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INTER-AMERICAN BANK TO ADMINISTER \$500 MILLION VENEZUELAN TRUST FUND

The Venezuelan Investment Fund and the Inter-American Development Bank entered into an agreement under which the Bank will administer a \$500 million Venezuelan Trust Fund.

The \$500 million (\$400 million and 430 million bolivars) will be turned over to the Bank by the Venezuelan Investment Fund in 10 equal and consecutive installments over a five-year period.

The purpose of the Fund is to contribute to the financing of projects and programs having a significant effect on the development of those member countries of the Bank which are relatively less developed or of intermediate size, through better use of their natural

resources and the promotion of their industry and agroindustry. In fulfilling these goals, the Bank will place emphasis on projects and programs which promote the economic integration of Latin America.

The contract establishing the Venezuelan Trust Fund was signed on February 27 at the Bank's headquarters—in a ceremony in which Héctor Hurtado, Finance Minister of Venezuela, participated—by Constantino Quero Morales, President of the Venezuelan Investment Fund, and Antonio Ortiz Mena, President of the Bank.

Speaking at the close of the contract signing ceremony, the President of the Bank emphasized the significance of the agreement. He stated that Venezuela's attitude in establishing the Fund which has been placed under bank administration was "truly extraordinary, for a country which cooperates and collabor-

ates with others does not do so with a feeling of superiority, but in a spirit of equality and cooperation." Mr. Ortiz Mena added that the spirit of Latin American solidarity displayed by President Carlos Andrés Pérez should make all Latin Americans proud of being able to count on a country that is in a position to support the region's development and which does so in such a generous way.

The President of the Venezuelan Investment Fund stated that the signing of the agreement was the culmination of the commitment undertaken by the Government of Venezuela at the Meeting of the Board of Governors last year in Santiago, Chile.

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Constantino Quero Morales, President of the Venezuelan Trust Fund, right, and IDB President Antonio Ortiz Mena sign the agreement as Finance Minister Héctor Hurtado, far left, witnesses the ceremony.



NEW APPROACHES TO FINANCING FOR DEVELOPMENT



IDB President Antonio Ortiz Mena, President Luis Echeverría of Mexico and government officials at the opening of the Conference on Latin American and Caribbean Financing in Mexico City. (Page 3).

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:

UNESCO-CONACYT Meeting. Mexico, December 9-17. The Fourth Meeting of the *Conferencia Permanente de Directores de los Consejos Nacionales para Ciencia y Tecnología para América Latina* (Permanent Conference of Directors of National Science and Technology Councils for Latin America) was attended by representatives of 18 Latin American and Caribbean countries and 11 international organizations. The Meeting was sponsored by UNESCO. Ismael Escobar, Chief, Section on Education, Science and Technology, represented the Bank.

Twenty-six recommendations were approved. These dealt with integrated programs, policies, organization, financing, exchange of information, cooperation with international organizations working on methodology, and other aspects of scientific and technological development in Latin America.

It was agreed to include in a document entitled "Declaration of Mexico," several proposals at government level reflecting, basically, priorities in the following fields: training of high-level personnel; increasing the infrastructure; establishing or strengthening research and development centers; the urgent need to reorganize scientific information and for legal instruments on the registration and use of technology, industrial property and the behavior of national enterprises and, finally, of access to the information required for efficient and adequate transfer of technology. The Bank presented a study entitled "*Labor del BID en apoyo de la educación, la ciencia y la tecnología en América Latina*" ("IDB Support of Education, Science and Technology in Latin America").

XXIIIrd ECIEL Seminar. Guatemala City, January 20-24. The meeting, sponsored by the Permanent Secretariat of the General Treaty for Central American Integration (SIECA), was attended by representatives of private and official research centers of 16 Latin American countries engaged in joint studies on regional problems in employment, consumption, prices, income distribution and education, as well as by observers from the World Bank, OAS, AID, UNESCO and United States universities. Mrs. María E. Sanjurjo, of the Section of Social Studies, represented the Bank.

The ECIEL Program (Program on Joint Studies on the Economic Integration of Latin America), is headquartered in Rio de Janeiro.

The Bank is cooperating in financing two joint studies ECIEL is executing: one on the cost and financing of educational systems and another on the factors determining scholarship. The studies are part of a research program designed to furnish information and methodology for improving educational

planning and to serve as guidelines for investment decisions in the educational sector.

During the seminar, four working groups analyzed the methodology and problems encountered in the research projects, the progress made in those studies, and the future work program. Leopoldo Tettamanti, Director of INTAL, addressed the closing session.

ECLA-CONACYT Meeting. Mexico, December 2-7. At the invitation of the National Council on Science and Technology of Mexico, the ECLA Conference on Science, Technology and Development in Latin America met to study the execution of the Regional Plan of Action for the Application of Science and Technology to Development and the possibilities for coordinating such action with the work of other international organizations in the field.

Simón Teitel, Consultant, Office of the Program Advisor, and Ismael Escobar, Chief, Section on Education, Science and Technology, represented the Bank.

A number of resolutions were approved on establishing, under ECLA's aegis, an intergovernmental committee of experts to examine the application of science and technology in the development of Latin America; the transfer of technology; the exodus of qualified personnel from Latin America to developed countries ("brain drain"), and measures favoring the relatively less developed countries.

The Bank presented a paper entitled "*Labor del Banco Interamericano de Desarrollo en Apoyo del Desarrollo Científico y Tecnológico de América Latina*".

