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BOARD OF GOVERNORS TO CONSIDER BROADER ACTIVITIES FOR INTER-AMERICAN BANK

The economic conditions in Latin America and the region's prospects in the changing international financial scene will be one of the main points of discussion at the Sixteenth Meeting of the Board of Governors of the Inter-American Development Bank in the Dominican Republic May 19-21.

The Board of Governors, the highest authority of the Bank, meets once a year in a member country. Its meetings have come to be regarded as the area's most important financial forum.

The three-day meeting will be held at the Hotel Loews Dominicana Convention Center in Santo Domingo, the capital city of the Dominican Republic.

The Chairman of the Board of Governors, Raúl Sáez Sáez, Governor for Chile, and his country's Minister for Economic Coordination, will preside at the opening session.

The Meeting is expected to be attended by the 24 Board members and their Alternates, who represent the Bank's member countries. Governors are usually their country's Minister of Finance, Governor of the Central Bank or an official of comparable rank. Bankers, businessmen, high government officials and representatives of international organizations will also attend as observers.

The Bank's official delegation will be headed by President Antonio Ortiz Mena, who will present the Bank's Annual Report for 1974—a year in which the institution set new records in its efforts to foster the economic and social development of Latin America, extending 53 loans for a total of $1,111 million.

Among the matters to be considered are the financial statements of the Bank's main lending resources—the ordinary capital resources and the Fund for Special Operations—and the election of Executive Directors.

Other agenda items are: the replenishment of the Bank's financial resources; the situation of the Caribbean Development Bank; measures to provide for the entry of nonregional countries to membership in the Bank; expansion of the export financing program, and a report by the Board of Executive Directors on adapting the Agreement Establishing the Bank to prevailing general conditions.

The President will report on the Bank's activities, including its efforts to obtain additional financial resources in order to maintain and, if possible, increase the level of loans and technical cooperation it has extended to its members.

IN THIS ISSUE:

Ortiz Mena Says Public Institutions Are a Key Factor for Development

Antonio Ortiz Mena, President of the Inter-American Development Bank, in an address in April, cited the important role that organizations with the expertise and personnel to carry out technical studies and negotiations can play in economic cooperation between the developing countries and the industrialized countries that extend long-term loans.

Speaking at a seminar on Modern Mexico at the University of Alabama, in Tuscaloosa, Mr. Ortiz Mena said Mexico's approach to the problems associated with external financial cooperation takes on special relevance in the region. The establishment of the institutional framework needed for effective accomplishment of development tasks has been given great importance in Mexico for many years, he said.

"One of the most remarkable characteristics of the modern development of Mexico has been the creativeness of the public sector in forming institutions able to develop a strong absorptive capacity in key sectors of the economy," he said. "This very important achievement has been possible due to the fact that the social revolution of 1910 and the Constitution of 1917 laid down the bases for the organization of a State with strong intervention in economic and social matters, and the establishment of a presidential system of government in which the Head of State has broad faculties to direct the country with a high degree of flexibility, according to the circumstances as they emerge from within and from abroad."

In speaking on the impact of external cooperation on Mexico's economic development Mr. Ortiz Mena pointed out that, since the establishment of the New Federal Government, "there has been a keen awareness of the need for modern institutions to mobilize the wealth of the country as well as to attract resources from abroad." This, he said, gave rise to the establishment of a technical approach which centered in the Ministry of Finance firm control of income and expenditure through a centralized budget and the administration of the tax system and other sources of fiscal income.

Among the key institutions established to help in the development process were the Bank of Mexico, the Farm Credit Bank and the National Irrigation Commission—later to become the *Secretaría de Recursos Hidráulicos*—in the 1920s; the Federal Electricity Commission, *Petróleos Mexicanos (PEMEX)*, the national petroleum agency; and the *Nacional Financiera*, an agency charged with the promotion of balanced industrial development and the negotiation of foreign loans, in the 1930s; and the *Banco Nacional de Obras y Servicios Públicos*, an agency charged with financing public works at the state and municipal level.

(Continued on page 2)

Bank Group Named to Coordinate Agricultural Development Efforts

President Antonio Ortiz Mena announced on April 10 the establishment of a Latin American Group for International Cooperation in Agricultural Development and Food Production.

Mr. Ortiz Mena stated the Group had been established as a result of the recent World Food Conference and the Bank's desire to strengthen its activities in the field of agriculture and rural development.

The Bank President also announced that Juan Felipe Yriart, Assistant Director General of the United Nations Food and Agriculture Organization (FAO) in Charge of the Development Department, would help to organize the Group.

Mr. Ortiz Mena described the Group as an informal but practical instrument to help achieve better orientation and coordination of the programs of the principal multilateral, bilateral and some of the major private agencies which operate financial and technical cooperation programs in Latin America. He said that, as pointed out at the World Food Conference, Latin America has a very special role to fulfill in the present world crisis; its resources permit the virtual elimination of malnutrition and a reduction in rural poverty within the region and, at the same time, are sufficient to contribute significantly to feeding less privileged world areas.

Juan Felipe Yriart

The Group will begin its work by strengthening and expanding the existing coordination already under way between the Bank and other agencies. It is expected to move rapidly into exploring and promoting concerted action in new fields that have received relatively little attention. Mr. Ortiz Mena added that the Group was expected to have a very small membership made up of agencies which are substantial contributors to both financial and technical cooperation.

