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EXPERTS PRESENT VIEWS ON AGRICULTURAL POLICIES AT BANK-SPONSORED SEMINAR

More than 60 experts from the Inter-American Development Bank's 22 member countries in Latin America, as well as Canada and the United States, participated in a seminar on agricultural policy as a limiting factor in the development process, held at Bank headquarters March 17-20.

The five-day seminar, organized by the Bank's Training Division and the General Studies Division, was designed to help institutions in the member countries adopt suitable policies for formulating agricultural and livestock development programs and to seek a greater utilization of Bank resources in meeting these objectives.

The seminar reflected the consensus of member countries and the Bank on the value of such conferences for sharing and transferring information required for development planning. Participants were high-level professionals, most of whom hold key planning or executive posts in agricultural development, as well as 20 observers from international and other organizations.

The discussions revolved around a five-point agenda which included:

- Agricultural policy: a limiting factor in the development process;

- Rural development policies;
- Price policies;
- Production stimulants: alternatives or complements to price policies;
- Export promotion policy: the role of government and of international organizations.

Executive Vice President Reuben Sternfeld opened the seminar, coordinated by economist Medford Alexander of the Bank's General Studies Division. He reviewed the regional agricultural situation and cited the importance of seeking solutions to the various problems confronting this sector.

Addressing the seminar on the eve of its adjournment, IDB President Antonio Ortiz Mena described the rich agricultural resources of the American continent, pointing out that three of the world's seven leading food exporters—Argentina, Canada and the United States—are American countries.

But despite the interest of the various governments in the development of agriculture, the region's agricultural productivity is lagging, and depressed sectors exist side by side with efficient sectors. The reason for this lag and these differences, Mr. Ortiz Mena said, is often due to such problems as poor population

distribution, lack of adequate technology, irrigation and investment, as well as other easily discernible factors.

Mr. Ortiz Mena said that the Bank, a pioneer in regional agricultural development financing which in 15 years of operations has invested some \$1,700 million for about 200 loans in that sector, plans to increase its support to agriculture.

Mr. Ortiz Mena said the Bank will also establish an agricultural clearing house to collect and circulate information on the latest agricultural developments and achievements. It will help coordinate national programs to avoid duplication of activities and assure that the greatest possible benefits are derived from the operations of the various national and regional research centers in the Americas.

"The clearing house," Mr. Ortiz Mena said, "will have a highly qualified staff which will keep in constant touch with the respective countries, evaluating programs and cooperating in the international and parallel financing of regional agriculture."

The IDB President added that one of the plan's high priority tasks would be the channelling of funds other than Bank resources to Latin America for agricultural development.

Experts gather for the seminar on agricultural policy. Cecilio Morales, Economic and Social Development Manager, with Executive Vice President Reuben Sternfeld, who opened the seminar. (Lower right) President Ortiz Mena addresses the group.

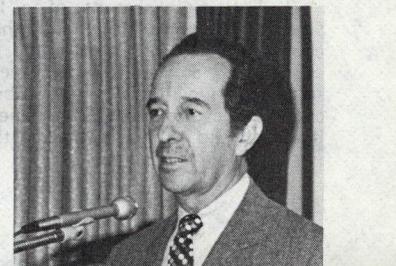
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IDB AT INTERNATIONAL MEETINGS

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 have participated—and some of the topics discussed and conclusions or resolutions adopted—were:

Conference on Development Financing in the Latin American and Caribbean Countries (COFINDE), Mexico City, March 3-7.

More than 500 representatives of Latin American financing institutions and regional development banks and from private banks in Europe, Asia and Africa attended the Conference. President Antonio Ortiz Mena represented the Inter-American Bank.

The Conference, opened by President Luis Echeverría of Mexico, was held to evaluate the development financing of the Latin American and Caribbean countries with a view to formulating common financing policies applicable to the countries of the area in the current international situation.

Delegates agreed on a number of important points. Following are the conclusions and recommendations on "External and Intra-regional Financing and Cooperation:"

1. As the key point of the recommendations on attracting external resources it was agreed to encourage, through the COFINDE Coordinating Group and with the support of the region's financial institutions, the development and implementation of active policies aimed to ensure adequate external financing on appropriate terms, as well as the formulation of common policies for presentation to governments and international decision-making forums.

2. A consensus was reached on the advisability of diversifying the sources of external financing, using the liquid resources available in various markets and countries. To that end, it was agreed to seek and use the services of international institutions operating in the area. It was also decided that the COFINDE Coordinating Group should study and explore the possibility of organizing a Latin American multilateral group composed of subregional financing organizations and national development banks which are not included in the former, to establish direct contacts with the above-mentioned markets and countries. This would in no way exclude bilateral efforts which governments and development banks might undertake to obtain lines of credit or to establish investments that include risk capital funds.