Capital Markets Seminar. Santo Domingo, Dominican Republic, January 8-9. Some 130 government officials and representatives of the academic world and the financial and business community attended the seminar, which was held under the joint auspices of the Central Bank and the Pedro Henríquez Ureña University.

Milic Kybal, Advisor, Economic and Social Development Department, and Nicholas Bruck, Chief of the Section on Financial and Special Studies, represented the Bank.

Mr. Kybal spoke on development financing institutions in Latin America in the context of the capital markets of the respective countries and the sources of external financing.

Inter-agency Meeting on Education. Guatemala City, January 20-25. The meeting was attended by delegates of the Secretariat of the National Economic Planning Council, AID, UNDP, UNESCO and UNICEF, and from Michigan University and Stanford University.

Alberto P. Castillo, Representative in Guatemala, attended for the Bank.

The meeting revolved around a system of education that will run parallel to the "formal" system of education—to be known as "extrascholastic education"—for which highly original and innovative action is provided under the Eleventh National Development Plan (1976-1979).

Basically, the idea is to establish a non-institutionalized system to absorb drop-outs and others in the school-age population now outside the "formal" system.

PUBLICATIONS

Advisory Services,
Fishery, Tourism

The Inter-American Bank recently published a study entitled "Fishery Potential of Latin America" by Julio Luna, Chief of the Bank's Fishery Projects Section.

In his report—subtitled "Prospects and Tasks Ahead"—Mr. Luna examines the region's present fishing industry and production and its possibilities for growth, which he considers extremely promising.

Mr. Luna analyzes such factors as the industry's resources and constraints and its productive structure—including industrial and small-scale fishery—as well as new technological orientation, possible financial resources, and investment priorities. He describes IDB efforts to promote fishery development in the region, an area in which it has become active in recent years.

"Use of Consulting Firms by the Inter-American Bank and its Borrowers" another recent publication, presents a "Statement" of Bank policies and procedures for selecting and contracting professional services firms—consulting firms—by Bank borrowers and beneficiaries.

The brochure defines professional services firms for the purposes of the Statement, and those to which it is not applicable, and provides guidelines for the implementation of the policies and procedures described. It specifies the assistance the Bank is prepared to furnish borrowers or beneficiaries in selecting and contracting consulting firms.

"Appraising International Tourism Projects," by Terry A. Powers, an economist with the Bank's Project Methodology Unit, is the first in a series of applied studies in benefit-cost analyses prepared under the direction of the Bank's Division of Country Studies.

Copies of these publications may be obtained by calling or writing the Office of Information.

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Ortiz Mena Sees Need for Stronger Latin American Negotiating Capacity

President Antonio Ortiz said recently that Latin America's economic and trade relations with industrialized countries are mutually beneficial.

"The international cooperation which Latin America requires and seeks in order to continue its economic and social development at a pace compatible with its needs should not be construed to be assistance supported by moral principles or international solidarity," he said.

In an address delivered in Mexico March 4 at the Conference on Latin American and Caribbean Development Financing, sponsored by the Latin American Association of Development Financing Institutions (ALIDE) and the Nacional Financiera, S.A., of Mexico, Mr. Ortiz Mena discussed the need to strengthen Latin America's negotiating capacity in world councils.

While Latin America has received an important and sustained flow of financial resources and direct investment from the world's industrial centers, he pointed out, the latter have in turn reaped substantial benefits from their access to Latin American markets and to the economic supply of raw materials essential to industrial development.

Latin America's relations with the United States offer a good example of the situation, Mr. Ortiz Mena said. "The trade balance has traditionally shown a persistent surplus in favor of Latin America's neighbor to the north, and in recent years United States exports have increased dramatically, more than doubling, from \$6.8 to \$15.1 billion between 1972 and 1974. This development looms even more important, since it occurred at a time when the United States economy had already entered upon a recession."

Mr. Ortiz Mena emphasized that Latin America is a region with an enormous potential for the production of food, forestry products, minerals and energy resources. In addition to exporting meat, grain and other foods, the region is already an important source of supply for a number of industrial raw materials, including copper, bauxite, iron ore, manganese, nickel, zinc and tin. "It is, therefore, logical to assume that the balanced development of the region will place it in a privileged position for furnishing resources that are essential to the development of the world economy."

Now more than ever, Mr. Ortiz Mena added, there is an awareness of the mutual desirability of strengthening the ties between Latin America and the industrialized countries. Otherwise, a deterioration of this relationship as a result of a reduction in real financing granted to the region could seriously affect the continuity of its development and lead, in turn, to a decline in trade, with heavy losses for the industrial centers.

Mr. Ortiz Mena declared that, despite some weak spots, the economy of Latin America has evolved in a "very dynamic" fashion since the early 1960s. However, in the recent past the world economy has entered a period of crisis produced by inflationary pressures which have drastically altered price ratios, patterns of trade in goods and services and financial flows both among the industrialized countries and between that group and the developing world.

"After two decades of comparative

economic stability, demands created in the last few years now exceed the supply of a great many basic commodities," the Bank President declared. "This situation was aggravated by the convergence of such unforeseen factors as poor harvests and the unprecedented increase in oil prices.

"Thus an inflationary spiral has been generated which has brought in its wake instability of basic commodity markets, an imbalance of payments in a number of countries, the accumulation of a large volume of financial resources in oil-exporting countries and, in short, an economic recession that is affecting both the industrial centers and the developing countries."

