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Ortiz Mena Highlights Importance of Canadian Support for Latin America's Development Efforts

Antonio Ortiz Mena, President of the Inter-American Development Bank, told the Fourth Annual Conference of the Canadian Association for Latin America (CALA) on June 17 that Canadians have a vital part to play in helping the nations of the western hemisphere fulfill their historic role as "a granary for the world and an important purveyor of basic natural resources."

In the keynote address to the CALA Conference, held in Toronto, the IDB president said that only "the indefatigable promotion of the development process" can improve the standards of living of the poor, provide a more equitable distribution in welfare and bridge the gap between the haves and have nots." This was Mr. Ortiz Mena's first visit to Canada as President of the IDB.

Attending the CALA conference were approximately 150 businessmen and government officials from Canada and Latin America. As a major purpose of the Conference was to tell Latin Americans about Canada, CALA invited 50 special guests from 17 Latin American countries, together with directors of state-owned enterprises and planning institutions, to promote the future sale of Canadian goods and services throughout the hemisphere.

Opening day activities at the two-day conference featured an address on "The Pattern of Canada's Development" by the Hon. Alistair Gillespie, Canada's Minister of Industry, Trade and Commerce, followed by seminar-type discussions in six sectors, including mining, forestry, transportation, communications, power and manufactures.

In his address to the conference that evening, Mr. Ortiz Mena told the predominantly Canadian audience that "increasing business opportunities exist in the hemisphere and they can be grasped

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In this issue:

Peru Starts $72 Million Program to Promote Tourism Development

Machu Picchu, the "lost city" of the Incas, will soon be within much easier reach of tourists from all over the world.

Built 7,000 feet high "in the most inaccessible spot in the most inaccessible part of the Central Andes," as its discoverer described it in 1911, Machu Picchu is one of Peru's main tourist attractions.

The city, founded by the Incas no one knows when, was abandoned four hundred years ago, no one knows why.

The IDB will contribute $29.3 million in loans to a $72 million Government tourism development program. The plan is to feature the country's rich historical and cultural heritage of pre-Colombian archeological sites and Spanish colonial architecture.

Most of these are in the Departments of Puno and Cuzco, in the southeastern end of the country. In the first stage of the program, the facilities needed to promote tourism in this area will be created. Hotels, electric power plants and better roads will be built, including access roads to the sites and across the Sacred Valley of the Incas, from Cuzco to Ollantaytamo—about 50 miles from Machu Picchu.

Part of the program's funds—and of the expected tourist revenue—will be used to restore and conserve the monuments, particularly Machu Picchu, one of the world's most important historical relics.

Peru now draws 9.6 per cent of all tourists visiting South America. It is hoped that the program will turn the country into a major tourist attraction and help improve the standard of living in Cuzco and Puno, providing training in the many skills needed for a well-developed tourist industry, promoting agricultural and handicraft production, and opening up new jobs.

The program is being undertaken with the cooperation of UNESCO as part of the *Plan Turístico Cultural Peru-UNESCO (COPESCO)*, and with the help of the IDB loans.

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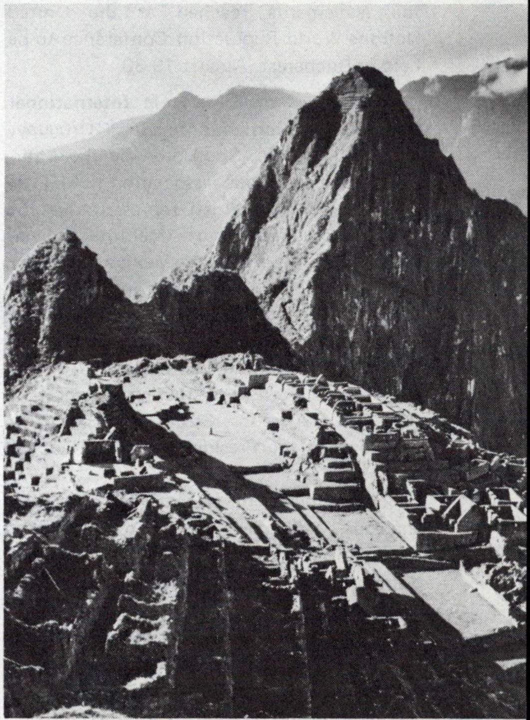

Machu Picchu, site of an Incan and pre-Incan sacred city, is one of the hemisphere's historical treasures. Its restoration and conservation are a feature of Peru's new, large-scale tourism development program.

IDB at International Meetings

The Inter-American Development Bank participates regularly, through representatives attending either as guests or observers, in international meetings on economic and social development.

Among the recent meetings in which Bank officials participated—and some of the topics discussed and conclusions or resolutions adopted—were:

Latin American Population Conference. San José, Costa Rica, April 13-19. The Latin American preparatory meeting for the Second World Population Conference, which was organized by the Economic Commission for Latin America (ECLA), was attended by representatives and observers from government agencies and international organizations. Luis Ratinoff, Consultant in the Program Advisor's Office, represented the Bank.