Mr. Ortiz Mena stated that he had invited Mr. Yriart to help organize the Latin American Group. He said that A. H. Boerma, Director General of FAO, had released Mr. Yriart for this temporary task.

Mr. Yriart, a citizen of Uruguay, has had a distinguished career of public service. From 1963 to 1968 he served as Uruguayan Ambassador to the United States. He has been in charge of the FAO regional Office for Latin America in Santiago, Chile and, more recently, has served as Assistant Director General in charge of the Development Department, including the Investment Center.

Mr. Ortiz Mena also announced the recent appointment of an interdepartmental working group to review the Bank's activities in agricultural and rural development because of recent events and to recommend an appropriate action program to the Bank management. He added that he expected that some of the suggestions made by the working group would contribute to Mr. Yriart's immediate task.

Institutions Are a Key Factor (from page 1)

Noting that the weakness of the external sector of the economy in Mexico—as in most other Latin American countries—is one of the main constraints to the economic development process, Mr. Ortiz Mena said the Mexican Government in the 1930s established the *Banco Nacional de Comercio Exterior* for the main purpose of financing the traditional exports of Mexico and, more recently, a Trust Fund in the Bank of Mexico to promote the export of manufactured goods, principally through a credit system which puts the Mexican exporter on a competitive financial basis with the exporters of industrialized countries.

Referring to relations between Mexico and the United States, Mr. Ortiz Mena said that curtailment of United States financial cooperation with Latin America would entail "heavy losses to the economy of this country . . . as the result of the inevitable cutback in international trade." Such losses, he added "would very likely run well above the amount of the reduction in United States cooperation.

"Economic cooperation," Mr. Ortiz Mena observed, "is a two-way street, for it benefits both recipient and donor." In the specific case of the United States and Latin America, he said, the preliminary results of a study undertaken by the Inter-American Bank "seem to indicate that the United States recovers virtually the full amount of the loans. Moreover, the large amount of United States machinery and equipment used in our countries' economic development brings about recurring imports of a considerable amount of spare parts and other inputs from the United States to keep machinery in working order. Of course, our countries make prompt payment of principal and interest on the loans received." This explains, in part, why the balance of payments between Latin America and the United States consistently shows a balance favoring the latter.

"Thus, we can say that Latin America has become a very important market for United States exports, a matter of particular importance at this time when the United States economy has entered a period of recession."

Mr. Ortiz Mena emphasized that developing countries often lack institutions and personnel capable of promoting and negotiating external financial aid effectively. "My experience in high government posts in my own country and in the area of international financial activities has given me the firm belief that the success of our countries' development process depends essentially on their having an adequate institutional framework."

The IDB President pointed out that "the mobilization and improved allocation and utilization of resources needed for the development process, as well as the subsequent management of resulting investments, requires well-organized, strong institutions at the national, sectoral and regional levels." He added that it is up to such institutions to do the indispensable work of formulating national development plans and policies and preparing investment programs at the individual country level.

It was this consideration, he said, that led the Inter-American Development Bank, from the outset, to include technical cooperation as an important part of its activity.

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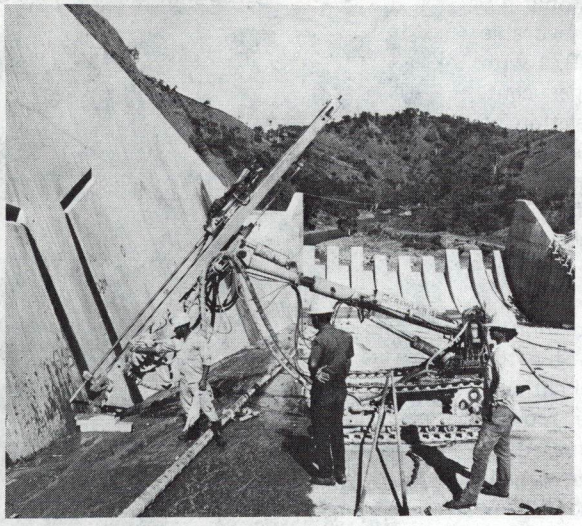
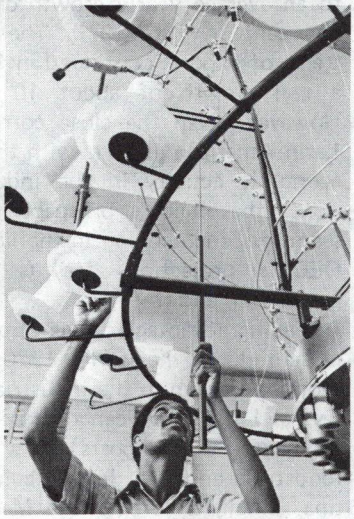
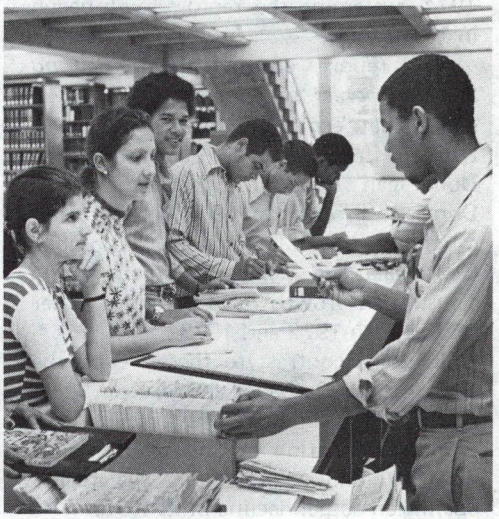






IDB credits have helped to finance the execution of projects in agriculture, fishing, electric power, industry and higher education—all key sectors in the Dominican Republic's economic and social development.

