



IDB LENDING FOR WATER SUPPLY AND SEWAGE DISPOSAL TOPS \$750 MILLION

The number of people in Latin America with access to potable water rose from 66 million in 1960 to 167 million in 1975, increasing from 33 per cent to 57 per cent the population having this service. But despite that sharp increase, 126 million people—or 43 per cent of the population—still have no house connections or lack easy access to that basic service. Of these, 37 million live in towns and cities and 89 million in the countryside.

These figures, cited from a study by Humberto Olivero, Chief of the IDB's Sanitary Engineering Section, point up two important factors: that in the last 15 years Latin America has made notable progress in this field, both from the technical and the financial point of view, and that an enormous and costly effort must still be made.

Conditions in 1976 are very different from what they were in 1960, especially in the countryside. "In Latin America," Mr. Olivero says, "until little more than ten years ago, almost all financing for this sector came from local funds and from international and bilateral aid agencies such as the program of the United States Agency for International Development (AID). The Inter-American Bank was the first international financing institution which extended loans for large-scale water supply programs for rural areas, where the need was—and still is—greatest. The Bank pioneered in providing such

services to the rural population of Latin America."

This trail-blazing effort reflected the purpose for which the Bank was established: to promote the economic and social development of Latin America.

Aware that to accomplish its mission, the lower income groups would have to be drawn into the development process, the Bank became the first international lending institution to devote a substantial amount of its resources to projects with a high social content. High on its priority scale was the improvement of the human environment, with water supply and sewage disposal facilities as a primary concern. At the same time, it extended loans for other aspects of social development—housing, land settlement, improved land use and higher technical and vocational education development.

In line with that policy, the Bank granted its first loan for a social project—a \$3.9 million loan to Peru to help finance the improvement of water and sewage disposal services of Arequipa, the country's second largest city.

In the following 15 years, the Bank extended loans amounting to \$750 million to help finance 111 additional water and sewage projects. That amount, Mr. Olivero says, is greater than all the loans extended to Latin America by all other international and regional agencies for that purpose during the same period. IDB

loans have helped to build, expand or improve more than 4,800 water supply systems and about 400 sewage disposal systems.

The Bank's decision to earmark a considerable part of its lending resources for social projects, which usually have a low financial return, although they have a high economic return, brought general recognition that these sectors were "creditworthy," as the increased activity in this field following the Bank's initial loans revealed.

The tables included here show the total investment and the respective sources of funds for water and sewage facilities between 1961 and 1974, as well as the investments made in different periods—1961-69 and 1970-74. They show:

- That in recent years investments in this field increased substantially compared to the previous decade, principally from national sources, which shows the countries' interest in this area and the effort made by them.

- That there was an increase in the resources extended by international

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The Bank's first loan went to Peru for a water supply project in Arequipa, the country's second largest city. Approved in 1961, it was the first of the loans—amounting to \$750 million—which the IDB extended over the next 15 years for 112 environmental sanitary projects.

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financing institutions for basic health services. The amount of these resources was greater in the last five years than in the entire previous ten-year period.

- That recently established subregional financing agencies, such as the Central American Bank for Economic Integration (CABEI), are also financing health facilities, which is of great importance to that institution's Central American members.

- That international agencies, which had previously maintained a relatively low investment level in water and sewage disposal programs, in recent years have shown increasing interest in contributing to the development of that sector.

From 1961 to 1969, the Inter-American Bank supplied more than 70 per cent of the international funds for water and sanitation. During the last five years, other international development agencies, particularly in the United States and Canada, and the World Bank have also made important contributions.

The investments made in water facilities by international agencies are actually greater than the figures in the tables show, for many programs for agricultural development, urban development, tourism, industry and other sectors include funds allotted to that purpose.

Moreover, the investments made by

FINANCING OF ENVIRONMENTAL SANITATION PROJECTS IN LATIN AMERICA 1961-1974 (In United States dollars)

SOURCE	Urban water supply and sewage disposal		Rural water supply		Water supply and sewage disposal	
	Amount	%	Amount	%	Total	%
INTERNATIONAL SOURCES						
Inter-American Development Bank (IDB)	\$ 668,490,000	54.7	\$ 84,360,000	78.0	\$ 752,850,000	56.6
United States International Development Agency (AID)	147,970,000	12.1	5,720,000	5.3	153,690,000	11.6
International Bank for Reconstruction and Development (World Bank)	338,500,000	27.7	18,000,000	16.7	356,500,000	26.8
Export-Import Bank (EXIMBANK)	30,510,000	2.5			30,510,000	2.3
Canadian International Development Agency (CIDA)	15,110,000	1.2			15,110,000	1.1
Central American Bank for Economic Integration (CABEI) ¹	22,400,000	1.8			22,400,000	1.6
Subtotal	\$1,222,980,000	100.0	\$108,080,000	100.0	\$1,331,060,000	100.0
NATIONAL SOURCES*	\$2,766,630,000		\$506,230,000		\$3,272,860,000	
TOTAL	\$3,989,610,000		\$614,310,000		\$4,603,920,000	

* Including counterpart funds for internationally financed projects and contributions to national programs and projects.