The meeting dealt mainly with the role of the public sector; population policies; population and national development plans; the needs in the field of research; technical assistance and international cooperation; and the "Plan for World Action on Population" project.

Among other topics covered in the discussion were national legislation on population and bilateral and multilateral agreements on international migration, a problem which affects at least 16 IDB member countries.

Representatives accepted Mexico's proposal to hold a conference at the ministerial level in Mexico City in January 1975 on the implementation of the World Plan, as well as the agreements reached at the United Nations World Population Conference to be held in Bucharest, August 19-30.

II Conference of Experts in International Double Taxation. Montevideo, Uruguay, May 13-17, 1974. Sponsored by the Latin American Free Trade Association (LAFTA).

Participants included representatives of the Finance Ministries of Argentina, Bolivia, Colombia, Chile, Ecuador, Mexico, Paraguay and Venezuela, observers from the Inter-American School of Public Administration (EIAP), the *Junta de Cartagena,* the Organization of American States (OAS) and the Institute for Latin American Integration (INTAL). Alfredo Gutiérrez, Executive Assistant to the President, represented the Bank.

The subject of double taxation was analyzed, with special attention given to the formulation of criteria for defining the principle of territoriality of the source of revenue.

The Conference decided to ask the LAFTA Secretariat to prepare a document describing criteria on procedures for taxing net income, in the case of interest abroad.

"Presentation Days," International Center for Tropical Agriculture (CIAT). Cali, Colombia, May 16-17. The center, which is located in Palmira, invited members of its Executive Board and representatives of cooperating institutions to attend the "Presentation Days" held in Cali. José Soto Angli, of the IDB's Training Division, attended as an observer.

Among the presentations made by CIAT representatives were:

- The Cassava Program. Cassava produces staple foodstuffs for millions of people and is a promising source of animal feed.
- Bean Production. Efforts are being made to increase per hectare production and to identify the genotypes having the greatest potential for high production levels, disease and pest resistance, and adaptability to the high tropics.
- Rice Program. Research work is being concentrated on experimental crossings, as well as on agronomical and training activities.
- Maize Production. Factors limiting maize production in the Andean region are being studied.
- Beef and Pork Production. The objectives of these programs are to control animal diseases and parasites and to develop new production methods.

Eighth General Conference of the Inter-American Center of Tax Administrators (CIAT). Kingston, Jamaica, May 26-31.

Among those attending the Conference were Gustavo Petricciolli, Undersecretary of Finance of Mexico; Adilson Gomes de Oliveira, Secretary of Internal Revenue of Brazil; and Donald C. Alexander, Commissioner of Internal Revenue of the United States. Alfredo Gutiérrez, Executive Assistant to IDB President Antonio Ortiz Mena, represented the Bank.

Agenda items included modern principles of tax administration and their application to economic and social development, with emphasis on tax policy, tax problems arising from the use of bearer shares, and the need to improve communications between supervisory and administrative personnel.

The desirability of adopting a system of nominative shares was treated in detail as part of a general discussion of tax policy and administration in countries of the Inter-American system.

The Mexican delegation held that it is impossible to establish a progressive tax on income from capital as long as bearer securities, which establish the right to receive that income, are used.

"Doing away with the anonimity of the investor is a political decision outside the field of tax administration. Great efforts will doubtless be required to establish the use of nominative securities, but unless it is done, we will not have equitable taxation."

Andean Group representatives noted that Decision 24 of the Andean Common Market Agreement requires, in Article 45, that all new shares be issued in nominative form.

Cooperation is Essential to Control Inflation

The battle to control inflation must be a worldwide effort, says Hugo Palacios Mejía, IDB Executive Director for Colombia and Perú.

Speaking at the World Affairs Center of the University of Minnesota on June 14, Mr. Palacios-Mejía noted that inflation, a major problem in Latin America for many years, is now a "worldwide disaster."

He added that "the great lesson from worldwide inflation is that we all depend upon each other."

To control fast-rising prices, he urged that all nations take into account that the benefits of trade should be equitably distributed.

"Countries should realize that it is unrealistic to expect that some traders will continue to import at rising prices without increasing the prices of their export goods in one way or another," he said.

The IDB official pointed out that the industrialized nations purchase copper, bauxite, petroleum, fishmeal, soybeans, meat and other products in Latin American countries which, in turn, must peg their commodity prices high enough to cover their investment.

A combination of imported and domestic inflation is posing a threat to Latin American development, Palacios-Mejía declared. Rising prices have created the need for a greater volume of development loans, which are difficult to obtain. Also, he said, inflation threatens to erode the international reserves of the Latin American nations.

