 37-1791. Also contact: Banco Central de Honduras, Barrio El Central, Avenida Juan Ramón Molina, Tegucigalpa, Honduras. Tel. (504) 37-2270, fax (504) 37-8894.

Honduras . . . \$1,130,000

to support efforts by the government to attract private investment to the telecommunications and energy sectors.



The program will provide incentives for private investment to increase the quality, efficiency, and availability of power and telecommunications.

For more information contact: Comisión Nacional de Energía Eléctrica, Edificio Derimasa, Kilómetro 5, Carretera el Batallón, Tegucigalpa, Honduras. Tel. (504) 33-2025, fax (504) 33-2026. Also contact: Comisión Nacional de Telecomunicaciones, Apartado Postal 15012, Tegucigalpa, Honduras. Tel. (504) 21-3500, fax (504) 21-3511.

Peru . . . \$680,000 to help the Association of Exporters develop new export products and markets.



The program will strengthen the capacity of the private sector to pursue export growth through more effective use of tariff preferences for Peruvian products in the U.S. and the European Union markets, provide training, and offer better information services for exporters.

For more information contact: Asociación de Exportadores, Av. Javier Prado Este 2875, San Borja, Lima, Perú. Tel. (51-1) 346-2530, fax (51-1) 437-3773.

NEW DIRECTORS JOIN THE BOARD



Georges Cahuzac

Georges Cahuzac has been elected IDB executive director for Austria, Denmark, Finland, France, Norway, Spain and Sweden.

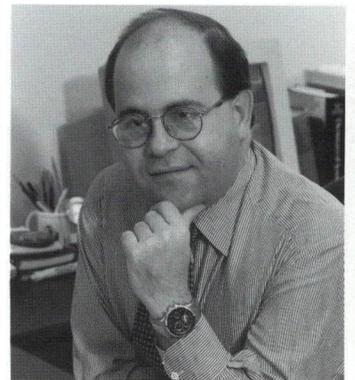
A citizen of France, Cahuzac is a central banker. He worked from 1972 to 1984 at Banque de France, the French central bank, as international senior economist, specializing in economic, monetary and fiscal studies on Latin American countries. Between 1984 and 1987 he was assistant secretary general of one of the trade unions of Banque de France. Between 1977 and 1979, as well as between 1987 and 1996, he served in several foreign posts for the French Finance Ministry at the French Embassy in Buenos Aires, Riyadh (Saudi Arabia) and Brasilia.

Cahuzac has a master's degree in economics from the Faculté des sciences économiques de Montpellier and is a graduate of the Latin American Center for Monetary Studies, which is located in Mexico.

Germán Bejarano has been appointed IDB alternate executive director for Austria, Denmark, Finland, France, Norway, Spain and Sweden.

A citizen of Spain, Bejarano also serves as an alternate executive director for the Inter-American Investment Corporation, and until recently was assistant to the IDB executive director for Austria, Croatia, France, Israel, Japan, Slovenia, Spain and Switzerland. Bejarano has served as an economist and senior advisor at Spain's Ministry of Economy and Finance.

Bejarano has a degree in economics from the Universidad Autónoma de Madrid and a master's degree in European Communities from the Center of University Studies in Nancy, France.



Germán Bejarano

IN PRINT

Publications Catalog.

The Bank's publications catalog is available in English and Spanish by contacting the IDB Bookstore at: Tel. (202) 623-1753, fax (202) 623-1709 or e-mail: idb-books@iadb.org



Peruvian President **Alberto Fujimori** visited the Bank in May to sign an agreement that will provide \$5.9 million in grants to help modernize his country's fisheries sector and establish a net-

work of business service centers. Peru will use the funds to finance training as well as a program to strengthen its capacity to implement a resource management system for tuna and other deep-water

fish. The business service centers are expected to improve small firms' technical, marketing, export and managerial capabilities. The resources were extended from the Multilateral Investment Fund.



Lawrence Summers, deputy secretary of the United States Treasury, spoke at the Bank in May on the need for the IDB and other international lenders to meet what he called the challenge posed by low-income countries. Private financial markets increasingly lend to developing countries, but not to low-income countries, he said. The IDB must help to provide poorer countries with debt relief and assistance in the design of development strategies.

Summers was instrumental in designing and carrying out the \$50 billion rescue package to Mexico. He was appointed deputy secretary in August of 1995 and before that served as undersecretary of the treasury for international affairs. From 1991 to 1993, Summers was chief economist and vice president of development economics at the World Bank. He was a professor of economics at Harvard from 1983 to 1993, and has written extensively on economic analysis and policy.



Bolivia's First Lady **Ximena Sánchez de Lozada** came to the Bank in June to discuss a \$2.65 million grant that will be used to enable 1,900 Bolivian children, ages 7 to 12, to receive primary education. The funds will support a pilot program to help about 21 percent of the working children in La Paz and three other cities. Through the program, families will receive food coupons in exchange for their children's regular attendance at school. Students will receive tutoring and participate in recreational activities.

Jaime Lerner, governor of Brazil's Paraná state and formerly mayor of the city of Curitiba, and **Rafael Greca de Macedo**, present Curitiba mayor, spoke at a one-day seminar in May on that city's innovations in urban design and management. Internationally recognized for its clean environment, efficient health services, inexpensive public transport, and good education system, Curitiba has become a model for municipalities elsewhere in Latin America and around the world. Lerner attributed the city's success to the shared vision of its planners, administrators and citizens. Greca said that that same vision has enabled his administration to find innovative answers to problems in housing and other fields. Lerner was elected Curitiba's mayor three times between 1971 and 1991 and Paraná's governor in 1995. Greca was elected Curitiba's mayor in 1993 and before that served on the city council and in the state congress. (See related story on page 4.)