¹ To September 1975. Source: Pan American Health Organization and IDB.

the private sector in almost every Latin American country in works for the rural sector, though not quantified, are sub-

stantial. Therefore, the sums shown in the tables for the rural sector are lower than the amounts actually involved.

FINANCING OF ENVIRONMENTAL SANITATION PROJECTS IN LATIN AMERICA 1961-1969 and 1970-1974 (In United States dollars)

SOURCE	Urban water supply and sewage disposal				Rural potable water supply				TOTAL Potable water and sewage disposal			
	1961-1969		1970-1974		1961-1969		1970-1974		1961-1969		1970-1974	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
INTERNATIONAL SOURCES												
Inter-American Development Bank (IDB)	\$ 390,460,000	69.5	\$ 278,030,000	42.1	\$ 43,910,000	96.4	\$ 40,450,000	64.7	\$ 434,370,000	71.5	\$ 318,480,000	44.0
United States Agency for International Development (AID)	97,460,000	17.4	50,510,000	7.6	1,650,000	3.6	4,070,000	6.5	99,110,000	16.4	54,580,000	7.5
International Bank for Reconstruction and Development (World Bank)	43,300,000	7.7	295,200,000	44.6			18,000,000	28.8	43,300,000	7.1	313,200,000	43.3
Export-Import Bank (EXIMBANK)	30,510,000	5.4							30,510,000	5.0		
Canadian International Development Agency (CIDA)			15,110,000	2.3							15,110,000	2.1
Central American Bank for Economic Integration (CABEI) ¹			22,400,000	3.4							22,400,000	3.1
Subtotal	561,730,000	100.0	661,250,000	100.0	45,560,000	100.0	62,520,000	100.0	607,290,000	100.0	723,770,000	100.0
NATIONAL SOURCES*	810,390,000		1,956,240,000		223,520,000		282,710,000		1,033,910,000		2,238,950,000	
TOTAL	\$1,372,120,000		\$2,617,490,000		\$269,080,000		\$345,230,000		\$1,641,200,000		\$2,962,720,000	

* Including counterpart funds for internationally financed projects and contributions to national programs and projects.

¹ To September 1975. Source: Pan American Health Organization and the IDB.

Investment Financing in Latin America

During the last fifteen years there have been far-reaching economic and social changes in Latin America.

One of the most remarkable aspects of this transformation is the sustained effort made to raise the share of capital formation and internal savings within the gross regional product. This trend is the result of a variety of policy measures aimed at promoting the mobilization of internal savings and at rationalizing the allocation process of internal and external resources.

However, in the large majority of Latin American countries, the growth of national savings in recent years continued below their investment financing requirements, so that access to traditional sources of external financing and increased borrowings from international financial markets were required to complement the internal sources of investment financing.

In the course of the last two decades, there was a fairly stable relationship between investment and the gross regional product of Latin America around the average level of 18 per cent; however, between 1970 and 1974, the investment coefficient rose from 20.8 to about 24 per cent. The acceleration in the growth of capital formation is attributable to the expansion of both private and public investment, although the public sector succeeded in making a comparatively greater effort, as it increased its share from 30 per cent of the region's total investment in 1970 to about 35 per cent in 1974.

A parallel effort was achieved in the mobilization of internal savings whose share in the regional product rose from 18.6 per cent in 1970 to about 19.8 per cent in 1974. With regard to internal savings, the contribution of Latin America's public sector has been less satisfactory than that of the private sector, as the share of public savings fell from 27 per cent of aggregate regional savings in 1970 to 16 per cent in 1972; and recovered to only about 24 per cent in 1974. This reflects in part the savings mobilization performance of the financial sector and the increasing role of private capital market institutions and instruments.

The flow of external capital required to finance Latin America's growing investment rose considerably during the last four years, particularly in 1974. Between 1970 and 1972 the savings-investment gap of the region increased from 2 to 2.4 per cent of the gross regional product. While in 1973 Latin America reduced its foreign trade deficit by 12 per cent in real terms, and consequently narrowed the savings-investment gap to 2.1 per cent of the regional product, a less favorable situation prevailed in 1974, when the combined impact of the commercial deficit and the increase in net factor payments abroad resulted in an enlarged savings-investment gap of over 4 per cent. The share of internal savings in the financing of investment in Latin America declined from 91 per cent in 1973 to 83 per cent in 1974, while the net inflow of external resources accounted for 9 and 17 per cent of investment.

The deterioration in the international payments position of most Latin American countries stemming from recent world trade and financial events may affect unfavorably the outlook for sustained economic growth in Latin America.