The remedy for inflation, he said, "should lie in a greater effort to bring into production resources which are not fully used today"—including manpower as well as natural resources.

New Publications

"Statement of Loans," recently issued by the Inter-American Development Bank, provides statistical information on the Bank's credit operations in its 14 years of activities. The publication contains data on recipient countries, borrowers, purpose of the loan, financial source of the loan, interest rates, currency involved, disbursements, etc. It may be requested from the Office of Information, Inter-American Development Bank, 808 17th Street N.W., Washington, D.C. 20577

Latin American Exports and the Oil Deficit

The seventies began with symptoms of worldwide economic dislocation—manifested notably in the breakdown of the Bretton Woods monetary system—which are now having a profound effect on national economic trends.

This process is still at an evolutionary stage, and the so-called oil crisis is one more element that has appeared in the changing scene.

The Latin American countries affected by the oil crisis are now engaged in planning and undertaking policies and measures designed to ease the process of adjusting their economies to the new situation.

In the first instance, financial measures have been receiving the greatest share of attention. In view of the fact that in 1974 oil import prices tripled over average 1973 prices, it was only natural that the countries' first reaction should be to seek the means of financing these higher prices abroad.

Additional external resources are basic to readjustment; without them, in many cases the process would be too drastic. That is why the attitude of countries like Venezuela, which have offered various types of financial cooperation to other Latin American countries—through bilateral as well as multilateral channels—has been of great importance to the region.

Measures for adjustment

In the longer run, the structural adjustments that countries must inevitably make to compensate for the effects of the oil crisis, should be translated, from the point of view of the domestic economy, into absorption of the higher fuel prices.

From the point of view of the external sector, however, adjustment should be attained through a new equilibrium in foreign trade. That equilibrium may be achieved by increasing exports, decreasing imports, or a combination of both.

The possibilities for reducing imports in Latin America are not great. As a matter of fact, Latin American foreign trade and industrialization policies have been aimed precisely at import substitution for more than two decades.

This process has reached such a point that it would be difficult to reduce imports any further—they now account for about 12 to 13 per cent of the gross domestic product of the region—without seriously affecting the import of essential products such as industrial raw materials (including fuel), foodstuffs and capital goods.

Consequently, efforts to eliminate the "oil deficit" must, in most cases, be addressed to increasing exports.

The sooner these efforts begin, the better it will be for the region's economy; delay would only mean that Latin America might have to resort to an ever-greater external indebtedness. This does not seem feasible in the circumstances now prevailing in the capital markets; but even if it were, it would merely mean postponement of the structural adjustment.

The factors involved

The time required by the various countries for adjusting their balances of payments depends on a number of factors, among which are the following:

Joaquín González, author of this article, is an Advisor in the Bank's Economic and Social Development Department

- The magnitude of the oil deficit in relation to the total value of imports.

For example, it is estimated that in Peru, an important oil producer, net oil imports reached about $190 million in 1974, or about 11 per cent of total imports. It is estimated that in Honduras, not an oil producer, imports will come to $61 million, or 20 to 25 per cent of total imports.

- The rate of increase in imports, including oil, which in turn is a function of a country's rate of general economic growth.

As an illustration, during the 1967-1970 period, Brazil's imports rose at a rate of almost 20 per cent a year (in United States dollars at current prices), while in Panama the rate was 12 per cent a year, and in Paraguay only 2.3 per cent.

- The rate of increase in exports.

In the same period, Guatemala's and Colombia's exports rose at a rate of 13 per cent a year—also in United States dollars at current prices—while in Honduras and El Salvador they rose at less than 5 per cent a year.

Of course, there are other factors which, depending on the situation, can accelerate or slow down adjustment, including import substitution policies, long-term external capital movements, or changes in the rates of economic growth. As various situations exist in Latin America, each country will use a different policy package to achieve adjustment.

In estimating the time required for adjustment, the possible direction of export prices must be kept very much in mind—higher prices would permit a more rapid adjustment, and the other way around—as well as the terms of trade (favorable terms would tend to accelerate adjustment, and vice versa).

Although due to circumstantial factors, Latin America enjoyed in 1972, and especially in 1973, an extraordinary rise in the prices of its basic commodity exports and a notable improvement in its terms of trade, it would be exceedingly dangerous to anticipate the same trends for the coming years.

In fact, recent data and projections in general point to a trend toward a lowering of the prices of basic Latin American export goods in relation to 1973 levels, and a deterioration in the terms of trade is expected around 1980.

It is estimated that in 1974 the Latin American countries which are net importers of petroleum will have to pay an additional $2,700 million or so. It will not be easy for them to reach export targets that will enable them to meet a cost of that magnitude in 1974 and succeeding years.

Recent trends

Although some of the Latin American countries have successfully launched export promotion programs, the recent trend has been a steady drop in the region's traditional commodity trade surplus.

