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Ortiz Mena at IMF Meetings in Kingston:

BREAKDOWN IN LATIN AMERICA WOULD HARM WORLD ECONOMY

The growth and diversification of their economies have made the Latin American countries heavily dependent on imported raw materials, semi-manufactured items and capital goods for their domestic production, according to IDB President Antonio Ortiz Mena.

Mr. Ortiz Mena, addressing the Development Committee of the IMF during the meetings held by the Interim Committee of the International Monetary Fund and the Joint Ministerial Committee of the Boards of Governors of the World Bank and the IMF on the Transfer of Real Resources to Developing Countries (the Development Committee), in Kingston, Jamaica, January 7, 8 and 9, added that, as those countries finance their imports mainly from the income they derive from their exports, the sharp increase in import prices in recent years, the drop in the price of some of their exports, and the shrinking markets for many of those exports, has had a strongly unfavorable impact.

The Development Committee, in its review of the situation and prospects of the developing countries, noted with concern that in 1976 the non-oil producing developing countries will probably incur large balance of payments deficits on current account, while the income from imports of the countries producing raw materials will be negatively affected by price fluctuations. The Committee also noted with grave concern that, because of the continuing deterioration in the international situation, the non-oil developing countries will not be able to attain the minimum 6 per cent growth target of the Second Development Decade, and that substantial amounts of additional external capital will be required if the shortfall from this target is to be held to modest proportions.

Mr. Ortiz Mena spoke of the differences between the countries in underdeveloped areas, whose poverty keeps them on the fringe of the international economy, and the developing countries, such as the countries of Latin America, which are closely tied to the world economy by trade and financial relations.

"While the former's urgent need for aid is justified for humanitarian reasons and for reasons of international ethics which we all share," Mr. Ortiz Mena said, "in the case of Latin America it is well to bear in mind that economic interdependence makes financial cooperation essential not only to the region, but to the industrialized countries as well. A collapse or a slowdown in Latin America," he went on to say, "would seriously affect the world economy and would be more costly for the developed countries than the savings they might seem to effect by reducing their financing activities."

The IDB President said the developing countries, faced by an unfavorable situation in the external sector, are obliged to

(Continued on next page)

BANK OFFERS BONDS, NOTES IN U. S.

The Bank made a public offering on January 27, of $150 million in notes and bonds in the United States capital market.

The offering was made by a nationwide group of investment banking houses and commercial banks under the joint management of Goldman, Sachs & Co.; Merrill Lynch, Pierce, Fenner & Smith Incorporated; Lehman Brothers Incorporated, and Lazard Frères & Co.

The offering, which is rated Triple A, included:

- $75 million in 8 3/8 per cent, 10-year notes of 1976, due February 1, 1986. The notes are priced at 99.5 per cent to yield 8.45 per cent. They are not redeemable before maturity and no sinking fund is provided.
- $75 million in 9 per cent 25-year bonds of 1976, due February 1, 2001. The bonds are priced at 100 per cent to yield 9 per cent. The bonds are not redeemable before August 1, 1988. On and after that date the bonds will be redeemable at the option of the Bank at prices beginning at 103.6 per cent and declining annually to par after February 1, 1996, plus accrued interest in each case. For the mandatory sinking fund, the Bank is to redeem $4.8 million of the bonds on or within 90 days before February 1 from 1989 through 1994 and $6.6 million on or within 90 days before February 1 from 1995 to 2000 to retire 91 per cent of the issue prior to maturity at 100 per cent of the principal plus accrued interest. The Bank has the option to increase the annual sinking fund total by an amount not exceeding the mandatory sinking fund payment.

Delivery of the securities will be made on or about February 11, 1976.

The net proceeds from the sale of the notes and bonds will be included in the ordinary capital resources and will be used in its ordinary operations to make loans for economic development projects in its Latin American member countries. Loans made from those resources are repayable solely in the currency in which they are extended.

In an effort to meet the needs of its member countries for development capital, the Bank has engaged in a stepped up program of borrowing in the world's capital markets. Last year it borrowed $310 million in such markets. Of that amount $225 million was raised in the U. S. market through two note issues.

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concentrate their already reduced import capacity on the items required to maintain their basic economic activity at the expense of the import of capital goods. "In order to maintain minimum consumption and employment levels," he continued, "there is also a concentration of purchasing power in the domestic area at the expense of capital investment and, therefore, of growth."

Mr. Ortiz Mena called for short-term financing to meet balance of payments problems in the Latin American countries that will enable them to attain a minimum growth level. "Otherwise," he warned, "the results of Latin America's long and fruitful efforts could be quickly undermined, with grave economic and social results."

The IDB President called for urgent action to mobilize longer term resources in the capital markets. He recalled that he had already brought to the attention of the Development Committee the desirability of creating the guarantee mechanism under IDB administration to expedite placement of long-term bonds issued by Latin American countries having no access to international capital markets.

"The maintenance of minimum levels of economic activity and development," he said, "requires that Latin America continue to receive a regular and adequate flow of economic-situation financing, on the most favorable terms possible, from both public and private sources. Such financing will benefit not only the Latin American countries but also, and to an equal extent, the advanced countries, since it will be used exclusively to maintain the level of imports, most of which come from the latter countries, and to ensure regularity in debt-service to them.

"As regards investment, which is the principal concern of this Committee and of the Inter-American Development Bank's activities, it is also essential to ensure a flow of resources with which to avoid stagnation or recession in the growth of the Latin American countries."

The Group of 24, composed of the Finance Ministers of Third World countries, urged early completion in the Development Committee of studies which will make possible prompt and effective operational measures to improve access to capital markets by developing countries, including the creation of a multinational guarantees fund designed to secure additional resources for those countries that do not have access to private capital markets.

There was agreement at the Kingston meetings on various measures leading to the reform of the international monetary system, taking into account the position and interests of the less developed nations.

