



00116175

## ORTIZ MENA SEES NEED TO STRENGTHEN LATIN AMERICAN CONSULTING FIRMS

The Inter-American Development Bank views the strengthening of Latin American consulting firms as one of the more effective ways of accelerating the export of regional goods, particularly capital goods and technical services, according to President Antonio Ortiz Mena.

Mr. Ortiz Mena spoke at the opening session of the Meeting on Consulting Services for Latin America held in Mexico City August 25 to 28 under the joint sponsorship of the Inter-American Bank and the United Nations Development Programme.

Other speakers at the opening session were Gabriel Valdés, UNDP Regional Director for Latin America, and Gustavo Romero Kolbeck, General Director of *Nacional Financiera S.A. (NAFINSA)* of Mexico, who presided. José López Portillo, Secretary of the Treasury of Mexico, addressed the meeting at the closing session.

Among the 1,000 people attending the meeting were delegates representing consulting firms, development institutions, government entities from Latin America, Canada, the United States, Europe and Japan, and various international organizations.

Mr. Ortiz Mena urged the meeting to strive to identify the factors and remove the obstacles that have thus far delayed a broader and more dynamic participation of Latin American consulting firms in the decision-making process governing investment in their countries.

### Intermediate position

The IDB President pointed out that Latin America has reached a level of socioeconomic development that places it in an intermediate position between the developing world and the industrial centers. He said the region has already acquired a capacity to absorb technical and financial resources for development that, in proportion to its population, is far beyond that achieved in other developing regions of the world. He added that this situation underscores the fact that the Latin American nations constitute a community of countries which show great diversity in development levels and economic potential.

"This idea leads me to point out an aspect I regard as crucial and which is appearing more clearly in the medium-sized and smaller countries of the region," Mr. Ortiz Mena said.

"I am sure all of us agree that the primary concern of most businessmen in these countries is related more to the financing of investment than to the technical and economic characteristics of projects. This situation is due largely to the lack of well-organized capital markets and to the still incipient development of the financial institutions of our countries. Hence, businessmen are obliged to seek short-term bank credit, using it on a revolving basis to finance project preparation and execution, which would normally be done through medium and long-term loans.

"Thus," he added, "more often than not, the businessman avails himself of credit from foreign suppliers to solve his financing problems. This means combining three functions which the businessman should carry out separately: project preparation and evaluation, the mobilization of resources to finance investments, and the acquisition of the goods and services required to carry it out.

"We need not dwell at length on studying the problems that arise when a businessman ceases to perform these functions; it is a situation with which all of you are quite familiar. Suffice it to say that undesirable consequences ensue when goods and services are acquired without proper bidding based on product quality and price competition. In all our countries—and especially in the medium-sized and smaller ones—a large proportion of investment is in projects which, because of their small scale, do not justify international bidding. This leads the businessman to negotiate directly with a foreign supplier. A situation thus arises in which it becomes extremely difficult to ensure that the price and quality of the equipment are competitive, and to know the actual cost of the financing provided by the supplier. However, another aspect may be even more important: the lack of independent feasibility studies to determine the technical-economic configuration of the project that is most suitable for the businessman and the community. This often leads to the indis-

(Continued on page 4)

Javier Barrientos, Antonio Ortiz Mena,  
Gustavo Romero Kolbeck.

### IN THIS ISSUE

New financing program for Latin America.  
Page 3

Credit operations in Argentina, Colombia  
and Mexico. Page 6

Bank's new Board of Executive Directors.  
Page 8



JAVIER BARRIENTOS E.  
DIRECTOR DE COM Y TRANSP

ANTONIO ORTIZ MENA  
PRESIDENTE



## THE IDB AT INTERNATIONAL MEETINGS

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

**MEETING ON THE LATIN AMERICAN ECONOMIC SYSTEM (SELA).** Lima, July 29–August 2. Delegates from 25 Latin American and Caribbean countries and observers from six regional organizations attended the meeting, which consisted of two parts—one at the technical level and the other at the ministerial level. Jorge Ruiz Lara, Deputy Manager for Economic and Social Studies, and Carlos Prato Blume, of the Bank's Panama office, represented the Bank.

The meeting dealt mainly with a study on the establishment of the *Sistema Económico Latinoamericano* (Latin American Economic System). Under a resolution which was unanimously adopted, the meeting declared that there is a consensus for establishing a Latin American Economic System and laid down procedures for completing the establishment of SELA.

A high-level Working Group was set up to define in greater detail the objectives of the System, its statutes and basic administrative structure. The Group is to present the results of its work before October 15 for consideration at the ministerial meeting to open in Panama on that date.

SELA was defined at the meeting as a system, rather than an organization, the main purpose of which is to establish a permanent clearing-house for inter-regional cooperation, consulting and coordination for formulating Latin American positions and working out common strategies vis à vis third countries, groups of countries and international economic organizations.

