

## THE YEAR'S LENDING

### Summary

This section contains a summary of the year's lending and country chapters, which include descriptions of the loans, technical cooperation operations (\$500,000 and above), small projects and Multilateral Investment Fund (MIF) operations (\$500,000 and above) authorized by the Bank in 1999. It concludes with information related to the Bank's lending and technical cooperation program and the Statement of Approved Loans and Guarantees.

The loans and guarantees authorized by the Bank in 1999 came from the following sources:

- **Ordinary capital resources:** 68 loans for \$8,800 million and 2 guarantees for \$250 million brought the cumulative total of loans, less cancellations, to 1,404 for \$87,869 million; and guarantees for 4 operations totaling \$356 million as of December 31, 1999.

- **Fund for Special Operations:** 23 loans totaling \$417 million brought the cumulative total of loans, less cancellations, to 1,040 for \$14,663 million as of December 31, 1999.

- **Other Funds:** There were no loans approved in 1999. Cumulative total loans, less cancellations, were 204 for \$1,726 million as of December 31, 1999.

- **Export financing:** Increases in previously approved export financing credits from the ordinary capital and the Venezuelan Trust Fund for \$18.3 million brought the cumulative total to \$1,115 million as of December 31, 1999.

The Bank agreed to partially defray up to five percentage points of the interest on 11 loans for \$149 million, approved in 1999 from the ordinary capital sources, with funds from the Intermediate Financing Facility (IFF) created under the Sixth Replenishment.

In addition, in 1999, three loans with an outstanding balance of approximately \$19 million to Guyana related to the Heavily Indebted Poor Countries Initiative (HIPC) were approved to receive an IFF subsidy.

### Total Cost of Projects

The \$9.5 billion in Bank loans and guarantees help to finance projects involving a total investment of more

**TABLE III. DISTRIBUTION OF LOANS**

(In millions of U.S. dollars)

| Sector                                | 1999           | %    | 1961-99          | %    |
|---------------------------------------|----------------|------|------------------|------|
| <b>Productive Sectors</b>             |                |      |                  |      |
| Agriculture and Fisheries             | \$ 100         | 1.1  | \$ 12,543        | 12.0 |
| Industry, Mining and Tourism          | 1,211          | 12.8 | 9,056            | 8.7  |
| Science and Technology                | 251            | 2.6  | 1,581            | 1.5  |
| <b>Physical Infrastructure</b>        |                |      |                  |      |
| Energy                                | 367            | 3.9  | 16,632           | 15.9 |
| Transportation and Communications     | 690            | 7.3  | 12,759           | 12.2 |
| <b>Social Sectors</b>                 |                |      |                  |      |
| Sanitation                            | 492            | 5.2  | 8,903            | 8.5  |
| Urban Development                     | 233            | 2.5  | 5,979            | 5.7  |
| Education                             | 400            | 4.2  | 4,247            | 4.1  |
| Social Investment                     | 2,484          | 26.2 | 6,937            | 6.6  |
| Health                                | 475            | 5.0  | 2,175            | 2.1  |
| Environment                           | 82             | 0.9  | 1,612            | 1.5  |
| Microenterprise                       | 100            | 1.1  | 591              | 0.6  |
| <b>Others</b>                         |                |      |                  |      |
| Reform and Modernization of the State | 2,344          | 24.7 | 16,277           | 15.6 |
| Export Financing                      | 18             | 0.3  | 1,543            | 1.5  |
| Others                                | 240            | 2.5  | 3,789            | 3.6  |
| <b>TOTAL</b>                          | <b>\$9,486</b> |      | <b>\$104,625</b> |      |

than \$14.6 billion. The Bank's loans cover only a part of the total cost of the projects being carried out by the borrowing countries. The balance over and above the Bank's contribution comes from the Latin American and Caribbean countries and, in some cases, other sources of financing.

### Disbursements

The Bank's disbursements on authorized loans amounted to \$8,387 million in 1999, compared with \$6,635 million in 1998. As of December 31, 1999, cumulative disbursements, including exchange adjustments, totaled \$78,325 million, or 75 percent of the loans authorized by the Bank. The 1999 disbursements and cumulative totals by funds include:

**TABLE IV. THE BANK'S YEARLY (1999) AND CUMULATIVE LOANS AND GUARANTEES (1961-99) <sup>1</sup>**  
*(In millions of U.S. dollars)*

| Country             | Detail by Funds  |                    |                               |                   |                             |                   |                         |                  |
|---------------------|------------------|--------------------|-------------------------------|-------------------|-----------------------------|-------------------|-------------------------|------------------|
|                     | Total Amount     |                    | Ordinary Capital <sup>2</sup> |                   | Fund for Special Operations |                   | Funds in Administration |                  |
|                     | 1999             | 1961-99            | 1999                          | 1961-99           | 1999                        | 1961-99           | 1999                    | 1961-99          |
| Argentina           | \$ 460.9         | \$ 15,251.3        | \$ 460.9                      | \$14,554.7        | \$ 0.0                      | \$ 647.6          | \$0.0                   | \$ 49.0          |
| Bahamas             | 23.5             | 280.1              | 23.5                          | 278.1             | -                           | -                 | -                       | 2.0              |
| Barbados            | -                | 385.1              | -                             | 323.3             | -                           | 42.8              | -                       | 19.0             |
| Belize              | 24.9             | 44.4               | 24.9                          | 44.4              | -                           | -                 | -                       | -                |
| Bolivia             | 153.1            | 2,784.1            | -                             | 1,060.4           | 153.1                       | 1,651.8           | -                       | 71.9             |
| Brazil              | 4,789.5          | 21,931.1           | 4,789.5                       | 20,241.1          | -                           | 1,559.7           | -                       | 130.3            |
| Chile               | 265.0            | 4,357.0            | 265.0                         | 4,111.3           | -                           | 203.3             | -                       | 42.4             |
| Colombia            | 1,037.6          | 8,207.1            | 1,037.6                       | 7,386.5           | -                           | 759.3             | -                       | 61.3             |
| Costa Rica          | -                | 2,070.2            | -                             | 1,590.3           | -                           | 351.8             | -                       | 128.1            |
| Dominican Republic  | 259.4            | 1,931.2            | 259.4                         | 1,140.6           | -                           | 704.8             | -                       | 85.8             |
| Ecuador             | 0.8              | 3,567.4            | 0.8                           | 2,543.4           | -                           | 936.0             | -                       | 88.0             |
| El Salvador         | 42.2             | 2,541.1            | 42.2                          | 1,657.4           | -                           | 749.3             | -                       | 134.4            |
| Guatemala           | 236.5            | 2,210.1            | 236.5                         | 1,520.2           | -                           | 629.8             | -                       | 60.1             |
| Guyana              | 84.4             | 708.2              | -                             | 110.8             | 84.4                        | 590.5             | -                       | 6.9              |
| Haiti               | -                | 760.8              | -                             | -                 | -                           | 754.4             | -                       | 6.4              |
| Honduras            | 85.2             | 1,972.5            | -                             | 525.7             | 85.2                        | 1,396.3           | -                       | 50.5             |
| Jamaica             | 73.6             | 1,363.5            | 68.1                          | 1,000.7           | -                           | 163.8             | 5.5                     | 199.0            |
| Mexico              | 918.6            | 12,993.0           | 918.6                         | 12,372.2          | -                           | 559.0             | -                       | 61.8             |
| Nicaragua           | 93.9             | 1,564.5            | -                             | 264.1             | 93.9                        | 1,250.3           | -                       | 50.1             |
| Panama              | 64.7             | 2,020.0            | 64.7                          | 1,706.9           | -                           | 280.5             | -                       | 32.6             |
| Paraguay            | 67.3             | 1,573.2            | 67.3                          | 983.6             | -                           | 577.4             | -                       | 12.2             |
| Peru                | 518.9            | 5,366.2            | 518.9                         | 4,727.0           | -                           | 418.1             | -                       | 221.1            |
| Suriname            | 0.7              | 48.9               | 0.7                           | 46.6              | -                           | 2.3               | -                       | -                |
| Trinidad and Tobago | 107.0            | 1,038.0            | 105.0                         | 981.6             | -                           | 31.2              | 2.0                     | 25.2             |
| Uruguay             | 77.8             | 2,334.8            | 77.8                          | 2,188.9           | -                           | 104.1             | -                       | 41.8             |
| Venezuela           | 100.0            | 4,421.8            | 100.0                         | 4,247.5           | -                           | 101.4             | -                       | 72.9             |
| Regional            | -                | 2,889.3            | -                             | 2,618.5           | -                           | 197.2             | -                       | 73.6             |
| <b>TOTAL</b>        | <b>\$9,485.5</b> | <b>\$104,614.7</b> | <b>\$9,061.4</b>              | <b>\$88,225.7</b> | <b>\$416.6</b>              | <b>\$14,662.7</b> | <b>\$7.5</b>            | <b>\$1,726.4</b> |

<sup>1</sup> After cancellations and exchange adjustments. Totals may not add up due to rounding.

<sup>2</sup> Detail includes private sector loans, net of participations.

- **Ordinary capital resources:** \$7,947 million, bringing the cumulative total to \$63,939 million as of December 31, 1999.

- **Fund for Special Operations:** \$430 million, bringing the cumulative total to \$12,732 million as of December 31, 1999.

- **Other funds:** \$10.3 million, bringing the cumulative total from funds administered by the Bank to \$1,654 million as of December 31, 1999.

## Repayments

Loan repayments amounted to \$2,306 million in 1999. Cumulative payments as of December 31, 1999, were \$32,374 million. Repayments received by the Bank during the year, and cumulative as of December 31, 1999 were:

- **Ordinary capital resources:** \$1,988 million, bringing the cumulative total, before repayments to

**TABLE V. YEARLY (1999) AND CUMULATIVE DISBURSEMENTS (1961-99) <sup>1</sup>**  
(In millions of U.S. dollars)

| Country             | Detail by Funds  |                   |                               |                   |                             |                   |                         |                  |
|---------------------|------------------|-------------------|-------------------------------|-------------------|-----------------------------|-------------------|-------------------------|------------------|
|                     | Total Amount     |                   | Ordinary Capital <sup>2</sup> |                   | Fund for Special Operations |                   | Funds in Administration |                  |
|                     | 1999             | 1961-99           | 1999                          | 1961-99           | 1999                        | 1961-99           | 1999                    | 1961-99          |
| Argentina           | \$ 1,441.4       | \$ 10,933.2       | \$ 1,427.6                    | \$ 10,270.0       | \$ 13.8                     | \$ 614.2          | \$ 0.0                  | \$ 49.0          |
| Bahamas             | 13.0             | 222.3             | 13.0                          | 220.3             | -                           | -                 | -                       | 2.0              |
| Barbados            | 6.7              | 235.0             | 6.7                           | 173.2             | -                           | 42.8              | -                       | 19.0             |
| Belize              | 3.9              | 4.9               | 3.9                           | 4.9               | -                           | -                 | -                       | -                |
| Bolivia             | 90.0             | 2,257.4           | 13.8                          | 1,011.6           | 76.2                        | 1,173.9           | -                       | 71.9             |
| Brazil              | 2,878.8          | 14,588.8          | 2,870.4                       | 12,969.1          | 8.4                         | 1,489.4           | -                       | 130.3            |
| Chile               | 93.1             | 4,166.8           | 93.1                          | 3,921.1           | -                           | 203.3             | -                       | 42.4             |
| Colombia            | 957.5            | 6,769.1           | 952.4                         | 5,986.7           | 5.1                         | 721.1             | -                       | 61.3             |
| Costa Rica          | 62.1             | 1,669.9           | 62.1                          | 1,190.0           | -                           | 351.8             | -                       | 128.1            |
| Dominican Republic  | 77.9             | 1,318.6           | 59.2                          | 544.0             | 18.7                        | 688.8             | -                       | 85.8             |
| Ecuador             | 142.0            | 3,064.3           | 126.4                         | 2,089.4           | 15.6                        | 886.9             | -                       | 88.0             |
| El Salvador         | 131.3            | 1,946.5           | 127.8                         | 1,068.6           | 3.5                         | 743.5             | -                       | 134.4            |
| Guatemala           | 176.6            | 1,629.8           | 150.9                         | 977.9             | 25.7                        | 591.8             | -                       | 60.1             |
| Guyana              | 33.4             | 456.2             | -                             | 110.8             | 33.4                        | 338.5             | -                       | 6.9              |
| Haiti               | 56.8             | 505.0             | -                             | -                 | 56.8                        | 498.6             | -                       | 6.4              |
| Honduras            | 78.7             | 1,646.2           | 3.0                           | 522.5             | 75.7                        | 1,073.2           | -                       | 50.5             |
| Jamaica             | 72.8             | 1,177.1           | 67.3                          | 814.3             | -                           | 163.8             | 5.5                     | 199.0            |
| Mexico              | 517.5            | 10,694.8          | 514.7                         | 10,086.1          | -                           | 559.0             | 2.8                     | 49.7             |
| Nicaragua           | 84.0             | 1,197.8           | 1.4                           | 250.5             | 82.6                        | 897.2             | -                       | 50.1             |
| Panama              | 53.6             | 1,300.4           | 52.9                          | 987.8             | 0.7                         | 280.0             | -                       | 32.6             |
| Paraguay            | 99.3             | 1,142.7           | 85.8                          | 562.2             | 13.5                        | 568.3             | -                       | 12.2             |
| Peru                | 485.6            | 4,195.8           | 485.6                         | 3,556.6           | -                           | 418.1             | -                       | 221.1            |
| Suriname            | 18.6             | 36.0              | 18.6                          | 34.0              | -                           | 2.0               | -                       | -                |
| Trinidad and Tobago | 64.3             | 631.5             | 62.3                          | 576.5             | -                           | 29.8              | 2.0                     | 25.2             |
| Uruguay             | 358.5            | 1,792.0           | 358.5                         | 1,646.1           | -                           | 104.1             | -                       | 41.8             |
| Venezuela           | 188.7            | 2,761.9           | 188.7                         | 2,587.6           | -                           | 101.4             | -                       | 72.9             |
| Regional            | 201.1            | 1,980.6           | 201.1                         | 1,777.1           | -                           | 190.2             | -                       | 13.3             |
| <b>TOTAL</b>        | <b>\$8,387.2</b> | <b>\$78,324.5</b> | <b>\$7,947.2</b>              | <b>\$63,938.9</b> | <b>\$429.7</b>              | <b>\$12,731.8</b> | <b>\$10.3</b>           | <b>\$1,653.9</b> |

<sup>1</sup> After cancellations and exchange adjustments. Totals may not add up due to rounding.

<sup>2</sup> Detail includes private sector loans, net of participations.

participants, to \$25,380 million as of December 31, 1999.

- **Fund for Special Operations:** \$289 million for a cumulative total of \$5,447 million as of December 31, 1999.

- **Other funds:** \$29 million, bringing the cumulative total to \$1,547 million as of December 31, 1999.

**TABLE VI. YEARLY (1999) AND CUMULATIVE (1961-99)<sup>1</sup> TOTAL COST OF PROJECTS**  
*(In millions of U.S. dollars)*

| Country             | Total Cost        |                    | Bank's Loans and Guarantees <sup>2</sup> |                    | Latin America's Contributions |                    |
|---------------------|-------------------|--------------------|--|--------------------|-------------------------------|--------------------|
|                     | 1999              | 1961-99            | 1999                                     | 1961-99            | 1999                          | 1961-99            |
| Argentina           | \$ 1,336.0        | \$ 37,716.2        | \$ 460.9                                 | \$ 15,251.4        | \$ 875.1                      | \$ 22,464.8        |
| Bahamas             | 33.5              | 459.1              | 23.5                                     | 280.1              | 10.0                          | 179.0              |
| Barbados            | 0.0               | 680.9              | 0.0                                      | 387.1              | 0.0                           | 293.8              |
| Belize              | 37.0              | 74.0               | 24.9                                     | 44.4               | 12.1                          | 29.5               |
| Bolivia             | 199.7             | 4,517.8            | 153.1                                    | 2,784.0            | 46.6                          | 1,733.8            |
| Brazil              | 7,027.0           | 65,326.8           | 4,789.5                                  | 21,931.1           | 2,237.5                       | 43,395.7           |
| Chile               | 508.9             | 10,555.1           | 265.0                                    | 4,357.0            | 243.9                         | 6,198.1            |
| Colombia            | 1,179.1           | 19,381.3           | 1,037.6                                  | 8,207.0            | 141.5                         | 11,174.3           |
| Costa Rica          | 0.0               | 3,522.3            | 0.0                                      | 2,070.2            | 0.0                           | 1,452.0            |
| Dominican Republic  | 455.1             | 2,843.2            | 259.4                                    | 1,933.1            | 195.7                         | 910.1              |
| Ecuador             | 0.8               | 6,605.0            | 0.8                                      | 3,567.5            | 0.0                           | 3,037.5            |
| El Salvador         | 53.0              | 3,892.4            | 42.2                                     | 2,541.1            | 10.8                          | 1,351.3            |
| Guatemala           | 287.3             | 3,746.6            | 236.5                                    | 2,210.1            | 50.8                          | 1,536.5            |
| Guyana              | 88.9              | 880.3              | 84.4                                     | 708.2              | 4.5                           | 172.1              |
| Haiti               | 0.0               | 1,055.7            | 0.0                                      | 760.7              | 0.0                           | 294.9              |
| Honduras            | 92.3              | 3,665.0            | 85.2                                     | 1,972.5            | 7.1                           | 1,692.5            |
| Jamaica             | 110.0             | 2,130.3            | 79.1                                     | 1,369.0            | 30.9                          | 761.4              |
| Mexico              | 1,766.8           | 36,259.8           | 918.6                                    | 12,993.0           | 848.2                         | 23,266.8           |
| Nicaragua           | 137.2             | 2,631.3            | 93.9                                     | 1,564.5            | 43.3                          | 1,066.8            |
| Panama              | 89.0              | 3,490.2            | 64.7                                     | 2,020.1            | 24.3                          | 1,470.1            |
| Paraguay            | 89.8              | 2,249.6            | 67.2                                     | 1,573.1            | 22.6                          | 676.5              |
| Peru                | 613.6             | 9,549.8            | 518.9                                    | 5,366.2            | 94.7                          | 4,183.5            |
| Suriname            | 0.8               | 60.8               | 0.8                                      | 48.9               | 0.0                           | 11.9               |
| Trinidad and Tobago | 153.6             | 1,551.8            | 107.7                                    | 1,038.7            | 45.9                          | 513.1              |
| Uruguay             | 110.8             | 3,832.2            | 77.8                                     | 2,334.9            | 33.0                          | 1,497.4            |
| Venezuela           | 200.0             | 13,260.4           | 100.0                                    | 4,421.8            | 100.0                         | 8,838.7            |
| Regional            | 0.0               | 14,275.6           | 0.0                                      | 2,889.3            | 0.0                           | 11,386.4           |
| <b>TOTAL</b>        | <b>\$14,570.2</b> | <b>\$254,213.4</b> | <b>\$9,491.7</b>                         | <b>\$104,624.9</b> | <b>\$5,078.5</b>              | <b>\$149,588.5</b> |

<sup>1</sup> Cumulative loans after cancellations and exchange adjustments. Totals may not add up due to rounding.

<sup>2</sup> Excludes private sector participations.

# A ARGENTINA

**IN 1999, THE BANK APPROVED SIX LOANS, ONE TECHNICAL COOPERATION OPERATION AND THREE MIF FINANCINGS TO ARGENTINA. ON A CUMULATIVE BASIS, THE BANK HAS MADE 208 LOANS AND GUARANTEES TOTALING \$15,251 MILLION AND DISBURSEMENTS HAVE TOTALED \$10,933 MILLION.**

## **Technological Modernization Program II** *(\$140 million loan from the OC)*

This program will promote greater efficiency and competitiveness of small and medium-sized enterprises by supporting innovative productive projects, science and technology, and research and development.

Although there was improvement in efficiency and growth in labor productivity in the Argentine economy in the 1990s, the pace of technical progress in developing goods and services with greater value added has been modest. Small and medium-sized enterprises in particular have had problems adopting the international technological practices needed to be competitive.

This program will provide cofinancing instruments and incentives for projects that initiate, import, alter or adapt technologies, including matching grants for enterprises looking to improve or develop products and processes, and credits for scientific and technological firms and institutions that provide services to increase competitiveness.

The program will also support scientific activities directed toward specific issues of importance to the productive sectors. Financing will be provided for research and development facilities, with special attention to addressing priority thematic and geographic areas, such as experimental development of submarine satellites and development of ocean resources. The program will ensure that researchers in such areas have appropriate infrastructure, access to information services, technical and administrative support, and trained human resources.

## **Provincial Primary Health Care Reform** *(\$100 million loan from the OC)*

This operation will support more efficient and equitable health care delivery by introducing new approaches to primary care in Salta, La Pampa and Córdoba.

The most serious problems in publicly funded health services in Argentina are hospital-centered instead of prevention-based care, heavily centralized operations, limited targeting and cost-recovery capacity, and the need for a core of primary care services to better address leading health problems, particularly of mothers and children. The provincial primary health care model developed through this program is expected to become the pillar of the nation's health reform by developing specific targeting criteria to ensure that health services reach the neediest; promoting systems driven by user needs and preferences; introducing incentives to reward quality care providers; and adopting family health care approaches and more cost-effective management models.

In Salta, the principal project objective is to set up Family Health Units with new personnel remuneration and incentive systems, staff training, and institutional strengthening of the provincial health ministry to regulate, manage and evaluate the new care model. The program will also finance construction, renovation or equipping in Salta of 200 Family Health Units and 25 health centers. The projects being designed for La Pampa and Córdoba are expected to follow that of Salta, with all three provinces serving as models for extending the program nationwide.

A national component of the program will provide technical support, training and information systems aimed at redirecting the country's health system toward the new primary care model.

## **Small Business and Microenterprise Credit Program II** *(\$100 million loan from the OC)*

Small businesses and microenterprises account for an estimated 60 percent of all jobs in Argentina, ranging from small firms in the formal market to street vendors and businesses operated out of homes. The shortage of formal financial institutions and credit in the small business sector limits the capacity of these entrepreneurs to compete and expand, since the credit avail-

able to them through suppliers and finance companies carries high interest rates.

This program will channel loans through regulated intermediary financial institutions (IFIs) to small businesses whose annual sales volume does not exceed \$500,000. Median loan amounts must not exceed \$10,000, and credit will be provided under market terms and conditions. The first phase of the program, which was fully disbursed in 1997, provided financing through 32 banks to some 9,500 small businesses and microenterprises throughout Argentina.

Because traditional lending procedures often exclude small businesses and microenterprises from the formal financial sector, this program will also provide technical assistance to promote lending technologies that encourage IFIs to lend to these firms and provide them with other financial services. The long-term goal is to increase the incentives for banks to adopt credit technologies that will make lending to small businesses profitable and sustainable.

