

LATIN AMERICA AND THE CARIBBEAN

Having successfully contained the financial repercussions of the 1994–95 Mexican peso crisis, the Latin America and Caribbean (LAC) region still faces continuing development challenges, including serious poverty, inequality, and unemployment. To help its clients meet those challenges, the World Bank Group especially focused on supporting national and regional economic reform efforts, financial sector restructuring, and human development through lending and nonlending instruments and through stronger partnerships. To help improve the effectiveness of its own operations, the regional office began a broad-ranging modernization effort geared to helping staff work more closely with clients, more quickly react to requests for assistance, and enhance technical skills.

Stronger growth in Latin America in 1996 reflected resumed positive growth in Mexico and Argentina (at 5.1 percent and 4.4 percent, respectively). Both countries managed to rebound from the 1994–95 crisis with restored growth and access to international capital. Uruguay also enjoyed growth of 4.9 percent after a decline the previous year. This reflected strong policy responses as well as strengthened economic fundamentals resulting from earlier reforms. In Chile, one of the earliest and most consistent reformers in the region, growth performance remained strong at 7.1 percent, but in many other countries, including Brazil, the region's biggest economy, growth slowed

(see figure 3-8). Inflation continued to decline while net long-term private capital flows gained ground, with an estimated \$74 billion of investments, of which \$26 billion was in the form of foreign direct investment.

In the Caribbean, 1996 saw newly elected governments in the Dominican Republic, Haiti, and Suriname. The Dominican Republic and Guyana began to recover from recession and grew at more than 5 percent, but in Haiti and Jamaica, which still await the dividends from politically difficult reform programs, growth was close to zero. Stronger links to the North American Free Trade Agreement (NAFTA) and other regional trade groups, which will substitute for preferential trade programs, have not yet materialized. Prices for Caribbean bananas, which are a major merchandise export for several countries, have eroded significantly under evolving rules for preferential access to the European Union (EU).

With the exception of Bolivia, economic growth in the Andean countries was sluggish. The poorest performer was Venezuela where, in response to a combined economic and financial crisis, GDP declined by 1.6 percent and inflation topped 100 percent; in early 1997, however, stronger oil prices contributed to an incipient recovery in growth. Bolivia's sound macroeconomic management and accelerated structural reforms led to real GDP growth of about 4 percent.

Peru's tight fiscal policy resulted in a sharp slowdown in growth from the previous year.

With the exception of 1995, GDP growth in the typical Latin American country this decade has ranged between 3 percent and 4 percent per year—insufficient to permit sustained progress on poverty reduction. About a quarter of the region's people live on less than a dollar a day. To overcome this magnitude of poverty and achieve sustainable development, governments must consolidate stabilization; achieve higher and less volatile growth; ensure that growth is environmentally, economically, and socially sustainable; and more effectively involve the poor in the growth process.

Analysis undertaken within the World Bank and elsewhere suggests that LAC countries that have undertaken serious reform have enjoyed an average 2 percent higher per capita income growth in the 1990s than those that have not. It is encouraging, therefore, that over the last year, a number of countries, including Argentina, Brazil, El Salvador, Mexico, and Peru, have shown deep commitment to reform.

To achieve higher, less volatile growth, governments must preserve the earlier gains made on price stability, fiscal balance, and trade openness. In addition, they need to pay attention to five critical policy areas:

- improving human and social development;

- strengthening public finances;
- reforming and strengthening financial markets;
- improving legal and regulatory environments to promote private sector activity
- reforming the public sector and improving governance.

It is against this backdrop that the Bank's assistance strategy for fiscal 1997 was set.

