

THE IDB

Inter-American Development Bank • April 1997

Demographic surprises



Reasons to smile

**Microenterprise comes of age ■ More women in the workforce
Guatemala's reconstruction ■ End of the fishing free-for-all**

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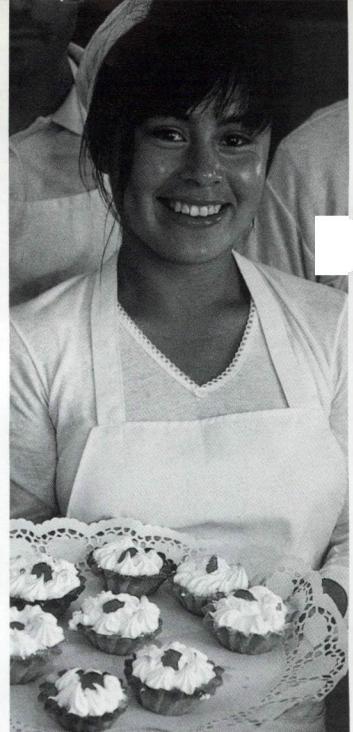
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A new IDB exhibit showcases the versatile industrial designers of Barcelona, host city of the IDB's annual meeting.

COVER PHOTO

Reasons to smile

Young residents of Buena-ventura, Colombia, play near homes built with help from the IDB-supported Corporación Autónoma Regional del Cauca, which supplied water and other services to lot owners in the planned community. (IDB Photo by Carlos Conde).



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 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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Small-scale producers, such as this seamstress in the Dominican Republic, need affordable credit to boost production.

Microenterprise comes of age

A generation ago, Latin America's legions of backroom manufacturers, craftspeople, sidewalk vendors and service providers were considered—if they were considered at all—as an economic blot. They were the "informal sector," operating without legitimacy in an "underground economy."

Then official opinion made a quarter turn, casting these same microentrepreneurs in a more benevolent light. They were now seen as a source of a meager living for the poor and deserving support as an act of charity.

Now the world has turned yet another 90 degrees, and microenterprise is finally feeling the warm rays of understanding and appreciation. No longer condemned or paternalized, microentrepreneurs are today seen for what they are: business people producing goods and services, creating employment, contributing to their country's overall economy. But unlike more established businesses, microenterprises suffer some serious handicaps.

Chief among them is lack of credit. In Latin America, despite the recent development of the financial sector, only about 2 percent of mi-

croenterprises have access to institutionalized credit sources.

How to provide credit, and thereby help to level the entrepreneurial playing field, was the subject of the Microcredit Summit, a major worldwide gathering in Washington, D.C., last February.

"Microenterprise is not just a survival activity," declared IDB Presi-

Microentrepreneurs often have better loan repayment records than large companies.

dent Enrique V. Iglesias at the summit's concluding session, "but a real enterprise, a business." Moreover, he said, microentrepreneurs have better loan repayment records than most formal bank borrowers.

"Microfinance institutions are not forever subsidy dependent," Iglesias continued, "but self-sustaining; and microborrowers are not passive beneficiaries, but valued clients."

The IDB was one of the first institutions to recognize the enormous

potential of microenterprise. Over the past 18 years, the Bank has provided thousands of microentrepreneurs with credits totaling over \$450 million. But in a region where more than 150 million people make their living from microenterprise, much more is needed.

The IDB is now acting on a pledge it made a year ago when it launched Micro 2001, an initiative to invest \$500 million in microenterprise projects by the year 2001.

This year, the Bank will finance three microcredit programs at the national level, followed by three more in 1998. This financial support will be complemented by a guarantee program, regulatory reforms and equity investments by the IDB-administered Multilateral Investment Fund (MIF). MIF will also create a new \$20 million technical assistance facility for upgrading microfinance programs and developing new financial products for microentrepreneurs.

Latin America has emerged from a long period of economic decline. The task now is to help the 205 million people who still live below the poverty line. For millions of these people, microenterprise can be a path to a better way of life.

—the editor

DEMOGRAPHICS

The changing shape of the population challenge

Slower growth brings unexpected problems

by Paul Constance

A generation ago, during the heyday of the Beatles and the Alliance for Progress, many demographers thought Latin American and Caribbean nations were headed for catastrophe.

In the early 1960s the region's women were bearing an average of six children during their lifetimes, leading to a population growth rate that threatened many countries' ability to adequately feed, educate and employ its citizens. Millions of families were migrating from the rural interior to a handful of large cities, overwhelming public services. Development experts were calling for massive family planning programs in order to avert a crisis.

But the crisis did not occur. In fact, at the presentation of a new study by the Latin American Demographic Center (CELADE) at IDB headquarters in January, World Bank population expert Eduard Bos claimed that at least some of the region's countries are entering a modest demographic "golden age," thanks to a revolution in reproductive behavior.

The average Latin American woman today has three children instead of six. In Brazil, the region's most populous country, fertility is estimated at just 2.29 children per woman, according to figures compiled by the U.S. Bureau of the Census. In Buenos Aires, São Paulo and Mexico City, fertility rates are even lower. By the year 2025, when the region's total population is projected to approach 700 million, the average fertility rate will have dropped to around 2.0, roughly the level of the United States today.

The causes of this unexpectedly rapid demographic transition are well known: better access to contraceptives, better education for women and awareness of the economic advantages of small family size. But much less is understood about how these changes will affect the next 30 years. Specifically, will the demographic assumptions that have shaped current government policies in health care, education, employment and retirement still be valid?

To help answer that question, the IDB supported the publication of the CELADE study, "The Impact of Demographic Trends on Social Sectors in Latin America," one of the first comprehensive overviews of the subject.

