

**Important Conclusions and Guidelines Emerge from Board Meeting****WORLD ECONOMIC RECOVERY SEEN AS GOOD OPPORTUNITY FOR DEVELOPING COUNTRIES**

Cancún, the recently inaugurated Mexican tourist center located in the Caribbean's Yucatán Peninsula, was the gathering place of 1,500 government officials, representatives of international organizations, bankers and financiers from more than 40 countries who attended the IDB's Seventeenth Annual Meeting of the Board of Governors as participants, invited guests or observers.

The event, considered the most important Inter-American financial forum of the year, was preceded by the first consultation meeting of the International Group for Agricultural Development in Latin America (IGAD/LA), which attracted agricultural experts from all the nations of the Western Hemisphere, including ministers of agriculture. More than 100 journalists covered the Meeting.

The Board of Governors—composed of ministerial-level officials responsible for the economic direction of the Bank's

24 member countries—received from IDB President Antonio Ortiz Mena a comprehensive report on the Bank's activities in 1975, all of which was contained in the Annual Report. As the Bank's highest authority, the Board approved the financial statements on the ordinary capital resources and the Fund for Special Operations.

At the same time, the Governors approved a resolution laying out a study which touched upon aspects of the institution's policy operations, and accepted formal offers from El Salvador, Canada and Bolivia to hold the 1977, 1978 and 1979 annual meetings in San Salvador, Vancouver and La Paz, respectively.

**INAUGURAL SESSION**

The meetings began at 10 a.m., on May 17, with the attendance of President Luis Echeverría of Mexico, who inaugurated the conference.

At the inaugural session, which was initially presided by Diógenes H. Fernández, Governor for the Dominican Republic, in his capacity as president of the Sixteenth Annual Meeting held last year in Santo Domingo, Mario Ramón Beteta, Governor for Mexico and Minister of Finance and Public Credit, was elected Chairman of the Meeting.

Expressing his appreciation for the

appointment, Beteta said that the meetings just initiated were part of a long historical process which sought to convert the various national affinities of countries of the American Continent into practical agreements and coordinated action to raise the standard of living and affirm the dignity of all its inhabitants. The challenge, he said, continues to be to obtain "unity in diversity" and achieve well-being for all more quickly.

In his address, Mr. Beteta said that Mexicans would like to see the IDB strengthened "because we are convinced that it is an important element which can spur our nations to overcome backwardness, dissatisfaction and poverty, which in turn will open new horizons of prosperity with justice, liberty, independence and mutual respect."

After pointing out that the current panorama of international finance for developing nations presents serious deterioration and limitations, all of which resulted from the world monetary dislocations at the beginning of the decade, the rapid rise of oil and industrial product prices and general food shortages, (factors which contributed to the

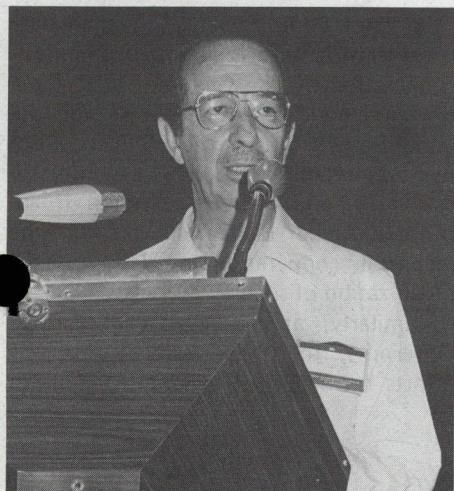
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At the opening of the Annual Meeting of the Board of Governors: President Luis Echeverría of Mexico, with the officers of the Meeting. (Left) IDB President presents the annual report. The Bank, he said, is of critical importance in mobilizing external resources to help finance the economic and social development of the Latin American countries.



structural disequilibrium of developing nations) Mr. Beteta said that regional financial organizations like the IDB have the imperative to increase their resources in order to meet the requirements of their member nations. "Our Bank," he added, "as a promoter of regional integration, has to redouble in the coming years its flexible, imaginative and planned action to improve its policy of harnessing new resources and granting loans. In view of the imperatives of backwardness and poverty, nothing that can be done must be left undone."

### THE BANK'S ROLE

Presenting the Annual Report to the Governors, IDB President Antonio Ortiz Mena said that the Bank is of "critical importance" in mobilizing external resources to help finance the economic and social development of Latin America. Mr. Ortiz Mena made an extensive analysis of the evolution and tendencies of international financial cooperation, and stressed that the growing interdependence of the economies of Latin America and those of the world's industrialized countries is creating a new relationship which is beneficial to both groups.

Referring to external financial cooperation, he emphasized that the variety of conditions prevailing in Latin America are such that external financial cooperation, if it is to be effective, must be extremely flexible.

"To achieve this goal," he noted, "we must, on the one hand, secure official and private external resources that can be combined in different proportions so that loans can be adopted to requirements as defined by the nature of the projects and the payment capacity of the borrower countries. On the other hand, the organization of large Latin American companies requires external funds that can be used for risk capital investments and for working capital loans."

In this context, Mr. Ortiz Mena said that the role of the Inter-American Bank as a regional development agency is of decisive importance in that its service mission entails a continuing adaptation to the real development needs of each country, and of the region as a whole, helping to secure the supplementary external resources required while at the same time encouraging their cooperation with each other.

President Echeverría, in a brief speech in which he welcomed the

delegates and thanked them on behalf of the Mexican people for having chosen Cancún as the site of their deliberations, said that "in our countries all of us are, or should be, proud of our historical origins, for we know that in one way or another all of us come from great indigenous civilizations; that we have received contributions from Africa of which we are equally proud; that we have Iberian origins that link us with the Western World; and that in our nations, which we proudly proclaim to be Indo-Ibero-Afro-American, we must look to our origins and to our true social makeup to find the right development models, and not passively imitate great industrial societies—however successful they may have been because of their particular circumstances. And when we draw up development programs, we must look also to our ethnic and social structure, our history and our historical space and time if we would be successful."

President Echeverría added that "we need not only funds for programs devised by technicians with a Western outlook transplanted to our countries. We need a constant awareness of our own social truth, recognizing it, valuing it and accepting it within a policy of authentic development, combining economic, democratic, social and cultural development, all suffused with humanism."

The Governors' Meeting ended the afternoon of May 19 at which time Mr. Ortiz Mena recapitulated the conference's highlights and gave an account of the agreements arrived at.

He said that "the recovery of the world economy within the framework of greater stability offers the Latin American countries the opportunity of substantially expanding their exports," and warned that the present favorable situation can be frittered away "if our countries do not adopt strong policies designed to contain the inflationary spiral that distorts prices and exchange rates. The application of these policies could be expedited by the fact that exports generate savings, which in turn contribute to stable economic growth. In this way, we can take advantage of the opportunities offered during the period of prosperity in which the world economy has entered."

