



Latin America and the Caribbean grew 5.4 percent in 2006, continuing the trend of the past three years, which have seen the highest growth rates since the late 1970s. This recovery has been accompanied by strong job creation, and most countries are taking advantage of the good times to reduce macroeconomic vulnerabilities. Growth of 4.7 percent is expected in 2007 as a result of an anticipated slowdown in the global economy and a likely decline in the price of some commodities. There is cautious optimism about longer-term growth prospects.

The region continues to struggle with the challenge of ensuring both that growth accelerates and that its benefits reach the poorest citizens. Inequality in this mainly middle-income region is among the highest in the world, with the richest 10 percent of the population holding 41 percent of total income and the poorest 10 percent owning just 1 percent. Poverty reduction has stagnated, with 47 million people in the region—more than 8 percent of the population—still living in extreme poverty.

World Bank financing for Latin America and the Caribbean reached \$4.6 billion in fiscal 2007. It consisted of \$4.4 billion

in IBRD lending, \$132 million in IDA credits, and \$68 million in IDA grants. Argentina, Brazil, Colombia, and Peru were the largest borrowers, receiving Bank lending of \$3.6 billion for 26 projects in areas such as public health, infrastructure, education, and rural development. Haiti reached the decision point of the enhanced Heavily Indebted Poor Countries Initiative in fiscal 2007, thereby qualifying for about \$212.9 million in debt relief (see “Debt Relief,” chapter 3).

### TAILORING ASSISTANCE TO THE REGION'S DIVERSE NEEDS

The World Bank has adapted its regional strategy to meet the increasingly diverse and sophisticated needs of its partner countries in Latin America and the Caribbean. For middle-income countries, the Bank offers an integrated package of services, including analysis and advice, country dialogue, financing, and implementation support. For IDA countries, the Bank provides concessional financing, donor coordination, and specialized support for fragile states.

In Mexico, in response to a shift in demand, the Bank adjusted its partnership strategy from provision of traditional lending services to provision of nonlending products such as

### LATIN AMERICA AND THE CARIBBEAN FAST FACTS

Total population:	0.6 billion
Population growth:	1.3%
Life expectancy at birth:	72 years
Infant mortality per 1,000 births:	26
Female youth literacy:	96%
2006 GNI per capita:	\$4,767
Number of people living with HIV/AIDS:	1.9 million

### TOTAL FISCAL 2007

<b>New Commitments</b>
IBRD \$4,353 million
IDA \$200 million

### TOTAL FISCAL 2007

<b>Disbursements</b>
IBRD \$3,525 million
IDA \$158 million

Portfolio of projects under implementation as of June 30, 2007: \$16.8 billion

**Note:** Life expectancy at birth, infant mortality rate per 1,000 live births, and female youth literacy are for 2005; HIV/AIDS data are from the May UNAIDS 2006 Report on the Global AIDS Epidemic; other indicators are for 2006 from the World Development Indicators Database.

## COUNTRIES ELIGIBLE FOR WORLD BANK BORROWING

Antigua and Barbuda	Colombia	Grenada	Mexico	St. Lucia	Venezuela, República Bolivariana de
Argentina	Costa Rica	Guatemala	Nicaragua	St. Vincent and the Grenadines	
Belize	Dominica	Guyana	Panama	Suriname	
Bolivia	Dominican Republic	Haiti	Paraguay	Trinidad and Tobago	
Brazil	Ecuador	Honduras	Peru	Uruguay	
Chile	El Salvador	Jamaica	St. Kitts and Nevis		

policy analysis and grants for environmental projects. It also found new ways to support subnational governments. In Bolivia, Haiti, and Honduras—low-income countries facing specific challenges—the Bank’s new strategies will support programs to strengthen economic governance, create jobs for the poor, and improve basic services.

### BOOSTING GROWTH AND JOB CREATION

To achieve high and sustainable growth and create employment, the region needs to stimulate investment and remain globally competitive. Priorities for Bank support therefore include improving the business climate, deepening financial systems, diversifying export structures, and encouraging innovation.

New lending in fiscal 2007 included a \$300 million loan to Colombia to promote business productivity and investment, a \$207 million loan to Colombia to improve transport systems in medium and large cities, a \$200 million loan to Argentina to help unemployed and poor workers acquire the skills they need to find jobs, and a \$200 million loan to Peru to help improve fiscal management. In Brazil, the Bank helped the state of Minas Gerais achieve a major fiscal turnaround, an experience that is being studied and adapted by other Brazilian states.