For example, that surplus fell from $1,480 million in 1967 to $780 million in 1970, and in 1971, for the first time in several decades, a negative amount of $195 million was registered.

Those figures include Venezuela; if that country were omitted, the situation would be even less favorable. In 1972 and 1973 these figures again took a positive turn, but that was due mainly to the circumstantial factors mentioned earlier.

As far as services are concerned, the trend in recent years has been toward a steadily increasing deficit.

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IDB President Calls for Joint Action To Avoid Widespread Economic Crisis

Antonio Ortiz Mena, President of the Inter-American Development Bank, called on petroleum-exporting countries to recycle their surplus oil resources to help the developing nations exploit their own natural resources.

In an address to the Tenth Annual Meeting of the Board of Governors of the African Development Bank in Rabat, Morocco, Mr. Ortiz Mena outlined the major problems affecting the economy of the world and spoke of the need to take measures to prevent a "widespread economic crisis."

Speaking on July 2, Mr. Ortiz Mena said that, among the measures that might be taken, "the international community should exert its best efforts to establish effective mechanisms to recycle the excess liquidity derived from the petroleum revenue the oil exporting countries may not have in the short run the capacity to absorb in the development of their own economies."

These measures should be of both a short- and a long-term nature. The short-term measures, which would require concerted world efforts under the aegis of the International Monetary Fund, would be aimed at quickly providing needed relief to countries affected by balance-of-payments deficits.

Regarding the long-term recycling of surplus financial resources generated from petroleum, Mr. Ortiz Mena emphasized that to the extent that they are geared to mitigate the supply shortages of raw materials which are basic for the development of the world economy, it would be feasible to comply with the desire of the oil-producing countries to preserve the purchasing power of their resources.

"Within this context, the development of raw materials originating from developing countries must also be emphasized. This would make it possible to contribute more effectively to the solution of the structural problems affecting the orderly growth of the world economy. Therein lies the only just solution, within a framework of collective economic security and the interdependence of nations."

Mr. Ortiz Mena called for a coordinated effort by the regional institutions, such as the Inter-American, the African and the Asian Development banks, to closely coordinate their efforts on behalf of their underdeveloped members.

"In a world in turmoil, marked by crises of food, energy and raw materials, and haunted by the specter of inflation, I submit that today, more than ever before, the developing nations—and notably their regional institutions such as ours—should coordinate their action, with a clear understanding that a joint approach is more effective than what we can possibly hope to achieve by following separate paths."

The world, he said, is reaching a stage in which developing countries will have the opportunity to participate in an ambitious program to exploit their own resources.

"To put in motion this working program in the shortest possible time, requires massive external technical and financial cooperation. This is the primary responsibility of the regional banks, which entails not only channelling part of their own resources, but also acting as financial advisors to member countries in the mobilization of other external resources, both public and private, in the best possible conditions."

Final engineering plans for some 200 miles of access roads in the Alto Beni region of Bolivia, together with a feasibility study of a 125-mile highway that will link the area with the national network, are being prepared under a project which received an IDB loan amounting to Cdn $1,717,000.

Canadian Funds Have Helped Make Many New Projects Possible

Canada's membership in the Inter-American Development Bank is bringing important mutual benefits to all concerned. For the Bank, Canada represents a significant source of capital for the development of its Latin American members and, increasingly, of goods and services for projects financed with Bank loans. For Canada, the Bank serves as a leading vehicle for its expanded cooperation with Latin America in the trade and development financing fields. And for Latin America it is the affirmation of stronger support from its northern neighbor, and closer ties with it.

David B. Laughton, Executive Director for Canada, said recently, "By joining the Bank, we have multiplied our opportunities for increasingly close relations between Canadians and Latin Americans on a people to people basis, thereby establishing greater possibilities for cooperation and mutual benefit."

Canada had been collaborating with the Bank for more than seven years before joining the Bank as a full member on May 3, 1972. Its desire to promote the welfare of less-developed countries in general had led the Canadian Government in 1964 to entrust to the Bank the administration of a fund to finance economic, technical and educational projects in Latin America. That fund—the Canadian Trust Fund—created with an initial capital of 10 million Canadian dollars, had increased to 74 million Canadian dollars by the time Canada joined the Bank.

More recently, on March 27, 1974, the Canadian Government entered into another agreement with the Bank on the administration of a special fund of 1.5 million Canadian dollars—the Canadian Project Preparation Fund—to finance the preparation of development projects, including basic studies, preliminary feasibility, feasibility and final engineering design in the Latin American member countries.

On joining the Bank, Canada agreed to subscribe $242,680,000 to the Bank's ordinary capital resources—$40 million to the paid-in and $202,680,000 to the callable capital—and to contribute $60

Several IDB loans, one from Canadian funds, are helping Ecuador to finance a nationwide electric power project. The first stage will cover the northern region, including Quito, the capital city.

million to the Fund for Special Operations, the Bank's soft loan window.