Mr. Ortiz Mena said the crisis that beset the world economy in recent years seems to be easing, adding that Latin America must formulate a strategy to take full advantage of the opportunities

afforded by the revival of the world economy.

The IDB President referred to the evolution of the world economy, indicating that "experience has taught us how high a price we must pay when economic policy becomes ineffective, permitting a recurrence of fiscal deficits and monetary expansion with the inevitable impact on prices and wages. Added to these is the subsequent balance of payments disequilibrium, which ultimately curtails economic growth."

Referring to the Governors' Meeting, Mr. Ortiz Mena pointed out that the proposals made public by the Governors in their speeches and the results of the work undertaken by the various committees and working groups were valuable contributions that would be taken into account in charting the Bank's future activities.

Recapitulating the highlights of the meeting and some of the agreements, Mr. Ortiz Mena made the following announcements:

- Representatives of the signatory countries of the Declaration of Madrid examined the status of the legal and administrative procedures required to formalize their entry into the Bank's membership. Accordingly, and provided that the prescribed time periods are complied with as expected, it was agreed that the signature of the protocol whereby those countries will enter the Bank will take place in Washington next July.

- The Bank, in its efforts to strengthen its relations with the Caribbean countries, will channel a significant part of its technical cooperation to these nations via the Caribbean Development Bank. At the same time, it has obtained the cooperation of Dr. Misael Pastrana Borrero, former President of Colombia, in order to forge closer bonds between the Caribbean and the rest of Latin America.

- The Bank will give immediate consideration to a request for technical-cooperation by the Governor of Panama to complete feasibility studies for the establishment of an efficient mechanism to support the expansion and diversification of nontraditional exports. If appropriate, the Bank will provide the technical cooperation needed for the organization of such an agency.

Similarly, at the request of various Governors, the Bank will step up its efforts on behalf of regional integration



programs and projects, either directly or through the specialized agencies.

## GOVERNORS ATTENDING MEETING

The following Governors attended the Meeting on behalf of their respective governments: *Argentina*: Alfredo Martínez de Hoz, Minister of Economy; *Barbados*: P. M. Greaves, Minister of Housing, Lands, Labour and National Insurance; *Bolivia*: Carlos Calvo, Minister of Finance; *Brazil*: Mario Henrique Simonsen, Minister of Finance; *Canada*: Mitchell Sharp, President of the Privy Council; *Colombia*: Carlos Sanz de Santamaría, Provisional Alternate Governor; *Costa Rica*: Porfirio Moreira Batres, Minister of Finance; *Chile*: Sergio de Castro S., Minister of Economy, Development and Reconstruction; *Dominican Republic*: Diógenes H. Fernández, Governor of the Central Bank; *Ecuador*: César Robalino Gonzaga, Minister of Finance; *El Salvador*: Manuel A. Robles, Minister of Economy; *Guatemala*: Jorge Lamport Rodil, Minister of Public Finance; *Haiti*: Emmanuel Bros, Secretary of State, Finance and Economic Affairs; *Honduras*: J. Vicente Díaz, Minister of Economy and Commerce; *Jamaica*: David H. Coore, Vice Prime Minister and Minister of Finance; *Mexico*: Mario Ramón Beteta, Secretary of Finance and Public Credit; *Nicaragua*: Juan José Martínez, Minister of Economy, Industry and Commerce; *Panama*: Nicolás Ardito Barletta, Minister of Economic Planning and Policy; *Paraguay*: César Barrientos, Minister of Finance; *Peru*: Roberto Keil Rojas, Minister of Economy and Finance; *Trinidad and Tobago*: Victor McIntyre, Ambassador to the United States; *Uruguay*: Juan J. Anichini, Director, Office of Planning and the Budget; *United States*: William E. Simon, Secretary of the Treasury; *Venezuela*: Héctor Hurtado, Minister of Finance.

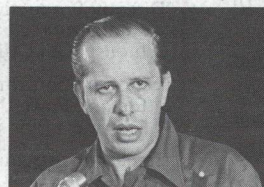
## COUNTRIES AND ORGANIZATIONS

The representatives of Bahamas and Guyana, Caribbean countries whose entry to Bank membership is under negotiation, were among the many observers present. Also present were the delegations of the 12 nonregional countries which on December 17, 1974 signed the Declaration of Madrid signifying their intention to seek membership in the Bank.

Also attending the Meeting were representatives of 40 financial, regional and international development organizations.



The Meeting was held at Cancún's new Convention Center, with government officials, representatives of international organizations and bankers and financiers from more than 40 countries attending. More than 100 newspapermen covered the Meeting—the year's most important Inter-American financial forum. Among the Bank Governors present were (1) Alfredo Martínez de Hoz, for Argentina; (2) Mario Henrique Simonsen, for Brazil; (3) William E. Simon and his Alternate, Gerald L. Parsky, for the United States; (4) Mario Ramón Beteta, who chaired the Meeting, for Mexico, and (5) Héctor Hurtado, for Venezuela.



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## Bank's Annual Report

# IDB Loans and Technical Cooperation Reach New High in 1975

The Inter-American Development Bank provided almost \$1.4 billion in development financing in 1975 for its member countries in Latin America, according to the Bank's Annual Report released on May 17. This was the largest volume of loans and technical cooperation approved by the 24-member Bank in any one year since it began operations in 1961.

The Bank's lending during the year amounted to \$1,375 million in loans, or 24 percent higher than the 1974 record of \$1,111 million, and \$24.6 million in technical cooperation, compared to the \$22 million of the year before.

The Bank's activities were outlined in the 1975 Annual Report which its President, Antonio Ortiz Mena, presented to the Seventeenth Annual Meeting of the Board of Governors, held in Cancún, México, May 17-19.

The Report contains a review of the Bank's operations during 1974 and an analysis of economic development trends in Latin America, as well as a summary of the Bank's achievements in the 15 years since it approved its first loan in February, 1961.

The \$1.38 billion in loans the Bank approved in 1975 was authorized in 70 loans, increasing its cumulative lending to almost \$8,685 million. The \$24.6 million in technical cooperation, approved on a nonreimbursable or contingent repayment basis, increased the cumulative total technical cooperation approved by the Bank to \$96.4 million.

## PROGRESS ACHIEVED

During 1975 the Bank continued to serve as an important catalyst in the economic and social development of Latin America.

Projects completed during the year with the help of Bank financing are increasing the region's electric power generating capacity by 16 million kilowatts and adding 95,562 miles of transmission and distribution lines, improving and bringing into production 11.3 million acres of land—including 3.3 million acres through irrigation—and providing 1.1 million farm credits to individual farmers; building, improving or expanding 77 industrial plants and 6,350

additional small and medium-scale firms; constructing or improving more than 28,962 miles of roads, more than 5,000 pure water and sewage systems and 360,000 low-cost housing units, and constructing or expanding almost 700 learning centers.

