

THE IDB

Inter-American Development Bank • September–October 1996

Felipe Herrera remembered

*Hands-on
curriculum*



**Rethinking development ■ A farewell to arms
Year of the reef ■ Growth and social equity**

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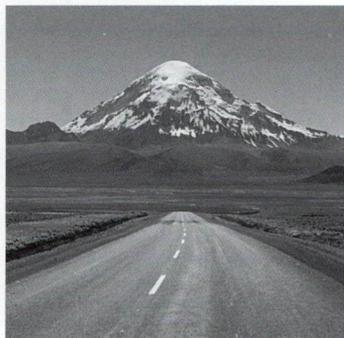
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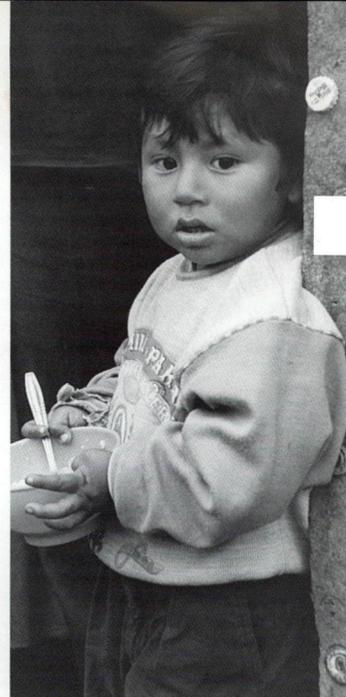
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 Felipe Herrera pioneered social lending for development institutions during Bank's first decade.

COVER PHOTO

Hands-on curriculum
 Students at Chile's Mafil Agricultural School take time out for a little weeding. Then it's back to class in a new building built through an IDB-financed nationwide program for health, education, sanitation, road and electrification projects. (Cover photo by Willie Heinz).



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The Bank at a glance

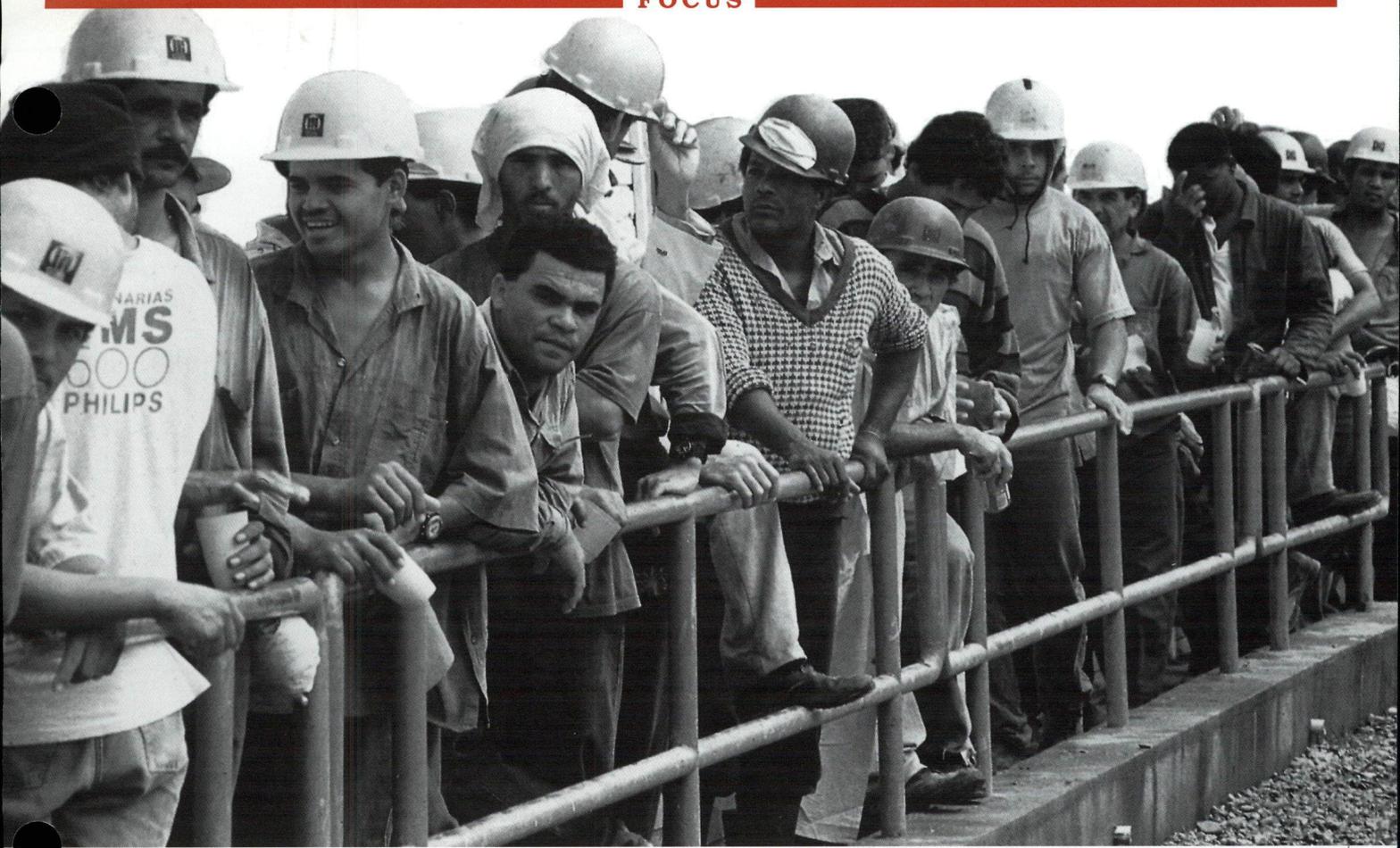
The Inter-American Development Bank (IDB) is an international financial institution established in 1959 to help accelerate economic and social development in Latin America and the Caribbean. The IDB is based in Washington, D.C.

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

In its 35 years of operations, the IDB has helped to provide, secure and organize financing for projects that represent a total investment of more than \$194 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 14-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.



Rethinking development

Privatization, liberalization, globalization, free trade. . . . What longstanding economic problems have these new policies actually solved?

What have they *not* solved? And what new problems might these new policies have created?

Most countries—including those of Latin America and the Caribbean—that have carried out market-friendly economic reforms during the past 10 to 15 years have lowered inflation and boosted economic growth. But in many of these countries, income distribution has grown more skewed and unemployment has worsened.

It would seem that now is a good time to take a thorough look at the current model for development and growth. To do so, the IDB organized a conference on development thinking and practice in which leading experts from around the world debated what has gone right on the road the developing world decided to travel, and what has gone wrong.

In former years, developing coun-

tries chose either capitalism or communism. Today, communism is no longer an issue, and countries select among different kinds of capitalism, says Louis Emmerij, special advisor to the IDB president and organizer of the September conference. "We need to know how successful these new kinds of capitalism have been, and conclude what lessons Latin America and the Caribbean should draw, both in analytical and regional terms."

What has gone right on the road of economic reform, and what has gone wrong?

With more than a decade under the new policies, countries in some regions show impressive figures in every aspect of their economies, but they are the minority. In Latin America, results are mixed.

