# THE IDB

**The cost of violence**

*Sidewalk superintendents*

**1996: an economic retrospective ■ Peru's 'Deal of the Year'**
**Raising revenue, not taxes ■ A future for urban green spaces**

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**Sidewalk supervisors**
José Lorenzo Zinho finishes a sidewalk in one of the first favelas to benefit from an IDB program to extend services to 300 of Rio de Janeiro's poorest neighborhoods. This month's *IDB EXTRA* takes an in-depth look at the favela program. *(IDB photo by David Mangurian).*


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**The Bank at a glance**
The Inter-American Development Bank is an international financial institution established in 1959 to help accelerate economic and social development in Latin America and the Caribbean. The Bank has 28 member countries in the Western Hemisphere and 18 outside of the region.

In its 36 years of operations, the IDB has helped to finance projects that represent a total investment of more than $206 billion. The Bank has also fostered a more equitable distribution of the benefits of development and has been a pioneer in financing social projects.

**Questions? Comments?**
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An electronic version of *THE IDB* is available under "Press Services" on the IDB's Internet home page at http://www.iadb.org. The electronic version includes automatic links to related Bank press releases, project summaries and policy papers.

# Modest gains, firm prospects

The region's economies grew 3.1 percent last year, a respectable showing made possible by economic reforms, backing from the international community and a generally benign world economy.

The 1996 outcome was a sharp improvement over the dismal 1 percent growth of 1995, a year that will be remembered for the economic and financial downturn in Mexico and Argentina. The boost was due largely to faster-than-anticipated recoveries of these two countries, according to an overview of 1995 prepared by the IDB's Office of the Chief Economist for the Bank's *1996 Annual Report*.

In the region as a whole, real investment grew nearly 6 percent in 1996. In Chile it was up 13 percent, the highest rate of growth in the region. Investment also rose a strong 12 percent in both Argentina and Mexico, following declines in 1995 of 16 and 40 percent in those countries, respectively.

*But the region sees little gain in wages and jobs.*

**On the social fronts.** Despite these gains, the region's economic performance was not good enough to enable countries to make any real progress on employment and wages, according to the report.

"While much has been achieved during the 1990s in raising the region's investment in education and health from the low levels of the 1980s," states the report, "more must be done to raise the quantity and quality of this investment if the region is to fulfill its potential for growth and ensure that the benefits of growth are shared by all."

DAVID MANGURIAN—IDB

## Steps forward in 1996

**Colombia** privatized power plants representing 20 percent of the country's installed capacity.
**Bolivia** signed an agreement to join Mercosur in 1997.
**Brazil** laid the groundwork for privatizing the state steel company, the world's largest iron ore exporter.
**Chile** became an associate member of Mercosur.
**Costa Rica** expanded the private sector role in its banking system by permitting private institutions to offer demand deposits to the public.
**Panama** joined the World Trade Organization and pledged to liberalize its trade regime.
**Paraguay** enacted a new law to strengthen bank supervision.
**Mexico** improved accounting and reporting standards for banks.
**Venezuela** put in place a far-reaching plan to stabilize the economy and spark growth.

Unemployment remains a particularly vexing problem. Preliminary data for 1996 show that joblessness last year increased again.

Of particular concern is the fact that unemployment rates have risen during most of this decade, even in periods of relatively rapid growth.

**Private capital boost.** Capital flows to the region last year remained steady at about $50 billion, but their composition changed significantly. In 1995, over half of the total resources Latin America received from abroad were from official sources, provided largely to check the Argentine and Mexican crises. But last year these official flows went into the negative column as Mexico repaid a large portion of the support it received. Meanwhile, private capital flows rebounded to their pre-crisis levels.

Another bright spot was the general decline of both inflation and fiscal deficits. The region's median inflation rate in 1996 was about 11 percent, down from 13 percent the previous year and marking its lowest point since 1977.

Meanwhile, the region's average fiscal deficit fell from just over 2 percent of GDP in 1995 to less than 1.5 percent of GDP in 1996. Two particularly noteworthy examples were Brazil, which cut its deficit from 5 percent of GDP in 1995 to 3 percent in 1996, and Venezuela, where the deficit shrank to 3 percent of GDP from 6 percent in 1995.

While recognizing the region's accomplishments in 1996, the report offers some words of caution:

▶ *Equity.* The region's challenge is to transform the recovery into sustained and shared growth.

▶ *Joblessness.* Unemployment remains stubbornly high, highlighting the urgent need to reassess labor market regulations.

▶ *Fiscal discipline.* Public pension systems must be reformed and measures must be taken to ensure that fiscal decentralization does not undermine fiscal discipline.

▶ *Social services.* The quality of the investment in education and health must be improved.

*—the editor*

VIOLENCE

# The hidden costs of crime

## *Escalating violence also harms future generations*

*by Paul Constance*

Violent crime, once considered a marginal problem in most Latin American and Caribbean societies, has become a central concern for policymakers and the general public throughout the region.

Both the nature and magnitude of violent crime in the region have changed profoundly in recent years. Once associated with political conflicts between military governments and opposition groups, violence in Latin America is now almost always tied to drug trafficking, youth gangs and ordinary theft that threatens every social sector.

The region's average homicide rate, measured as deaths per year per 100,000 inhabitants, nearly doubled between 1980 and 1991, from 12.8 to 21.4, according to the United Nations. Residents of many urban and suburban neighborhoods who considered themselves safe in the early 1980s must now worry about burglaries, rapes, kidnappings and assaults.

Frustrated by inept law enforcement institutions and weak judicial systems that fail to punish even repeat offenders, some communities have taken the law into their own hands, apprehending, beating and sometimes killing alleged criminals in a shocking revival of 19th century vigilantism.

**Stealing from the future.** Recent evidence indicates that in addition to its devastating human costs, violent crime poses a concrete threat to the region's long-term economic development. Although it is notoriously difficult to determine the precise fiscal burden that crime places on a society, Mauricio Rubio, a professor of economics at Colombia's Universidad de los Andes, has recently estimated that crime costs that country the equivalent of 15 percent of its GNP per year. He has also calculated that the indirect consequences of violent crime—such as discouraging foreign and domestic investment—have robbed Colombia of potential economic growth equivalent to 2 percent of GDP per year.