Interest was expressed in having the most experienced regional institutions study new formulas for attracting external savings. An immediate possibility would be to look into triangular compensatory financing between Latin America and the Caribbean, the oil-producing countries and the industrialized economies. Another possibility would be to establish the new devices for transferring real resources to the developing countries now under study by international institutions.

3. The establishment of a link between Special Drawing Rights and the developing countries' need for liquidity and financing was considered an appropriate mechanism for supplementing, though not substituting, the credit and capital flow to the region. Therefore, it was agreed to insist—through the COFINDE

Coordinating Group and the representatives of the area governments on the Board of Directors of the International Monetary Fund—that these proposals be implemented, and that special mechanisms for solving the liquidity problems of the economies of the region be studied and used.

4. The delegates agreed to make more intensive use of the special financing mechanisms recently established by the International Monetary Fund and the United Nations. It was generally agreed to recommend that those organizations seek to liberalize their eligibility regulations, which now limit use by the Latin American countries of the resources of the Petroleum Trust Fund, the Extended Credit Facility, and the Special Emergency Fund, and to broaden the applicability of the latter until the conditions which gave rise to it have returned to normal. It was also agreed to request the IMF to make more flexible the use of the remainder of the Special Drawing Rights not used in the activity described in the preceding section.

5. The following concrete proposals were adopted in regard to the limiting factors in the use by the countries and institutions of the region of the resources of international credit organizations: to broaden the coverage of external credits intended for local use; to widen the margins of preference in favor of domestic manufacturers of equipment and of local contractors in bidding; to adopt financing methods in national, regional and sectorial programs and to grant global lines of credit; to modify the interpretation of the regulations of the International Bank for Reconstruction and Development concerning government guarantees in the lines of credit extended to subregional development banks; and to integrate the executive boards of multinational financing institutions not only insofar as the amount of the contributions by member countries is concerned, but so as to attain minimal representation by regions.

6. The aim of increasing access to international markets led to an agreement that the COFINDE Coordinating Group approach international financing organizations to have borrowing development banks of the region—at their own request—serve as guarantors to financial intermediaries in the international capital markets, including the placement of securities. More specifically, it was agreed to request the Inter-American Development Bank to examine the possibility of acting as a guarantee fund for Latin American operations originating in subregional and national Latin American banks.

7. With purposes similar to those noted in the preceding section, and with the intention of giving preferential treatment to the less developed countries of the area, it was proposed that the most prestigious and experienced Latin American financial institutions be asked to use joint guarantee devices to expedite the external placing of securities—joint bond issues—in domestic and foreign markets, and in designing regional and subregional financial bonds.

8. Also unanimously approved was the implementation of the cascade system (vertical and horizontal) which, with the support of international institutions, will tend to complete the network of financial institutions operating in the region. That view also led to the recommendation that regional, subregional, and national institutions concentrate on specialized activities if that does not involve increasing the cost or hardening the terms of loans.

9. High priority was accorded to the encouragement of intrazonal trade. It was decided that the Conference should express support for the credit systems agreed upon within the Latin American Free Trade Association (LAFTA) and other integration movements. It was suggested that terms and amounts be expanded as required by the expansion of such interchange. It was also agreed to request

the Inter-American Bank to broaden the coverage for products in its export financing program and to support similar systems for extraregional sales.

It was deemed opportune to study and explore the possibility of creating a purely regional Payments Union that would operate as a supporting mechanism for interregional trade and as a corrective for temporary imbalances deriving from it. To that effect, the COFINDE Coordinating Group would determine the methods to be used in undertaking the study, using the experience of the Central American Common Market and the payments system of the Latin American Free Trade Association as a frame of reference.

10. There was a consensus that, as a first step in consolidating the capital markets, multinational and national stock markets should be strengthened and established. Consequently, it was considered opportune to request sub-regional banks and the most experienced national financial institutions to undertake the required research and appropriate promotion programs.

Approval was expressed for a proposal to undertake technical cooperation programs in connection with the banks in the relatively less developed countries of the region—at their request—to promote diversification of instruments for attracting national savings.

The experience of the Organization of American States and the Central American Common Market would be taken into account in all these matters.

11. Approval was given to a proposal to encourage cooperation among subregional and government development banks with private financial institutions in identifying and implementing specific development projects at the national and subregional level, and for joining efforts to attract external resources.

It was decided to encourage the preparation of an integration inventory that would be constantly updated in the light of the experience of national and subregional institutions and international organizations.

It was suggested that the task be undertaken by the Latin American Association of Development Financing Institutions (ALIDE), in collaboration with the United Nations Economic Commission for Latin America (ECLA), the secretariats of the various integration agencies, the Institute for the Integration of Latin America (INTAL), and national and subregional financial institutions. INTAL's suggestion to include in the inventory large-scale industrial projects was approved.