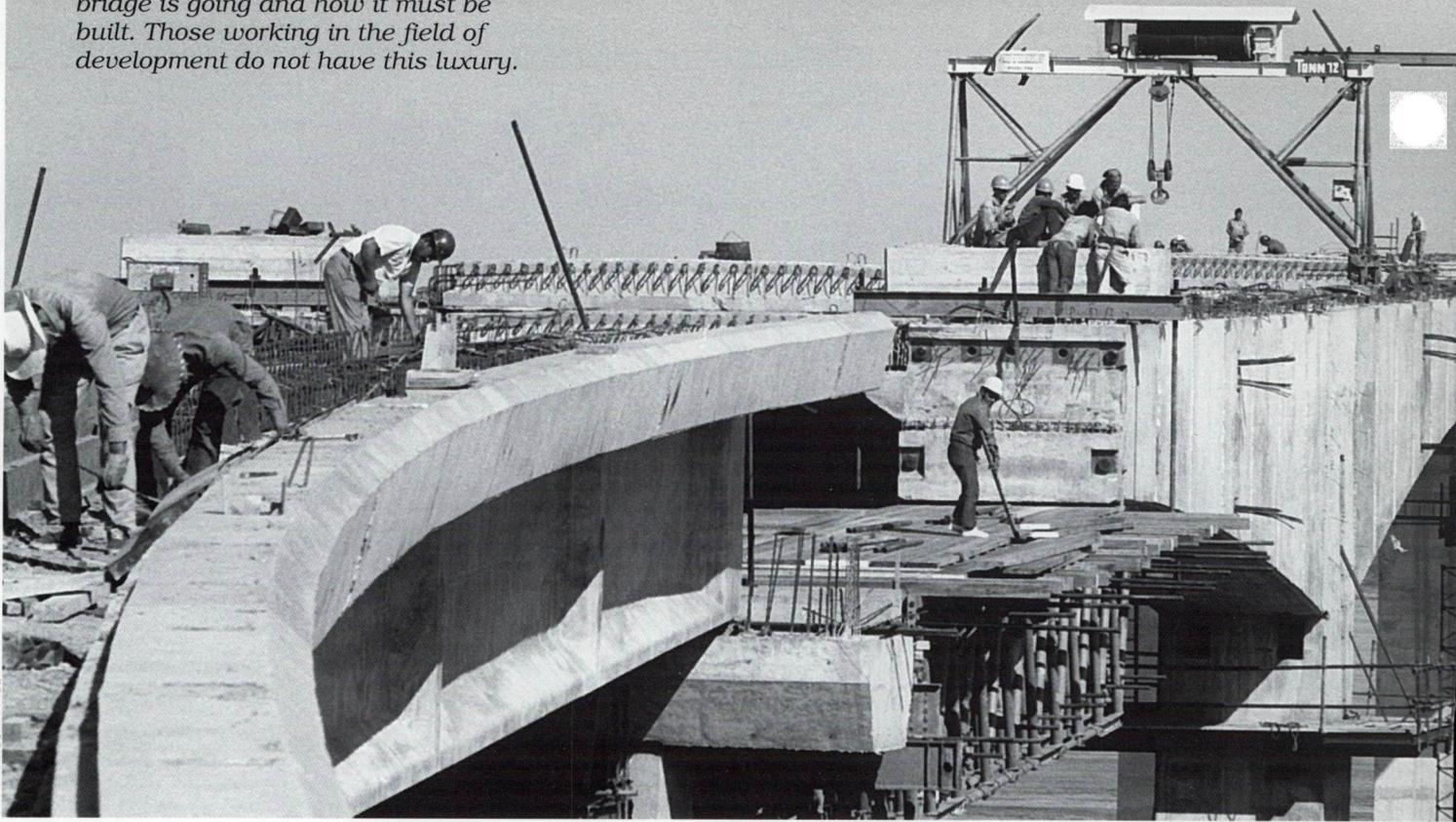
What to change. Noting that unemployment rates in several Latin American countries remain over 20 percent many years after the reforms, Emmerij wonders if the fundamentals of these new policies are right. The current economic orthodoxy needs to be scrutinized in depth, he says, and the conference at Bank headquarters marks perhaps the first time this effort has been undertaken in a systematic and thorough way.

The discussion necessarily included comparing results from one region to another. East and Southeast Asia have been able to generate explosive economic growth along with increasing equity, while Latin America has achieved growth but little or no equity.

The conference considered papers by leading world experts in development and economics who proposed new ways of tackling the still-unresolved problems. Some of those suggestions, particularly those with applicability to Latin America and the Caribbean, are presented in the following pages.

—Samuel Silva

Engineers know exactly where the bridge is going and how it must be built. Those working in the field of development do not have this luxury.



DAVID MANGURIAN-DB

POLICY

Latin America looks to the 21st century

Leading experts evaluate reform results

by Samuel Silva

It was one of the most august groups of experts on economic development ever assembled, but IDB Vice President Nancy Birdsall chose to make her point by using an analogy that anyone could understand.

What does a children's party have in common with a sound national economic policy?, Birdsall asked. They both require six essential elements, which she terms the three "C's" and three "R's."

At the party, the children must first of all be Coordinated to have a good time. But there must also be Competition: the games are more fun if there are incentives for the children to engage one another. And the best way to achieve coordination

and competition simultaneously is through some kind of Contest.

As for the R's, the children must understand and follow Rules, and a Referee must enforce the rules and distribute the Rewards.

Although the market system is accepted almost universally, each country must determine how it will be applied.

A basic consensus. Birdsall was among the speakers at a three-day conference on "Development Thinking and Practice" at IDB headquarters in Washington, D.C., in September. The conference brought together leading experts on economic and social development from

around the world to share their ideas about how to accelerate the development of Latin America and the Caribbean into the 21st Century.

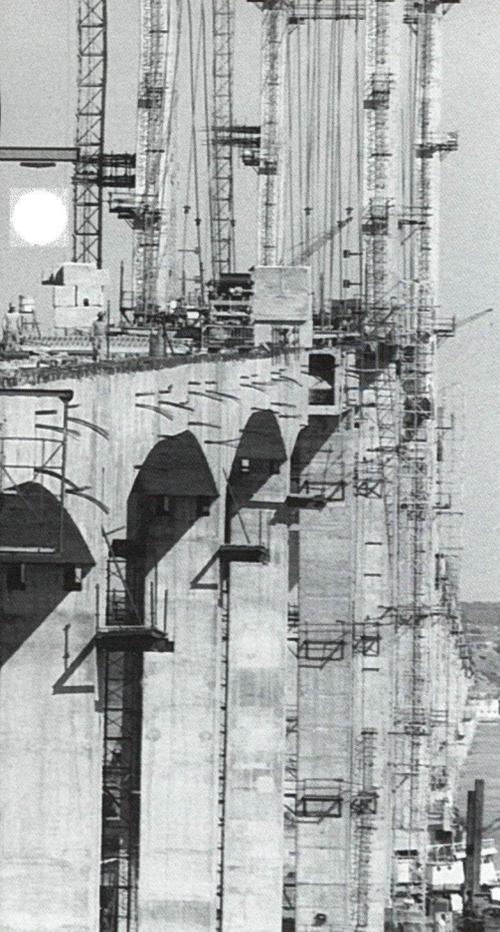
Conference delegates heard and debated 12 major papers that focused on current economic thinking in light of the region's decade or more of experience with market-friendly economic reforms.

Out of the discussions emerged a consensus that the "big picture" of liberalization, privatization and other economic reforms undertaken by the region is overwhelmingly positive. But participants disagreed on the pace of reforms and precisely what Latin American countries must do once they have achieved the goal of stabilization.