**Aguas Argentinas' Capital Investment Program**  
(*\$75 million loan from the OC with a "B" loan of \$225 million*)

*Aguas Argentinas, S.A.* is the sole provider of potable water and sewerage services for Buenos Aires and its other districts. The private firm was awarded a 30-year concession in 1993, with the contract based on the achievement of gradual performance targets related to such areas as population served, percentage of wastewater with primary and secondary treatment, sewerage network renovation, maximum allowable unaccounted-for water, and service expansion and quality.

Aguas now serves an estimated 9 million people and is credited during its first five years with modernizing facilities, improving service quality and management efficiency, and preparing a detailed expansion program. This operation will finance the company's second five-year investment plan, which will focus on expansion works and continued rehabilitation of existing infrastructure, including the following:

- Rehabilitation of water and sewerage secondary systems in the capital and southern concession areas;
- Expansion of the system;
- Repair and enlargement of sewerage pumping stations, including Boca-Barracas and Wilde;

- Infrastructure improvements at its two treatment plants to comply with higher water quality standards.

Under the Bank's "B" loan, commercial banks or other financial institutions will provide up to \$225 million in investments for the program through the subscription of participation agreements with the Bank.

**Rosario-Victoria Bridge**  
(*\$33.1 million loan from the OC, with a "B" loan of \$40.7 million*)

This project will finance construction of a toll bridge and connecting highway over the Paraná River, saving considerable travel time in a region of growing industrial and commercial importance.

Multinational companies involved in MERCOSUR commerce increasingly view the Rosario area as an optimal location to supply the Argentina market and at the same time access transport routes to neighboring countries. The new bridge corridor—located midway between the two existing river crossings 360 kms apart in Zarate and Paraná—will further enhance the region's commercial attractiveness by reducing several hours of travel time.

The project involves construction of a two-lane highway corridor across nearly 60 kms of the river basin, including a dozen short bridges over marsh areas and a four-lane, cable-stayed bridge spanning the larger channel. The project company, Puentes del Litoral S.A., an international consortium, will build, maintain and operate the highway and bridges as a toll facility under a 25-year concession agreement.

Because this is a greenfield project requiring a total estimated investment of \$374 million, the Government of Argentina is providing a substantial portion of the capital cost to complement private investment. The IDB's participation, which includes up to \$40.7 million in financing from investors under subscription of participation agreements with the Bank, is designed to provide comfort to private sector lenders and investors and to help the sponsors obtain loan terms best suited for infrastructure investment.

### **Strengthening of Foreign Trade Policy** (*\$5 million loan from the OC*)

This program will help shape and strengthen the foreign trade policy of Argentina. It includes institutional strengthening of the External Trade Subsecretariat of the Secretariat of Industry, Trade, and Mining, which will carry out the initiative. The program will also help coordinate trade policy with provincial government bodies as well as with the private sector.

Argentina's competitive position in world markets will be enhanced by this project through the establishment of a trade information network and pilot export-sector programs, which will encourage trade opportunities.

Since the beginning of this decade, Argentina has undertaken a process of reforming and restructuring its economy. One of the key components of the reform has been the development of an active foreign trade policy to help increase the country's participation in international commercial markets. From 1990 to 1998, the amount of Argentina's foreign trade almost tripled, from less than \$20 million annually to over \$55 million.

The program will support training of technical personnel as well as advisory assistance and implementation of new information and organizational technologies for the subsecretariat, in order to enhance its capacity for analysis and management of the instruments of foreign trade.

### **Support for the CAUQUEVA, ASHCA CAYCU and QUIÑE RAQUIZUAM Cooperatives** (*\$1.7 million in loans and grants from the FSO*)

These loans and technical cooperation grants will improve production and marketing by small, low-income farmers from rural agricultural cooperatives in three different areas of the country. Financing for the Cooperative *Agropecuaria y Artesanal Quebrada y Valles* (CAUQUEVA) near Humahuaca will be used to establish a rotating credit fund, introduce improvements in irrigation, and establish a processing plant for horticultural products. Credit and technical cooperation will help cotton farmers in the ASHCA CAYCU Cooperative in Chaco Santiagueño diversify production and improve storage and marketing. An estimated 550 families are expected to benefit from these first two projects.

The final project will operate in five departments in the Province of Neuquen, helping impoverished Mapuche Indians whose traditional production of wool is threatened by lack of markets and desertification of pastureland. This grant will provide technical assistance and technology to improve natural resource management, and improve the operating capacity of the Quiñe Raquizuam Cooperative by purchasing basic inputs and administrative and transportation equipment.

### **Equity Investment Fund for Small and Medium Enterprises - CREDICOOP** (*\$6.1 million MIF equity investment*)

This will be one of the first equity funds for small companies in Argentina. It will leverage a considerable amount of private resources and could serve to attract other private and public investors as well as management companies to enter this area of investment. The Project will finance two components: technical assistance to support the creation of local capacities in managing investment funds for small enterprises, which will be financed with a grant from the MIF and Banco CREDICOOP for a total of \$230,000; and the establishment of an investment fund by the MIF, Banco CREDICOOP and a Spanish insurance company.

### **Worker Skills Certification Program** (*\$3.7 million MIF grant*)

This project lays the institutional and methodological foundations for development of a national skill standards and certification system in Argentina through pilot certification and training programs. An alliance will be created to oversee project implementation between the Argentine government, trade unions, and business associations in four important industrial sectors of the economy: printing, automotive parts, food, and iron and steel. The program consists of two components: The development of worker skills certification systems and the modernization of training services. The program also supports joint activities for the four participating sectors, such as the gathering and dissemination of know-how regarding the development of labor skills and their certification, as well as methodologies for applying the skills approach in training systems.

### Support to the Small Retail Industry (*\$2 million MIF grant*)

The main objective of the project is to help improve the competitiveness of retail businesses, facilitating their reconversion, sustainability, and growth. The Commercial Business Activities Association (CAME), a non-profit entity that represents the commercial and services sector, will manage the program. The project is divided into three subprograms. The first will co-finance the development and implementation of training plans. The second will co-finance the development of business projects, related technical-assistance contracts, and the formation and administration of competitive alliances. The third subprogram will co-finance business access to information and facilitate decision-making by associations, shopping centers, stores and services in general in areas such as market research, pricing, suppliers, sales, design, marketing and training.

## B BAHAMAS

**IN 1999, THE BANK APPROVED ONE LOAN TO THE BAHAMAS. ON A CUMULATIVE BASIS, THE BANK HAS MADE 14 LOANS TOTALING \$280 MILLION AND DISBURSEMENTS HAVE TOTALED \$222 MILLION.**

### Solid Waste Management Program (*\$23.5 million loan from the OC*)

This project will improve environmental and health conditions in New Providence and the Family Islands by upgrading waste collection, transport and disposal, and by reducing littering and illicit dumping.

An economy dependent on tourism, beaches and the marine environment presents particular challenges for solid waste management. Improper solid waste disposal practices have negative effects on both human health and on the aesthetic aspects of the landscape.

This program will finance construction of two of five planned cells of the Harrold Road landfill on New Providence, along with a yard waste shredding facility, hazardous waste storage site, access roads, an office building and workshop, scales, perimeter fencing, and

groundwater monitoring wells. Eighteen modified sanitary landfills will also be built on the Family Islands of Abaco, Andros, Bimini, Cat Island, Eleuthera, Great Exuma, Grand Bahama, Inagua, Long Island, and San Salvador. The operation will also support a public information campaign to increase environmental health education and awareness.

## B BARBADOS

**THE BANK HAS MADE 37 LOANS TOTALING \$385 MILLION TO BARBADOS. CUMULATIVE DISBURSEMENTS HAVE TOTALED \$235 MILLION.**

Bank activities in 1999 focused on working closely with the Government of Barbados in resolving project implementation issues, assisting the Government in meeting disbursement eligibility requirements for recently approved projects, and in financing important policy studies. With a record \$98 million in loan approvals in 1998, the Bank's active portfolio in Barbados reached a high of \$233 million. No new loans were approved during 1999.

The Bank and the Government agreed in 1999 on a country strategy which acknowledges the significant economic progress made recently by Barbados, its mature governance system and its social progress as reflected in its ranking of 24<sup>th</sup> in the UNDP Human Development Index. The Bank's country strategy over the medium term will continue support for an export-led development path through private sector development, and help to strengthen the social and economic underpinnings of sustainable economic growth.

Progress was made in terms of project preparation on a Justice Improvement Project and in dialogue on the scope of a rehabilitation program for the Bridgetown Port. Technical assistance was provided to the Government in two crucial areas of policy. Within the context of an aging population and an attendant increase in the social welfare burden, an assessment of future costs of public sector pensions was initiated as a first step to designing a broader pension reform program. In support of the Government's intention to improve the efficiency of delivery and quality of public

utility services, the Bank assisted with studies toward establishment of a Fair Trading Commission which is expected to be operational in early 2000.

## B BELIZE

**IN 1999, THE BANK APPROVED TWO LOANS AND TWO MIF FINANCINGS TO BELIZE. ON A CUMULATIVE BASIS, THE BANK HAS MADE FIVE LOANS TOTALING \$44 MILLION AND DISBURSEMENTS HAVE TOTALED \$5 MILLION.**

### **Hurricane Rehabilitation and Disaster Preparedness (*\$21.3 million loan from the OC, with \$8.3 million parallel cofinancing from the Caribbean Development Bank*)**

Although Belize escaped the worst ravages of Hurricane Mitch in 1998, there was some damage to coastal areas and an estimated 28,000 people (13 percent of the population) had to be evacuated inland into inadequate and overcrowded shelters. Most importantly, the storm pointed to the need for immediate improvements in management of disaster preparedness, mitigation and relief efforts.

This program will develop a network of emergency shelters by financing the construction of four multi-purpose structures and reinforcing schools and other community facilities that can serve as shelters during a crisis. The shelters will be designed to withstand category 5 hurricane winds and storm surges and will be strategically located to provide refuge for the populations of Punta Gorda, Dangriga, Belize City, Orange Walk and Corozal.

The program will also finance dredging, bank stabilization, lining of canals and other drainage works to reduce vulnerability to flooding in Belize City, especially in the city's flood-prone low-income areas. Finally, technical assistance and equipment will be provided to improve the nation's institutional response capacity by conducting hazard analysis and risk assessment studies, designing and implementing building codes, establishing a national disaster management plan, and providing public education and training programs for local civil preparedness.

### **Modernization of Agricultural Health (*\$3.6 million loan from the OC*)**

With the opening of international markets, countries are developing stricter import regulations, forcing exporters to implement quality control systems for production prior to shipment. This program will make Belize's agricultural exports more competitive by ensuring product safety and quality, reducing losses from disease, and increasing the efficiency of animal and plant health services.

Agriculture in Belize accounts for one-fifth of GDP and 87 percent of merchandise exports. As a member of the WTO, the country is expected to have conformed with standards on sanitary and phytosanitary measures by 1999, so there is an urgent need to improve control systems to avoid on-farm losses and rejection of exports in commercial markets.

This loan will improve animal and plant surveillance and control programs, including agricultural inspection, and strengthen the laboratory services needed to support those programs. Two new border quarantine and inspection stations and a port control point will be established and six other control points rehabilitated.

Finally, the program will consolidate agricultural health services into a single entity, the Belize Agricultural Health Authority, an independent organization with private sector management and oversight.

### **Modernization of the Port Sector (*\$1 million MIF grant*)**

This project will help reform the port sector in Belize. The project will structure the Belize Port Authority as a regulatory agency and will increase private-sector involvement in port operations and investment. The project will also liberalize access to the ports and the conditions under which the port sector operates, resulting in the removal of the existing monopoly rents and allowing the best use of the existing capacity. Environmental concerns will be taken into account through the implementation of adequate environment controls.

### Health-Services Purchasing and Private Health-Care Providers

*(\$771,000 MIF grant)*

The purpose of this project is to create a policy, regulatory and purchasing environment that facilitates the expansion of the domestic private sector in health services funded both by the public sector and by the private sector. Activities include regulation of the private sector, development of private-sector contracting, and improvement of private-sector standards and market organization. The direct beneficiaries will be private-sector providers who will be offered expanded contracting opportunities and a more stable operating environment. Indirectly, the population of Belize will also benefit, especially low-income families who will have access to better-regulated and more efficient health services.

## BOLIVIA

**IN 1999, THE BANK APPROVED SIX LOANS, TWO TECHNICAL COOPERATION OPERATIONS AND FOUR MIF FINANCINGS TO BOLIVIA. ON A CUMULATIVE BASIS, THE BANK HAS MADE 141 LOANS TOTALING \$2,784 MILLION AND DISBURSEMENTS HAVE TOTALED \$2,257 MILLION.**

### Ventilla-Tarapaya Highway and Transportation Sector Support Program

*(Loans of \$52 million from the FSO and \$6.8 million from the Nordic Development Fund)*

This program will complete the paved highway link between La Paz, Oruro and Potosí and raise it to international traffic standards, reducing transport costs along one of Bolivia's key roadways. The financing will also support highway repairs and maintenance, upgrading of access roads, and institutional strengthening measures to make the highway subsector more efficient.

The highway from La Paz to the Argentine border is important to Bolivian trade flows and to regional integration, since it is a major transportation link between the MERCOSUR countries and the Andean Community. This financing will be used to pave 84 kms between Ventilla and Tarapaya, build a bridge over the

Pilcomayo River, and install road safety devices and signage. The program will also repair the 23-km Tarapaya-Potosí section of the roadway and upgrade 150 kms of access roads important to rural communities in the area.

The program also includes construction of weigh stations and tollbooths, and support for basic highway maintenance to be contracted out to private firms. Technical assistance and equipment will be provided to the National Highway Administration to train staff and upgrade information systems.

### Epidemiological Shield and Health Sector Reform Program

*(\$45 million loan from the FSO and \$6 million from the Nordic Development Fund)*

This program will combat endemic communicable diseases such as Chagas' through preventive health measures, modernization of epidemiological surveillance systems, and reforms to improve primary health care for those most in need.

Bolivia's epidemiological profile includes relatively high maternal and child morbidity and mortality as well as a high incidence of communicable diseases, three of which—Chagas' disease, malaria and tuberculosis—account for 40 percent of the country's disease burden. Particularly problematic is Chagas' disease, a parasitic infection that can cause incurable lesions in the heart, intestine or nervous system. An estimated 420,000 Bolivians suffer from chronic Chagas', and the nation's annual economic losses due to the disease are nearly \$200 million.

The program aims to reduce vector-borne spread of Chagas' by fumigating some 700,000 homes in endemic areas in the departments of Cochabamba, Santa Cruz, Chuquisaca, Potosí and La Paz. Strengthening the national laboratory and blood bank networks will block transmission of Chagas' and other diseases such as hepatitis and HIV/AIDS through transfusions. The program will provide training and equipment to expand the capacity of the National Health Information System to improve overall epidemiological surveillance through early disease detection and control, and health prevention and promotion campaigns.

A complementary project component will fund pilot health reform initiatives based on a family-centered care model designed to broaden coverage to vul-

nerable groups, particularly indigenous communities and mothers and children, and improve primary care in order to cut down on unnecessary referrals for higher-tier care.

**Basic Sanitation Program for Small Municipalities**  
(*\$40 million loan from the FSO*)

This program will increase the coverage and quality of basic water supply and sanitation services in municipalities of up to 5,000 inhabitants and strengthen the capacity of these communities to operate and maintain these services.

Bolivia has one of the lowest rates of water supply and sewerage coverage in Latin America. Resulting water-borne and intestinal diseases are the leading cause of infant morbidity and mortality. In rural areas, where 40 percent of the population lives and where the projects financed by this loan will be carried out, less than a third of the population has potable water and less than one-fifth has sanitary sewerage. Where systems do exist, they often are not self-sustaining because communities lack the revenue or technical capacity for proper upkeep.

This program will finance construction of approximately 1,000 self-sustaining water and sewerage systems throughout the country, expanding rural coverage by some 450,000 people. Through workshops and seminars, the program will strengthen local operational capacity to prepare, operate and maintain the systems. Communities will contribute approximately 20 percent of the cost, either with financial resources, labor or local materials. Technical assistance and equipment will also be provided to establish a database for the sector.

**Year 2000 National Population and Housing Census**  
(*\$7.4 million technical cooperation loan from the FSO*)

This program will provide the technical, material and financial support needed to ensure that a quality national population and housing census is carried out on schedule in 2000 in Bolivia.

Conducting a census is a complex operation that requires mobilization of a host of people and materials, as well as logistical support. As the primary source for basic statistics on the population and its households, the censuses are used to prepare a country's social and economic plans.

Technical assistance, consulting services and equipment provided through this program will support planning and coordination of the census, design and testing of census instruments, and recruitment and training of census takers. The program will ensure synchronized mobilization of human resources carrying out the census, which will take place on a single day in urban areas and over three days in rural areas. Finally, during the post-census stage, the program will provide data processing of results, census evaluation, and publication of the results. Through the use of a Geographic Information System, statistical maps that will form the basis of future household surveys will be updated and digitized.

**Strengthening the Internal Revenue Service**  
(*\$3.2 million loan from the FSO*)

This project will help contribute to Bolivia's fiscal sustainability by improving the efficiency and effectiveness of the administrative management of the Internal Revenue Service (known as *Servicio Nacional de Impuestos Internos*, or *SNII*). The project will support the country in implementing legislation making SNII an autonomous entity. This will require formulating and implementing a new corporate strategy and corporate planning system as well as strengthening its operational management. A major revamping of the audit strategy is the main innovation in the field of tax administration.

The program will help strengthen Bolivia's SNII, which should bring fiscal accounts into balance and allow increased social spending without compromising economic stability. The program will also facilitate efforts to reduce tax evasion by assimilating previously delinquent taxpayers, thus permitting an increase in revenues without the need to raise taxes. The horizontal equity of the tax system will be improved.

This project is consistent with Bank strategy in Bolivia, which supports the government's poverty reduction efforts by promoting sustained growth based on creation of opportunities, human capital development, and consolidation of reforms. The program will make it possible to consolidate government reforms and reinforce the country's efforts to improve tax collection and reduce tax evasion.

**Civil Society and Access to Justice Program**  
*(\$2.7 million loan from the FSO)*

This program will improve access to the justice system for those most in need by strengthening and expanding legal services and educating people about their legal rights.

Social development indicators in Bolivia are among the lowest in Latin America, particularly for women, young people, children and indigenous groups. Among their many needs, each of these vulnerable social groups requires legal aid, guidance and defense, and assistance in resolving conflicts.

This program will channel resources to civil society organizations that provide legal aid and representation in cases involving abandoned or abused children, juvenile delinquency, domestic violence, and property rights of indigenous peoples. Over 11,000 backlogged cases that have been reported but not yet heard by the system are expected to be resolved.

The program will develop alternative dispute resolution methods such as community mediation and provide multidisciplinary services for victims of violence. Training will be provided for some 5,000 people, educating communities and students about their rights and obligations as citizens, while emphasizing human rights in workshops for judicial system personnel. Finally, the program will finance public information campaigns against domestic violence and child abuse.

**Environmental Study of Transportation Corridor**  
*(\$750,000 grant from the FSO)*

This program will carry out a study to help define a strategic environmental management framework to address the social-environmental impacts of the establishment of a highway between Bolivia and Brazil. The section under consideration is between Santa Cruz and Puerto Suarez. Danish, Swedish, and Norwegian trust funds will help provide resources to carry out the strategic assessment. One project objective is to ensure the informed participation of civil society in all stages of project preparation and execution. The study seeks to promote sustainable regional development, with strong private-sector participation. Lower-income populations should receive the maximum benefits from this development.

**Institutional Strengthening of the Sub-national Transportation and Highway Entities**  
*(\$750,000 grant from the FSO)*

This grant will help finance three components in the transportation sector of Bolivia. The first component is the institutional strengthening in highway administration for regional governments, including a policy study, design and implementation of an integrated highway maintenance administration system, and a highway inventory. The second is the institutional strengthening of municipalities, with a primary focus group of three. And the third component is a set of training courses for municipal technicians in traffic management and public transportation. The initial group of regional governments and municipalities to be involved in the program are La Paz, Santa Cruz and Tarija. The grant will provide mechanisms that will allow the advances made with this initial group to be transferred to the remaining prefectures and municipalities.

Currently there are no reliable statistics on any aspect of road transportation in Bolivia. The combination of hazardous mountain terrain and poor geometric design standards makes road travel a challenge there, and as less than two percent of the country's secondary roads are paved, these factors hinder many aspects of development. This grant will help Bolivia take a step toward improving the management and maintenance of its road system.

**Bond Underwriting Facility**  
*(\$2.2 million loan from the MIF)*

This project aims at persuading private investors to help finance the development of Bolivia's microfinance industry by encouraging their participation in the acquisition of medium-term bonds issued by Prodem, a regulated microfinance institution. The MIF will extend a \$2 million financing line to be used exclusively by Prodem in taking minority shares of securities issued on the stock market by Prodem during its first three years of operation. This is the first bond underwriting conducted by the MIF and the first such operation undertaken in Bolivia.

### Pension Reform Implementation

*(\$1.1 million MIF grant)*

This program is expected to play a key role in the development of the compulsory social security system. The new system calls for private administration of contributions and individual capitalization, which, in turn, will make possible long-term savings to promote investment projects by stimulating financial markets and infusing highly liquid, fresh resources into capital markets. The principal objective of the project is to design and install systems to monitor and supervise the compulsory social security system and the capitalization process. The project will also develop and adapt regulatory standards and procedures, train staff at the Pension Administration and the Vice-Ministry of Financial Affairs, and strengthen information systems for monitoring and supervising operators in the compulsory social security system.

### Consolidation and Development of the Securities Market

*(\$1.1 million MIF grant)*

The project supports the consolidation and development of the securities market in Bolivia, in order to improve resource allocation and the quality of financial services. The appropriate operation of the securities market would foster confidence within the private sector, and contribute to increased domestic savings and the financing of long-term-maturity productive projects. In order to build confidence among capital market participants, it is essential to allow savings to be channeled into financial instruments, enabling investors to own assets through ready and reliable transactions, and, in turn, help create new sources and alternatives of production and development. The financial system in this type of capital market has the dual responsibility of providing mechanisms for day-to-day transactions of individuals, and for attracting and allocating the savings of the population as effectively as possible.

### Development and Marketing of Cultural and Historical Handicrafts

*(\$1 million MIF grant)*

The project will support micro-entrepreneurs in the craft sector. It will help artisans increase their sales by

improving the quality and sophistication of their crafts, and institutionalize a cycle of competitions, fairs, and marketing of the high-quality goods in demand on the market, thus increasing competitiveness and income in Bolivia's craft sector. The project will be carried out by the *Fundación Cultural Quipus*, a non-profit institution whose purpose is to preserve the artistic values and cultural heritage of Bolivia.