On the one hand, the world energy crisis produced a differential impact on the savings-investment relationship in the oil-exporting and oil-importing countries of the region. In the latter group, the savings-investment gap increased from 3.1 per cent of their combined product in 1973 to 5.8 per cent in 1974. Brazil, Costa Rica, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, Panama, the Dominican Republic and Uruguay confronted a marked deterioration in the terms of foreign trade and considerable increase in the commercial deficit as a result.

On the other hand, the prices of some principal primary commodities exported by Latin America began to decline in the second half of 1974, while the import prices of capital goods,

semi-manufactured products, and other inputs necessary for the expansion of productive capacity sharply increased during 1974.

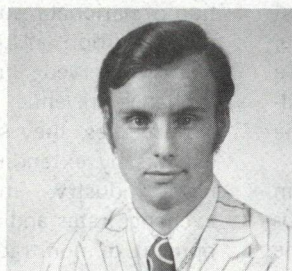
In view of those trends, the Latin American countries will need to undertake structural adjustments both at the national and regional economic level to maintain a more stable relationship between internal savings and capital formation. To begin with, national governments need to adopt more aggressive policies for the expansion and diversification of exports, and encourage long-term capital inflows in addition to short-term foreign credits for balance-of-payments support. Second, because the acceleration of domestic savings mobilization is generally considered one of the basic prerequisites of self-sustained growth, it appears essential to implement monetary, fiscal and regulatory policies aimed at strengthening the institutional infrastructure of national financial systems, and to foster the role of domestic capital markets in the sectorial allocation of investment resources in accord with national development priorities.

It is feasible to reduce the degree of imbalance between supply and demand of long-term capital resources through the application of measures which promote the diversification of financial instruments and services in order to mobilize potential contractual and voluntary savings. But the rates of return obtained from domestic financial assets must be high enough to induce national and foreign investors to acquire them. Considering the intensification of inflation during 1974 in Latin America, the implementation of flexible financial policies is now more pressing, as it would help alleviate the distorting effects of inflation on the level, composition and allocation of internal savings.

Third, while at the present time it appears that Latin America's oil-exporting countries would have available sufficient foreign exchange to cover their short and medium-term external resource requirements, the non-oil exporting countries will require a greater volume of external financing, particularly in the near future. It is estimated that their resource gap, valued at 1974 prices, could rise from \$7.5 billion in 1967 to more than \$10 billion in 1980. Therefore, new, imaginative steps must be taken at the international level to accelerate the transfer of external resources to them.

Among possible measures of international financial cooperation, it is particularly important to explore how the lending capacity of the international financial agencies may be rapidly increased. Multilateral official development loans will continue to play a vital investment financing role because they constitute a direct support to strengthen institutional technical capabilities and a major source of concessionary financing.

As this type of development financing is being concentrated in countries with limited access to other sources of external financing, a major effort will also be required to mobilize large amounts of external private resources, in the form of both finance and investment capital. The IDB is already playing a key role as a catalyst in the flow of private development capital to Latin America, not only by raising financial resources in international capital markets, but by providing complementary financing schemes in relation to its development projects and programs in member countries.



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Improved Economic Outlook Seen for Latin America in 1976

Following three years of spectacular economic growth in 1972-74, the Latin American economies in 1975 felt the full force of the world recessionary pressures which made their initial impact on the economies of the world's industrial countries in late 1973. As a result, in 1975 the economies of the region as a whole grew at an estimated annual rate of less than four per cent in real terms—a substantial decline from the seven per cent growth rate in gross domestic product achieved in 1974, a year in which the negative impact of the international events on the larger countries of the region was not fully felt. Furthermore, this represented the first time in five years that the annual growth rate of the region's economy dropped below six per cent.

Fortunately for Latin America, however, the effects of the recession, accompanied in some countries by rapid inflation, promise to be relatively short-lived and perhaps less severe than those of previous international economic crises.

The economic recovery of the industrial countries, particularly the United States, is expected to have a positive effect on Latin America's growth during 1976, permitting the region to resume the drive for socio-economic development which started in the late 1960s and achieved considerable momentum in the 1972-74 period.

There are two main reasons why the economic recession and rising inflation which first affected the world's industrial countries in late 1973 did not create even graver repercussions in Latin America, according to John Elac, Chief of the General Studies Division of the Economic and Social Development Department of the Inter-American Bank.

EXPORT EARNINGS RISE

First, the external sector fared better than expected, with revenue gains by oil-exporting countries and increased industrial export earnings in Argentina, Brazil, Colombia and Mexico off-setting a massive rise in petroleum prices in oil-importing countries and a general decline in commodity prices.

Second, the rapid growth of the Latin American economies in the early 1970s provided a buoyancy which enabled the region to weather pressures stemming

from the 1974-75 recession better than other international economic crises of the past. Nonetheless, unless significant export growth is resumed in 1976, it will be increasingly difficult for the countries of the region to avoid reducing overall import levels, which were near \$50 billion in 1975.