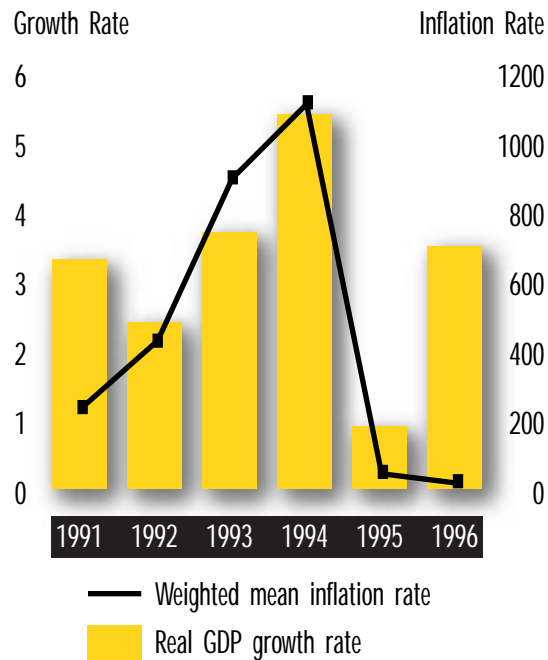
World Bank loans and International Development Association (IDA) credits approved by the executive directors in fiscal 1997 totaled \$4,562 million—compared to \$4,437 million in fiscal 1996. Table 3-13 shows the sectoral distribution of lending to the region for the 1988–97 period. Table 3-14 compares commitments, disbursements and net transfers to the region for fiscal years 1992–97, and table 3-15 shows operations in the LAC region approved by the Executive Board during fiscal 1997 by country. Fifty-two operations were approved, compared to fifty-four in fiscal 1996. In addition to Bank and IDA operations, the Bank's private sector affiliate, the International Finance Corporation (IFC), invested in fifty-seven operations during the year for a total of \$2,762 million, compared to the sixty-eight investments totaling \$3,628 million in fiscal 1996. The Multilateral Investment Guarantee Agency (MIGA) issued twenty-six guarantee contracts in nine countries in the region for about \$365 million in coverage. These guarantees facilitated investments in the financial, manufacturing, mining, telecommunications and tourism sectors.

Improving human and social development

Attention to the region's human and social development has increased in recent years, partly because the dividends from an outward-oriented development strategy depend increasingly on the quality of human resources but also because unequal access to education and health services is a powerful determinant of inequality and poverty.

Surveys indicate the quality of education in LAC is low at all levels; there is also a high degree of inequality of educational opportunity in terms of both access and quality. In addition, the region's middle-income countries, such as

FIGURE 3-8
Latin America and Caribbean GDP Growth Rate and Inflation Rate, Fiscal 1991–96
(percent)

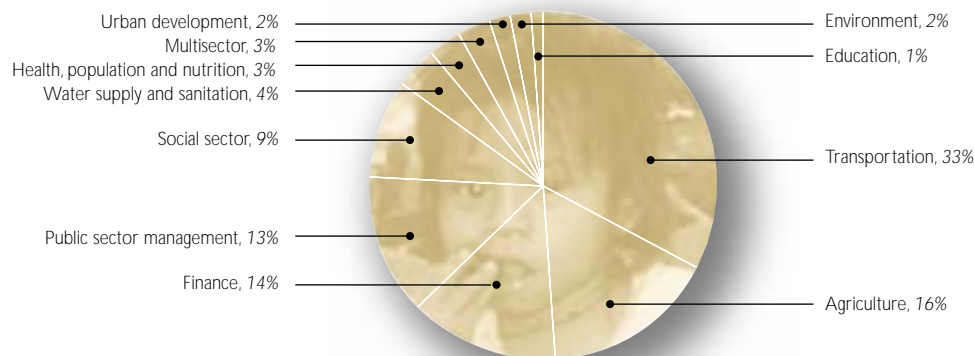


Source: World Bank and IMF.

Brazil, are confronting some of the same difficult issues facing the countries of the Organisation for Economic Co-operation and Development (OECD), including managing the school-to-work transition, keeping up with changing technology, and improving school management. The Bank is supporting improvements in the quality and accessibility of education.

About 100 million people in the region do not have regular access to a formal health care system. The Bank is helping strengthen health care delivery systems so they can provide cost-effective, efficient, and quality preventive and curative health services and is helping ensure that health services are financially sustainable. A new role for the Bank is helping governments to redefine their role in the sector—that is, to diminish the role of providing direct services while creating a “friendly environment” for nongovernmental involvement and increased competition among service providers.