In addition, Bank loans are helping to finance almost 1,300 preinvestment studies, capital goods exports with an invoice value of \$190 million and several important tourism development projects with a total cost of more than \$185 million, including the tourist resort at Cancún on Mexico's Yucatán Peninsula, site of the Meeting of the Board of Governors. The Bank is also helping to finance more than 200 small tourism projects through loans channeled to regional development banks.

## MOBILIZATION OF RESOURCES

The Report notes that during 1975 the Bank achieved marked progress in its efforts to obtain additional resources so that it could continue its lending and technical cooperation uninterrupted in the future. These efforts included:

- The approval by the Bank's Board of Governors, on July 9, 1975, of a resolution recommending that the member countries adopt measures for increases totaling \$6.3 billion in the Bank's resources—\$5.3 billion in the capital stock and \$1 billion in the Fund for Special Operations.

- The initiation of measures on March 18, 1975 by the Bank's member

countries, following the signing of the Declaration of Madrid on December 17, 1974, to amend the Agreement Establishing the Bank to permit 12 countries from outside the region to become members. The 12 would contribute total of \$745 million to the Bank over an initial three-year period.

- The acceptance by the Bank on February 27, 1975, of a \$500 million fund, to be provided over a five-year period, entrusted by the Government of Venezuela to finance development projects among its sister nations in the Bank.

When these measures enter into effect, the Report points out, the total resources of the Bank will rise from some \$12 billion to \$18 billion.

Despite the uncertainty which characterized world capital markets in 1975, the Bank was able to borrow more money in such markets than it had in any other year of its history—a total of \$365 million, including \$309 million in medium- and long-term funds.

In addition, in 1975 the Bank initiated a major new mechanism, called complementary financing, for channeling resources from private commercial banks and other financial institutions toward the execution of development projects in Latin America.

Under this mechanism, participations are sold for the full amount of a loan extended from the Bank's ordinary capital resources which is authorized on a parallel basis with another loan approved directly by the Bank.

Putting this new mechanism into operation for the first time in 1975, the Bank secured \$15 million in complementary financing for each of two major projects—the expansion of a steel plant in Argentina and the construction of a hydroelectric plant in Guatemala.

**Distribution of Loans**  
In Millions of Dollars

Sector	1975	%	1961-75	%
Directly Productive				
Agriculture . . . . .	\$ 332	24	\$1,975	23
Industry and Mining . . . . .	185	14	1,254	14
Economic Infrastructure				
Electric Power . . . . .	304	22	1,856	21
Transportation and Communications . . .	303	22	1,592	18
Social Infrastructure				
Sanitation . . . . .	108	8	838	10
Urban Development . . . . .	38	3	454	5
Education . . . . .	71	5	375	4
Other				
Preinvestment . . . . .	5	—	138	2
Export Financing . . . . .	26	2	132	2
Tourism . . . . .	3	—	71	1
<b>TOTAL</b>	<b>\$1,375</b>	<b>100</b>	<b>\$8,685</b>	<b>100</b>



# IDB President Antonio Ortiz Mena Holds Press Conference

The twenty Mexican newsmen who visited the Inter-American Bank in mid-April to study its work at first hand (see page 8) were able to familiarize themselves with the institution's loan and technical cooperation activities, its administrative and capital structure, its general lending and operating policies and—a subject of special interest to them—the loans extended to Mexico so far. They also attended orientation talks at the International Monetary Fund and the World Bank.

The Mexican journalists met with Bank officials for detailed briefings on the various aspects of Bank operations and interviewed its President, Antonio Ortiz Mena, at a press conference. The full text of that press conference follows:

Because of the high priority the Bank assigns to agricultural development in Latin America, we wanted to have the International Group for Agricultural Development in Latin America meet in Cancún almost concurrently with the Annual Meeting of the IDB Board of Governors so that the Ministers of Agriculture and of Finance could be here at the same time. We believe the Group will be an effective vehicle for channeling resources to Latin America, and that this will generate suitable projects which we can help finance.

We have been taking a more comprehensive approach toward the use of water resources in the region, and we want to use the Group to create awareness and to foster additional programs based on this concept.

Traditionally water has been used to generate electric power, but not to create the many other benefits that only its full utilization can provide. Thus, through this approach, we are attempting to plan the use of water with a view to preventing floods, which are common in Latin America; constructing dams around which forestation or reforestation projects can be established; encouraging fishing in the lakes formed when water is dammed; building up fishery and related canning industries to provide another source of inexpensive food; and, whenever possible, using rivers and lakes as inland waterways and as sources for irrigation, while also developing the areas for tourism.

With such programs, the generation of hydroelectric power, formerly almost the only product, becomes a by-product. Such programs can also include land reclamation—since we frequently have flooded lands—thus helping to stem the flow of migrants from farms to already crowded cities.

Naturally, to achieve this, agricultural areas must be provided with essential social services such as health, education and housing facilities. As has already been done in some countries, a system of family allotments might eventually be set up to provide low-income groups with an economic base.

This is one of the approaches we are trying to develop in the Agricultural Group: to lead the countries of Latin America toward this type of planning. We have already received a request from Colombia to study the Sinú watershed with this approach.

*Mr. President, some time ago Venezuela presented a proposal for the integral use of water resources—a plan for connecting South America's major waterways. It appears, however, that this proposal encountered political obstacles from those who felt that an integrated river system would tear down the natural borders separating some countries. Will this general aspect be considered in the planning?*

We did indeed receive a request from Venezuela for technical assistance for a study on the possibility of connecting the Orinoco and Amazon rivers through the Negro River. Naturally, the countries directly involved, Brazil and Venezuela, favored the project. As you know, the Negro River, one of the largest in the Amazon basin, rises in Venezuela and flows rather close to tributaries of the Orinoco. This is a program that has been studied to make the connection possible.

*What could this new approach mean for Mexico, in view of the fact that the Bank, through its financing, has given priority attention to the development of Mexican agriculture?*

We have extended financing to Mexico, as you know, for integrated rural development, which means the coordinated use of all resources to develop an area and encourage farmers to remain there. This is the essence of the Rural Development Investment Program.

*Mr. President, you are well acquainted with the problems of agriculture in Mexico and with what the uncertainty of land tenure means. Wouldn't this legal uncertainty be an obstacle to the development of programs of this type in international agencies such as the IDB?*

In the case of Mexico, I do not believe that there is any conceptual uncertainty. On the contrary, I believe that our constitutional provisions concerning the *ejido* and small holdings are very clear, and that the legal system provides full guarantees to landowners or to *ejidatarios* or community groups.