Likewise, a United States Justice Department study released in 1995, which measured the cost of law enforcement and related factors such as legal fees, medical treatment, lost time at work and court expenses, concluded that crime costs the U.S. $450 billion a year. Jails and parole and probation systems add another $50 billion to the annual bill.

Based on these figures, policymakers are concluding that violent crime, far from a simple "quality of life" issue, can in fact become a crippling drain on the resources needed for development. Last year the IDB brought together criminologists, economists and community leaders to explore the roots of the problem and discuss its implications for development policy in a colloquium, "Ethics, Violence and Citizen Safety." And early this month the IDB joined the World Bank and several other entities in Rio de Janeiro for a two-day conference on the particular problem of violence in the region's cities.

*In addition to its human costs, violence drains resources needed for long-term economic growth.*

**Complex causes.** Violent crime presents enormous challenges to policymakers because of its complex and unpredictable causes. Simple socioeconomic explanations, which view crime as a direct consequence of poverty, are belied by the relatively low crime rates of many developing countries and the high rates of the U.S. and other industrialized nations.

And yet poverty and macroeconomic factors such as unemployment are unquestionably related to violent crime. In a paper presented at the IDB colloquium, Colombia's Rubio compared the average value of a year's salary for employees in the formal sector to the average value (to the criminal) of individual criminal acts. Thirty years ago, a Colombian employee's annual income was worth five times the money generated by a reported criminal act. By 1992, one criminal act paid considerably more than the average annual salary.

"Keeping in mind that the probability of a crime being punished with jail time in Colombia is about 3 percent, and that the average sentence in 1992 was 2.5 years, one shouldn't be surprised by the recent growth of crime in Colombia," Rubio observed.

Rubio's analysis supports another traditional explanation for violent crime: that it flourishes in the absence of strong law enforcement, an independent judiciary and an efficient prison system. "Fundamental responsibility for crime prevention ultimately rests with the state and with three institutions: the police, the courts, and the prison system," Venezuelan Planning Minister Teodoro Petkoff said at the IDB colloquium. "I can't speak for other countries, but in Venezuela these institutions are part of the problem, not the solution."

Petkoff's concern with the quality of institutions is echoed on the front pages of newspapers across Latin America, where articles on corruption in law enforcement and the ju-

DAVID MANGURIAN—IDB

*Too late to intervene? Criminal behavior may be learned during childhood.*

diciary have become a regular feature in recent years. Some observers consequently believe that efforts to stop violent crime should begin with radical reforms to these institutions. Such reforms can include better training and higher salaries for police, court and prison officials, and stronger mechanisms for weeding out and punishing corruption.

Other experts reject the emphasis on law enforcement and advocate a preventative approach to violent crime. Luis Ratinoff, an IDB consultant and organizer of last year's colloquium, described the link between socialization and individual self-discipline as the "first vector" in producing criminal behavior. Ratinoff drew on a growing body of scholarship that indicates that criminal behavior may be learned during childhood and adolescence, and that dysfunctional family and school environments are consequently responsible for much of the problem.

Speaking at a recent IDB seminar in Washington, D.C., Ron Slaby, a senior scientist at the center for Violence Prevention and Control at the Education Development Center, Inc., Newton, Mass., pointed out that only six percent of U.S. spending on crime is allocated to prevention; the rest is spent on law enforcement and prisoner treatment. "The traditional approach is to wait until crime happens, then jail the offenders and try to treat them," he said. "We have evidence that one dollar spent on early crime prevention could eventually save six dollars in law enforcement."

Slaby, a developmental psychologist by training, believes violent behavior can be traced to playgrounds and homes where children learn conflict-resolution skills and adopt belief systems that either do or do not advocate the use of violence. He is part of a growing number of educators, community leaders and policymakers who believe society should make a proactive effort to shape these belief systems while children are still in school. This can be accomplished through a variety of channels, including new school curricula, better television programming and publicity campaigns by popular role models and celebrities.

**Neighborhood watch.** In the meantime, many communities in Latin America are coming up with pragmatic means to combat local violent crime. One of the most successful is the concept of "community police": volunteer groups that cooperate with formal police by monitoring neighborhoods and reporting suspects. Speaking at the colloquium, Elizabeth Sussekind, coordinator of the IDB-supported "Movimento Viva Rio," in Brazil, described how one community police project helped cut robberies in Rio de Janeiro's Copacabana district by up to 14 percent in just one year.

Sussekind's organization coordinates such policing efforts with churches, samba schools and other groups in Rio's favelas that want to build what she called an "ethical identity." "The larger the number of people involved," she said, "the harder it is for the drug traffickers [responsible for most favela violence] to function."

To the extent that preventing violent crime becomes a matter of economic self-interest for Latin American and Caribbean nations, each of these approaches is likely to be considered for possible support by the IDB and other multilateral institutions. Indeed, as governments in the region begin to look beyond the financial and trade policy reforms that have absorbed them over the last decade, they may well see improvements to public safety as the next crucial "structural reform."

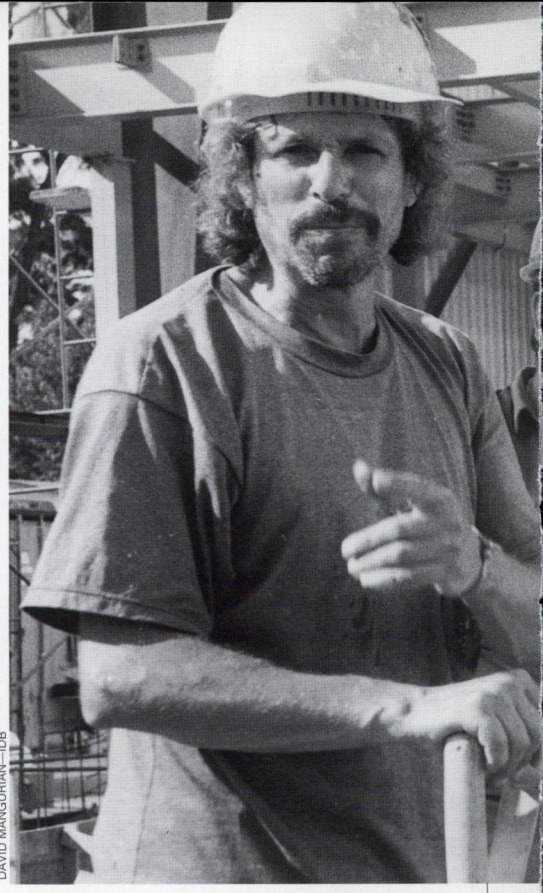
ANNUAL REPORT

# New assaults on poverty, wider support for business

*IDB Group members help fuel the region's reforms*

**The Inter-American Development Bank and the two other members of the IDB Group, the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF), last year approved a varied program of operations designed to spur the region's reforms. Many of these operations have already been featured on these pages.**