The meeting recommended that Latin American banks give priority to preparing and promoting projects with an integration content, seeking formulas for the participation of such institutions, and drawing up overall financing packages.

It was agreed to note certain areas of economic activity requiring special attention. Those selected were the sectors producing capital goods; petrochemicals and fertilizers; projects for the mass export of manufactured goods and basic products; agroindustries; and infrastructure works and some services, such as maritime transport. The proposal presented by the Inter-American Development Bank for establishing a Promotion Fund to encourage the implementation of industrial projects was favorably received.

Also favorably received was the recommendation to strengthen the funds for the financing of preinvestment studies in Latin America and the Caribbean by national, subregional and regional development banks, and to support the next meeting of preinvestment funds, consulting firms and their clients.

As a complement to the above recommendations, it was agreed to support the establishment of regional and subregional consulting engineering and technical consulting services, beginning with the preparation of a register of consulting firms operating in the area.

Excerpts from Papers Presented At Seminar on Agricultural Policies

Twenty-six papers, all of them dealing with the various agenda items discussed, were presented at the recent IDB seminar on agricultural policy held in Washington. The Bank will soon publish the full text of the studies. In the meantime, IDB News presents excerpts from each paper contributed by the experts participating in the seminar.

Lucio G. Reca
AGRICULTURAL POLICY: A LIMITING FACTOR IN THE DEVELOPMENT PROCESS



"... Are there valid reasons to believe that decision-making is based on an evaluation of the consequences of economic policy measures, in terms of medium-term effects, as well as in terms of their ability to satisfy the peremptory claims of the different social groups? An affirmative answer to this question will make it possible for numerous economic policy instruments to be used in a manner which is much more coherent with the immediate need to promote agricultural development, in terms of production increase, as well as distribution."

G. Edward Schuh
GENERAL ECONOMIC POLICY AS A CONSTRAINT ON ECONOMIC DEVELOPMENT



"... most such economic policies pursued by most countries are designed either implicitly or explicitly to capture and mobilize the agricultural surplus ... for the expansion of the nonfarm sector. However, such policies tend to have two rather common failings. First, they fail to recognize the high social payoff of investments designed to make the agricultural surplus larger. To the contrary, they tend to view agriculture as a sector to be exploited (in the negative sense of the term) ... The second major failing of such policies is that they often do not recognize that policy measures differ in the efficiency with which they transfer the resources ..."

Vernon L. Sorenson
FOOD POLICY: RESERVES AND THE GOAL OF SELF-SUFFICIENCY



"... I do, however, want to advance the thesis that recent changes and the great uncertainty that exists about future development means that food policy must be moved to a status of international concern much as has been achieved in monetary policy. The imperatives of market and humanitarian objectives have become so strong that greatly increased international cooperation in developing food policy cannot be further delayed ... A recent estimate prepared for the World Food Conference states that on the basis of present trends, food import requirements for less developed countries could reach 85 million tons by 1985. At current prices, this would require an outlay of \$15 billion to \$17 billion. Clearly these countries cannot afford purchases of this magnitude, and food aid of this magnitude is not in sight."

Martin Kriesberg
SECOND FRONT IN THE WAR ON HUNGER



"... a principal constraint to increased exports by countries in Latin America is that they hardly have enough to satisfy their own growing food needs and hence do not have the foodstuffs to export. I will not dwell further on the need for increased farm output, important though it is, but on increased efforts to reduce post-harvest losses and to better use harvests as food and feed ... particularly, a technology to reduce waste in the marketing system and a technology to get more out of every ton of commodities that comes to market ..."

Robert L. Thompson
AGRICULTURAL POLICY AS A FACTOR IN ECONOMIC DEVELOPMENT



"... it must be borne in mind that it is not the social profitability, but rather the private profitability which determines the success or failure of any given agricultural development project. And this is where agricultural price policy's role becomes important for develop-

ment project success. The price policy which a government follows can either make or break a project which satisfies all of the development bank's criteria for funding. If the economic incentives implied by the shadow prices employed during project evaluation are not provided by the agricultural price policy, participation will not be privately profitable ..."

Itiel Asmón
RURAL INDUSTRIALIZATION IN MEXICO



"Rural industry should be defined not as any industry which is located in a rural community, but as any industry whose primary beneficiaries are rural inhabitants, regardless of the plant location ... The two most promising lines for rural industrialization are handicraft production and peasant-owned resource-based industries."

Ruy Miller Paiva
THE DIFFUSION OF MODERN TECHNOLOGY AND THE MODERNIZATION OF AGRICULTURE: A BRAZILIAN MODEL



"... under certain circumstances, modernization is a function of the development of the nonagricultural sector through the operation of an autocontrol mechanism, that is, a function of drops in the prices of the products and traditional factors that make modern techniques more economically advantageous than traditional ones as they spread to a larger number of farmers. We thus have a curb and a ceiling (the maximum degree) on the modernization process. Above this ceiling, modernization proceeds only with the parallel growth of the nonagricultural sector (and/or exports) at rates capable of absorbing the increased production and surplus labor generated by agricultural modernization."