"No one denied the importance of the Washington consensus (see box)," said the IDB's Louis Emmerij, "but there were different points of view on what the economic policy should be for growth in the medium and long term."

In remarks opening the conference, World Bank President James D. Wolfensohn noted the substantial changes that have taken place in the debate on economic policy

The writer is associate editor of THE IDB.



ver the past decade. "We are no longer arguing about socialism or capitalism," he said. "We are no longer looking at the sort of black-and-white debate of the 1980s. There is a certain acceptance now of the market system."

No one size fits all. But participants also stressed that despite this new consensus, it is important to recognize that specific economic reforms must originate from within each country, taking into account its singularities and nuances, rather than being imposed from outside.

"There can be no Washington-derived view of what it is a country can do," said Wolfensohn. "We're trying to listen, looking at the government's view, what the press says, what the NGOs are saying, what the private sector is saying."

Eisuke Sakakibara, director-general of the International Finance Bureau at the Japanese Ministry of Finance, was particularly outspoken on this same subject.

"Each country would be well advised to establish its own model of capitalism and democracy," he said. "The world as a whole will gain from
(continued on page 6)

The manifesto that wasn't

In 1989, John Williamson, a fellow at the Institute for International Economics, listed 10 policy reforms being implemented in Latin America which, he thought, the international financial institutions and other Washington-based organizations would applaud.

These 10 reforms (see below), now known as the "Washington consensus," came to be seen as a neoliberal policy manifesto dictated by the Washington organizations. In fact, they were closer to the reverse: they reflected policy changes that were already taking place in Latin America, of which Washington at the time seemed largely unaware.

In preparation for the IDB conference on development thinking, Williamson updated his list of policy reforms and produced what many people thought he was doing the first time around: a policy manifesto.

The Washington consensus brought up-to-date

Fiscal discipline. Reduce budget deficits.

Institution building. Create independent central banks and strong budget offices.

Public expenditures. Redirect monies toward neglected fields with potentially high economic returns, particularly in social areas.

Better education. Increase expenditure and refocus on primary and secondary schooling.

Tax reform. Broaden the tax base and cut marginal tax rates, and include second-generation reforms such as an eco-sensitive land tax.

Financial liberalization. Work toward the ultimate objective of market-determined interest rates.

Bank supervision. Combine financial deregulation with stronger oversight.

Unified exchange rates. Induce rapid growth in nontraditional exports. A wide crawling exchange rate band is recommended.

Trade liberalization. Progressively reduce tariffs to achieve a uniform low tariff of 10–20 percent, and move forward on regional efforts.

Foreign direct investment. Abolish barriers to foreign firms.

Competitive economy. Privatize and deregulate.

Privatization. Eliminate inefficient and insolvent state enterprises.

Deregulation. Avoid restrictions on competition.

Property rights. Create well-defined legal systems that secure private property for all, including those in the informal sector.

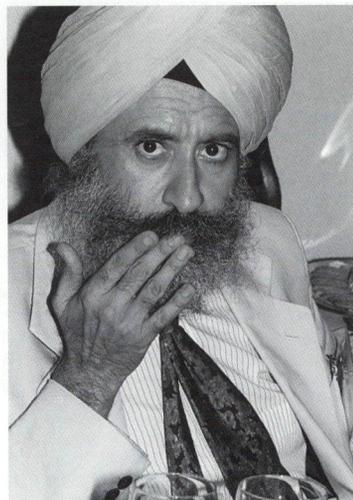
■ Original consensus

■ Revisions



"Levels of poverty [today in Latin America] are considerably higher than those observed in 1980, while income distribution appears to have worsened in virtually all cases."

Gert Rosenthal
U.N. Economic Commission for Latin America and the Caribbean



"The international economic environment is totally different today from that in which the East Asian NICs achieved their formidable success."

Ajit Singh
Cambridge University

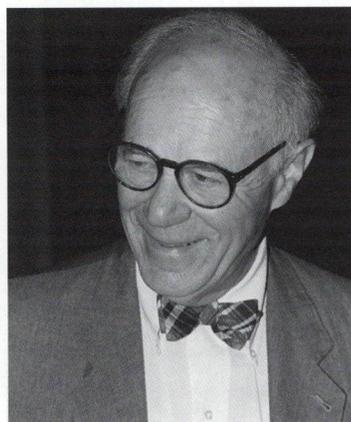


"The Latin American systems should differ quite significantly from the Anglo-American model, as the French, Italian and Spanish ones differ from the German model."

Eisuke Sakakibara
Japanese Ministry of Finance

"There are rays of sunshine in that Mercosur may blossom and Nafta may spread in ways that previous attempts at regional integration could never achieve."

Lawrence Klein
University of Pennsylvania



systemic diversity. It should not suffer from the confusion and catastrophe that would be caused by forceful application of a universal model."

He noted that Latin American systems should differ quite significantly from what he calls "the Anglo-American model," in the same way the French, Italian and Spanish systems differ from Germany's.

Pending tasks. During three days of discussions at the conference overall agreement emerged in several areas. High on the list of priorities was the need for a new role for the state, although some participants favored a more interventionist government, while others advocated an active state role only in regulation and supervision and in assuring macroeconomic stability.

A number of speakers emphasized that one of Latin America's most pressing pending tasks is to substantially increase domestic sav-

ings, from the less than 20 percent of GDP today to a more desirable minimum of 25 percent.

Latin America also "must confront its extraordinarily unequal income distribution," said Albert Fishlow, senior fellow for economics at the Council on Foreign Relations

Participants agreed that equity is a major determinant of economic success. But what is the best way to achieve it?

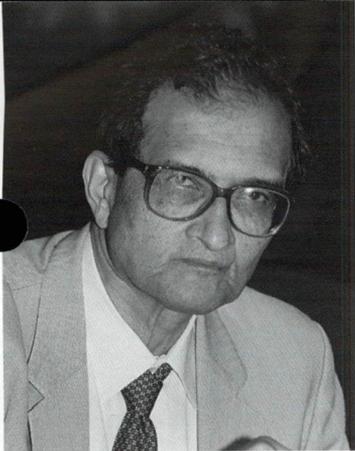
in New York. Gert Rosenthal, executive secretary of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), added that even though the incidence of poverty has gradually fallen in most countries, "the levels are still considerably higher

than those observed in 1980, while income distribution appears to have worsened in virtually all cases."

While no one questioned these assertions, there was considerable debate about how best to achieve the goal of a more equitable distribution of income. For Fishlow, land reform was "clearly the most potent variable used in the past" for redistributing wealth. "Land reform, where used, has been a powerful factor in affecting income distribution," he said. He cited Korea and Taiwan as cases where a commitment to equity played a major role in ensuring economic success.

Other participants urged improvements in public education as a way to increase equity, including shifting resources from universities to primary and secondary schools.

The Asian model. The conference paid special attention to the development experiences of East and Southeast Asia and their applicabil-



"More education and health care must directly count as developmental, since they help us to lead longer, freer, and more fruitful lives."