Despite the very serious implications of the current crisis, Mr. Ortiz Mena said, this development—as is frequently the case—also has its positive aspects "which we should try to take advantage of." He referred particularly to the fact that the dislocation of the world economy has emphasized the close interdependence that exists among all nations, industrialized and developing, as well as the need for greater cooperation among them.

"The economic supply of food and industrial raw materials has become one of the major concerns in international relations, enhancing the role of the developing countries that supply such commodities. The more active participation of those countries in attaining that goal requires that the industrial centers refrain from applying restrictive policies and endeavor instead to promote the flow of trade and of financial resources and capital."

Mr. Ortiz Mena referred to the Bank's efforts to mobilize surplus oil revenue on the most favorable possible conditions and channel it into the economic and social development of Latin America. In this regard, he pointed out that of the surplus oil funds received by the exporting countries, estimated at \$55 billion for 1974, only \$2 billion has reverted in the form of loans and grants to developing nations while, at the same time, these countries have been obliged to increase their expenditures for oil during the same period by some \$10 billion. This means that the majority of the developing nations must resort to external financing, regardless of how unfavorable the conditions may be, in order to prevent a drastic reduction in their level of economic development.

Mr. Ortiz Mena said that the Bank has maintained "a very close relationship" with Latin America's oil-exporting nations—Venezuela, Trinidad and Tobago and Ecuador. He described the initiative of Venezuela in setting up the Venezuelan Trust Fund to be administered by the Bank as "cooperation of the most vital sort."

In addition, he said that the establishment by Venezuela of mechanisms to transfer resources to the Central American countries and Panama will provide these nations with the financing needed to cover over the next six years the balance of payments deficits produced by the increased price of Venezuelan oil or to serve as counterpart funds for external credits.

Observing that the industrial countries had reacted quickly to the world economic emergency, forming a common front to influence



President Echeverría, Antonio Ortiz Mena, and ALIDE and Nacional Financiera officials take their places at the Conference podium. The event drew more than 500 participants.

the demands for fuel and other basic commodities, he suggested that the Latin American countries might act along similar lines, coordinating their efforts in support of mutual economic interests.

In this connection, Mr. Ortiz Mena said, the committee of nine Governors set up by the Bank to consider specific topics entrusted to it, including supervision of the recent negotiations with 12 nonregional countries interested in joining the Bank, might—if the Bank members so desire—operate as an effective means of strengthening the negotiating capacity of the Latin American countries in the financial field.

"Another matter of great importance included in the agenda of this conference," Mr. Ortiz Mena said, "refers to the function of development banking within the framework of regional economic integration. There is no need to refer here to the proper role of the national and subregional agencies. That is a question that will undoubtedly be dealt with by participants in this meeting who occupy positions of great responsibility in this area. But I do want to say that Latin America must have a regional agency to promote the organization and development of basic industry and facilitate its financing. This idea has been the subject of prolonged and careful consideration within the Bank, but to date it has not materialized. We will continue the effort to establish an agency of this type and provide the support needed for its rapid and efficient development."

Concluding, Mr. Ortiz Mena said it was fortunate that the purposes of the Venezuelan Trust Fund were very similar to those of the regional agency mentioned. "This will enable us to train specialized personnel and to formulate the technical, legal and administrative criteria required in the very varied activities entailed in the organization and financing of large-scale Latin American national and multinational enterprises."

"We must keep in mind," he added, "that performance of these tasks makes it necessary to evolve new types of cooperation among three parties: the national authorities and entrepreneurial groups of the host country, the international agencies and other sources of external financing, and the foreign investor who can supply technology and capital. A harmonious and functional relationship that recognizes and fairly compensates the contributions of each party and that retains the basic decisions in Latin American hands will make it possible to overcome the political obstacles that have emerged in recent years and that have seriously retarded development in a field of vital importance to the economy of the region."

Plan for Broadening Venezuelan Development Financing Announced

(from page 1)

Mr. Quero Morales added, "This morning I have heard repeated references to my country's 'generous gesture' in expressing its solidarity through this agreement.

"But I would say that, rather than a generous gesture, this expression of solidarity is an obligation, for in every international organization, our representatives have always asked countries with greater economic resources to respond effectively to the need of less developed countries for resources with which to enhance their well-being and advance their progress.

"Now that Venezuela is receiving better prices for a basic natural resource like petroleum and has additional income which it must keep until it has well-developed projects and the administrative

sources.

"On behalf of the Government of Venezuela," Mr. Quero Morales said, "I repeat the statement of my colleague in the Cabinet, Dr. Héctor Hurtado, that we will continue to study formulas that may materialize as instruments for helping to strengthen continental economic cooperation."

The Trust Fund will be in effect for 25 years, but may be extended by mutual agreement of both parties. All sums received in repayment for financing made from the Fund or from interest, dividends, commissions, sales of assets or from other sources, will be added to the Trust Fund for use by the Bank unless the Venezuelan Investment Fund requests 12 months in advance that another procedure be followed.

of nonrenewable natural resources, hydroelectric resources and the promotion of industry or agroindustry, including agroforestry activities.

- Subscribe to or acquire shares, obligations convertible to shares and medium- and long-term bonds issued for the establishment or expansion of national or multinational Latin American enterprises having as their purpose the development of projects or programs in the fields mentioned previously.