The regional cooperation sought by means of the System is primarily directed to accelerating the region's economic development. For this purpose, SELA will sponsor the establishment and strengthening of

Latin American multinational enterprises. It will also seek to stimulate maintenance of adequate supplies—especially of food supplies—the processing within the region of raw materials from the member countries, protection of the prices of export products from the Latin American countries, channelling of financial resources toward projects and programs that will step up the region's development, the establishment, adaptation and interchange of technology, promotion of better means of regional transport and support for the efforts of countries facing emergency situations.

In connection with the establishment of SELA, the debate revolved around the following main points:

- The definition of objectives. Most of the delegates agreed on the need to avoid duplication of existing organizations and that the efforts of the Working Group should be directed toward that goal.
- The need to clearly establish that there is no desire to confront the System with others existing in the region or elsewhere.
- The advisability of having the Working Group which is to present its recommendations to the meeting of ministers devote sufficient time to study at the technical level and agree upon SELA's objectives, statutes and mechanisms.

Delegates received with satisfaction the proposal of the Mexican delegate that the Working Group should from the beginning seek to associate SELA with other organizations operating in the Latin American field, especially the Inter-American Development Bank, the Economic Commission for Latin America (ECLA), and the Permanent Executive Secretariat of the Four Treaties on Subregional Integration.

**FIRST LATIN AMERICAN MEETING ON COORDINATING POTATO RESEARCH AND PRODUCTION.** Lima, June 30–July 5. The meeting was attended by representatives of the Ministries of Agriculture, research institutes and universities of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Venezuela, as well as scientists and specialists on the staff of the International Potato Center

(CIP). Oscar Fuster, Specialist from the Division on Agricultural Development, represented the Bank.

The following points were considered at four working sessions:

- Potato research and production problems, activities, achievements and projections in Latin America;
- Analysis of the main factors influencing potato production in Latin America;
- Strategy to increase potato production in Latin American countries;
- Conclusions and recommendations.

At the first session, representatives made brief presentations on production and research programs, highlighting the importance of activities on seed production and supply, transference of technology, and marketing, as well as the need to coordinate these activities with the research and promotion programs.

The second session held six roundtables by speakers and commentators from the CIP and the various countries specializing in the various matters under discussion. These were: potato fungi, potato bacteria, potato viruses, potato nematodes, freezes, improvement of strains, seed production, storage, and transference of technology.

The third session dealt with strategies for increasing potato production in Latin America. It consisted of four separate working groups of countries having similar conditions and problems.

There was a general consensus on the need to intensify plans for producing high quality seed; of holding training courses for farmers and technicians; undertaking marketing studies and programs in keeping with the specific needs and conditions of each country—for example, storage facilities and diversification in the use of crops through processing and industrialization; the coordination and interchange of information and materials among the national programs under CIP sponsorship; development and promotion of techniques for transferring technology to farmers with CIP support; and holding international meetings on various scientific themes discussed at the meeting, as well as on other fundamental aspects such as seed production and marketing.

## NEW APPOINTMENTS ANNOUNCED AT IDB

President Antonio Ortiz Mena recently announced the appointment of Norberto Max as the Bank's representative in El Salvador, effective October 1, 1975.

Mr. Max joined the Bank in 1963, with an assignment in the Division of Operations Control. Since then he has served as Loan Officer, Chief of Area 1 (Mexico); Chief of Area 7 (Brazil); and Senior Operations Officer and Chief of Division 6 (Argentina), the post he held at the time of his new appointment. Before joining the Bank, Mr. Max held a number of posts in the public and private sector in Chile, his native country.



A portrait of Raul Barbosa, Director for Brazil and Ecuador, was unveiled at a special meeting of the Board of Executive Directors on August 28 to honor his memory.



## New Financing Program Started for Latin America

The Inter-American Development Bank, after a two-year study, has initiated a program to assist its own borrowers directly in the mobilization of private and other sources of foreign capital to parallel its own financing for large-scale capital-intensive projects in the developing countries in Latin America and the Caribbean.

This program has been initiated owing primarily to the increasing number and size of development projects presented to the Bank for direct financing in fields such as manufacturing, energy, petrochemicals and infrastructure. This capital demand on the Bank, arising from the substantial requirements of such projects, is far in excess of its direct lending capacity, which currently amounts to about \$1 billion per annum. As a consequence, it has become clear that the largest part of financing for these projects must necessarily come from the capital markets of the industrialized world.

It has long been recognized, as pointed out in the 1969 Pearson Report, that "direct investment and access to capital markets (will) increasingly meet the demand for development finance." The President of the IDB, Antonio Ortiz Mena, has reiterated on many occasions his belief that "it has become necessary to create new financial techniques and mechanisms based on a recognition of the fact that institutions such as ours should not limit themselves to financing projects with their own resources, but should also act as financial advisors to the member countries in helping them obtain funds from other sources of external finance on the best possible conditions."