FIGURE 3-9 Latin America and the Caribbean: IBRD and IDA Commitments by Sector, Fiscal Year 1997



Strengthening public finances

Fiscal strength and stability are more important today than ever before because economies are more open and are increasingly dependent on market-driven, private capital flows. Well-managed public finances also facilitate increased domestic savings and allow governments to invest in those elements of infrastructure and human development in which the private sector will not.

Colombia has recently established stabilization arrangements to smooth the impact of oil-related financial flows on public finances and the domestic economy. The Bank has encouraged Ecuador and Venezuela to consider such schemes and has discussed them with Suriname and Trinidad and Tobago. In Guatemala the Bank undertook a public investment review in close collaboration with the government; the Bank is also playing a central role in supporting implementation of the country's peace accords (see box 3-5).

Fiscal imbalances at the provincial or state levels can quickly spread to the national level. This often occurs through loans made by public banks to insolvent local entities or through bonds issued by these entities, which the national treasury is later forced to redeem. Where subnational governments have been interested in reform, such as in some Brazilian states and Argentine provinces, the World Bank (often in collaboration with the Inter-American Development Bank—IDB) has helped to design programs

to manage revenue and expenditure better, privatize public enterprises, reform the civil service, and reorganize debt obligations.

To cushion the impact of cutbacks in the public sector in the Argentine provinces of Cordoba and Tucuman, the Bank and IFC joined forces to help create an environment conducive to private sector development. Following up on a joint IFC-Bank study of the Tucuman Province, IFC is providing a \$30 million credit line to Banco Roberts for onlending to companies in the northern provinces of Argentina. In addition, IFC is providing a \$10 million subordinated convertible loan to Banco del Suquia to enable this regional bank to further develop its business in Cordoba and surrounding provinces. And in Mexico, following joint IDB, IFC, and World Bank analysis of the southern states, the IFC created the Fondo Chiapas to provide risk capital to support small and medium-size enterprises.

Reforming social security systems helps countries maintain long-term fiscal sustainability. Increased reliance on private funding of social security reduces governments' long-term liabilities, while a strong fiscal position facilitates the transition to private management. In fiscal 1997 the Bank supported Mexican social security reform; aided Peru in undertaking initial reforms of its system; and helped the Argentine authorities transfer provincial social security obligations to a national system.

Reforming financial markets

The legacy of recent years has made Latin American countries only too aware of the importance of sound financial markets—not only for maintaining economic stability and efficient resource allocation but also for attracting and managing cross-border capital flows. Macroeconomic instability weakens financial systems, particularly banking systems, especially where supervision and regulation are poor. Since weak banking systems in turn make economies vulnerable to shocks, it is important to address these vulnerabilities quickly.

Argentina, Mexico, and Venezuela were among countries facing such difficulties in 1995 and 1996. The Bank, together with the IDB, helped the Argentine and Mexican governments address weaknesses and restore confidence in their financial systems. In Argentina, the ongoing Provincial Bank Privatization Loan and the Banking Sector Reform Loan helped consolidate the banking system, with fourteen provincial bank privatizations completed or under way and seventeen private bank consolidation transactions concluded. In Mexico an earlier loan to restructure the financial system was fully disbursed in fiscal 1997, and Bank support continued through ongoing technical assistance

TABLE 3-13. LENDING TO BORROWERS IN LATIN AMERICA AND THE CARIBBEAN, BY SECTOR, FISCAL YEARS 1988–97

(millions of us dollars)

Sector	Annual average, FY88–92	FY93	FY94	FY95	FY96	FY97
Agriculture	759.5	390.0	363.9	440.3	226.3	730.6
Education	289.7	548.7	1,083.3	747.1	493.1	61.5
Electric power	419.8	345.1	—	161.5	465.4	—
Environment	149.8	16.3	501.0	103.9	301.5	86.5
Finance	515.8	525.0	604.5	1,909.5	11.9	630.2
Health, population and nutrition	182.0	329.0	331.0	94.6	1,086.4	136.8
Industry	565.9	—	—	—	8.0	—
Mining	50.0	250.0	14.0	—	41.0	—
Multisector	937.0	918.1	122.2	328.6	110.9	132.1
Oil and gas	86.5	11.8	—	11.0	10.6	—
Public sector management	292.2	443.0	58.3	596.4	666.4	584.0
Social sector	19.8	85.0	130.0	500.0	262.0	405.0
Telecommunications	13.4	—	—	—	—	—
Transportation	515.8	1,697.5	595.0	371.0	530.0	1,496.0
Urban development	535.1	170.0	422.0	575.0	20.0	100.0
Water supply and sanitation	261.5	439.0	521.5	221.5	204.0	200.0
Total	5,593.8	6,168.5	4,746.7	6,060.4	4,437.5	4,562.7
Of which: IBRD	5,381.2	5,851.8	4,434.5	5,715.2	4,047.2	4,437.5
IDA	212.6	316.7	312.2	345.2	390.3	125.2