The Bank's Contribution to Dominican Development Projects

The Inter-American Development Bank has associated itself closely with the Dominican Republic's social and economic development programs. In its 15 years of existence, the Bank has extended $171 million to the island nation—the site of the forthcoming Sixteenth Annual Meeting of the IDB's Board of Governors—in 21 loans to help finance projects for the development of agriculture, industry, electric power, urban development, sanitation, education and preinvestment having a total cost of almost $300 million.

The following is a summary of the Bank's principal activities:

AGRICULTURE AND FISHING

The Bank has contributed almost $55 million in five loans for projects in agriculture.

Two loans—one for $3 million and another for $6,761,000—were authorized in 1962 and 1963 for rural credit programs. A loan for $24.8 million helped to finance the first stage of the Integrated Agricultural Development Program (PIDAGRO), which benefited some 300,000 small- and medium-scale farmers and ranchers.

An $18.8 million loan was used in 1973 to rehabilitate 13,300 hectares being irrigated in the Yaque del Norte River Valley and to extend irrigation to another 14,000 hectares. Another operation for $1.6 million helped the *Instituto de Desarrollo y Crédito Cooperativo (INDECOOP),* establish six fishing cooperatives.

INDUSTRIAL DEVELOPMENT

Two loans for a total of $8,974,000, have helped to support Dominican industrial development programs. A $5 million loan was extended for credit to small and medium industries; another, for $5.5 million, was issued to help finance the installation, expansion or modernization of private manufacturing plants processing foodstuffs, textiles, metallic minerals, footwear, clothing, chemical products and nonmetallic mineral products. Part of this loan—$1.6 million—was earmarked for the development of tourism.

ELECTRIC POWER

Three loans totaling $67,074,000 helped to finance projects to increase electric power for industry and for urban and rural electrification.

A 1968 loan for $22.9 million helped to finance the first stage of a program for developing the Cibao Valley, including construction of the Tavera Dam, which permitted the irrigation of about 37,200 hectares, and a hydroelectric plant on the banks of the Bao River.

A loan for $7,474,000 was granted in 1972 to take electricity to 160 rural communities throughout the country. Another loan for $36.7 million, granted in 1974, will be used by the *Corporación Dominicana de Electricidad* to continue the program begun in 1968. This stage includes construction of a 400-meter dam on the Bao River; several auxiliary dams and a 1,200-meter canal to connect the Tavera Dam with the new one.

SANITATION

Five loans for a total of $28,750,000 have helped to finance sanitation projects in various parts of the country. These included construction of 89 rural aqueducts in communities of from 400 to 3,500 inhabitants; the installation of potable water systems in 180 communities; and the first stage of a master plan to satisfy Santo Domingo's water requirements up to the year 2000.

URBAN DEVELOPMENT AND EDUCATION

A loan for $3.5 million was extended in 1962 to help finance the construction of 3,000 houses in 26 rural communities as well as some 1,970 in Santo Domingo, Santiago, Puerto Plata, Bani, San Francisco Macorís and San Juan de la Managua.

The Bank has also extended loans for $4,178,000 to support programs for development of education, helping to improve the teaching and research of the *Universidad Autónoma de Santo Domingo,* and to remodel three buildings and erect seven new ones at the *Universidad Católica Madre y Maestra.*

The Bank, in addition, has extended more than $2 million for preinvestment studies and consulting services in connection with various projects and programs.

LATIN AMERICA IN 1973-1974

Greater Investment and Rapid Growth, but Inflation Cuts Benefits

A report to be issued soon by the Inter-American Development Bank on economic conditions in its Latin American member countries, notes that, in varying degrees, the economies of most of these countries expanded in 1973 and 1974, sustaining the rapid growth begun in 1968.

The report, entitled *Economic and Social Progress in Latin America—1974,* states that economic progress was particularly strong in Brazil, Ecuador and the Dominican Republic, where the Gross Domestic Product in 1973 grew at rates of more than 11 per cent. Colombia, Guatemala, and Mexico also made strong gains, with growth rates of above 7 per cent in both 1972 and 1973.

In sharp contrast to these trends, the economies of Barbados and Uruguay were virtually stagnant in 1973. Likewise, the economic situation in Chile worsened; it was the only country in the region posting an actual decline in its GDP.

The study notes that in Latin America "a large part of the increase in the GDP is absorbed by the growth in population alone—2.8 per cent a year. This rate exceeds that of the other developing countries and is more than triple that of the industrial nations."

The gross product per capita in Latin America, the report continues, "increased from $598 in 1972 to $626 in 1973, or 4.6 per cent in comparison with a 5.3 per cent increase in the industrial nations. Thus, the gap between the levels of per capita output continued to widen between both groups of nations."