Jorge L. Tersoglio
AGROINDUSTRIAL POLICIES: FIVE LIMITING FACTORS IN INDUSTRIAL GROWTH



"The growth of agroindustry in the developing countries is governed by a series of factors whose behavior can be modified through changes in economic policies. Because of the dual-sector nature of agroindustry, these

Excerpts from Seminar Papers

policies must be designed to bring about changes in both the agricultural and the industrial sectors."



Simon Williams
(with Edward Wygard)
RURAL INDUSTRIALIZATION: A PRACTICAL APPROACH

"... With regard to rural industry development, it can only be said that if agricultural policy does not include integration of increased production (new lands in use) and of increased productivity (more yield from the land) with the creation of rural industries, then such policy is restrictive to rural and national development; indeed, public policy which does not force the integrated development of agriculture and rural industry is irresponsible and it will fail the nation it is intended to serve."



T. Dudley Wallace
FARM PRICE SUPPORTS: LESSONS FROM THE U.S. EXPERIENCE

"The consensus for years has been that price support programs are expensive to the consumer and taxpayer; they are distortive within the economy and distort trade among nations, and they have failed to achieve the distributive goals that their designers had in mind. Moreover, the documentation of the failure of price support programs for agriculture is given substance for future action by the fact that the items of failure can be predicted by economic reasoning..."



Hugh McDonald
THE CRESTON PLAN: MODERN FOOD PROCESSING IN A MOUNTAIN VALLEY

"... I would reaffirm that in the developing nations too, as in Canada, the long learning curve which can take a farming community from an unskilled and marginal level of subsistence to the more secure plateaus of self-fulfilling labor and productivity, can be

reached only through lending agencies and amortizing processes that do not demand a level of efficiency and a return of interest and principal before the project has achieved productivity at fully developed levels."



Michael J. Moran
AGRICULTURAL PRICE POLICY WITHIN AN INSTITUTIONAL MANAGEMENT PERSPECTIVE

"Agricultural policy, and in particular policies on markets and prices, have, as instruments for the attainment of established objectives, presented many difficulties to government. Consequently, programs on price policy have only occasionally been effective and then only for certain specific products... The millions invested in the construction of physical facilities for the marketing and transport of foodstuffs must be considered a relatively light portion of the task of modernizing the marketing process. Even more important to the success of a large number of programs for marketing improvement is the mobilization of institutional and human resources..."



Dale M. Hoover
CONSUMER EXPECTATIONS AND GOVERNMENT ACTION: PRE-CONDITIONS FOR PRICE POLICIES

"... (Where) there is considerable misunderstanding of economic and political functioning, the ultimate "price" policy for a country is one that produces at a minimum cost the economic consequences desired by a well informed electorate working through a responsive political system that encourages greater understanding and participation..."



Charles Framingham
(with S. Sinclair)
A CANADIAN VIEW OF AGRICULTURAL PROGRAMS

"... the usefulness of particular programs or policy instruments lies in their effectiveness in

stimulating specific aspects of regional and/or national interrelationships and their complementarity with other programs in effect and/or with implementation potential... (while) the limitations of all programs are their inability to function effectively in isolation... adequate appraisal of programs and program alternative requires an aggregate analysis and understanding of the region's (nation's) economy, and specific program analysis integrated with and complementary to that aggregate analysis."



Osborne M. Nurse
SYNCHRONIZING CREDIT AND MARKETING POLICIES: THE CASE OF TRINIDAD AND TOBAGO

"... the development of agriculture in most underdeveloped countries normally would require a substantial adjustment in agricultural structures, significant institutional change and large injections of social overhead and more directly productive investment. All these changes are to be presumed to be designed to meet a single socially acceptable goal, whether that acceptance is obtained in an authoritarian or a democratic society."



José Tomás Mulleady
STIMULATING PRODUCTION: THE CASE OF CORN PRODUCTION IN ARGENTINA

"... programs for stimulating agricultural development and production must be based on a complete analysis of the complex development process, concentrating on the interaction of key factors that must be studied within the framework of the particular situation involved."



Alberto Valdés
(with R. D. Estrada)
INTERACTION OF PRICE AND CREDIT POLICIES ON THE ADOPTION OF TECHNOLOGY: THE CASE OF IMPROVED PASTURES ON TROPICAL SAVANNAS IN COLOMBIA

"Today, we have indisputable evidence of the discrimination suffered by the cattle industry in the past in all of the South American countries... where the main immediate obstacle to its growth is the presence of unstable and

relatively discriminatory policies . . . Generally through a combination of . . . measures, the net internal price (value added) has been reduced in relation to the price that would have prevailed in the absence of such negative protection."