*I understand that there is uncertainty. I repeat, is this not an obstacle to the development of these programs?*

Up to now we have been providing loans for agricultural development, directly and within the irrigation systems, without any negative experiences. On the contrary, this type of credit has been handled very smoothly.

*This situation has had no effect?*

No. It has not affected any of the loans currently in progress, which are many and which we have been granting for many years. From the beginning, Mexico has given top priority to agricultural development. Consequently, the loans we have granted Mexico have gone primarily to the agriculture sector. In fact, of all our member countries, Mexico has received the highest percentage of our loans for agriculture. Loans to Mexico probably account for about 30 per cent of our agriculture portfolio.

*All Bank loans?*

All of the Bank's agricultural loans since 1961. We have been operating regularly in agriculture and our experience has been very good.



*Isn't this somewhat counter to the need to increase the generation of electric power as a substitute for oil, particularly in countries that have no petroleum?*

Not at all. As I have said, the fact is that if we think of electric power production as the only use for water, then we are using that resource inadequately.

If—in Mexico, for example—we were to capitalize on all our experience in replanning many of the projects already carried out, we would achieve very substantial savings. In the Yaqui River, for example, we proceeded in just the opposite way. We began the program with irrigation, and then we produced electric power. The result was that the dam for generating electric power showed that the irrigation dam could have been built at a considerably lower cost. Therefore, what we are attempting to do is to plan the use of all the resources in order to avoid this type of cost overrun. We are attempting to let the overall situation determine the course which development should take.

*Does that mean more integral programs?*

Precisely.

*Isn't there any waste of resources?*

On the contrary, what we are trying to do is prevent the waste of financial and human resources that might occur for lack of planning.

*How do you see the situation of the countryside in Mexico in the light of the end of one government and the imminent beginning of another?*

I believe that the central problem in Mexico at this time is agriculture. In view of the population growth and of the need for larger food supplies, Mexico must increase its agricultural production.

Furthermore, we are going through a stage—which is not expected to be short—in which food is increasingly in short supply.

For rational development planning, maximum emphasis must be placed on agricultural and livestock production. In these circumstances, the most important thing to do, in my opinion, is to organize agricultural production.

*Mr. President, you have known, since you were Minister of Finance, that in Mexico every Holy Week a rumor inevitably begins to spread on the devaluation of the peso. This past Holy Week, the rumor began here in the United States and was picked up by the "Wall Street Journal." As former Minister of Finance of Mexico and now as President of the IDB, you have a broader view; do you think that there is a possibility that the peso will be devalued in Mexico?*

I remember that when I had just entered the Ministry of Finance, Mr. Ramón Beteta, who was Director of *Novedades* at the time, asked me the same thing in an interview: what I felt about the following Holy Week. I replied: "All I want is for people to stop relating Holy Week to finance." The fact is that since 1954, when the Mexican peso was last devalued, many Holy Weeks have passed and nothing has ever happened, and we hope that in future there will be no connection between Holy Week and monetary matters.

*The "Wall Street Journal" gave a number of reasons why, if the peso were not devalued under the Echeverría Government, it would have to be devalued in the first few months of the López Portillo Government. Do you think this step is necessary? I would like to know what you think as an economist. I am not asking you now as former Minister of Finance.*

Very well; I will answer that question as a Mexican, as a former Minister of Finance, and as the President of the Bank.

I believe that the Mexican economy is a sound economy, with splendid prospects. The amount and diversity of the resources available to Mexico leave us no doubt as to the future of Mexico.

*You mean that there is no concern about this question?*

I am talking about the future of Mexico. Its future is very solid, very good. The question you are asking points to the future and depends upon how the economy is handled not only domestically, but also in relation to external developments.

*I believe that we can rely on this concept. Unless you would like to add something about the situation of the peso, whether it is overvalued in relation to other currencies or something like that; or else we can end with that reply, as you prefer.*

I can add something further. What is monetary parity? It is nothing but a relationship of values between a country's production, its situation vis-à-vis the world, its import requirements, and the situation of the relationship as a function of the foreign exchange it must obtain from abroad. If Mexico produces all it can, its future can only be very good.

*Mr. President, Mexico's agricultural production is not enough to meet the needs of the country. Might this not be a cause of concern about the future of its economy?*

I believe, first of all, that Mexico has land reserves and can significantly increase the yield of lands already under cultivation. If you compare our productivity with that of other countries, you will see that ours is low and that there are possibilities of increasing it.

Let me give you an example of how all this could come about. For many years it was said that Mexico could not produce wheat, that Mexico would have to depend on wheat imports. But a wheat production program was started, and we





not only became self-sufficient, but we began to export wheat, and now the wheat productivity indices are very good. This means that we are capable of solving this type of situation.

*What role will the Bank play in Mexico's future? What will the Bank's policies be?*

As I have said, in our policies we have assigned high priority to the agriculture sector and we will do anything we can to help the member countries of the Bank and Mexico in this regard.

*Are some other loans being considered now for Mexico?*

We are studying a number of large loans. The loans to Mexico this year may possibly exceed \$200 million.

*This question is a purely local one for Cancún, and I am asking you in view of the fact that the Bank was the initiator of the Cancún infrastructure development program. Cancún is currently experiencing a water shortage. This brings up the question of the Bank's concept of adequate utilization of water resources. Has any request been made to the Bank for assistance in solving this problem?*

We are examining a request for the second stage of Cancún.\*

*There is another problem there, the housing problem, which also comes within the Bank's objectives. Will part of the funds from the new loan be used for housing?*

The funds will be provided for continuing the development of Cancún in all respects.

*You indicated just a moment ago the importance of organizing agricultural production. Everyone seems to agree with this, but it is not being done. Does this mean that organizing agricultural production involves a political decision that has not been made?*

No, I don't think so, because we have regions in Mexico where production has been organized and others where production has not been organized.

*Speaking of the organization of production, how does the IDB feel about collective land ownership in Mexico, an idea bandied about considerably by all the political leaders? And what does it think about the concern that would arise in the countries providing capital or financing over the possibility that the Mexican countryside may be collectivized?*

Well, I believe that a large part of the Mexican countryside is already under those conditions. The *ejidos* and the communal properties have those characteristics. It is not the system of ownership which is bad; the bad thing is the proliferation of *minifundia* which prevents the farming of land in economic units. This holds true not only for *ejidos*, but also for small properties.

Optimum yields require the use of methods that are not possible under a system of very small holdings; if we want to get the maximum yield from the land, we must use equipment and inputs which are beyond the financial reach of very small owners. The owner of one hectare cannot have a tractor. Giving

him a tractor would be an economic crime, for he cannot use it properly, nor can he pay for it out of the small production of his land. Tractors must be used on farms of a certain size if they are to be used regularly; otherwise they impose an undue burden on the farmer. For maximum productivity, minimum-size farms must be worked as economic units.