According to the report, one of the leading factors contributing to the recent economic expansion of Latin America—especially during the 1970s—was the increase in gross domestic investment at a rate faster than that of the GDP. Investment outlays in 1972 and 1973 (at constant prices) grew at rates of 10.5 per cent and 10.1, respectively, much higher than the average 5.1 per cent during 1961-1965 and 7.8 in 1966-1970. Capital expenditures in several countries increased substantially between 1971 and 1973, growing at an average annual rate of 20 per cent in Brazil, El Salvador, Paraguay, and the Dominican Republic; at slightly more than 13 per cent in Costa Rica and Nicaragua; and at about 11 per cent in Panama and Peru.

EXPORT GROWTH

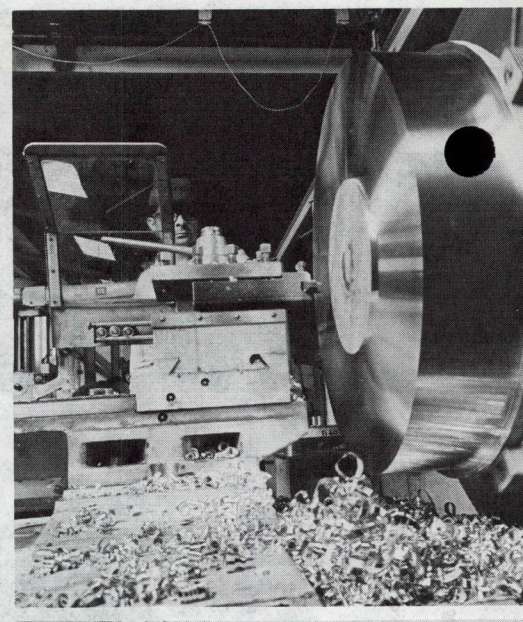
Exports too were instrumental in accelerating the region's economic growth in 1972 and 1973, rising 7.7 per cent and 14.6, respectively, in real terms compared to an average yearly growth of only 4.6 per cent in 1961-1970. The favorable trend of exports continued in 1974 with a real growth of about 10 per cent. However, given the close correlation of Latin American exports with the level of economic activity in the industrial nations, the region's prospects for 1975 seem less encouraging in the light of the OECD's projections for its members' production and trade.

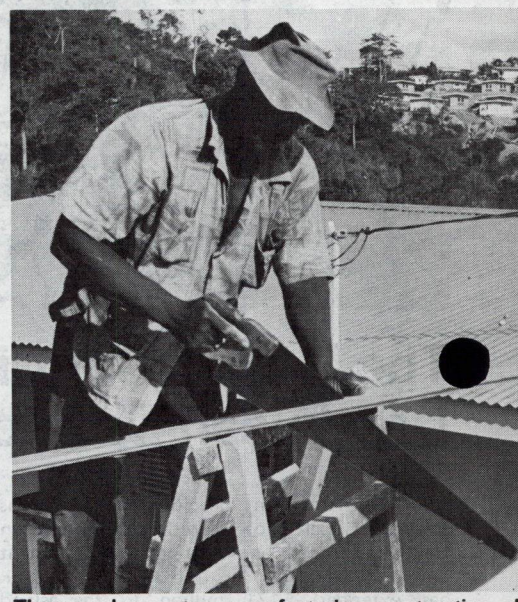
Taking advantage of the opportunities presented in the early 1970s by the economic boom in the industrial nations, several Latin American countries rapidly augmented their exports of raw materials, foodstuffs and fuel. In particular, Argentina, Brazil, Colombia and Mexico have made significant achievements in sales of non-traditional and manufactured goods. Brazil stepped up the growth of its total exports from an average 3.2 per cent a year in 1961-1965 to 9.2 in 1966-1970 and 17 per cent in 1971-1973. Mexico showed a similar pattern, though the pace was slower, increasing its shipments 4 per cent in 1961-1965, 4.9 in 1966-1970 and 10.2 per cent in 1971-1973. Owing to a considerable expansion in petroleum production, Ecuador increased its exports 23.2 per cent in 1972 and 55.5 per cent in 1973, compared with a 3 per cent growth rate in the 1960s.

The higher levels of domestic economic activity, investment and exports by the region in recent years made it necessary to increase imports of goods and services, regardless of the increase in earnings of foreign capital. Beginning in 1968, imports increased more rapidly than the GDP at an average 8.8 per cent yearly during 1968-1973.

GROWTH BY SECTORS

The table on the structure and growth of the GDP for 1960-1970 included here shows that the primary sector—agriculture and mining—has had, over the long run, a tendency to grow more slowly