NOTE: Details may not add to totals because of rounding.

— Zero.

for establishing an incentive framework for financial intermediaries, strengthening banking supervision and regulation, and improving legal and regulatory infrastructure for credit and capital market transactions.

Improving the legal and regulatory environment

To facilitate private sector development, as well as to safeguard consumer interests, the Bank is helping several countries establish clear, impartial legal and regulatory environments with predictable enforcement. It is helping Guatemala prepare selected infrastructure sectors for privatization and concessioning through a technical assistance project that includes support to prepare legislation and strengthen regulatory agencies. A technical assistance loan to Colombia is also supporting regulatory reform. El Salvador's overall competitive posture is being revised through the ongoing Competitiveness Enhancement Technical Assistance Project, and during the 1996 Annual Meetings a special country seminar on El Salvador's competitiveness program was widely attended by potential investors. The IFC is also playing a key role in supporting the competitiveness program through its Extended Reach Initiative program.

IFC's field presence in the country is forging deeper links with private firms, and a separate financing facility, the Small Enterprise Fund, has been established. The competitiveness strategy is also being supported by the Foreign Investment Advisory Service (FIAS) and MIGA through investment promotion and information dissemination services. FIAS is also a partner in the Bank-financed Trinidad and Tobago Business Expansion and Industrial Restructuring Project, where it is providing advice on investment regime reforms. In Brazil the Bank undertook a study of the elements of "Custo Brazil," the various financial, regulatory, and infrastructure costs that have impaired Brazilian producers' competitiveness.

Governance and public sector modernization

To be sustainable, reforms depend on efficient, modern states, professionally staffed and focused on policy formulation and evaluation. A large Bank program is helping to sustain reforms through modernizing public sectors and improving governance. In fiscal 1997, eight loans totaling \$600 million supported public sector management and modernization (including three loans totaling \$420 million to support pension reform); these included loans to El Salvador,

TABLE 3-14. WORLD BANK COMMITMENTS, DISBURSEMENTS, AND NET TRANSFERS IN LATIN AMERICA AND THE CARIBBEAN, FISCAL YEARS 1992-97

(millions of US dollars)

Item	Argentina			Brazil			Mexico			Total region		
	start 1997	1997	1992-97 ^a	start 1997	1997	1992-97 ^a	start 1997	1997	1992-97 ^a	start 1997	1997	1992-97 ^a
Undisbursed commitments	3,152			4,236			3,893			17,431		
Commitments Gross		1,480	7,355		993	5,173		960	8,047		4,563	31,637
disbursements		1,127	4,795		1,560	5,133		943	7,246		5,018	25,692
Repayments		295	2,003		1,099	7,575		1,363	7,018		4,193	26,692
Net disbursements		831	2,793		461	-2,442		-421	228		825	-1,000
Interest and charges		326	1,635		351	3,114		803	5,404		2,198	16,235
Net transfer		505	1,158		110	-5,556		-1,224	-5,176		-1,373	-17,235

NOTE: The countries shown in the table are those with the largest borrowings of Bank funds during fiscal 1996-97. Details may not add to totals because of rounding.

a. Disbursements from the IDA Special Fund are included through fiscal 1996.