Amartya Sen
Harvard University



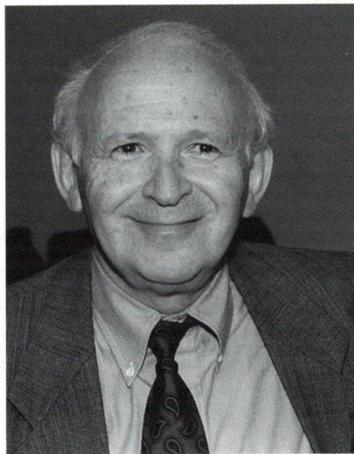
"There is danger that the fear of excessive and inefficient government could exclude productive investment that can yield growth as well as improve income distribution."

Albert Fishlow
Council on Foreign Relations



"You cannot have economic and political advance without social advance."

James D. Wolfensohn
World Bank



"There is some danger that the policy pendulum, having undoubtedly swung too far in a religious laissez-faire direction, is now in danger of swinging too far in an antiorthodox or revisionist direction."

Gustav Ranis
Yale University

ity to Latin America. Most participants agreed that Latin America would have difficulty reproducing the Asian model, primarily because the world economic environment has changed substantially since Japan first started the "Asian miracle" after World War II.

Which elements of East Asia's successful development experience can Latin American countries emulate, and which can they not?

Ajit Singh, of Cambridge University, argued that in today's global, open, private economies, it would be almost impossible to implement a plan as interventionist and protected as that carried out by the East Asian countries.

Moreover, there is no consensus

on what exactly should be emulated from the East Asian experience. The state-engineered industrial policies? The export push? Better initial income distribution? Fiscal incentives to promote corporate growth? The region's successful land reform efforts, or the commitment to better education? And what exactly was it that stimulated the countries' increased rates of domestic savings? There are still no definitive answers to these questions.

Consensus and discussion. "It is clear that there are no shortcuts in development," stated U.S. Treasury Undersecretary Larry Summers in the conference's keynote address. There are no substitutes for free markets, open economies, privatization, deregulation or a reduction in the size of the government, he said.

IDB President Enrique V. Iglesias, in closing remarks, noted the widespread agreement among participants on the need for Latin America

to continue to pursue the economic fundamentals—macroeconomic stability, savings, openness, and investment in human resources.

However, other issues remain controversial, he said, and require ad hoc responses in each country. These include the pace of commercial and financial liberalization, how to achieve full employment and greater income equity, and the appropriate role of the state.

"In Latin America, there must be a conciliation of three fronts: development, equity and democracy," Iglesias concluded. A concern for all three must underpin the new, emerging development consensus.

The papers presented at the "Development Thinking and Practice" conference will be published as a book. Copies of individual papers are available from the Social Agenda Policy Group, tel. (202) 623-1543 or 623-2699 and fax (202) 623-2702.

PHOTOS BY DAVID MANGURIAN-IDB

RESEARCH

New approaches to social services

Search for efficiency in spending

■ Governments should get out of the business of supplying health care goods and services and directly providing medical services, according to two experts at a recent seminar held at the IDB.

In their paper, "Structured Pluralism: Toward a New Model for Health System Reform in Latin America,"

Julio Frenk and

A model to reform health care

Juan Luis Londoño instead urged governments to concentrate on better allocating

scarce resources and promoting the public interest, specifically by setting strategies, catalyzing private activity, mobilizing resources, setting standards and evaluating performance.

The countries of Latin America and the Caribbean face multiple health care problems. Their populations suffer from malnutrition and other diseases of underdevelopment, but also increasingly from cancer, drug addiction and other ills that come with urbanization and industrialization.

Similarly, the region's health care systems still have problems characteristic of less-developed countries, such as insufficient coverage and poor technical quality, as well as the problems of the more-developed health care systems, such as escalating costs.

The Mexican system, for instance, struggles with problems of inequity, inefficiency and inflation, Frenk reports in a second paper, "Comprehensive Policy Analysis for Health System Reform." At 50 years of age, Mexico's health service model is characterized by separating social groups into subsystems, which contributes to inequity.

Fragmentation of health care also occurs when the provision of services is decentralized to local bureaucracies without the correct incentives. Finally, the "de facto" strategy of turning the provision of health care over to the free market can result in reduced efficiency, quality and equity.

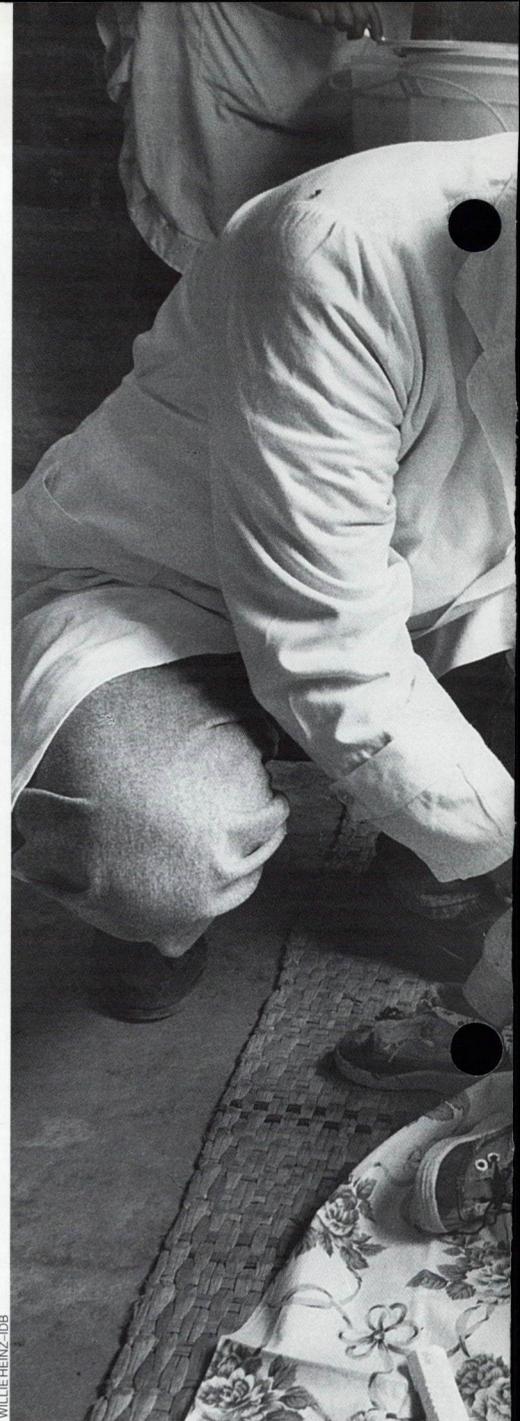
At the same time, when countries attempt to correct such fragmentation by nationalizing health care, new problems can occur. Londoño and Frenk call for a new approach, one they call "structured pluralism." Under their model, governments would focus on mobilizing resources and creating rules of the game for competition in the health care industry aimed at increasing options for consumers and minimizing the conflicts between equity and efficiency.

☎ To order a copy of the paper referred to above, contact Juan Luis Londoño, tel. (202) 623-3550, fax (202) 623-2481 or e-mail: juanluisl@iadb.org

■ A series of studies documenting the experiences of a group of countries in improving the quality, coverage and efficiency of potable water systems was presented at a recent Bank seminar. The studies, which looked at Argentina, Chile, Honduras,

Mexico and Peru, examine what happened as a result of contracting private companies to manage water systems under concessions. The studies discuss the benefits and pitfalls of drafting and managing such contracts.

The cost of clean water



Back to basics: a new study urges eliminat

Financed as part of the IDB's Regional Research Network, the studies will be published in 1997 as a book.