Kelly M. Harrison
PUBLIC POLICIES
AND THE DEVELOP-
MENT OF EFFECTIVE
MARKETING
SYSTEMS

"Most developing countries have no effective strategy for dealing with . . . important market-related policy issues. Developing country governments, however, can and should strive to formulate long-range national programs for improving food marketing system performance. Such long-range programs will, however, require investment to develop the knowledge base and the analytical capacity to assure realistic analysis of difficult policy issues and to formulate effective government regulations, policies and programs."



Yahalomah Shebory
EXPORT PROMOTION
POLICIES AND THE
ROLE OF GOVERN-
MENT—THE ISRAELI
CASE

"Growers of new products cannot be expected to bear by themselves the cost of promoting a commodity from which many future producers will also benefit. Since part of the promotion work is based on anticipated returns, such activities are therefore planned and paid for jointly by the producers, Agrezco and the Ministry of Agriculture (of Israel). Only through the involvement of all these bodies and the coordination of a wide range of professional, technical and financial efforts has Israel succeeded in developing and broadening her exports of agricultural produce."



Wayne R. Thirk
POLICIES TOWARD
FARM MECHANIZA-
TION: MOTIVATION
AND RESULTS IN
COLOMBIA

"...it is time for policymakers in less developed countries to re-examine the types of investment their policies promote. Farm mecha-

nization usually has been promoted not on the basis of careful analysis but rather on the simple belief that what is privately profitable must be socially beneficial . . . There is also too much blind worshipping at the shrine of modernity. It is partly the result of this mystique that mechanization is mistakenly identified with the progress of developed countries . . ."



Luis Paz
THE SOCIAL COST
OF CONSUMER
ORIENTED PRICE
POLICIES: A
PERUVIAN CASE

"If price policy is aimed at an improved income distribution among sectors and among groups within these sectors, it is necessary to make changes in the ownership of resources and in the production relationships within and among the different sectors. In Peru, we have followed this orientation: first, it was necessary to transfer the land ownership from the large landholders to the farm workers, before establishing a price policy favoring agriculture."



Gerald I. Trant
PRODUCTION STIMU-
LANTS: ALTERNA-
TIVES OR COMPLE-
MENTS TO PRICE
POLICIES. THE CANA-
DIAN EXPERIENCE

"In order to improve the effectiveness of its agricultural stabilization policies, the Canadian Government has been developing a series of commodity programs that involve features of both price policies and production stimulants . . . The concept of margin stabilization was developed. Its purpose is to stabilize the income margin of producers above their direct cash costs or in other words, to maintain their net cash flow from the production of a specific product or group of products."



Leon G. Mears
U.S. DEPARTMENT OF
AGRICULTURE FOR-
IGN MARKET
DEVELOPMENT
PROGRAM

"Efficient agricultural export marketing is made difficult because of the characteristics of agricultural production and numerous marketing imperfections such as inadequate product

information, continuous changes in market demand and supply, trade impediments by foreign governments and other obstacles."



Kenneth Hoadley
(with Ernesto Cruz)
THE EFFECT OF
GOVERNMENT TRADE
POLICY AND PRIVATE
SECTOR EXPORTS:
THE CASE OF NICARA-
GUAN COTTON

"... a better understanding of the nature of the cotton system and of the functions of each part, an up-to-date and widespread knowledge of market conditions, and an effort to relate local market conditions to those of the international market will all contribute to make local producers more responsive to international conditions, local conditions more related with the international market, and local prices received by farmers a truer representation of the international supply and demand situation . . ."



Juan I. Varas
THE IMPACT OF A
LIBERALIZATION OF
TRADE ON THE
CHILEAN AGRICUL-
TURE SECTOR

"...A policy of liberalizing foreign trade, achieved either through the total opening of the economy or through the design of price policies (and/or subsidies) that offset the effective disprotection caused by trade-restrictive policies, will induce substantial increases in farm production which can then remove all or most of the deficit in the farm balance of trade . . ."



Lloyd E. Jones
CROP INSURANCE
POLICIES

"... In some deficit producing countries crop insurance may provide the incentive whereby agricultural production might be increased to the point that a country could produce enough food not only for its own consumption but have a surplus for export to other countries. This could enable a country to improve its balance of trade to the level where there would be capital available to expand its industry and give meaningful employment to many of the farmers presently operating on a subsistence basis . . ."

Technical Cooperation: A Primary Bank Function

While providing technical cooperation for development projects has always been one of the primary functions of the Inter-American Development Bank, it was only in recent years that this activity gained special prominence in the institution's overall program.