- Finance, through loans, the acquisition by Latin American investors of shares in enterprises dedicated to projects or programs in the fields mentioned previously, including the acquisition of shares belonging to non Latin-American investors in enterprises located in the region and dedicated to the development of natural resources, especially those which are nonrenewable.

- Finance working capital of enterprises, providing that such financing is necessary for the startup of projects or programs financed with loans from the Bank.

- Finance exports to any part of the world of manufactured and semi-manufactured capital goods originating in any developing member country of the Bank.

Resources of the Trust Fund will be administered within criteria of security and profitability.

Under the Trust Fund, operations may be carried out with juridical persons, public or private, including multinational Latin American enterprises.

In financing private enterprises, the operations previously mentioned, except those for capital goods, manufactured or semi-manufactured products originating in any developing country of the region which is a member of the Bank, may be carried out only with enterprises of which at least 80 per cent of the capital stock is held by shareholders who are nationals of one or more of the developing countries of the region which are members of the Bank, and provided that such proportion is reflected in the structure of its management.

Exceptionally, and with the prior acceptance of the Trustor, operations may be carried out with enterprises less than 80 per cent of whose capital is owned by shareholders that are nationals of one or more of the developing countries of the region which are members of the Bank, provided it is agreed to reach that proportion within the period to be established for such purpose, and that changes in the propor-



Finance Minister Héctor Hurtado and Bank President Ortiz Mena during the signing ceremony.

capacity to make good use of its financial resources, it can do no less than be consistent with that premise and that attitude.

"Therefore, I say once again that I interpret our decision not as a generous gesture, but as an obligation to cooperate and to show solidarity with countries which are our peers and which, in order to speed their progress, require the assistance of others with greater re-

The agreement will remain open for adherence by other Latin American member countries of the Bank which desire to join under the same conditions or in such other conditions as may be agreed upon with the interested parties.

The resources of the Fund may be used to:

- Finance, through loans, projects or programs of national or regional importance contributing to the development

tion of participation are reflected in the structure of the management of the enterprise.

The agreement had its genesis in a proposal made March 12, 1974 in his inaugural address by Carlos Andrés Pérez, President of Venezuela, and reiterated by Héctor Hurtado, Finance Minister and Governor for Venezuela, at the Annual Meeting of the Bank's Board of Governors in April of the same year, that the Bank serve as trustee in channelling part of the greater income being derived by Venezuela from petroleum towards the development of the region.

The Committee of the Board of Governors of the Bank met on February 27 to consider the agreement and expressed its satisfaction with the statement of the Governor for Venezuela, Mr. Hurtado, to the effect that his country, in consultation with the Bank, is seeking other means for placing at the Bank's disposal resources that can be used under concessionary terms. It stated the hope that these consultations would soon reach a favorable outcome.

The Committee also observed that the external financing requirements,

especially of the relatively less developed countries, highlight the need for the Bank to receive in the near future an important inflow of concessionary resources.

Other consultations

In the course of his address, President Ortiz Mena revealed that further negotiations with Venezuela are under way. These negotiations, he said, can lead to additional contributions from that country.

"This morning, during the meeting of the Committee of Governors," Mr. Ortiz Mena said, "we had the opportunity of hearing Mr. Hurtado say that his country would not only contribute the \$500 million involved in the Trust Fund, but that negotiations would continue for a fund on concessionary terms for an additional \$100 million."

"Thus, Venezuela, which is establishing a fund almost equal to the largest the Inter-American Development Bank has administered to date—the Social Progress Trust Fund established by the United States—will contribute an additional \$100 million for a \$600 million fund which will open new fields of operation in Latin America."

"The agreement signed today, opening new fields of investment in the stocks of Latin American enterprises and in exploring support for all kinds of nontraditional export goods outside the region, offers new possibilities of stronger support by the Inter-American Bank for the economic and social development of our region."

"Our relations with Venezuelan officials have not been those between an institution seeking resources and a country granting them, but dealings between friends, of a sister-nation seeking to support the efforts of its peers in Latin America to improve living conditions in the various areas. That is the reason for the special emphasis placed on having those resources reach mainly the relatively less developed and the insufficiently developed countries."

"The great majority of the peoples of Latin America are increasingly in need of support and understanding—above all, understanding—and in Venezuela we have found an outstanding example which I am sure will be followed by other countries of the region in a position to do so."

Official External Financing, 1969-73

An OAS Study, "Flujos de financiamiento oficial externo a América Latina 1969-1973" ("Official External Financial Flow to Latin America 1969-1973"), shows the visible improvement in official financial assistance received by the region in the seventies in comparison with the previous decade, although it records a slight drop in 1973 figures as against 1972.

The document, prepared by Alvaro García, Verónica Espinosa and Ricardo Montaner, economists in the External Financing Unit of the Department of External Cooperation of the OAS, analyzes credit operations by official agencies located in Washington, D.C. in the Latin American countries.

The external financing to Latin America authorized by official sources, according to the report, was \$2,836.6 million in 1973, compared to \$2,915.6 million in 1972, with a drop in gross and net disbursements. A greater proportion of resources went to servicing debts to agencies.