The study on Mexico looks at the steps the Mexican government has taken over the past decade to decentralize its water utilities by turning management over to states and municipalities. Comparing the experience of the decentralized systems with the centralized ones, the study concludes that the former tend to be more successful in recovering costs and treating wastewater.

Also in Mexico, the government



of health care bottlenecks.

has encouraged the privatization of potable water systems over the past five years by granting concessions to commercial contractors. To date, however, only two water utilities have been privatized. Nevertheless, the study urges that these changes be continued, arguing that privatization will ultimately result in better potable water services and water management.

For a copy of the study referred to above, contact Raquel Gomez, at tel. (202) 623-2355, fax (202) 623-2481 or e-mail: raquelg@iadb.org

DEFENSE

A farewell to arms

Military budgets decline in Latin America

Military expenditures are declining globally, according to the United Nations Development Programme's *Human Development Report 1996*. Latin America's military budgets are among the lowest of all.

North Korea leads the world in military spending, devoting 26.6 percent of its GDP to defense. It is also one of the few countries that have increased military spending over the last 10 years.

In Latin America, the replacement of military regimes with demo-

cratic governments in the early 1980s led to a general decline in defense budgets. Between 1985 and 1994 military spending, as a percentage of the region's collective GDP, dropped from 1.8 percent to 1.6 percent, according to the report.

Only three of the region's countries have shown significant gains in defense spending during this period: Ecuador (1.8 to 3.2 percent), Colombia (1.6 to 2.3) and Venezuela (1.3 to 1.6). Cuba's defense budget has dropped by two thirds since 1985.

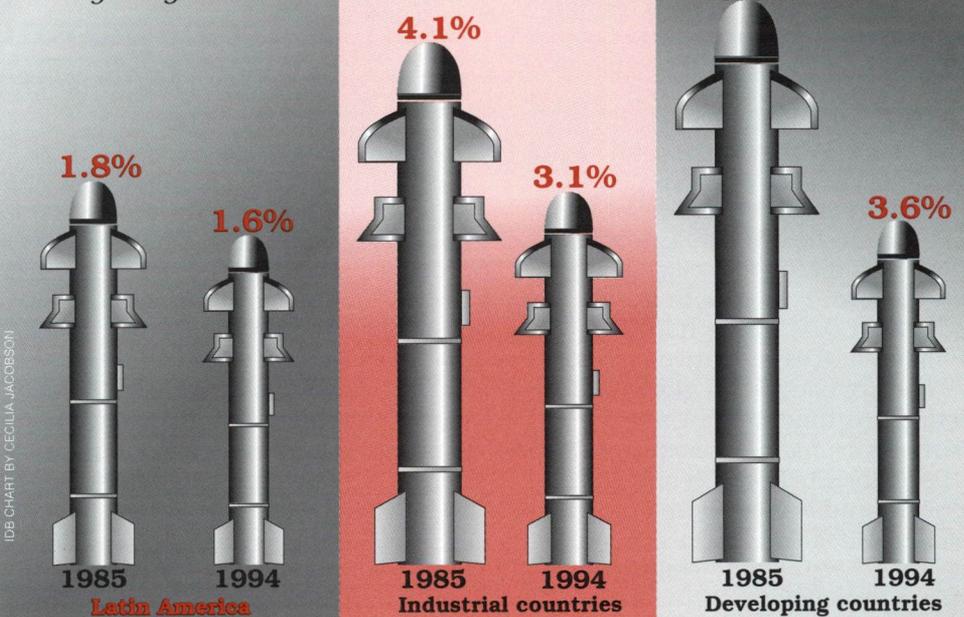
Defense spending in Latin America...

The region's outlays for arms are among the world's lowest*

| | | | |
|-----------|------|------------|------|
| Chile | 3.5% | Argentina | 1.7% |
| Ecuador | 3.2% | Brazil | 1.6% |
| Cuba | 2.7% | Venezuela | 1.6% |
| Uruguay | 2.5% | Bolivia | 1.4% |
| Colombia | 2.3% | Guatemala | 1.1% |
| Nicaragua | 2.0% | Mexico | 0.7% |
| Peru | 1.8% | Costa Rica | 0.5% |

...and worldwide

Military budgets shrink*



* Average defense expenditure as a percentage of GDP in 1994. Source: Human Development Report 1996, United Nations Development Programme

SANTIAGO

Growth and social equity

One cannot happen without the other

A country's success in achieving rapid economic growth does not guarantee that its citizens will enjoy a better standard of living, according to participants at a recent conference in Santiago, Chile.

How to transform economic success into social equity was the subject of papers and case studies presented at the conference "Economic Growth and Social Equity: International Experience and Policies" by experts from multilateral institutions, universities, think tanks and the Chilean government. The conference was organized by the IDB and Chile's Ministry of Finance.

"Economic development is incomplete without social equity," said Chile's finance minister, Eduardo Aninat, during the conference's inaugural session. "It is like a table missing one of its legs."

Chile was described as an example of a country where enviable economic gains have not yet resulted in a marked improvement in income distribution, even though poverty has declined markedly in the last six years. At the same time, spending in health and other social services that is highly targeted to the poor has raised the total "real income" for that country's low-income sectors. The quality of education and health services for the poor and the middle class has increased, and along with it, per capita income, said Andrés Solimano, IDB executive director.

Lack of equity is a global problem. According to the United Nation's *Human Development Report 1996*, links between economic growth and human development must be deliberately forged and regularly fortified by skillful policy management.

In one study presented at the conference, IDB Executive Vice

President Nancy Birdsall and Williams College economists Thomas C. Pinckney and Richard H. Sabot describe how equity can both result from growth and simultaneously serve to stimulate it.

The study presents a model in which low-income households with limited access to credit increase their savings when provided with new investment opportunities, such as higher prices for their products. The model also suggests why low-income groups may initially cut back even on consumption in order to free up more money for investments.

High savings. Another implication of the model is that for people of low income, a combination of both better investment opportunities and higher returns for labor can lead to exceptionally high savings rates as they work more to finance new in-

vestments with their own savings.

"The implications of this model are potentially far-reaching," state the authors. "Ensuring that the poor have incentives to invest and to work more can result not only in higher incomes for them, but also in large increases in savings and investment, and hence in growth." They urge that further research be done to expand the model's theoretical foundations and test it with empirical evidence.

The study was inspired by evidence that countries with low levels of inequality have grown faster over the past thirty years than countries with less balanced income distribution. Comparing the high-growth, low-inequality East Asian economies with the low-growth high-inequality economies of Latin America, the study found that high levels of inequality appear to constrain growth.

 Studies presented at the conference referred to above may be obtained by contacting Pilar Brown at tel. (202) 623-1016, fax (202) 623-3574 or e-mail: pilarb@iadb.org

EVALUATION

Goal of transparency stressed

Meeting examines public sector management of projects

Government officials from 15 Latin American countries met in Cartagena, Colombia, in July to discuss how to improve the evaluation of projects carried out by public entities and to draft a regional plan for standardizing evaluation criteria and mechanisms.

"This topic has been around for quite some time, but it's been treated more as literature than action," Carlo Binetti, IDB representative in Colombia, said during the conference. Nevertheless, he added, recent years have seen a new commitment by governments to fulfill their responsibilities to society.