It should be added that of all the developing regions of the world, the economies of the Latin American and Caribbean area are the most adequately prepared to employ effectively capital investment and the management and technological skill normally associated with it.

In the course of the Bank's analysis prior to launching this program, it was determined that such an effort offers a very attractive channel for investing private and other types of resources from the developed world in sound and extensively studied projects which have an acceptable and attractive rate of return.

The implementation of a particular parallel financing operation would be along the following lines. After having completed its own financial, technical and economic project analyses, the IDB would stand prepared to bring its unique ability as a development bank to provide long-term financing—generally up to 25 years—for a part of the foreign exchange requirements of a given project. The Bank would provide long-term funds in an amount considered necessary to satisfy the debt-servicing capacity of the project. In addition, the borrowing institution would provide financing for local costs. It is in respect of the remaining foreign exchange requirements of the project that the Bank would act as a financial advisor to its borrowers. Through a joint IDB-borrower mission, it would seek to explore alternative types and sources of debt and equity financing in the capital markets of the United States, Europe, Japan and elsewhere to the end of

obtaining from various sources a desirable blend of funds which would be in keeping with the financing needs of the project.

Thus the Bank would be able to identify groups of commercial banks, investment banks and institutional investors that may be interested at any given time in participating in parallel in an IDB-financed project. This parallel financing would consist primarily of the normal arrangements employed for such large-scale financings, including loan and bond syndications, equity participation and export credit, using commercial and merchant banks and export credit institutions.

Under this new program the international financing community is being brought into a project at its inception and will have the benefits arising from the active IDB role and extensive experience. The findings of the Bank's study of a project as regards all aspects pertaining to the project itself and the economic conditions of the sector and the country involved, would be made available to support this effort with the potential sources of credit. It should be noted that this program is independent from the regular sale of participations in Bank loans. However, the participation mechanism may also be used as part of a parallel financing effort by means of adapting the terms of that part of the Bank's loan in which participations would be sold to reflect market conditions.

Various indirect benefits would likely flow from the resulting contact between the institutions in the capital and money markets and medium and large industrial and other organizations in Latin America and the Caribbean. For example, management contracts may result from the participation of foreign enterprises in project financing which would effect the valuable transfer of technology and management skills. Also, the bringing together of investors and borrowing institutions between them on future projects and other financings in the hemisphere.

The IDB recognizes that structural changes are taking place at a rapid pace in the pattern of international investment, which are giving rise to alterations in production and world trade resulting in an increased awareness of the interdependence of individual national economies. As Mr. Ortiz Mena said most recently, international agencies such as the IDB are able and prepared to work closely with Latin American, Caribbean and industrialized countries in order to make a valuable contribution to implementing new forms of cooperation with private external and local capital which will prove mutually beneficial.



Merlyn N. Trued, author of this article, is Financial Manager—the chief financial officer—of the IDB. Before joining the Bank in 1969, he served as Senior Vice President and Group Executive Officer of the Central National Bank of Cleveland, as Assistant Secretary for International Affairs of the U.S. Treasury, and as Assistant Vice President of the Foreign Department of the Federal Bank of New York.



# Need for Improved Information On Consulting Services Noted

(from page 1)

criminate acquisition of imported technologies and capital goods, resulting in inefficient use of the human and natural resources of the recipient country and adoption of technical processes that are too capital-intensive."

Mr. Ortiz Mena noted that such conditions help create an environment that is unfavorable for the local economy as well as for the development of consulting firms and the manufacturing industry. The indiscriminate adoption of technical-economic processes of foreign origin often contributes to a further limiting of demand in markets that are already small and creates an excessive foreign dependency of the national economy. In turn, he added, this weakens the most vulnerable component of the area's development—its external sector.

"The breaking of this vicious circle can be facilitated by concerted action among the affected countries themselves, by the more advanced countries of the region, and by the international agencies that cooperate in the development of Latin America," he said.

## Fiscal policy

Turning to the impact of fiscal policy on consulting firms, the Bank President said, "In some of our countries, a very high tax—40 per cent or more—is applied to the total cost of technical services obtained from abroad. This is severe treatment aimed at preventing the use of this mechanism to remit profits abroad, thereby evading payment of the required taxes. We must thus study the application of a more appropriate tax treatment when it can be verified that the services are in reality provided by consultants contracted abroad. At the same time, we should seek to make fiscal policy an effective instrument to promote the exportation of consulting services generated in our countries. To this end, we should take advantage of the experience of some Latin American countries which have established very favorable tax treatment for consulting services rendered abroad; for instance, some countries give firms the right to recover internal taxes on such services, and to pay a much lower tax on the income earned from such exports."