The study makes it clear that the region's demographic profile varies enormously from country to country. At one extreme are countries including Bolivia, Guatemala, Haiti, Honduras and Paraguay, that still have fertility rates above 4.0. These countries will continue to experience high population growth for years and will face many of the traditional social and economic challenges associated with high growth. At the other extreme are countries such as Chile, Argentina, Uruguay, Cuba and Brazil where fertility has already dropped below 2.5. In the next 30 years, the trends described below will apply primarily to countries with current fertility rates of 3.0 or less. Over time, they will apply to the region as a whole.

Rebalancing the age scale. The most significant consequence of continued decline in Latin America's fertility rates will be a dramatic rebalancing of age groups. Today the

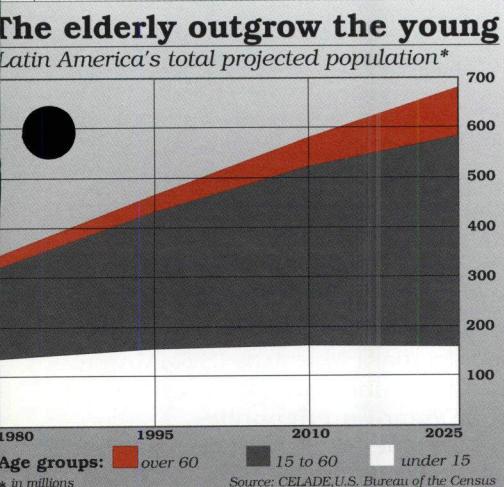


region's population is still considered comparatively "young" since 33.8 percent is under the age of 15. Between now and the year 2025, however, that proportion will drop to 23.7 percent, a decrease so pronounced that the absolute number of children under 15 will remain almost constant during this period (see chart).

As adolescents become adults over the next five years, Latin America will enter what Eduard Bos called a brief demographic "golden age." This is because the region's dependency ratio—the number of under-15 and over-60-year-old dependents divided by the number of 15-to-60-year-old workers—will be particularly low for around two decades, before gradually increasing.

This scenario has several broad benefits. Countries that are used to seeing a yearly increase in the number of young children requiring health and education services will find that the numbers are stabilizing or even shrinking. "This should allow governments to devote resources to improving the coverage and quality of services," Bos said.

A low dependency ratio also means that proportionately more workers will be paying taxes that governments can use to fund social services for dependents, including



social security and public pensions. In particular this could help governments to correct the fiscal imbalances of pension systems, many of which are already paying more in benefits to retirees than they receive in taxes from workers.

Shifting challenges. Development experts warn against expecting a fiscal windfall from a smaller dependency ratio, however. Fertility declines are too gradual to make a perceptible difference for budget planners, and they tend to generate new shortages in different areas.

For example, Claudio de Moura

Castro, head of the IDB's Social Programs Division, believes that any budgetary relief from a shrinking number of primary school students will be eclipsed by growing demand for secondary and tertiary education. "Gradual improvements in primary education systems are reducing the number of drop-outs and grade repetitions," Castro said. "This means that proportionately more children are wanting to complete high school, so that in countries like Brazil we are already seeing a shortage of secondary schooling resources."

Moreover, the continued growth in the working age population will exacerbate the region's persistent shortage of well-paying jobs. The CELADE study shows that competition for jobs will increase both in absolute numbers and between genders, since the proportion of women in the workforce will also increase.

Around the year 2020, when Latin Americans born during the fertility bow-wave of the 1960s begin to retire, the region will face an even greater challenge. The total population over 60 will approach 100 million by 2025—nearly three times what it is today. Latin America will then see its dependency ratio increase to levels typical of the industrial world, because a smaller num-

People profile: the balance among children, working adults and retirees in Latin America will change dramatically in coming years.

ber of workers will need to support an unprecedented number of retirees.

Health experts warn that the medical needs of the elderly, such as the long-term care associated with heart problems and diabetes, will place a severe burden on the region's hospitals and geriatric care institutions. "It is very alarming to realize that in just a few years we will see a much larger population requiring the much costlier social services of the elderly," S. Ken Yamashita, a population expert at the U.S. Agency for International Development, said at the CELADE study presentation.

Living longer. The effect of a growing elderly population will be compounded by continuing improvements in life expectancy, which has risen from an average of 57 years for men and women in 1965 to 69 years today and is expected to reach 75 in 2025. In addition to increasing from 7.6 percent of the total population in 1995 to around 14.2 percent in 2025, Latin America's elderly will live and depend on social services for a much longer time.

Finally, Latin American governments will face increasing pressure to improve women's family planning options. In most of the region today, access to modern, affordable contraceptives is still insufficient. Many experts believe these factors contribute to the estimated 4 million abortions that take place in the region each year, according to the Alan Guttmacher Institute in New York, and that abortion will only decrease if women have better access to safe family planning methods.

So while the region has been spared the population crisis expected in the 1960s, it faces new kinds of challenges in education, employment, retirement and reproductive health. The shape of Latin America's demographic profile 30 years from now could well be determined by policies developed for those sectors today.

Final days of the fishing free-for-all

With fish as wide ranging and independent as those who pursue them, it is no wonder that fisheries management is an area where governments' abilities to conserve natural resources has been severely tested.

In the United States, one of the biggest problems confronting fisheries management

Too much capital, too few fish

is overcapitalization and overfishing, Nancy Foster, deputy assistant administrator for fisheries of the U.S. National Oceanic and Atmospheric Administration, said at a recent seminar at the IDB's Washington, D.C., headquarters.

"Wherever you have open access, you are absolutely destined to have overcapitalization," she said, referring to the tendency of fishermen to increase investments in more efficient equipment, which hastens the collapse of the fish populations.

The historically rich haddock and yellowtail flounder fishery off the northeast Atlantic coast is now officially classified as "collapsed," she said. Taking the place of these valuable species are dogfish and skates, which now make up some 75 percent of the area's biomass. Efforts to persuade consumers to eat dogfish have met with success, and now this formerly neglected species is showing signs of decline as well.