**The Group's 1996 activities were described in the annual reports of the IDB and the IIC, which will be presented to the boards of governors of these institutions at their annual meeting in Barcelona, Spain, March 17–19. Summaries of the reports follow.**



DAVID MANGURIAN—IDB

## Funding for innovation

The IDB in 1996 deepened its support for the new Latin America with approvals of 91 loans to finance projects to reform government operations, reduce poverty and support the private sector.

The $6.77 billion in loan approvals last year again made the Bank the region's largest source of multilateral financing.

Some three quarters of the year's lending program was aimed at poverty reduction, social sector reforms and modernization of the state. Of this amount, 40 percent was devoted to social investment funds, sanitation, urban development, health, education and environment.

Infrastructure works made up 16 percent of the lending portfolio. Agriculture and multisectoral credit programs accounted for the remaining 8 percent.

Loans for 1996 included the following:

- *Social sectors:* $237 million for social investment funds in Peru, Guatemala and Ecuador.
- *Low-income housing:* $330 million for Argentina, Brazil, Panama and Venezuela.
- *Modernization of the state:* $2.4 billion for Argentina, Brazil, Colombia, and other countries.
- *Environment and natural resources:* $746.2 million in loans for operations including water supply and sanitation, and $27.2 million in technical cooperation.
- *Direct loans to the private sector:* $455.5 million for six projects in Argentina, Brazil, Colombia and Peru.

For the third consecutive year, the Bank conducted an evaluation of its portfolio of loans in execution. In an improvement over the previous year, the review found that over two-thirds of the Bank's 387 projects were performing normally. Another 23 percent of the portfolio was encountering varying degrees of implementation difficulties, although not so severe as to jeopardize future completion. About 10 percent of the portfolio, some 40 projects, was experiencing serious problems and will require intensive monitoring and follow-up to improve prospects for their success.

| Highlights of 1996 | |
|---|---|
| Total lending | $6.77 billion |
| Cofinancing arranged | $2.4 billion |
| Total disbursements | $4.3 billion |
| Technical cooperation | $113 million |
| Fund for Special Operations | $374 million |
| Bond issues | $4.25 billion |

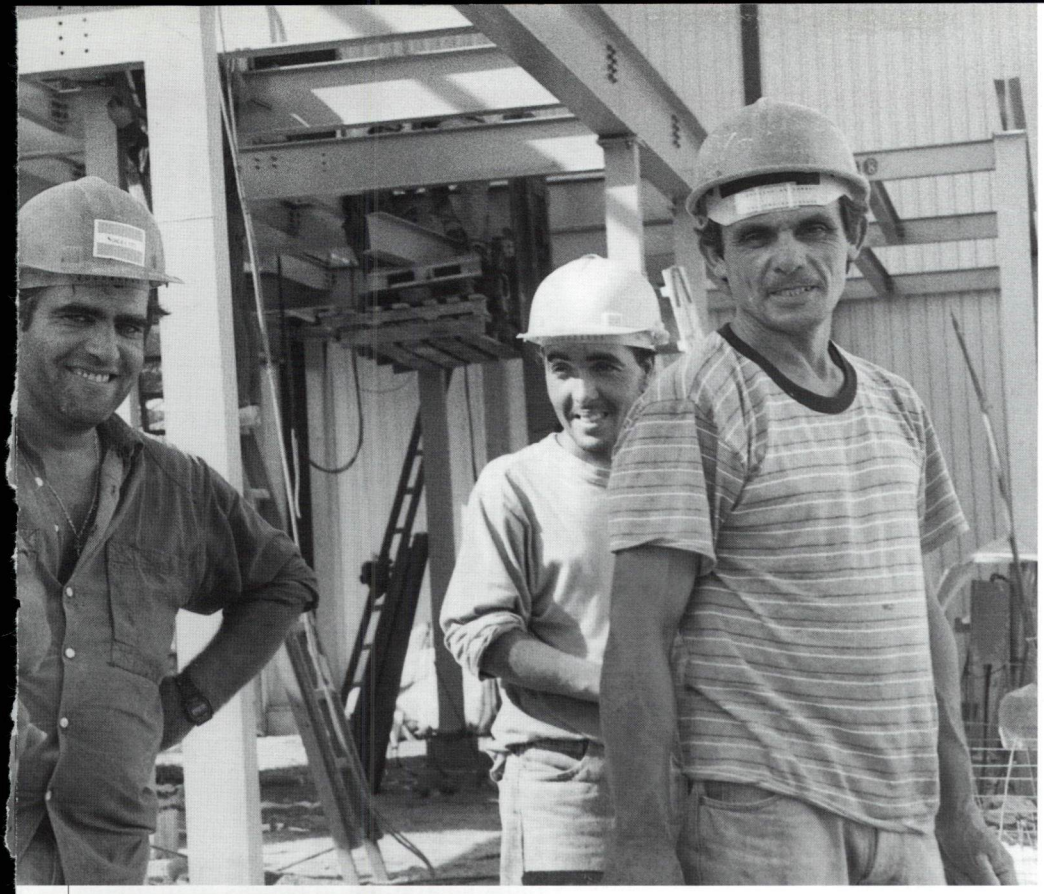
## MIF Partner with the private sector

The Multilateral Investment Fund (MIF) last year completed its third year of operations with the approval of 43 projects for a total of $76.2 million.