It was decided to establish without delay a special trust fund, the resources of which are to be derived from the profits from the sale over a four-year period of 25 million ounces of the Fund's gold through the Bank for International Settlements to benefit the developing countries with a 1973 per capita income no higher than SDR 300. This is subject to approval by the Board of Governors, for which 85 per cent of the voting power is required.

It was also agreed to endorse the recommendations of the IMF Executive Directors to increase the total of quotas of member countries by 32.5 per cent to SDR 39 billion. An increase becomes effective for a member when it consents to the increase in its quota and pays its additional subscription. However, no increase can take effect until the amendments to the Articles of Agreement become effective.

A temporary provision, to apply until the quota increases become effective, will raise each credit tranche by 45 per cent, which would mean that total access under the credit tranches would be increased from 100 per cent to 145 per cent of each member's quota and that, pending approval by the IMF's Board of Governors, the developing countries will have access to some $3,500 million in additional resources.

Mr. Ortiz Mena described the agreements reached as a significant step forward toward the goals of the developing countries.

The agreements provide, among other things, for:

- Making of IMF holdings of each currency usable in its operations and transactions in accordance with its policies.
- Promotion of previously agreed objectives of reducing the role of gold in the monetary system, making the special drawing rights (SDR) the principal reserve asset.
- Setting forth a new system of exchange arrangements under which floating would be legalized.
- Relating the objective of exchange rate stability to the achievement of greater underlying economic and financial stability.
- IMF surveillance of exchange rate policies under specific principles to be adopted.

IMF: QUOTAS AND VOTING POWER OF IDB MEMBER COUNTRIES

The increase in IMF quotas readjusted the absolute quota total of IDB members, as well as the percentages of the total. As far as the IDB member countries are concerned, the percentage increased for seven countries, decreased for 11, and remained unchanged for the remaining six.

Present and proposed quotas, in millions of special drawing rights (SDRs), and the percentage of the total IMF quota they represent are as follows:

Country	Present quota	Percentage of total	Proposed maximum quota	Percentage of total
Argentina	440	1.51	535	1.37
Barbados	13	0.04	17	0.04
Bolivia	37	0.13	45	0.12
Brazil	440	1.51	665	1.70
Canada	1,100	3.77	1,357	3.48
Chile	158	0.54	217	0.56
Colombia	157	0.54	193	0.49
Costa Rica	32	0.11	41	0.11
Dominican Republic	43	0.15	55	0.14
Ecuador	33	0.11	70	0.18
El Salvador	35	0.12	43	0.11
Guatemala	36	0.12	51	0.13
Haiti	19	0.07	23	0.06
Honduras	25	0.09	34	0.09
Jamaica	53	0.18	74	0.19
Mexico	370	1.27	535	1.37
Nicaragua	27	0.09	34	0.09
Panama	36	0.12	45	0.12
Paraguay	19	0.07	23	0.06
Peru	123	0.42	164	0.42
Trinidad and Tobago	63	0.22	82	0.21
United States	6,700	22.93	8,405	21.53
Uruguay	69	0.24	84	0.22
Venezuela	330	1.13	660	1.69

The proposed increase in quotas will be effective when approved by 85 per cent of the voting power of IMF member countries.

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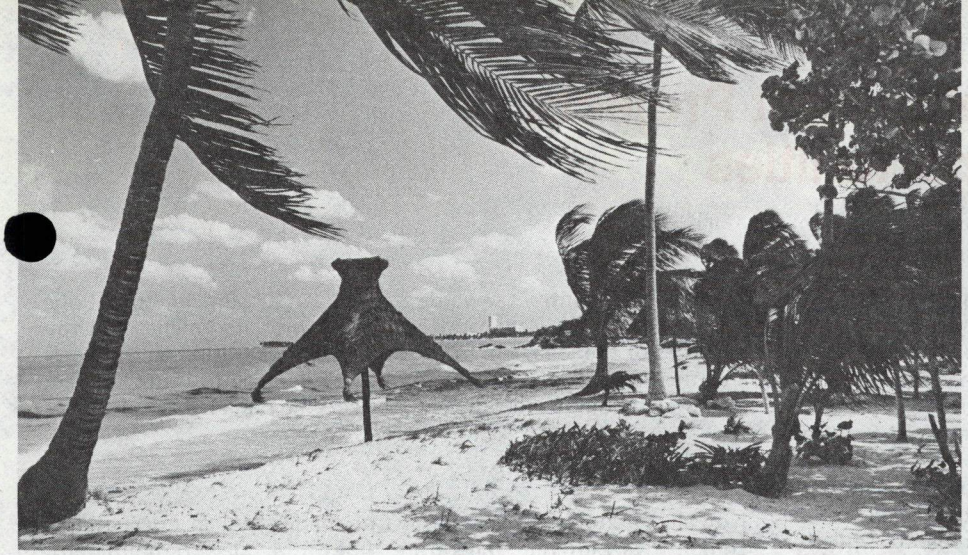
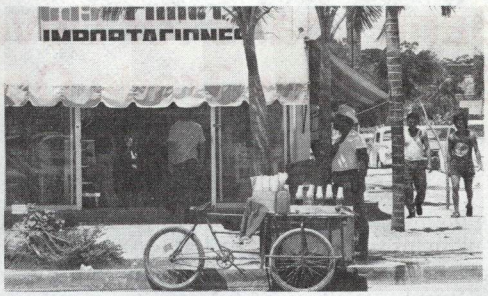
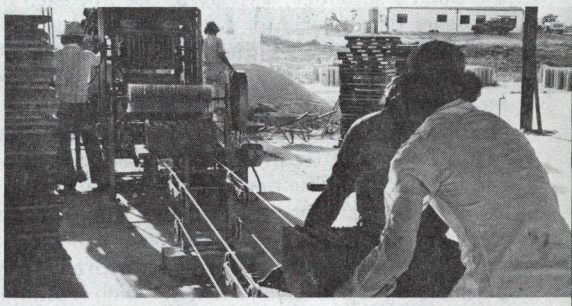
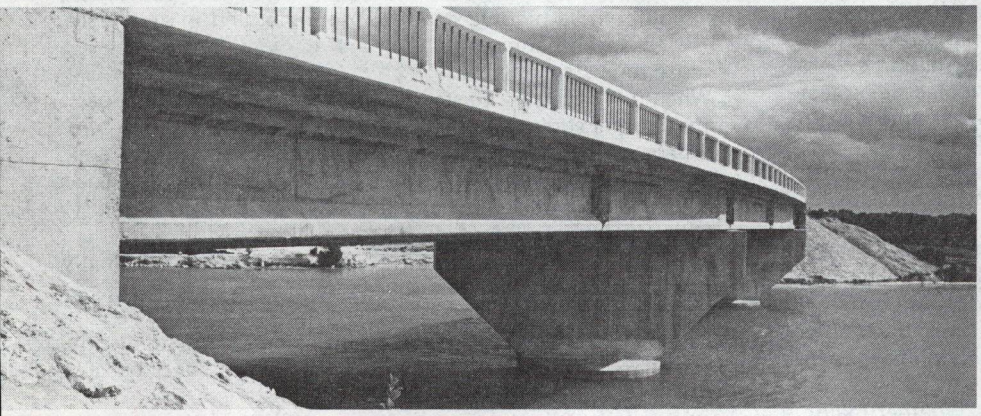