## IDB technical cooperation

Mr. Ortiz Mena reviewed the technical cooperation programs undertaken by the Inter-American Bank, as follows:

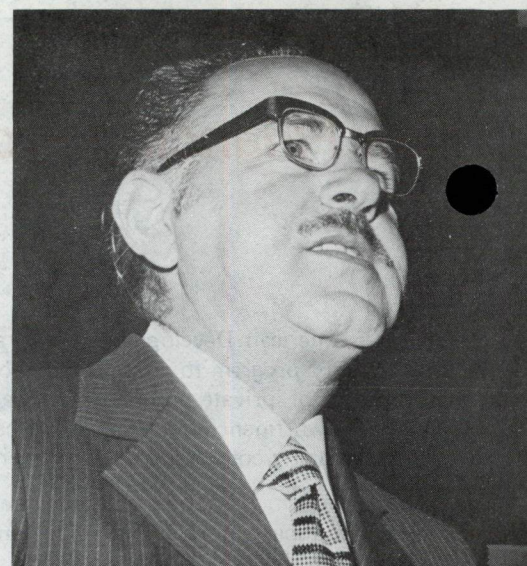
- *Technical cooperation for institutional strengthening and support for development planning.* These operations are executed in the form of loans, or are subject to contingent recovery, or have no repayment requirement. From the beginning of 1961 to June 30, 1975, the Bank approved operations for a total of \$24.5 million, of which \$13.6 million was for institutional strengthening and \$10 million for supporting development planning programs. Over 80 per cent of these resources has been channeled to the 15 smallest and relatively less developed countries of the region and a significant part of these resources has been used to finance training programs.

- *Technical cooperation for preparation of sectoral studies and projects.* The purpose of this program is to finance the study of projects whose greater scope and technical complexity justify the selection of consulting firms through international public bidding. The cost of these operations to date totals \$70 million, of which 60 per cent was for the smaller and relatively less developed countries.

Many Latin American and nonregional consulting firms have taken part in these studies. From the beginning of 1973 to

## BANK USE OF CONSULTING FIRMS

A publication, *The Use of Consulting Firms by the IDB and its Borrowers*, explains policies and procedures for the selection and contracting of professional services firms by Bank borrowers and beneficiaries. A separate booklet, *Guidelines for Procurement under IDB Loans*, provides general procurement and contracting procedures to be followed on projects and programs financed with IDB loans. Both are available in Spanish and English free of charge from the Office of Information, Inter-American Development Bank, 808 17th Street, N.W., Washington, D.C. 20577.



About 700 delegates heard Gustavo Romero Kolbeck, Director of NAFINSA, and IDB President Antonio Ortiz Mena address the CODELCA meeting in Mexico.

June of this year, 214 individual consultants were contracted. Of these, 154 were Latin American and 60 nonregional. During this same period, 37 consulting firms were contracted—19 Latin American and 18 from countries outside the region.

It should be noted, the Bank President pointed out, that the foreign consulting firms usually subcontract part of the study or work in association with local firms. A link has thus been established between foreign and Latin American firms which is highly useful in facilitating the transfer of know-how, experience and organizational methods, with valuable benefits accruing to local consulting firms.

- *Preinvestment loans.* These operations are in the form of global loans to national institutions responsible for



## CONSULTING SERVICES, INFRASTRUCTURE FOR DEVELOPMENT

The final report of the CODELCA meeting, in a summary of the debates, includes a number of interesting ideas on consulting services and the role they can play in the development of Latin America.

In a discussion on the importance and the problems of consulting services, the following points are highlighted in the report:

As consulting services deal with organizing information, they play an important role in the allocation of resources, the formation of capital, the transference of technology and the utilization of local sources of technology. Their value is all the greater when provided by a competent local organization which is familiar with national objectives and has clear ideas on the identification of projects, adequate technical solutions, and optimum use of domestic engineering and equipment inputs.

Although there are no statistics on the subject, the value of consulting

services is undoubtedly high. Nevertheless, their development in Latin America has been uneven and has taken place in response to individual efforts. Although independent consultants, especially those versed in specialized disciplines, will continue to be useful, it will be necessary to rely increasingly on organizations where the work of experts cuts across specific disciplines in different fields. Consulting services offer considerably greater possibilities than their present scope, as potential clients are as yet unacquainted with the real importance of the role which professionals in this field could play in economic and social development. It was observed at the meeting that governments, industrialists and other potential users of consulting services are not yet fully aware of the importance of better project preparation and of the benefits to be derived from consulting services. And professionals working in this field are unaware of the opportunities open to

them in and outside the region.

For a number of reasons discussed at the meeting, national consulting firms have not been accorded a proper role in economic and social development. An examination of that role led to the conclusion that governments, as well as development institutions and private firms, should regard national consulting services as an infrastructural element for development on a par with energy, transportation and communications. It was considered that the preinvestment studies are a precondition for capital formation, for expanding production capacity and for modernization.