Mr. Elac explained that the sharp rise in Latin American export earnings reflects a virtual sixfold increase in the value of manufactured products shipped abroad—to intra-regional as well as traditional world markets—in the 1960-73 period.

As a percentage of total exports, the value of manufactured goods tripled during the 1960-70 period and this figure, in turn, nearly doubled in 1971-74, he said.

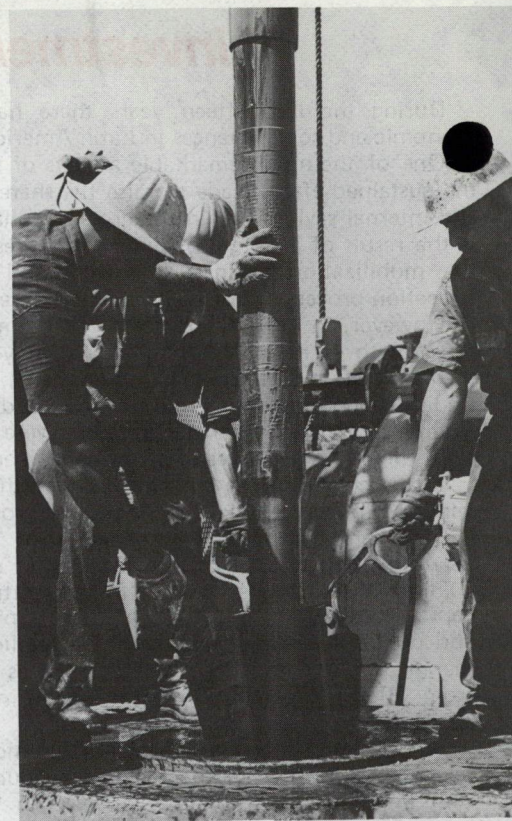
"Latin American products now compete in the United States market with goods from such traditional suppliers as Europe and Japan," he said, "and intra-regional trade has grown progressively in the last decade with the organization and development of such regional trading blocs as the Central American Common Market, the Latin American Free Trade Association and the Andean subregional group."

PROTECTIVE TARIFFS REDUCED

Until recently, Mr. Elac said, Latin American manufacturers producing behind high tariff walls which shut out foreign competition tended to cater exclusively to the domestic market. As economic recession dampened local demand, however, they were forced to look overseas for new markets and exports began to assume a growing role in company sales.

Other factors encouraging Latin American businessmen to seek foreign outlets for their products included a growing saturation of local markets, a dampening of domestic demand and the reduction of protective tariffs by governments anxious to effect a better allocation of national resources.

In addition, as Latin American governments observed the buildup of foreign exchange revenue produced by rising export sales, they sought to further spur exports by extending tax concessions to new industry, maintaining favorable exchange rates and accelerating the development of non-traditional goods for sale abroad.



Petroleum, grains, coffee, and sugar are some of the Latin American Export products which will have an expanding market in 1976. The market for beef, on the other hand, is an unknown quantity, and the market for bananas is expected to have a downward trend. (Photograph Argentine, Brazilian, Colombian, Chilean and Venezuelan embassies).

As Latin America looks to the future, the shipment of agricultural products represents another major potential source of revenue for the region. In view of a growing shortage of world food stocks, the ability of Latin America to produce food for exports assumes increasing importance as a source of world supply and as a substantial dollar earner for the area.

The comparative ease with which Latin America appears to have weathered the current recession is in marked contrast to previous economic crises. The 1957-58 recession in the United States, for example, produced a sharp decline in raw material imports from Latin America, which seriously affected the foreign exchange earnings of several Latin American nations and impeded their ability to import the capital goods required to carry on vital development projects and programs. The dollar loss produced by this recession further hampered the ability of many Latin American countries to service their debt obligations.

In the light of the easing of recessionary pressures in the industrial world and their possible effect on Latin America, the Bank's General Studies Division has



prepared the following outlook for the region's major commodities in 1976.

- **Coffee**—Because of the shortfall in Brazilian production caused by a freeze last July, worldwide coffee stocks are down and prices are rising. Consequently, coffee export earnings which picked up in late 1975 should do even better in 1976, benefiting, in addition to Brazil, such other coffee producing nations as Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Haiti, Honduras and Nicaragua.

- **Petroleum**—Revenue derived from the sale of petroleum in 1975 by the region's four exporting nations—Venezuela, Ecuador, Trinidad and Tobago, and Bolivia—should be somewhat lower than in 1974 while earnings in 1976 should improve in direct proportion to the rate of recovery of the world economy. Despite the quadrupling of petroleum prices in recent years, Latin America is a net exporter of oil, with 1974 exports totaling \$7.3 billion and imports \$3 billion.

- **Sugar**—Despite a dip from the 1974 peak, prices are still high and should remain so throughout 1976. The region's principal sugar exporters include

Barbados, Dominican Republic, Haiti, Jamaica, Mexico, Nicaragua, Panama, Peru, and Trinidad and Tobago.