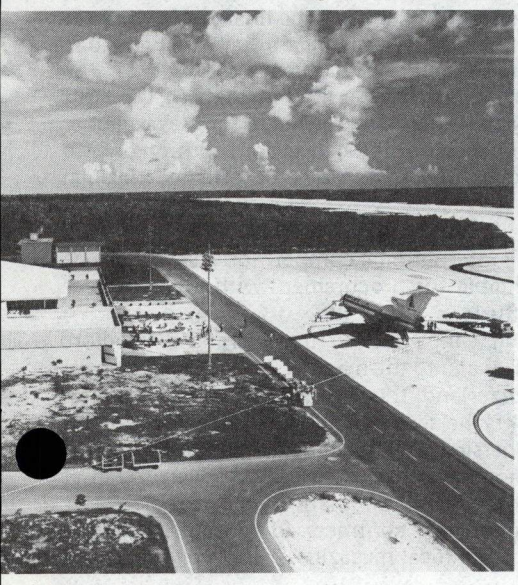






THE NEW CANCUN

Cancún, the gleaming white sandy strip that was the winter resort of the ancient Mayan rulers of Yucatán hundreds of years before Columbus discovered the New World, has regained its glamour and splendor. With a magnificent blue lagoon on one side and the crystal-clear Caribbean on the other, and blessed with an almost perfect climate, the 14-mile stretch of powdery coral beach off the tip of the Yucatán peninsula is emerging as one of the main tourist attractions of the Caribbean. Mexico has invested more than $100 million—including an IDB loan for $21.5 million—to turn the island into a planned beach resort that will stay unspoiled and safe from overdevelopment. The first to benefit from the transformation are the islanders, who until recently were barely making a living from small-scale fishing and subsistence farming. New jobs have opened up for them, and for the 20,000 or so new settlers who have come to help build luxury hotels complete with swimming pools, tennis courts and championship golf courses, as well as streets, shopping centers, office buildings, parks, airports and other facilities. In fact, the developers have built an entire town for them across the new bridge joining the island and the peninsula.



Bank Loans for Development Projects Bring New Trade Opportunities

Supplying goods and services for the projects the Inter-American Bank helps to finance in its Latin American member countries has gradually become big business and, with the steady expansion of the Bank's activities, is likely to become even bigger business over the years, particularly for the industrialized countries.

A large portion of the goods and services required for those projects have to be bought abroad. For example, one of the Bank's most recent loans was a $9.2 million loan to Jamaica for a nationwide rural electrification program costing almost $14 million. Another recent loan was a $35.5 million loan to Chile for the second stage of a national program to improve telecommunication facilities at a cost of $67.3 million. A third fairly recent loan was the 1974 loan to Argentina and Uruguay for $95 million to help finance the second stage of the Salto Grande hydroelectric project on the Uruguay River, the cost of which is estimated at almost $298 million.

Many of the materials for these projects—posts, cross-arms, conductors, pole line hardware and transformers for the Jamaica project, long-distance transmission equipment for the Chile project, certain materials and equipment for civil engineering works, as well as turbines, generating equipment and main hydraulic gates and cranes for the Salto Grande project—will have to be imported, as they are not produced locally. According to the Bank loan document, all the materials for the Jamaica project will have to be imported.

This is true of most Bank-supported projects, whether major, medium or small. This makes procurement for the projects important not only for the countries needing the goods and services involved, but for the industrialized countries which provide a very high proportion of them.

"The trade generated is much greater," IDB President Ortiz Mena pointed out in a recent speech, "for successful development projects have a multiplier effect."

Over the years, the Bank has extended loans in support of a wide range of projects in agriculture—the leading sector of Bank financing—industry and mining, transportation and communications, sanitation and housing. Gradually it has reached into new social and economic sectors, lending for projects in technical and vocational education, telecommunications, and tourism infrastructure. This has meant a growing demand for goods and services in an ever greater variety of goods and services.

PURCHASING GOODS AND SERVICES

One of the basic provisions of the Bank's charter is that it must ensure that funds from its loans are used only for the purposes for which the loan was granted, "with due attention to considerations of economy and efficiency." That stipulation, among other things, has required the Bank to keep track of how its loans are used.

"The Bank found that in most cases the best way to do this was through international competitive bidding," Freeborn G. Jewett Jr., IDB Deputy Legal Counsel, says. "This method helps the Bank to keep track of how its loans are used and gives suppliers and contractors from its member countries and from other eligible countries—members of the IMF and Switzerland—the opportunity to compete in providing goods and services. Also, it helps our borrowers get the best value for their money."