In response, NOAA has taken steps to move from free to restricted access in order to reduce fishing effort. The measures include a moratorium on new vessels, a reduction of days at sea, and an increase in the mesh size of nets to prevent capture of smaller fish. At the same time, NOAA is providing grants to enable fishermen to pursue other business opportunities, loan guarantees to help them restructure ex-

isting debts, and technical assistance. It is also paying fishermen to remove their boats from action.

A second serious problem is bycatch, which refers to marine organisms harvested and in most cases discarded in the process of fishing for other species. More than a quarter of the world's total commercial catch consists of bycatch.

According to Foster, the U.S.'s southeast shrimp fishery presents the biggest bycatch problem, with otherwise commercially valuable fish species as well as sea turtles falling victim to the trawlers' nets.

Although fisheries have traditionally been an arena for competition and conflict, all parties have taken a common stand on the need to preserve habitat, said Foster.

According to Foster, the United States ranks fifth in the world in fisheries production. Peru and Chile are among the countries with a greater production.

A video primer on health insurance

Are you intimidated by policy debates on medical insurance? A new video, "Health Insurance: Principles and Practices," offers a primer on the subject that high school stu-

dents could easily understand.

Better ways to cover medical costs

The video, which was prepared by the World Bank with assistance from the IDB, explores the potential benefits and problems of voluntary medical insurance programs in low-income settings where traditional state-funded services have failed. It reviews two case studies: a Zambian



DAVID MANGURIAN-IDB

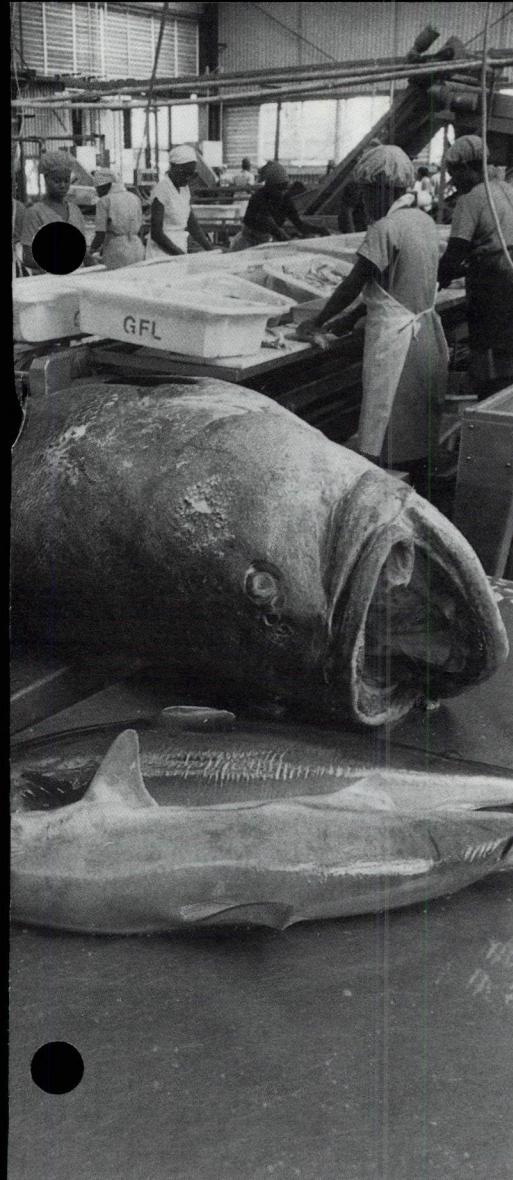
Dwindling resource: new measures must

insurance program and the Seguro Médico para Maestros (SEMMA), a health maintenance organization in the Dominican Republic.

The video explains how insurance systems can help finance medical services, generating the cash required to hire doctors, purchase medications and open health centers in remote locations. The video argues that insurance systems improve access to health care and empower customers by letting them choose a service based on quality.

To succeed, medical insurance programs must overcome two basic types of challenges. One, known as "adverse selection," occurs because the persons most likely to join an insurance system are those with pre-existing medical problems.

Insurance systems must consequently find ways to recruit large groups of people, both healthy and sick, in order to ensure that income



ure a sustainable supply of fish.

from premiums is sufficient to cover expenses for treating sick members.

A similar problem, referred to in the video as "moral hazard," concerns the tendency of customers to overuse medical services once they have joined an insurance plan. Managers at SEMMA, for example, faced so many unnecessary visits to clinics that they instituted "gatekeepers," or health professionals who determine whether a condition requires treatment and schedule visits accordingly.

The video concludes by emphasizing that the ability to adjust policies to reflect local conditions and customer behavior is essential to the success of medical insurance in low-income settings.

TFor a copy of the video, available only in English, call Yordi Seium, (202) 473-4099 or fax 8299, e-mail yseium@worldbank.org.

WOMEN

Working beyond the home

The ranks of female workers keep swelling

One of the most striking changes in Latin America's workplace over the last 30 years has been the growing participation of women.

In 1970, women made up only 22 percent of the region's workforce. But in just 20 years their proportion rose to 30 percent. By the year 2000, women will make up an estimated 32 percent of the workforce.

In absolute terms, the 18.8 million women who were part of the workforce at the beginning of the 1970s now number more than 50 million, and will grow to 65 million by the end of the century, according to a recently issued study by the Santiago, Chile-based Center for Latin American Demographics (see article on page 4).

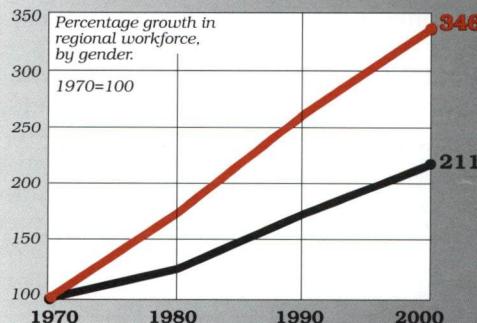
The trend holds true throughout

the region. While the absolute number of working men is still double that of women, the gap is closing in all countries.