## BRAZIL

**IN 1999, THE BANK APPROVED 13 LOANS, ONE LOAN GUARANTEE, TWO TECHNICAL COOPERATION OPERATIONS AND FIVE MIF FINANCINGS TO BRAZIL. ON A CUMULATIVE BASIS, THE BANK HAS MADE 273 LOANS AND GUARANTEES TOTALING \$21,931 MILLION AND DISBURSEMENTS HAVE TOTALED \$14,589 MILLION.**

### Social Sector Reform and Social Protection Program *(\$2.2 billion loan from the OC, with \$1.01 billion cofinancing from the World Bank)*

This operation forms part of an emergency loan package to help Brazil weather the global financial crisis by protecting federal social spending levels, reforming social services to make them more equitable and efficient, and providing balance of payments support.

When worldwide financial turbulence began to affect emerging markets in mid-1998, Brazil responded by negotiating preventive financial support packages with the international community and by adopting economic policy measures and structural reforms to regain credibility and adjust the fiscal accounts more quickly.

This program provides fast-disbursing funds to support government measures directed at macroeconomic stabilization, particularly fiscal surplus targets and steps toward economic liberalization that form part of Brazil's agreement with the International Monetary Fund. The goal is to enhance confidence in Brazil's capital markets while shielding urgent social spending during the country's economic downturn. Funds are being released in three tranches based on progress in implementing measures aimed at monetary discipline and

macroeconomic stability, as well as with reforms of the health, education, labor and social welfare sectors.

To minimize the social cost of fiscal adjustment, the program will ensure that Brazil's 1999 and 2000 budgets maintain financing and delivery levels for a social safety net that protects children and the elderly, indispensable social services for the poorest of the poor, and innovative services with a high distributional impact. In addition, the program will support reforms to improve the equity, efficiency and quality of social services through such measures as increased decentralization, more efficient budgeting and resource transfer procedures, introduction of cost recovery mechanisms, and improved management efficiency.

### **Global Credit Program for Small and Medium-Sized Enterprises**

*(\$1.2 billion loan from the OC)*

Among the effects of the global financial crisis on Brazil has been tight monetary policy and a drop in external funding inflows, reducing the amount of money available for credit. Larger corporations often crowd out small and medium-sized enterprises (SMEs), particularly as larger firms increasingly crowd them out of the market in their effort to access what little credit is available.

This program aims to further develop Brazil's small and medium-sized productive sector by making more market-rate financing available to SMEs. As Brazil continues to open up its economy, these smaller firms—categorized as those whose annual sales do not exceed 15 million reals—must modernize, restructure and expand to remain competitive. The program would take the form of a discount window for medium and long-term commercial bank loans of up to 7 million reals to SMEs to finance purchase of machinery, equipment, services, working capital, and new plant and fixtures. Private firms in virtually all the productive and service sectors will be eligible, including those involved in education and health care. Funds will be channeled through the *Banco Nacional de Desenvolvimento Econômico e Social* to lend to intermediary financial institutions.

The IDB loan is being provided on special financial terms and conditions as part of the Emergency Support Program to help Brazil weather the effects of the global financial crisis. The timetable of the program

focuses on maintaining an adequate credit flow to SMEs over a 36-month period.

### **Support for Administrative and Fiscal Management of Municipalities**

*(\$300 million loan from the OC)*

This program will support macroeconomic stability in Brazil by promoting efficient and transparent public policies for managing municipal income and spending.

Brazil has 5,507 municipalities with widely varying social, economic and demographic characteristics. However, a recent study of 50 representative municipalities by the IDB and Brazil's Ministry of Finance found that most lack the resources and technical capacity to efficiently manage their finances, ensure compliance by citizens with tax obligations, or provide quality public services.

This program will finance institutional strengthening projects that improve the legal, administrative and technical mechanisms used by agencies responsible for municipal administrative and fiscal management. The projects will:

- Improve human resources management, functional structure, policy and administration, and devise strategies for concession and privatization of municipal public services.
- Introduce methods and tools for preparing budgets that promote transparency and citizen participation.
- Integrate financial administration and introduce automated controls for budget performance and municipal auditing.
- Promote tax compliance by introducing new collection techniques, methods of administrative and judicial inspection, and taxpayer education and assistance programs.

### **Secondary Education Improvement and Expansion – “Escola Jovem”**

*(\$250 million loan from the OC)*

This program will provide matching grants to more than half the Brazilian states so as to expand coverage and improve the quality of secondary education.

Brazil's sustained effort over the past 15 years to improve primary education is now being felt in growing demand for better access to quality secondary

schools. Brazil can expect to have some 12.6 million secondary school students by 2007, nearly double the number of students in 1998. At present almost half of all Brazilians that go to secondary schools attend night school and most lack basic learning materials.

This program will support secondary school reforms and investments in more than half of the Brazilian states. Projects eligible for matching grants will include those for curriculum development, optimizing existing infrastructure and human resources and expanding facilities where necessary, upgrading teaching staff, youth services, decentralization and school autonomy, implementing alternative instructional methods, strengthening state departments of education, and developing communications plans. The program favors the less-developed states by giving them a proportionately larger grant component for their projects. Also the program requires that participating states have in-place programs to reduce repetition and dropout rates in grades 5 to 8 in order to help low-income students reach for secondary school without lagging behind their age cohort.

The program will provide technical assistance and training to improve secondary education policies at the national level by strengthening information and evaluation systems and promoting educational innovations such as televised education courses for areas where regular secondary education is not feasible, and on-line reference centers and education networks.

### **Tietê River Cleanup Project, Stage II** *(\$200 million loan from the OC)*

The Tietê River and its tributaries constitute the principal watershed of the São Paulo metropolitan region, home to some 16 million people and encompassing 8,000 square kms. This program will continue a major environmental clean up of the Tietê by further expanding the sewerage system, reducing pollution, and conserving water resources.

The first stage of this Bank-financed project in 1992 marked the start of the river cleanup and included construction of the São Miguel and Parque Novo Mundo treatment plants. Despite significant reductions in discharges, however, nearly 400 tons of untreated household and industrial waste is still dumped into the river each day, posing a serious health risk and limiting the region's water resources.

This program will finance construction of new intercepting sewers, pumping stations, piping to treatment plants, improvements at the Barueri plant, wastewater collection works and trunk sewers. Some 400,000 households will be hooked up to the sewer system, raising household sewerage coverage in the metropolitan region to 55 percent. The program will also bring 290 additional industrial plants into compliance with state environmental standards.

The program will help the state sanitation company develop new sewage treatment and disposal technologies, design a strategy to attract more private investment in the sector, and carry out a pilot program to reduce water losses. Improvements in water quality would allow for more diverse and efficient use of water resources, including the eventual use of treated wastewater for power generation.

### **Professionalization of Nursing Personnel** *(\$185 million loan from the OC)*

This project will improve the quality of health care by financing comprehensive and nationwide training for nursing assistants and by strengthening systems that regulate development of human resources in health.

Brazil has suffered from a chronic shortage of skilled nursing personnel dating to the 1980s. As a result, many nursing auxiliary functions that involve complex tasks and technical decisions are handled by unskilled nurses' aides who lack formal training.

This program will finance training for an estimated 225,000 nurses' aides. More than a third of the 1,100 hours of studies during the 12-month course will be devoted to practical supervised instruction. The courses will be provided by eligible operators including technical schools, health care institutions and professional associations that submit subprojects to a competitive fund. The project will assume the direct cost of the courses, eliminating the economic barrier that until now has prevented many nurses' aides from completing their professional qualifications. Improved services are expected to particularly benefit low-income patients covered by the nation's Unified Health System (SUS).

To ensure the sustainability of the training over the long term, the program will design and implement a skills certifications system for auxiliary nursing personnel, train some 12,000 trainers and evaluators for

the courses, and design an information system to better match health care training and labor market needs.

**Bahia Highway Corridor Integration Program**  
(*\$146 million loan from the OC*)

The development of agriculture, industry and services such as tourism in Bahia depends in part on establishing an interconnected network of paved roads that link the state's production and consumption centers. This program will pave, repair or maintain 2,880 kms of the state road system, including access roads linking 10 important productive areas to the interstate highway system.

The program will reduce transportation costs and make modern productive activities possible in regions currently not connected by paved roads or where paved connections are interrupted by unpaved sections. Also to be financed are repairs of embankments, drainage works and shoulders; installation of pedestrian safety features; procurement of road services; procurement of computer, traffic safety, engineering and vehicle weight control equipment; and implementation of measures to mitigate environmental impacts.

This operation marks the second phase of a Bank-financed highway corridor program that began in Bahia in 1993. As in the first phase, the program will provide technical assistance and equipment to strengthen the capacity of the state road agency in planning, management, traffic safety and environmental control.

**Guarantee Facility Proposal**  
(*\$100 million loan from the OC*)

This project involves the expansion of the distribution networks of two electricity distribution companies located in the Brazilian states of São Paulo and Rio Grande do Sul. The network expansions of *Companhia Paulista de Força e Luz* (CPFL) and *Rio Grande Energia* (RGE) involve a three-year investment program requiring an estimated total of approximately \$345 million. Financing for the project of up to \$200 million will be provided by a syndicate of foreign commercial banks through a loan to *VBC Energia S.A.*, a Brazilian company of which CPFL and RGE are affiliates. The Bank will provide a guarantee to the bank syndicate for currency convertibility and transferability and funds ex-

propriation risks in respect of the loan for \$100 million. A similar guarantee for another \$100 million will be provided by the Multilateral Investment Guarantee Agency.

Support for this project will be financed entirely by the private sector, and all risks except those covered by the guarantee will also be borne by the private sector. The project is consistent with the strategies of the government of Brazil to promote the development of energy sources to meet a growing demand. It is also consistent with the Bank's strategy for Brazil, which emphasizes private-sector participation in the financing of infrastructure.

**Ecovias dos Imigrantes Toll Road Project**  
(*\$75 million loan from the OC with a "B" loan of \$80 million*)

This project will finance the construction of and improvements to the highway system that links greater metropolitan São Paulo to the port city of Santos and adjacent coastal municipalities. The principal work will be the construction of an additional three-lane roadway for the Rodavia dos Imigrantes highway across the Serra do Mar.

The project will be carried out by a private firm, Ecovias dos Imigrantes, under a 20-year concession granted by the State of São Paulo through the State Highway Department.

The Anchieta-Imigrantes system includes six highways important both for passenger and cargo vehicles between metropolitan São Paulo and the Port of Santos. Current capacity of the system is insufficient given that it requires a complex set of lane inversion operations on a daily basis.

The project will finance duplication of 18 kms of one of the system's key highways, Rodavia dos Imigrantes, including construction of viaducts and tunnels. The project will also support general improvements of the Anchieta-Imigrantes system, including construction of side roads and pedestrian overpasses.

**Preservation of Urban Historical and Cultural Sites**  
(*\$62.5 million loan from the OC*)

Despite pioneering efforts by Brazil in establishing an urban heritage institution and enacting preservation legislation, a number of the country's historical monu-

ments and cultural sites are deteriorating and could be irretrievably lost. Brazil's Institute for National Historical and Artistic Heritage (IPHAN) estimates that nearly four-fifths of the 800 historical buildings that have been declared national monuments are in poor condition.

This program will finance restoration both of national monuments and the historic areas where they are located, including Olinda, Recife, Rio de Janeiro and Ouro Preto. Improvements will be made in streets and sidewalks, parking, lighting, parks, and water supply and drainage facilities.

The program will support targeted incentives to residents and businesses to repair privately owned buildings, and will finance pilot activities that promote private investment in the economic use of urban heritage.

A public education program on the value, care and use of urban heritage will include media campaigns and the preparation and dissemination of documentaries on Brazil's historical, architectural and artistic heritage. Videos on history and heritage will be shown in some 60,000 public schools. Finally, the program will train instructors and artisans in restoration techniques and provide institutional strengthening of IPHAN in order to improve heritage management and coordination between the different levels of government.

#### **Anhangüera-Bandeirantes Toll Road**

*(\$50 million loan from the OC, with a "B" loan of \$45.9 million, with an A/B loan from the IFC and cofinancing from BNDES)*

The Anhangüera (SP-348) and Bandeirantes (SP-332) state highways run virtually parallel for some 90 kms between São Paulo and Campinas, and then the Anhangüera continues on to Limeira. Traffic on these highways has increased consistently since 1980, and is expected to continue rising in the years ahead.

This private sector project will finance construction of a 78.5 km extension of the Bandeirantes Highway between Limeira and Campinas. The new highway stretch will vary between two lanes in each direction between Americana and Limeira (40 km) and three lanes between Campinas and Americana (36.7 km). The financing will also be used to upgrade the 238 km span of the two existing highways, including repaving and adding lanes or shoulders; construction of new inter-sections into Campinas, Jundiaí and the São Paulo beltway; installation of modern traffic controls such as

signaling and lighting, call boxes and changeable message signs, as well as first-aid stations and driver assistance services; and construction of toll plazas and weigh stations.

The project will be carried out through a 20-year concession for construction, operation and maintenance awarded to *Concessionária do Sistema Anhangüera-Bandeirantes S.A.*, a special purpose company formed by a consortium of five of Brazil's largest construction companies. The Bank's participation supports state efforts to attract private investment in infrastructure by providing comfort to commercial lenders and helping the sponsors obtain loan terms best suited for infrastructure investment.

#### **Ecotourism Development in the Amazon Region** *(\$11 million loan from the OC)*

The 5 million square kilometers of the Brazilian Amazon basin cover more than half the country's territory and span nine states: Acre, Amapá, Amazonas, Maranhão, Mato Grosso, Pará, Rondônia, Roraima and Tocantins. The Amazon's vast array of flora and fauna offer excellent opportunities for a range of ecotourism activities.

A study financed through this program will examine the issues, opportunities and constraints of ecotourism development in the Amazon over the next 10 years. Technical assistance will help the states develop ecotourism strategies, strengthen regulation of the sector, assess local and market demand, and devise management plans for protected areas.

The program will also finance small priority investments vital to protect existing natural areas or to facilitate ecotourism, and will prepare feasibility studies for subsequent infrastructure investments. Finally, technical advisory services will be provided to ecotourism business operators and training to 1,000 state and municipal officials and business and community leaders on ecotourism management, financing and best practices.

#### **Capacitação Solidária: Training of At-Risk Youth** *(\$10 million TC grant from the FSO)*

This program will finance vocational training and life skills training for poor and marginalized urban youth, as well as strengthen and expand the agencies that provide those services.

Efforts in recent years to expand educational opportunities in Brazil have been offset by high repetition and dropout rates. Only one of every three Brazilians has completed secondary education. And while the supply of technical courses has increased, even this type of training often has minimum schooling requirements, impeding access for the most marginalized youth.

This program will finance 300 training courses for 9,000 young men and women between the ages of 14 and 21 living in the urban areas of Belém, Fortaleza, São Paulo and Rio de Janeiro. Under the auspices of *Capacitação Solidária*, the training will be carried out by NGOs, unions, and community associations that can identify needs and labor market demands and promote private sector partnerships. In addition to training and apprenticeships, the programs provide instruction in basic life skills such as teamwork, self-esteem and work ethics, and encourage participants to complete their formal education.

Orientation seminars for the training providers and course monitoring and evaluation aim both to strengthen the institutional capacity of participating organizations and assure the quality of the program's technical content. The operation will also document and systematize innovative training methodologies in order to replicate the program on a larger scale.

#### **Linha Amarela Toll Road – Section IV** (*\$10 million loan from the OC, with a “B” loan of \$10 million*)

This private sector loan will finance construction and rehabilitation of the final leg of a 13.2 mile toll road that links downtown Rio de Janeiro with the beltway that circles the metropolitan area.

A 1996 IDB loan financed the first 10 miles of the six-lane toll road operated by *Linha Amarela, S.A.* under a concession agreement with the municipality. The roadway has alleviated traffic congestion for southwest commuters into the city as well as for shorter distance drivers en route to downtown, who are not subject to the toll. It has also reduced traffic flows on alternative routes, reducing congestion in low-income areas and speeding public transportation.

This financing will enable *Linha Amarela* to rehabilitate an additional 3.2 miles of roadway connected to the existing system by widening and reinforcing existing lanes, viaducts and bridges. The roadway between

the Sampaio Corrêa and Manguinhos viaducts will be widened from two to four lanes in each direction, and a viaduct built on the Canal da Cunha will link the roadway with Rio's Linha Vermelha beltway. The project will also finance construction of pedestrian crossings, pavement and drainage repairs, landscaping, and traffic signals and other safety measures.

The Bank's "B" loan is designed to provide comfort to commercial banks whose participation as investors is key to completing the project.

#### **Development of Renewable Energy Markets** (*\$898,950 grant from the Japan Special Fund*)

This project promotes the decentralization of renewable energy services for rural communities. The project will create a framework designed to attract investment to renewable energy systems and renewable energy-based services in isolated populations that lack access to modern and clean sources of energy. The project is consistent with the Bank's strategy for Brazil in that it seeks to improve the quality of life and raise productivity of isolated communities and peoples. The project also seeks to reduce deforestation due to the use of wood and charcoal as energy sources, as well as to decrease emissions from poorly maintained diesel generators.

#### **Equity Investment Fund for Technology-based Industries** (*\$3 million MIF equity investment*)

The purpose of this fund is to make equity investments in small technological enterprises in the Brazilian State of Rio Grande do Sul. The majority of the investments will be in start-up companies, in sectors such as the Internet, telecommunications, and software. The MIF, as a key investor in this fund, has a major role to play in the development of technology-based enterprises in southern Brazil. This MIF fund is the first to use venture capital as a financing tool in the early stages of enterprise creation in Brazil. The co-investors, SEBRAE and BNDESPAR, are key players in the sector of the Brazilian small and medium-sized enterprises. It is envisioned that the fund will attract private investors, increasing its capital from \$9 million to \$12 million.

### Business Models for Private Provision of Renewable Energy

*(\$2.2 million MIF grant)*

This program will finance several pilot projects to demonstrate promising private sector-led business models to provide renewable energy services to isolated communities in Brazil. The project will evaluate the models' relative and absolute effectiveness in increasing private sector activity in this market and will disseminate the lessons learned from the results of the effort. By demonstrating these models, the program aims to increase market participants actively seeking to develop renewable energy services in isolated communities. These services will improve the overall quality of life, increase the productivity and foster the income-generating capacity of people in these isolated areas.

### Alternative Dispute Resolution Methods

*(\$1.6 million MIF grant)*

This program strengthens and consolidates the methods used in Brazil's incipient system of Alternative Dispute Resolution (ADR), thereby improving the efficiency of the country's non-traditional dispute-settlement mechanisms, such as mediation and arbitration. The innovative program supports a large number of institutional ADR centers already existing in the country, and, as opposed to other MIF programs in this area, it seeks to establish a functionally harmonized network of ADR centers that operate with internationally recognized standards of quality, codes of ethics, and managerial and regulatory procedures. The program is also unique because it aims at establishing a system that will guarantee regional and national coordination, providing a model for anyone wishing to engage in dispute-settlement activities or to become part of the country's arbitration and mediation system.

### Labor Dispute Negotiation and Mediation

*(\$841,000 grant from the MIF)*

This program seeks to introduce new forms of labor-dispute resolution, independent of state involvement, including free collective bargaining, independent mediation, and self-determination of employers and workers. During all phases of design and implementation, a highly participatory process will be followed involving

stakeholders associated with the country's labor relations. Resources will fund the following activities: technical assistance for the development of methodologies, work seminars, technical visits to countries with relevant experience in collective bargaining and/or mediation, design of a public-domain information system, publications, training courses to upgrade the professional profile of negotiators, and awareness and communication campaigns.

### Consumer Protection in the Public Utility Sector

*(\$834,000 grant from the MIF)*

The purpose of this grant is to broaden consumer participation in the privatization process of public utilities such as water, electricity and telecommunications, as well as in the monitoring and control of the provision of these basic services. The project will also support and train consumer associations in São Paulo, Rio de Janeiro and Parana to participate actively in basic public-utility monitoring, in addition to expanding training to other states. Resources will fund the evaluation of the regulatory frameworks of the public utilities, preparation of action plans, training programs for consumer associations, and public-information campaigns aimed at consumers' rights, rational utility use and sustained consumption.

## CHILE

**IN 1999, THE BANK APPROVED TWO LOANS AND TWO MIF FINANCINGS TO CHILE. ON A CUMULATIVE BASIS, THE BANK HAS MADE 116 LOANS TOTALING \$4,357 MILLION AND DISBURSEMENTS HAVE TOTALED \$4,167 MILLION.**

### Multisector Global Financing Program

*(\$240 million loan from the OC)*

This program will provide credit for small and medium-sized enterprises (SMEs) to expand their operating capacity and introduce modern technologies into productive processes.

Small and medium-sized enterprises—defined as

businesses with sales of up to \$30 million annually—provide jobs for 2.6 million Chileans, nearly half of total employment in the industrial and services sectors. In recent years, SMEs have shown increasing interest in competing internationally and many have embarked on modernization efforts, particularly for quality control, marketing and costs. Yet the supply of loanable funds on viable terms for these businesses has declined as they have been crowded out of traditional sources of credit, particularly for medium and long-term financing.

This program will channel credit to SMEs through intermediary financial institutions (IFIs) for investments in machinery, equipment and construction, working capital, commercial leasing and exports. While the program aims to provide SMEs with a responsive and flexible financing source, funding will not be used as a substitute for financing available from other sources. The program will be carried out by the *Corporación de Fomento de la Producción* (CORFO), a public agency that will operate as a second-tier entity, channeling resources through IFIs. CORFO has executed several previous multisector credit operations financed by the IDB.

#### **Rural Telecommunications**

*(\$25 million loan from the OC, with cofinancing from the Export Development Corporation of Canada)*

This loan will expand telephone service in unserved and remote parts of southern Chile, integrating these areas into the national and world communications network.

Providing telephone service in poor and sparsely populated areas presents numerous challenges: low population density raises the cost per subscriber, particularly with traditional systems that rely on wire connections, and many potential rural customers have limited purchasing power. A special program established in 1993 by the Chilean government is designed to improve access to the telecommunications system in remote areas by awarding private concessions for the service with subsidies to help defray installation costs.

This program will finance installation and operation of a fixed (nonmobile) wireless telecommunications network in the areas of Talca, Linares, Chillán, Concepción, Los Angeles, Tenmuco, Valdivia, Osorno and Puerto Montt. An estimated 22,500 telephone lines

for residential, commercial and institutional users will be installed, including 1,650 payphones.

The loan is to a private company, *Comunicación y Telefonía Rural* (CTR), awarded a concession by the Chilean government. CTR is owned by SR Telecom, a Canadian company specializing in the manufacture of fixed wireless telephone equipment for low-density rural applications.

#### **Labor Competency Certification Program** *(\$1.9 million MIF grant)*

This project lays the institutional and methodological foundations for the development of a national skill standards and certification system, by piloting the skill standards and certification in three key sectors of the economy: construction, mining, and tourism. Chile has no national system for certifying job competencies. As a result, workers have no way of gaining official recognition, from a job standpoint, of skills acquired during their career. Businesses, for their part, lack information flows that are crucial to the management of their human resources over the entire cycle of selection, management and development. This project will identify competency areas where standards and certification mechanisms are relevant and useful, define and validate a set of job competencies, design a system for evaluating job competencies, and disseminate the system's services/products.