The Bank, therefore, usually requires borrowers to obtain goods and services through international competitive bidding. Its loan contracts generally call for the use of competitive bidding in purchasing materials and supplies and in contracting for services and the construction of works in which the value exceeds a specified amount. The contracts also provide that bidding procedures and contract awards shall be "subject to conditions acceptable to the Bank and consistent with its policies and the purposes of the loan." In many of its member countries, the Bank and the respective governments have entered into general agreements on bidding procedures for projects the Bank helps to finance.

OTHER PROCEDURES

Not all purchases, however, must be made through international competitive bidding. "There are times," Mr. Jewett points out, "when competitive bidding is not appropriate, and in such cases, the Bank accepts other methods."

These circumstances include:

- When it is necessary to standardize equipment and spare parts in terms of other equipment previously acquired.
- When, owing to an emergency in the country or project area, the first call for bids has been voided and it is considered that a new invitation would not achieve results, or when there is reason to expect that an invitation for bids would be unsuccessful.
- When it is advisable to expand a work contract originally entered into as a result of competitive bidding.
- When unforseeable market changes have made certain products scarce or because it is desirable to assure adequate maintenance of the equipment and machinery to be purchased; or because of other identifiable and demonstrable circumstances.

PROCUREMENT GUIDELINES

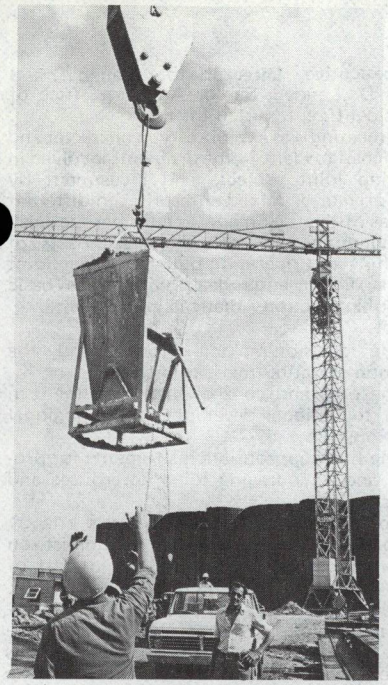
The procurement of goods and services is governed by rules developed by the Bank and set down in a booklet, "Guidelines for Procurement under IDB Loans," which is available from the Bank free of charge in English and Spanish editions. This publication contains descriptions of general procurement and operational procedures and principles, including bidding, prequalification, and contract provisions.

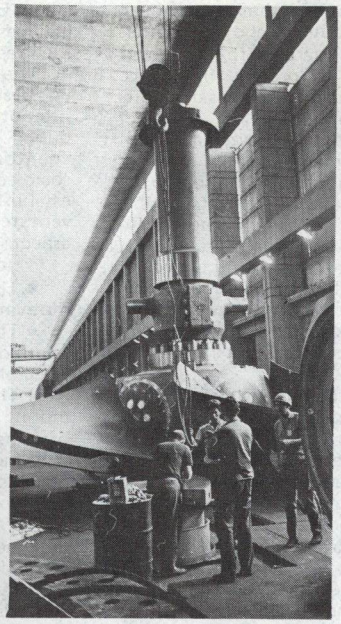
In general, the following rules concerning international bidding, as outlined in the "Guidelines," must be taken into account:

- Machinery, equipment and other materials for a project or program in excess of the limit established in the contract to be financed in whole or in part with foreign currency loan by the Bank shall be purchased by means of international bidding.
- Construction contracts for amounts in excess of the limit established in the contract, and which are to be financed in whole or in part with foreign currency made available through the Bank loan are subject to international competitive bidding.
- Other purchases and contract awards—in excess of the limit established in the contract—which must be made for the project or program, that is, those financed with the local contribution or with local currency provided by the Bank, may be effected through national bidding.

The Guidelines provide that bidding on projects financed from Bank resources requiring international competition shall always be open to all countries eligible for procurement with the particular Bank funds provided in the loan.

To ensure that bidding will be open to suppliers and contractors from all member countries and to the members of the International Monetary Fund and Switzerland, the Guidelines direct that invitations to bid or prequalify be sent promptly to their local representatives and to the embassies of all Bank member countries and of the eligible developed non-member countries and advertised in at least one newspaper of general circulation in the borrower's country. For large and important contracts, advertisements should be placed in well-known technical magazines, daily newspapers of





Supplying goods and services for IDB-supported projects is a growing business, particularly for industrialized countries.

large circulation, or in trade publications of wide international circulation, in sufficient time before bids are opened for prospective bidders to request specifications and prepare bids.

PREQUALIFICATION

The Bank may require or allow the use of formal prequalification for large or complex civil works contracts, or for turnkey contracts—those involving engineering, supply of equipment and construction by a single firm—when necessary and advisable to ensure that the work will be done by capable contractors. Prequalification should be based on the firm's ability to do the work involved satisfactorily, taking into account its experience in similar work, its capabilities with respect to personnel, equipment and plant, and its financial position. The prequalification procedure should be advertised along the same lines as the invitations to bid. Abbreviated specifications, the scope of the work, and a statement of the requirements for qualification should be made available to all contractors desiring to be considered for prequalification. It is not normal practice to require prequalification for suppliers of goods or equipment.

SIZE OF CONTRACTS

According to the Guidelines, in order to foster widespread competition, individual contracts should be of an appropriate size to attract responsible bidders. Subject to approval by the Bank, the project may be divided into logical parts for bidding purposes, and may also be divided into sections to allow smaller contractors to bid, provided "all-or-none" bids of sufficient size to interest international contractors are also allowed. Contracts for turnkey projects are acceptable in appropriate circumstances approved by the Bank; in such cases, the borrower must clearly demonstrate the proposed method of evaluation of bids. In all cases, proper consideration should be given to the requirements of economy, efficiency, and convenience.