The Canadian Government also agreed to contribute to the Fund for Special Operations all repayments made on loans which the Bank has approved from the Canadian Trust Fund.

Increased Canadian investment in the resources of the Bank have led to a substantial growth of interest and participation in Bank projects by Canadian consulting firms and equipment manufacturers.

With the $74 million Canadian Trust Fund, which was tied to the purchase of goods and services in Canada, the Bank made loans for periods ranging up to 50 years, frequently without interest. In 1974 the Bank approved the last loan from the Fund—$4.4 million to help finance a mineral resources survey in Brazil. That brought the number of loans extended from the Fund to 19, amounting to $73.4 million, virtually completing the program for which the Fund was established. Loan repayments are being incorporated into the Fund for Special Operations for future lending.

Under an agreement signed in 1965, the Export Development Corporation of Canada set aside 15 million Canadian dollars for economic development loans in Latin America in cooperation with the Bank. These funds are lent on terms of up to 20 years at commercial interest rates. As of December 31, 1973, loans totaling 14 million Canadian dollars had been approved under this arrangement; a new agreement is under discussion.

In addition, private Canadian commercial banks have purchased participations in the Bank's ordinary capital loans in the amount of 2,526,000 Canadian dollars.

By the end of 1973, Canada had made available to the Bank 91,526,000 Canadian dollars in resources—not including its capital contributions to the Bank's ordinary capital resources and Fund for Special Operations—which have been used for a variety of development projects in the Bank's member countries. These include: preinvestment studies in Ecuador, Peru, Paraguay, Mexico, Argentina, Colombia and Brazil; a major hydroelectric development project in Colombia, the first stage of an integrated electric power system in Ecuador, a rural electrification program in the Dominican Republic, and a telecommunication network in Chile; promotion of economic integration in Central America; and expansion of the port of Acajutla in El Salvador.

Canadian Support for Development

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with the proper mix of capital, know-how and a positive outlook based on the recognition of our political and economic sovereignty.

"You need our expanding markets and the resources of the tropics, as we need many of your manufactured goods and expertise, as well as some of the natural resources you possess," he said. The IDB President predicted that Latin America will require even greater resources in coming years, including capital goods imports and private foreign investment through joint ventures with Latin American partners, to sustain the "striking economic growth" which started in the early sixties and in the last five years has reached an average annual rate of nearly 7 per cent.

Mr. Ortiz Mena pointed out that the Bank, in an effort to mobilize additional resources, is negotiating with a group of non-regional countries—including most of Western Europe and Japan—which are interested in becoming donor members. Their association with the Bank, he said, will augment the technical and financial resources and will strengthen the multilateral character of the Bank.

In addition, Mr. Ortiz Mena lauded the policy decision recently announced by the Canadian Government to apply on July 1 of this year the system of generalized preferences to the imports of manufactured goods from developing countries as "an important step forward in establishing a more equitable set of relations among industrialized and developing nations. . . ."

Following more group discussions and a reception offered by the Department of Industry, Trade and Commerce on June 18, Canadian and Latin American business leaders were taken on tours lasting up to four days to different parts of Canada to visit a variety of industries.

In Toronto on the afternoon of June 18, Mr. Ortiz Mena received a delegation of six visiting Latin American journalists attending the CALA IV Conference, as well as representatives of several of Canada's leading financial publications. On June 19 he flew to Montreal, where he attended a luncheon given in his honor by Paul Gérin Lajoie, President of the Canadian International Development Agency (CIDA), and received members of the press.

IDB Report Notes Gap Between Needs and Financing

The Latin American countries will have to increase their volume of domestic savings and their exports if they are to offset the region's insufficiency in external resources and sustain a growth rate of 6 per cent a year in their gross national product, according to a preliminary report by the IDB Board of Executive Directors on a possible increase in Bank resources. The report was presented to the Committee of the Board of Governors at a meeting held at headquarters June 11.

The gap between the region's external financing requirements and the availabilities, the report points out, will continue to increase. Between 1960 and 1972, the total gap came to $27,000 million.

The increase in the price of oil and its derivatives will affect the external financing gap significantly, according to the figures cited in the report. The negative difference between requirements and availabilities will rise from $6,091 million in 1976 to $8,149 million in 1980.

The net inflow of external financing, on the other hand, is projected as rising from $3,749 million in 1976 to $4,358 million in 1980. Consequently, the requirements for which no financing would be available would rise from $2,342 million in 1976 to $3,791 in 1980.

The projections in the report are based on the assumption that the flow of external financing from various international organizations, including the IDB, will sustain the historical growth trends. As far as the IDB is concerned, that would mean an annual increase in the loan volume of 7 per cent in real terms—exactly the rate the Bank has envisioned in its programming for the next few years.