"Women are still well below their demographic potential," says Gabriela Vega, of the IDB's Women in Development Unit. "But the steady growth in their participation and better reporting indicate that their relative weight in the workforce will keep increasing. This can lead to even bigger changes in the labor markets than the ones we have already seen." Vega added that women in the workforce represent a "tremendous productive potential" for Latin American and Caribbean countries. "Making the most of this potential should be a major economic goal of the region."

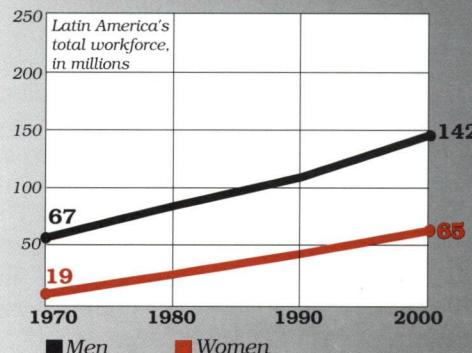
Women workers gain on men...

Their share of the regional workforce is growing



...but remain a minority

Ratio is still two to one



DAVID MANGURIAN—IDB

Source: CELADE

MEXICO

City scores high in sanitation

A \$650 million expansion of Monterrey's water and sewerage systems partially financed by the IDB was completed in March.

Nearly 97 percent of all homes in this industrial center of 3.2 million people, Mexico's third largest city, now have water and sewerage connections or septic tanks—one of the highest percentages of any Latin American city.

The city had been rationing water because it was receiving only 60 percent of its needs due in part to a three-year drought. Rationing was eliminated thanks to a dam built on the nearby San Juan River and an easing of the drought.

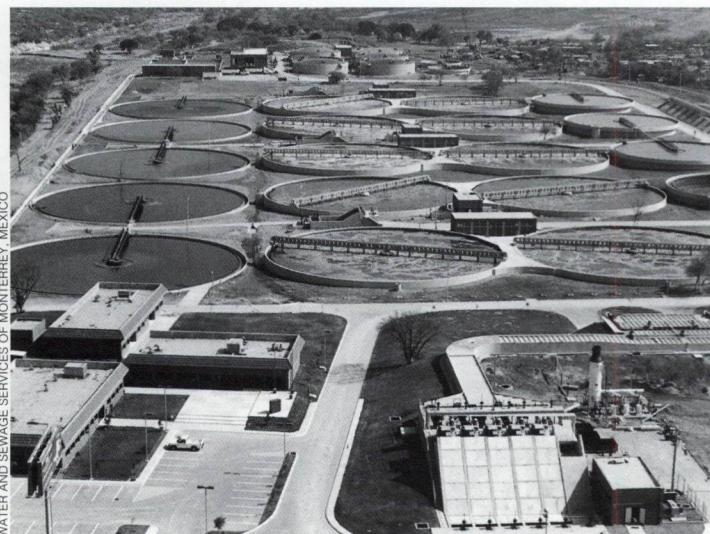
Getting the water from the reservoir to Monterrey required building an aqueduct 2.1 meters in diameter with five pumping stations capable of pump-

ing up to 10 cubic meters of water per second.

The construction of three sewerage plants has dramatically reduced pollution of the city's rivers. The improved sanitary conditions are expected to reduce the incidence of intestinal diseases in the region, because nearby farms were using the polluted river water to irrigate food crops.

The biggest of the new sewage treatment plants traps methane gas produced during the treatment process and burns it to generate electricity to help operate the plant. "This will help us reduce costs somewhat," says José Chavez, administrative director of the Monterrey Water and Sewerage Service.

The sanitation program also included the analysis of wastes from nearly 10,000 factories and commercial establishments. The data will be used to develop regulations to control waste discharges.



WATER AND SEWAGE SERVICES OF MONTERREY, MEXICO
Sewage treatment plants also produce electricity.

EL SALVADOR

Rags to riches on perfect credit

One of the last things Jorge Elías Bahia Guergosian's father told him was this:

"Be very careful with your credit. You can pay on time for 50 years, but fall behind three or four months and your credit is ruined forever. It's like breaking glass; you can't fix it."

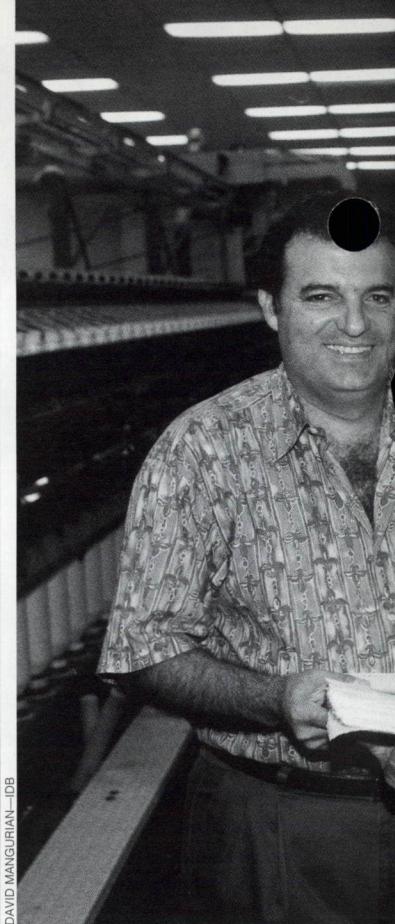
Today, Bahia is a millionaire businessman in San Salvador whose credit is so good that his signature is the only guarantee banks ask of him.

"This family not only pays on time, they pay early," says Roxana Orellana de Mejia, a corporate executive at San Salvador's Cuscatlán Bank.

It's always been that way. Bahia's father, an Armenian refugee from Palestine, landed in the port of Acajutla, El Salvador, flat broke in 1907. He borrowed the equivalent of about \$5, bought some cloth, and became a street vendor. The family has been living on credit ever since.