*When land collectivization becomes a political objective—and I feel this could happen in Mexico—so that it is placed ahead of agricultural production, what attitude do international agencies such as the IDB assume concerning the granting of loans?*

In the case of Mexico, we are not concerned about this, because we know that a collective system has been used in Mexico since Indian times. The Indians had their *calpulli* that they worked together, and they had their community lands that were worked jointly, and this always operated that way. The *ejido* was a return to the same concept. I believe that we are just being frightened a little by words; collective systems have existed in Mexico for a long time.

*Regarding the minimum productive units with high productivity, is this concept consistent with or applicable to some proposals of the present candidate for the Mexican Presidency, who spoke of an association of owners and "ejidatarios" to make farms more productive?*

I think this is the only way. I mean that, no matter who the owner is, it is necessary to form groups so that a given area can be used economically. Just think about that. If a unit of 1,000 hectares is formed with *ejidatarios*, community owners and small owners, the planting can be planned in as great detail as a road or any other project—from the right depth of the furrow to the right type of machinery, when to seed, what kind of seed to use, when to fertilize, when to irrigate, when to apply pesticide, when to weed and how and when to harvest. Equipment, technology and inputs can be used for maximum productivity, and everyone will benefit, because higher productivity means higher income for everyone.

*Given Mexico's present condition, what you have explained means that Mexico has reached the stage—because of the population growth among other things—where only the mechanization of agriculture and its organization on a rational basis and, so to speak, some coercion by the Government, will make it possible to avoid rural problems.*

I would put the problem this way. If our country has limited arable land, and still less arable land under irrigation, if we number 60 million inhabitants with an annual population growth rate of 3.4 per cent, and if we have to feed that population, the only solution is to use our resources with maximum efficiency so that all Mexicans can benefit. This means that the problem is such that there can and should be no waste. The land should yield as much as possible.

*Passing on to the Latin American level, some time ago the IDB was being accused of not making any loans to Chile, and now it is being accused of just the opposite, of giving Chile many loans. What truth is there in those two statements?*

This is a very interesting question, because it gives me the opportunity to explain to you how the Bank operates. When

\*After this press conference, the Bank's Board of Executive Directors approved a \$20 million loan to Mexico for continuing the development of the tourism infrastructure of the island of Cancún.



we say we have granted a loan, some people think it means that we made a loan and delivered all the money. That is not so. We open a line of credit and then we gradually make disbursements chargeable to it.

*But isn't that supporting a government? Supporting a system of government?*

Not at all. We open a line of credit, and as that line of credit is used, the country receives money. If the line of credit is not used, it is canceled. What really matters is the actual flow of money to the country.

There is something else, however. In order for us to be able to grant loans, those loans have to be requested from us. Not only do they have to be requested, but they must be technically and financially justified.

*Is this the case of Chile?*

Exactly. Under this criterion, and coming back to your point, we gave more funds to Chile during the Allende Government than it has received under the Military Junta. One year Chile received the largest amount of money in the entire history of the Bank's lending operations in that country.

*Do you have the figures?*

Yes, of course. The largest loan granted to Chile in terms of amount was one President Allende requested and which was about to be granted at the time his Government fell. Negotiations continued and the loan was granted. As I said, however, this is a line of credit and not a disbursement of the total amount of the loan. This Bank publication, entitled *Fifteen Years of Activities*, gives the annual loan and disbursement figures by country.

*Mr. President. This controversy on loans to Chile has come up a number of times and is reflected in the press of the countries you visit. You just explained that the Government of Salvador Allende received more money in one year than has been received by the Military Junta, that there was never any discrimination against the Allende Administration. But two weeks ago, when you made that statement, former Chilean Minister Pedro Vuskovich, who is now living in Mexico, rejected that statement, claiming that your information was incorrect, that the Allende Government had been forgotten by the IDB. That is why we are interested in having these figures.*

Well, here are the figures, and I am going to give you a memorandum containing all the details—loan and disbursement dates, who signed the contracts, how the contracts were made, the figures, and all pertinent information.

The problem is that we are talking about two different things. What Pedro Vuskovich is saying is that for two years no loans were granted to the Allende Government, and that is true. But why was that so? Because no loans were requested. The dates when the loans were requested are specifically indicated.

*Does this mean, even at the risk of repetition, that the type of government is not a factor in the granting of loans?*

That's absolutely right.

*Does this also mean that the majority voting power of the United States in the Bank has no influence?*

Absolutely. You will see here that the United States voted against some resolutions on Chile and that they were nevertheless approved.

*Sir, using a more recent example, the current case of Argentina, has the treatment of that country changed?*

Not at all. If you look at all the changes of government that have occurred in the various countries, you will see that the Bank's position has always been the same; our criterion is whether or not the project is sound. If it is, a loan is made; if not, there can be no loan. That is the criterion. It is a technical, not a political criterion. There is not just one example, but many examples.

You can also see that Chile is not the only country which has not received any loans in a given year. Many countries have been in that position. Why? Because they didn't request any loans—perhaps they didn't need them—or because they requested loans but failed to justify them. In the specific case of Chile, when President Allende took office, his Government rejected the priorities that earlier administrations had accorded to projects we were studying.

*But what about the loan you said President Allende had requested?*

You'll find it listed in the document. It's the one for electric power. The date and the reason why it was delayed are given there. The Chilean Government initially requested \$50 million, and when the loan was about to be approved, it asked for an increase to acquire other equipment they could buy more cheaply with funds from our loan than through a credit they had negotiated with the Soviet Union. Then they canceled their arrangement with the Soviet Union and requested the funds from us.

*Did the Military Junta continue the negotiations for this IDB loan?*

Right after the Junta came to power they sent us a communication confirming the priority assigned to that project, so the negotiations continued without any interruption. All this is specified in the memorandum.

*One last question. How much in loans is expected to be granted to Mexico this year? Also, will these be made in soft funds or ordinary resources?*

As I have said, the amount could be about \$200 million and, as usual, there will be a combined use of the two sources of funds.



**The Bank's Lending by Country**  
(Net of Cancellations and Exchange  
Adjustments) In Millions of Dollars

Country	TOTAL
Argentina . . . . .	\$ 936.9
Barbados . . . . .	22.5
Bolivia . . . . .	293.5
Brazil . . . . .	1,973.7
Chile . . . . .	474.4
Colombia . . . . .	688.0
Costa Rica . . . . .	184.6
Dominican Republic . . . . .	206.2
Ecuador . . . . .	327.4
El Salvador . . . . .	161.9
Guatemala . . . . .	253.8
Haiti . . . . .	86.7
Honduras . . . . .	151.1
Jamaica . . . . .	71.6
Mexico . . . . .	1,201.2
Nicaragua . . . . .	143.1
Panama . . . . .	155.3
Paraguay . . . . .	194.0
Peru . . . . .	348.4
Trinidad and Tobago . . . . .	33.8
Uruguay . . . . .	154.3
Venezuela . . . . .	324.9
Regional . . . . .	297.5
<b>TOTAL</b>	<b>\$8,684.8</b>

## LENDING TRENDS

Continuing a trend started in previous years, the Bank in 1975 lent increasing support to its least developed member countries and those of limited markets. These two groups of countries—nine classified as less developed and six classified as having limited markets—received a total of \$562 million in loans from the Bank, the bulk of which were extended on concessional terms.