Commenting on the report, President Antonio Ortiz Mena said the Bank hopes to establish a loan volume of $1 billion in 1974 and to extend this level from 1975 on. He added that the Bank has sufficient resources to finance its 1974 and 1975 programs, but that it will require an increment in its resources to bring lending operations to the levels projected for subsequent years.

It was for these reasons that the Board of Governors, at its Fifteenth Annual Meeting, held in Santiago, Chile, last April, set in motion measures to increase the Bank's resources.

The report—the first step in the effort to increase the Bank's resources—was presented in response to a resolution the Board of Governors adopted at that time. The Committee of Governors is to present its recommendations to the Assembly before October 1 of this year.

Several alternatives are suggested in the report for augmenting the resources of the Bank's ordinary capital and of its Fund for Special Operations on the basis of the contributions of its present member countries. In addition, the Bank is discussing with Venezuela and other petroleum-producing countries, as well as with a group of developed non-regional countries, possible financial agreements that would enable it to expand its lending volume.

The meeting at which the report was discussed was presided over by Mario Ramón Beteta, Undersecretary of the Treasury and Temporary Alternate Governor for Mexico, representing José López Portillo, Governor for Mexico.

Attending as chiefs of their respective delegations were: Mario Henrique Simonsen, Minister of the Treasury and Governor for Brazil; Luis Fernando Echavarría, Minister of the Treasury and Public Credit and Governor for Colombia; Héctor Hurtado, Minister of the Treasury and Governor for Venezuela; Ernesto Pascual Paenza, President of the National Development Bank and Alternate Governor for Argentina; J. A. MacPherson, Director of the International Programs Division of the Department of Finance and representative of the Governor for Canada; John M. Hennessy, Assistant Secretary for International Affairs of the Department of the Treasury and representative of the Governor for the United States; Ernesto Fernández Hurtado, Director General of the Bank of Mexico and Alternate Governor for Mexico; and Carlos E. Ricci, President of the Central Bank and Governor for Uruguay.

At the meeting at Bank headquarters: at center, Mario Ramón Beteta, Temporary Governor for Mexico and presiding officer, and IDB officials Arturo Calventi, Under Secretary; Antonio Ortiz Mena, President; Jorge Hazera, Secretary and Henry J. Costanzo, Executive Vice President.

The Oil Deficit

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Thus, the global deficit in the current account rose from $1,700 million in 1967 to $4,300 million in 1971. The inflow of external capital balanced the deficit, but as already noted, future possibilities for financing are less favorable because of the oil crisis.

This does not mean that Latin America is not in a position to face a situation of this nature, for its economy has been remarkably dynamic in recent years. The purpose of this analysis is simply to point out the magnitude of the problem and the need to adopt timely measures for adequate long-term solutions.

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Bank Approves Loans to Haiti and Honduras

In addition to the $29.3 million loan to Peru for tourism development reported on page 1, the Bank recently extended a loan to Honduras and a grant for technical cooperation in educational development to Haiti. The details are as follows:

Honduras: A $4 million loan was approved to help finance the construction of water supply systems in some 90 rural towns with populations of 100 to 2,000. The *Servicio Autónomo Nacional de Acueductos y Alcantarillados* (SANAA), will execute the project with the cooperation of the communities involved, which will contribute goods and services.

Haiti: An $80,000 nonreimbursable technical cooperation grant will help finance the preparation of a study of the education sector. UNESCO and the Government of Haiti will contribute $45,000 to complete the $125,000 estimated cost of the project.

Contract for $84.8 million loan to Brazil is signed at Bank headquarters. Mario Simonsen, Brazil's Minister of the Treasury, and Henry J. Costanzo, IDB Executive Vice President, shake hands as Raúl Barbosa, Executive Director for Brazil, looks on. The loan will be used to help double the capacity of the Paulo Afonso hydroelectric complex on the São Francisco River.

Bidding Information

Several Latin American countries have requested bids for goods and services which, in some cases, are to be acquired with financial resources furnished by the IDB.

Following are the main facts concerning one such procurement request:

ECUADOR: The *Ministerio de Recursos Naturales y Energéticos,* through the *Instituto Ecuatoriano de Electrificación* (INECEL), has called on suppliers to submit preliminary information on their qualifications for furnishing materials for the works scheduled by the *Sistema Nacional de Transmisión* (Bid ST/1/A) and materials for 230 Kv transmission lines and substations. The request was issued in the following terms:

The *Comité de Licitaciones del Instituto de Electrificación* (INECEL) Quito, Ecuador, invites suppliers of equipment and materials to file documents attesting to their technical, economic, and commerical competence to qualify in the bidding for supplying materials to be used in the construction of 230 Kv transmission lines and substations described below.

It is expected that these materials will be financed with INECEL funds; however, interested parties are requested to be prepared to offer cash financing, amounting to at least 80 per cent of the total amount, should INECEL request bids that include financing.