The study—which analyzes the operations of the International Development Agency (AID); the Food for Peace Program (Law 480); the Export Import

Bank; the World Bank and its affiliates, the International Finance Corporation and the International Development Association; the IDB, and the International Monetary Fund—shows that the IDB did not share in the downward trend of the total amounts authorized in 1973. In 1973 its loans, which were 27.7 per cent of the 1972 authorizations, instead of following a down-curve, came to 33 per cent of the total financing to Latin America authorized by agencies.

Conditions for authorizing official credits in 1972 and 1973, according to the study, show no substantial changes from previous years.

But it is worth noting that the Inter-American Bank's Fund for Special Operations, which until July 1972 issued loans at a rate of interest of 3 to 4 per cent a year and amortization periods of 25 years with a four-year grace period, since that date has authorized loans at 2 per cent interest and an amortization period of up to 40 years, with a ten-year grace period, depending on a country's relative development.

As for the regional external debt, the study, basing itself on World Bank estimates and projections, points out that only 40 per cent of the total servicing of

that debt is used to cover borrowings from international financing agencies, while 60 per cent goes to amortizing debts to suppliers and other bilateral and private sources.

On the basis of these statistics and of the 1974 figures on servicing debts to international agencies—\$1,380 million—the study establishes the total amount of debt servicing for the same year—\$3,450 million—and concludes that the latter represents 17 per cent of the value of regional exports which, without computing the increase which might have originated in the value of oil exports, reached \$19,500 million.

All this, according to the report, implies that Latin America must generate a significant volume of exchange whether by substantially increasing its export of goods and services or the flow of external financing.

The first alternative seems less likely in the short-run—except for oil-producing countries—so that one can infer that the countries will have to resort to external financing to continue covering not only the high cost of debt servicing, but also for the financing required for their development programs.

Latin American Integration: Progress and Future Outlook

Conscious that integration is the most effective way of achieving the collective development of its member countries, the Inter-American Bank has fostered and financed integration projects in various parts of Latin America and helped to strengthen institutions involved in regional programs and integration arrangements.

In its fifteen years of existence, the Bank has extended \$983.5 million in loans for 95 integration projects, thereby mobilizing a total of \$2,217 million in resources. It has financed \$38.1 million in technical cooperation operations, thus making possible the mobilization of \$80.6 million—the total cost of the projects involved. As of December 31, 1974, the Bank had extended a total of \$1,023.1 million in loans, including loans and technical cooperation for programs costing \$2,302.3 million.

The Bank extended these loans directly; however, the Institute for the Integration of Latin America (INTAL), a Bank agency established in 1965, has invested \$8.9 million for integration over a ten-year period.

The greatest proportion of Bank financing has been invested in infrastructure projects, with \$474.1 million for transportation, \$238.1 million for electric power and \$19.8 million for telecommunications.

In transportation, for example, the Bank has extended loans to help finance construction of the road between Puerto Paranaguá and the 781.5-kilometer bridge—the *Puente de la Amistad*—on the Paraná River between Brazil and Paraguay; the improvement and expanding of the Port of Paranaguá and several federal roads in northeastern Brazil; construction or improvement of 626 kilometers of the road connecting Brazil and Uruguay; integration roads between Argentina, Bolivia and Chile and construction of the bridge on the Paraná River; the Fray Bentos Bridge in Uruguay and Puerto Unzué in Argentina and the roads that go with them; the oil pipeline between Bolivia and Argentina; the Valparaíso-Mendoza highway in Chile and Argentina; the western highway in Central America linking Guatemala, El Salvador and Honduras; construction of the Darien Gap Highway in Panama, connecting Central and North America with South America.

Examples of the Bank's loans for electric energy projects are its financing of the Acaray plant in Paraguay and the electric transmission and distribution network in Argentina's Misiones Province and in the State of Paraná in Brazil based on the electricity generated at the Acaray plant; financing of the first and second stages of the Salto Grande hydroelectric project in Argentina and Uruguay, for which the Bank extended a \$175 million loan—its largest.

The Bank has also helped to improve and expand the telecommunication systems in Argentina, Bolivia, Chile and Central America.

Integration projects in productive sectors—agriculture and industry—have received \$130.9 million, which made possible the mobilization of \$322.2 million in resources, including contributions by entrepreneurs and intermediary financing agencies. Several Central American universities have received \$4.9 million in loans for education.

An outstanding feature of Bank financing is its technical cooperation for studies on multinational river basins like the River Plate Basin in Argentina, Bolivia, Brazil, Paraguay and Uruguay; the Fonseca Gulf, the Honduras Gulf and the San Juan River Basin in Central America; for studies on border areas between Colombia and Venezuela, Colombia and Ecuador, Costa Rica and Panama and northwestern Argentina and southern Bolivia, as well as the INTAL study on the border area between Chile and Argentina; and for sectoral studies on transport, telecommunications, energy, industry and agriculture.

Its export financing program, which has made possible capital exports by beneficiary countries amounting to \$160 million, is another important aspect of its work.

The extent of the Bank's support for integration is reflected in the operations mentioned. But Bank activity has reached beyond its credit operations to other fields. The information and political orientation imparted by its leadership in various platforms, including the important statements made by many of the Governors in each of its annual Meetings, from the First, in San Salvador, to the XVth, in Santiago, Chile, are noteworthy. The Governors' statements reflect the thinking and political ideals of the Governments of the member countries whose drive for economic and social integration has led them to undertake four arrangements, one regional and three subregional: the Latin American Free Trade Association (LAFTA), the Andean Group, the Central American Common Market and the Caribbean Common Market.