There was a consensus on the need to give priority to the development of consulting services, overcoming their weaknesses—such as their technical capability and their information and financing facilities—thus broadening the ability to generate development projects.

studies, primarily those aimed at the identification and preparation of specific projects. This program complements the preceding one in that it is intended mainly to finance the study of smaller and less technically complex projects which can ordinarily be prepared by local consulting firms.

Up to June 1975 the Bank had granted 29 global preinvestment loans amounting to \$170 million and had approved the financing of over 1,000 individual studies, of which 675 have been completed. The latter represents an investment of about \$2.4 billion.

• *Financing of exports of Latin American technical services.* The Bank is the only international agency with a program to help finance intraregional exports of capital goods. This program, which went into operation in 1963, was expanded in 1971 to permit the financing of exports of technical services directly related to investment projects. The Bank thus created a new instrument through which it supports the development and strengthening of Latin American technical consulting.

Mr. Ortiz Mena explained that the Bank's program has financed the external component of major projects which include the provision of technical design services, as well as the installation, supervision and training of local personnel.

However, up to the present it has not financed exports of technical services alone, which points up the long lead time required from the establishment of a new financial instrument to its use by the potential beneficiaries.

Mr. Ortiz Mena announced that the Bank will carry out two projects which will benefit Latin American consulting firms and regional development. One of these will be to compile and constantly update a list of Latin American and foreign firms that have taken part in the preparation of studies and in the execution of Bank-financed projects and whose work has been approved by the client and the Bank. The other will be the establishment of a system to provide up-to-date information on every stage of the process of Bank approval of applications for technical cooperation.

"As in the preceding case", he said, "we shall seek to have this system extended to the operations of other international agencies providing technical cooperation to Latin America. In this way the consulting firms of our countries will also have, as far in advance as possible, all the background information related to the international bidding. Consequently, they will have more time to prepare their bids and, when appropriate, to organize consortiums with other Latin American or nonregional firms.

"We shall see that this information includes the names of firms being awarded contracts, which will facilitate their contacts with Latin American firms in order to consider the advantages of subcontracting part of the work."

### Other speakers

Other speakers at the meeting were special guests Ignacio Deschamps, Director General of the Mexican Institute for Technological Research; Alexandre H. Leal Filho, Vice President of the *Financiadora de Estudos e Projetos (FINEP)*, of Brazil; Risaldo C. Raposo, President of the Latin American Consultants' Associations; Angela Alessio Robles, Planning Director of the Federal District of Mexico; and Gerardo Cruickshank García, Under Secretary of Hydraulic Resources of Mexico.

Among the organizations represented were the Latin American Association of Development Institutions (ALIDE), the Central American Bank for Economic Integration (CABEI), the World Bank, the Andean Development Corporation, the International Federation of Consulting Engineers, the Latin American Federation of Consultants' Associations, the Institute for Latin American Integration (INTAL), and the United Nations Organization for Industrial Development (UNIDO).



## MEETING OF REGIONAL BANKS, CREDIT PROGRAMS FOR THREE COUNTRIES

The 30th Annual Meeting of the International Monetary Fund and the World Bank Group held September 1 to 5 in Washington, D.C., brought together the representatives of 126 nations and offered an opportunity for the exchange of views on policies for accelerating the development of the international economy.

Presiding over the Meeting—the most important financial gathering in the western world—were Gumersindo Rodríguez, Minister of Coordination and Planning of Venezuela, and Alfredo Lafée, President of the Central Bank of Venezuela.

In the course of the meetings Robert S. McNamara, President of the World Bank, announced that the lending program of the institution and its affiliates—the International Finance Corporation and the International Development Association—is expected to total about \$7 billion in 1976 and \$40 billion in the fiscal years 1976 through 1980.

H. Johannes Witteveen, General Manager of the IMF, discussing the world economic situation, currently marked by inflation and recession in most countries, urged initiatives to stimulate consumer spending and business investment and to improve income policy.

President Antonio Ortiz Mena of the Inter-American Development Bank and members of its delegation engaged in a busy round of activities in connection with the Bank's participation in the Meeting.

Mr. Ortiz Mena presided over the Inter-American Bank's delegation, signed contracts for four recently-approved technical cooperation and loan operations, attended the regular annual meeting with the Presidents of the African Development Bank and the Asian Development Bank, and held bilateral meetings with various Latin American ministers and government officials representing their countries at the week-long financial conference.

### REGIONAL DEVELOPMENT BANKS

The three presidents—Abdelwahab Labidi of the African Development Bank, Shiro Inoue of the Asian Development Bank and Antonio Ortiz Mena of the Inter-American Development Bank—exchanged views on matters of mutual interest and discussed their continuing efforts to achieve a high degree of co-

ordination in activities affecting the development process in their respective regions.

Among other topics, they discussed measures under consideration in the Development Committee to facilitate access to capital markets by developing countries and, particularly, the possible creation of multilateral guarantee mechanisms. The three institutions established a working group to coordinate their views on these matters.