As a function, technical cooperation dates back to the Bank's earliest years, when the Loan Administration Division began to extend technical assistance to operations that were closely related to its loans. Although the number of these activities has fluctuated over the years, operations for preparing feasibility studies and engineering designs and supporting and improving borrowing institutions have always played a major role in the Bank's lending program.

In 1961, the Bank created a technical assistance unit. Although small in scope at first, the unit enabled the Bank to undertake new types of assignments such as the formulation of a development plan for Haiti, a study of fiscal systems in Latin America and strengthening the Central American Bank for Economic Integration. This unit—now a Division—is currently responsible for a large number of projects ranging from sector and prefeasibility studies to the support of agricultural and educational research.

The following year, a training unit was created to make available information about the Bank's lending policies and operations to borrowing and potential borrowing institutions in Latin America. This unit has since been converted into a full Division and its activities have been expanded to include training courses on many facets of the development process. At present it is conducting or organizing courses on preinvestment, the execution and management of development projects, development banking, irrigation district management, agricultural research administration, and the use of advertising techniques for the dissemination of zoonosis prevention methods.

As part of its search for adequate and effective means of channelling technical cooperation, the Bank adopted the practice of extending preinvestment loans. In some cases, technical cooperation was furnished to create or strengthen preinvestment mechanisms before loans were granted.

However, only in the past few years has the Bank, in response to changing conditions in the nature, availability and terms of international financing, given greater emphasis to its role as a catalyst and supplier of technical cooperation. These changing conditions have made it imperative for all developing countries to have an adequate number of well prepared, properly designed and efficiently managed projects. To meet this need, the Bank has greatly expanded its technical cooperation program, and as a result, it has become one of the major vehicles for the transfer of human resources and technical know-how to the countries of Latin America and the Caribbean. At present only the United Nations Development Programme has a comparable range of technical cooperation programs in the region.

In 1972 the Bank committed \$5.5 million for financing non-reimbursable and contingent recovery projects. That figure rose to \$7.4 million in 1973 and to \$22.3 million in 1974. The number of non-reimbursable and contingent recovery projects rose from 45 in 1972 to 69 in 1974. As of December 31, 1974, the cumulative total had reached \$72.2 million. It is expected that of the the Bank's "pipeline" of 158 projects amounting to over \$43 million, 80 projects for between \$25 million and \$30 million will be approved this year. Before the end of this decade

technical cooperation activities will have reached a level of \$50 million per year.

Reimbursable technical cooperation has also reached substantial proportions in recent years. Reimbursable technical cooperation projects—including preinvestment loans—amounted to \$15.9 million in 1972, \$21.3 million in 1973 and \$29.9 million in 1974. Between 1960 and 1974, reimbursable technical cooperation had reached nearly \$183.8 million. During the past year the Bank has softened its terms so that it can now provide most of its technical cooperation services to the less developed countries on a non-reimbursable or contingent recovery basis.

In less developed countries with a limited project preparation capacity and small budgets for acquiring technical services, the Bank has expanded its technical cooperation program across the board. The less developed countries are, of course, among those most severely affected by the current disturbances in the international financial markets. They make up more than half of the Bank's membership and annually receive about 40 per cent of its resources.

Without an adequate supply of bankable projects such countries cannot hope to reach international financial markets or afford to take the risks involved in long-term investments. Consequently, much of the Bank's increase in technical cooperation resources is being channelled to these countries. Of the \$22.3 million committed in 1974, \$14.3 million went to finance projects in the less developed member countries or countries with limited markets. More than two-thirds of this year's program of approximately \$20 million is also earmarked for projects in these countries. The attainment of such levels should represent a 300 per cent increase over that achieved in 1973. Much of the rest of the \$22.3 million was allocated to financing regional projects.

While some so-called regional projects do not benefit any one country specifically, they often represent a common effort to solve major problems. For example, to meet the growing worldwide shortage of foodstuffs, the Bank in 1974 committed \$4 million to the three international agricultural research centers based in Latin America—the Maize and Wheat Improvement Center (CIMMYT) in Mexico, the International Center of Tropical Agriculture (CIAT) in Colombia and the Potato Improvement Center (CIP) in Peru. Another example is its contribution to a major study it helped to finance on the role of education in the development process and the effects of individual educational programs on social progress and income distribution.

Other regional programs are directed to advancing the integration of Latin America. Among these are studies related to the development of three multinational basins in Central America and to programming the pharmaceutical industry in the Andean Group.

The Bank has endeavored to ensure the successful and effective formulation and execution of its technical cooperation program. In line with that effort, in 1973 it created a Subdepartment within the Economic and Social Development



Pedro Abelardo Delgado, the author of this article, is Deputy Manager of the Technical Cooperation Sub-Department. When he joined the Bank in 1966, Mr. Delgado was Secretary General of the SIECA Permanent Secretariat. Previously, he had served in a number of high posts in the Salvadorean Government, including that of Acting Minister of Economics, and as professor of economics at the University of El Salvador. He has also served as Director of UNCTAD's Division for the Expansion of Trade and for the Economic Integration of the Developing Countries.