In accordance with priorities established by its own member countries, the Bank in 1975 gave preferential treatment to regional agricultural development, approving \$332 million in loans—or 24 percent of its loan total—for this sector.

The Report notes that, in addition to the direct loans the Bank extends for agricultural development, a large proportion of the loans it authorizes in other sectors are made directly to benefit the Latin American countryside.

Thus, much of the Bank's lending for the construction of hydroelectric power plants results eventually in benefits to the rural sector through the execution of irrigation and flood control works, which increase farm output, and the installation of electric power facilities which improve the living conditions of farmers.

Similarly, loans for projects in the transportation and communications sector often enhance living conditions in

rural areas through the construction of farm-to-market roads, highways which open up isolated farming areas to new markets, and improved communication facilities.

The Bank, meanwhile, continued to provide substantial financial support to projects in other sectors as well.

During the year the Bank approved \$304 million in loans (22 percent of its portfolio) for projects in the electric power sector; \$303 million (22 percent) in transportation and communications; \$185 million (14 percent) in industry and mining; \$108 million (8 percent) in sanitation, and \$71 million (5 percent) in education.

Urban development projects received \$38 million (3 percent) in Bank loans during 1975, export financing received \$26 million (2 percent) and preinvestment and tourist development received \$5 million and \$3 million respectively (total of 2 percent).

## DISBURSEMENTS

The Report notes that in 1975 the Bank's disbursements on authorized loans amounted to a record \$712 million, exceeding the previous record amount of \$673 million in 1974.

In addition, the net income derived from net payments received by the Bank from its two funds—its ordinary capital resources and its Fund for Special Operations—totaled \$101 million, compared to \$93 million in 1974 and \$71 million in 1973.

During the year the Bank completed its participation in the execution of 53 projects. Its lending investment in these projects amounted to a net total of \$549 million and their total cost to \$2,942 million. As of December 31, 1975, the number of projects completed with the assistance of Bank loans totaled 548, representing total Bank lending of \$3,085 million and a total cost of \$11,265 million. Through 1975, the Bank had authorized 889 loans with a total value of \$8,685 million to help finance projects with a total cost of \$33,423 million.

## DEVELOPMENT TRENDS

In an analysis of regional economic development trends, the Report says that the economic growth in 1974 again exceeded 7 percent for Latin America as a whole.

The rate of 7.2 percent was only moderately lower than the peak 7.7 percent recorded in 1973 because the impact of the international recession of

1974-75 had not been completely felt in the region. Most of the effect of the downturn in the industrialized countries—members of the Organization for Economic Cooperation and Development—was indeed experienced in 1975, and it is estimated that the regional product grew by little more than 3 percent during the year.

But, again due to the known lagged effect on the region of economic performance in those countries, the resurgence of growth in the Northern Hemisphere which began in 1975 will be working favorably for Latin America in 1976, although in such a way that economic expansion should not be expected to show a much higher rate than in 1975.

Overall economic expansion trends in the region over the past few years differ significantly with the experiences of individual countries. For example, indices for the region as a whole indicate a sharp acceleration of product growth, from an average of 5 per cent per annum in 1965-67 to 6.9 per cent in 1968-74. However, most of the increase derived from the evolution of the Brazilian economy, whose rate of growth accelerated from 4.6 per cent in 1961-67 to 10.1 per cent in 1968-74. For the rest of the Latin American countries taken together, the economic growth rose from 5.2 to 5.6 per cent between the two periods.

Other Latin American countries also experienced outstanding economic performance. Ecuador and the Dominican Republic showed an 11 per cent rate of growth in 1970-74 and 1969-74, respectively. Mexico, which from 1962 to 1967 sustained product increases above the regional average, equivalent to an annual rate of 7.4 per cent, saw its economic growth rate lowered to 6.5 per cent per year in 1968-74.

Up to 1969 Panama maintained a generally more rapid pace of expansion than the region as a whole, amounting to 8.1 per cent per year, which dropped over the following five-year period.

On the other hand, Chile, which up to 1971 had expanded by 4.7 per cent per year on the average, underwent a severe economic depression in the following years, with successive product reductions in 1972 and 1973. In 1974 Chile recovered slightly, reaching a level of production similar to that of 1971. Uruguay showed a relatively unfavorable economic development throughout the period, with a virtually stagnant level of total production between 1969 and 1974.



## 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 adopted—were:

### *Fourteenth Inter-American Savings and Loan Conference.* Caracas, Venezuela, March 6-11.

The Conference was sponsored by the National Savings and Loan Bank of Venezuela, the Venezuelan Federation of Savings and Loan Institutions, the *Superintendencia de Entidades de Ahorro y Préstamos de Venezuela*, the Inter-American Union, the Inter-American Savings and Loan Bank, and the following United States organizations: Agency for International Development, United States League of Savings Associations, and the National Savings and Loan League.

The purpose of the Conference was to exchange ideas, to examine policies, operational techniques, and the procedures most recently adopted by the members of the Inter-American Union, to discuss the agenda items under the general theme "Updating Savings and Loan Associations to Meet the Challenges of the Future," and finally, to consider and approve the Union reports on the progress and accomplishments achieved during 1975.

The Union held its annual meeting during the Conference and elected its 1976 Governing Board.

About 300 representatives and observers from Latin America, the United States and other countries attended the Conference.

Yan M. Ross, IDB Alternate Executive Director for the United States, and Eneas Maza, of the Development Finance Institutions Division, Project Analysis Department, represented the Bank as observers.

President Carlos Andrés Pérez of Venezuela

opened the meeting and the Minister of Finance, Dr. Héctor Hurtado, addressed the participants.

Among the recommendations made at this meeting were that savings and loan federations should be strengthened so that the development, promotion, publicity and training programs may benefit large as well as small institutions.

There was a consensus that an effort should be made to encourage the habit of saving among children and young people and that the financing of education programs and other household needs should be contemplated by savings and loan associations.

It was agreed that planning should be given more relevance and that the Inter-American Union should establish prospective planning models and organize seminars on the subject.

Another recommendation was that the system should contemplate the adoption, in conjunction with other public finance institutions, of mechanisms to make low-cost housing available for low-income families, thus alleviating an ever-increasing shortage in this price category.