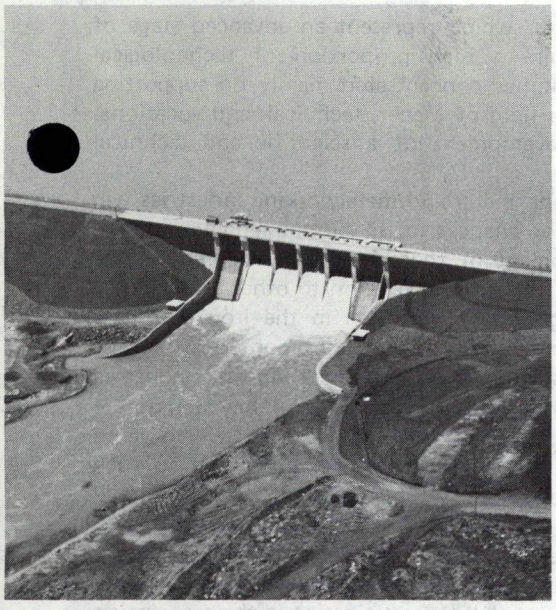


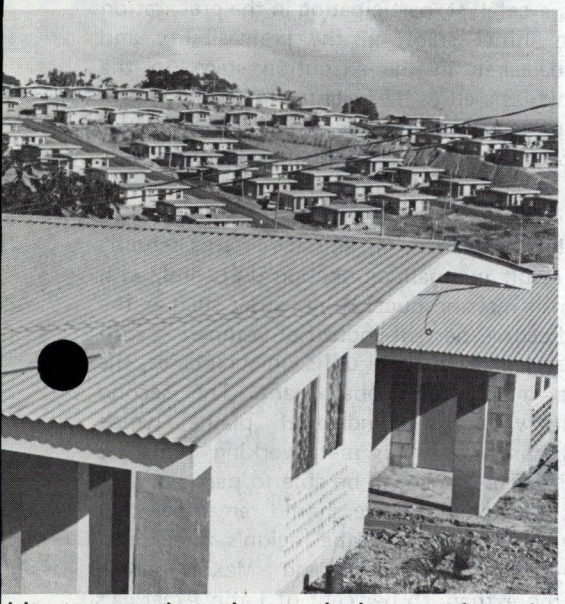
The secondary sector—manufacturing, construction, el force behind the growth of Latin America's Gross Do

Latin America[1]: Structure and Growth of G (In percent)

	1960
1. Primary Sector	**22**
Agriculture	18
Mining	4
2. Secondary Sector	**33**
Manufacturing[3]	22
Construction	3
Electricity, Gas and Water	1
Transportation	6
3. Tertiary Sector	**44**
Trade[4]	19
Financial Services	7
Other Services	10
Government	5
TOTAL	**100**

[1] Excludes Trinidad and Tobago.
[2] At 1970 market prices converted to United
[3] Includes the mining sector of Barbados, Co
[4] Includes the financial services sector of Par
Source: Inter-American Bank, based on offic





ricity, transportation and communications—was the moving
tic Product.

s Domestic Product[2], 1960-73

mposition	Annual Variation		
1970-73	1971	1972	1973
18.0	**3.4**	**2.5**	**6.0**
14.9	5.1	3.1	5.9
3.1	−4.4	−0.2	6.8
37.1	**6.5**	**8.3**	**8.1**
25.3	6.5	8.4	8.3
3.7	4.1	11.1	6.3
2.1	9.9	7.8	12.7
6.0	6.9	6.2	7.0
44.9	**6.7**	**7.3**	**7.3**
19.9	6.1	7.0	7.5
8.5	7.1	7.7	7.6
10.1	6.2	6.1	6.7
6.4	8.7	9.9	7.5
100.0	**6.0**	**6.8**	**7.4**

tes dollars.
Rica and Uruguay.
y.
statistics of member countries.

than the aggregate GDP and its share in the product has declined from 22.7 per cent in 1960-1963 to 18 per cent in 1970-1973. The growth rates of production in the primary sector, which declined from an average yearly 4 per cent in 1961-1965 to 2.8 in 1966-1970, rose from 2.5 per cent in 1972 to 6 per cent in 1973. This stepped-up growth reflected mainly the recovery of agricultural production in Argentina, El Salvador and Uruguay; in 1973 their farm output increased 12.3, 5.7 and 2.7 per cent, respectively, in contrast to the declines that took place in 1972. The increase in primary-sector production was also attributed to the faster output in mining, which in 1973 grew 6.8 per cent compared to 0.2 per cent drop in 1972. Bolivia, Ecuador, Guatemala, Honduras, Jamaica, Nicaragua and Venezuela recorded the greatest gains in mining—10 per cent or more in 1972-1973.

The secondary sector—manufacturing, construction, electricity, gas and water and transport and communications—recorded a faster growth rate than the rest of the economy in the period 1960-1973, incraasing its share of the gross regional product from 33.1 per cent in 1960-1963 (annual average) to 37.1 per cent in 1970-1973. Within this sector, the electricity, gas and water category led the way with a 10.7 yearly average expansion during the 1961-1970 period and 10.1 per cent annually in 1971-1973. The remaining sectors—commerce and government, financial and other services—contributed almost half of the GDP.

PRICE INSTABILITY

Owing to internal inflationary pressures and external factors, the report states, prices in Latin America began to soar as of 1971, a situation which contrasted with the slower growth rate which had been achieved at the end of the 1960s. In fact, the annual rate of increase in prices, based on the national consumer price index, rose in most of the Latin American countries in 1971-1973. The region's average rate of inflation climbed from 23 per cent in 1972 to 40 in 1973 and to nearly 50 per cent in 1974, according to preliminary data. These figures compare unfavorably with the 1966-1970 period and 1971, when the weighted rate of inflation varied between 15 and 16 per cent. Industrial nations also experienced marked increases in prices in those years—though at a lower rate than that of Latin America—rising from 3.3 per cent in 1960-1972 to 7.2 in 1973 and 12.5 per cent in 1974.

A feature of Latin America's inflation in the last three years is its greater extension thoughout the region in contrast with that experienced up to 1970, when most countries—14 of them—enjoyed relative stability and only three or four registered price rises greater than 15 per cent a year.