#### **Commercial Arbitration and Mediation Services** *(\$650,000 grant from the MIF)*

This program will contribute to the development of a culture of commercial dispute resolution by extrajudicial methods to help alleviate the burden of cases in the regular justice system and establish a favorable environment for private investment. Resources will strengthen the administrative and technical capacity of the Centers for Arbitration and Mediation of the Chamber of Commerce of Santiago to provide alternative dispute resolution services and create a new arbitration and mediation center within the Regional Chamber of Commerce and Industry of Valparaiso. Chile has been a leader in privatization efforts and in the subsequent creation of a more dynamic and competitive market economy in Latin America. Within this process, and in view of the growth of private commercial-

sector activity and the commercial disputes arising from that activity, Chile faces the need to provide the private business sector with access to alternative mechanisms to resolve disputes more effectively and at lower cost. This project will help achieve those goals.

## COLOMBIA

**IN 1999, THE BANK APPROVED SEVEN LOANS, ONE TECHNICAL COOPERATION OPERATION AND THREE MIF FINANCINGS TO COLOMBIA. ON A CUMULATIVE BASIS, THE BANK HAS MADE 189 LOANS AND GUARANTEES TOTALING \$8,207 MILLION AND DISBURSEMENTS HAVE TOTALLED \$6,769 MILLION.**

### Public Finance Sector Reform (*\$550 million loan from the OC*)

Fast-disbursing resources provided through this emergency sector operation will help Colombia contend with the global financial crisis while also supporting structural reforms to reduce the country's fiscal deficit and allocate public resources more efficiently.

Turmoil in the global economy in 1998 exacerbated structural problems in Colombia's economy and narrowed its external finance options, prompting the government to seek multilateral support in order to sustain the country's financial balance and carry through ongoing structural reforms. This loan is one of several emergency programs in the region being supported by the IDB in response to international financial volatility.

Funds will be released in two tranches based on implementation of reforms designed to ensure long-term macroeconomic balance by remedying structural problems in fiscal policy, modernizing the social security system, fostering decentralization of intergovernmental fiscal relations, and improving departmental and municipal finances.

Planned policy measures include tax administration reform and an increased but more equitable tax burden; issuance of "peace bonds" to bolster public revenues; central government downsizing; restructuring and strengthening management of the social security system; redesign of the sub-national transfer system

based more on service delivery costs; and reforms of the sub-national fiscal, taxation and pension systems.

### Financial Sector Reform (*\$300 million emergency loan from the OC*)

This operation will improve the capacity of financial sector oversight agencies to address the most urgent problems facing the sector.

At the start of this decade, Colombia embarked on a series of structural changes to its economy that contributed to increased aggregate demand and a growing GDP. Since the mid-1990s, however, the economic situation has been deteriorating, exacerbated in 1998 by the international financial crisis and declines in the terms of trade.

Quick-disbursing resources provided through this operation will be released in two tranches based on implementation of reforms to mitigate negative economic impacts on the financial sector while also enhancing sector efficiency. Key objectives include the following:

- Identify measures to enable the country to continue reductions in the fiscal deficit in order to lower real interest rates and support sustained economic growth;
- Reduce the likelihood of contagion effects on the financial sector by improving the legal and regulatory framework with new capital adequacy and prudential standards, clear distinctions in addressing problems of liquidity and solvency, and updated techniques and procedures based on market conditions for dealing with problem institutions;
- Reduce distortions by privatizing first-tier state-owned banks and rationalizing second-tier ones;
- Improve regulation and clarify the status of cooperative financial intermediaries.

The program will provide strengthening of financial sector oversight agencies such as the Banking Superintendency and the Financial Institutions Guarantee Fund. The financing was approved as part of an emergency loan program established by the IDB in 1998 to assist countries whose fiscal accounts were affected by international financial volatility.

### **Agricultural Health and Technology Program** (*\$87 million loan from the OC*)

Agriculture is the most important sector in Colombia's economy, accounting for over a third of exports and 19 percent of GDP. In recent years, however, the economic viability and competitiveness of the sector has declined, in part because of slow technological development and insufficient animal and plant health protection services.

This program aims to increase farm and agroindustrial production by providing and increasing the efficiency of resources for research and protection, and by consolidating reforms of the country's leading agricultural institutions. An Agricultural Technology Development Fund will be established to fund priority and innovative programs for biotechnology, genetic resources, pest control, water and soil management, regional agro-ecosystems, key farm products, livestock, forestry research, and production by small farmers. Private and public entities eligible for funding will include agricultural and forestry research centers, agroprocessing or commercial farming industries, producer associations and cooperatives, NGOs, universities, and technological development centers.

Plant and animal health programs will improve the disease reporting system as well as control and inspection procedures in quarantine facilities, upgrade agricultural inputs, and establish national laboratories for health diagnostic services. Finally, the program will provide equipment, training and consulting services to strengthen the National Agricultural Science and Technology System and the National Agricultural Protection System.

### **Pereira Potable Water and Sanitation Program** (*\$38.6 million loan from the OC*)

The capital of the department of Risaralda, Pereira has a population of 350,000 and is the nucleus of a growing metropolitan area that includes other municipalities. Although some 90 percent of Pereira households have potable water and sewerage connections, service is unreliable, particularly in low-income areas, and problems with water pressure and water losses are common.

This program will lay the groundwork for making the Pereira Water and Sewer Corporation financially and operationally viable over the long term, while

also financing urgent improvements to make service more efficient, reliable and environmentally safe. A management company will be hired to improve the sector's operational and financial performance and a contract prepared and awarded for construction and operation by the private sector of a sewage treatment plant.

To reduce unaccounted-for water, system meters will be replaced in some 110,000 homes and installed in water treatment plants, distribution tanks and water mains. Water tanks, conveyance mains and distribution lines will be built in order to bring piped water to new settlements, including low-income neighborhoods. To clean up local waterways, the program will lay 31 kms of interceptor sanitary sewers along 12 city creeks and build relief sewers draining into the Otún and Consota Rivers. Finally, the program will prepare an environmental management program for the Otún River watershed and finance environmental education projects.

### **Reform of Education Management and Participation** (*\$36 million loan from the OC*)

Colombia has made significant strides over the past decade in implementing its constitutional mandate to provide nine years of quality education to all school-aged children. Public spending in the sector has increased, an ambitious process has been launched to decentralize education, and primary and secondary coverage have improved dramatically. Still, fiscal and economic constraints make it increasingly difficult to keep up the pace of growth of public funding for education, pointing up the need to improve educational efficiency and the allocation of existing resources and public information related to education results.

This program will reform management and resource allocation in the educational systems of up to eight departments and 160 municipalities. In order to ensure that children have access and complete basic education, up to 800 schools offering grades one through nine will be established by reorganizing and consolidating educational activities of existing primary and secondary schools. Participating departments will sign on to education management reform plans that require a plan for organization and operation of new schools, rationalizing teaching staff and government transfer payments, certifying local governments for managing urban education systems on an autonomous basis, and transferring administrative and educational

functions to municipalities. In turn, the departments and municipalities must reorganize their education systems using all-grade schools, grant greater autonomy to principals, and employ formula-based methods in assigning teaching staff and allocating resources. Technical assistance, training and financial incentives will be provided to participating departments, municipalities and schools.

The program will also finance a media campaign to promote community awareness and participation in education, as well as support a national education evaluation and information service to assess results and better circulate information on educational quality, management and coverage.

### **Emergency Earthquake Reconstruction** (*\$20 million from the OC*)

This program is financing emergency recovery operations and repairs of basic infrastructure damaged by an earthquake in western Colombia that was rated as one of the most destructive in the country's history.

The areas most affected by the quake, which registered 6.0 on the Richter scale, were the departments of Quindío, Risaralda, Caldas, Tolima, and Valle del Cauca in the nation's coffee belt. Some 28 municipalities suffered severe damage, and in Armenia, a departmental capital with 275,000 residents, the downtown area and several entire neighborhoods were wiped out. Overall damage is estimated at \$750 million, with 36,000 homes damaged or destroyed, at least 1,185 dead and 8,500 injured, and some 159,000 people whose homes were totally destroyed.

This program will provide resources for the removal of debris, demolition of unsafe buildings, inspection and stabilization of buildings and bridges, temporary housing, and repairs of water, sanitation, health and educational facilities. Studies will also be carried out to quantify the damage and draw up plans for long-term reconstruction projects.

The financing is provided through the Bank's Emergency Reconstruction Facility for natural disasters.

### **Modernization of Congress** (*\$6 million TC loan from the OC*)

Maintaining a balance of power among the branches of government requires a Congress capable not only of

passing legislation, but also of exercising fiscal control and representing civil society within a democratic system. This program of modernization and institutional strengthening will make Congress more efficient as a lawmaking body by improving administrative procedures, establishing clear lines of authority, and upgrading information systems.

Because the Colombian government traditionally was heavily weighted in favor of a strong executive, one of the aims of the 1991 Constitution was to restore power to other branches of government. However, because Congress lacks the necessary institutional capabilities to strengthen the legislative process, only modest efforts have been made to bring it up to the level of its new responsibilities. Problems with inefficiency persist in such areas as organizational and operational structures, procurement and personnel.

Consulting services and equipment provided through this program will strengthen Congress through modernization of its procedures, organizational criteria, operations and staffing. The program will review the process by which laws are drafted to improve their quality and legal certainty, and strengthen congressional fiscal mechanisms and controls. The program will develop a master plan for computerization and create a congressional documentation center, establish an in-house system of specialized advisory services, reorganize congressional administration and staff classification, implement new parliamentary rules and procedures, and improve links between Congress and civil society by formalizing public access.

### **Peace Investment Fund** (*\$700,000 grant from the FSO*)

The Peace Investment Fund will serve as a financial and management tool in the peace process. Programs that enhance the outlook of peace in areas devastated by the armed conflict will be identified by local governments and the national government, as well as civil society and those populations directly affected by the violence. The specific goals are to finalize the design and launching of the fund, to develop strategies that will promote projects identified by the fund in national and international communities, and to strengthen civil society organizations concerned with peaceful solutions to the country's internal conflicts so that these organizations can participate in the peace process.

### **Introduction of Quality and Environmental Management Systems in Small and Medium Enterprises** (*\$1.2 million MIF grant*)

This project will increase Colombia's competitiveness through focusing on quality and environmental conservation as keys for competing in world markets. Introducing international standards, such as ISO 9000 and ISO 14000, will support Colombian smaller enterprises in their competitiveness efforts. The program will raise awareness among small and medium enterprises about the importance of applying administrative and operational procedures designed to facilitate compliance with quality and environmental requirements from national and international buyers.

### **Agriculture in the Cauca Valley** (*\$640,000 grant from the MIF*)

This project will enhance the productivity of small-scale farmers in the center-south area of the Cauca Valley through specialized pilot-training activities and improved direct technical-assistance services. The project will create an information, training, and technical-assistance center that will include a demonstration farm. MIF funding will be used to contract a team of teachers and technical specialists to provide training services, to contract consultants specialized in the transfer of knowledge and technology, to promote the project and disseminate the results, and to evaluate the project's activities and impact. Through direct technical assistance targeted to solving the specific problems of small-scale agricultural businesses, the MIF seeks to encourage small-scale farmers to integrate intangible inputs into their production processes, such as quality, management, marketing, information, best practices, etc. The goal is to stimulate the demand for these services, thus promoting their diversity and quality.

### **Private Enterprise and Subsidized Health-Insurance Plan** (*\$630,000 grant from the MIF*)

This program will help encourage private enterprise to become involved in managing health-care delivery under Colombia's subsidized health plan. It will identify factors that enhance the success of subsidized-plan administrators (ARS) and examine needs for policy ad-

justments in the regional health directorates. The ultimate goal is to help establish an enabling regulatory environment for private-sector involvement and identify and consolidate replicable management models. The program will be divided into two components. The first will be a comparative analysis of ARSs to assess information and control systems, the general and financial-management processes, and the performance of these health-insurance administrators. The second component will identify critical areas in need of adjustment and develop recommendations for adjusting policies governing the subsidized system.

## **COSTA RICA**

**IN 1999, THE BANK APPROVED ONE TECHNICAL COOPERATION OPERATION AND THREE MIF FINANCINGS TO COSTA RICA. ON A CUMULATIVE BASIS, THE BANK HAS MADE 93 LOANS TOTALING \$2,070 MILLION AND DISBURSEMENTS HAVE TOTALED \$1,670 MILLION.**

### **Public Transport Modernization** (*\$500,000 grant from the French Special Fund*)

This grant funds an investigation aimed at evaluating the technical and political feasibility of constructing and operating a greater-capacity public-transportation service in San José, the capital of Costa Rica. The grant will help identify alternatives that are consistent with programs to improve existing bus services, and will prepare an information base from which local decision-makers can choose among the solutions. Another determination included in the investigation will be how best to implement the chosen system and fund the implementation process. Prior mass-transport studies will be evaluated, as well as current and projected demands for service throughout the greater metropolitan area, within the context of general urban-development objectives of the San José metropolitan area.

### Software Sector Competitiveness Support Program (*\$1.5 million MIF grant*)

This program's aim is to improve the competitiveness of Costa Rica's software industry, through strengthening human resource training in information technology (IT), and thereby enhancing the quantity, quality and diversity of professional and technical personnel to meet the demand of firms in the software industry. The program also aims to improve management in software companies so that they can become more competitive through the introduction of international quality management systems, and to strengthen the institutional capacity of the Software Industry Chamber (CAPROSOFT) to provide services to the various players in the software industry.

### Development of Suppliers for Multinational High-Tech Enterprises (*\$900,000 grant from the MIF*)

This project will help increase national value added in the production of multinational high-tech enterprises (MHTEs) established under free-trade zone provisions in Costa Rica, and thus increase competitiveness of small and medium-sized enterprises (SMEs). One goal is to help improve the technological and productive capacity of SMEs to bring them up to levels that enable them to supply inputs and/or services for the MHTEs' production and to compete on a global level. The project will support the development of a minimum of 45 products linking the SMEs to the production network of the MHTEs, thus demonstrating their viability and sustainability. The project will also set up an integrated information system that will facilitate these links.

### Private Tourism-Training Workshops for Young People (*\$685,000 grant from the MIF*)

This project will help empower the private sector to define appropriate mechanisms for training young people and will help provide for their entry into the labor market in the tourism sector. More than 40 percent of the country's work force is under the age of 25. This group represents a key segment of the work force, and its development is necessary in order to succeed in

modernizing the Costa Rican economy. Specific activities of the project include improving the work skills of young people through innovative tourism-training methods, strengthening the ability of the private sector to provide youth training services in tourism-related jobs, increasing the level of training for young people through pilot training projects to validate the methodology for training young people in the tourism industry, and contributing to the entry of young people into the labor market by establishing a model and designing instruments for private-sector information and promotion.

## D DOMINICAN REPUBLIC

**IN 1999, THE BANK APPROVED THREE LOANS, ONE LOAN GUARANTEE, ONE TECHNICAL COOPERATION OPERATION AND ONE MIF FINANCING TO THE DOMINICAN REPUBLIC. ON A CUMULATIVE BASIS, THE BANK HAS MADE 74 LOANS AND GUARANTEES TOTALING \$1,931 MILLION AND DISBURSEMENTS HAVE TOTALED \$1,319 MILLION.**

### San Pedro de Macoris Power Plant (*\$150 million partial risk guarantee from the OC*)

This program will finance the construction of a 300-megawatt combined cycle thermal power plant and additional facilities by the special-purpose company La Compañía de Electricidad de San Pedro de Macoris, Ltd. This is the first IDB project awarded to a private energy producer in the Dominican Republic under competitive bidding, and its successful completion is expected to attract further private investment in the country's energy sector.

The loan guarantee will protect lenders against risks associated with currency convertibility and transferability and against premature termination of a 20-year power purchase agreement between the special-purpose company and the state utility Corporación Dominicana de Electricidad.

The project, located on the west bank of the Higuamo River about 14 kilometers east of San Pedro de Macoris, includes the construction of docking and ship unloading facilities near the mouth of the river.

### **Reform and Modernization of the Potable Water and Sanitation Sector**

*(\$71 million loan from the OC with an interest rate subsidy from the IFF)*

This program will finance repairs of water and sanitation infrastructure and support reforms that will enable system operators to perform as private companies in competitive markets.

Despite large investments in water supply and sanitation in the Dominican Republic in the 1990s, major shortcomings remain in service quality and continuity. Since many of these problems stem from institutional weaknesses, the country's reform strategy stresses creation of a legal, institutional and regulatory framework with suitable incentives for efficient and sustainable service delivery.

This program will contribute to reforming the sector at the level of the operators of water and sanitation services. Technical assistance will be focused on changing the corporate structure of utility companies—including those of Santo Domingo, Santiago, Moca and La Romana—by giving them the managerial and financial independence to become stock companies. Business plans will be developed for service delivery, investments and financial projections.

The program will also finance repairs of infrastructure for distribution systems, water treatment, storage tanks, metering, and drainage. Demonstration projects and emergency works will include establishing pilot zones for loss control and residential metering; repairing the water treatment plant at El Nijabe; and restoring full sewage treatment capacity of the La Dura and La Colina plants. Finally, investments in water supply systems in rural areas are expected to extend those services, relying on community participation in the design, installation and management of the infrastructure.

### **Reform and Modernization of the Executive Branch** *(\$21.5 million loan from the OC, with an interest rate subsidy from the IFF)*

This program will support more modern and professional public administration by improving policy coordination, strengthening management and operational capacity, reforming the civil service, and upgrading information systems.

In the Dominican Republic, institutional and managerial weaknesses in public administration have long been an obstacle to effective macroeconomic management, allocation of goods and services, and redistribution of resources. To perform these basic government functions, the public sector must have the institutional capacity to identify problems and implement the policies and programs needed to resolve them.

This program will finance institutional development of the Technical Secretariat of the Office of the President and its planning, statistics, administrative and personnel offices, which are responsible for coordinating and reporting on governmental decision-making and directing the reform process. Technical assistance, training and equipment will strengthen formulation of economic and social policies as well as strategic, operational and financial management. High-level advisory and steering committees will be established to coordinate macroeconomic and social policies, and a new "Professional Excellence Team" made up of top-level professionals who will examine institutional problems with respect to personnel and administration.

Public administration will be restructured and streamlined through development of an internal regulatory framework and a professional career system. A special office on information technologies will be created to ensure uniformity in the purchase of software and hardware and in the design and implementation of information systems.

### **Labor Training and Modernization** *(\$16.9 million loan from the OC)*

The goal of this project is to increase employment opportunities for the low-income population. Currently, the Dominican Republic's labor market suffers from short-term unemployment, low participation rate, and highly informal job-search networks. The project seeks to facilitate opportunities for access to the labor market through work training, counseling, and modernization of the country's regulatory framework for labor.

The program is directed at a target population different than that currently served by traditional training. The beneficiaries are concentrated in groups that are not the focus of any existing programs: lower-income populations and individuals with less than secondary education, especially young women.

This program is consistent with Bank strategies

for the job-training sector in that it includes vulnerable groups in training activities. The program will encourage expansion of cost-effective initiatives with the greatest impact.

**Social Infrastructure and Capacity Building**  
*(\$749,500 grant from the Japan Special Fund)*

This grant will support the development of institutional capacity within ProComunidad, an organization founded in 1993 that works to improve the living conditions of the poor. ProComunidad has traditionally worked with rural communities but has recently faced the growing need to assist the urban poor. This grant will help the organization develop the capacity to work more efficiently and successfully in urban settings. Resources will help finance the development and implementation of a participatory planning methodology for identifying priority needs in four marginal neighborhoods of Santo Domingo and Santiago. It will finance the execution of priority projects that are identified through a planning exercise, evaluate the participatory methodology and quality and impact of projects, and design a communications strategy.

**New Institutional and Legal Framework for Water and Sanitation**  
*(\$1 million MIF grant)*

Developed in conjunction with a comprehensive Bank investment loan for the water and sanitation sector of the Dominican Republic, this project will establish oversight and regulatory authorities for a new institutional and legal framework for the water and sanitation sector at the national level. Specific components of the project include all preparatory actions for the entry into force of a new institutional framework, the establishment of the regulatory framework, and the establishment of the normative framework and oversight agency. The overall social and environmental impact of the reform is expected to be highly positive, as the new institutional framework and organizational modernization of the operators will promote better quality service, wider coverage and a reduction in water pollution.

## E ECUADOR

**IN 1999, THE BANK APPROVED FIVE TECHNICAL COOPERATION OPERATIONS AND ONE MIF FINANCING TO ECUADOR. ON A CUMULATIVE BASIS, THE BANK HAS MADE 155 LOANS TOTALING \$3,567 MILLION AND DISBURSEMENTS HAVE TOTALED \$3,064 MILLION.**

**Integrated System of Social Indicators II**  
*(\$1 million grant from the Japan Special Fund)*

The grant seeks to bolster the central government's capability for social-policy analysis, design and implementation by strengthening, expanding, and institutionalizing the Integrated System of Social Indicators (SIISE). One goal is to foster the use of such indicators by public and private institutions working in the social-policy sector. Resources will help develop and expand the social-indicators database, improve production of social statistics, train users, and promote dissemination. SIISE users will receive training through workshops and courses, and dissemination will happen through databases, studies, and reports on the Internet and CD-ROM as well as through manuals and printed publications.

**Pilot Program for Sustainable Transit System Development in Cuenca**  
*(\$750,000 grant from the Japan Special Fund)*

This project will provide technical advisory services to the municipal government of Cuenca to help improve its public transportation system. The goal is to ensure the long-term sustainability of the city's privately operated but publicly regulated public transit system.

The project will improve transportation planning, municipal regulatory capacity for public transport, and integration of urban land use and transport planning. A pilot project, it will serve as a model for other municipalities in the country.

Technical assistance will focus on data collection and computer model development. The project will make a complete inventory of the existing transit and road systems, and will formulate an operating plan and regulatory regime. The project also aims to improve the operations and performance of the transit system

by addressing, among other issues, environmental externalities, safety, and fare regulation.

**Support for Cuenca Water and Sanitation Master Plans**  
(*\$750,000 grant from the Japan Special Fund*)

The objective of this technical cooperation is to finance the final engineering designs for the second phase of expansion of the water and sanitation system in Cuenca, the third-largest city in Ecuador. The engineering designs will include elements to expand the current capacity for water supply and water treatment, expand the wastewater treatment capacity, improve the water-distribution and sanitary sewerage networks, and prepare documents and conditions for the tendering and contracting of the works. Improving the water and sanitation services can help mitigate the country's high incidence of water-borne diseases. Cuenca is a fast-growing city — the largest in southern Ecuador — with a current population of almost 400,000. Based on the final designs resulting from this project, ETAPA, the municipal company in charge of Cuenca's water supply and sanitation services, will then undertake construction of the works.