SPECIFICATIONS

The Guidelines outline certain operational principles covering the clarity of bidding documents and contracts, the use of standards and brand names, currency payment provisions, and price adjustment clauses, as well as other legal and technical matters, such as bid bonds, performance guarantees, insurance, *force majeure* and settlement of disputes.

EVALUATION OF BIDS

The Guidelines specify that the currency or currencies in which payment would be made, if the bid is accepted, should be valued in terms of a single currency selected by the borrower for comparison of all bids and stated in the bidding documents. The rate of exchange to be used in such valuation should be the selling rates published by an official source, and applicable to similar transactions on the day bids are opened unless there is a change in the value of the currencies before the award is made. In such cases, the exchange rate at the time of the decision to notify the award to the successful bidder should be used.

A detailed report on the evaluation and comparison of bids, setting forth the specific reasons on which the determination of the lowest evaluated bid is based, should be prepared by the borrower or its consultants.

The time allowed for preparation of bids, the Guidelines state, will depend to a large extent on the magnitude and complexity of the contract involved and the distance of the project from areas from which bids may be expected. The time allowed should be adequate in relation to the circumstances of each project.

The date, hour and place of bid opening should be announced in the invitations and all bids should be opened publicly at the stipulated time. Bids received after that time should be returned unopened.

Bidding documents should provide that borrowers may reject all bids. Such rejection is justified where no bid meets the specifications, or where there is evidence of lack of competition or of collusion. Calls for new bids solely for reasons of price are discouraged in cases where the bid prices are only slightly higher than the original cost estimates. However, borrowers may, after consultation with the Bank, reject all bids if the low bids exceed the official estimate by an amount sufficient to provide justification for such action. In such cases, new bids should be requested from at least all who were invited to submit bids in the first instance.

AWARD OF CONTRACTS

The Guidelines provide that in competitive bidding the contract is to be awarded to the lowest evaluated bidder meeting the appropriate standards of capability and financial responsibility. But in evaluating bids, factors other than price—such as the time of completion of the work, the efficiency and compatibility of the equipment, the availability of service and spare parts, and the reliability of construction methods proposed—should be taken into consideration.

LOAN ANNOUNCEMENTS

The Bank's Office of Information issues press releases announcing its loans as soon as they are approved by its Board of Executive Directors. The releases are mailed to the news media and to public and private entities, including potential suppliers and construction firms.

The releases provide information about the borrower, the amount, purpose, and terms of the loan, the source of funds, and the total estimated cost of the project.

While the Office of Information does not mail announcements of the signature of loan contracts, it notifies the news media of contract signatures as they occur.

THE IDB AT INTERNATIONAL MEETINGS

Among recent international meetings on economic and social development in which Bank officials have participated—and some of the topics discussed and conclusions or resolutions adopted—were:

FIFTH ROUND TABLE ON PRIVATE FOREIGN INVESTMENT IN LATIN AMERICA. Punta del Este, Uruguay, November 17-20, 1975.

These annual round tables bring together Latin American government officials and businessmen, as well as representatives of transnational enterprises and of the public sector of capital exporting countries, to define areas of common interest and to explore new ways of encouraging foreign capital investment, association with national capital, and contributing to the transfer of technology, regional exports and manpower use. The first round table was held in 1970, in Medellín, Colombia, under the auspices of the Government of Colombia, the United Nations, the Organization of American States (OAS), and the IDB. The second, organized by the OAS, the IDB and the Italian-Latin American Institute, was held in Rome in 1971; the third, sponsored by the Government of Venezuela, the OAS, and the IDB, was held in Caracas in 1973; and the fourth, held under the auspices of the Government of Brazil, the OAS and the Bank, took place in Salvador, Brazil in 1974.

Cecilio Morales, Manager of the Economic and Social Development Department; Georges D. Landau, Senior Advisor, Office of the President; Carlos A. Montero, Representative in Uruguay; and Daniel Szabo, Senior Advisor of the Economic and Social Studies Sub-Department, represented the Bank at the Fifth Round Table, which was held under the auspices of the Government of Uruguay, the OAS and the IDB.

IDB President Antonio Ortiz Mena, in a message to the Fifth Round Table, pointed out that "Latin America as a whole offers a very attractive climate to foreign private investment. There is now widespread acceptance of the principle—which was still controversial when the first round table in this series was held—that the sovereign right of the capital-receiving countries to regulate their capital imports according to their own needs, must be reconciled with the foreign investors' right to secure adequate remuneration for the investment of their resources. There is, therefore, agreement on a fundamental aspect of the 'code of conduct,' which will vary only according to local conditions in each country. Summing up, the growing maturity and pragmatism of Latin America have injected into the concept of development the most important qualitative component."

Mr. Ortiz Mena observed that it had been gratifying to see the receptivity shown by international private capital markets to the recent initiatives of the IDB to provide innovative schemes of parallel financing by means of credits directly granted by the Bank for a project coupled with complementary renewable lines of credit supplied by commercial banks from industrial countries, which frequently resort to the Eurocurrency markets and borrow at variable interest rates. "The Bank hopes that other creditors will avail themselves of the support which it provides to business for the structuring of financing schemes and for obtaining the additional external resources required, under conditions more favorable than those which they might have secured without the Bank's assistance and participation."

The IDB President stated in his message that "Such operations, based on new schemes, are only one example of the flexibility of the multilateral financial institutions in promoting the association of national and foreign investors for development purposes and for their common benefit; it is also a practical example of Latin America's access to the international capital and technology markets."

The Round Table was attended by 41 participants from the public and private sector of 15 Latin American countries and 35 representatives of 13 capital exporting countries, as well as a number of observers.

The principal theme of the meeting was the implications of recent international developments on the flow of external capital to Latin America. Two working groups discussed the specific issues involved in direct investment and access to world capital markets.

New forms of joint ventures between external private capital and Latin American private and public capital were discussed, particularly the so-called "risk" contracts being increasingly used for minerals and hydrocarbons.

