Since its creation in 1948, a major objective of the World Bank has been the economic development of Latin America. The World Bank is currently the largest single source of multilateral development finance for Latin America and the Caribbean. Over the past four decades about US$53 billion, or close to one-third of total World Bank lending to DCs, has gone into this region.

In recent years, the World Bank has intensified its efforts to assist those Latin American countries which were hurt by the debt crisis, to regain rapid economic growth and reduce poverty.

THE ROLE OF THE WORLD BANK

The role of the World Bank in Latin America, as in the rest of the developing world, is not only the transfer of financial resources but also advising countries about ways to adjust their economic policies and their institutional structures. It also serves as a catalyst to help mobilize additional flows of finance to the region from commercial banks and export credit agencies.

However, the World Bank is also aware that increases in income are not enough if they fail to reach the poor. To be sustainable, development must also address the persistent problems of poverty, the excessive growth of population, and the profound threats of environmental degradation. The Bank is therefore looking increasingly into the issues of poverty and the environment in Latin America as well as in other regions.

LATIN AMERICAN DEBT SINCE 1982

In the years since the onset of the 1982 debt crisis many of the countries of Latin America still have not succeeded in solving their
debt problem. During these years GNP per caput has stagnated in the region as a whole. In many countries, particularly the petroleum exporters, GNP per caput has actually declined. Almost throughout the continent, real wages are now lower than they were at the onset of the crisis; the ranks of the poor are growing while imports and new investment continue to decline.

What has happened since 1982 is not a mere financial phenomenon. In Latin America, as in several countries in other regions, the crisis represents the end of the line; an indication that the institutional framework, the policies and the relationship that led to some impressive growth and development during the three decades after the Second World War are no longer tenable. Although in the late 1960s some countries were able to make changes in their economic policies, the experiences of the 1980s have led to a much wider and deeper reconsideration of previous Latin American development policies.

Although there were many differences among countries in their theoretical approach and application of economic development, there were certainly areas of commonality. In general, too much concern was given to the accumulation of capital as the engine of growth and less thought was given to the issue of efficiency.

There was unlimited faith in the efficacy of governmental action and management. Governments expanded their role and ownership in all aspects of economic life, including public employment, direct provision of credit and subsidies and management of a variety of enterprises. This increase in the size of government has represented a massive centralization of decisions regarding mobilization and disposition of resources, pricing, investments and labour-management relations. The demand this placed on the administrative and political machinery was so great that public enterprises became hosts to inefficiency, waste and vested interests.

Paradoxically, while governments were overextended in production and finance, they were lacking aggressiveness in other areas, particularly in the social sectors. Few resources and few administrative and intellectual capabilities were directed at targeting these services for the most vulnerable groups in society. In short, as the late Raul Prebisch said: 'The hypertrophy of the public sector in Latin America has weakened the power of the state.'

Import substitution and limits to external competition, proliferation of public enterprise, excessive dependence of private enterprise on rent channelled through subsidized credit, import licenses and control on competition ultimately created closed, rigid, high-cost industrial