- **Beef**—Restrictions on beef imports by nations of the European Economic Community (EEC) and high domestic production in the United States are exerting strong downward pressures on prices in exporting countries. This could affect Argentina and Uruguay, where beef exports represent 17 and 35 per cent, respectively, of export income. The situation could improve, however, as the EEC countries opened quotas for beef imports in October. A diversification of exports by three Central American republics—Costa Rica, Guatemala and Honduras—which are now selling beef to Venezuela and other Caribbean countries—could lessen the impact on the producers of a reduction in United States imports.

- **Grains**—A bright outlook for grains will benefit Argentina, where wheat and maize represented 11 and 14 per cent, respectively, of the total value of exports in 1972.

- **Bananas**—A slowdown in world demand and structural changes in the

world market, created in part by the damage caused by Hurricane Fifi in Honduras in 1974, are adversely affecting the long-range outlook for bananas, which are produced in Costa Rica, Ecuador, Panama and Guatemala, as well as Honduras.

- **Raw materials**—Prices should harden as the world economy recovers from the recession and as the demand for copper, iron ore and cotton strengthens. A rise in the world production of automobiles, home appliances and clothing should improve the outlook for the export earnings of these raw materials over last year. Chile, the Bank member country most seriously affected by the recent recession, is expected to benefit from an upturn in the price of copper, which represents about 75 per cent of its export income, as will Peru, where copper makes up 20 per cent of total exports by value. Likewise, an increase in demand for iron ore will benefit Brazil, Chile, Peru and Venezuela and a rise in the price of cotton will help stimulate the economies of Brazil, Colombia, El Salvador, Guatemala, Mexico, Nicaragua, Paraguay and Peru.

APPOINTMENTS

Antonio Ortiz Mena, President of the Inter-American Development Bank, has announced the appointment of Henry J. Costanzo as Financial Manager of the 24-member Bank effective April 15.

Mr. Costanzo, a United States citizen, comes to his new position with broad experience in the Bank, as well as in financial and inter-American affairs, having served as the Bank's Executive Vice President from January 1, 1972, until December 1, 1974. Previously, he served as United States Executive Director on the Bank's Board of Executive Directors from November 20, 1969, until December 31, 1971.

On October 4, 1974, Mr. Costanzo was elected Executive Secretary of the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources to Developing Countries (known as the Development Committee). He returns to the Bank after having served in that position.

In his new post Mr. Costanzo will head the Bank's Finance Department which, among other functions, is charged with mobilizing resources in member countries and the international financial markets, manages the funds and resources of the Bank, disburses loan and technical cooperation funds and maintains the Bank's financial records. He succeeds Merlyn N. Trued, who has resigned from the Bank to return to private banking.

On February 10 the President announced the appointment of Gonzalo de la Pezuela as the Bank's representative in Nicaragua, effective March 1.

Mr. de la Pezuela joined the Bank in 1961 as a Loan Officer in charge of Mexico. Since then he has served as Representative in Mexico; Chief of the Loan Area comprising Bolivia, Paraguay and Uruguay; Representative in Bolivia, and Representative in Mexico. At the time of his appointment he was a Senior Operations Officer in charge of the Dominican Republic.

Before joining the Bank he had been on the staff of the Agricultural and Industrial Development Bank of Cuba (BANFAIC) as an economist.

Born in Cuba, Mr. de la Pezuela is now a United States citizen. He received a Doctorate in Law from the University of Havana and did graduate work in economics and public financing at the University of Puerto Rico and in economics at the University of Villanueva in Cuba, where he later taught public finance and economic history. He participated in the World Bank's training program on international problems in the financing of economic development.

BIDDING INFORMATION

Several member countries have requested bids for goods and services which, in some cases, are to be acquired with the proceeds of loans from the Inter-American Bank. The details of one of these, as published in local newspapers, are given below:

ARGENTINA-PARAGUAY: Yacyretá Binational Agency. Preselection of consortiums and firms supplying turbines, regulators and generators. The Yacyretá Binational Agency, established under Article III of the Agreement of December 3, 1973 between the republics of Argentina and Paraguay, calls for the preselection of suppliers to design, manufacture, deliver and supervise the installation and startup of the first twenty (20) machines (Kaplan-type hydraulic turbines, regulators and alternate current generators) and of the thirty (30) envisioned in the agreement for the hydroelectric project at the Yacyretá-Apipé islands located on the Paraná River. Each turbine is to have a

nominal power of 128,000 kw for a 20-meter net drop, and each generator a nominal power of 150,000 kva, an 0.9 power factor, 13.2 kv tension and 50 Hz. frequency.

The preselection is public and international for the consortiums, as well as for individual firms specializing in turbines, regulators and generators which are in a position to offer the supplies and services indicated above.