The three Bank presidents also exchanged views on the discussions on the establishment of an International Fund for Agricultural Development. They also reviewed the United Nations preparatory work on the World Conference on Human Settlements scheduled for 1976 in Vancouver, Canada.

### ARGENTINA: FINANCING BASIC SECTORS

At a meeting of September 3 with Antonio Cafiero, Minister of Economy of Argentina, it was agreed that the Bank would concentrate its support on sectors to which the Government of Argentina assigns high priority. It was also agreed that Argentine financial institutions and the Bank would accelerate the disbursement process on ongoing operations and on those scheduled for approval. This could mean that about \$100 million would be available to Argentina before the end of the year. It was also agreed that it would be advisable to concentrate on high priority sectors in the immediate future. The proposed plan includes:

- Bank participation in the financing of some of Argentina's basic industries, including the iron and steel, paper and cellulose, and chemical and petrochemical—especially fertilizers and agribusiness—industries. It was emphasized that in these operations the Bank, besides contributing its own resources, could promote—at the request of the Argentine Government—the acquisition of additional resources from other sources, both public and private.
- Financing of programs leading to the increase of farm production and productivity, including infrastructure and support for the development and application of new techniques within the framework of the policies envisioned by the Government which would make their application viable.
- Financing the equipment of tech-

nological research, development, and application centers in fields of interest to the country.

- Regional development projects and programs designed to strengthen new development sectors.

Mr. Cafiero and President Ortiz Mena also agreed that, during the 1976-78 three-year period, the IDB could approve loans from its own resources on the order of \$750 million which could also serve to mobilize additional funds from other sources. The Bank would also provide the Argentine Government with the support it might require for the preparation of investment programs which would not necessarily be financed with the Bank's ordinary capital funds.

### STIMULATING MEXICAN RURAL DEVELOPMENT

The projects which the Bank will help to finance in Mexico were discussed at a meeting President Antonio Ortiz Mena held with the Mexican delegation to the IMF and World Bank Group Meeting, headed by Mario Ramón Beteta, Under Secretary of the Treasury and Public Credit of Mexico.

At that meeting Mr. Ortiz Mena expressed satisfaction that Mexico had achieved a significant increase in its agricultural production—the Bank is involved in many of the country's agricultural projects—and in its oil production. These are two developments which will contribute substantially to improving the country's balance of payments during the current year.

The IDB operations program for this year in Mexico was reviewed and the possibility of increasing the number of projects and the volume of financing in 1976 were studied.

Mr. Beteta said the improvement in the balance of payments was regarded as a certainty and that Mexico would furnish all necessary information for the projects to be financed during the rest of this year and in 1976 in the increasingly greater amounts the country requires in view of its level of development.

The IDB President said the outlook for Mexico's economic situation is extremely good and that the Bank would give full support to the financing of the projects in question. Among the projects and programs under consideration are a plan for integral rural development, a program for intensifying the anti-tick campaign, a rural credit program to increase irrigation works, a plan to increase and redistribute milk production, and execution of the third stage of a rural credit development program.



## OPERATIONS PLAN FOR COLOMBIA

At a meeting with Abdón Espinosa Valderrama, head of the Colombian delegation, Mr. Ortiz Mena reviewed the financing program which the Bank is considering for that country up to 1977 and on a long-range basis.

The analysis of these future financing operations was based on a preliminary operations program the Bank considered last January, on the conclusions reached at a meeting in Paris last July by the Consulting Group for the External Financing of Colombia over which the World Bank presided, and on the findings of three IDB study missions to Colombia.

The short-term Plan of Operations (1975-77) consists of various loan applications already before the Bank, together with the respective feasibility studies. These financing operations would amount to about \$100 million, with a total cost of more than \$200 million.

The preparation stage of studies on other applications which Colombia plans to present for Bank consideration were also reviewed. These included an integrated urban development project for the Port of Buenaventura; a project for the exploitation of nickel in Cerro Matoso; a project for integrated rural development in the frontier region of the Departments of Boyacá and Santander; a credit program for the Agricultural Fund to be used for small and medium industry; a project of tourism development along the Atlantic Coast at Santa Marta and San Andrés, and a global loan to the *Banco de la República* to be channeled to the national financing institutions which would complement a similar operation being considered by the World Bank.

The preparation of these applications is well advanced and it is expected that they can be submitted to the IDB within the next few months, so that they may be included in its 1976 Plan of Operations.

## LOAN CONTRACTS SIGNED

Mr. Ortiz Mena and the representatives of the borrowers signed the loan documents formalizing three Bank operations.