**Institutional Strengthening for Environmental Management**  
(*\$600,000 grant from FSO*)

This project will provide the government of Ecuador with the technical and financial means to more effectively manage its abundant natural resources. One part of the project includes the development of a National Environmental Management System, which will uphold the importance of the newly established Ministry of Environment as well as the decentralization process that Ecuador is currently undertaking. Also, forest authorities and interest groups will be provided with the research and technical tools needed not only to reverse the alarming rate of deforestation, but also to plan a more effective approach to sustainable use of this valuable resource.

**Support for Financial Sector Restructuring Plan**  
(*\$575,000 grant from the Japan Special Fund*)

The objective of this grant is to support the preparation of a financial sector restructuring program for

Ecuador that fits within the context of the country's financial sector strategy. Activities include preparation of the institutional framework for the bank restructuring process (identifying viable and nonviable banks, resolution of nonviable institutions, support for viable institutions, etc.) as well as preparation of activities to strengthen the regulatory and incentive framework for appropriate supervision of the system. Overall, the project should substantially enhance the government's decision-making process in dealing with the financial sector crisis.

**Local Development and Support for Private Initiatives**  
(*\$1.9 million MIF grant*)

This project will help establish new management practices in local government based on coordinated public and private efforts to foster economic development in Cuenca and Ambato. The program will support the process of municipal modernization, addressing reform of certain municipal management practices and implementation of a process in which the private sector shares in the management and improvement of municipal services. The project benefits are based on the participation of the private sector in certain services, the modernization of municipal management and the introduction of appropriate regulations to improve the efficiency and quality of these services and help reduce the municipal fiscal deficit. A local information system consisting of various local entities will be developed that can be linked to databases of interest to businesses in the country and overseas.

## EL SALVADOR

**IN 1999, THE BANK APPROVED FOUR LOANS AND ONE MIF FINANCING TO EL SALVADOR. ON A CUMULATIVE BASIS, THE BANK HAS MADE 95 LOANS TOTALING \$2,541 MILLION AND DISBURSEMENTS HAVE TOTALED \$1,947 MILLION.**

### **Environmental Pollution Control Program**

*(\$29.8 million loan from the OC and \$7.7 million from the International Cooperation and Development Fund of Taipei)*

This program will strengthen management of mechanisms to control air and water pollution as well as pollution caused by solid waste disposal.

The Ministry of the Environment and Natural Resources (MARN) estimates that environmental degradation costs El Salvador as much as three to four percent of GDP, considering its impact on such areas as public health, productivity and tourism. Among the factors exacerbating the problem are shortages in fiscal resources, a lack of appropriate environmental institutions and policies, and little public awareness of environmental issues.

This program will support development of an environmental regulatory framework by strengthening MARN's system of environmental permits and audits, managerial capabilities, analysis and dissemination of environmental data, and ability to promote standards based on technical and economic criteria. Advisory services, technical assistance and training will establish air and water quality monitoring systems, develop strategies for pollution control, and formulate technical standards for final disposal of hazardous municipal solid waste.

Comprehensive solid waste management systems will be set up in a number of municipalities including San Miguel, La Unión, Santa Rosa de Lima, Santa Ana, Sonsonate and Ahuachapán. Technical assistance will support the municipalities in training, business organization, final design and environmental studies, public information campaigns, and improving community participation.

### **Modernization and Strengthening of the *Corte de Cuentas***

*(\$5 million TC loan from the OC)*

This program will strengthen the audit function of the central government in order to ensure that public funds are obtained and spent with transparency and efficiency, and in strict compliance with legal requirements.

The *Corte de Cuentas* (Court of Accounts) is the highest authority of the national public administration and auditing system. The Court has achieved significant progress in developing and carrying out financial audit procedures, but it needs continued support to properly meet the standards of an effective audit authority.

This program will provide technical assistance in support of legislative and regulatory reforms that address constitutional provisions governing public sector controls. The basic structure of the Court of Accounts will be converted into an Office of the Comptroller General, with jurisdictional functions transferred to the judicial branch. The audit function will be strengthened through training of some 500 internal auditors, on-site training for specialized environmental and performance audits, and the provision of equipment. The program will also modernize information technology by developing systems to consolidate critical institutional and administrative support processes, as well as a local communications network and an Internet site.

### **Support for the Financial Sector**

*(\$3.8 million TC loan from the OC and \$2.96 million grant from the MIF)*

This program aims to consolidate reforms of El Salvador's financial system by strengthening the supervisory capacity of agencies that regulate the financial sector.

With IDB and MIF support, El Salvador has undertaken a series of financial sector reforms since 1991 that have included privatization of the banking system and improvements in capital and securities markets. However, the sector's regulatory framework and supervisory capacity remain weak, which could potentially jeopardize public confidence in financial institutions.

This program will introduce modern management tools and strengthen the technical capacity of the

Financial System, Securities Exchange and Pension Superintendencies, as well as improve coordination between these and other regulatory institutions. International accounting principles will be implemented along with a planning and control system for resource management. The program will also establish a deposit insurance institution; develop investment plans to modernize technological resources, including purchase and installation of information systems; and improve human resource management. Finally, training will be provided for judges and arbitrators.

### **Modernization and Strengthening of the Legislative Assembly**

*(\$3.5 million TC loan from the OC)*

Following legislative elections in 1997, El Salvador's parliamentary factions agreed on a "protocol of direction" to promote modernization and reforms of the Legislative Assembly. That led to the development of a master plan to improve legislative efficiency and effectiveness, make the assembly more independent and transparent, and increase public participation in the consolidation of democracy.

This program supports the objectives of the master plan by establishing a Special Technical Advisory Services Fund to organize parliamentary technical services, strengthen legislative capacity, and provide technical support to the legislative process. The program will also revise legislative rules of procedure, introducing a code of ethics for lawmakers and debate guidelines. A comprehensive review of the assembly's structure, procedures and human resources will strengthen administration, and equipment and technical assistance will help upgrade information technology, including an analysis of computer needs and training in legislative and administrative functions, and installation of an information system to monitor the status of bills and laws.

Finally, the program will establish an office to handle requests from the public, facilitating better follow-up by legislators and promoting broader public participation in the legislative process.

### **Support to the Financial Sector**

*(\$2.9 million MIF grant)*

The program will contribute to the stability and solvency of El Salvador's financial system by strengthen-

ing the supervisory agencies for the financial sector. It will strengthen the technical capacity of the agencies responsible for supervising the financial sector, introduce modern management tools within those institutions, and build a basis for cooperation and coordination among these agencies to maximize the effectiveness of financial supervision. Project components include human-resource management, strengthening management of the technological platform so that strategic investment plans can be established for each agency, introduction of international accounting principles in the financial sector, and a training program for judges and arbitrators to improve their capabilities in the review of disputes arising from financial operations and financial crimes.

## **G GUATEMALA**

**IN 1999, THE BANK APPROVED FOUR LOANS, THREE TECHNICAL COOPERATION OPERATIONS AND TWO MIF FINANCINGS TO GUATEMALA. ON A CUMULATIVE BASIS, THE BANK HAS MADE 97 LOANS TOTALING \$2,210 MILLION AND DISBURSEMENTS HAVE TOTALED \$1,630 MILLION.**

### **Road Rehabilitation and Modernization Program, Phase II**

*(\$150 million loan from the OC, with an interest rate subsidy from the IFF)*

This loan will support the rehabilitation and maintenance efforts on Guatemala's network of highways and rural roads for the period 2000-2003. The program will help consolidate road sector reform and modernization initiatives.

Marked improvements in Guatemala's roadways achieved through the first phase of this program have significantly reduced travel time and vehicle operating costs since 1995. The hiring of local residents through private maintenance firms to do roadwork has also helped the economies of low-income areas in the departments of Quiché, Huehuetenango, San Marcos, Alta Verapaz and Baja Verapaz.

This program will finance rehabilitation of 450

kms of roads and highways, with an emphasis on export corridors. Initial projects include rehabilitation of 72 kms of CA-13 through La Ruidosa-Río Dulce-Modesto Méndez to give producers in the northeast better access to the interoceanic highway corridor; and 16 kms of CA-9S through Villanueva-Amatitlán to improve connections between Guatemala City and the Pan American Highway. Some 350 kms of rural roads will also be rehabilitated, many in areas with the country's highest poverty levels, such as Quiché and Huehuetenango.

The program will also support modernization of regional road maintenance units, budgeting funds for consultants, training and repairs of maintenance equipment.

### **Health Services – Phase II**

*(\$55.4 million loan from the OC with an IFF interest rate subsidy)*

This program will broaden coverage of basic health services in impoverished rural areas and strengthen key public and private service providers.

Although health conditions in Guatemala for such high-risk groups as mothers and children have steadily improved over the past decade, national health rates conceal significant differences between regions and ethnic groups. Indigenous, poor and rural populations account for most of the premature and preventable mortality. With support from the first phase of this program, Guatemala succeeded over the past four years in broadening basic health services to nearly 3 million people in poverty.

Most of the resources of this program are earmarked for increasing access by low-income rural groups to a basic health services package to be provided by the private sector through a competitive procurement process. An estimated 1.5 million people are expected to benefit. The strategy of the program is based on using procurement for basic services to spur modernization of the sector while strengthening the capacity of institutions to consolidate advances. Technical assistance will improve the health insurance function of the Guatemalan Social Security Institute and the regulatory and supervisory capacity of the Ministry of Health. A pilot project will improve service quality in at least seven public hospitals through improvements in their administrative, management and financial structures.

### **Municipal Development Program**

*(\$19.5 million loan from the OC with an IFF interest rate subsidy)*

This program will support a more equitable, efficient and decentralized system of providing municipal services by financing reforms and investments to improve municipal infrastructure.

This program will strengthen municipal autonomy and expand and improve delivery of social services. To become eligible for program investments, municipalities will have to adopt reforms affecting the way that water, sewerage, solid waste collection and market services are provided. The reforms will cover the framework under which municipal services are provided, terms of loans from the National Institute for Municipal Development (INFOM), and rules by which project subsidies are allocated. Policy reforms will encourage private sector participation in the supply of services and the financing of infrastructure and community involvement in project identification and operation.

The program will help provide technical assistance to municipalities to implement institutional arrangements for local service provision and other management reforms. Finally, the program will support reorganization of INFOM toward more of an indirect role in municipal development, providing the information, services and cofinancing arrangements that encourage competition.

### **Support for Technological Innovation**

*(\$10.7 million loan from the OC with an IFF interest rate subsidy)*

This program will help increase the productivity and competitiveness of small and medium-sized businesses (SMEs) by providing funding for technological innovation and improving technology extension and information services.

Led by the National Science and Technology Council, a number of public and private initiatives in recent years have helped to incorporate technology into industrial practices in Guatemala. However, small and medium-sized businesses, which make up a significant portion of the country's productive sector, have little access to financing or technical assistance for technological innovation and have been largely bypassed.

This program will provide matching grants to SMEs for technological innovation, strengthen the supply and availability of technological services, and create technology management centers to promote transfer of technology to businesses. Eligible projects for cofinancing will include those that develop products and processes; adopt clean technologies; adapt imported technologies; design strategies to reach new markets; and install, equip or upgrade laboratories associated with innovation.

A national network of technology extension services will be established, and two pilot projects will electronically circulate information on technological innovation to individual entrepreneurs in remote regions. Another pilot project will implement new academic programs for secondary school math, science and technological education. Finally, the program will support development of a multi-year national science, technology and innovation plan.

#### **Sustainable Management of Amatitlan Lake Watershed Phase I**

*(\$748,000 grant from the Spanish Special Fund)*

This project will support, in accordance with the Guatemalan government, the preparation of feasibility studies for the Amatitlan watershed sustainable management program. With its northern section bordering on the metropolitan area of Guatemala City, the watershed area has suffered from deteriorating environmental quality and natural resources in recent years. The area has an estimated population of 1.5 million people, and includes the municipalities of Villa Nueva, Villa Canales, San Miguel Petapa, Santa Catarina Pinula, Mixco and Amatitlan. Included as one of the project's long-term goals is the design, with the participation of the private sector, of a solid waste management plan.

#### **Education Reform II**

*(\$500,000 grant from the Japan Special Fund)*

The purpose of this grant is to facilitate the preparation and start-up of the Project to Support Education Reform II, which is the second Bank-financed program designed to support and enhance education reform in Guatemala. The main goal of this second project is to continue improving the quality and coverage of basic education, from preschool through ninth grade, fol-

lowing up on the activities of the first loan. The first phase of this project includes building institutional capacity within the Guatemalan Ministry of Education, and improving preschool education and telesecondary school. A later phase (and additional loan) will focus on improving the quality of primary education, teacher training, and intercultural bilingual education.

#### **Fund for Indigenous Microenterprise**

*(\$500,000 loan and \$162,000 grant from the EU Special Fund for Microenterprise)*

This project will promote the entrepreneurial and economic development of small farmers and commercial producers in rural communities in the northern region of the country, especially in the department of Alta Verapaz, through support for the *Fundación para el Desarrollo y Educación de la Mujer Indígena* (FUNDEMI, or in English, the Foundation for the Development and Education of Indigenous Women). FUNDEMI will expand and strengthen its credit program in order to meet the growing demand for credit from organized groups of microentrepreneurs in the area. FUNDEMI is a nonprofit organization that provides self-supporting services to approximately 300 rural poor communities. As a result of support from FUNDEMI, many microentrepreneurs have undertaken collective efforts to sell their products.

#### **Business Services Pilot Project**

*(\$1.6 million MIF grant)*

The objective of this program is to improve the productivity and competitiveness of micro, small, and medium-sized enterprises in Guatemala by stimulating them to invest greater resources in training and technical assistance services (non-financial services). The project will also provide funds to develop and improve training and technical assistance providers so that their services meet the needs of the smaller enterprises in Guatemala. The project will make vouchers available to firms to finance the cost of technical assistance and training from the service provider of their choice. The vouchers will match up to 50 percent of the training and technical assistance costs, thereby requiring that the firms finance the remaining portion of the service costs. During its execution, the project anticipates serving more than 4,000 individuals and marks the first

use of vouchers to stimulate greater market activity for non-financial services among smaller enterprises in Guatemala.

### Microenterprise and Small and Medium-Sized Enterprises

*(\$900,000 grant from the MIF)*

This project will help organize the microenterprise and small and medium-sized enterprise (MSME) sector in Guatemala, through coordination and consensus-building by the public and private sectors, and through providing a framework for discussion and agreement on specific sector policies. Goals are to identify unmet needs and any oversupply of support programs for the various types of MSMEs, to identify institutional and legal obstacles to sector development, to establish policy guidelines for the MSME sector with the support of private-sector stakeholders in Guatemala, and to formulate policies through government decrees or draft legislation.

## G GUYANA

**IN 1999, THE BANK APPROVED THREE LOANS, ONE TECHNICAL COOPERATION OPERATION AND TWO MIF FINANCINGS TO GUYANA. ON A CUMULATIVE BASIS, THE BANK HAS MADE 35 LOANS TOTALING \$708 MILLION AND DISBURSEMENTS HAVE TOTALED \$456 MILLION.**

### Air Transport Reform

*(\$30 million loan from the FSO)*

This program will bring air transport operations, services and safety procedures up to international standards by upgrading airport facilities, supporting regulatory and institutional reforms, and promoting private participation in the sector.

Guyana's location and limited road network make it dependent on air transport for connections both with the rest of the world and between its own coastal and interior regions. While legislation passed in 1996 would bring the country's air transport system up to the standards of the International Civil Aviation Organization

(ICAO), of which Guyana is a member, key features of the law have not yet been implemented and still require modifications.

This loan will be disbursed in two tranches conditioned on enacting amended civil aviation legislation, developing regulations governing air transport, establishing an autonomous airport authority, and converting management of the Cheddi Jagan International Airport (CJIA) into an incentive-based corporation. The loan also includes an extensive technical cooperation component to help the Guyanese authorities comply with the policy conditions, as well as an investment component that includes such improvements to CJIA as runway repaving and installation of approach lights.

The program will also support the leasing of Ogle Airport as well as the ongoing privatization of the Guyana Airways Corporation, the national flag carrier. Finally, policies will be adopted to improve aviation services in the interior of the country. This will include more effective search and rescue services, creation of regional control centers, and greater supervision of smaller airports.

### Low-income Settlement Program

*(\$27 million loan from the FSO)*

This loan will help Guyana democratize property ownership and stimulate land markets by divesting large amounts of public land to low-income families for settlement.

Three key bottlenecks have limited the availability and raised the cost of land and housing in recent years in Guyana: government ownership of most developable land, a fragmented and slow titling process, and the weakness of housing agencies. As a result, housing and land prices are extremely high and many thousands of households are on waiting lists for lots.

This program joins investment, policy reform and institutional development to attack these problems. The investment component will divest public land sufficient for 15,000 lots and then provide them with a package that includes titling and basic services such as water, drainage and roads. Existing squatter settlements containing some 6,500 more families will be similarly upgraded. Costs of the package will be scaled to target most lots to low-income households living in marginalized areas.

In order to improve the functioning of private

housing markets, tracts of undeveloped land will also be auctioned to developers, who will then benefit from establishment of a “one-stop shop” to facilitate rapid titling and development approvals. Technical assistance will strengthen the Central Housing and Planning Authority and support policy reforms that rationalize land use planning and extend mortgage financing to low and middle-income households. Finally, the program will coordinate an inter-agency response to squatting in order to head off future unplanned settlements.

**Georgetown Water Supply and Sewerage Program II**  
(*\$27 million loan from the FSO*)

This program aims at improving the sanitary conditions of the population in Georgetown and reducing the current levels of environmental degradation by improving the quality of the water supply and sewerage services. Specifically, the program has three objectives: to continue the improvements in the availability and quality of potable water and the reliability of the distribution system, to improve the level of operation of the sewerage system, and to consolidate and continue to improve the Georgetown Sewerage and Water Commission (GS&WC).

A greater number of Georgetown residents will have improved access to a dependable and safe potable water supply, thus improving hygiene and reducing the incidence of illnesses and diseases caused by waterborne pathogens. Also, the rehabilitation of the water distribution system, combined with an effective public-awareness educational program, will contribute to substantially reducing the volume of unaccounted-for water currently lost to leakage, therefore reducing the demand for raw water.

The program is consistent with the Bank’s strategy for Guyana, which includes development of the social sector through reduction in poverty through improvement in the delivery of education and health services and through programs for poverty reduction and improvements in urban living conditions.

**Design of Rehabilitation of Mahaica-Rosignol Road**  
(*\$525,300 grant from the Japan Special Fund*)

This grant will help finance an analysis of the economic costs and benefits of rehabilitating the segment of highway between Mahaica and Rosignol. It will also deter-

mine the actions that should be taken to safeguard the environment and ensure that social concerns are fully addressed. A detailed design for the civil works will be prepared, as well as bidding documents. The poor state of roads in Guyana is one of the main constraints affecting the performance of the productive sector, particularly agriculture. Improving the road network will help reduce transportation costs and help promote national integration and economic growth. In particular, improving the Mahaica-Rosignol Road will help increase access and reduce transportation costs for rural inhabitants in the Berbice region.

**Strengthening the Property Rights System**  
(*\$940,000 grant from the MIF*)

This project will encourage higher levels of financial intermediation by improving the legal, institutional and organizational framework for secured lending. Resources will be used to prepare amendments to existing laws for presentation to the legislature, particularly amendments to the Bills of Sale Act, Companies Act, Deeds Registry Act and the laws of evidence and related statutes. Also, the services provided by the Deeds Registry will be improved and its institutional capacity strengthened. A necessary condition for economic growth is a well-functioning financial market. This program will help Guyana achieve that goal by improving the legal and administrative framework for secured transactions.

**Microenterprise Training Services Market**  
(*\$900,000 grant from the MIF*)

This project seeks to test and demonstrate the feasibility of establishing a sustainable market for training services to microenterprises, in order to improve their competitiveness and productivity. The four-year program will include an information and referral service, a training-voucher system, and a training-technologies development fund.

# H HAITI

**IN 1999, THE BANK APPROVED TWO TECHNICAL COOPERATION OPERATIONS AND ONE MIF FINANCING TO HAITI. ON A CUMULATIVE BASIS, THE BANK HAS MADE 47 LOANS TOTALING \$761 MILLION AND DISBURSEMENTS HAVE TOTALED \$505 MILLION.**

## Training Sector Reform

*(\$750,000 grant from the Japan Special Fund)*

This grant will establish the institutional procedures and operational mechanisms needed to implement the first phase of a far-reaching reform program aimed at effecting a transition from the current system for management and delivery of technical and vocational training to a new demand-driven, decentralized and participatory model. The resources will help finance a core management team that will provide support to the transitional management structure, detailed management audits of the public entities of the sector, elaboration of the first round of specific business plans to implement the reform, and a sustained publicity campaign. Specifically, the publicity campaign will encourage women to train in higher-wage fields, as well as give teachers and employers incentives to accept female trainees and workers in these fields.

## Urban Initiative for Port-au-Prince

*(\$730,000 grant from the FSO)*

This grant will help set up a metropolitan urban-planning process and a corresponding metropolitan governance mechanism. It also will support measures to identify and define urban-development projects, such as the design of decentralized bases or the improvement of marginalized neighborhoods. Phase one, strategic planning, includes a review of existing studies, assessment of best practices, and a dialogue/debate between main stakeholders to achieve consensus in devising a strategic plan for metropolitan Port-au-Prince and a governance mechanism. Phase two consists of specific studies to prepare for the implementation of the strategic plan. Among the issues to be included are identifying new places of urban development within the city to help absorb the growth in population and its ac-

companying economic dimension, and the problems needed to be addressed in order to upgrade low-income and poor urban neighborhoods.

## Private Training Market Initiative

*(\$2 million MIF grant)*

This project will enhance productivity and contribute to economic growth through increased investments in training. The project will establish a matching grant incentive mechanism that will encourage private enterprises to make more use of training that will contribute to greater efficiency and output for their businesses. The project will complement and execute in tandem with a larger IDB loan, the Vocational Education Reform Program. As part of this larger reform process in Haiti, the MIF project will support a fundamental redirection of the government's strategy for supporting the market for private training. As such, the project will expand the market for in-service training, promote greater NGO participation in providing training to informal entrepreneurs who tend to have less access to training, and enhance the quality of services rendered by training providers and their responsiveness to the needs of the clients. The program will train 14,000 individuals and will strengthen 75 training providers.

# H HONDURAS

**IN 1999, THE BANK APPROVED FOUR LOANS, ONE TECHNICAL COOPERATION OPERATION AND THREE MIF FINANCINGS TO HONDURAS. ON A CUMULATIVE BASIS, THE BANK HAS MADE 113 LOANS TOTALING \$1,973 MILLION AND DISBURSEMENTS HAVE TOTALED \$1,646 MILLION.**

## Transition and Social Protection Program

*(\$30 million loan from the FSO)*

This program will protect and improve priority social programs at a time when demand for services is heightened in the aftermath of Hurricane Mitch.

Over three-quarters of the population in Honduras lives below the poverty line. In years past, social sector initiatives designed to alleviate this poverty were

often only partially implemented because of the weak capacity of the line ministries and the lack of an adequate policy framework. Pressing social needs during the reconstruction period following Hurricane Mitch have simply made the situation worse.