Interested parties may acquire specification forms at the *Dirección Financiera de la Entidad Yacyretá* at its Buenos Aires headquarters, Argentine Republic, at Junín 1060, 4^o Piso, after February 25, 1976, from 9 a.m. to 13 p.m. and 15 p.m. to 19 p.m. on payment of a fee of 5,000 pesos each; or at the Asunción headquarters, in Paraguay, Calle Humaitá No. 357, 2^o Piso, after the same date, from 7 a.m. to 12 noon and 15:30 to 18:30 p.m. on payment of a fee of 1,000 guaranis each.

Documents may be filed at the location indicated in the forms up to May 24, 1976, at 10 a.m., at which time they will be opened in the presence of the interested parties.



\$70 MILLION TO EXPAND PRODUCTION OF A STEEL MILL IN ARGENTINA. Jorge E. Acevedo and Juan Carlos Sorondo, respectively President of the Executive Committee and Executive Vice President of *ACINDAR Industria Argentina de Aceros, S.A.*, sign the contracts for a \$55 million IDB loan and a \$15 million supplementary renewable, or standby, line of credit extended to the Argentine firm. The resources will be used to help finance the expansion of the *ACINDAR* plant at Villa Constitución, in the Province of Santa Fé, to a capacity of 600,000 tons of steel billets per year. President Antonio Ortiz Mena signed the contracts for the Bank. Rafael M. Vázquez, the Argentine Ambassador to Washington, and representatives of the Chemical Bank and the Bank of America NT & SA, co-managers of the credit line, attended the signing

Loans, Technical Cooperation Approved for Training and Development Projects

Recent weeks the Inter-American Bank announced loans and technical cooperation for development projects in Costa Rica and Guatemala and for regional training projects. The details are as follows:

COSTA RICA: The Bank on February 19 announced the approval of \$192,800 in grant technical cooperation to help strengthen the institutional structure of the country's development agency—the *Corporación Costarricense de Desarrollo (CODESA)*.

The technical cooperation will be used to contract a consulting firm to help create a permanent organizational structure which will allow CODESA to expand its activities; to formulate operational policies, systems and procedures; to establish methodologies for project evaluation; to train its personnel in development banking and other specialized fields; and to advise the agency on obtaining capital resources for its operation.

The total cost of the project is estimated at \$290,400, of which the Bank's technical cooperation will cover 66.4 per cent and local sources 33.6 per cent.

Established in 1972, CODESA is the Government's principal instrument for the promotion of large-scale investment projects in the 1974-78 National Development Plan and its vehicle for stimulating private and mixed private-public ventures.

GUATEMALA: The Bank on February 5 announced the approval of a \$7 million loan to finance a global credit program designed to encourage the establishment and expansion of small and medium industrial and tourism enterprises.

The loan will be used by the *Corporación Financiera Nacional (CORFINA)*, an autonomous government agency established to promote the development of industry, mining and tourism, to grant medium and long-term credits to private companies active in industry and tourism to partially finance fixed expansion of their facilities, including the construction of new industrial plants and hotels and additions to existing facilities and to purchase necessary machinery and equipment.

The total cost of the program is estimated at \$9 million, of which the Bank loan will cover 77.8 per cent and CORFINA 22.2 per cent.

An estimated 60 per cent of the program resources will be used to finance projects in the industrial sector and approximately 40 per cent to finance projects in the tourism sector.

JAMAICA: The Inter-American Bank announced the approval of a \$5.9 million loan to help finance the continued operation of the Students' Revolving Loan Fund (SRLF) in Jamaica.

The loan, which was extended to the Government of Jamaica, will be used by the Students' Loan Bureau, the administrative unit of the SRLF, to help replenish the revolving loan fund which will continue to grant subloans for educational support at concessional terms to Jamaican students of limited means. These subloans will finance studies undertaken at higher and vocational educational levels in priority disciplines essential to the socioeconomic development of Jamaica. Under the program, an estimated 3,800 subloans will be authorized to

beneficiaries in priority areas.

The total cost of the project is estimated at \$9.3 million, of which the Bank loan will cover 63.4 per cent and the Government of Jamaica the remaining 36.6 per cent.

Since its establishment in 1970, this credit program has constituted an integral part of the Jamaican educational system and has benefited a wide segment of the country's student population.

By providing repayable resources to expand financial accessibility to higher and vocational education opportunities, the Government of Jamaica will allocate its limited educational resources in a more rational and effective manner and will help relieve inflationary pressures on the cost of education and on the cost of living in general.

In addition, the Bank approved \$68,000 in grant technical cooperation for the institutional strengthening of the SRLF in socioeconomic analysis and in accounting and administrative procedures.

REGIONAL: The Bank announced on February 19 the approval of \$72,000 in grant technical cooperation for a seminar on the financing of education in its Latin American member countries.

The technical cooperation will be used to contract two consultants who will prepare and coordinate the seminar, which is designed to examine the problem of generating the financial resources required to satisfy the growing demand for education in Latin America and to draw up recommendations on alternate forms of educational financing and the possible use of international financing.