When his father died in 1964, he left Bahia a house and the family department store. "But more important," says Bahia, "he gave me a name I could borrow on."

Bahia borrowed \$100,000 to become a partner in a pantyhose factory. He learned the textile business and in 1972 borrowed \$1.2 million to start his own cotton thread and cloth factory, Textufil.



DAVID MANGURIAN—IDB

In 1992, when El Salvador was struggling to get back on its economic feet after a decade of civil war, he obtained a loan equivalent to \$5.3 million from Cuscatlán Bank. The funds were from a \$60 million IDB multisector global lending program designed to jumpstart the country's economy and help the country's newly privatized banks become solvent.

Bahia used the loan to purchase new machinery from Italy and Switzerland, which allowed him to double his thread production to 500 tons a month by importing cotton from Memphis, Tennessee. The expansion, completed in 1993, created 200 new jobs.

"You know how much I owe today?" he asks in the way most people brag about their net worth. "I owe 133 million colones (the equivalent of about \$15 million).

My real wealth is not



my money," he says, "but my family's happiness." He proudly shows off a group photo of the 32-member Bahiaia clan at Lake Tahoe, California, one recent Christmas, standing on packed snow, wearing heavy winter coats and broad smiles. He flew the entire family there.

"Every day, three or four of my grandchildren come to eat with me," he says. "That is real wealth."

JAMAICA Private power at less cost

Jamaica's domestic power supply surged in December with the inauguration of a new 60,000 kW diesel electric plant.

The \$122 million facility, one of the first private power plants to receive IDB financing, is also the largest private investment that has been made in Jamaica since the bauxite

mines were established in the 1960s.

Although the IDB loan for the plant was approved in 1993 no funds will actually be disbursed until 1999. The plant's owner/operator, the Jamaica Private Power Company (JPPC), used the guarantee provided by the IDB loan, as well as a World Bank loan, to obtain \$81 million in five-year bonds at even more favorable terms—6.2 percent—from the Caribbean Basin Project Development Authority.

The bonds will be rolled



Second largest private investment.

CRAIG WALSH

The benefits of credit: Jorge Elías Bahiaia Gueragosian and sons have built the family business by borrowing judiciously.

over into the IDB and the World Bank loans when they come due.

"This is innovative financing," says IDB energy specialist Veljko Sikirica, who was on the loan proposal team. "There may never be full disbursement of the loan."

When the novel but complicated arrangement was consummated in October, 1994, recalls Sikirica, teams of lawyers representing the dozen different parties crowded into a Washington, D.C., office and spent two hours signing the dozens of financial agreements.

The plant uses slow speed generators to produce electricity. The technology, which is also used on ocean-going ships, delivers power more inexpensively than other diesel-run plants because it relies on cheap, heavy crude oil and needs relatively little maintenance at the slow running speed. The generators were manufactured by Spain's Astilleros Espanoles shipyards.

The JPPC has a 20-year concession to provide electricity to the Jamaican government. "Because we are the least-cost energy

producer in Jamaica," says Dana Smith, JPPC general manager, "we will probably provide 20 percent of its power, even though the new plant represents only 10 percent of its installed capacity."

GUYANA Art on a budget

Participants in a recent workshop in Guyana learned ancient techniques for producing art materials that could help reduce the cost of practicing and teaching art.

Held at the University of Guyana's Turkeyen Campus, the workshop taught how to make paints, brushes and even paper using methods developed by indigenous peoples. For example students learned to use clays and locally obtained minerals to make water-based paints.

Students are expected to use the low-cost techniques in the country's public schools.

The Guyana workshop was made possible through the IDB Cultural Center's Cultural Promotion in the Field Program. Last year, 15 projects were selected among 250 proposals to receive grants through the program.

In another project supported by the program, 341 young Mexican artists have submitted entries for a group exhibition in the city of Nuevo León, Monterrey that will feature 50 pieces selected by a panel of judges.

In Costa Rica, the program is sponsoring a competition among composers from the Bank's 26 Latin American and Caribbean member countries, each of whom will submit an original symphonic work to be performed at the 100th anniversary of the country's national theater.



Ecology through a wider lens: water treatment is part of the strategy to improve environmental quality in the region.

ENVIRONMENT

IDB's green lending comes in many shades

Includes poverty reduction and governmental reform

Future IDB lending for environmental protection and natural resource conservation will include areas not traditionally considered part of the environment sector.

According to the IDB's 1996 *Annual Report on the Environment and Natural Resources*, future Bank-financed projects will be based on a recognition that success in environmental protection hinges on a country's ability to improve general social and economic conditions. Projects to solve environmental problems must be carried out as part of a broader effort to modernize the state, reduce poverty, increase social justice, improve human capital and strengthen democratic institutions.

The report cites a forthcoming water resources strategy as an example of this integrated approach. Future projects will no longer deal solely with a particular water resource problem, but will seek to bring about change in related areas as well, with the participation of

communities and the private sector.

Similarly, a coastal zone and marine resources strategy under development recognizes the need to carry out projects that meet a countries' broad economic and social needs.

As part of its revised policy outlook, the Bank in 1996 made a major change in its system for ensuring the environmental quality of its projects. For the past 15 years, the Bank's Environment Committee has reviewed IDB operations proposed for Bank financing, classifying them according to potential environmental impact and subsequently indicating measures to mitigate harmful effects.

Last year, the committee's scope was broadened to include the social impacts of IDB-financed projects, and its name was changed to the Committee on Environment and Social Impact.

Lending up. According to the report, the IDB approved 12 environmental and natural resources loans

and Multilateral Investment Fund grants last year for a total of \$814 million, up from \$796 million the year before. Most of these operations were to improve flood control, sanitation and potable water supply in urban settings.

In addition, the Bank approved 50 technical cooperation operations last year for a total of \$276 million, a 70 percent increase over 1995. Many of these operations will support the IDB's efforts to help countries improve policy formulation, management and the design of institutional and legal frameworks.