Key to the region’s competitiveness is improved infrastructure, an area in which the Bank provided \$1.7 billion in fiscal 2007. As part of an expanded investment partnership with Argentina, the Bank approved approximately \$0.7 billion in loans to improve road infrastructure across the country.

Research in fiscal 2007 addressed key concerns of citizens in the region, such as job security, poverty, and crime and violence. A report on informality in Latin America examined the nature of the informal sector and its implications for workers, firms, and policy makers. A study on remittances found that for each 1 percent increase in remittances as a share of GDP, the fraction of the population living in poverty falls by a modest 0.4 percent. A report on the region’s response to the growth of China and India found that competition from Asia has a positive effect on the region as a whole despite adverse effects on some countries and industries. Another report identified the economic impacts of crime and violence on countries in the Caribbean and suggested policy

responses. Research on competitiveness in Mexico contributed to the debate on “Equity and Competition for High Growth in Mexico,” a conference cosponsored by Harvard University.

### REDUCING POVERTY AND INEQUALITY

Creating equal opportunities for all citizens is crucial to achieving faster poverty reduction in Latin America and the Caribbean. Therefore, the World Bank is working with countries across the region to develop universal and affordable social protection; to support programs that reduce poverty directly; and to increase access to education, health, and public infrastructure.

Major new lending in fiscal 2007 included a \$300 million loan to Argentina to expand the government’s health care program, Plan Nacer, which is helping reduce infant mortality by increasing access to basic health services for uninsured mothers and children. A \$200 million loan to Colombia is helping to extend health insurance coverage to 13.7 million poor people and to provide access to nutrition programs for 400,000 children. A \$150 million development policy loan in Peru will help define standards and set goals in primary education, health, and nutrition so that families can better measure their children’s progress. The program builds on the recommendations of the Bank’s RECURSO report, which fostered a lively debate about the need for greater accountability in the social sectors during the run-up to Peru’s presidential elections.

The World Bank is also supporting equal opportunities at the local level. A Bank-sponsored workshop on child malnutrition in Central America, for example, stimulated debate on improving the results of community-based child nutrition programs. The most impressive gains were achieved in the Atlantic region, a poor region with a large indigenous population.

### STRENGTHENING GOVERNANCE

The World Bank is helping countries in Latin America develop effective and sustainable ways to promote good governance and reduce corruption through support for strengthening country systems, improving accountability for service delivery, and monitoring and evaluating results. In Guatemala, the Bank is supporting the government’s efforts to make public procurement and financial management more transparent and efficient with a \$100 million development policy loan.

FIGURE 2.9

**LATIN AMERICA AND THE CARIBBEAN**

IBRD AND IDA LENDING BY THEME | FISCAL 2007  
SHARE OF TOTAL OF \$4.6 BILLION

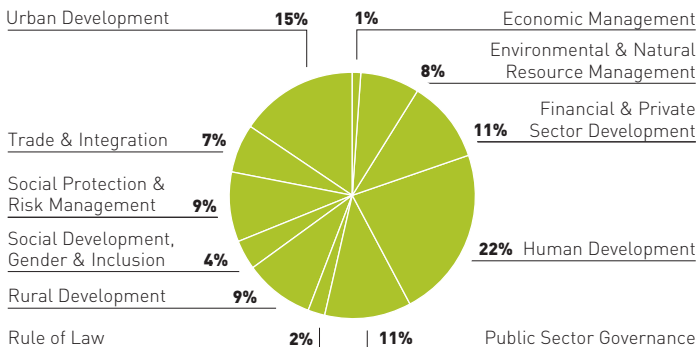
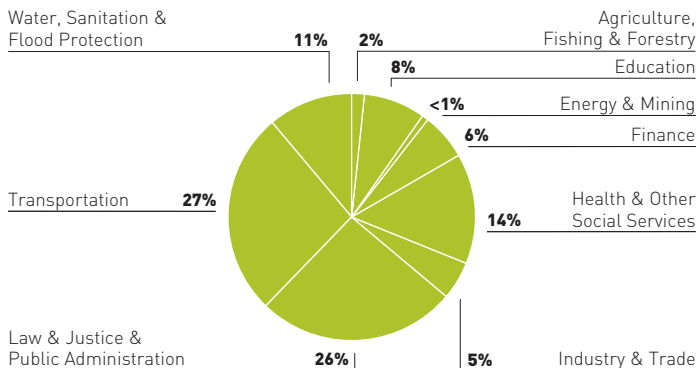


FIGURE 2.10

**LATIN AMERICA AND THE CARIBBEAN**

IBRD AND IDA LENDING BY SECTOR | FISCAL 2007  
SHARE OF TOTAL OF \$4.6 BILLION



In Honduras, the Bank is helping improve accountability for health care delivery through decentralized clinics and performance-based contracts.