There was a general consensus on the desirability of creating multinational enterprises funded with capital originating in the region. Several participants urged exploration of the possibilities of the so-called "triangular" investments—that is, joint ventures involving capital from Middle Eastern oil exporting countries, Latin American entrepreneurs and technology and know-how from industrialized countries.

The Steering Committee of the Round Table met in Washington on February 2 and 3 to approve the Rapporteur's report on the Vth Round Table and to discuss the activities of the Committee in 1976.

INTAL MEETING ON THE PROMOTION OF INVESTMENT AND LATIN AMERICAN JOINT ENTERPRISES. Buenos Aires, November 21 and 22.

Hernán Aldabe, Executive Director for Argentina and Chile, Charles Greenwood, Alternate Executive Director for Canada, and Georges D. Landau, Senior Advisor, Office of the President, represented the Bank.

The meeting was exploratory in character and was designed to identify the problems involved in promoting joint projects and investment by public, private or mixed enterprises in different countries of the region and to consider the legal, socio-economic and technological aspects of establishing and operating Latin American joint ventures. The agenda dealt with three basic aspects of intra-Latin American investment:

- The decision-making process and the motivation of Latin American entrepreneurs.
- The pros and cons of such investment in relation to national development and regional integration.
- The most appropriate instruments for promoting and encouraging joint enterprises and projects.

Among the papers presented was one by Marcelo Diamand, an Argentine economist, on common interests and conflicts of interest of Latin American joint enterprises; an INTAL document analyzing the basis for a Latin American policy on joint ventures; and a third by the Venezuelan economist, Antonio Casas González, who had prepared a report on the subject at UNCTAD's request, in which five specific regional multinational enterprises in Latin America were analyzed. Experts in these matters engaged in a lively and interesting debate on the basis of these presentations.

Among the salient points which emerged from the debate were the following:

- There are now at least 45 Latin American joint enterprises, 85 per cent of which were established during the last decade.
- Among the activities that are suitable for Latin American joint enterprises are consulting services (including engineering and promotion firms). In that respect, the Latin American meeting on consulting services sponsored by the IDB and *Nacional Financiera* in Mexico was outstanding.
- Although Latin American joint ventures can be advantageous as a means for achieving economic rationalization and for promoting regional integration, they can be counterproductive and act as a factor in "disintegration," depending on the way in which they are managed.
- Pragmatic integrational political motivations and adequate means of information—for example on technology—and of communications fostering constructive personal relations among entrepreneurs, are more effective in promoting the establishment of joint Latin American enterprises than the existing institutional systems.
- Joint enterprises could be especially appropriate for large-scale exploitation of natural resources in the region (the Venezuelan Trust Fund which the IDB administers was mentioned in that connection).
- One of the obstacles to establishing joint enterprises in Latin America is the prejudice against intermediate or adapted technology.
- Despite the progress made by the Andean Pact, in Latin America it is still necessary to prepare a legal-institutional framework that is geared to the economic and commercial situation and which, while differentiating between joint intra-regional enterprises and transnational enterprises, will make possible the optimum use of marketing mechanisms at national, sub-regional and regional levels.
- Notwithstanding the above, entrepeneurs consider that there are good prospects for establishing—as they have been doing—joint commercial ventures. The Latin American private and offical banking network has been playing a relevant role in this connection.

On the basis of the above points, it was decided at the Buenos Aires meeting that the matter deserved further study and that INTAL would give priority to the task in its work program.

Representative of international financing institutions and businessmen discuss ways to increase private investment in Latin America at Investment Roundtable in Punta del Este, Uruguay.

Inter-American Bank's Lending Operations Register New High

The Inter-American Bank, which in 1975 authorized a record $1,375 million in loans to foster the economic and social development of its member countries in Latin America, wound up its credit operations for the year with the approval of its largest financing operation—$105 million in loans to Guatemala for a hydroelectric project—and loans to 11 other countries.

The details follow:

ARGENTINA: On December 4 the Bank announced the approval of two loans totaling $30 million to help finance a credit program for forest plantings.

The loans—$25 million from the Bank's Fund for Special Operations and up to the equivalent of $5 million from its ordinary capital resources—were extended to the Argentine Government and will be used by the *Banco de la Nación Argentina (BNA)*, a government development bank, to partially finance the planting of selected tree species on 247,000 acres throughout the country as part of a national effort to achieve self-sufficiency in the production of timber and other forest products.

BRAZIL: The Bank on December 11 announced the approval of a $74 million loan to help finance the construction of a hydroelectric power plant with an initial generating capacity of 1,125,000 kilowatts at Foz do Areia on the Iguazú River in the southeastern part of the country.

The loan was extended to the *Companhia Paranaense de Energia Elétrica (COPEL)*, the electric power company of the State of Paraná, to supply electric power to the State. It will be an important element in the supply of power to the south and southeast/central-west regions of Brazil until 1983, when the Itaipú power plant on the Paraná River is scheduled to start operating.

The total cost of the project is estimated at $666.5 million, of which the Bank loan will cover 11.1 per cent, *Centrais Elétricas Brasileiras S.A. (ELETROBRAS)* 42.6 per cent, COPEL 9.5 per cent, the State of Paraná 25.6 per cent, bilateral credits 3.3 per cent and other local sources the remaining 7.9 per cent.

• On December 18 the Bank announced the approval of two loans totaling $50 million to help finance the expansion and improvement of higher education.

The loans—$20 million from the Bank's ordinary capital resources and $30 million from its Fund for Special Operations—will be used by the Program for Expansion and Improvement of Higher Education Facilities (PREMESU), an agency affiliated with the University Affairs Department of the Ministry of Education and Culture, to implement university reform by helping to improve the quality and efficiency of higher education. The program is expected to be carried out at the Federal Universities of Bahia, Brasilia, Espirito Santo, Pará, Paraíba, Rio Grande do Norte and Sergipe.

CHILE: The Bank on December 11 announced the approval of a $25.2 million loan to help Chile finance a program of urban infrastructure and community facilities in Concepción and Santiago, the capital.