At the December summit on sustainable development in Santa Cruz, Bolivia, the IDB announced that it has identified some \$10 million in environmental projects for possible financing in the period 1997-99. Reflecting the IDB's new view of environmental protection, the projects will combine work in traditional areas such as forest management with efforts in state reform, civil society, health, education and microenterprise development.

For a copy of the report, available in English and Spanish, call the IDB Bookstore, (202) 623-1753, fax x1709 or email idb-books@iadb.org.

BRUSSELS

Donors pledge \$1.9 billion for Guatemala peace program

IDB chairs meeting of international community

Delegates from 25 countries and 22 international organizations pledged a total of \$1.9 billion over four years to support Guatemala's efforts to rebuild after 36 years of armed conflict.

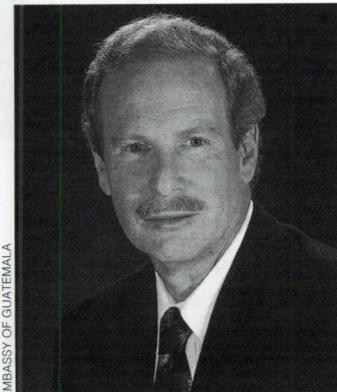
The pledges, made at a meeting of the Consultative Group for Guatemala in Brussels last January, followed the signing of final peace accords on December 29 by the Guatemalan government and the Guatemalan National Revolutionary Front (URNG) guerrilla movement. Chairing the meeting was Miguel E. Martínez, IDB manager for a group of countries that includes Guatemala.

In his presentation, Guatemalan

President Alvaro Arzú thanked the international community for its role in facilitating the peace negotiations. The Guatemalan people, he said, now have a unique opportunity to enter a new era of respect for human rights and equitable development.

IDB President Enrique V. Iglesias congratulated President Arzú and the URNG on the signing of the peace accords, calling them the basis for national reconciliation. At the same time, he stressed the daunting task of implementing the commitments.

Also in attendance were Nobel laureate Rigoberta Menchú, OAS Secretary-General César Gaviria, and Euro-



Arzú: predicts a new era.

EMBASSY OF GUATEMALA

Four points for peace

The peace plan targets four areas:

- Demobilization of combatants.
- Training of human resources.
- Sustainable economic development.

- Modernization of the state.

The plan's immediate purpose is to help refugees, widows and orphans, former combatants and other people most directly affected by the civil conflict.

The program will also establish a fund to help poor people own land. Measures will also be taken to promote human rights, strengthen democratic institutions, reduce corruption, overhaul the judiciary, and restructure the military.

panean Commission Vice President Manuel Marín.

At the meeting, the IDB announced a substantial lending program for 1997–2000 in support of the government's peace plan. The program will have the following objectives:

- Integration of poor indigenous populations into the economy.
- Improvement of social services.
- Institutional strengthening of the government, restructuring public expenditure and improving financial supervision.

- Support for agriculture, energy, telecommunications and transport.

Also in Brussels, the IDB and Guatemala signed contracts for \$50 million in loans to finance a trust fund for the Community Development for Peace Program. In the program, communities will plan their own projects for providing social services and increasing economic opportunities.

A follow-up meeting will be held later this year in Guatemala to review progress in implementing programs and policies. The next consultative meeting will be held within 18 months.



A new future for the seemingly changeless Guatemalan countryside.

DAVID MANGURIAN-IDB

LENDING

Borrowers embrace new lending vehicle

Single currency option frequently selected

The IDB's Single Currency Facility (SCF), introduced last October, has become the Bank's most popular lending vehicle.

Around \$2.7 billion in loans were approved from the SCF by the end of 1996, representing about 40 percent of the year's total lending. In addition, \$3.1 billion in previously approved loans based on the Bank's currency pool facility were converted into SCF loans. In all cases, borrowers opted for loans in U.S. dollars.

Borrowers choosing to receive their loans through the SCF can select one or a combination of four hard currencies—Japanese yen, German marks, Swiss francs or U.S. dollars. The other alternative is to use the previous currency pool, whose lending rate reflects a mix of U.S. dollars, Japanese yen, and European currencies.

New interest rates. In a related area, the IDB has announced its semiannual changes in lending

rates on the convertible currency portion of loans from the ordinary capital applicable to the first half of 1997.

The lending rate for outstanding balances of variable rate loans in U.S. dollars from the SCF is 6.90 percent; for German marks, 6.95 percent; for Japanese yen, 3.69 percent; and for Swiss francs, 4.98 percent. The rates in effect during the second semester of 1996 were dollars, 6.87 percent; marks, 7.18 percent; yen, 3.73 percent; and francs, 5.13 percent.

Interest rates for the pool-based variable rate loans approved after January 1, 1990, were eased to 6.68 percent in the first semester of 1997, compared with 6.76 percent the previous period. For loans approved between 1983 and 1989, the lending rate is 6.73 percent, compared with the previous 6.15 percent. IDB interest rates are based on the cost of raising funds on the international capital markets.

Annual meeting draws 5,000 participants

The IDB's Board of Governors held its 38th annual meeting in Barcelona, Spain, March 17-19.

Among the topics discussed was the issue of concessional loans—financing with low interest rates and long amortization periods for the region's least developed countries. Such "soft loans" have been an essential part of the Bank's strategy for helping the region's poorest groups. But resources for this purpose have been in short supply in recent years.

The meeting was preceded by five seminars on the subjects of ur-

banization, financing small and medium-size enterprises, new banking technologies, economic reform and evaluation.

Attending the meeting were some 5,000 members of official delegations, representatives of international organizations, private firms, nongovernmental organizations and journalists.

The IDB meeting is the most important annual forum on issues affecting Latin America and the Caribbean.

A full report on the meeting will appear in the May issue of *THE IDB*.



Portraits of economic progress.