This fast-disbursing loan is structured to preserve social sector gains, improve social program management and implementation, and develop the institutional capacity to ensure rational and transparent use of public resources. Budgeting for priority programs in health, education and social welfare will be protected based on criteria that include providing basic primary level services, reaching the most vulnerable groups, targeting rural areas, delegating functions to local entities and civil society organizations, and maintaining physical infrastructure.

The program will also establish an agency to formulate and implement social policies. The agency will foster the development of sector strategies, set overall goals, coordinate mechanisms and procedures, and maintain coordination facilities for maximizing the impact of social initiatives.

#### **Potable Water and Sanitation Investment** *(\$26 million loan from the FSO)*

The program will finance technical assistance and civil works for municipalities that agree to modernize the way potable water and sanitation services are provided. Twenty-one municipalities that have submitted proposals have been pre-selected for the program, which is designed to be easily replicated and adapted in size without losing its design integrity.

The first steps include technical assistance to develop and publicize a new water policy, as well as support for the creation of a new institutional framework. Next, the program will help strengthen the operators. And finally, when all the previous steps have been accomplished and the operators have helped raise the performance of the services provided by existing facilities, the municipality will be able to borrow for civil works to improve and expand services further.

Considerable benefits result from improved potable water and sanitation services. Those already connected to the potable water system will benefit from improved services, while those not previously connected, predominantly the poor, will benefit as they will no longer be dependent on expensive supplies from

private vendors. The improvement in sewerage services will lead to a decrease in gastrointestinal disease, a particular problem and one of the main causes of high infant mortality. Almost 400,000 people are expected to benefit from improved potable water services, and more than 300,000 from improved sewerage services.

#### **Emergency Road and Water Supply Infrastructure Program** *(\$18.8 million loan from the FSO with cofinancing of \$56 million from JICA, \$35.8 million from SIDA and \$5 million from OPEC)*

Hurricane Mitch destroyed or damaged an estimated 70 percent of Honduras' road network, including some 1,900 kms of paved roads essential for production and exports. Much of the country's drinking water and sewer systems also collapsed, causing major service interruptions and raising concerns about the spread of disease. In the wake of the disaster, most Tegucigalpa residents had to obtain drinking water from trucks.

This program will finance emergency repairs of 380 kms of critical paved and secondary roads that carry the bulk of the country's traffic, connect production centers to domestic markets, and link Honduras with neighboring countries. Two bridges will be built in Tegucigalpa and 15 bridges repaired along the Tegucigalpa-San Pedro Sula highway. The program will also supply piping and equipment to restore the drinking water system in the capital. Some 36,400 meters of ductile iron pipe for main conveyance lines will be installed along with 14,000 meters of PVC pipe for water and sewer lines.

This operation forms part of a larger IDB emergency program to help Honduras recover from the effects of Hurricane Mitch. The Bank has approved \$184 million in concessional loans since the hurricane for infrastructure repairs and social investments in Honduras. Because of the emergency conditions, the current loan includes \$7 million reallocated from previous loans that had not been fully disbursed.

#### **Post-Hurricane Housing Program** *(\$10.4 million loan from the FSO)*

This program will provide housing for poor families left homeless by Hurricane Mitch while also promoting long-term development of the housing sector.

Hurricane Mitch so devastated Honduras that well into 1999, several months after the storm, an estimated 46,000 families were still living in shelters or with friends or relatives. Rapid and definitive resettlement of these families is key to minimizing the social deterioration that can result from displacement, preventing people from returning to high-risk areas or illegally occupying vacant lands, and avoiding the costly construction of long-term temporary shelters.

Through intermediaries such as municipalities, nongovernmental organizations and cooperatives, this program will offer displaced families a package of housing and resettlement services that will enable them to move from shelters onto permanent sites with secure title. The subsidies will help an estimated 8,400 families repair damaged housing, or acquire plots of land, erect housing and gain access to basic services.

The program will also improve the formulation and implementation of housing policy by strengthening the technical capacity of government agencies and NGOs working in the housing sector. An environmental management component of the program will help municipalities ensure that housing reconstruction is in areas protected against flooding and landslides.

### **Support for National Reconstruction**

*(\$1 million grant from the FSO)*

This program will support the country's recovery from Hurricane Mitch by carrying out preinvestment studies for infrastructure projects and by strengthening the technical and managerial capacity of public agencies responsible for national reconstruction.

This program will help the government develop systematic medium- and long-term reconstruction strategies in priority areas. Consulting services and other technical assistance will be used to prepare sector and natural disaster management studies and to design loan operations that can be quickly accessed and disbursed. Priority project areas will include the social sectors, housing, water supply and sanitation, communications, transportation, the productive sectors, and the environment.

Advisory services on organization and administration will also be provided to improve the capacity of institutions responsible for preparing and executing reconstruction projects. Finally, a procurement support component will assist the government with the con-

tracting of works and services according to Honduras' master plan for national reconstruction.

### **Support to the Productive Sector and Smaller Enterprises**

*(\$1.7 million MIF grant)*

This project promotes productive linkages and competitiveness among Honduran companies, particularly small and medium-sized enterprises within growing economic clusters such as agribusiness, manufacturing, logging, furniture production and tourism. More than 400 firms will receive co-financing to pay for training and technical assistance to strengthen their operating systems and thus enhance their competitiveness. The project is geared toward bolstering Honduras' capacity to administer projects to promote smaller enterprises' growth and development. *Fundación para la Inversión y el Desarrollo de las Exportaciones* (FIDE), an internationally recognized organization, will be given the tools to operate as an efficient intermediary of resources providing assistance in designing and managing new projects. FIDE will also play a prominent role in supporting a national dialogue among private and public stakeholders to encourage reform policies in regulations affecting these sectors.

### **Private Sector Involvement in Potable Water and Sewerage in San Pedro Sula**

*(\$750,000 grant from the MIF)*

The goal of this operation is to ensure a smooth transition process from potable water and sewerage services provided by the municipality to services provided by the private sector. Activities will be divided into three broad categories. The first is project planning and control, including the coordination of different agents, to assist the municipality of San Pedro Sula with the project management of the entire operation. The second is the drafting of all legal and contractual documents required during and after the transition process, and the third is preparation of information. Transition to private-sector management should help resolve problems that have emerged under public-sector management, such as the absence of stable tariff levels needed to sustain the service, increasing debt-service commitments and deteriorating commercial performance.

### Expansion of Business Networks for Micro- and Small-Enterprise and Integration of Production Chains (*\$700,00 grant from the MIF*)

This grant will help increase the productivity and competitiveness of microenterprises and small manufacturers, promoting the organization of business networks and creation of production links between them. The direct beneficiaries of this project will be some 3,400 microenterprises and small businesses served by the *Centro de Recursos y Tecnología* (CERTEC, or Resources and Technology Center), the executing agency of the grant. CERTEC will help the businesses increase their levels of efficiency and competitiveness through the formation of production chains, the development of a methodology to serve local production systems, and the transfer of a methodology for serving networks.

## JAMAICA

IN 1999, THE BANK APPROVED FOUR LOANS, ONE TECHNICAL COOPERATION OPERATION AND ONE MIF FINANCING TO JAMAICA. ON A CUMULATIVE BASIS, THE BANK HAS MADE 72 LOANS TOTALING \$1,364 MILLION AND DISBURSEMENTS HAVE TOTALED \$1,177 MILLION.

### Parish Infrastructure Development Program (*\$35 million loan from the OC with an interest rate subsidy from the IFF and \$4 million cofinancing from OPEC*)

This program will strengthen Jamaica's parishes by repairing basic transportation, water and marketing infrastructure and by strengthening local governments and institutions.

The local government administration system in Jamaica since colonial times has been made up of parishes of varying size and population. Following a period of centralized government that saw a decline in the quality of local infrastructure and services, the Jamaican government decentralized many public sector services to the parish level, starting in 1993, through a local government reform program.

This program will finance repairs of basic infrastructure under the jurisdiction of the country's 13 parishes, including roads and drainage, water and sanitation systems, market facilities and council buildings. Technical assistance and institutional strengthening will help the parishes improve their legal frameworks, build a stronger revenue base, develop clearer lines of administrative authority and more transparent financial planning and management procedures, and increase community participation in local government.

### Solid Waste Management Program (*\$11.5 million loan from the OC*)

This program will improve the environmental and sanitary conditions of the solid waste-disposal site in the Kingston metropolitan area and other sites around the country. It will also develop an action plan for a national solid waste management program. Since approximately half of the country's annual 840,000 tons of solid waste is generated in the Kingston area, this will be the primary area of focus.

The first phase of the project will focus on improving the environmental and sanitary conditions of the Riverton disposal site, which serves the Kingston Metropolitan Area, and on closing all the critical non-active sites around the country. Additionally, an island-wide national program will be prepared to establish a unified plan for the entire country. The government's policy will be based on long-term sustainability, efficiency and quality of service.

The program will have significant environmental and health benefits as a result of improved collection, transportation, and disposal of waste, as well as reduction of littering and illicit dumping. These improvements will lead to a cleaner environment and less water and soil pollution, which will help enhance the quality of life, recreation and health.

### Public Sector Y2K Project (*\$10 million loan from the OC*)

This project will help technology-based systems within the public sector become Y2K compliant in order to minimize disruptions that could result from the failure of computer systems in the year 2000.

This operation will support efforts by the Jamaican government's Y2K Project Unit to ensure that criti-

cal systems in priority areas are compliant and to develop contingency plans in the event certain systems do not function properly. Technical assistance, consulting services and equipment will be provided to convert or renovate computer systems and then conduct system-wide testing. Specific activities will include development of computer-based technology specification and embedded systems; design and execution of testing procedures; coding or coding conversion; and replacement of noncompliant hardware and software.

The project is the first to be financed through a special line of credit established by the IDB to assist countries of the region in preparing and adapting their information systems to year-2000 requirements.

**Land Administration and Management Program**  
*(\$8.4 million loan from the OC, with an IFF interest rate subsidy)*

This program will foster a more dynamic land market by supporting titling and modernizing land use and management tools to make them more efficient and transparent.

Nearly half of all land parcels in Jamaica are unprotected by registered certificates of title. This offers little incentive to invest in the property, and occupants, many of them poor, have limited access to formal economic opportunities associated with secure land ownership. While the government is committed to opening access to land and regularizing properties, problems with management of land records, information systems and allocation processes have slowed this process.

This program will develop new technical and administrative processes to expand land titling activities into a program of targeted and systematic tenure regularization that includes modernization of title registration and cadastral systems. Land tenure will be clarified for 30,000 parcels in St. Catherine Parish. A digital cadastral index will be developed for the parish along with a cadastral map of the targeted areas.

Technical assistance will be provided to design an efficient system for divestment and management of public lands, and to develop policies and standards for dissemination of geographic information and an Internet-based national land information system. An estimated 270,000 Certificates of Title and 5,000 Deposited Plans will be computerized and indexed.

**Support for Primary Education**  
*(\$750,000 grant from the Japanese Special Fund)*

The objective of this grant is to provide consulting services to support the Ministry of Education and Culture's development of the Primary Education Support Project, which is to be financed through a Bank loan. Jamaica has successfully achieved universal primary education, but budget constraints, weaknesses in education management, ineffective decentralization and inconsistent quality have left gaps in universal functional literacy, inefficiencies in the distribution of resources and inequalities in the delivery of educational services, especially across geographic and socioeconomic groups. This primary education project will address such problems. Elements include curriculum dissemination, teacher training, introduction of new teaching and learning resources, rationalization of existing resources, institutional strengthening, new site-based management practices and the introduction of targeted strategies such as information and communication technology to enhance learning and equity.

**Road Concessions Program**  
*(\$595,000 grant from the MIF)*

This grant will help support the Jamaican government in the development of a system to concede roads to the private sector. Resources will also be used to fund the preparation of documentation and procedures for a special road concession as a pilot project to develop and test the system. Activities include improving the legal, regulatory and institutional framework applicable to the construction and operation of public roads through private concessions. The project will support the creation of a specific unit for granting these concessions, and assist in devising a mechanism through which concessions are developed, advertised, tendered and monitored. The project will also aid in developing a unit for regulating the operation and tariffs applied to concessions.

# M MEXICO

**IN 1999, THE BANK APPROVED THREE LOANS, ONE TECHNICAL COOPERATION OPERATION AND ONE MIF FINANCING TO MEXICO. ON A CUMULATIVE BASIS, THE BANK HAS MADE 163 LOANS TOTALING \$12,993 MILLION AND DISBURSEMENTS HAVE TOTALED \$10,695 MILLION.**

## State and Municipal Strengthening Program (*\$800 million loan from the OC*)

This program will support decentralization in Mexico by making state and municipal spending more autonomous, improving the performance of subnational credit markets, and strengthening the capacity of local governments to manage public funds.

Recent budget legislation in Mexico has significantly increased the volume of resources at the disposal of subnational governments, strengthening the country's ongoing process of fiscal decentralization. Municipalities, for example, received \$5.5 billion in untied federal transfers in 1999 compared with \$1.7 billion in 1995. States and municipalities in turn have undertaken reforms to be able to handle their new financial responsibilities. And to help these subnational governments finance a growing number of infrastructure and other projects, the Ministry of Finance and Public Credit is moving to reform the development bank system, so that subnational governments as well as development banks base their credit decisions on market considerations.

Half the financing under this operation is in the form of a fast-disbursing sector loan that will enable the government to continue its reform program while maintaining its level of transfers to subnational governments. Funds will be released according to reform advances to strengthen the autonomy of local governments. These resources will help BANOBRAS meet local credit needs more rapidly, and modernize the regulatory framework to make the system of guarantees for loans to local governments more transparent and reliable.

Resources from the program will also be made available to local governments to strengthen their administrative and financial management in such areas as auditing, investment planning, transparency, budgeting, tax administration and accounting.

## Termoeléctrico del Golfo Project

*(\$75 million from the OC with a "B" loan of \$102.3 million)*

This project will finance construction, operation and maintenance of a 230 MW power plant in the state of San Luis Potosí, Mexico, to provide electricity for cement plants in central and northern Mexico.

The project will supply power to 13 cement plants owned by CEMEX, the largest cement manufacturer in Mexico and the third largest in the world. This will free up electricity currently used for the aforementioned plants, expanding energy capacity in a region of rising demand. In addition, surplus power from the new plant will be sold to the national grid.

The new facility will include two circulating fluidized bed (CFB) boilers and ancillary equipment. It will be fueled by petroleum coke, a by-product of a state-owned refinery that is being refurbished.

## Hermosillo Power Generation Project

*(\$41.6 million loan from the OC, with "B" loans totaling \$86.8 million)*

This project will support efficient expansion of the energy sector by financing construction and operation of a private generating facility that will sell its power output to Mexico's state electricity utility. The new facility will be a 250 MW combined cycle natural gas power plant located 18 kms northwest of Hermosillo in the state of Sonora. A 28 km gas pipeline and a wastewater treatment plant will also be built.

The project is part of Mexico's least-cost energy expansion plan, which aims at meeting growing demand by using private sector financing to increase the country's total installed generating capacity by nearly 10,000 MW by the year 2006. The plant will be built, owned, and operated by a special purpose company established by the project sponsor, *Unión Fenosa ACEX*, a Spanish firm with interests in electricity-related assets worldwide. While the plant's guaranteed net output will be sold to the state electricity utility under a 25-year power purchase agreement, the project company will be allowed to sell excess capacity to third parties. It will also have the option to shift to a competitive market once an appropriate regulatory framework for such a market is developed as part of Mexico's national utility reform program.

This financing includes two syndicated loans totaling \$86.8 million through which funds are provided by commercial banks under subscription of participation agreements with the IDB.

#### **Health and Social Services Network** (*\$500,000 grant from the FSO*)

This project will install a computerized information network for health and social service providers affiliated with the Archdiocese of Mexico, reducing costs and enabling those services to better reach poor and marginalized areas. The beneficiary organization, *Cáritas*, is an international organization of the Catholic Church dedicated to improving the lives of the poor through job training, social work, education, youth activities, and health and social programs for families.

This project will establish interconnected network servers equipped with a database, electronic mail and telephone access between the *Cáritas* Central Office, the Health Program Directorate, and the *La Pasión* Family and Community Health Center. The network will enable *Cáritas* to improve coordination, administration and health promotion in a jurisdiction that includes 405 parishes, 18 hospitals, and dozens of health clinics and community centers.

The program will also provide equipment and personnel to establish a training center for *Cáritas* staff who will be using and working with the information network.

#### **Capital Development Fund in Guanajuato** (*\$2 million MIF equity investment*)

This fund will help the development of small businesses in the state of Guanajuato. The Guanajuato government is committed to providing up to \$3 million and *Nacional Financiera* (NAFIN), a national financial institution of Mexico, will invest up to \$2.3 million, while other private sector investors are expected to contribute between \$800,000 and \$2.7 million. The project pilots novel approaches to economic development, combining development objectives with the discipline of venture capital, thereby producing attractive returns while making a tangible impact on the local economy and further exploring the transferability of venture capital practices to regional development.

## N NICARAGUA

**IN 1999, THE BANK APPROVED SIX LOANS, TWO TECHNICAL COOPERATION OPERATIONS AND FIVE MIF FINANCINGS TO NICARAGUA. ON A CUMULATIVE BASIS, THE BANK HAS MADE 96 LOANS TOTALING \$1,565 MILLION AND DISBURSEMENTS HAVE TOTALED \$1,198 MILLION.**

#### **Pan-American Highway Rehabilitation** (*\$50 million loan from the FSO with cofinancing of \$10 million from JICA and \$16 million from the Government of Spain*)

The loan will finance repairs along northern sections of the Pan-American Highway damaged by Hurricane Mitch and establish a special fund for ongoing road maintenance.

As Nicaragua's primary highway corridor, the Pan-American Highway is critical to the country's economy, providing the population with access to markets, basic social services and economic infrastructure. Severe damage to portions of the highway from Hurricane Mitch left some of the country's largest cities isolated, making economic recovery that much more difficult.

This program will repair 259 kms spanning six sections of the highway, including San Benito-Sébaco, Sébaco-Estelí, Estelí-Yalaguina, Yalaguina-El Espino, Tipitapa-Las Flores, and Las Flores-Nandaime. Repairs will include repaving, drainage works, signaling and road safety. Two bridges along the Estelí-El Espino section will also be repaired.

The road maintenance fund will be used as a sustainable financing mechanism for upkeep of the country's road network. To get maintenance operations going as quickly as possible, the program will help finance maintenance of 1,500 kms of main highways by private companies with seed capital. Finally, the program will provide consulting services and training to strengthen the oversight and regulatory capacity of the Ministry of Transportation.

### **Modernization of Water and Sewerage Service Management**

*(\$13.9 million loan from the FSO with cofinancing of \$26 million from JICA and \$5 million from OPEC)*

This program will modernize the water and sewerage sector through a service and management contract with a qualified private operator, including two components: (i) a corporate strengthening program to upgrade information systems and implement a plan to reduce unaccounted for water, and (ii) a management delegation program to operate the services in the northwestern portion of the country (400,000 inhabitants). The program also includes a pilot project to expand and regularize potable water and sewerage connections in poor and marginal settlements in Managua.

Recent sector reforms supported by the Bank have made the legal and regulatory framework for water supply and sewerage services in Nicaragua among the most advanced in Central America. However, the sector continues to suffer from deficiencies common to public utilities in developing countries, including uneven coverage, poor service quality and high levels of unauthorized connections. A combination of low tariffs and poor operational efficiency have kept cost recovery rates down, leading in turn to inadequate investment levels.

This program will develop a step-by-step strategy to gradually promote greater private sector participation in providing water and sanitation services. The service/management contract with a private operator will facilitate in the medium term greater private sector participation in the sector by improving the information available on operational performance of the water company, increasing the customer base and billing revenues, and providing a regional platform to demonstrate the benefits of private management of services.

The program will also improve water and sanitation services for an estimated 4,000 low-income households living in the marginal neighborhoods of Managua. This pilot project will include the rehabilitation and expansion of water and sewerage connections, the financing of intra-domiciliary networks for users through a microcredit mechanism, and promotion and education campaigns. It will be carried out with the active participation of nongovernmental organizations and will serve as a test that could be replicated on a larger scale.

### **Strengthening Fiscal and Customs Systems**

*(\$10 million loan from the FSO)*

The purpose of this program is to help strengthen Nicaragua's fiscal and customs systems. Resources will support the establishment of a Tax Administration and a Customs Service Administration, both with greater professional and technical capacities than the previous systems. The two current institutions should be transformed into more modern, efficient administrations capable of handling greater government revenue flows.

Nicaragua is currently in the process of implementing a series of structural reforms to establish a more sustainable development model, with greater inclusion of the private sector, in order to lead to increased domestic savings and reduced inflationary pressure. The improvement of the fiscal and customs systems could play a vital role in the overall success of the country's structural reforms.

This modernization project includes decentralization of services, installation of new information technology systems, strengthening human resource elements including training, especially in management capacity, and the remodeling of existing customs buildings. One result of the project should be a reduction in tax evasion.

### **Education Reform Program**

*(\$9.4 million loan from the FSO)*

After years of focusing its efforts on improving primary education, the Nicaraguan government is now determined to reform its secondary education system by better linking it to the needs of students, civil society and the labor market, and by introducing alternative study systems to rural areas.

A national education plan developed with technical assistance, training and logistical support from this program will lay the groundwork for a reformed education system that is more decentralized and has greater civic involvement. Studies will assess educational demand in terms of enrollment and infrastructure, examine social demands on the education system, and analyze the administrative, budgeting and teaching management systems of schools and school systems. An information system will be installed to improve communication and coordination between central and local levels.

To improve educational coverage and quality, the program will promote the use of educational technologies in alternative instruction modes. Thirty distance learning centers using video programs (*telesecundaria*) will focus on reaching secondary students in rural areas. Computerized self-teaching modules will be developed for adult education, and interactive radio programs used in 45 rural primary schools to prepare 5<sup>th</sup> and 6<sup>th</sup> graders for the secondary level. The program will also pilot an innovative pre-school program to improve the readiness of children before they enter the first grade. Finally, the program will support a Supplementary Social Fund that will provide incentives designed to attract students to the secondary level, encourage school autonomy, and promote teacher training.

#### **Atlantic Coast Development** (*\$8 million loan from the FSO*)

The purpose of this program is to strengthen regional and local government and institutional capacity in the Atlantic Coast Region to support the sustainable development of the region. The resources will be used to enhance the capacity in financial management, administration and development planning of the North Atlantic Autonomous Region and the South Atlantic Autonomous Region. Community and municipal capacity will be created in the areas of project identification, land use planning, and natural resources management through the introduction of a participatory planning methodology. Strengthened capacity to support sustainable development will benefit the region's indigenous, creole and mestizo populations.

The program supports the Bank's local development strategy for Nicaragua that seeks to promote decentralization and build the capacity of local institutions and sub-national governments to adhere to sustainable development processes. The program also supports the Bank's sectoral strategies for health and education by strengthening local autonomous entities such as health centers and schools, and by improving the quality and cost-effectiveness of service delivery in rural areas.