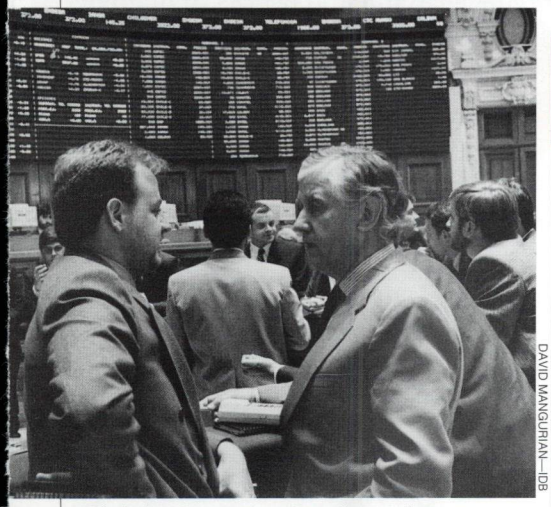
The Fund's Technical Cooperation Facility supported projects to strengthen the region's financial sector, its energy, water, telecommunications and transport networks and to modernize trade. Among them was additional financing for a series of projects to establish alternative systems to resolve commercial disputes.

The Human Resources Facility extended financing to projects in the areas of industry-based training, institutional strengthening of vocational and technical education, basic skills training for low-income people and labor conversion. An operation for Mexico will identify skill and certification standards as a means of making business and labor more competitive on the international level.

Operations approved from MIF's Small Enterprise Development Facility included four projects to expand nonfinancial services. MIF also



*Workers build an extension on a paper plant in Uruguay.*



DAVID MANGURIAN—IDB

*Chile's Santiago Stock Exchange.*

provided equity financing to develop new financial instruments for small businesses and microenterprises, including two investment funds to promote environment-related business.

MIF began operations in 1993 to help promote the region's economic and social expansion of market economies by providing support for legal and regulatory reforms, institutional strengthening, training, and other areas. In addition to grant financing, MIF's Small Enterprise Investment fund makes loans or equity investments in small enterprises or to funds that invest in such enterprises.

## Benefits six times over

The Inter-American Investment Corporation last year approved $72.4 million in equity investments and loans to help finance 20 projects in 12 of the region's countries, according to its 1996 annual report.

The Corporation also entered into agreements with 15 international banks to provide a total of $95 million in cofinancing for small and medium-size enterprises.

In addition, the Corporation last year furnished advice for 10 equity investment and capital market development programs of the Multilateral Investment Fund.

In its seven years of operations, the Corporation has channeled funding to more than 1,000 companies for projects representing a total investment of more than $2.5 billion. For each dollar the Corporation has invested, six have been raised from other sources.

The Corporation last year supported projects in a number of sectors, among them, agribusiness, fishing, manufacturing, power generation, potable water, transportation, oil and gas, venture capital and financial services.

Operations included the following:

▶ A $5 million loan—complemented by $15 million in cofinancing arranged by the Corporation—to help finance a project to expand and upgrade production facilities of PASA S.A., an Argentine petrochemical company that produces nitrogen-based fertilizer and other products.

▶ A $4 million equity investment in Brazil's Bozano Advent Fund, which will provide investment capital to small and medium-size businesses throughout the country. The fund will target some 15 companies that have the potential to be listed on the Rio de Janeiro or São Paulo stock exchanges.

▶ A $5 million loan to Termoeléctrica de la Dorada S.A.E.S.P., for the construction of a gas-fired power plant in central Colombia. The plant will be one of the first private power generation projects in the country.

▶ A $2 million equity investment to Bon Appetit, S.A., of El Salvador, to help expand its production of non-carbonated beverages. The company operates in an industry in which many competitors are large multinational companies.

▶ A $3 million equity investment in the creation of the Mexico Private Equity Fund, a company that will provide capital to small and medium-size export-oriented companies in northwestern Mexico.

▶ A $5 million investment for the establishment of the Inter-American Capital Fund, the first of the Corporation's 16 venture capital funds designed exclusively to invest in small and medium-size Latin American financial institutions.

▶ $1.5 million in financing for the construction and operation of Waterfields Company Limited, a desalinization plant in The Bahamas that will meet one-fourth of the water needs in New Providence Island.

*For a copy of the annual reports of the IDB and the IIC, contact the IDB Bookstore, (202) 623-1753, fax x1709, e-mail: idb-books@iadb.org.*

ARGENTINA

# Raising revenue without new taxes

*Federal-level reforms extended to province*

In its first direct loan to an Argentine province, the IDB has pledged up to $350 million to support fiscal reforms, public service improvements and job creation in the province of Buenos Aires.

IDB officials said the loan is a testament to Argentina's commitment to extend to the provincial level reforms already underway at the federal level. The credit, which will be matched by $350 million in local funds, will be used to finance a number of activities that mirror federal government efforts.

Like many provincial governments, Buenos Aires is struggling to simultaneously reduce deficits, contain expenses and improve public services against a backdrop of high unemployment and modest economic growth.

The province will use the IDB loan to improve tax collection and revenue management by modernizing three provincial institutions: the Public Revenue Secretariat, the Provincial Revenue Office and the Provincial Land Registry. This will be matched by a broader effort to contain or reduce payroll and capital expenditures. The net result will be to raise needed revenues without increasing taxes.

In a similar strategy, the province will avoid new borrowing for capital improvements by either offering concessions or privatizing public services in the electricity, water, sanitation and shipyard sectors. IDB funds will be used to cover the privatization costs of companies including Empresa Social de Energía de Buenos Aires, Argentina's largest remaining state-run electric firm, and Obras Sanitarias de Buenos Aires.

Finally, funds will be used to promote job creation among small and medium-size enterprises through technical assistance programs and contracts for small-scale infrastructure projects. Additional support will go to child-oriented social service programs run by the Family and Human Development Council for the province's neediest residents.

*For additional information on this program, go to the IDB's home page and look for ww2/doc/uar0164.htm.*

INTEGRATION

# New policy on subregional banks

*Goal is greater cooperation*

The IDB has adopted a new policy on cooperation with four subregional development institutions that should speed regional economic integration and leverage the growing expertise of the institutions.

The four subregional banks are the Central American Bank for Economic Integration, the Caribbean Development Bank, the Andean Development Corporation and the Financial Fund for the Development of the River Plate Basin.