The loan will be used by the Ministry of Housing and Urban Planning (MINVU) to improve the living conditions of approximately 16,300 low-income families in 17 marginal urban communities of "camps" in Santiago and Concepción. The immediate objective of the program is to improve the urban infrastructure and social and community services for existing and new housing.

COLOMBIA: On December 18 the Bank announced approval of two loans for a total of $45.8 million to help finance a road program, and a third for $30 million for an industrial credit program.

The loans for the road program—one for the equivalent of $11 million from the ordinary capital resources and another for $34.8 million from the Fund for Special Operations—will be used by the Ministry of Public Works (MOP) through the National Highway Fund to build the Caribbean Trunk Highway-Barranquilla Bridge interconnection and the second roadway of the Cali-Palmira section of the East Trunk Highway, build and improve the Villavicencio-Puerto López, Guadalupe-Florencia and Puerto Rico-San Vicente del Caguán Highways, and purchase Bailey-type temporary bridges for the latter.

• The *Banco de la República (BR)*, Colombia's central bank, will use the $30 million industrial credit loan to finance a program in various parts of the country exclusively through private finance corporations.

The BR will grant subloans to seven private finance corporations or "financieras" and other qualified finance corporations to finance the importation of machinery, equipment and materials which are intended to form part of the fixed assets of development projects in industrial mining, construction and tourism enterprises.

COSTA RICA: The Bank on December 11 announced the approval of two loans totaling $8 million to help develop small and medium-scale industry in Costa Rica.

The loans were extended to the *Banco de Costa Rica (BCR)* and will be channeled through the national banking system, which includes the *Corporación Financiera S.A. (COFISA)*, the Central American Bank for Economic Integration (CABEI) and the *Cooperación Costarricense de Desarrollo (CODESA)*.

Under the program, the BCR will grant medium and short-term loans to small and medium-scale producers to finance projects which ensure the maximum use of natural resources, increase employment through the development of labor-intensive industries and improve the productive structure of the sector, as well as stimulate exports of manufactured goods. The Bank loan will be used to finance the external costs of the program, including the acquisition of machinery, equipment and tools and the installation of industrial plants.

ECUADOR AND PERU: The Bank on December 18 announced the approval of a $5.2 million loan to help finance the preparation of a project for the development of the Puyango-Tumbes watershed on the border between Ecuador and Peru.

The loan was extended to the Peruvian-Ecuadorian Mixed Commission for the Puyango-Tumbes and the Catamayo-Chira Watersheds, an autonomous binational commission created in 1971 by the Government of Peru and Ecuador to plan and execute the comprehensive development of the frontier region.

(Continued on next page)

Armando Terán (left), General Manager of the Confederation of Latin American Loan and Savings Cooperatives (COLAC), and IDB President Antonio Ortiz Mena sign the loan document for a $9 million credit to COLAC that will benefit cooperatives in ten of the Bank's member countries.

GUATEMALA GETS $105 MILLION LOAN

The Bank on December 18 announced the approval of its largest single financing operation in one country—four loans totaling $105 million to help finance the construction of a hydroelectric project with a generating capacity of 300,000 kilowatts on Guatemala's Chixoy River.

The loans include $45 million from the Bank's Fund for Special Operations, the equivalent of $35 million—$31 million and up to 21.5 million bolivars—from the Venezuelan Trust Fund which it administers, $10 million from its ordinary capital resources, and $15 million in a supplementary line of credit, also from its ordinary capital resources.

The loans will be used by the *Instituto Nacional de Electrificación (INDE)*, the national power agency, to help satisfy the growing demand for electric power and, at the same time, relieve its dependence on petroleum-based fuels used for the generation of electricity.

The total cost of the project, which is the first stage in the coordinated development of the Chixoy River Basin, is estimated at $340,874,000, of which the Bank's loans will cover 30.8 per cent; the World Bank, 19.1 per cent; the Central American Bank for Economic Integration (CABEI), 1.5 per cent; parallel financing, 10.4 per cent; and local sources, the remaining 38.2 per cent.

The project will consist of the construction at Pueblo Viejo, a site on the Chixoy River about 50 miles to the northwest of Guatemala City, of a rockfill dam, a spillway, a power tunnel, or headrace, approximately 16 miles in length; a plant at Quixal with a powerhouse of 300,000 kilowatts capacity, and a transmission line approximately 75 miles in length from the power plant to Guatemala City.

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HONDURAS: On December 18 the Bank announced the approval of a $14.7 million loan to help expand and improve telecommunications services in Honduras.

The loan will be used by the Ministry of Communications, Public Works and Transportation (SECOPT), through its General Bureau of Telecommunications (DGT), to expand and modernize telephone service in San Pedro Sula, Tegucigalpa and other major Honduran cities. The project will also strengthen the financial management and operating capacity of the national telecommunications system.

JAMAICA: The Bank on December 5 announced the approval of two loans totaling $12 million to help expand the water supply systems of Montego Bay and Falmouth on the northwest coast.

The loans will be used by the National Water Authority, the agency charged with development of water supply and sewage systems throughout Jamaica, with the exception of Kingston, the capital, and the nearby area of St. Andrew.

PANAMA: The Bank on December 5 announced the approval of a $12.2 million loan to help expand and improve intermediate level technical and professional education in Panama.

The loan will be used by the Ministry of Education to implement educational reform in Basic Cycle schools and in professional and technical institutes in an effort to satisfy the demand for skilled and semiskilled labor estimated by the Ministry of Planning and Economic Policy of Panama at more than 140,000 workers by 1980.

PARAGUAY: On December 18 the Bank announced the approval of a $3.2 million loan to help finance the second stage of the National Foot-and-Mouth Disease Control Plan.

The *Servicio Nacional de Lucha Contra la Fiebre Aftosa (SENALFA)*, an agency of the Ministry of Agriculture and Livestock, will use the loan to extend the campaign to cover the entire country in an effort to eliminate sporadic outbreaks of the disease and to reduce incidence in endemic areas.