Three types of materials are required for the construction of transmission lines and substations: steel structures; conductors and shield wires; and insulators, accessories and hardware.

The main equipment of the substations—transformers, switches, etc.—will be the subject of another request for bids.

Interested parties should present comprehensive bids, including the entire subject of this request; however, INECEL reserves the right to make awards according to categories.

The transmission lines included in this preliminary request are:

Lines for 230 Kv

a) Transmission lines which are 250 km long, on steel structures, two circuits and one shield wire. A 1113 MCM, ACSR conductor will be used. b) A 90 km transmission line, like the above, except that two shield wires will be used.

Substations

Preliminary qualifications of suppliers are for furnishing structures, conductors, shield wires, insulators and hardware for the following substations:

Boliche Substation

Will have a double bar arrangement for 230 Kv, with six-position switches and self-supporting steel structures. For 138 Kv, it will have a main bar with transference arrangement, three-position switches and self-supporting frames. Pure aluminium will be used for the conductors and galvanized steel for the shield wires.

Durán Substation

Will have similar specifications as the above; the same materials will be used for conductors and shield wires at 230 Kv and 138 Kv and five-position 230 Kv and 138 Kv switches, with self-supporting steel structures at both voltage levels.

Quevedo Substation

Will have a double bar arrangement for 230 Kv, with six-position switches and self-supporting steel structures. There will be a 139 Kv main bar with transference, four-position switches and self-supporting steel structures. Pure aluminium will be used for conductors, and galvanized steel for shield wires.

Santo Domingo Substation

Will be similar to the above substation, with six-position 230 Kv switches and three-position 138 Kv switches. The same materials will be used for conductors and shield wires as at the other substations.

Quito Substation

Will have a 230 Kv double bar arrangement, with four-position switches and self-supporting steel structures. At 138 Kv, there will be a main bar and transference arrangement, with four-position switches and self-supporting steel structures. Pure aluminium will be used for conductors, and galvanized steel for shield wires.

Delivery of materials is estimated as follows: for steel structures, 300 calendar days; for conductors, 250 calendar days; for insulators, accessories and hardware, 300 calendar days.

Two sets of preliminary qualification papers may be obtained, including original and copy, on payment of a registration fee of 1,000 sucres. The registration fee is not refundable, but it will be credited toward the bidding documents, should the supplier qualify.

The forms are available at the *Instituto Ecuatoriano de Electrificación*, Avenida 10 de Agosto No. 1820, Casilla Postal 565-A, Quito, Ecuador.

Among the preliminary qualifications required are the following: 1. Proof of legal existence for at least five consecutive years before the date specified for providing preliminary qualifications. 2. Capitalization of the equivalent of 25 million sucres ($1 million) or more, including reserve capital, as of December 31, 1973. 3. Having supplied, at least once in the last five years, materials comparable to those mentioned in these preliminary requirements, at a cost of not less than 35 million sucres ($1,500,000).

It is estimated that the request for bids will take place during the month of September, 1974.

Preliminary qualification documents should be filed by 4:00 p.m., July 31, 1974 with the Secretary of the *Comité de Licitaciones de INECEL*, Oficina 101, Avenida 10 de Agosto 1820, Quito, Ecuador.

Regional Travel Increases

World inflation, currency realignments and the oil crisis—words prominent on front and financial newspaper pages over the past months—have recently been added to the lexicon of tourism.

These are some of the factors which are having important effects on foreign travel patterns, joining others such as how much money a traveler has available, prevailing transportation costs, the political situation in other countries, and the need to do business or to study abroad.

An analysis on travel abroad by United States residents and on visits of foreigners to the United States, published in the May issue of the monthly *Survey of Current Business* of the U.S. Department of Commerce, highlights some recent travel trends.

United States Visitors Abroad. According to the *Survey*, Americans went abroad in record numbers in 1973, spending an unprecedented $5.4 billion (excluding transport fares). Mexico and Canada accounted for $2.3 billion, raising their joint share to 42 per cent of the total.

Another $2 billion was spent by 3.9 million U.S. travelers in Europe, both record figures, but most European nations had fewer American visitors than in 1972. Gains by Spain, Portugal and Ireland barely offset drops in U.S visitors to the United Kingdom, France, Italy, Germany, Switzerland, Austria and Scandinavia.

The flow of U.S. travelers to Central America, the Caribbean and South America also set new records, as 2.4 million Americans spent $695 million in these areas, versus $617 million in 1972.

In contrast, the number of U.S. visitors to other areas, led by Japan, dropped from 617,000 to 603,000, but their outlays rose from $400 to $409 million.

Foreign Visitors. More foreigners visited the United States in 1973 than ever before, and spent a record $3.2 billion (excluding transportation fares). According to the *Survey*, vigorous economic expansion in most major foreign countries in 1973, the two dollar devaluations, and the depreciation of the dollar in exchange markets in 1973 probably contributed to the surge in U.S. travel receipts.