DAVID MANGURIAN-IDB

CYBERDATA

Country profiles now on Internet

Include policy changes

The IDB's 1996 assessments of the economic situation of its Latin American and Caribbean member countries are now available on the IDB's Internet home page.

The individual country reports, which were formerly contained in the IDB annual report *Economic and Social Progress in Latin America*, include major policy changes introduced in 1996, preliminary economic performance data for the year and the medium-term outlook for each country.

The country reports, which can be accessed under the "Research & Statistics" section of the IDB home page (www.iadb.org), are prepared yearly. A separate statistical overview for the region, available under the "databases" segment of "Research & Data" section, is updated monthly.

The reports are written by IDB country economists and the statistical material is prepared by the Bank's Statistics and Quantitative Analysis Unit.

LOANS**Argentina . . . \$100 mil-**

lion to support small and medium-sized enterprises that seek to become more competitive.

The resources are expected to benefit 2,500 businesses by financing technical assistance and training services that will be identified in business development plans.

Entrepreneurs will also be helped to form alliances that will contribute to competitiveness, and will be given access to a database listing management consultants and their business services.

Information will be disseminated to the business community on opportunities to expand into foreign markets and strategies for meeting the competitive demands of open economies.

The program will be planned and coordinated by the Secretariat of Industry, Commerce and Mining, but services provided will be demand-driven, based on needs expressed by the private sector. An effort will be made to encourage the participation of women in all phases of the project.

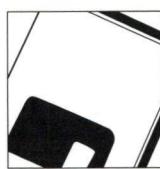
The total cost of the program is \$200 million.

MULTILATERAL INVESTMENT FUND
Argentina . . . \$1.9 million for technical assistance to microenterprises producing goods and services in**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>

the cities of La Plata and Mendoza. The resources will support training in business management



and finance issues including taxes and complying with laws and regulations.

The program will be carried out by the Confederación General Económica.

Panama . . . \$1.4 million to support small and medium-sized agricultural producers.



The program will seek to offer improved support services and market information to producers, while increasing the level of private investment in agricultural production, processing, storage, transportation and distribution.

Funds will also be used to strengthen the Unión Nacional de Productores Agropecuarios de Panamá, the organization that will

(continued)

**Farming tips al fresco**

Farmers in the Tambillo parish of Ecuador's Pichincha province gather at Eunice Echeverría-Binueza's farm to learn what a government agronomist has to say about corn cultivation techniques. Federal technical and vocational training programs in Ecuador have been expanded with the help of a \$50 million IDB loan approved in 1986.



Even goats dread the scale

A young goat is prepared for weighing by a technician at Argentina's Mendoza Regional Center for Scientific and Technological Research. The center is conducting an IDB-funded research project in which high-milk-yield European goats are being bred with local breeds adapted to Mendoza's arid climate.

(from previous page)
carry out the program.

Paraguay. . . \$1.2 million to improve the efficiency and transparency of the banking system.



The resources will assist the Office of the Banking Superintendent in developing a more modern regulatory framework for banks, finance companies and other credit institutions, as well as training and upgrading its technical staff.

In addition, auditing and evaluation by the superintendence will be enhanced by new computerized systems.

The program seeks to create a more stable and reliable financial system as a basis for greater private sector growth.

INTER-AMERICAN INVESTMENT CORPORATION

Dominican Republic. . .

Two loans totaling \$3 million to Banco Intercontinental S.A. to help develop leasing operations by 60 small and medium-sized companies engaged in the industrial, transportation and tourism sectors.



The investment will encourage private sector growth by facilitating the acquisition of capital equipment through lease financing, and it will support the government's pro-

gram to strengthen the financial sector.

The total initial investment is \$6.5 million, of which Banco Intercontinental S.A. and its multipurpose bank, BANKINTER will provide \$3.5 million.

El Salvador. . .

\$2 million equity investment in Bon Appetit S.A. (BASA) to assist the company's expansion and modernization, enabling it to become one of the most modern and efficient manufacturers of noncarbonated beverages in Central America.



The investment will help BASA strengthen its market presence in the country and the region and balance the firm's foreign exchange obligations.

Guatemala. . .

\$3 million loan and equity investment of up to \$500,000 in Factorrent S.A., which will support small and medium-sized companies by offering a line of credit for use in developing financial leasing activities.



Mexico. . .

A \$5 million investment in the establishment of Inversiones Privadas Latinoamericanas L.P. (IPL), a 10-year fund that will help medium-sized companies finance their operating needs, maintenance and growth.

IPL is one of the first international private equity funds sponsored by a

Mexican group. It will seek foreign investors for Mexican companies and in other Latin American businesses that have a significant Mexican component, and will aim to list its portfolio companies on the local stock exchanges.

Mexico . . . \$7 million loan to Monarch S.A. and an equity investment of up to \$2.55 million in Holding S.A. to develop a 100 hectare, high-quality, export-oriented flower farm and packing facilities in the Encino valley.

The project will help create more than 2,000 new jobs, mostly for low-income and unemployed persons in a region with little alternative economic activity.

Paraguay . . . Two loans totaling \$3 million to Merco-Fluvial S.A. and Hidro Gas S.A. to help purchase three barges especially designed for river transportation of liquefied petroleum gas (LPG).

This type of barge, which is common in the United States and Europe, is new to the region, where LPG is currently transported by trucks. The project will increase efficiency, safety and environmental safeguards on LPG shipments between Argentina and Paraguay.



BONDS

Rand... 150 million South African Rand (approximately US\$33.5 million) issued in the Euro-market. The bonds, which mature Feb. 19, 2002, have a coupon of 14.63 percent and were priced at 101.67 percent.

J.P. Morgan Securities Ltd. was the lead manager of the issue, which is underwritten by a syndicate composed of 16 other financial institutions.

Pound Sterling... 150 million pound sterling issued on the Euro-market with an annual coupon of 7.25 percent and a maturity date of Dec. 31, 2002.