One of the two consultants will coordinate the seminar and the other will draw up a document which will serve as a frame of reference for discussions at the seminar.

The seminar will be held at Bank headquarters in Washington, D.C. later this year and will be attended by approximately 18 experts in the field of educational financing, 12 of whom will present papers, and by representatives of international organizations.

The number of pupils enrolled in schools throughout Latin America almost doubled in the 1960-70 period, and in some countries, educational costs have increased 30 per cent in recent years. Furthermore, due to demographic, social, political and technological factors, the need for educational facilities will continue to expand as the number of students increases and as students tend to prolong their scholastic careers.

On the same date, the Bank announced the approval of \$58,000 in grant technical cooperation to finance a seminar on human settlements which it will organize on behalf of its Latin American member countries.

The technical cooperation will be used to contract teams of experts to undertake research in settlements in Argentina, Brazil, Colombia, Mexico, Peru and Venezuela.

The studies will be analyzed at a seminar to be held at Bank headquarters in Washington, D.C. later in the year. On the basis of these analyses, a document will be prepared for use as a technical contribution by the Bank to the United Nations Conference on Human Settle-

ments (HABITAT) to be held from May 31 to June 11 in Vancouver, Canada.

The seminar will examine principally the methods used in some countries to provide housing for low-income families, particularly those in marginal groups, in an effort to redefine the goals of the so-called "low-cost housing policy in the public sector." Special emphasis will be placed on the identification of problems, strategies and alternatives in the light of the results obtained in the countries in which the studies will be undertaken.

On March 18 the Bank announced the approval of \$150,000 in nonreimbursable technical cooperation to help carry out a Latin American and Caribbean Conference on New Forms of Post-Secondary Education and a Latin American and Caribbean Seminar on Open Learning Systems, to be held in Caracas, Venezuela this year.

The technical cooperation will be used to partially finance the Seminar, which will be sponsored jointly by the Ministry of Education of Venezuela and the Bank.

The Conference and the Seminar are designed to analyze the principal innovations taking place in and outside the region in post-secondary education and to widely disseminate the findings of this analysis as well as the recommendations that may be proposed for Latin America and the Caribbean.



The Minister of Education of Panama, Mr. Aristides Royo, and IDB President Antonio Ortiz Mena, signing the contract for a \$12.2 million Bank loan to be used for expanding and improving technical education in Panama

The Conference, which will precede the Seminar, will be attended by educational authorities, specialists, professors and students and will include the presentation of working papers and roundtable discussions to exchange experiences, examine the applicability of methods in Latin America and discuss the advantages and disadvantages of the new forms of post-secondary education presented at the Conference.

Following the Seminar, the Bank will evaluate its results and recommendations, in consultation with the countries, and will consider the requests of interested countries with a view to undertaking follow-up activities.

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:

VIIITH REGULAR MEETING OF THE INTER-AMERICAN EDUCATIONAL, SCIENTIFIC AND CULTURAL COUNCIL (CIECC). SAN SALVADOR, EL SALVADOR, JANUARY 26-31.

The meeting was attended by the Ministers of Education of 23 member countries of the

Organization of American States and the presidents of the Inter-American Educational, Scientific, Technical and Cultural Committees.

Mauricio Herman, Chief of the Social Projects Analysis Division, and Eugenio Albarrán, Deputy Representative in El Salvador, represented the Bank.

The President of El Salvador not only presided over the opening meeting, but attended the second plenary session, in the course of which he delivered an address reiterating his Government's interest in the educational, scientific and cultural aspects of the development process.

As in previous meetings, the Ministers of Education discussed general, institutional and budgetary CIECC matters, as well as regional educational, scientific, technological and cultural programs.

CALA V: CANADA AND LATIN AMERICA—A WORKING RELATIONSHIP

The following report is by Michael Lubbock, Executive Director of the Canadian Association for Latin America. As CALA's first Executive Director, Mr. Lubbock has played an important role in fostering trade relations between Canada and Latin America. He will retire from his post on April 1 and will be succeeded by Frank B. Clark of the Canadian Foreign Service, attached to the Ministry of Industry, Trade and Commerce.

CALA V, the fifth conference of the Canadian Association for Latin America, was held January 30-31 in Caracas, Venezuela. The four previous conferences, all held in Canada between 1970 and 1974, had been increasingly large, as well as successful in bringing Canadians and Latin Americans together to discuss their respective economies, development experience, future plans and needs. It was evident that the time had come to hold a CALA conference in Latin America to demonstrate Canada's growing interest in the region and to take an important step in developing the partnership further.

Caracas, which is equidistant between Buenos Aires and Toronto and has excellent convention facilities, was chosen as the site of CALA V. This choice was warmly approved by the Venezuelan authorities; and CALA acknowledges with sincere thanks the help received from many businessmen in Caracas, whether members of the newly formed bilateral committee with Canada or local representatives of CALA member companies.