#### **Strengthening the Technical Secretariat of the Office of the President** (*\$2.1 million TC loan from the FSO*)

The Nicaraguan government's program to reform and modernize the state mandates that the Technical Secretariat of the Office of the President coordinate interministerial social and economic policies and evaluate their impact on poverty reduction.

This operation aims to ensure policy cohesion between such issues as poverty reduction, sector reforms and public spending, leading to a transparent system for evaluating the impact of sector reforms in terms of equity, efficiency and accountability. Technical assistance will help develop the capacity of interministerial teams to facilitate policy dialogue, technical analysis, communication and consensus. The program will provide temporary financing for a core team of consultants to act as interministerial liaison and to develop the Technical Secretariat's diagnostic and analytical capacity; train interministerial technical teams to improve coordination between sector reforms and social policies; support opening new channels of social communication between government and civil society; and develop a management information system.

The program will also finance studies that will serve as the basis for preparing sector policies and investment programs with an impact on poverty. Studies will examine municipal development, modernization of technical education, design of a social safety net, and development of the Atlantic Coast Autonomous Region.

#### **Training for Design and Management of Social Policy and Programs** (*\$1.7 million grant from the Norwegian Agency for Development Cooperation*)

This grant will assist the government of Nicaragua in strengthening the management of its social policy, enhancing its effectiveness and equity.

The funds are expected to be provided by the Norwegian Agency for Development Cooperation, and they will be administered by the IDB. This grant will permit the Inter-American Institute for Social Development to train more than 400 federal, departmental, and municipal officials involved in the implementa-

tion of social policy through workshops, seminars, and short courses. Training will also be provided for trainers and faculty, and a network of academics will be created to provide continuity in social management training activities.

In the short term, the project is expected to lead to improved execution of government social programs. In the medium and long term, the project will be an important step in the modernization and technical strengthening of the design and execution of future Nicaraguan social policy.

**Attention to Children Affected by Hurricane Mitch**  
*(\$550,000 grant from the Japan Special Fund)*

In the fall of 1998, Hurricane Mitch devastated parts of Nicaragua. In a country where 53 percent of the population is under 18 years of age, thousands of children were severely affected by loss of infrastructure, destruction of crops, and in some cases, death of relatives. According to the National Committee for Emergencies, some 150,000 families and more than 400,000 children were affected by Mitch. The purpose of this grant is to offer integrated assistance to children in Managua, including adequate health services, education, and housing. Through Casa Alianza Nicaragua, the program will assist more than a hundred children who might otherwise be living on the streets. Part of the Bank resources will be used to help build a crisis center and shelter for girls.

**Sustainable Services to Micro, Small and Medium Enterprises**  
*(\$1.4 million MIF grant)*

This is a pilot program aimed at enabling microenterprise and small and medium-sized businesses in Nicaragua to compete more effectively in an increasingly global market place. The project will promote a sustainable market for non-financial services for this segment of enterprises. More than 1,400 firms will receive co-financing for training and technical assistance to improve their human resources and productive and managerial systems. A training and technical assistance coupon-and-voucher system will be set up to provide incentives, thereby spurring more continuous demand and greater investment in non-financial services.

**Legal and Supervisory Development of the New Pension System**  
*(\$1.2 million MIF grant)*

This program supports the ongoing pension reform, which aims at increasing coverage and benefits, improving the equality of the system, and ensuring its financial solvency in the long run. The specific objectives of the program are to prepare the two crucial steps needed before workers can transfer to the new pension system: the establishment of an adequate legal and regulatory framework and the implementation of appropriate supervision of the system. Adequate legislation and regulation are crucial to ensure the proper functioning and viability of the new pension system. The existence of a specialized institution that oversees the new pension system is fundamental for its functioning and long-term viability.

**Private Initiative for the Development of Human Resources: Pilot Project in the Construction Sector**  
*(\$1 million MIF grant)*

The project will help establish a training and accreditation program for construction workers and promote the modernization of the national training system. The MIF resources will enable the development of an innovative, industry-wide system that will increase the supply of skilled workers in an industry where there are now shortages. A pilot program for training and accreditation will be carried out, training 2,450 laborers, 700 middle-level technicians, and 280 managers and senior technicians. Training will also be provided to 105 instructors and professionals. The project will serve as a model for developing a program of continuous training in the construction industry with a view to promoting greater private sector investment in training services and equipping the private sector with sufficient capacity to respond effectively to market demand.

**Alternative Mechanisms for Settling Property Disputes**  
*(\$982,000 grant from the MIF)*

Today in Nicaragua, as a consequence of changing social and political conditions throughout the last few decades, there are legal disputes over ownership of some 8,500 urban and rural properties. In response to this problem, the government reached a consensus with the

different social and political sectors, which establishes a suitable legal framework that includes the use of mediation and arbitration as alternative methods for settling property disputes. The proposed program would support Nicaragua in settling these disputes, particularly through the introduction of new alternative mechanisms established in the law, to be coordinated with the existing property system. In addition to helping solve individual property disputes, national and foreign private investment and property sales in the country will also benefit from this program through the reestablishment of a reliable property rights system that offers legal security.

#### **Strengthening Private Sector External Auditing** *(\$923,000 grant from the MIF)*

This program will help strengthen the technical and professional skills of public accountants and private independent auditing firms in Nicaragua so that they may provide their clientele with transparent, reliable and timely accounting and financial information. Assistance will also be provided to help the Comptroller General of the Republic review and update its internal procedures. The project will help review and modernize the legal framework governing public accountancy and help strengthen the administrative structure and operations of the Society of Public Accountants of Nicaragua, the executing agency of the grant. It will also help raise the level of professional competency among public accountants by reviewing and upgrading the university curriculum in accountancy, developing a graduate program in auditing, and establishing a self-financing program of continuing education.

## PANAMA

**IN 1999, THE BANK APPROVED TWO LOANS TO PANAMA. ON A CUMULATIVE BASIS, THE BANK HAS MADE 108 LOANS TOTALING \$2,020 MILLION AND DISBURSEMENTS HAVE TOTALED \$1,300 MILLION.**

#### **Poverty Alleviation and Community Development** *(\$48.8 million loan from the OC)*

Steady improvements in a number of social indicators in Panama—including adult literacy, life expectancy and infant mortality—are due in part to the fact that the country has one of the highest levels of social spending (21 percent of GDP) in the region. However, the benefits of those expenditures have not always been equitably distributed, and there is evidence that better efficiency, targeting and community participation would increase the impact of social spending on poverty.

To ensure that social spending reaches those most in need, this program will introduce a transparent resource allocation process based on local poverty criteria and develop a community planning methodology. The program will finance basic social infrastructure and essential social services as determined by the communities themselves, with eligible projects including school and health center repairs, basic sanitation, rural electricity, day care and nutrition, reforestation, rural roads, and public safety and anti-drug activities. Allocation of resources will be based on targeting mechanisms that use poverty maps at the district or municipal levels as well as annual operating plans developed by communities.

Technical assistance, equipment and training will also be provided to develop the capacity of municipalities, nongovernmental organizations and other community groups to take responsibility for operation, maintenance and evaluation of local social services and facilities. Finally, the program will support decentralization of the executing agency, the country's Emergency Social Fund, into regional offices that can provide rapid and effective technical assistance.

### National Environmental Program (*\$15.8 million loan from the OC*)

Although Panama has enacted a number of laws over the years related to managing its natural resources, specific actions to prevent, mitigate and monitor environmental problems have moved more slowly. Growing concern about the consequences of both urban and rural pollution prompted passage in 1998 of Law 41, which created the National Environmental Authority (ANAM) as the country's autonomous governing institution on environmental matters.

This operation will strengthen the technical, legal and financial capacity of ANAM to carry out its mandate, develop an array of modern environmental management tools, and support community-generated environmental initiatives. The program will formulate 19 regulations and establish an interagency environmental system specifically designed to implement Law 41; strengthen 10 key Sectoral Environmental Units throughout the country; and decentralize environmental management in the province of Coclé and the municipalities of Panama City and David, as well as in rural and indigenous communities.

A financing mechanism will be created to support some 46 preinvestment initiatives and environmental projects directed by local communities, nongovernmental organizations and municipalities. Eligible projects include solid waste management, construction or repair of water supply systems and parks, cleanup of waterways, ecotourism, maintenance of wetlands and coastal areas, and prevention of natural disasters.

The program will also support development of environmental impact assessments, a land use plan, air, water and solid waste standards, a national environmental education plan, environmental supervision and inspection capacity, and information systems.

## P PARAGUAY

**IN 1999, THE BANK APPROVED ONE LOAN, TWO TECHNICAL COOPERATION OPERATIONS AND THREE MIF FINANCINGS TO PARAGUAY. ON A CUMULATIVE BASIS, THE BANK HAS MADE 95 LOANS TOTALING \$1,573 MILLION AND DISBURSEMENTS HAVE TOTALED \$1,143 MILLION.**

### National Rural Roads Program, Stage II (*\$67 million loan from the OC*)

This program will upgrade major local roads in 17 rural areas classified as priority areas in terms of the potential for improved transport to support agricultural production and raise living standards.

Although Paraguay's road network has expanded since the end of the 1980s, it remains underdeveloped. About 70 percent of rural roads are dirt tracks, and the country has one of the lowest ratios of paved to unpaved roads in the region. The first stage of this program, financed by a 1993 IDB loan and now near completion, improved 820 kms of roads and moved the country toward development of a nationwide basic rural road network.

This loan is the first five-year phase of the second stage of the program, which will support improvement and maintenance of 6,000 kms of local roads, nearly a third of them defined as major rural roadways. Principal project zones will include the area along the Brazilian border between Ciudad del Este and Encarnación, and rural areas outside Coronel Oviedo, Caaguazú and Salto del Guairá. Project works will ensure year-round access and proper road safety, and will include environmental protection measures.

The program will also implement a Maintenance Management Plan for priority rural roads that will decentralize maintenance to local governments, users and the private sector.

### Fundación Industrial Social Entrepreneurship (*\$640,000 grant from the FSO*)

This grant will help promote the growth of industrial microenterprises and raise the income levels of the entrepreneurs who participate in the Paraguayan microenterprise organization *Fundación Industrial*. The

specific goals are to facilitate access to credit for a greater number of industrial microentrepreneurs and to strengthen the *Fundación Industrial* to improve its managerial effectiveness, efficiency, and sustainability in administering its credit program. The operation will provide financing and technical support to an entity whose priority is to offer lending services to a sector currently underserved by the regulated financial system. The resources provided will enable the foundation to expand its portfolio and meet the financing needs of low-income microentrepreneurs in the industrial sector.

**Strengthening of Democratic Institutions (Phase II)**  
*(\$500,000 grant from the FSO)*

This program seeks to consolidate the democratic process in Paraguay by helping the National Congress implement a priority legislative agenda and by providing training to permanent parliamentary staff.

As in any period of political transition and democratic consolidation, the workload of Paraguay governmental institutions has increased substantially in recent years. Implementing the country's National Constitution and moving ahead with reforms and modernization of the state require that Congress have the means to facilitate debate, decision-making and passage of priority legislation.

Phase I of this program identified reasons for delays in the legislative process, laying the groundwork for the current program. Consultants hired through this program will help build consensus on a priority legislative agenda by advising the Congress on legislative debate and adoption procedures, supporting coordination between both Houses and the Executive, and following up on bills in committee. Training in legislative procedures and policy evaluation will be provided for congressional staff whose status does not depend on the outcome of elections.

The program will also support efforts to incorporate a gender-based approach into bills before the Congress by identifying areas where inadequate legislation contributes to discrimination against women. Finally, a communications strategy will be implemented to improve coordination between Congress and other branches of government, the private sector, and civil society organizations.

**Business Integration Program**  
*(\$1.2 million MIF grant)*

This operation builds business links between small and large companies and promotes the use of clean technologies. The program has two components: one for direct support to small businesses to strengthen the chain of production, promote inter-firm assistance and encourage the use of clean technologies; and a second that will provide institutional support to the executing agency. Specifically, the program aims at promoting cooperative alliances between large and small-scale companies by means of helping small firms become reliable suppliers. The program will encourage the development of associations for technical, managerial and technological improvement and will motivate firms to improve the quality of their products, increase their efficiency and reduce environmental pollution. The operation will be based on the core satellite manufacturing model developed by Japan and Taiwan, which promotes among small firms the ideas of networking, inter-firm assistance, cooperation versus competition, best practices and technological change, and quality awareness. The kinds of service packages for each type of cooperative alliance will be designed according to the characteristics of each company and group of companies so as to ensure effectiveness and sustainability.

**Insurance-Industry Reform for Development of the Private Sector**  
*(\$915,000 grant from the MIF)*

This grant will help improve the functioning of the insurance market in Paraguay in order to foster the rapid development of the private sector. The program seeks to strengthen the Superintendency of Insurance (SIS) as an institution to give it the capacity to issue modern prudential standards and to effectively supervise the country's insurance companies. It will also develop efficient procedures for the regulatory agency and for insurance companies to improve solvency in the sector. Components of the project include staff strengthening, preparation of legislation and standards, establishment of a risk registry and complaint system, training, supply of equipment, and project coordination.

## Alternatives for Dispute Resolution in Commercial Conflicts

*(\$503,000 grant from the MIF)*

This program will provide technical assistance to the *Centro de Arbitraje y Conciliación de Paraguay* (Paraguayan Center for Arbitration and Conciliation) and the *Cámara y Bolsa de Comercio de Asunción* (Asunción Chamber of Commerce and Commodity Exchange) to strengthen the legal, institutional, and administrative framework for Alternatives for Dispute Resolution (ADR). The adapted framework will allow an ADR system to be used in Paraguay for internal disputes and for disputes with other countries, particularly in the context of MERCOSUR. A key component is enhancing the technical capacity of operators, support staff, users and their representatives, and members of the judicial system in order to obtain a quality supply of ADR services and an adequate and reliable demand for such services. Resources will also fund the preparation and implementation of a strategy for development and dissemination of ADR services in order to consolidate their use and make them financially self-sustaining.

## P PERU

**IN 1999, THE BANK APPROVED FOUR LOANS, ONE TECHNICAL COOPERATION OPERATION AND FIVE MIF FINANCINGS TO PERU. ON A CUMULATIVE BASIS, THE BANK HAS MADE 151 LOANS TOTALING \$5,366 MILLION AND DISBURSEMENTS HAVE TOTALED \$4,196 MILLION.**

### Financial Sector Reform Program

*(\$311 million in loans and TC from the OC and \$300 million in cofinancing from the World Bank)*

This operation will strengthen the capacity of the financial system to withstand shocks to the economy, develop capital markets and primary and secondary mortgage markets, and improve access of the poor to financial services.

After several years of strong performance, the Peruvian economy was hit by successive shocks starting in 1997. The Asian financial crisis hurt the country's

export markets, the *El Niño* phenomenon damaged infrastructure and slowed agricultural and fisheries production, and the Russian financial crisis limited access to external credit lines. Although fiscal management remained tight and inflation continued to decline, falling external demand and loss of output have slowed growth of the economy.

The policy-based component of this program will be financed by a fast-disbursing sector loan to be disbursed according to implementation of reforms in bank crisis management. The objective is to improve the capacity of oversight agencies to detect and forestall systemic risks by modernizing bank supervisory practices and extending access to the central bank's discount facility, among other measures.

The program will also support improvements in regulation of the securities markets; strengthening of micro-finance institutions and improvement of their supervision; lowered costs and increased transparency in the primary mortgage market as well as increased standardization of mortgage instruments, in order to develop the foundation for a secondary mortgage market; and legal reforms that will enable the use of moveable property as security for credit, which will improve access to credit for small businesses and microentrepreneurs.

### Reconstruction of Infrastructure Damaged by El Niño

*(\$120 million loan from the OC)*

This loan will finance the reconstruction of transportation, sanitation, education and health infrastructure damaged by the effects of *El Niño*.

Physical damage to infrastructure surpassed \$1.2 billion, nearly three times initial estimates. Floods and landslides caused by torrential rains damaged or destroyed infrastructure across nearly every sector, and the overall effect on the country's economy was estimated at some 2 percent of GDP. Departments sustaining the worst damage included Tumbes, Piura, Puno, Cusco, Pasco, Arequipa, Huancavelica, Ancash, Lambayeque, La Libertad, Cajamarca, Tacna, Ayacucho, Moquegua, Apurímac, Ica, and the Distrito Ambar in the department of Lima.

This program will focus on repairing and reconstructing infrastructure in the departments declared by the government to be in a state of emergency. Transportation works will include reconstruction of nearly 500 kms of roadway, including three sections of main

highways and rehabilitation of rural road infrastructure. Streets, sidewalks and other urban infrastructure will be repaired in four departments, and riverbanks will be reinforced to support road infrastructure where needed. Nearly 400 small works will be carried out on sanitation facilities, including collectors and pumping mains, wells and pumping stations, and replacement of water and reservoir systems. Finally, the program will finance repairs and reconstruction of some 94 health clinics and centers and 254 educational facilities.

**Health Sector Development: Maternal and Child Health Care Coverage**  
*(\$87 million from the OC and \$8 million in cofinancing from OPEC)*

This program will expand maternal and child health care coverage by improving the quality of services and reducing the economic and sociocultural barriers that prevent impoverished populations from using them.

Overall health conditions in Peru have improved substantially in recent decades as a result of successful immunization campaigns and other health programs. However, not all indicators have shown improvement. Reflecting inadequate care during pregnancy and childbirth, the maternal mortality rate remains nearly 1.5 times higher than the Latin American average, and declines in neonatal mortality have been slow. And there are significant disparities in health indicators between regions and socioeconomic levels, in part because public spending is not targeted to the poorest groups.

Technical assistance, studies, pilot programs, equipment and infrastructure upgrades financed through this program will expand maternal and child health services and better direct policies to meet the needs of the most vulnerable. The program will train maternal and child health professionals as well as midwives in detecting and managing obstetric warning signs and emergencies; provide medications and other supplies; formulate logistical and clinical protocols adapted to cultural practices in indigenous areas; establish community funds for emergency transport; and carry out public health information campaigns. More than 500 health facilities, most of them at the local level, will be expanded or repaired, as well as provided with biomedical equipment, transportation, and technical assistance for modernizing information systems.

Under a pilot program, mobile health teams will provide integrated health care in remote areas of Huanuco and Amazonas. Finally, the program will expand waste management systems and provide training in basic hygiene in order to improve environmental health and the control of communicable diseases.

**Consolidation of Quality Control in Customs**  
*(\$1 million TC loan from the OC)*

This program will continue reforms of the National Customs Superintendency to consolidate and expand the quality system based on ISO 9000 standards and to implement the World Trade Organization's Customs Valuation Agreement.

Reform and modernization of the Peruvian customs system has been supported by two IDB loans since 1991. This operation will complement ongoing efforts to bring productive processes up to standards established by the International Organization for Standardization. Activities will include reviewing customs procedures for valuation, inspection and collection; carrying out internal quality audits; training customs personnel; and improving information systems.

To bring Peru into compliance with the WTO's Valuation Agreement, a methodology to be used by customs administrations in valuing imported merchandise, the program will provide training for customs officials and brokers, reorganize services involved in customs valuation, and adapt the system databank to the new valuation rules.

**Support to Financial Sector Reform**  
*(\$534,000 grant from the Japan Special Fund)*

This program will support the preparation of studies needed for the design and execution of several components of the Financial Sector Reform Program in Peru, which was approved in August of this year. A sector loan of \$310 million and a parallel technical assistance loan of over \$1 million, aim at strengthening Peru's financial sector so that it can withstand destabilizing events. The resources from the Japan Special Fund will be used to develop alternative asset-valuation methods, a self-regulation scheme, a study on foreclosure procedures for mortgage credits, a strategy for implementing a secondary mortgage facility, and studies to promote reforms in the National Credit Reporting Sys-

tem, as well as a study on the development of an internal debt market.

### **Strengthening of Savings and Loan Institutions** (*\$1.5 million MIF grant*)

The main goal of the project, which complements the Financial Sector Reform Program, is to improve the access of the low-income population to financial services, through the institutional strengthening of *Cajas Rurales* (rural savings and loan institutions) and through the provision of support to the privatization process of *Cajas Municipales* (municipal savings and loan institutions). These institutions have been serving micro-enterprises in rural areas, but are currently faced with the need of integration into the liberalized financial sector. Private capital is encouraged to take part in rural financial intermediaries by recognizing the savings capacity of the low-income population. The main component of the project is technical assistance designed for strengthening *Cajas Rurales*, particularly in the areas of strategic planning, promotion of savings mobilizations, internal control strengthening, development of new financial products, new credit technology, portfolio administration and risk management.

### **Hospitality Tourism Standards** (*\$1.1 million MIF grant*)

This project will expand training delivery, improve service quality, and increase competitiveness in the tourism sector by establishing the framework for a system of national, competency-based skill standards. It will also facilitate the ongoing collection, analysis and dissemination of information related to human resource development needs for the tourism sector. The project consists of two components: the development of national skill standards, and training of trainers and project promotion. The first component includes a needs assessment of the industry in the targeted regions; the development of competency-based standards; and curricula design and adaptation based on the standards. The second component includes the development of training of trainer programs, the establishment of a database, and marketing and promotion of the standards and training programs.

### **Strengthening Microfinance Intermediaries** (*\$1 million MIF grant*)

This project strengthens the capability of the Superintendency of Banks and Insurance in the area of microfinancial institutions so that it will be able to guarantee effective supervision that will promote incorporation of the microfinance institutions into the financial system. This project will be carried out in the context of the Financial Sector Reform Program. It will identify the risks to which the microfinance institutions could be exposed and will protect the interests of savers and prospective low-income borrowers in Peru, while it will help improve access to financial services for lower-income earners. The project comprises three components: a program of visits for inspection and audit with external support, a long-term program of theoretical and practical training on the supervision of microfinance institutions, and a program for evaluation of the external and internal barriers confronting the Superintendency in its supervision of microfinance institutions.

### **Strengthening Credit Unions** (*\$1 million MIF grant*)

The general objective of the project, which is a component of the Financial Sector Reform Program, is to improve access to savings and loan services for small and micro enterprise operations, with special attention to those in the interior of the country where the banking system is weak. The project is designed to strengthen the integration of credit unions (cooperatives) into the structure for prudential supervision that applies to the rest of the national banking system. Specific goals include reforming the prudential standards for credit unions, and strengthening the delegated operating structure for prudential regulation and supervision for credit unions through the National Federation of Credit Unions.

### **Small and Medium-Sized Enterprises' Foreign Trade Association of Peru (COMEXPERU)** (*\$842,000 grant from the MIF*)

The purpose of this program is to contribute to the development of small and medium-sized enterprises (SMEs) by promoting investment in and financing of

projects in areas where demand is strongest. The project will establish contacts between SMEs and the financial sector and will set a platform of specialized services for SMEs. A significant number of Peruvian enterprises have potential for expansion but are unable to raise the necessary financing for their projects because they lack the skills needed to prepare and formulate their projects properly. This program will help provide specialized financial consulting services, ranging from project evaluation and formulation to actual project presentation and negotiation with previously contacted sources of finance.