Hambros Bank and Dresdner Kleinwort Benson were the joint lead managers of the issue, which was priced at 101.083 percent. Seventeen additional international banks participated.

Czech Koruna... 2 billion Czech Koruna (around US\$74 million) issued on the Euro-market in two tranches.

The first, 1.5 billion tranche, launched Jan. 3, was priced at 100.73 percent. The second, for 500 million, launched Jan. 9, was fully fungible with the first and priced at 100.79 percent. Deutsche Morgan



Grenfell was the lead manager for both tranches, which mature on Jan. 15, 1998. The proceeds of the issue, swapped into floating rate U.S. dollar financing, will be incorporated into the ordinary capital of the IDB for investments in the social and economic development of the region.

Yen... 9.6 billion yen medium-term bond issued in the Euromarket, with maturity scheduled for the year 2007.

The 3.07 percent annual coupon will be paid in U.S. dollars.

IBJ International plc arranged the issue, which was priced at 100.20 percent.

Canadian Dollars... \$100 million Canadian dollars issued in the Euromarket. The six-year bonds, maturing Feb. 10, 2003, have a coupon of 6 percent and were priced at 101.45 percent.

Scotia McLeod was the lead manager of the syndicated issue.



NEW FRENCH CONSULTANT FUND

France and the IDB have established the French Technical Cooperation Fund to finance consultancies and training activities for IDB projects. The 20 million French Franc (approximately \$4 million) fund will be administered by the IDB.

In a separate agreement, France and the IDB pledged to cooperate in providing concessional loans and grants for development projects. The two parties will hold consultations to identify projects for cofinancing and evaluate their effectiveness.

SWISS FUNDING FOR PRIVATE SECTOR

Switzerland has contributed \$1 million to the IDB-administered Swiss Consultants Fund to finance the identification and preparation of private sector investment and infrastructure projects.

The funding will support feasibility studies, financial evaluations and project preparation activities in smaller Latin American and Caribbean countries where commercial bank financing is difficult to obtain. Selected projects will be prepared to qualify for further financing from the IDB and other investors.

NEW EXECUTIVE DIRECTOR

Edgard A. Guerra has been named alternate executive director for Belize, Costa Rica, El Salvador, Guatemala, Honduras and

Nicaragua. A Nicaraguan citizen, Guerra joined the IDB's junior professionals program in 1972. Most recently he was chief of the Bank's Settlements Section.



WASHINGTON, D.C.

Uncommon forms for commonplace things

New exhibit on Barcelona design

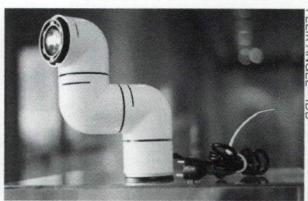
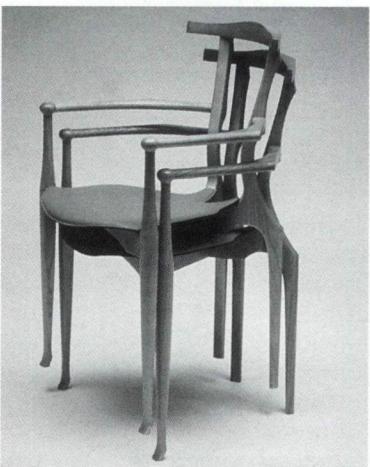
At the dawn of the industrial era, when factories began to replace individual artisans, the question was: who will design the new factory-made products?

The answer, at first, was nobody. The new factories simply turned out copies of traditional designs. But soon, a new profession emerged: the industrial designer. Combining the innovative, experimental outlook of artists with form and function, this new generation of professionals set out to recreate the environment in which we work and play.

Few places are as synonymous with the field of industrial design as Barcelona, the site of the IDB's recently concluded annual meeting. The contributions of the city's designers—from barstools and handmixers to a drawing of the Cathedral of Barcelona—were recently on view at the IDB's Washington, D.C. headquarters in the exhibit "From Gaudí to the Olympic Games," which was organized by the Bank's Cultural Center.

Barcelona first stepped onto the international design stage as 19th century Europe was freeing itself from the shackles of impersonal and

CAFELLA & LARREA ARQUITECTOS



FELIX ANGEL-IDB

Chairs by Oscar Tusquets (left), a table lamp by André Ricard (above), and "Cobi," by Juli Capella Samper.

CAFELLA & LARREA ARQUITECTOS



A table lamp by Enric Franci and chairs by various Barcelona designers.



WILLIE HEINZ-IDB

academic artistic traditions. The new artistic movement was known by different names in different countries—Art Nouveau, Jugendstil, De Stijl, and, in Spain *Modernismo*.

Without doubt, Spain's leading modernist was Antoni Gaudí. In addition to his great works of architecture, he designed numerous furnishings for his buildings, some of

which are featured in the IDB exhibit.

As *Modernismo* lingered on into the 20th century, it mingled with a new design current, Art Deco. A characteristic object on view in the IDB exhibit is a perfume flask made from the new material bakelite. It was designed by Esteban Monegal, who was also proprietor of the perfume house.

The Spanish Civil War in 1936 and the ensuing Franco dictatorship stifled Spanish design. But Franco's death in 1975 coincided with the

unleashing of pent up creativity that would put Barcelona at the forefront of international design once again. Among the new practitioners was Javier Mariscal, who caught the design world's attention with his collection of "Amoral Furniture," and who later would design the mascot "Cobi" for the 1992 Olympics.

In the 1990s, Barcelona designers have continued their international expansion, gaining a firm foothold throughout the world. Europeans, Americans and Japanese have recognized the city's design excellence, and some critics maintain

that Barcelona has eclipsed Milan as a design center.

With the progress towards the European Union and the increasing importance of design in global commerce, it is clear that designers from Barcelona will continue to provide imaginative interpretations of everyday objects used for generations to come.