The new policy, adopted last November, reflects the current concepts of economic integration. It calls for jointly identifying, supervising and evaluating projects and publishing studies. It also recommends periodically exchanging staff for internships and holding regular meetings between the IDB and each subregional bank to cross-fertilize ideas and share expertise, along with an annual meeting attended by all five institutions.

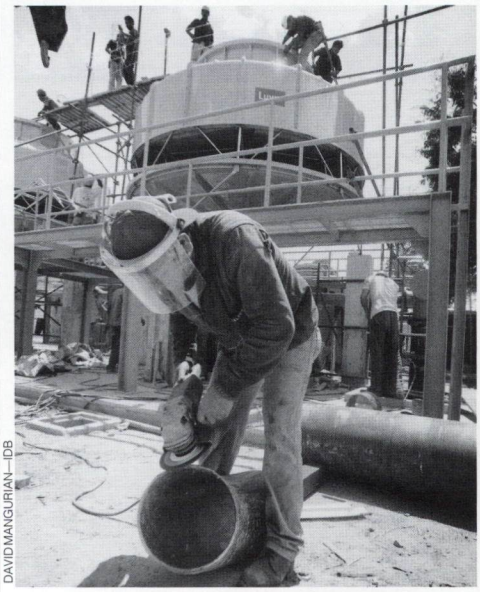
The new policy could lead to more jointly-financed operations in the areas of international border and infrastructure, capital markets and specialized human resource development. These sectors have become priorities for the subregional banks in recent years.

Under the new policy, the IDB and the subregional banks will look for cooperative projects that are consistent with their regional strategies; where the experience and expertise of a subregional bank and the IDB are complementary, instead of duplicative; and where the IDB's participation can have a financial "multiplier effect" on a subregional bank's capital and access to financial markets.

According to the policy, global loans, specific loans targeted to particular sectors, multi-country operations, time-slice and cofinancing operations and loan guarantees could all be used to finance such projects.

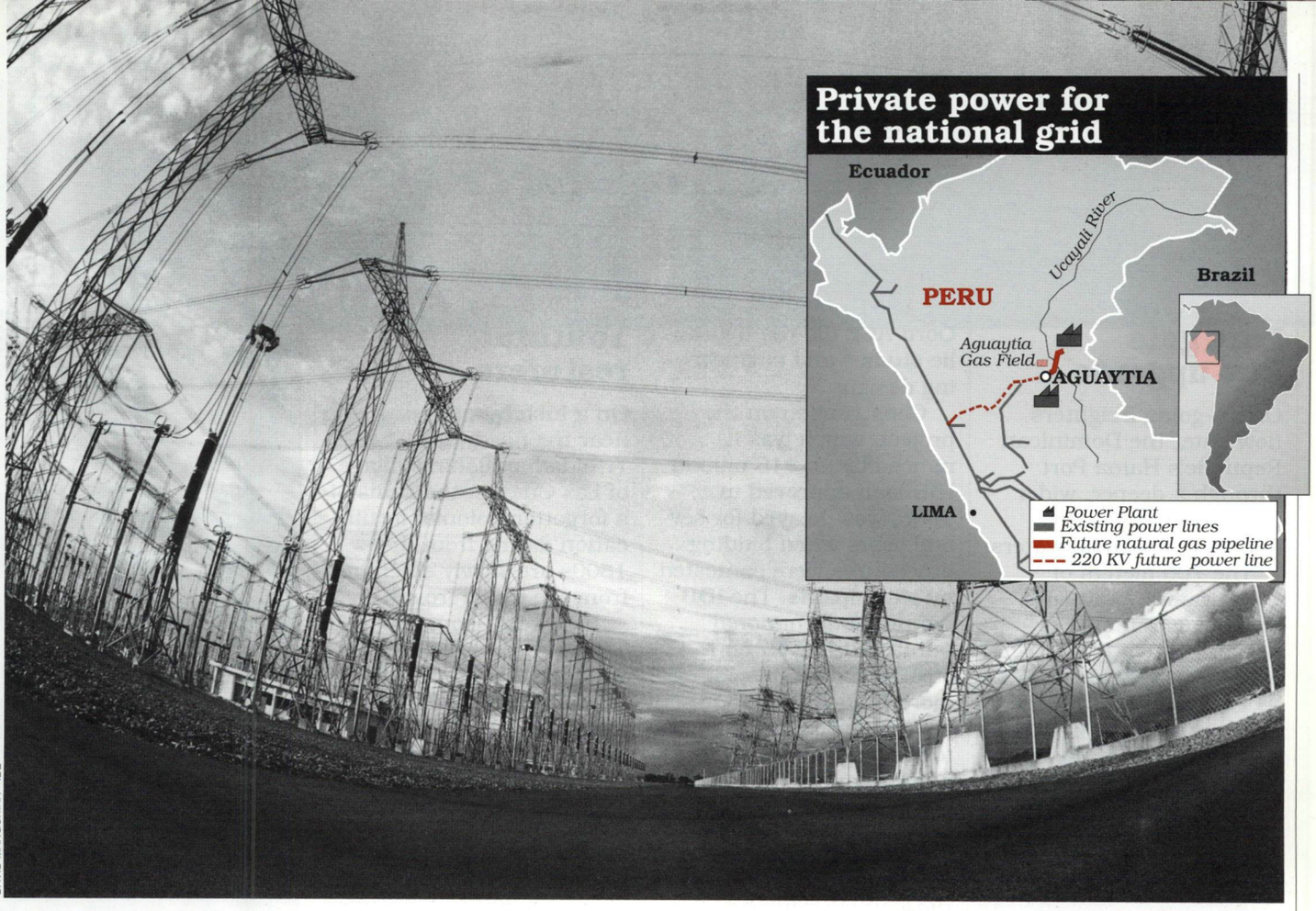
*—Luis René Cáceres*

*The complete texts of the Bank's operational policies can be found under the IDB's Internet home page, at http://www.iadb.org/.*



DAVID MANGURIAN—IDB

*Venezuelan plant construction was financed with an IDB loan to the Andean Development Corporation.*




DAVID MANGURIAN—IDB

ENERGY

# Power project named 'deal of the year'

*Will be Peru's first independent electricity plant*

A new private-sector power project in Peru has set so many precedents that two leading industry publications, *Project and Trade Finance* and *Project Finance International*, have named it 1996 "Deal of the Year."