Inflation became particularly acute in 1973 and 1974, with price increases exceeding 6 per cent a year in all of the countries, with the sole exception of Venezuela in 1973. The annual rate of inflation in 1974 in 14 countries rose above 15 per cent.

Chile's prices skyrocketed between 1971 and 1973, as reflected in the successive quadrupling in the annual average consumer index: 20 per cent in 1971, 78 in 1972 and 353 per cent in 1973. Prices continued to rise there in 1974, though at a slower rate than in the two previous years—averaging 505 per cent above 1973. The slowing down of inflation in Chile can be measured also by comparing the cumulative amount of monthly price increases in 1973 (508 per cent) and in 1974 (376 per cent).

INFLATIONARY TRENDS

The study notes that domestic inflationary pressures in Latin America stem from the interplay of diverse financial and structural factors, whose occurrence and dynamism vary from one country to another. Therefore, the report points out, it is difficult to offer a single theory as having general validity in explaining the inflationary processes of the Latin American nations. Nevertheless, several of the recent factors which did have some impact can be pointed out.

The expansion of the money supply contributed heavily to the upswing of prices in Latin America during the period examined. Other factors were the increased capital and consumption expenditures by the central governments and devaluations of exchange rates. There was also the inelasticity in the supply of goods and services, particularly in the agriculture sector, which has been unable to adapt with sufficient speed to changes in aggregate demand, owing to the growth in population and income as well as to the migration to urban centers.

The slow pace of real growth in exports up to 1971 and the fluctuations

(Continued on page 7)

IDB Support Given to Metals And Metalworking Industries

The Inter-American Development Bank, during its 15 years of activity, and as part of its financial support for the economic development of Latin America, has approved $1,080 million in loans for industry and mining. Those resources have helped to finance projects having a total cost of $8,170 million—32 per cent of the total cost of all Bank-supported projects.

Bank loans for industry and mining constitute 15 per cent of its total portfolio of some $7,500 million, indicating that its operations in mining and industry have mobilized additional financial resources to a greater degree than the average of its other loans.

Bank support to the industrial and mining sector has consisted of 158 loans for direct financing of specific projects and for global loans channeled through regional and national development financial institutions for projects whose requirements were not sufficiently great to justify direct financing.

In the industrial sector the Bank has generally supported the establishment and development of new import substitution industries—which observe minimum regional efficiency standards—as well as industries that export a substantial part of their production. It has also helped to modernize existing industries and to increase their productivity in order to make import substitution more economical and to expedite the expansion and diversification of exports.

In the metal and metalworking industries, Bank support has consisted of technical cooperation, direct loans for specific projects, global loans, loans for capital goods exports, and promotion of science and technology.

In its early years the Bank directed its activity in these subsectors to financing a number of specific projects in the metalworking industry through direct credits. Gradually, however, it began to extend industrial global credits to finance a large number of projects, mainly small and medium-scale.

In recent years the Bank's direct credits have gone to finance large projects in the basic metals industry—for the most part iron and steel projects. Because of their magnitude and importance, the Bank has sometimes joined forces with the World Bank, and their joint efforts have tended to act as a catalyst for other sources of financing. That is, although IDB and World Bank participation has been relatively low in relation to the magnitude of the projects, careful preparation of projects, together with efforts to provide the basic elements needed for adequate execution and operation, has given them a quality which has helped borrowers obtain financing from suppliers and from other sources on the best possible terms.

The Bank has helped to promote the metal and metalworking sectors mainly by financing prefeasibility and feasibility studies undertaken for national and regional planning, financing and industrial promotion institutions, as well as the exploration of natural resources, and training, technical research and industrial extension and consulting services. Another Bank activity which contributed to the development of the metalworking industry was the credit program for capital goods exports which has enabled various equipment and machinery manufacturing member countries to market their products on competitive financing terms. To date the Bank's export financing program has been limited to capital goods intended for Latin American countries; but it may soon extend such financing to exports going to other countries.

The Bank has given overall support to science and technology, including specific sectors of the economy. The metals and metalworking industries, which represent an advanced stage of industrialization, require a high proportion of technological inputs. Here the Bank has concentrated mainly on supporting national efforts in the field of higher, technical, and vocational education and the development of a scientific and technical infrastructure.

Bank support for the metal and metalworking industries will continue without major changes in its current lending policies. However, the development of those industries will require the strengthening of specific action in relation to other sectors. The number and the magnitude of projects in the iron and steel industries and in the aluminum and other nonferrous metals industry will increase steadily as countries develop their industrial base, their demand for basic metals increases and they step up the exploitation of their mining resources. The Bank will have to increase the number and amount of its contribution to such projects, as it has already done in the great steel projects in Brazil and Mexico.

Because its resources are limited, and because of its policy not to furnish funds when supplier credits are available, the Bank will continue to act as a catalyst, participating in the preparation of projects from the initial stage, in the prefeasibility and feasibility studies undertaken in the execution stage, in the financing of investments, as well as by heightening its activity in the development of projects, whether as a financial agent or simply by helping to attract additional financing through its active participation.