## SURINAME

**THE BANK HAS MADE EIGHT LOANS TOTALING \$49 MILLION TO SURINAME. CUMULATIVE DISBURSEMENTS HAVE TOTALED \$36 MILLION.**

While no new loans or major nonreimbursable technical cooperation financings were approved for Suriname in 1999, work was done to strengthen the Bank's operations there. Most notably, the IDB and the government focused their efforts on enhanced execution of existing projects, and strengthening and developing the operational program. The Bank and the government focused attention on project implementation, particularly with respect to the Agriculture and Trade Policy Reform Program, which had been approved in late 1998. During 1999, the first disbursement of this loan, amounting to \$18 million, supported the successful enactment of trade policy reforms, which are expected to strengthen private sector development. The operational program that had been agreed to previously with the government was developed further with continuing work on programs for community development, low-income housing and the strengthening of local governments. In addition, the Bank broadened its analytical work on Suriname by completing a health sector study and by intensifying work on a governance study. The Bank also developed with the government a strategic framework for future Bank operations in Suriname. These initiatives are expected to lay a solid foundation for new Bank lending in 2000 and beyond.

## TRINIDAD AND TOBAGO

**IN 1999, THE BANK APPROVED ONE LOAN AND ONE MIF FINANCING TO TRINIDAD AND TOBAGO. ON A CUMULATIVE BASIS, THE BANK HAS MADE 32 LOANS TOTALING \$1,038 MILLION AND DISBURSEMENTS HAVE TOTALED \$632 MILLION.**

### Secondary Education Modernization Program (*\$105 million loan from the OC*)

This program will reform and expand secondary education by implementing a universal five-year, single-shift curriculum designed to prepare students for a modern, skills-based economy.

Despite heavy investment in secondary school expansion in Trinidad and Tobago, the system continues to face challenges in terms of raising levels of coverage, quality and equity. Primary to secondary transition rates stand at only 69 percent, and there are wide differences among schools with respect to educational quality, learning outcomes and staffing.

This program will finance targeted expansion of secondary coverage through construction and equipping of 20 new schools. By creating 10,000 new secondary places, the program will allow for phasing out shifts and lengthening the school day. All new and existing schools will be equipped with computer laboratories, multi-media learning centers, and upgraded science labs.

The program will also support development and validation of a new secondary curriculum in five core subject areas. Specialized craft and vocational education will be shifted out of the secondary level. A pilot reading program using tutoring and computer-assisted instruction in reading comprehension will help entering students in need of extra help to reach the secondary level. Finally, the program will provide professional development training for 5,800 teachers and administrative staff in order to improve teaching methodologies, educational management, operational efficiency, and monitoring and evaluation.

### **Regulated Industries Commission** *(\$900,000 grant from the MIF)*

The purpose of this project is to increase the efficiency and effectiveness of the utilities sector of Trinidad and Tobago. Specifically, the grant will help the government establish the appropriate legal, regulatory and institutional framework to render the Regulated Industries Commission (RIC) fully operational and effective in carrying out its responsibilities. The project will have four components. An international specialist will be contracted to be the executive director of the RIC for the first 18 months. Approximately 18 professionals from local staff will be trained in the theory and practice of modern incentive-compatible utility regulation. A legal and regulatory framework will be developed for the water and sanitation sector. And a new policy and legal and regulatory framework will be developed for the electricity sector.

## U URUGUAY

**IN 1999, THE BANK APPROVED ONE LOAN AND ONE MIF FINANCING TO URUGUAY. ON A CUMULATIVE BASIS, THE BANK HAS MADE 102 LOANS TOTALING \$2,335 MILLION AND DISBURSEMENTS HAVE TOTALED \$1,792 MILLION.**

### **Integration of Irregular Settlements** *(\$77 million loan from the OC)*

This loan will improve the quality of life in low-income squatter settlements by financing neighborhood upgrading projects and a titling program for families to regularize the legal status of their properties.

Although Uruguay's social indicators are better than those of most countries in the region, the country continues to see a proliferation of irregular settlements in the outlying areas of Montevideo and other cities. These marginalized populations are generally made up of poor families without the means to acquire their own housing or pay rent, and with little access to government housing programs or social services.

This program will function as a nationwide funding mechanism for neighborhood improvement

projects, benefiting an estimated 10,000 families living in 100 irregular settlements. Infrastructure projects will include water supply and sewerage, roads, electricity, and environmental protection works. Technical and legal assistance will be provided for titling of properties. A community development component will finance construction of schools, health posts, daycare centers and recreational facilities, as well as provide health and social services for children, resettlement assistance, and vocational training.

The program will also examine policy reforms to resolve the problem of irregular settlements, including a review of municipal and central government urban development practices and the carrying out of feasibility studies on creation of a rent guarantee mechanism for low-income families.

### **Business Development Center** *(\$1.3 million MIF grant)*

This operation aims at enhancing the capacity of some 500 small businesses to access and efficiently use training and technical assistance services (non-financial services) designed to improve productivity and capacity for growth. Specifically, the project will help the firms assess their technical and managerial problems, assist them in engaging technical assistance services, share the cost of those services on a diminishing basis during the program and evaluate the results with the firms. The project will also stimulate cooperation among firms through the launching of a series of pilot programs in the areas of internationalization of firms, cluster development and strengthening of chains of production of small providers to big businesses. The project will also provide funds to develop and improve the local supply of training and technical assistance providers so that their services meet the needs of the small firms.

# V

## VENEZUELA

**IN 1999, THE BANK APPROVED ONE LOAN AND THREE MIF FINANCINGS TO VENEZUELA. ON A CUMULATIVE BASIS, THE BANK HAS MADE 74 LOANS TOTALING \$4,422 MILLION AND DISBURSEMENTS HAVE TOTALED \$2,762 MILLION.**

### **Second Science and Technology Program** *(\$100 million loan from the OC)*

This program will finance research and development projects that promote business innovation and improve the competitiveness of the country's main production sectors.

Venezuela stands out in the region for its ongoing efforts to develop research capacity, and for having an agency—the National Science and Technology Research Council (CONICIT)—that promotes these activities. Still, building capacity in science and technology is a long-term process that requires sustained support. The challenges of globalization require stepping up past efforts to incorporate scientific and technological know-how in order to boost productivity and diversify economic output.

Building on advances supported by a 1992 IDB loan to CONICIT, this program will promote the quality and relevancy of research projects, develop specialized human resources, enhance links between research and those who use it, and support innovation and technological development in the productive sectors.

Technical assistance, loans or grants will support some 300 research projects in public and private universities, institutes and research centers; postgraduate and postdoctoral studies for 850 research professionals; strengthening of scientific infrastructure in emerging academic institutions, technological centers and national laboratories; development by businesses of new products and processes; upgrades of technology and extension services; and development of social, environmental and regional research agendas.

### **Guyana Worker Retraining Program** *(\$1.5 million MIF grant)*

The objective of this project is to alleviate the impact on the region's economy and displaced workers of the restructuring and privatization of the Venezuelan Corporation of Guyana (CVG) and participating companies through greater absorption of workers in the labor market and to initiate an employment services program that meets the human resource development and employment needs of local industry. The focus of this project is on displaced workers engaged in iron, steel, aluminum, and carbon factories in Guyana. More than 9,000 workers may be displaced from the iron, steel, aluminum, and carbon factories, and some 4,000 will participate in this retraining and employment program.

### **Labor Market Modernization Program: Support for Instituto de Altos Estudios Sindicales (INAESIN)** *(\$824,000 grant from the MIF)*

The purpose of this project is to modernize labor relations in Venezuela by further developing the dialogue begun under the Tripartite Commission, expanding it and decentralizing it to the regional and local levels; and by upgrading the technical skills of union officials so they can deal successfully with the new conditions in the labor market. Resources will also fund the gathering, processing and dissemination of relevant data. The Venezuelan government has made reform of social security and the labor market a cornerstone of its policy on structural change. Consequently, the Bank has been preparing a program of social security and labor-market reforms aimed at helping the authorities establish a technical basis and a legal and regulatory framework for reforms in this area.

### **Commercial Arbitration and Mediation Center** *(\$729,000 grant from the MIF)*

The goal of this project is to provide institutional strengthening for the Arbitration Center of the Caracas Chamber of Commerce (CAC) and increase the demand for its services. Resources will fund a review of laws and regulations, including an examination of the applicable legal framework governing alternative-dispute-resolution mechanisms and submission to Congress of proposals for expanding its use. Other activities

include the institutional strengthening of the CAC in order to consolidate its operating capacity and provide logistical support to enable the center to provide high-quality alternative dispute resolution services, as well as training programs for arbitrators, mediators, and clerks of arbitration boards. Also, a promotional campaign and public awareness activities will be carried out to promote the demand for services from the business community as well as from the community at large.

## R REGIONAL

**IN 1999, THE BANK APPROVED TEN TECHNICAL COOPERATION OPERATIONS AND EIGHT MIF FINANCINGS TO THE REGION. ON A CUMULATIVE BASIS, THE BANK HAS MADE 59 REGIONAL LOANS TOTALING \$2,889 MILLION AND DISBURSEMENTS HAVE TOTALED \$1,981 MILLION.**

### **Agricultural Technology and Natural Resource Management**

*(\$3.4 million grant from the FSO)*

Agrifood production accounts for a quarter of Latin America's gross regional product and more than 40 percent of exports. Despite the sector's economic importance, however, regional investment in research and development of agricultural technologies is far lower than in many developed countries.

This program will support a more competitive agrifood sector and sustainable natural resource management by financing 12 technology development projects in genetic improvement, integrated pest management, fruit and vegetable production in agroindustrial systems, forest management, natural resource conservation, and agricultural policy design. Projects were selected on the basis of socioeconomic impact, technical merit, institutional capacity and environmental impact, in accordance with research priorities established by member countries of the Regional Fund for Agricultural Technology (FONTAGRO).

The projects will be carried out by regional research consortia made up of public and private organizations, as well as regional and international research centers.

### **Support for the Administrative Secretariat of the Free Trade Area of the Americas**

*(\$3 million TC grant from the FSO)*

These funds will be used to provide administrative and logistical support for negotiations for the Free Trade Area of the Americas (FTAA).

FTAA negotiations have been ongoing since 1994, when 34 countries of the Americas launched plans for a hemispheric free trade area by the year 2005. This operation will contribute to internal transparency of the negotiating process, help smaller economies that have less resources to meet their logistical needs, and strengthen the Bank's role as a facilitator in the regional economic integration process.

The program will establish a temporary Administrative Secretariat responsible for supporting an estimated 120 meetings over the next two years of the FTAA's nine negotiating groups, the consultative committee on smaller economies, and ad hoc committees on electronic commerce and civil society. Resources will be used to cover operating expenses, hire consultants and provide technical assistance for overall logistics, equipment, translation and interpretation, and publication and distribution of official documents.

### **Mundo Maya Sustainable Development Program**

*(\$1.4 million grant from JSF and FSO)*

The Mundo Maya project is an imaginative proposal designed to preserve the shared cultural, historical and environmental heritage of Belize, El Salvador, Guatemala, Honduras, and Mexico, and at the same time provide alternative sources of income for hundreds of low-income inhabitants of the region. The program — which includes the design of an investment plan in cultural and ecological tourism — will contribute to environmental and cultural-heritage preservation while at the same time ensuring the participation of the local Mayan communities.

The Swedish Trust Fund for Consulting Services is also contributing a \$145,000 grant and the Norwegian Trust Fund for Consulting Services is contributing a \$147,500 grant.

The Bank's strategy in Central America is primarily based on supporting social development, alleviating poverty, protecting the environment, promoting

macroeconomic stability, modernizing the State, and fostering economic integration. The Mundo Maya project reflects this strategy in that it is a program geared toward a regional approach to economic development and alleviation of poverty.

**Disaster Mitigation in Central America**  
(Grants of \$1.11 million from the Japan Special Fund and \$300,000 from the FSO, with cofinancing from the World Bank)

This program will improve the permanent technical and operational capacity of the six Central American countries to prevent or mitigate natural disasters such as hurricanes, earthquakes, drought, flooding, wildfires and landslides.

Although preparation of this program predates Hurricane Mitch, it will complement reconstruction efforts now underway by reducing the region's recurrent and long-term vulnerability to natural hazards. Central America's vulnerable populations, mountainous terrain, complex river basins and exposure to dangerous weather systems make it particularly prone to natural disasters. Seventy major disasters have been recorded on the isthmus over the past three decades.

This program will offer grants on a shared-cost basis to local public and private institutions to design and implement disaster prevention and mitigation projects. Projects will include risk and vulnerability assessments, development of structural and nonstructural mitigation measures, and strengthening of institutional capacity. To build local technical expertise in disaster management, the program will finance technical studies and workshops to develop new strategies and institutional arrangements. The program will work with key agencies such as national meteorological services, municipalities and NGOs to spearhead development of early warning systems and identify viable measures to mitigate disaster damage.

**Early Warning System to Ameliorate Socio-economic Effects of El Niño**  
(\$998,000 TC grant from the Japan Special Fund, with cofinancing from the WMO and NOAA)

This project will design a regional early warning system to better protect the region from the harmful socio-economic effects of *El Niño*, the periodic climatic

phenomenon that causes widespread damage throughout the Americas.

The 1997-98 *El Niño* event brought drought and forest fires to some countries and flooding to others, causing billions of dollars in damage in Latin America and the Caribbean. Early warning systems and improved utilization of these systems could have reduced these losses considerably.

Studies and technical cooperation provided through this program will evaluate the technical and institutional capacity of forecasting systems in the region and identify vulnerable economic sectors and population groups. Project proposals for improving the use of early warning systems for these sectors and groups will be based on evaluation of national observation and transmission networks and data reception, forecast models and software, human resources, institutional settings for disaster preparedness, and use of networks and systems to reduce socio-economic effects on most vulnerable groups. In addition to identifying ways to modernize national systems and methods, the program looks to encourage closer cooperation between national, regional and international climate and weather organizations. The project will be carried out by the World Meteorological Organization and the U.S. National Oceanic and Atmospheric Administration in cooperation with other international agencies.

**Strengthening Tax Administration Training Centers**  
(\$750,000 TC grant from the FSO)

Increasing public revenues through improved tax administration is important to support processes of economic reform and modernization of the state in Latin America. This program will strengthen tax administration systems by developing and implementing training methods to professionalize tax personnel throughout the region.

The operation builds on the success of the 1996 IDB technical cooperation that financed training for some 6,600 tax officials in 18 countries. The program will train trainers and develop and disseminate curriculum and methodological models for national tax administration training centers. The goal is to improve the efficiency of tax management by further developing human resources and by systematizing regional training approaches in order to take advantage of economies of scale.

Developing the training models will involve the design of planning strategies, organizational structures, budgeting processes, and policies and procedures to coordinate the activities of training organizations. Training in the new model will be carried out through workshops and seminars. The program will finance 36 technical and assessment missions to help tax administration systems implement the training models.

**Humanitarian Assistance Volunteer Training**  
*(\$750,000 grant from the FSO)*

This grant will help create and sustain a corps of volunteers who will offer humanitarian assistance in cases of natural disasters or other emergencies throughout the Latin American region. The initiative was included in the Plan of Action of the Summit of the Americas in 1994, which called on the IDB, the Organization of American States and the Pan American Health Organization to assist in organizing the corps. Bank resources will contribute to the institutional consolidation of the volunteer initiative at the regional and country levels, help establish the sustainability of the program, and finance specific projects. The initiative is expected to contribute significantly toward developing the region's institutional and human capacity for providing humanitarian assistance, including rehabilitation efforts following natural disasters. Consolidation of the initiative is expected to make possible rapid responses and training for volunteers at the national and regional levels to assist affected populations, especially low-income groups.

**Decentralization and Effective Citizen Participation**  
*(\$605,000 grant from the Japanese Trust Fund)*

In order for decentralization to foster social development, local communities need to show a process of increased organization and citizen participation. This project will study and document some cases of the links between decentralization and increased civic participation across different government levels, sectors and issue areas. One of the objectives of decentralization is to bring government closer to constituents so that it will be more responsive to their needs. But this process is not automatic. This project will produce six case studies from Bolivia, Costa Rica, Guatemala, Jamaica, Nicaragua, and Peru that illustrate the conditions under

which civil society has been able to successfully organize and improve community effectiveness and equity in decentralized settings.

**Social Political Dialogue Phase III**  
*(\$580,000 grant from the Danish Special Fund)*

The grant will support the design and execution of social reforms by fostering an informed dialogue and consensus among the public sector, the private sector, and civil society in various countries of the region. The dialogue will focus on social reform and the promotion of consensus in order to advance the design and execution of social reforms. Components include project coordination, dialogue initiation in three countries, and monitoring of dialogue in four additional countries. Countries participating in the project include Bolivia, Costa Rica, Ecuador, Honduras, El Salvador, and Nicaragua. A seminar on negotiating techniques will also be offered, at Bank headquarters in Washington, DC.

**Virtual Science-Mathematics Education Network**  
*(\$500,000 grant from the FSO)*

This grant will help ensure the success of the multinational initiative "International Virtual Education Network" (IVEN). IVEN's goal is to improve the quality and effectiveness of the teaching of science and mathematics in pilot secondary schools. The approach is multi-media and web-based, and eventually the goal is to disseminate the use of IVEN throughout the region. Specifically, the grant will catalyze the resource mobilization process, ensure adequate international coordination of the IVEN initiative, define the mechanisms for setting up country and international secretariats, and design follow-up material for dissemination activities. Initially, the countries that will participate in the project are Brazil, Colombia, Venezuela, Panama and Peru.

**Caribbean Basin Investment Fund**  
*(\$10 million MIF equity investment)*

This fund represents a new approach to channeling equity funds to small businesses. MIF created a special facility housed within the larger, commercially oriented Caribbean Investment Fund. This special facility will

promote equity and equity-related investments in small private companies located in the Caribbean. This model will enable large investors, such as pension funds, to make small-business investments in which they otherwise would not be able to participate. It offers a workable model to encourage commercial fund managers who are presently not serving small business to also consider making these smaller investments. Bringing small business investments under the umbrella of a much larger fund has succeeded in attracting not only other development agency capital, but is also pulling in major institutional and corporate investors. MIF's participation was the key catalyst in this process. The MIF has also greatly benefited from the role of the IIC, which invested in the overall fund. MIF's investment of \$10 million will be matched by investors in the overall fund to create a small-business facility of \$20 million.

#### **The Central America Small Enterprise Investment Fund**

*(\$7.6 million MIF equity investment)*

This project is an investment fund for financing small businesses in Central America, co-financed with Norfund, a Norwegian government development finance organization. Together, MIF and Norfund structured the proposal and selected the fund manager group. The project will support up to 20 growing businesses that are changing in response to the opportunities opening up in the region, due to the reform processes underway.

#### **Tiona Investment Fund**

*(\$5.2 million MIF equity investment)*

This equity investment fund targets sixteen Caribbean countries. The Commonwealth Development Fund (CDC), MIF and the Caribbean Development Bank are its largest investors, joined by the European Investment Bank (EIB) and several regional commercial banks. CDC is also the manager of the fund, having been active as a financial institution in the region for several decades. The investment process of the Fund involves both local and regional advisory groups that will ensure significant local participation. The fund has agreed that at least twice the MIF investment will be in the SME sector as defined by the MIF.

#### **Human Resources in the Agricultural Sector in Mercosur**

*(\$3.8 million MIF grant)*

This project will modernize human resource training in the agricultural sector of Mercosur based on sustainability and preservation of the environment. The training will be given to young agricultural technicians in Mercosur member countries who come from or intend to work on small farms. Training will foster capacities and competence for the establishment and/or management of micro or small-agroindustrial enterprises; the identification of market niches, especially with a view to the new demand for organic farm products; and the accessing of information on technology, marketing, and credit needed to expand a small agricultural enterprise, including information on technology, marketing, and credit.

#### **University Network for Infrastructure Privatization, Finance and Regulation**

*(\$2.8 million MIF grant)*

This program builds regional training capacity in infrastructure privatization, regulation and finance in order to create synergy among the universities in the region for strengthening their relevant expertise. Specific objectives are to increase training in regulation and financing of infrastructure services throughout Latin America and the Caribbean, to improve the supply of training materials/case studies and instructors in targeted areas, and to develop and support a network of institutions in the region capable of delivering quality training in these areas. Universities from the region will be invited to submit detailed project proposals, through a competitive bidding process, that would define how they would develop courses consistent with their institution's client base, implement regulations, manage public-private partnerships, and define strategies for concessions. Five universities from the region will receive funding for demonstration projects.

#### **Capacity Building for Small and Medium Enterprises in El Salvador, Guatemala and Panama**

*(\$1.8 million MIF grant)*

This project creates sustainable capacity to promote entrepreneurship in El Salvador, Guatemala and

Panama, strengthening the entrepreneurial spirit and formal-sector business initiatives. The project is expected to contribute to job creation and economic development. The project will support introduction of the entrepreneurial methodology developed by the United Nations Conference on Trade and Development (UNCTAD) in its Empretec program, which is based on changes in behavior and attitudes. The specific objectives are to create operating structures in each country that successfully apply behavioral methodologies to develop entrepreneurship, and to build up the capacity of new and existing entrepreneurs and other institutions exposed to modernization processes to undertake new business ventures.

#### **Marketing Program for Small Coffee Growers in Central America**

*(\$1.6 million MIF grant)*

This project will improve the productivity and competitiveness of small-scale coffee producers in El Salvador, Honduras and Nicaragua through helping them integrate vertically in processing and marketing, the two most profitable stages in the value chain. The project consists of a three-year pilot program to provide technical and managerial assistance to small-scale coffee cooperatives or producers' organizations. The main goals are to improve the business skills of cooperatives, provide technical assistance and training for small-scale producers so that they can effectively manage their processing plants and use effective quality-control mechanisms, transfer environmentally-sound technologies using cost-effective water treatment and recycling processing residues, and develop commercialization capability to give access to new international markets with emphasis on organic and other specialty gourmet coffees.

#### **Electronic Marketing of Handicrafts** *(\$604,000 grant from the MIF)*

The purpose of this grant is to promote the export competitiveness of small-scale handicraft producers' organizations in Central America, Mexico and the Caribbean. The project will operate in the framework of equitable commerce by using innovative electronic-marketing instruments so that the organizations can optimize their trade relations and diversify their existing customer base toward the conventional market. An ongoing market-information management capacity will be put into place using the electronic data-exchange system. The capacity of producers' organizations will be strengthened in the areas of planning, marketing and management. And new products will be developed in accordance with customer specifications and market trends. Through the executing agency *Asociación para la Promoción del Comercio Equitativo de Centroamérica, México y el Caribe* (CRECER, or the Association to Promote Equitable Trade in Central America, Mexico and the Caribbean), the project will help the producers' organizations receive technology transfer, develop marketing and business-management skills, and create new designs and products.