BOX 3-5. SUPPORTING PEACE IN GUATEMALA

The final peace accord signed in Guatemala on December 29, 1996, saw all of Central America finally free of civil strife and under democratically elected governments. The region's priority battle now is against poverty, which affects about half the population. Bank strategies focus on improving social infrastructure and services by modernizing the public sector; promoting increased reliance on community-based project management; strengthening basic education; removing constraints to rural growth, such as restricted access to small-scale credit; and continuing structural reforms to enhance competitiveness. The Central America Department was established by the Bank early in fiscal 1997 to support this important agenda; and to maintain a strong working transition to sustained peace, a resident mission has been established in Guatemala City.

Guatemala's poor are overwhelmingly indigenous people, those living in rural areas, and women. The peace accord recognized this and committed the government to rapidly improve poor people's access to

social services and community infrastructure while recognizing and nurturing the nation's linguistic, ethnic, and cultural diversity. To ensure commitments are met efficiently, the accord stressed the need for greater consultation with communities and NGOs as well as including them in the implementation of new programs. To facilitate this, a meeting was held with 200 Mayan elders from twenty-one groups, Xinka people, and Bank staff in December 1996.

While the Bank is supporting many of Guatemala's programs, the government also needs to collect greater revenues to finance the peace program. At less than 8 percent of GDP, revenue collection is historically among the lowest in Latin America. A Bank loan to support the government's tax and customs law reform is under preparation. It will make tax evasion a criminal offense and set up a modern tax administration. These important initiatives, which will provide funding for the social commitments of the peace accord, are also part of the government's bold anticorruption initiative.

Honduras, and Jamaica. In addition, two loans to Brazil are supporting reform at the state level. The Colombian national evaluation system for assessing public sector performance was reviewed, drawing on New Zealand and Australia's experience of civil service reform. An important goal for countries modernizing their public sectors is reducing opportunities for corruption. Many of the market-oriented reforms undertaken over the last decade have reduced the scope for discretionary economic action and therefore for corruption. Though not containing explicit anticorruption objectives, nearly all of the Bank-financed public sector reform loans in fiscal 1997 contain anticorruption objectives. An Economic Development Institute (EDI) seminar on governance and public sector management in El Salvador focused on methods of improving service delivery, increasing accountability and transparency, and promoting more regular communication between governments and stakeholders.

Improving operations

A major focus in fiscal 1997 was to improve the quality and effectiveness of Bank operations through greater attention to portfolio management and encouraging greater participation in, and sharpening client focus on, new projects.

Portfolio management. Improving portfolio performance remains a major priority in the LAC region. Issues that negatively affect project implementation include lack of availability of counterpart funds; weak project management; delays in procurement for procedural reasons; slow legislative action; and difficulties in adapting project designs to reflect decentralized powers in federal systems. To address these weaknesses, an increased share of the Bank's administrative budget is being allocated to portfolio management, while resident missions are playing an increasing role and discussions of portfolio issues are taking place at a senior level.

In some cases, joint Bank-government commissions have been set up to address portfolio issues. In Brazil, an open and intense process led to an historic opportunity to effect portfolio-wide change. The final report of the respective