The Inter-American Savings and Loan Bank (BIAPE), a multinational housing finance bank with headquarters in Caracas, held a special session during the Conference. At that session its President, Luis Carlos Vieira da Fonseca, reported on the work done during the first quarter of the Bank's activities at the organizational stage and to develop its policies and programs.

Next year's conference is scheduled to be held in Washington, D.C.

### *Thirteenth Meeting of the Central American Council on Tourism.* San Salvador, El Salvador, March 24-27.

The meeting, sponsored by the Salvadorean Tourism Institute (ITSU) and the Central American Tourist Integration Secretariat (SITCA), was attended by the directors or managers of the tourist boards of the five Central American countries and Panama.

Representatives of government agencies and dependencies of the six countries—customs, migration, economic planning and civil aeronautics agencies—as well as of the private sector, attended as observers. Norberto Max and Julio César Anzueto represented the Bank.

Among the meeting's resolutions and recommendations were the following:

- To offer greater facilities to foreign visitors entering Central America and to expedite tourism within the region. The use of a single transit card valid for all the countries of the area was recommended with the idea of eliminating formalities which are unnecessary or are sometimes duplicated at the same frontier or at the same port.

- To eliminate the requirement of a vaccination certificate for entry to the Central American area, a formality which has been abandoned in other parts of the world. It is expected that the recommendation, to be submitted to the area's Ministers of Public Health for their consideration, will be approved.

- To increase customs facilities for travelers and to adopt selective and discretionary baggage examination, as is done in Europe and elsewhere, spot checking the baggage of one out of each ten or twenty passengers. As the customs chiefs of the six countries attended the meeting, it is expected that the resolution will be quickly approved and put into effect.

- To study the reduction of air fares within Central America by the six countries' national airlines, none of which belongs to IATA. Airline representatives are scheduled to meet within 30 days to discuss the fare reductions. The aeronautics directors of the six countries will also attend the meeting. A recommendation will be made that governments adopt a common air transport policy, thus greatly simplifying unification of routes and coordination of airline operations in Central America.

- It was agreed to offer SITCA greater economic and institutional support on the basis of the suggestions made by the Organization of American States (OAS) and the Inter-American Development Bank (IDB). For this purpose, closed meetings were held and various factors affecting SITCA operations were considered.

- Council members also agreed on the need to encourage journalists to specialize in tourism. With this in mind, Central American universities which do not offer training for travel careers will be encouraged to establish courses in that field. The establishment of a travel writers' association in each country and, subsequently, of a federation of Latin American and world organizations operating in the field, will be encouraged.

- It was agreed that Central America should be represented as a bloc at the next ASTA (American Society of Travel Agents) meeting, to be held in New Orleans next November. It was also agreed to adopt a Central American promotion post to be selected by a special commission.

The tourist board directors agreed to meet within 90 days in Panama City to consider the results of the resolutions and recommendations adopted at the San Salvador meeting, as well as the scope of the marketing plan to be developed in the United States.

## HONDURAS:

## \$415 MILLION FOR FORESTRY DEVELOPMENT

IDB President Antonio Ortiz Mena on May 15 signed a "Memorandum of Understanding" with officials of the Government of Venezuela and the Government of Honduras establishing the bases for financing an integral forestry development program in the Olancho area of north central Honduras.

The officials signing the document at a ceremony held in the office of the IDB President at the Cancún Convention Center during the Seventeenth Annual Meeting of the Bank's Board of Governors were Constantino Quero Morales, President of the *Fondo de Inversiones* of Venezuela and Porfirio Zavala Sandoval, Minister of Finance and Public Credit of Honduras.

An investment of approximately \$415 million is envisaged under the program. Of that amount, \$338 million will be used to construct several sawmills and a pulp and paper plant; the rest is earmarked for road and infrastructure works.

The pulp and paper plant will turn out 203,000 tons of cardboard and 28,000 tons of corrugated cardboard a year for containers, and the sawmills will produce 450,000 cubic meters of sawed lumber a year.

The program will be executed over a seven-year period beginning with the design, construction and startup of the main sawmill in 1979 and ending with the construction and startup of the pulp and paper plant in 1983. Work on the infrastructure projects will begin at the end of this year.

To execute the program, the Government of Honduras will establish a multinational mixed enterprise in which it and other Latin American investors will hold the major shares.

IDB participation, covering a four-year period beginning in 1977, is expected to amount to about \$103 million, including \$27 million for the acquisition of Honduran stock capital. The Bank will use resources from the Venezuelan Trust Fund established under Bank administration in 1975.



Zavala Sandoval, Ortiz Mena, Quero Morales sign the "Memorandum of Understanding."

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# Loan Contracts for \$122 Million Signed at Cancún Meeting

During the Seventeenth Annual Meeting of the Bank's Board of Governors in Cancún, President Antonio Ortiz Mena and representatives of four Bank member countries signed contracts covering \$122.1 million in loans for development projects in El Salvador, Guatemala, Jamaica and Mexico. The loans involved were the following:

**EL SALVADOR:** \$15 million for agricultural credit.

The loan to El Salvador, approved on January 22, will help finance an agricultural credit program for cooperatives and small farms.

The loan documents were signed by José Roberto Castillo P., President of the *Banco de Fomento Agropecuario (BFA)* of El Salvador, and IDB President Antonio Ortiz Mena.

The loan was extended to BFA, a government bank charged with financing farm activity, from the Social Progress Trust Fund (SPTF), administered since 1961 by the Inter-American Bank for the United States Government. This marks the first operation since 1965 denominated in U.S. dollars charged exclusively to the SPTF and exhausts the dollar availabilities of that fund.

The total cost of the program is estimated at \$23.5 million, of which the Bank loan will cover 63.8 percent and the BFA the remaining 36.2 percent.

The program will benefit an estimated 16,421 farmers in an area of more than 787,000 acres. Of these, it is estimated that 6,138 will be members of cooperatives, 1,431 will be members of agricultural groups or associations, and 8,852 will be individual farmers.

**GUATEMALA:** \$20 million for housing reconstruction.

The loan to Guatemala, approved on May 6, will be used to help finance a program for housing reconstruction and rehabilitation in the country's rural areas.

The loan will be used by the *Banco de Desarrollo Agrícola (BANDESA)*, through the *Fondo Extraordinario Específico de Reconstrucción (FEER)*, to grant credits to individuals, cooperatives or other legally formed associations in the rural sector whose members' homes were damaged or destroyed by the earthquake of February 4.

In addition, the Bank approved \$92,000 in grant technical cooperation to enable BANDESA to strengthen its institutional capacity for executing the program.

The contracts were signed by Jorge Lamport Rodil, IDB Governor for Guatemala and Minister of Finance, and President Antonio Ortiz Mena. Augusto Contreras Godoy, Manager of BANDESA, signed the technical cooperation contracts.