In addition, the Bank established within its own organizational structure the Office of the Advisor on Integration, which in May 1973 became the Integration Sub-Department of the Department of Economic and Social Development. The Sub-Department's main functions are to

carry out studies and research on the socio-economic and juridical-institutional aspects of integration; extend technical cooperation for integration planning agencies in the member countries; offer technical training in integration activities, and disseminate information on the progress made in integration.

The two units—LAFTA and the Integration Sub-Department—are unique features in regional bank organization, for similar institutions have no counterparts for them. The Bank itself has offered technical cooperation to community agencies in the integration arrangements and served as consultant in the establishment of the subregional financing agencies engaged in integration such as the CABEI, the Andean Development Corporation and the Caribbean Development Bank.

As the lack of projects hinders the financing of development, the Bank—in addition to prefeasibility and feasibility studies of national projects—has also financed integration projects. For this purpose, and in line with a decision of the Board of Governors, it established the Preinvestment Fund for Latin American Integration.

One of the Fund's important undertakings was the *Inventory of Physical Integration Projects in Latin America*, identifying 645 such projects in the member countries and serving as a valuable source of projects for financing.

The Meeting of the Ad-Hoc Group on the Function of Multilateral Financing Agencies in Promoting the Integration of Developing Countries, held in Geneva in March 1974, considered that the creation of the Preinvestment Fund was a sound undertaking worthy of imitation by the other banks.

Considering that subregional financing agencies are the appropriate intermediaries for financing integration programs, at least in certain areas, and that such agencies differ in character, scope, jurisdiction and organization from national financing agencies, the Bank has begun to study and adopt special policies for handling integration projects—beginning by defining them for pragmatic financing objectives—and has established the basis for its relations with subregional financing agencies. Not all aspects have been covered completely; several still need regulating, particularly the problem of the margins of preference for integration projects and the relations with administrative-political integration arrangements.

While Bank action has played an important and beneficial role in the development of integration, the institution should extend its activities in that field, strengthening its internal structure and broadening its external scope in the field of integration—both processes which have been begun. The links between the Integration Sub-Department and the Bank's programming operations should be increased. Closer relations with political-administrative agencies of the economic integration pacts, as well as national agencies involved in integration, particularly the subregional integration financing agencies, would enable the Bank to participate in promoting multinational and inter-regional enterprises exploiting natural resources such as bauxite for the production of aluminum or natural gas for manufacturing fertilizers; the establishment of multinational service enterprises, especially air or maritime transport companies; electric interconnection among adjacent countries, or in the search for joint and parallel financing of new industrial enterprises.

An inventory of regional natural resources, to be followed by studies on multinational basins and zones, is about to be undertaken as a companion project to the *Inventory of Physical Infrastructure*, which INTAL is currently updating. In this connection it is important to note that studies on the multiple use of the San Juan River Basin between Nicaragua and Costa Rica and the Pilcomayo River Basin, which flows through Argentina, Bolivia and Paraguay, are now underway with the cooperation of the United Nations and the governments of the countries involved.

The regional programming system accepted by the Andean Group and the Central American Common Market, outlined more fully in the draft treaty for the future Central American Economic Community, offers an ample field for cooperation in integration matters.

Consolidating the various subregional arrangements into one, and establishing the Latin American Common Market, was a goal set in the Declaration of the Presidents of America at Punta del Este in 1967. It is also the Bank's goal in the field of regional integration.



Nestor Vega Moreno, the author of this article, is Deputy Manager of the Bank's Subdivision of Integration. Before joining the Bank in 1968, Mr. Vega Moreno was Finance Minister of Ecuador and served on the Bank's Board of Governors as Governor for Ecuador. At the same time, he was Governor of the World Bank. Previously, he had served in a number of high posts in the Ecuadorian Government and as a professor at the *Universidad Central*, from which he has a doctorate in economics, and the *Universidad Católica* in Quito.

IDB Approves \$30 Million Loan For Sanitation Works in El Salvador

The Inter-American Bank in recent weeks approved three operations—a loan and two technical cooperation operations—to finance economic and social development programs in El Salvador, Ecuador and Paraguay. The details are as follows:

EL SALVADOR: The Bank announced on February 13 its approval of a \$30 million loan to help expand and improve the water supply system of the metropolitan area of San Salvador, the capital city.

The loan, which was extended to the Republic of El Salvador, will be used by the *Administración Nacional de Acueductos y Alcantarillados (ANDA)*, the national water and sewage agency, to carry out a project designed to meet the water requirements of San Salvador and surrounding municipalities up to 1980.

The total cost of the project is estimated at \$50.4 million, of which the Bank loan will cover 59.5 per cent and the Government of El Salvador the remaining 40.5 per cent.

This loan supplements and replaces a loan of \$18.4 million approved February 28, 1974. The higher amount will cover an increase in the direct costs of the project since that time.

The project will enable ANDA to double the area's water supply and to eliminate leaks in the distribution network which reduce service capacity by approximately 30 per cent.

The project includes studies to determine the location of well fields to serve as the basis for the future expansion of the water system, and of studies of the present distribution network to improve its efficiency, and the purchase of equipment and vehicles.

The program to be executed with the help of the Bank loan will comprise the first stage of the "Northern Zone Project," which will increase the total flow of water to the San Salvador municipal area to a volume sufficient to satisfy demand up to the year 2015, when area population is expected to reach the saturation point of 1.8 million inhabitants.