The IDB-supported Aguaytía project will be Peru's first independent power project, its first natural gas-fired power facility, and its first integrated gas and electricity plant.

Perhaps most importantly, Aguaytía is Latin America's first "merchant" power plant to secure lont-term project financing before construction. As a merchant plant, with no long-term power purchase agreements, Aguaytía will sell its electricity to the newly developed Peruvian spot market.

The $258.2 million project—backed by a $60 million IDB loan—will demonstrate the potential of developing more independently owned gas-fired power plants as a source of efficient and reliable electric power to meet growing demand. Aguaytía will also showcase the benefits of integrating natural gas-derived products and electricity.

**Integrated production.** Investments in the project will finance several stages of energy development and transmission, including production and distribution of natural gas, natural gas liquids, and electricity, as well as the construction of processing facilities and high voltage transmission lines.

Five new wells will be drilled in the Aguaytía natural gas field, about 100 kilometers from Pucallpa in the Ucayali River Valley, and pipelines will be constructed to carry gas to a new 155-megawatt power plant and to a fractionation plant for natural gas liquids.

Power will be transmitted from Pucallpa to Paramonga in central Peru over 400 kilometers of 220 kilovolt lines, where it will connect with the national grid.

The borrower of the IDB loan, Aguaytía Energy del Perú S.R. Ltda., will develop the project. Financing is also being provided by the Trust Company of the West and Banco Wiese of Peru. Equity participants include affiliates of The Maple Gas Corp., Pan Energy Corp., El Paso Energy Development Corp., the Scudder Latin American Power Fund, Illinova Generating Co. and Power Markets Development Corp.

The project was launched after an IDB-supported reform of Peru's Electric Concessions Law cleared the way for private participation in the sector.

*—Daniel Drosdoff*

*For additional information on this project, look in the IDB home page under ww2/doc/bpe0094.htm.*



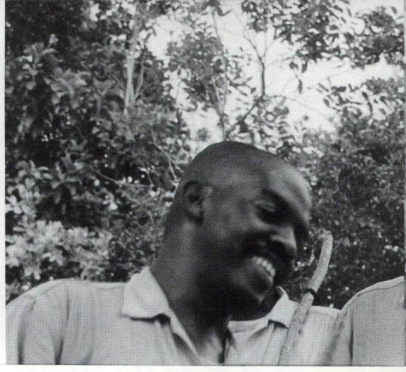
with computer modem connections and access to business centers offering fax, copying, printing, and secretarial and translation services. In between tense meetings and dealmaking sessions, patrons can unwind in the hotel gym.

ing," says Javier Tessari, the hotel's vice president.

In San Salvador, funds from an IDB global credit program are helping to finance a 15-story business hotel with a small convention center that will open later this year.

DAVID MANGURIAN—IDB

*At the Clarion: special treatment for special guests.*



DOMINICAN REPUBLIC

lic. The Dutch firm Van

TRINIDAD AND TOBAGO

## NEW PROJECTS

### LOANS

**Argentina. . .**$350 million to support reform of the state in the province of Buenos Aires.

This initiative seeks to balance the province's fiscal accounts and improve public services by boosting tax collection and modernizing the Public Revenue Secretariat, the Provincial Revenue Office and the Provincial Land Registry.

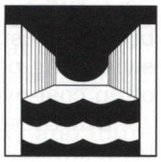
The program will also attempt to control state spending and promote the privatization of energy, potable water, sanitation, and shipyard sectors. See story on page 8 for details.

**INFORMATION ON IDB PROJECTS**

More details about these projects, including press releases, project summaries and related papers, are available electronically through the IDB's Internet home page (http://www.iadb.org). Check under the Press Services, Publications and Project Documents sections.

*IDB Projects*, a monthly compendium of planned projects and related opportunities to supply goods and services, is also available on the home page, under the Business Opportunities heading. For a sample copy of the print edition of *IDB Projects*, call (202) 623-1397, or fax x1403.

**Argentina. . .**$85 million to support the investment plan of Aguas Provinciales de Santa Fe S.A., a water and sewerage company.



This is the first financing of a water and sanitation project by the Bank's private sector department, and it is also the first IDB loan for an Argentine utility company outside the Buenos Aires metropolitan area.

The credits consist of a $30 million loan from the Bank's ordinary capital, and a $55 million loan from funds provided by commercial banks through participation agreements with the IDB. The resources will pay for the rehabilitation and expansion of water treatment and sewerage facilities and will lead to improved service quality.

The funds will also support the restructuring and privatization of the Santa Fe province water and sewerage treatment sector. The project is expected to serve as a model for other provinces and municipalities interested in gaining access to international financial markets for similar initiatives.

**Brazil. . .**$500 million to help modernize fiscal administration in the nation's 26 states and the federal district.

The loans will help finance a $1 billion program which is expected to be supplemented by additional IDB lending in 1997. The program will strengthen tax administration and fiscal management in state governments while modernizing the

WILLIE HEINZ—IDB

## Come and get it!

*A volunteer in Peru's Vaso de Leche program prepares stew at a soup kitchen in Villa El Salvador, a low-income neighborhood in Lima. Using a 1993 IDB loan, Vaso de Leche officials and community residents were able to build a 120-square-meter facility with a large dining room, pantry, kitchen and bathroom. The new dining hall replaced four smaller soup kitchens that had been operated out of individual family homes.*

Federal Ministry of Finance. The goal is to improve the process of fiscal supervision and coordination of the state and national governments.

This is the largest credit in the area of fiscal administration ever approved by the Bank.

**Colombia. . .**$51 million for the construction of a privately owned and operated natural gas pipeline between the cities of Sebastopol and Medellín.

The project is the first "build-own-operate" gas pipeline project in the country where major risks are assumed by the private sector.

The 149-kilometer, 12-inch diameter pipeline will carry up to 67 million cubic feet of gas per day from the Barrancabermeja-Neiva pipeline system to 70,000 users in Medellín — with the potential of serving up to 400,000 others.

Transmetano E.S.P., S.A., a private Colombian pipeline company, will receive an IDB loan of $19 million from the Bank's ordinary capital and a syndicated loan of $32 million from funds provided by commercial banks through participation agreements with the IDB.