Canada and Mexico led in the number of visitors and in spending, as their outlays set a record $1.7 billion—more than half the total—and went up 12 per cent from 1972.

Another $559 million was spent in the U.S. by 1.6 million European visitors, compared to $452 million in 1972.

At the same time, 850,000 visitors arrived from Central America, the Caribbean and South America in 1973—about 90,000 above 1972—and spent a record $403 million.

The number of visitors from other areas rose from 792,000 in 1972 to 1.1 million in 1973, led by Japan, with some 640,000 visitors. Their spending rose from $374 to $548 million.

Travel between U.S. and Mexico. The $1.2 billion U.S. travelers spent in Mexico in 1973 was 11 per cent more than in 1972. The *Survey* notes that continued stability of the exchange rate between Mexican pesos and dollars, in contrast to the appreciation of various other currencies vis-a-vis the dollar, may have encouraged trips and purchases in Mexico.

On the other hand, visitors from Mexico spent a record $694 million in 1973, or 12 per cent above 1972, compared with rises below 5 per cent in 1971 and 1972.

United States-Canadian Travel. The $1.1 billion U.S. visitors spent in Canada in 1973 was 8 per cent above 1972. The *Survey* notes that travel to Canada may have been adversely affected by fuel supply problems that developed in some U.S. areas during the summer travel season.

Notably, Canadian visitors to the U.S. spent more than $1 billion in 1973 for the first time, up 13 per cent from the 1972 figure. Average spending rose markedly, as their number grew by only 1 per cent.

The Caribbean and Central America. About two million U.S. travelers (excluding cruise visitors) went to the Caribbean and Central America in 1973, up 2 per cent from 1972. They spent $563 million (including outlays of cruise visitors), or 12 per cent above 1972. Spending was 6 per cent lower in the Bahamas, which still led the area with $136 million. Jamaica ranked in second place, with U.S. travel outlays of $109 million, or 4 per cent above 1972, while Bermuda raised its share 16 per cent to $80 million. Spending in other Caribbean areas and in Central America continued the rapid growth pattern of recent years, rising nearly 30 per cent.

On the other hand, about 500,000 visitors from the Caribbean and Central America came to the United States in 1973, up 12 per cent from 1972. They spent $205 million, or 21 per cent above the previous year.

South America. American visitors to South America in 1973 numbered 383,000, 13 per cent more than in 1972. They spent $132 million, 17 per cent above 1972.

Conversely, 358,000 South Americans visited the U.S. in 1973 and spent $198 million, about 15 per cent above 1972. Of these, 293,000 travelers were tourists, 31,000 businessmen, 11,000 students and 23,000 were transients.

Peru Starts Broad Tourism Program

(from page 1)

The Bank-supported project will be divided into six subprojects, as follows:

- A subproject in tourist accommodations, to be executed by COPESCO, including building the Machu Picchu Hotel some two miles from the ruins, with a capacity for 400 guests and at an estimated cost, including equipment, of $5,928,000; the Hotel Cuzco I, at Kilometer 3 of the Cuzco-Puno Highway, with a capacity for 600 visitors, at an estimated cost of $4,420,000; the Hotel Puno, on Isla Estéves in Lake Titicaca, which will accommodate 300 at an estimated cost of $2,982,000, and the Vacation Center in Urubamba, with a capacity for 300, at an estimated cost of $1,558,000, and related smaller facilities.
- A transportation subproject that will include construction or improvement of 200 miles of roads in the Cuzco-Puno region, including facilities in the Machu Picchu area.
- An electric power subproject for the installation of diesel thermal power plants, a transmission line and distribution grids in the towns of Machu Picchu, Pisac, San Sebastián, Urubamba, Ollantaytambo, Tinta, Tungasuca and Juli.
- A monument restoration and development subproject which will involve replacing architectural elements, restoring the *retablos*, murals and other art treasures, and setting up small on-site museums at 27 Inca and Spanish colonial monuments.
- An educational centers subproject, to be executed by COPESCO, comprising construction and furnishing of a hotel training school at the Urubamba Inn and a handicrafts training center for improving artisan skills in the town of Puno.
- A technical cooperation subproject, at the total cost of $786,000, to provide advisory assistance in such areas as hotel organization and management, tourism promotion, handicraft marketing, handicraft design and techniques, and agricultural development, as well as the training of personnel in these fields.

The project will promote agricultural and handicraft development in the area and will benefit small-scale farmers and artisans. It will generate net foreign exchange earnings from tourism-related activities estimated at $10 million a year, and create about 1,000 new jobs.

With this loan operation, the Bank's support for tourism development in Latin America will amount to almost $80 million—more than $50 million for integrated projects; $23 million in global loans; $3.5 million for preinvestment studies; and more than $1,000,000 in technical cooperation.