One was for a \$7 million loan to Uruguay approved June 6 to broaden and improve the water supply systems of towns of more than 5,000 inhabitants in the interior of the country, thus helping to solve most of the sanitary problems identified in the larger towns of the area. A second contract covered two loans to Bolivia approved July 11 for the equivalent of \$7 million for a tourism development program under which credits will be extended for establishing, expanding or improving small and medium private



enterprises and to finance the technical cooperation needed for executing the projects. Another contract was for grant technical cooperation to Guatemala, approved August 28, to help finance the preparation of a master plan for the tourism development of Lake Izabal, Amatique Bay and Manabique Point in the northeastern part of the country, considered to have great potential as tourist attractions, as the first stage of a program for developing the area for tourism under the 1975-79 National Development Plan.

## Bank Loans to Ecuador, Guatemala, Honduras and Paraguay Approved

The Inter-American Bank in recent weeks approved several loans and technical cooperation operations for projects in Ecuador, Guatemala, Honduras and Paraguay. The details are as follows:

**ECUADOR:** The Inter-American Bank on June 26 approved two loans totaling \$3 million to help develop crafts and small-scale industries in Ecuador.

The borrower, the *Banco Nacional de Fomento (BNF)*, the national development bank, will use the resources of the two loans—\$1.5 million from the Bank's ordinary capital resources and \$1.5 million from the Fund for Special Operations—to extend credits to craftsmen and small industries, some of which could be cooperatives, to increase the production and productivity of industrial and craft workshops throughout the country.

The total cost of the program is estimated at \$7.5 million, of which the two Bank loans will cover 40 per cent and the BNF the remaining 60 per cent.

The program includes the following two subprograms:

- Subprogram A, for granting an estimated total of 800 subloans to individual craftsmen or groups of craftsmen whose net fixed assets, excluding real estate, do not exceed \$12,000 per year.

- Subprogram B, to provide an estimated total of 200 subloans to small industrial entrepreneurs whose net fixed assets, excluding real estate, exceed \$12,000 but are less than \$60,000.

**GUATEMALA:** On August 28 the Bank announced the approval of \$140,000 in grant technical cooperation to help finance the tourism development of Lake Izabal, Amatique Bay and Manabique Point in the northeastern part of the country.

The technical cooperation, which was extended to the Republic of Guatemala, will be used by the *Instituto Guatemalteco de Turismo (INGUAT)* to prepare a master plan for tourism development in the region, considered to have the greatest potential for tourism development, as part of the first stage of the program. The second stage will be devoted to the preparation

of feasibility studies on priority projects under the program. The total cost of the first stage is estimated at \$167,000.

**Loan to Bolivia:** Eduardo Sáenz García, President of the *Banco Industrial*; the Ambassador to the United States, Alberto Capriles; President Ortiz Mena, and Bolivia's Finance Minister, Víctor Castillo, sign the contract.

In addition, President Ortiz Mena on September 5 signed documents for a \$25 million loan to the Central American Bank for Economic Integration (CABEI) to help finance the construction and improvement of Central America's road network, an operation which will benefit Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

**HONDURAS:** Also on August 28 the Bank announced the approval of \$175,000 in grant technical cooperation to help finance an institutional strengthening program for the *Corporación Nacional de Inversiones (CONADI)*.

The technical cooperation, extended to the Republic of Honduras, will be used to engage a consulting firm to design the *Corporación*'s organizational structure, to prepare and establish the regulations and procedures needed to carry out the investment goals of the 1975-79 National Development Plan, to stimulate the establishment of both private and mixed industrial enterprises, and to train CONADI professional personnel.

**PARAGUAY:** The Bank on August 7 announced the approval of \$75,000 in technical cooperation for a feasibility study and final plans for the second stage of an animal health program in Paraguay.

The technical cooperation, which was extended on a contingent repayment basis from the resources of the Social Progress Trust Fund, will be used by the *Servicio Nacional de Lucha Contra la Fiebre Aftosa (SENALFA)*.

On the same date the Bank announced the approval of \$97,000 in nonreimbursable technical cooperation for the preparation of the second stage of a program to expand the facilities of the National University of Asunción, the country's leading educational institution.

IDB News is a monthly publication of the Inter-American Development Bank issued in English, Spanish and Portuguese editions. Chief of Information: Carlos D. Conde. Editor: Carlos M. Hirsch. Distribution is free of charge. All published material may be reproduced if credit is given to the IDB. Signed articles express the views of the author and do not necessarily represent those of the Bank. Address: 808 17th Street, N.W., Washington, D.C. 20577, USA.





Executive Directors Aldabe, Laughton, Martínez Ferraté, Prugue, Gutiérrez, Pérez Castillo, Rodríguez y Rodríguez and Porges

## NEW BOARD OF EXECUTIVE DIRECTORS

July 1 marked the beginning of a new three-year term for the Bank's Board of Executive Directors following the election held at the Sixteenth Annual Meeting of the Board of Governors in the Dominican Republic last May.