**Ecuador. . .**$45 million to improve the living conditions of the poorest sectors of the population.

The program will facilitate access to basic social services including health, education, potable water and sanitation by investing in projects requested by local community groups.

The credit will be used by Ecuador's Emergency Social Investment Fund, which will finance a total of 2,750 high-priority, small infrastructure projects. The loan will also be used to strengthen the management and operations of the fund. The total cost of the program is $100 million.

**Haiti. . .**$52 million from the Fund for Special Operations to promote private investment and economic growth.

The funds will provide foreign exchange support while the country takes steps to reform the financial sector's legal and regulatory framework. Other program goals include reforming secured transactions, stabilizing state banks, and attracting private sector participation in the management and ownership of the electricity sector.

The program, to be carried out by the Ministry of Finance, is intended to help build the basic institutions and legal framework required for an efficient and stable open economy.

**Mexico. . .**$250 million for unemployed worker training.


DAVID MANGURIAN—IDB

## Clearing the way for clean water

*Workers in Cuenca, Ecuador, refuel an earthmover used to build the Tixan water and sewage treatment plant. The Cuenca Municipal Telephone, Water and Sewage Company has been using a $50 million IDB loan to finance the project, which is scheduled for completion this year. The credit was also used to expand Cuenca's water distribution and sewage collection network.*

The program is designed to support training and retraining for unemployed workers and provide incentives for companies to perform on-the-job training. The goal of the program is to increase the productivity and competitiveness of the economy, particularly among microenterprises and small and medium-size businesses, and to create job opportunities for women.

The total cost of the program, to be carried out by the Secretariat of Labor and Social Welfare over the next five years, is up to $850 million.

In the short term, small and medium-sized enterprises will receive incentives to invest in on-the-job training and technical assistance to improve or-

*(continued)*


WILLIE HEINZ—IDB

## Wearing their wares

*Nimble-fingered members of Manos de Valdivia, a nonprofit knitting cooperative, gather at the group's headquarters in the southern Chilean city. The cooperative, which trains low-income women to knit sweaters and other garments, used a $148,000 IDB loan to buy knitting equipment and hire a marketing consultant.*

*(from previous page)*
ganization and production processes. Program officials will work with companies to reduce the administrative costs that inhibit workplace productivity and job opportunities.

The loans will ultimately contribute to creating an integrated strategic planning framework for labor policy management that will strengthen the capacity of the sector to design, analyze, and implement labor market policies. This is the Bank's first financing of a comprehensive labor market project in Latin America.

**Peru**. . .$60 million for the privately owned and operated Aguaytía integrated natural gas and power project.

The project includes construction of the country's first gas-fired power plant. It will also be the first private Peruvian power plant to sell electricity to the national network.

Funds will be used to drill five new gas wells and build some 400 kilometers of 220 kilovolt electric transmission lines, 204 km of natural gas pipelines, 105 km of liquid natural gas pipelines, gas processing facilities and a gas liquids fractionation facility. See story on page 9 for details.

**Peru**. . .$150 million for investment sector reform.

The funds will support a program to modernize the regulatory framework for private investors in infrastructure and finance. Program goals include creating autonomous regulatory agencies that will help ease the transition from public to private management of infrastructure. The new agencies will promote the credibility of such investments among concession operators, consumers and the public at large.

The Ministry of Economy and Finance will carry out the program, which will also seek to develop more orderly capital and financial markets and support the extension of financial services to small businesses and microenterprises.

### MULTILATERAL INVESTMENT FUND

**Argentina**. . .$3 million to the Federación Agraria Argentina to help improve the business management skills and competitiveness of 10,000 small rural producers.

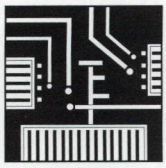
The program will seek to channel nonfinancial business services to small agrarian producers in the Córdoba, Cuyo and Pampas regions. The services will focus on management, planning and marketing skills required to adapt to the changing macroeconomic environment in Argentina.

**Belize**. . .$1,147,000 to help small-scale farmers and fishermen identify new markets and products.

Funds will be used for technical assistance to small producers who wish to develop new markets and improve productivity, quality and planning. The Belize Chamber of Commerce will establish a market information system to give small enterprises better access to domestic and international information on prices, import requirements, potential buyers, investors, and other areas.

The Belize Institute of Management Ltd., which will carry out the program, will provide training in business planning and design of quality control systems. This is Belize's first MIF-financed project.

**Chile**. . .$6 million to support the transfer and adoption of technology by small businesses.



The program will be carried out jointly with the Fundación Chile, a private institution dedicated to technology transfer. The Fundación will cofinance the operation with a $3.3 million grant and a $3 million equity investment. Similarly, the MIF resources include a $3 million grant and a $3 million equity investment.

The project is a pilot experiment that aims to transfer technology to ex-

isting companies, create new technology-based small firms, and transfer the experience to other countries in the region.

The program will establish a technology transfer fund with the grants from the MIF and Fundación Chile. The fund will finance technology transfer projects primarily in the aquaculture, lumber, and agroindustry sectors.