The metalworking industry is divided into two categories: light and heavy industry. In the former, structural patterns tending toward specialization result in small production units and, with the possible exception of mass-production industries such as the automotive industry, become part of industrial complexes with specialized medium-size and even small units. In such cases, the Bank action consists mainly of global loans. The second category—heavy industry—includes industrial plants which produce semi-finished items for other metalworking industries and for heavy industries. The Bank will be able to participate in future through direct financing, but we should remember that this type of industry exists mainly in the region's three most developed countries—Argentina, Brazil and Mexico—which together account for more than 75 per cent of Latin America's industrial production and for a very high proportion of its heavy industry. Here Bank action will have to be directed preferably to helping to develop industries in countries with limited markets which have a less developed industrial base.

For that purpose the Bank will tend to cooperate with national economic integration efforts being made through various subregional integration programs, either through technical cooperation channeled to subregional agencies or by extending financial support for national and multinational industrial enterprises established on the basis of complementary agreements and through sectoral development programs which seek to broaden markets.

The author of this article, Ernesto Newbery, an industrial engineer, is Chief of the Industrial and Mining Section of the Project Analysis Department. Before joining the Bank, he was active in private industry in Argentina, his native country. He has also served as Coordinator of Argentina's National Development Council (CONADE) and as a member of the Industrial Development Unit of the Organization of American States (OAS).

At the seminar: Sir Walter Perry, IDB expert Fernando Molina and Reuben Sternfeld, the Vice President of the Inter-American Bank.

Open University Offers a New Approach to Education

More than 200 specialists attended a seminar on "The Open University and the Development of Education Systems" held April 15 by representatives of Great Britain's Open University and officials of the Inter-American Bank.

Bank officials, representatives of other international institutions, area universities and United States national educational organizations and Federal Government agencies met at Bank headquarters, to hear a list of speakers that included Sir Walter Perry, Vice-Chancellor of the Open University and one of its founders, Mrs. Naomi McIntosh, the University's Pro Vice-Chancellor for Student Affairs, Professor Michael Pentz, Dean of Science, and Professor Barry O. Shorthouse, Specialist on Technology and Representative for North America. John Elac, Chief of the Bank's General Studies Division, was the moderator.

The Seminar was organized under the auspices of Cecilio Morales, manager of the Bank's Economic and Social Development Department, and Guillermo Moore, manager of the Project Analysis Department.

The Open University, an independent autonomous institution, received the required Royal Charter in May 1969 and began functioning in January 1971. Its principal aims are to offer "a second chance" to adults who have not attended a college or university after leaving high school, and to provide a basis for life-long, continuing higher education.

With a few exceptions, its students are 21 years of age or older and study in their spare time. Although the University has a campus about 40 miles from London, it employs a multimedia system for teaching through correspondence courses, independent studies using specially prepared texts, radio and television broadcasts transmitted by the BBC, tapes, cassettes and other ancillary teaching aids.

Students study at home, at one of the 280 study centers established throughout the United Kingdom or at brief residential summer sessions. There are no formal entrance requirements. In 1975, the University accepted more than 20,000 students.

The University is organized into six faculties—arts, education, mathematics, science, social sciences and technology. Like all universities in the United Kingdom, it is financed mainly by the Government which provides 85 per cent of its resources, and the rest by student fees—a proportion very similar to that of conventional universities.

The seminar was an expression of the Bank's interest in exploring the possibilities of nontraditional systems of education as a way of opening up additional opportunities in its Latin American member countries. For example, in 1973 it provided a loan to help finance the Simón Bolivar Experimental University in Caracas to study the establishment of an open university program in that institution. Another expression of this interest was the meeting of Bank officials with representatives of the Union for Experimenting Colleges and Universities and the University Without Walls on May 16, 1974.

NEW APPOINTMENT

President Antonio Ortiz Mena announced the appointment of Joaquín González as Deputy Program Advisor, effective April 1, 1975.

Mr. González came to the Bank in 1961 as an economist in the former Division of Economics and was later named Chief of the Trade and Balance Payments Section. Since then he has served as Deputy Director of the General and Specialized Studies in the Economic and Social Development Division, as Deputy Director of the Special Studies Division, and as Deputy Chief of the General Studies Division. Before his present appointment, he was Advisor in the Office of the Program Advisor.

Before coming to the Bank, Mr. González served in various posts in the public sector of his country, Ecuador, and as a professor of economics at the *Universidad Central del Ecuador.* He attended the *Universidad Central del Ecuador,* where he majored in economics, and Yale University, from which he received an M.A. degree in economics. He has taken special courses in economics at Harvard University and American University.

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in their prices are additional factors, since they did have an adverse effect on the capacity for importing and on the sustained flow of government revenues. Furthermore, mention should be made of the mechanisms of adjustment employed by the various pressure groups for the purpose of defending or enhancing their real purchasing power.

Several external factors contributed to the accelerated inflation in Latin America in 1973 and 1974; the adverse impact of currency realignments and the increase in international prices of manufactures, foodstuffs, agricultural and industrial inputs, and, above all, petroleum. The average price of imports (f.o.b.) in United States dollars increased 6 per cent in 1971, 3.8 in 1972, 12.7 in 1973 and an estimated 45 per cent in 1974. The rises in the last two years reflected an increase in the price of petroleum in 1973 and 1974 of 44 per cent and 195 per cent. Petroleum has been accounting for a greater share of the total value of the region's imports, from 12-13 per cent in 1974 in comparison with about 10 per cent in 1973 and slightly more than 7 per cent on the average in 1971-1972. The increases in the prices of exports from the industrial nations, according to OECD estimates, were 10.5 per cent in 1973 and 26 in 1974. Basic commodity prices increased 52.3 per cent in 1973 and 42.6 per cent in 1974.