IDB Approves \$45 Million in Loans and Technical Cooperation

The Inter-American Bank in recent weeks authorized \$45 million in loans and technical cooperation for development projects in several Latin American member countries.

The details are as follows:

BOLIVIA: On March 6 the Bank announced the approval of a \$2.2 million loan to help develop pork production on farms in the Department of Chuquisaca in the southern part of the country.

The loan will be used by the Chuquisaca Department Development and Public Works Committee to increase the production and productivity of farms in the region and expand the production of the corn and alfalfa crops which are the basic pig feed.

CENTRAL AMERICA AND PANAMA:

On March 10 the Bank announced the approval of \$645,000 in technical cooperation for a training program in administration in the public sector in Central America and Panama.

The technical cooperation, extended on a nonreimbursable basis, will help the *Instituto Centroamericano de Administración Pública (IACP)* execute a three-year training program for the benefit of its member countries.

CHILE: On March 13 the Bank announced the approval of a \$10 million loan to help Chile finance an industrial development and rehabilitation program.

The loan will be used by the *Corporación de Fomento de la Producción (CORFO)*, Chile's national economic

development agency, to stimulate industrial development by granting subloans to medium-scale and large industrial enterprises.

The total cost of the project is estimated at \$18 million, of which the Bank loan will cover 55.6 per cent and CORFO the remaining 44.4 per cent.

HAITI: Also on March 13 the Bank announced the approval of a \$2.3 million loan to help finance the expansion and improvement of the water supply system of Port-au-Prince, Petionville and adjacent areas. This loan complements a 1970 Bank loan for \$5.1 million to help finance the second stage of the project.

The program is designed to satisfy the

needs of the metropolitan zone of Port-au-Prince for potable water up to 1980. In addition, it is expected to improve sanitary conditions in the city and to foster the expansion of industry, construction, tourism and commerce.

JAMAICA: Also on March 10 the Bank announced the approval of \$335,000 in grant technical cooperation to help Jamaica prepare feasibility studies and the final engineering design of a project to increase rice production in the Black River-Upper Morass region.

The technical cooperation will help draft a project that will permit the reclamation of approximately 9,000 net acres of land for agriculture to be used mainly for rice production. These lands are now flooded during the rainy season, forming large swamps, and the rich peat soil cannot be fully used for agriculture.

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IDB President Ortiz Mena addresses leading Paraguayan Government Officials at the contract signing ceremony March 14 in Asunción for a \$33.6 million loan to expand the electric power system. Seated, left to right: General Alfredo Stroessner, President of Paraguay, Chancellor Raúl Sapena Pastor, Supreme Court President Juan Félix Morales, Tomás Romero Pereira, Minister Without Portfolio, and César Barrientos, Minister of the Treasury.

TECHNICAL COOPERATION (from page 6)

Department. The Subdepartment was charged with coordinating the formulation of the Bank's technical cooperation program and monitoring its implementation. Soon afterward, Joint Loan and Technical Cooperation Programming Missions were also established to ensure close correlation between the Bank's research, project preparation and institutional support activities and its future lending program, and to determine the appropriate scope, level, and timing of these activities.

As a result of these programming efforts, the Administration in January 1974 presented to the Bank's Board of Executive Directors a Joint Loan and Technical Cooperation Program. Recently the Board considered a second program, which included the 1975 "pipeline", as well as the projections for 1976-1977.

The Bank's field offices are increasingly being charged with responsibility for the day to day management of technical assistance operations. To further this aim—and for more efficient use of the personnel available—the Technical Cooperation

Division has been reorganized along the geographical lines currently in force in the Operations Department. It is expected that these administrative changes—and others under study—will produce a smoother and more responsive project execution network.

The result of this commitment and effort has been—and we hope will continue to be—a more comprehensive and diversified technical cooperation program. In recent years the Bank has increased its commitments to preinvestment and institutional support by more than 100 per cent and has moved into new fields. It plans to extend the support it has been lending to the international agricultural research centers to the national research centers in its member countries. In conjunction with the United Nations Economic Commission for Latin America (ECLA) it is financing a research program on the economics of technological change and scientific and technological development in Latin America. It hopes to continue this trend, thus continuing to provide innovative as well as traditional technical cooperation programs.

Board of Governors to Consider Key Issues at Sixteenth Annual Meeting

The sixteenth Annual Meeting of the Board of Governors of the Inter-American Development Bank will be held in the Dominican Republic May 19-21.

The three-day meeting, which will be attended by the 24 Bank Governors and their Alternates, will be held at the Hotel Loews Dominicana Convention Center in Santo Domingo, the capital.