The conference comes at a time

when governments are seeking to modernize their operations and increase the transparency of their public administration. For its part, the IDB has taken steps to ensure that the projects it finances are sound and carried out efficiently.

"Without transparency," said Binetti, "it is impossible to maintain a concrete, serious, and substantive compact between public administration and civil society."

The IDB's executive director for Colombia, Julio Angel, stressed the role evaluation must play in a world of diminishing resources and increasing globalization and technological advances.

PANAMA

Campaign for coral reefs

Meeting of world experts

A worldwide campaign to save coral reefs from "catastrophic" collapse, including designation of 1997 as the "Year of the Reef," was launched at a recent conference in Panama City.

The VIII International Symposium on Coral Reefs brought together some 1,300 scientists and experts from 58 countries to examine the threats facing reefs and measures to preserve them.

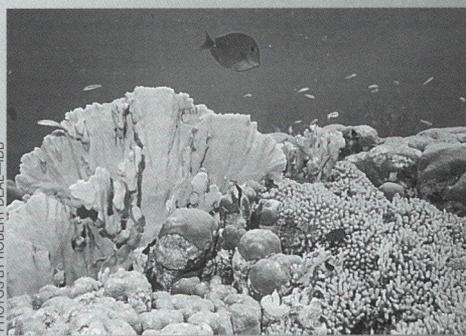
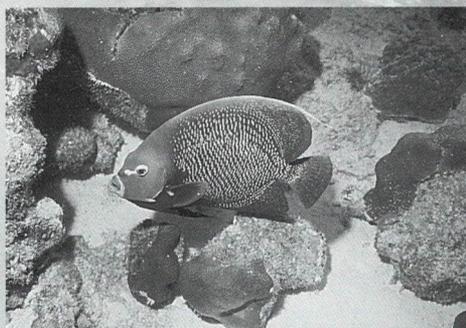
Among those providing support to the event were the IDB, the United Nations Environment Program, the Smithsonian Institution, and a group of scientific centers and universities. The symposium was organized by the University of Panama and the United States' Smithsonian Tropical Research Institute.

Coral reefs, which are communities of microorganisms, are a key component of tropical marine ecosystems and essential for the survival of many species, including commercially valuable fish.

In addition, offshore reefs soften the impact of waves, protecting beaches and coastal communities, serve as major tourist attractions, and are the source of industrially valuable products.

More IDB support. The symposium participants described a variety of factors that are assaulting reefs, including sedimentation from deforestation, damage by boat anchors and fishing nets, specimen collecting and pollution. In addition, the warming caused by the El Niño weather phenomenon of 1982-83 killed many coral reefs in the Pacific.

The IDB in recent years has increased its support for coral reef protection as part of operations designed to conserve marine environ-



PHOTOS BY ROBERT DEAL-IDB

More than a magical underwater world, coral reefs defend against coastal erosion. On one Caribbean island (below), the destruction of reefs has forced a hotel owner to protect what's left of his beach with rock-filled gabions.



DAVID MANGURIAN-IDB

ments. One example is a project in Barbados to construct sewage treatment plants as a component of a coastal conservation plan. Other projects include marine protection in Brazil, environmental studies in the Galápagos Islands, and coastal management for the Bay Islands of Honduras.

The symposium, which takes place every four years, was held this year for the first time in Latin America.

The IDB helped to finance the participation of 50 delegates from Latin America and the Caribbean. The Bank also funded specialized seminars that focused on problems in the region as well as an exhibition that is currently traveling to countries in the region.

The symposium also sponsored a series of three public lectures on coral reefs and a public workshop on the role of coastal peoples in coral reef management.

BARBADOS

Sewage lines to protect beaches

Excavation work has begun in Barbados for 45 kilometers of main sewage lines as part of a \$73 million IDB-financed project to prevent the deterioration of the country's south coast tourist beaches and stop the destruction of coral reefs.

The work on the sewage lines is being carried out by a consortium of two firms from Madrid, Spain, Fomento de Construcciones y Contratas and Cubiertas y Mzov. The \$22.1 million contract is the third largest for an IDB project ever won by a Spanish firm.

Six kilometers of the collection pipe along the busiest roads will be installed using the novel "no

dig" trenchless system of underground excavation. The method, which aims to minimize disruption of street traffic, involves pushing the pipe through the earth with a jacking system instead of digging a trench. Elsewhere, lines will be laid in the conventional way.

According to Avril Gollow, Barbados' permanent secretary in the Ministry of Tourism, sewage treatment will help to protect and restore the island's coral reefs and ensure that they continue to act as barriers to protect the island's beaches from wave erosion.

"We could not afford not to implement this project," says Hugh Sealy, the government's project director. "If we lose our south coast beaches, we lose a national asset, we lose tourism, and we damage our economy."

Nearly one million tourists visited Barbados last year. Tourism revenues account for about 15 percent of the country's gross domestic product and 20 percent of its employment.

ECUADOR

Facelift for historic Quito

Traffic through the narrow, already congested streets of downtown Quito will get even worse starting in October when crews begin work to improve infrastructure in the city's 72-block, 400-year-old colonial center.

Unsightly overhead electricity and telephone lines will be buried under-



ROGER HAMILTON—IDB

Clean-up for city streets.

ground, and sidewalks and streets will be improved. Part of the work will be done at night to minimize the impact, according to Mario Jaramillo, an official of the Empresa del Centro Histórico (EMD), the semipublic agency created to carry out the IDB-financed project to rehabilitate the city's historic center.

The project also includes restoring many historic buildings and creating a museum and visitor's center, construction of parking garages and studies for a plan to control air pollution.

Only 70,000 people actually live in the downtown area, but some 400,000 pass through it every day.

The United Nations agency UNESCO designated colonial Quito a World Heritage Site in 1979. The historic center is already a popular convention site for South Americans, and the restoration project is expected to increase the city's tourism revenues.

BRAZIL

Mothers sit in first class

Several years ago a private hospital for low-income mothers and children in Brazil's northeastern city of Recife discovered that children recover faster if a parent helps care for them at the hospital.

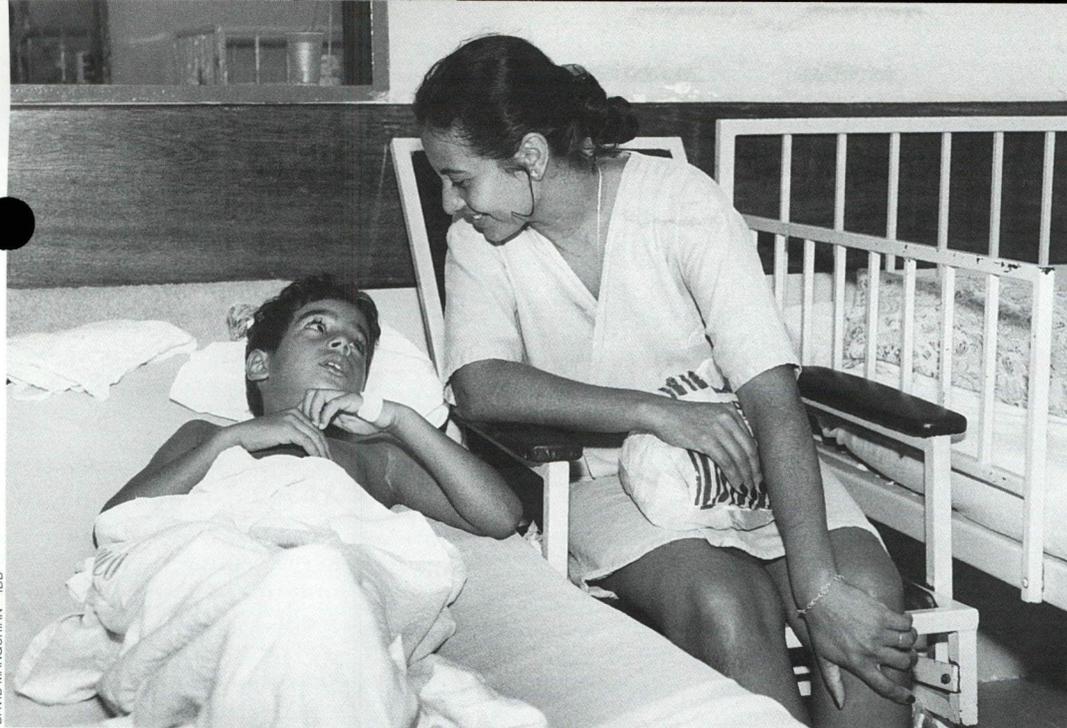
So the hospital, the Instituto Materno Infantil de Pernambuco (IMIP), urged the mothers to stay, loving their children back to health in ways that even the best nurses cannot. But the mothers paid the price of long, sleepless nights sitting uncomfortably in chairs beside their children's beds.