CALA is also grateful for the generous financial support received from the Inter-American Development Bank, the Governor of the Federal District of Caracas, and the Federal Department of Industry, Trade and Commerce, and for the invaluable help given over many months and at the Conference itself by many Department officials.

The Conference was attended by 175 Canadians, including officials from the Federal Government and from the four western provincial governments which had jointly organized a trade mission to coincide with CALA V. This was a much larger number than anticipated when the Conference was first planned and was evidence of CALA's growing reputation in Canada, particularly as the number included some 70 representatives of companies which are not yet CALA members.

CALA was also host to 45 Latin American participants from the region, eleven Venezuelans, seven from other countries and nine from inter-American institutions.

Dr. Carmelo Lauria, Minister of State for Basic Industries in the Venezuelan Government, Dr. Diego Arria, Governor of the Federal District of Caracas, and CALA's Chairman, Mr. Thomas J. Bata, spoke at the opening plenary session. The keynote speech was given by Dr. Rodrigo Llorente, President of the Inter-American Council for Commerce and Production, of which CALA is the Canadian member, and Mr. Eric Campbell, CALA's Deputy Chairman, and an ICCP vice-president. Dr. Gabriel Valdés, Assistant Administrator and Director of

the Latin American Bureau of the United Nations Development Programme and Chairman of the Executive Committee of the *Foro Latinoamericano*, discussed the *Foro's* main concern—regional integration.

The highlight of the Conference was the luncheon attended by the Rt. Hon. Pierre Elliott Trudeau, Prime Minister of Canada. This was a particularly notable occasion, as it was the first visit by a Canadian Prime Minister to South America, and the first Canadian business conference held in the region. CALA is indeed grateful to him for speaking at the luncheon and thus endorsing the recognition of CALA's importance.

The working groups on mining, forestry, power, transportation, agribusiness, fisheries and fabrication of industrial materials, planned by the Canadian chairman, discussed the interests of the Latin American participants and were vigorous and productive in further defining where Canadian skills and specialties could best contribute to the development plans of the Latin American countries and how trade could be expanded.

The success of CALA V was shown not only by the unexpectedly high number of participants from Canada and Latin America, the eminence of the principal speakers and the excellence of the working group discussions, but also by the interest and enthusiasm which prevailed and by the many appreciative comments received at the end of the Conference. The very fact that CALA had undertaken the considerable task of staging a conference in Latin America and had attracted so many Canadians to it, could not but show Latin America how greatly Canada's interest in the region has grown in recent years. Apart from the practical value of the group discussions, an equally important result was the new contacts and friendships made between Canadians and Latin Americans. It is hoped to give some continuity to this great step forward in CALA's life by maintaining established channels of communication between the Canadian chairmen of the seven groups and their Latin American counterparts, supported by those taking part in each group, and also by inviting Latin American membership in CALA, whether by trade associations, companies or individuals. Both these steps will be of the utmost value in developing CALA's work, particularly as a catalyst between the two regions.

The Council ratified by acclamation the appointment by the Secretary General of the OAS of Eduardo González Reyes as Executive Secretary of the CIECC. It agreed to award the Bernardo A. Houssay Prize to José Salvador Gandolfo, of Argentina, for his research in technical field.

The Council, in addition, agreed to establish a Pilot Research and Study Center for Educational Planning in Latin America, with headquarters in Caracas, and recommended the creation of a center for the acquisition, production and distribution of television programs to be used by Latin American stations. Finally, the Council decided to accept the invitation of the Government of the Oriental Republic of Uruguay to hold its VIIIth Regular Meeting in that country in 1977.

At the January 28 plenary session the Bank's representative, Mr. Herman, made a statement on the Bank's operations in education. "The Bank, practically since the beginning of its operations more than 15 years ago," he said, "introduced important changes in international public financing when it included higher education and advanced training in its lending activities. This pioneering work was based on the conviction that education, science and technology are basic tools for the development process, and that these three cultural aspects are closely interrelated.

"As of December 31, 1975," Mr. Herman added, "the Bank had authorized 82 loan operations, at a total cost of more than the equivalent of \$385 million, to help its member countries finance projects in education, whether in the field of higher education, technical and vocational education, scientific and technological development or educational credit—having a total cost of nearly \$800 million."

CHILEAN JOURNALIST WINS INTAL PRIZE

The Institute for Latin American Integration (INTAL) recently announced the 1975 winner of the first prize in its annual contest on Latin American integration.

Hernán Alvez Catalán, a Chilean journalist and university professor who lives in Concepción, won the \$3,000 prize for his work, "Latin American Cooperation and Integration: The Experience of the Last Fifteen Years."

No award was made for the \$1,500 second prize.

The contest, which was held for the first time in 1975 and is to be held every year, was established to encourage original work on Latin American cooperation and integration as another way of helping to strengthen the trend toward regional integration and the undertaking of joint efforts in Latin America.

The award will be made at INTAL headquarters in Buenos Aires at a date to be announced in due course.

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