Bankers, financiers and businessmen from all over the world attend this annual meeting, making it one of the most important forums in the business community.

The Bank's official delegation will be headed by President Antonio Ortiz Mena, who will report on the work done in 1974.

The Annual Report, containing details of the Bank's activities during the past year in fostering the economic and social development of Latin America, will be released at the meeting.

The President of the Fifteenth Meeting, Raúl Sáez Sáez, Governor for Chile, and his country's Economic Coordinator, will preside at the opening session. The first order of business will be the election of a new chairman for the Board of Governors for the coming year.

By tradition, the chairman is the Governor of the host country.

Some of the items on the provisional agenda are:

- Consideration of the Fifteenth Annual Report of the Bank, 1974;

- Measures to provide for the entry of nonregional countries;

- Expansion of the export financing program;

- Adaptation of the Agreement Establishing the Bank;

- Election of Executive Directors;

- Replenishment of Bank resources.

The Board of Governors will also decide on the site and date of the Seventeenth Meeting in 1976.

The Board meets in a different country each year. At that time, the Governors select the place and date of the next meeting. At its Fifteenth Meeting in Chile last year, the Board accepted the invitation of the Dominican Republic to hold the Sixteenth Meeting in Santo Domingo.

Previous meetings have been held in San Salvador (1960), Rio de Janeiro (1961), Buenos Aires (1962), Caracas (1963), Panama (1964), Asunción (1965), Mexico, D.F., (1966), Washington, D.C. (1967), Bogota (1968), Guatemala (1969), Punta del Este (1970), Lima (1971), Quito (1972), Kingston (1973), and Santiago (1974).

Loans and Technical Cooperation for Twelve Countries

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NICARAGUA: The Bank on March 10 announced the approval of \$100,000 in grant technical cooperation for a technical-economic study of production alternatives of chemical intermediaries.

The study will be executed by the *Instituto de Fomento Nacional (INFONAC)*, Nicaragua's national development agency, with the assistance of the Central American Institute of Research and Industrial Technology (ICAITI), a regional institution established in 1955 to advise the Central American republics and to carry out technological research on the use of raw materials and natural resources produced in the region.

The technical cooperation, which was extended from the Canadian Fund for the Preparation of Development Projects administered by the Bank, will help finance a study to determine whether an industry based on various alternatives derived from wood pyrolysis and alcohol produced from fermented sugar cane molasses can be established in Nicaragua to produce vinyl chloride, vinyl acetate and formaldehyde.

URUGUAY: The Inter-American Bank on February 28 announced the approval of a \$28.4 million loan to help Uruguay improve its telecommunications system.

The loan will be used by the *Administración Nacional de Telecomunicaciones (ANTEL)*, the national telecommunications agency, to build and equip

two telephone exchanges in Montevideo, install new microwave systems totaling 726 miles in length, and modernize the marine telecommunications network.

The total cost of the project is estimated at \$48,800,000 of which the Bank loan will cover 58.2 per cent and ANTEL the remaining 41.2 per cent.

The project will include the following three subprojects:

- Switching subproject: The construction of two telephone exchanges in Montevideo with a total capacity of 10,000 subscriber lines and the installation of central traffic measurement equipment.

- Microwave subproject: The construction of civil works and the installation of new microwave systems extending 720 miles in length, including reconstruction of the existing network between Montevideo and Colonia. The new equipment will have an ultimate capacity of 960 voice channels per radio channel and the Montevideo-Colonia route will have three radio channels.

- Coastal radio subproject: The relocation of the existing low-, medium- and high-frequency equipment, the construction of three buildings and the procurement and installation of transmitters, receivers, antennas and accessories to modernize marine communication services, including the construction of 11 centers along the Atlantic seaboard, the River Plate and the Uruguay River.

NEW APPOINTMENTS ANNOUNCED AT IDB

Antonio Ortiz Mena, President of the Inter-American Development Bank, recently announced the appointment of Raúl Miranda Pasquel as Chief of the Management Services Office as of February 15.

Before joining the Bank, Mr. Miranda Pasquel, a native of Mexico, was Chief of Administration in the government of the state of Mexico. Previously, he served for 13 years in Mexico's *Secretaría de Hacienda y Crédito*.

On March 19 Mr. Ortiz Mena announced the appointment of Julio Heurtematte as Chief of the Division of Institutional and Financial Analysis, Project Analysis Department. The appointment was effective March 31.

Mr. Heurtematte, a national of Panama, joined the Bank in 1963 as an engineer in the former Project Analysis Division. Before his present appointment, he served as a Specialist in that Department, as Assistant to the Executive Vice-President of the Bank, as Chief of Area 5, Loan Division, Operations Department, and as a Specialist in the Development Finance Institutions Section.

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