IDB Grant Technical Cooperation Rises to Record $24.6 Million

The Bank's technical cooperation on a nonreimbursable or contingent repayment basis reached higher levels in 1975 than in any previous year. These operations amounted to $22 million in 1974—until then the highest amount recorded.

In addition to the grant and contingent repayment cooperation, the Bank extended $1.1 million in reimbursable cooperation, bringing the total to more than $26 million.

The operations in December benefited 15 countries. They included:

BARBADOS: A $300,000 grant to help finance the establishment of a public investment projects unit in the Ministry of Finance and Planning to train staff in project identification, promotion, analysis and preparation; a $450,000 grant for a survey of the country's water resources, a tubewell irrigation project and an institutional and tariff study, in reference to an autonomous water and sewerage authority. The executing agency is the Ministry of Finance and Planning, with the collaboration of the Barbados Waterworks Department, the Ministry of Agriculture, Science and Technology and the Ministry of Health and Welfare.

BOLIVIA: A grant of $111,000 to help finance a project for expanding and improving technical and vocational education and professional training based on the real labor market demand in industry, agriculture and services.

CHILE: Reimbursable technical cooperation in the amount of $170,000 to help finance a training program on the preparation and evaluation of investment projects, including the preparation of teaching materials based on the country's own experience. The program has been designed to meet the training requirements of staff members of agencies of the national planning system, and is intended for operational personnel. The National Planning Office (ODEPLAN) will be the executive agency.

COSTA RICA: The sum of $400,000 on a contingent recovery basis to help finance the final designs, specifications and budgets of three pilot irrigation programs in the province of Guanacaste. The executing agency will be the National Electric Agency (SNE), together with the Coordinating Commission for the Integral Development of the Tempisque River Basin.

HAITI: A technical cooperation grant for $150,000 to finance the preparation of an integrated rural education project.

The technical cooperation will be used by the Committee for Coordination of Agricultural Education, an independent government organization created in 1968, to prepare an integrated project of rural education at the national level that will serve as support for a loan application to be submitted to an international financing organization.

HONDURAS: The sum of $200,000 on a contigent repayment basis to enable the Honduras Development Bank to prepare a technical and economic feasibility study of industrial processing of the African palm, including preparation of the engineering design of the industrial plants recommended in the feasibility studies.

NICARAGUA: A technical cooperation grant for $529,000 to enable the Government to undertake a program of advisory services and training in the preparation and evaluation of investment projects.

The technical cooperation will enable the National Planning Office (DINAPLAN) and the Ministry of Economy, Industry and Commerce to launch the initial stage of a system for identifying, evaluating and executing control of investment projects, programs and studies within the national planning system and to conduct a training program on project preparation and evaluation.

ECUADOR: A $75,000 grant for a project designed to strengthen the *Empresa Nacional de Almacenamiento y Comercialización de Productos Agropecuarios (ENAC)*, a storage and marketing dependency of the Ministry of Agriculture.

The sum of $92,000 in contingency recovery technical cooperation to help finance the preparation of a feasibility study of a project designed to improve technical and vocational education.

GUATEMALA: A grant in the amount of $235,000 to help finance the preparation of the first stage of a development program for the western part of the country, a region that is characterized by high population density, migration to other parts of the country, small landholdings, and inadequate physical and social infrastructure.

A $240,000 grant to establish a project unit within the General Secretariat of the National Economic Planning Board (SGCNPE). The technical cooperation will enable SGCNPE to contract consultants to provide advisory services in the SGCNPE and in the planning units of the ministries and decentralized, autonomous and semiautonomous agencies indicated by the SGCNPE during the development of the program.

PARAGUAY: A $100,000 grant to help finance a study designed to define the bases for promoting the development of the country's industrial sector.

The technical cooperation will enable the Government, through the Ministry of Industry and Commerce, to contract two international consultants and local personnel to undertake the study, the objective of which is to define and control the execution of policies and programs in the manufacturing sector; prepare indicators that will make it possible to follow the development of the most significant variables of the industrial sector, such as sales volumes, national value added, amount and remuneration of the manpower used, and related data; establish statistical bases for analyzing the use of electric power; study the use of national and imported inputs by industry; and estimate the principal economic magnitudes related to the sector such as the value of production, degree of automation and sources of financing.

PERU: A grant in the amount of $179,000 to help finance a training program on the preparation and evaluation of investment projects to be undertaken jointly by the National Planning Institute (INP), the National Engineering University, and a select group of regional universities with the participation of INP staff, officials of other development institutions, and of organizations in the public sector and Peruvian university professors.

REGIONAL: A technical cooperation grant of $440,000 to help finance the preparation of a project for the development of one or more tourist centers in the central-western part of Bolivia, the southwest of Peru and the northwest of Argentina. The Institute for Latin American Integration (INTAL) will be the executing agency for the project.

The purpose of the project is to define, characterize, and justify the circuit or circuits and measure the tourist potential of the multinational zone as a whole; identify the most attractive tourist points in the circuit, present a short-term program containing a plan for projects and activities to be carried out over a period of four years, including their economic and financial prefeasibility; prepare a list of projects to be carried out on a medium and long-term basis, with the respective cost estimates, and present recommendations for the creation and setting in motion of a tripartite institutional mechanism intended for the execution and multinational operation of the circuit.

A grant of $1.7 million to help strengthen the research and farm extension programs of three agricultural research institutions—the *Centro Nacional de Tecnología Agropecuaria (CENTA)* in El Salvador, the *Instituto de Ciencia y Tecnología Agrícola (ICTA)* in Guatemala and the *Secretaría de Recursos Nacionales (SRN)* in Honduras. CENTA will receive $615,000, ICTA $560,000 and SRN $525,000.

The programs are designed to expand the production and productivity of basic grain crops in small and medium operations, in order to improve the diet of large sectors of the population.