Last year the hospital founder and director, Fernando Figueira, decided to make parental childcare a little easier by having special chairs made that would convert into cots. The IMIP maintenance shop designed and manufactured 350 such recliners, which cost only \$50 each to manufacture.

"We call them 'mother's chairs' because they are similar to a reclining chair sold in Brazil that people call 'cadeiras de papai' (father's chairs)," says Lanuze Gomes Andrade, IMIP's pediatrics nursing coordinator. "They've been a big hit."

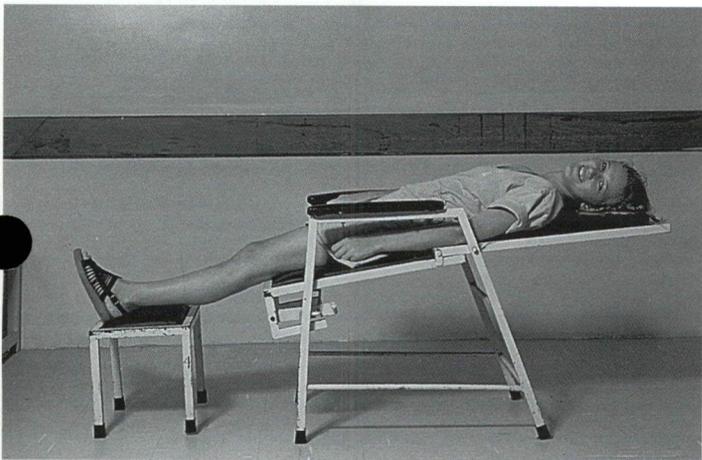
The hospital, founded in 1960 by Figueira and several other pediatricians, has become one of Latin America's most progressive and innovative health care institutions. The IDB provided a \$1.15 million grant to IMIP in 1992 to help finance the

*Sewage goes subterranean.*



DAVID MANGURIAN—IDB

Best therapy: a mother at her son's bedside. Chairs designed by the Instituto Materno Infantil de Pernambuco (below) recline for parents who wish to spend the night.



DAVID MANGURIAN—IDB

construction and equipping of the hospital's new outpatient facilities, as well as improvements in administration and other aspects of health care delivery. Last year, IMIP attended more than 450,000 patients.

IMIP has pioneered preventive care programs in low-income neighborhoods. Health workers in the program go house-to-house promoting vaccinations, better nutrition and sanitation as a way of reducing the number of mothers and children requiring hospitalization. More than 40,000 such neighborhood preventive health workers are now employed by government

and nonprofit health clinics in Brazil.

Another IMIP initiative is a program that teaches mothers how to extract and refrigerate their own milk, which is fed to their infants while they are at work. Mothers can leave their milk at IMIP if they don't have refrigerators.

In a third innovation, IMIP has reduced the high cost of caring for premature babies in expensive incubators by turning their mothers into live incubators. In "Project Kangaroo," the premature infants are wrapped tightly against their mothers' breasts with a shawl, giving them warmth, care and "food on demand."

BOLIVIA

Paved link to the Pacific

Bolivia has inaugurated its first paved road link to the Pacific Ocean, a 192-kilometer highway to its border with Chile.

Bolivian President Gonzalo Sánchez de Lozada and about 200 other officials from Bolivia and Chile attended the mid-July ceremony to inaugurate the new two-lane highway, which runs between the towns of Patacamaya and Tambo Quemado at the Chilean border. From there, the road continues on to Chile's port of Arica.

The new highway makes it possible for vehicles to travel the 440 kilometers between La Paz and Arica in just six hours, instead of the previous 18 hours. One result will be to spur the export of soybeans and other crops from Bolivia's agriculturally rich Cochabamba and Santa Cruz regions and from Brazil, according to Bolivia's Minister of Economic Development, Jaime Villalobos. The

highway, which was financed with the help of a \$51 million IDB loan and additional credit provided by the Japanese government, completes Bolivia's 1,000-kilometer "export corridor" linking Santa Cruz to the Chilean border.

The highway was completed at higher specifications and lower direct cost than estimated in the original plans. The project also includes protection measures for the Sajama National Park as well as restoration of the 400-year-old Curajara de Carangas Church.

Bolivia's next highway project would be a road between Santa Cruz and Brazil, thus completing the link between the Atlantic and Pacific oceans. "If a good portion of the products from southern Brazil could reach the Pacific, both Bolivia and Chile would benefit," said Ricardo Lagos, Chile's minister of public works.

The newly inaugurated road to Chile is one of the most beautiful in South America, crossing the high Altiplano past pre-Columbian ruins and skirting the base of the 6,550-meter-tall snow-capped Sajamá Volcano.



Road gets hero's welcome.

LOANS

Argentina. . . \$102 million to upgrade sub-standard neighborhoods, or barrios.



The program will encourage community involvement in the identification, design, execution and maintenance of urban improvements that will benefit more than 30,000 families living in poor barrios in cities of more than 20,000 inhabitants, excepting Buenos Aires.

The program will include land tenure regularization and improvements in physical infrastructure, and will help strengthen community organizations. The program's total cost is \$170 million.

For more information contact: Secretaría de Desarrollo Social, Avenida 9 de Julio 1925, Piso 13, 332 Buenos Aires, D.F., Argentina. Tel. (54-1) 383-3166, fax (54-1) 383-4439.

Brazil. . . \$350 million to expand and improve delivery of health care services to low-income sectors.



The IDB's largest single loan to date in the health sector, the resources will support a \$750 million program to strengthen the country's Unified Health System (SUS). It will finance projects including health promotion and disease prevention in low-income areas, improvements

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>

in the accessibility of basic services, improved quality standards and management and accounting systems, and rehabilitation of health care facilities.

In addition, the resources will support policy reforms aimed at improving the SUS's financial sustainability, equity and efficiency.

For more information contact: Sistema Unificado de Saúde, Ministério de Saúde, Esplanada dos Ministérios, Bloco "G", Sétimo Andar, Brasília-D.F., CEP 70058-900. Tel. (55-61) 315-2807, fax (55-61) 225-6210.