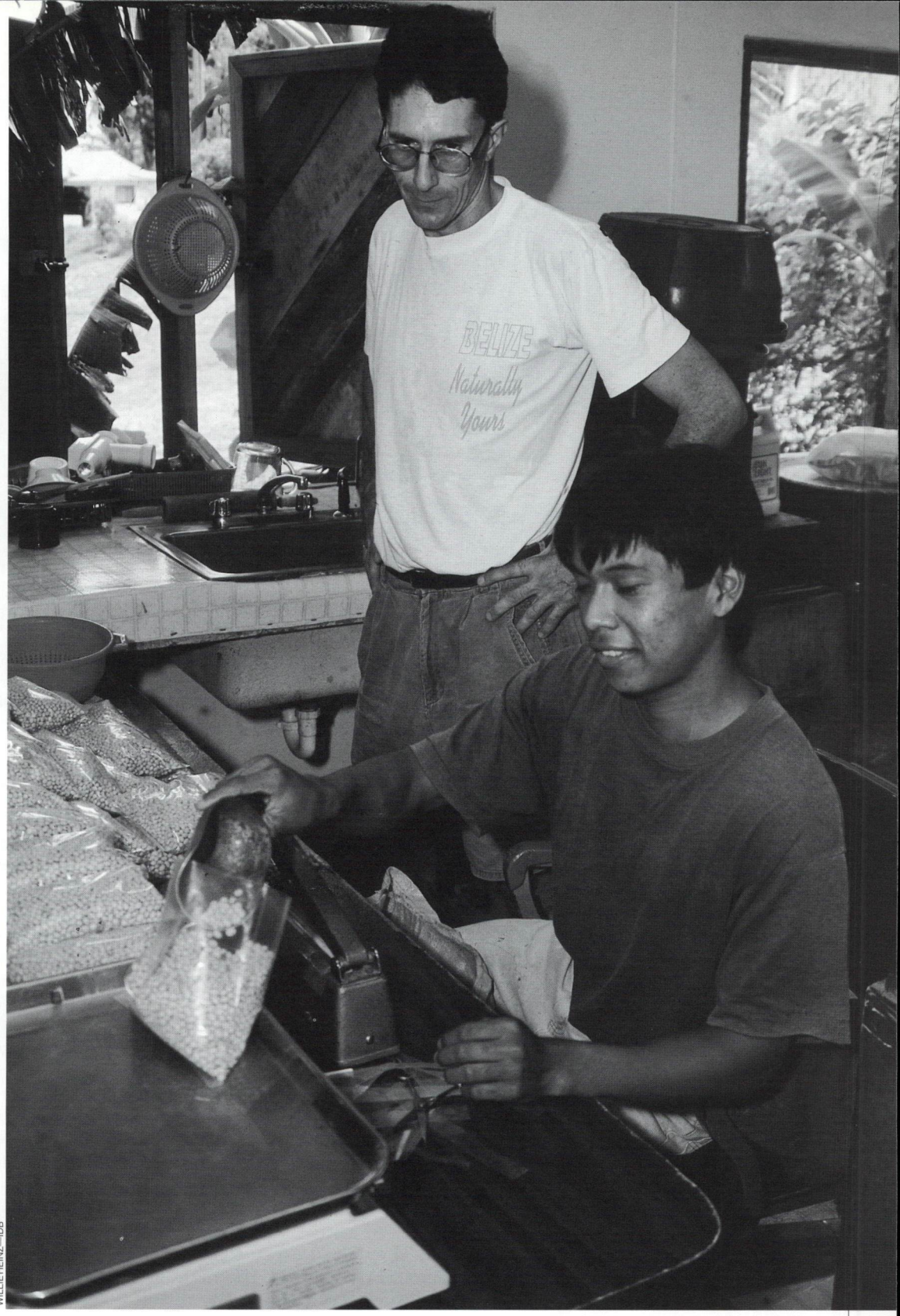
A second program component will use equity investments from the MIF, Fundación Chile, and other investors to establish a venture capital fund to support the commercial development phase of new technologies and technology-based firms.

This fund has received additional commitments of $15 million from Ventana, a venture capital fund based in the United States; $8 million from Corfo, the Chilean state development corporation; and $2 million from Euro-Chile, a development institution financed by the European Union.

**Ecuador**. . .$720,000 for a new commercial dispute-resolution system.

Funds will be used to develop a process for resolving commercial disputes without going through traditional judicial channels, which are lengthy and expensive.

The program will also finance training centers for commercial dispute resolution alternatives and disseminate information on relevant techniques.




WILLIE HEINZ—IDB

## Health food in the tropics

*Christopher Lowe, founder and owner of the Fruit A Plenty natural food shop in San Ignacio, Belize, oversees an employee packaging soya beans for sale. The shop sells everything from seaweed gel and homemade granola bars to herbal teas and dried coconuts. Lowe recently used a $5,000 IDB loan administered by the country's National Development Foundation to buy raw materials and expand his marketing efforts.*

DAVID MANGURIAN—IDB

*City officials in Santo Domingo de los Colorados, Ecuador, inspect one of 35,000 trees planted with IDB funds.*

ENVIRONMENT

# More green for the cities

## *The goal is nine square meters per person*

While millions of Latin Americans are finding jobs, schooling, health services and a better future for their children in the region's fast-growing cities, most are being shortchanged when it comes to environment.

With about 3.5 square meters of green space per urban dweller, the region is lagging far behind the international standard, which is at least 9 square meters per person, according to the World Health Organization. The rapid and unplanned growth in the region's cities is making the problem worse.

**Gathering of experts.** While municipal authorities recognize the need for green space, there is almost no literature or information exchange on the topic in the region. To help fill that gap, the IDB sponsored "Urban Greening Environment in Latin America and the Caribbean," a seminar held last December in Mexico City.

During the three days of meetings some 280 mayors, environmental and urban green space managers, representatives of nongovernmental organizations and consultants from 26 countries exchanged experiences and made recommendations. Mexico's Autonomous University of Chapingo hosted the event.

At the seminar's conclusion, participants recommended that the IDB include green environmental management in all of its urban development programs to help borrowing member countries reach the international standard of 9 square meters of open space per inhabitant. They also agreed to establish a regional network on the management of green areas in the region.

After the seminar, over 80 persons attended a course on managing and cultivating trees in urban areas that was organized with the help of the university and the national societies of arboriculturists in Mexico and Brazil.

Participants also visited urban reforestation sites in Mexico City financed by the IDB.

### First of a kind

Participants arriving at the Mexico seminar on urban greening were pleased to receive the first manual on urban green spaces prepared specifically for Latin America and the Caribbean.

According to *Introduction to Urban Greening*, written by Mark Sorensen of the University of Brownsville, Texas, with IDB support, a primary constraint city planners encounter is how to assign a value to green areas so that financing decisions can be made about them.

In addition to tangible benefits, such as space for vegetable gardens, urban green areas provide intangible amenities including noise reduction and cleaner air and water. The manual reviews these benefits along with techniques for assigning economic value to intangible benefits. It also describes the basic components and steps required to launch an urban greening program.

*For a copy of the manual and seminar materials, call (202) 623-3543 or e-mail marian@iadb.org. On the Internet, see http://www.-laneta.apc.org/sruach/seminar.*