The directors, elected for three years at Santo Domingo, were Hernán Antonio Aldabe, of Argentina; Raul Barbosa, of Brazil, re-elected; David B. Laughton, of Canada, re-elected; Rodolfo Martínez Ferraté, of Guatemala; Jesús Rodríguez y Rodríguez, of Mexico, re-elected; Julio César Gutiérrez, of Paraguay, re-elected; Armando Prugue, of Peru; and Juan Pablo Pérez Castillo, of Venezuela. John M. Porges continues as Executive Director for the United States.

The Board is made up of nine Directors. One is appointed by the United States, another by Canada, and the seven others are elected by groups of Latin American countries. Each Director, in turn, appoints an Alternate who is empowered to act in his absence.

Alternate Directors are Charles A. T. Skeete, of Barbados; Edmundo Valencia Ibáñez, of Bolivia; Charles T. Greenwood, of Canada; Benjamín Mira, of Chile; Augusto Ramírez Ocampo, of Colombia; Neftalí Alvarenga Peña, of Honduras; and Dorel M. Callender, of Jamaica. The Alternate Executive Director for the United States is Yan M. Ross.

Hernán Aldabe, an Argentine lawyer and economist, was formerly Secretary of State for Foreign Trade and President of the Argentine Central Bank. With Benjamín Mira, a Chilean economist who has served on the Board of Executive Directors since February 1, 1974, he represents Argentina and Chile.

The death on August 16 of Raul Barbosa, dean of the Board of Executive Directors, left Brazil's chair temporarily vacant. That country's interests, as well as Ecuador's, are currently represented by Pedro Roberto Aguayo Cubillo, an economist and planner who has also participated actively in the educational development of Ecuador, his native country.

David B. Laughton, a diplomat with wide experience in Inter-American affairs and in business, and an expert in agricultural matters, represents Canada. His Alternate, Charles T. Greenwood, is a specialist in international relations who has held important posts at the United Nations, the IMF and other agencies.

The five Central American countries and Haiti are represented by Rodolfo Martínez Ferraté, an agricultural engineer from Guatemala. Before coming to the Bank, Mr. Ferraté served in several of his country's development institutions. His Alternate is Neftalí Alvarenga Peña, a Honduran economist who was Chief of Industrial Development at the Central American Bank for Economic Integration (CABEI) in Tegucigalpa.

The Executive Director for Colombia and Peru is Armando Prugue, a Peruvian lawyer with a broad knowledge of the IDB,

with which he has been associated since 1963. Mr. Prugue has been an Executive Director since 1970. His Alternate since July 1, Augusto Ramírez Ocampo, a lawyer and an economist, has represented his country, Colombia, in numerous diplomatic missions and has served as a professor of economics in various universities in his home country.

Julio César Gutiérrez, a Paraguayan economist, has served on the Board of Executive Directors on three previous occasions as Executive Director and Alternate. His current term began on July 1, 1974. Mr. Gutiérrez first joined the Bank as Alternate Executive Director in 1962 and, in addition to the periods he has served on the Board, was at one time Deputy Controller of Operations.

His Alternate is Edmundo Valencia Ibáñez, former Minister of Economy and Minister of Industry and Commerce of Bolivia, and Ambassador to the United States and Canada and the Organization of American States (OAS).

Juan Pablo Pérez Castillo, Executive Director for Barbados, Trinidad and Tobago and Venezuela, is also a new Executive Director. An economist, Mr. Pérez Castillo has served on the faculty of universities in his native country—Venezuela—and in Mexico and the United States, and as Executive Director of the Venezuelan Investment Fund. Charles Anthony Thomas Skeete has been Alternate Executive Director for those three countries since July 1. Mr. Skeete came to the Bank from Barbados' Ministry of Financing and Planning, where he was Permanent Secretary of Planning. Previously, he served as Permanent Secretary of the Ministry of Trade, Industry and Commerce of that country and as Deputy Director, Acting Director and Senior Economist in the Economic Planning Unit.

Jesús Rodríguez y Rodríguez, who represents the Dominican Republic, Jamaica, Mexico, and Panama, was formerly Under Secretary of the Treasury and Public Credit of Mexico. Dorel M. Callender, the first Jamaican and the first woman to serve on the Board, began her assignment as Alternate Executive Director last February. Before coming to the Bank, she was Under Secretary in the Economics Division of the Ministry of External Affairs of Jamaica.

John M. Porges, a banker with a broad knowledge of Latin America, having spent the last 20 years working in several of those countries, has been Executive Director for the United States since 1973. Yan M. Ross, 32, the Board's youngest member, has been Alternate Director for the United States since April. Previously, he served as Counsel to the Committee on Banking and Currency of the United States House of Representatives. He is a graduate of the Woodrow Wilson School of Public and International Affairs of Princeton University and has a doctorate in jurisprudence from Yale University.

Alternate Directors Mira, Aguayo Cubillo, Valencia Ibáñez, Greenwood, Alvarenga Peña, Ramírez Ocampo, Skeete, Callender and Ross.