Brazil. . . \$150 million to the municipality of São Paulo to upgrade sub-standard housing and build urban infrastructure in favelas, or shantytowns.



The program will provide 9,000 new apartments and 2,000 new lots with core housing, while equipping 21,000 irregular lots with sanitary sewers, water supply, street lighting and other infra-

structure to bring them up to legal standards.

Beneficiaries will use compensation for their current dwellings to make down payments for new ones, paying the balance with 25-year mortgage loans.

The program will also include other infrastructure projects such as roads, slope stabilization, reforestation, green areas, sports facilities, trash disposal systems, drainage structures and parking areas. It will also strengthen the Secretariat of Housing and Urban Development. The program's total cost is \$250 million.

For more information contact: Secretaria de Habitação e Desenvolvimento Urbano, Rua São Bento 405, 22º Andar, CEP 01008-906, Predio Martinelli, São Paulo, SP, Brazil. Tel. (55-11) 239-1410/1282, fax (55-11) 239-0313.

Guatemala. . . \$42.3 million for small-scale infrastructure and social projects designed to improve the living condi-



tions of the rural poor.

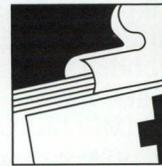
The financing will help strengthen the ability of low-income communities to manage their own productive activities and basic social and economic services and to protect and upgrade the environment.

The resources will support thousands of small-scale social investment projects of the Fondo de Inversión Social, a government institution set up in 1993 to raise the living standards of the very poor. The projects will have an average cost of \$13,000 and will focus on education, job training, health, sanitation, nutrition, environment, and physical and socioeconomic infrastructure.

The program's total cost is \$47 million.

For more information contact: Fondo de Inversión Social, 11 Calle 1-23, Zona 9, Guatemala, Guatemala. Tel. (502-2) 60-2468, fax (502-2) 32-6736.

Trinidad and Tobago. . . \$134 million to support health care reform.



The program will strengthen the health sector's planning, management and policy-making capacity, separating the provision of services from financing and regulatory responsibilities.

The program will decentralize service delivery and management, and develop a comprehensive health financing strategy. It will reorient public spending

toward priority problems and cost-effective solutions in preventive, primary and ambulatory care. This will be the first phase of a 10-to-15 year sector reform program costing \$192 million.

For more information contact: Ministry of Health, 10-12 Independence Square, Port-of-Spain, Trinidad and Tobago. Tel.(809) 623-2741, fax (809) 623-9528.

TECHNICAL COOPERATION

Nicaragua. . . \$1.7 million to strengthen and modernize the National Assembly and prepare a program of judicial reform.

The resources will support the review of the internal rules and regulations of the National As-



Sweet onions, sweeter sales

Jorge Arboleya, chief of Vegetable Research at the Las Brujas Agricultural Experiment Station in Uruguay, shows off a new harvest of sweet onions bound for markets in the U.S. The center used new equipment partially funded by a \$19.3 million IDB loan to develop exportable varieties of onions, strawberries, lettuce and radishes.

sembly, the drafting of a code of parliamentary ethics, and the introduction of rules of procedure.

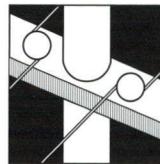
They will also finance technical expertise for legislators to help them develop priorities for the 1996-98 legislative agenda, as well as courses on the new legal framework and the legislative transition process following the elections of October 1996.

MULTILATERAL INVESTMENT FUND

Haiti. . . \$1,169,000 to help reorganize the electricity sector to make it more efficient and effective.

The resources will support technical services to analyze and present options for the sector's reorganization, which will include increased participation of the private sector. The financing will also support the formulation and elaboration of the legal and institutional framework appropriate for those options that are chosen.

The program will also help establish of an administrative unit to carry out the sector reform.



IN THE FIELD

Keith E. Evans has been appointed IDB representative in Suriname. He was previously senior operations officer in charge of coordinating programs for Jamaica and the Carib-

bean Development Bank in the Regional Operations Department 3.

IN PRINT

Opportunity Foregone: Education in Brazil, edited by Nancy Birdsall and Richard H. Sabot.

Brazil made fundamental economic policy changes in the mid-1990s that dramatically slowed inflation and set the stage for sustained growth, providing the opportunity to address other social and economic problems. Among the most pressing issues on the agenda is education.

This book, edited by IDB Executive Vice President Nancy Birdsall and Williams College professor Richard H. Sabot, presents a frank and thorough assessment of the social costs of Brazil's educational performance.

"If Brazil is to realize its potential then it must markedly improve the performance of its system of education," Paulo Renato Souza, Brazil's Minister of Education, says in the book's introduction.

The 18 studies included in the book examine how deficiencies in Brazil's basic education have constrained productivity and wages, making reforms of the nation's education system as much an economic as a social issue.

For information on ordering the book, contact the IDB Bookstore at tel. (202) 623-1753, fax (202) 623-1709, or e-mail: idb-books@iadb.org

DAVID MANGURIAN - IDB

SANTIAGO

Felipe Herrera, soul of the IDB

Bank's first president dies



Felipe Herrera, founding president of the IDB and the embodiment of the Bank's social vocation and integrationist ideals, passed away in Santiago, Chile, September 17 at the age of 74.

Herrera guided the Bank through the 1960s, a period of rapid change and economic growth in Latin America. Under his leadership, the Bank pushed back the boundaries of development financing, which up to then concentrated on purely economic projects, and entered social fields such as water, sanitation, health and education.

Insisting that social programs were indeed "bankable," Herrera was determined that the IDB's first loan would signal the fledgling institution's commitment to a



In the field: Herrera gets a big welcome in a tiny Andean community.

broader concept of development. That loan—to fund a potable water project in Arequipa, Peru,—has since become a landmark in social lending.

"Felipe Herrera directed all of his energy, his imagination and his political courage to create this institution's soul," stated IDB President Enrique V. Iglesias in a message sent to Bank staff.

The IDB's inventor. Born in Valparaiso, Chile, in 1922, Herrera earned degrees both in law and economics and joined the staff of his country's Central Bank. He later became minister of finance and general manager of the Central Bank

and at the same time Chile's governor on the Board of Governors of the World Bank and the International Monetary Fund.

A Chilean delegate on the committee that drafted the 1959 agreement establishing the IDB, he was elected the Bank's president at the first meeting of the Board of Governors in San Salvador in 1960.

"Felipe invented the IDB," stated Iglesias. "Without his tenacity, that long-standing ideal of constructing an Inter-American Bank would have continued navigating from meeting to meeting, and never would have reached its final destination.

With initial capital resources of less than \$850 million in 1959, the Bank went on during the decade to extend nearly \$3.5 billion in support to the countries of the region. In addition to its substantial investments in agriculture, industry and the social sectors, the Bank financed infrastructure projects that helped to unite a continent through modern highways, telecommunications and energy.

But as IDB President Iglesias noted, Herrera's impact went far beyond statistics.

"The Latin America of his dreams was a Latin America created by its intellectuals, its artists, its rich mixture of races, its rich history, its everlasting fight for social justice and democracy."

As a living tribute to Herrera's ideals, the IDB continues to be a very special institution, permanently adapting itself to the needs of the region it serves.



In places of power: Herrera and John F. Kennedy sign an agreement at the White House in 1961 to establish the Social Progress Trust Fund at the IDB.