TABLE 3-15. OPERATIONS APPROVED DURING FISCAL YEAR 1997,
LATIN AMERICA AND THE CARIBBEAN

Country/project name	Date of Approval	Maturities	Principal amount (millions)	
			SDR	US\$
Argentina				
Second Social Protection Project	Jun 20, 1997	2003/2012	n.a.	200.00
AIDS and Sexually Transmitted Diseases Control Project	May 22, 1997	2002/2012	n.a.	15.00
Buenos Aires Urban Transport Project	May 15, 1997	2002/2012	n.a.	200.00
Second Maternal and Child Health and Nutrition Project	May 15, 1997	2003/2012	n.a.	100.00
Provincial Agricultural Development Project	Apr 22, 1997	2002/2012	n.a.	125.00
National Pension Administration Technical Assistance Project	Jan 21, 1997	2002/2012	n.a.	20.00
Provincial Pension Reform Adjustment Loan	Dec 11, 1996	2002/2012	n.a.	300.00
Flood Protection Project	Dec 11, 1996	2002/2012	n.a.	200.00
Provincial Roads Project	Sep 12, 1996	2002/2011	n.a.	300.00
Native Forests and Protected Areas Project	Sep 5, 1996	2002/2011	n.a.	19.50
Belize				
Social Investment Fund Project	Mar 18, 1997	2002/2014	n.a.	7.00
Bolivia				
Capitalization Program Adjustment Credit	Nov 14, 1996	2005/2035	3.80	5.40
Brazil				
Federal Highway Rehabilitation and Decentralization Project	Jun 12, 1997	2002/2012	n.a.	300.00
Mato Grosso State Privatization Project	Jun 12, 1997	2001/2012	n.a.	45.00
Water Resources Management Pilot Project—State of Ceara	Jun 12, 1997	2001/2012	n.a.	9.60
Agricultural Technology Development Project	May 22, 1997	2002/2012	n.a.	60.00
Rio Grande do Sul State Highway Management Project	May 15, 1997	2001/2012	n.a.	70.00
Land Reform and Poverty Alleviation Pilot Project	Apr 22, 1997	2000/2012	n.a.	90.00
Natural Resources Management and Rural Poverty Alleviation Project	Apr 22, 1997	2000/2012	n.a.	100.00
Rio Grande do Sul State Reform Project	Mar 4, 1997	2000/2012	n.a.	125.00
Bahia Municipal Infrastructure Development and Management Project	Mar 4, 1997	2000/2012	n.a.	100.00
Northeast Rural Poverty Alleviation Project—Rio Grande do Norte	Dec 12, 1996	2002/2011	n.a.	24.00
Northeast Rural Poverty Alleviation Project—Piaui	Dec 12, 1996	2002/2011	n.a.	30.00
Northeast Rural Poverty Alleviation Project—Pernambuco	Dec 12, 1996	2002/2011	n.a.	39.00
Colombia				
Financial Markets Development Project	Jun 20, 1997	2001/2012	n.a.	15.00
Regulatory Reform Technical Assistance Project	Feb 25, 1997	2000/2012	n.a.	12.50
Dominican Republic				
National Highway Project	Dec 19, 1996	2000/2012	n.a.	75.00
Ecuador				
Agricultural Research Project	Jul 25, 1996	2003/2017	n.a.	21.00
Judicial Reform Project	Jul 18, 1996	2002/2016	n.a.	10.70
El Salvador				
Public Sector Modernization Technical Assistance Loan	Sep 3, 1996	2002/2013	n.a.	24.00

commission emphasizes the need for more efficient procedures, stronger dialogue on country assistance strategy, and new forms of assistance to meet the needs of a changed environment. The report recommends dividing projects into successive multistage phases; preparing “enve-

lope programs” in which a framework for assistance is approved and in which several projects are developed to suit different state borrowers; decentralizing project implementation in line with location advantage; and simplifying both Bank and borrower procedures.