**TACKLING GLOBAL ISSUES**

Countries in Latin America and the Caribbean are increasingly playing a leadership role in efforts to address issues

such as climate change, renewable energy, and global health threats. World Bank assistance in this area took a variety of forms in fiscal 2007. The active portfolio supporting countries' efforts to prevent and treat HIV/AIDS totaled \$150.1 million in 13 projects. The Bank prepared a report on biofuels for Brazil and coordinated with other international and regional agencies to prepare for a possible avian flu epidemic. It worked with local partners to create the world's first multicountry catastrophe insurance pool in the Caribbean, the Caribbean Catastrophe Risk Insurance Facility, which will help participating countries recover more quickly from hurricanes and earthquakes. And it provided \$23.2 million in IDA funding to help poorer Caribbean states participate in the facility.

To address the challenge of environmental sustainability in the region, the World Bank is supporting both country-specific projects and international initiatives. In Colombia, the Bank provided a \$200 million loan to help address environmental issues affecting the urban poor in general and children under five in particular. In Mexico and Central America, the Mesoamerican Biological Corridor is helping raise income levels for local communities, many of which are indigenous, while preserving the region's unique biodiversity. (See [www.worldbank.org/lac](http://www.worldbank.org/lac).)

TABLE 2.5

**WORLD BANK LENDING TO BORROWERS IN LATIN AMERICA AND THE CARIBBEAN** BY THEME AND SECTOR | FISCAL 2002–2007  
 MILLIONS OF DOLLARS

<b>THEME</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Economic Management	391.0	567.2	111.2	310.4	42.5	54.3
Environmental and Natural Resource Management	187.4	240.3	159.1	841.2	454.0	353.0
Financial and Private Sector Development	965.4	819.8	912.4	729.6	1,518.7	498.9
Human Development	560.4	1,171.7	1,046.7	469.8	502.6	1,022.5
Public Sector Governance	1,182.8	798.6	672.0	506.2	1,054.2	519.9
Rule of Law	15.5	138.8	270.9	147.9	108.8	97.5
Rural Development	168.3	415.9	249.6	331.7	236.5	415.4
Social Development, Gender, and Inclusion	248.9	123.1	268.9	187.9	282.6	175.4
Social Protection and Risk Management	310.4	1,050.3	926.9	950.4	606.2	419.0
Trade and Integration	83.9	59.6	364.6	233.4	720.3	300.5
Urban Development	251.9	435.2	337.6	457.1	384.1	696.9
<b>Theme Total</b>	<b>4,365.8</b>	<b>5,820.5</b>	<b>5,319.8</b>	<b>5,165.7</b>	<b>5,910.5</b>	<b>4,553.3</b>
<b>SECTOR</b>						
Agriculture, Fishing, and Forestry	85.0	58.4	379.6	233.4	291.0	83.4
Education	560.4	785.5	218.3	680.0	712.7	369.1
Energy and Mining	445.6	96.2	50.5	212.6	172.8	19.5
Finance	593.5	973.0	405.1	530.0	907.3	286.4
Health and Other Social Services	660.5	1,574.1	1,558.9	443.4	821.8	649.1
Industry and Trade	51.4	183.4	428.0	199.9	569.2	236.3
Information and Communication	16.5	52.4	14.0	44.7	20.8	0.0
Law and Justice and Public Administration	1,440.0	1,564.9	1,521.3	1,776.0	1,278.8	1,187.8
Transportation	463.1	146.4	675.7	556.4	785.4	1,223.9
Water, Sanitation, and Flood Protection	49.8	386.2	68.4	489.5	350.7	497.8
<b>Sector Total</b>	<b>4,365.8</b>	<b>5,820.5</b>	<b>5,319.8</b>	<b>5,165.7</b>	<b>5,910.5</b>	<b>4,553.3</b>
Of which IBRD	4,188.1	5,667.8	4,981.6	4,904.4	5,654.1	4,353.3
Of which IDA	177.8	152.7	338.2	261.3	256.4	200.0

**Note:** Effective fiscal 2005, lending includes guarantees and guarantee facilities.