Completion of the project, which has been assigned top priority by the National Planning and Economic Coordination Council (CONAPLAN), will help relieve a serious lack of water services in the San Salvador urban area. At present less than half of the area homes enjoy in-house water supply services.

ECUADOR: On January 16, the Bank announced the approval of \$760,000 in technical cooperation to help Ecuador carry out a feasibility study of the multiple resources development of the waters of the Jubones River.

The technical cooperation, extended on a contingent recovery basis, will help the *Instituto Ecuatoriano de Electrificación (INECEL)*, the national power agency, to contract consultants to compile, review, analyze and update all existing studies prepared on the Jubones River water resources development project.

In addition, the technical cooperation will be used to analyze the technical, financial and economic feasibility of constructing flood control, irrigation and hydroelectric generating facilities on the river to benefit the development of El Oro Province.

The project will include studies of the existing cartography and topography derived from standard testing procedures and aerophotogrammetry; a complete review of the available hydrologic data; the coordination of activities with the studies and preliminary works being carried out in the lower river basin; a

BIDDING INFORMATION

Several member countries have requested bids for goods and services which, in some cases, are to be acquired with financial resources furnished by the Inter-American Development Bank.

Details of some of these bids follow:

ARGENTINA-URUGUAY: The *Comisión Técnica Mixta de Salto Grande*, under international bid SG 05, has called for offers for transformers, autotransformers, inductors and discharge equipment for the Argentina-Uruguay Salto Grande international project. Bids will be opened April 16, 1975 at 3 p.m. at Cerrito 264, 4° piso, Buenos Aires, República Argentina, in the presence of interested parties.

Beginning January 15, 1975, documentation may be consulted and acquired on any working day from 9:30 a.m. to 12:30 p.m. and from 2:30 to 6 p.m. (Argentine time), or at Avenida 18 de Julio 1730, 10° piso, Montevideo, República Oriental del Uruguay, from 9:30 a.m. to 12:30 p.m. and 2:30 to 6 p.m. (Uruguay time).

To be eligible to participate in this bidding, parties are required to have previously obtained a complete set of the documentation, at a fee of \$2,000 (two thousand Argentine pesos) in Buenos Aires, or \$430,000 (430,000 Uruguay pesos) in Montevideo.

Bids, which should be submitted at the *Comisión's* office at Cerrito 264, 4° piso, Buenos Aires, República Argentina, will be accepted until the opening time mentioned above.

study of the possibility of installing hydroelectric energy generation works for flood control and irrigation; and evaluation of the potential economic and geological costs and benefits involved in the project, and the compilation of records on flood frequency and damage and potential saving resulting from the project.

The total cost of the project is estimated at \$1,280,000, of which the Bank's technical cooperation will cover 59.4 per cent and local contributions the remaining 40.6 per cent.

The Bank previously has approved two technical cooperation operations and seven loans totaling \$56,727,000 to help finance irrigation and electric power projects in Ecuador.

PARAGUAY: On the same date the Bank announced the approval of \$153,000 in grant technical cooperation to help prepare a feasibility study of water supply projects in Villarrica and Coronel Oviedo, two cities in Paraguay.

The technical cooperation was extended to the *Corporación de Obras Sanitarias (CORPOSANA)*, Paraguay's water and sewage agency, to carry out a project with an estimated total cost of \$172,000, of which the Bank's grant will cover 89 per cent.

CORPOSANA will use the Bank funds to engage a consulting firm to execute the following objectives:

- To analyze the results of the exploration works carried out by specialized companies charged with locating water resources in both cities.
- To prepare projections of population and of the residential, industrial and commercial development of the cities over the next 10 years.
- To analyze possible water sources in terms of construction and operating costs.
- To prepare preliminary designs and plans, including an estimate of project costs and a calculation of rates for the proposed water services.

Located 34 miles apart, Villarrica and Coronel Oviedo are situated in a rich farming and cattle zone in eastern Paraguay. Because they are located along the Asunción-Puerto Presidente Stroessner axis, the cities are expected to undergo considerable growth during the construction of the Itaipú hydroelectric complex, located near Puerto Presidente Stroessner. In addition, the installation of potable water systems is expected to improve living conditions in the two cities and reduce the incidence of gastrointestinal disease.

IDB ISSUES NOTES

The Inter-American Bank on February 25 made a public offering of a total of \$125 million of its 8 Per Cent Ten-Year Notes of 1975 due March 1, 1985. The notes were priced at 99.125 per cent.

The offering represented the second time this year that the Bank has entered the United States market to borrow funds for the development of its member countries in Latin America. The Bank placed a similar issue for \$100 million in January 1975.

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

Incorporated, and Lehman Brothers Incorporated.

The notes were not redeemable before March 1, 1983. On and after that date they are redeemable in whole or in part at any time at the option of the Bank at 100 per cent, together with accrued interest.

Since it began operations in 1960 through the end of 1974, the Bank has lent \$7,430 million for Latin America's development. Of that amount \$3,325 million was extended from the Bank's ordinary capital resources; \$3,510 million from the Bank's Fund for Special Operations and \$595 million from the resources which the Bank administers in trust for member and nonmember countries, including the United States, Canada and Argentina, among member countries, and the United Kingdom, Sweden, Norway, Switzerland and the Vatican, among non-members.