The eleven visiting Dominican journalists at a working seesion held at the Office of Information.

Washington Seminar: Dominican Journalists Look at the IDB

Eleven Dominican journalists visited Bank headquarters in mid-April at the Bank's invitation to study the IDB and its work at first hand.

President Antonio Ortiz Mena invited the group to attend a short seminar on the Bank's objectives, its loan and technical cooperation activities, administrative and capital structure and general policies. They also met with various Bank officials for more detailed briefings on various aspects of the Bank's operations.

They interviewed officials of the International Monetary Fund and the World Bank, and were received by the Dominican Ambassador to Washington, Horacio Vicioso Soto.

The visiting journalists included Clara Leila Alfonso, of *El Sol*, Leopoldo Perera Acta and José Romero Rojas, of *Listín Diario*, Miguel Guerrero, of *El Caribe*, Guarionex Rosa, of *Ultima Hora*, Roberto Marcallé, of *El Nacional*, Victor Grimaldi, of *La Noticia*, and Luis E. Franco Casals of *La Información*.

Also, Pedro Justiniano Polanco, President of the Dominican Radio-Television Association (ADORA), Alejandro Paniagua, of Dominican Radio-Television, and Adriano de la Cruz, of the *Secretaría de Estado de Relaciones Exteriores*.

NEW PUBLICATIONS

The Bank will release its annual report for 1974 at the Sixteenth Meeting of the Board of Governors to be held in the Dominican Republic May 19 to 21.

The report will be issued in Spanish, English and Portuguese editions.

Other Bank publications published recently or about to be published are the following:

Latin America in the World Economy explores the magnitude and direction of recent trends in Latin America's international trade and external capital flows, including an analysis of trends in the interchange of 15 Latin American basic export items. Published in Spanish, English and Portuguese.

Fifteen Years of Activities, a profusedly illustrated account of the Bank's institutional and operational growth since 1960, when it began to function. Spanish, English, Portuguese and French editions.

Statistical Profile of Latin America presents country-by-country information on area, population, labor force, gross product, money and reserves, exports, imports, tourist traffic and other indicators of the 22 member countries. Issued in Spanish, English, Portuguese and French.

The Inter-American Development Bank, an illustrated brochure, describes the Bank and its activities—member countries, resources, loan policies, administration, etc. In Spanish, English Portuguese, and French editions.

These publications may be obtained free of charge by calling or writing the Office of Information, Inter-American Development Bank, 808 Seventeenth Street, N.W., Washington, D.C. 20577.

IDB Extends New Loans to Mexico, Technical Cooperation to Guatemala

The Inter-American Bank on March 20 announced the approval of $20,321,600 in loans and technical cooperation for development projects in Guatemala and Mexico. The details are as follows:

GUATEMALA: Grant technical cooperation amounting to $321,600 was approved to help prepare an integral project on the production, marketing and processing of fruits and vegetables.

The technical cooperation will be used by the *Consejo Nacional de Planificación Económica (CNPE)*, the national planning board, acting through six public agricultural agencies, to contract Israeli consultants to make maximum use of irrigated lands in the northeastern part of the country for the production of fruits and vegetables.

The total cost of the project, which is being carried out under the IDB-Israeli Cooperative Program, is estimated at $508,400, of which the Bank's resources will cover 63 per cent, the Israeli Government 30 per cent and local sources the remaining 7 per cent.

MEXICO: A $15 million loan was extended to help finance a global credit program to benefit small and medium-scale industrial firms. The credit program will be carried out through the *Fondo de Garantía y Fomento a la Industria Mediana y Pequeña (FOGAIN)*.

The loan, which was extended to the *Nacional Financiera, S.A. (NAFINSA)*, the Mexican Government agency charged with negotiating foreign loans, will be used by FOGAIN, a trust fund managed by NAFINSA, to expand and extend its financial support to small and medium private enterprises, stimulate the decentralization of industry, provide for the creation and/or installation of new small and medium industrial enterprises, and strengthen its operating capacity to further its efficient functioning as a development agency, improve the socioeconomic analysis of projects, and consolidate its financial position with a view to the credit programs outlined for coming years.

The total cost of the program is estimated at $30 million, of which the Bank loan will cover 50 per cent and local sources the remaining 50 per cent.

The program is a continuation of six previous programs financed by Bank loans totaling $36 million. Program resources will be channeled through 216 financial institutions for the granting of credits to finance investments in fixed assets, the procurement of machinery and equipment and for working capital.

The Bank also announced the approval of a $5 million revolving line of credit to help Mexico finance exports of capital goods and services to other Latin American member countries.

NAFINSA will use the credit exclusively in rediscounting at the Inter-American Bank credit documents issued by the *Banco de México, S.A.*, through the *Fondo para el Fomento de las Exportaciones de Productos Manufacturados (FOMEX)*, which it administers.

Seven lines of credit have been granted to NAFINSA under the Bank's program. As of December 31, 1974, disbursements under these lines of credit amounted to $29,588,400. They went to finance exports to 14 Latin American countries having a total value of $51,452,500.