Country/project name	Date of Approval	Maturities	Principal amount (millions)	
			SDR	US\$
Guatemala				
Basic Education Reform Project	May 20, 1997	2001/2012	n.a.	33.00
Private Participation in Infrastructure Technical Assistance Loan	Apr 22, 1997	2000/2012	n.a.	13.00
Guyana				
Private Sector Development Adjustment Credit	Nov 14, 1996	2005/2035	1.50	2.20
Haiti				
Second Technical Assistance Project	Sep 17, 1996	2006/2036	8.30	12.00
Forest and Parks Protection Technical Assistance Project	Sep 17, 1996	2007/2036	15.00	21.50
Honduras				
Rural Land Management Project	Mar 20, 1997	2007/2037	23.50	34.00
Public Sector Modernization Structural Adjustment Credit	Nov 14, 1996	2006/2035	14.00	20.10
Jamaica				
Social Investment Fund Project	Sep 5, 1996	2002/2013	n.a.	20.00
Public Sector Modernization Project	Sep 3, 1996	2002/2013	n.a.	28.40
Student Loan Project	Jul 25, 1996	2002/2013	n.a.	28.50
Mexico				
Federal Roads Modernization Project	Jun 25, 1997	2002/2012	n.a.	475.00
Aquaculture Development Project	May 1, 1997	2001/2012	n.a.	40.00
Community Forestry Project	Feb 18, 1997	2002/2012	n.a.	15.00
Contractual Savings Development Program	Dec 17, 1996	2000/2008	n.a.	400.00
Rural Finance Technical Assistance and Pilot Project	Oct 10, 1996	2000/2012	n.a.	30.00
Nicaragua				
Rural Municipalities Project	Sep 12, 1996	2006/2036	20.90	30.00
Panama				
Social Investment Fund Project	Jun 17, 1997	2003/2014	n.a.	28.00
Rural Poverty and Natural Resources Project	May 8, 1997	2002/2014	n.a.	22.50
Paraguay				
Maternal Health and Child Development Project	Sep 5, 1996	2000/2011	n.a.	10.90
Maternal Health and Child Development Project	Sep 5, 1996	2000/2013	n.a.	10.90
Peru				
Debt and Debt Service Reduction Loan	Feb 11, 1997	2002/2014	n.a.	183.00
Pension Reform Adjustment Loan	Feb 11, 1997	2002/2014	n.a.	100.00
Sierra Natural Resources Management and Poverty Alleviation Project	Jan 16, 1997	2001/2014	n.a.	51.00
Irrigation Subsector Project	Jul 25, 1996	2001/2013	n.a.	85.00
Second Social Development and Compensation Fund Project	Jul 16, 1996	2002/2013	n.a.	150.00
Uruguay				
Forest Products Transport Project	Jun 25, 1997	2002/2012	n.a.	76.00
Total			87.00	4,562.70

n.a. = not applicable (IBRD loan).

Greater participation. Facilitating greater participation in projects is one of the Bank's guiding principles. The LAC region's resident missions in Argentina, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Jamaica, Mexico, Peru, and Venezuela have NGO coordinators on staff

whose roles are to ensure that local and community concerns are incorporated into programs and projects. In Central America and the Andean countries, where indigenous peoples represent significant percentages of the population, the Bank has extended Institutional



The Bank is supporting implementation of Guatemala's peace accords.

Development Fund grants to help eleven indigenous NGOs in nine countries strengthen their capacity to define their own development needs.

Partnerships. To take advantage of the special skills and expertise of others, the Bank began working with the IDB and the Pan American Health Organization (PAHO) on a pilot program to address serious emerging issues related to rapid urbanization—problems of at-risk youth, urban poverty, and crime and violence. These concerns also were discussed at length at the second Annual Bank Conference for Development Economics for Latin America and the Caribbean.⁸ EDI was a partner in organizing this conference, which brought together policymakers, private sector participants, and leading academics to focus on international economic integration and commerce.

Another partnership is helping secure better, more accurate statistics crucial to improving the

design and monitoring of poverty reduction programs. The Bank joined forces with the IDB and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) in a multiyear regional and country program to help national statistical offices improve the collection and interpretation of national living-condition surveys. The first four countries to participate in this project are Argentina, El Salvador, Paraguay, and Peru; additional countries under consideration are the Dominican Republic and Haiti.

An innovative environment project that supports the Mesoamerican Biological Corridor exemplifies the strength of working with partners. Here the Bank and the Global Environment Facility (GEF) are working to help conserve Central

8. Jointly sponsored with the government of Colombia and the University of the Andes and held in Bogota in July 1996.

America's biodiversity through projects in Honduras, Nicaragua, and Panama. They are also contributing to a joint initiative of the seven countries in Central America to ensure that a mosaic of natural habitats extending from southern Mexico to Colombia is conserved and that the critical natural link between the continental masses of North America and South America is maintained. This biological link is important to sustain not only Central America's biological processes but also those of North and South America.

Increasing client focus. Consistent with the Bankwide renewal effort, the Latin America and Caribbean regional office is improving its business processes to focus more closely on client needs, strengthen accountability and delegation, improve cost effectiveness, simplify procedures, and enhance professional standards. A range of alternative models was tested and evaluated, based on which an overall design for regionwide renewal was prepared. Consequently, country assistance strategy and client relationships will, as of July 1, 1997, be managed by seven country-management units, which in turn will contract with four regionwide sector departments to deliver most operational products. The Mexico country-management unit is already managed from the field, and others are also expected to be devolved.