Mr. Calvo joined the Bank in 1960, serving as Deputy Director and, later, Director of the Institute for the Integration of Latin America (INTAL).

Previously Mr. Calvo had been a professor in several Latin American universities. A writer and essayist, he had also been editor of several literary and socio-economic periodicals in his native Argentina and in other Latin American countries.

In making the announcement, the President emphasized that the Library "is one of the most valuable and complete collections on Latin American economic and social affairs and was built by the persevering efforts of its first chief, Julio Broide, and his staff." He added, "I have asked Mr. Calvo to concentrate his efforts on making this important area of the Bank a dynamic center oriented to helping increase knowledge about Latin America in and outside the Bank through lectures, seminars and publications."

JAMAICAN NAMED TO IDB BOARD

The sense of hemispheric solidarity is growing in the countries of the Caribbean, according to Mrs. Dorel M. Callender of Jamaica, recently-appointed Alternate Executive Director of the Inter-American Development Bank.

The Bank, Mrs. Callender says, has been a factor in the growth of that trend. Nevertheless, it needs to be better known.

"We need the Bank," Mrs. Callender added, "but most of our people know little about its activities and its objectives. They are not fully aware of developments in Latin America in general, and of the Bank in particular."

"It is a challenge to everyone concerned to project the Bank's image in the Caribbean more clearly, more positively and more constructively."

Mrs. Callender began her new assignment as Alternate Executive Director of the Inter-American Development Bank for the Dominican Republic, Jamaica, Mexico and Panama, February 1. She was appointed to the Board of Executive Directors by Jesús Rodríguez y Rodríguez of Mexico, Executive Director for those four countries.

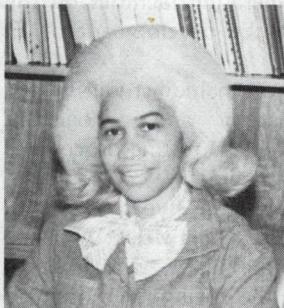
Mrs. Callender is the first Jamaican—and the first woman—to be appointed to the Bank's Board of Executive Directors. She replaces Eduardo McCullough of Panama.

Before entering the Bank, Mrs. Callender served for almost two years as Under Secretary in the Economics Division of the Ministry of External Affairs of Jamaica.

She was also Senior Economist of the Inter-American Committee for the Alliance for Progress (CIAP) at the Organization of American States (OAS) in Washington, D.C.

Prior to that she worked as a División Chief in the Special Research and Surveys Branch of the Department of Economics and Development of the Ontario Provincial Government in Canada.

Mrs. Callender first became interested in Latin American affairs when her grandfather, a Cuban, encouraged her to study Spanish. Her



interest grew at the University of Toronto, when she took a course in Latin American history.

Mrs. Callender was born in Ocho Ríos, Jamaica, and received her primary and secondary education at Wolmers School for Girls.

After working for six years as a clerk in the Jamaica Civil Service, she enrolled at the University of Toronto, where in 1959 she received a B.A. (Honors) in economics and political science and in 1962 a Master's degree in economics. She waited six years to go to the University because she had to earn the money to see her through. "My father had six children. I was the only girl, and the money went to educate the boys."

Mrs. Callender is married and has two children. Her husband, Dr. C. Victor Callender, has a doctorate from the University of Toronto and is now with the International Monetary Fund.

The Bank's Board of Executive Directors is made up of nine Directors. One is appointed by the United States, another by Canada, and the seven others are elected by groups of Latin American countries. Each Director, in turn, appoints an Alternate.

NEW APPOINTMENTS ANNOUNCED AT IDB

Antonio Ortiz Mena, President of the Inter-American Development Bank, has announced the appointment of R. Alberto Calvo as Chief of the Bank's Library, effective March 1.

The President also announced the appointment of Pablo Linares as Chief of Division 9, Region III, of the Operations Department, effective February 16, 1975.

Mr. Linares, a senior officer in the Operations Department, joined the Bank in 1964 as an Officer in the former Division of Loan Administration, where he was later named Chief of one of its Areas. Subsequently he was named Representative in the Dominican Republic, returning to Bank headquarters to occupy his present post.

The President, in keeping with the Bank's policy of rotating senior officials from one post to another so as to use their skills and experience to best advantage while at the same time broadening their overall knowledge of Bank operations, also announced the appointment of Ferruccio Accame as Chief of the Training Division, Economic and Social Development Department, and Maurice Herman as Chief of the Division of Analysis of Social Projects, Project Analysis Department. These changes were effective March 1.

Before assuming his new post, Mr. Accame was Chief of the Education Section. Prior to joining the Bank in 1963, he served in several important posts in the field of education in Peru, his native country, among them, Dean of the Faculty of Zootechny, and later, Vice-President of the Agrarian University in Peru.

Mr. Accame received a degree in agricultural engineering from the National School of Agriculture in Peru and of Master in Science from Texas Agricultural and Mechanical University. Mr. Herman, who entered the Bank in 1962 as an economist, later became Assistant to the Executive Vice President, then Deputy Director and subsequently Chief of the Training Division, a post he held until his new assignment.

Mr. Herman, also a national of Peru, was associated with various activities in private enterprise in his country, where he was also actively involved in the field of education, having been Secretary of the Faculty of Economic Sciences of the Catholic University of Peru. He is a graduate of the University of Miami, Florida and has a doctorate in economics from the Catholic University of Peru.