The total cost of the project is estimated at \$25 million, of which the Bank loan will cover 80 percent and the Government of Guatemala the remaining 20 percent.

The resources of the Bank loan will help BANDESA finance the construction or repair of dwellings or the purchase of prefabricated units for the credit beneficiaries; the establishment, repair, or expansion of small units producing construction materials, including the purchase of equipment or tools, provided the units are set up and operated by cooperatives or other types of rural associations and serve to assist the housing reconstruction provided for under the program.

Housing is the most serious problem facing the Guatemalan Government in its efforts to rebuild the country in the wake of the February earthquake, which killed approximately 23,000 persons and injured 77,000

more. An estimated 258,000 dwellings were destroyed or damaged in the earthquake, of which over 141,000 are in villages and settlements.

In addition to giving priority attention to the neediest, the Bank loan will help the national effort to resolve the rural housing problems created by the earthquake, will strengthen the cooperative movement and that of associations of rural producers so that they may form an effective mechanism for reconstruction in the rural sector, and will promote the establishment and rehabilitation of small units producing construction materials to help in the reconstruction effort and to provide employment and income for the affected population.

Since the emergency caused by the earthquake, the Inter-American Bank has provided Guatemala with \$28,000 in technical cooperation for the transfer of four 100-bed field hospitals and has agreed with Guatemalan authorities on the reallocation of some \$34 million in balances available from various current Bank loans to help in the reconstruction effort.

**JAMAICA:** \$5.9 million for education.

On May 17, President Ortiz Mena and David H. Coore, Vice-Prime Minister and Finance Minister of Jamaica, signed contracts for a \$5.9 million loan approved March 18 to help finance the continued operation of the Students' Revolving Loan Fund (SRLF).

The loan, announced May 17, 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 sub-loans 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 percent and the Government of Jamaica the remaining 36.6 percent.

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. The technical cooperation will also be used to formulate socioeconomic methodologies and analysis and evaluation directives; train an SRLF economist in human resources and other socioeconomic methods; update and develop accounting and administrative techniques and program the changing of the semiautomatic accounting system to an electronic data processing system.

**MEXICO:** \$81.8 million for three projects.

On May 20, at the end of the Board's Seventeenth Annual Meeting, Mario Ramón Beteta, Secretary of Finance and Public Credit of Mexico, Gustavo Romero Kolbeck, Director General of *Nacional Financiera, S.A.*, and President Antonio Ortiz Mena, signed contracts covering the following three loans which the Bank's Board of Executive Directors had approved in April and May:

- A \$17 million loan to help finance a new stage in the expansion and improvement of the water supply and sewage systems of Monterrey, the country's third largest city.

- A \$44.8 million loan to help decentralize the dairy industry in the Federal District of Mexico, thereby improving the quality of milk in the nation's capital.



Beteta, Ortiz Mena, Romero Kolbeck sign contracts for \$81 million in loans for projects soon to be undertaken in Mexico.

- A \$20 million loan to help finance the second stage of a project to develop tourism facilities at Cancún, an island off the Yucatán Peninsula.

The loan for expanding and improving Monterrey's water supply and sewage disposal system, announced April 29, was extended to the *Banco Nacional de Obras y Servicios Públicos S.A. (BANOBRAS)*. It will be used by *Servicios de Agua y Drenaje de Monterrey (SADM)*, the state water and sewage agency, to service an additional 575,000 persons in the metropolitan area.

The total cost of the project is estimated at \$45,030,000, of which the Bank loan will cover 37.8 percent and local sources the remaining 62.2 percent.

Completion of the project is expected to increase the production flow of water in the metropolitan area from approximately 7,900 liters to 10,700 liters per second by 1981, a gain of 35 percent, and to increase the number of house connections from about 179,000 to 290,000, a gain of 60 percent.

The \$44.8 loan, announced May 6, was extended to the *Nacional Financiera, S.A. (NAFINSA)*, and will be used by the *Banco Nacional de Crédito Rural (BNCR)*, Mexico's national rural credit bank, to develop a new dairy shed in the municipality of Tizayuca, State of Hidalgo, located 33 miles from the Federal District, as the first step in the elimination of dairy operations in Mexico City and environs.

The total cost of the program is estimated at \$89.6 million, of which the Bank loan will cover 50 percent and the Mexican Government the remaining 50 percent.

The program will be carried out by the BNCR acting through a trust fund named the Program of Decentralization of Dairy Operations in the Federal District (PRODEL).

Approximately 695 dairy farms with 35,700 cows and an output of some 300,000 liters of milk per day are operating at present within the Mexico City urban area, producing traffic congestion, environmental pollution and the transmission of disease to area residents from infected animals and the consumption of raw milk from these cows.

Execution of the program will increase the quality and the sanitary condition of the milk consumed and will reduce the projected deficit in total demand for milk in the capital city to 5 percent in 1985 compared to an estimated 17 percent in 1976.

The loan to help finance the second stage of a project for the development of tourist facilities at Cancún, also announced on May 6, was extended to *Nacional Financiera* as trustee of the Fund for Tourism Development

(Continued on next page)





## **PORTRAIT OF MEXICAN INDEPENDENCE HERO PRESENTED TO THE IDB**

A portrait of Miguel Hidalgo y Costilla, hero of Mexico's struggle for independence, now hangs at the Inter-American Development Bank beside the portraits of two other heroes of the region's wars for independence—Simón Bolívar and José de San Martín.

The portrait, by Mexican painter Gabriel Flores, was commissioned by *Nacional Financiera (NAFINSA)*, one of the government agencies charged with negotiating foreign loans, and presented on behalf of the Government and people of Mexico to IDB President Antonio Ortiz Mena on May 20 at the close of the Seventeenth Meeting of the Bank's Board of Governors in Cancún. The presentation was made by Mario Ramón Beteta, Chairman of the Meeting and Secretary of Finance and Public Credit of Mexico.

At the presentation ceremony, Gustavo Romero Kolbeck, Director General of *Nacional Financiera*, said, "We are keeping a commitment which José López Portillo, then Secretary of Finance and Public Credit and Governor

for Mexico on the Board of Governors of the Inter-American Bank, made at the Sixteenth Meeting of the Board. At that time he stated that *Nacional Financiera* would present the Bank with a work of art as an expression of the appreciation of the Government and people of Mexico for the work the Bank has done in our countries since its establishment."

Mr. Kolbeck said that Mr. López Portillo had chosen a portrait of Hidalgo as an appropriate theme for the gift to the Bank. "Hidalgo, together with Bolívar, San Martín, Sucre, Artigas, O'Higgins, and our other founding fathers, gave content and direction to our people's longing for liberty, not with a nearsighted, sterile spirit of isolation, but with a clear vision of an integrated America free of selfish barriers.

"In our time, the IDB is an example of that integrating and progressive effort, and it would be difficult to find a better place for the Liberator of Mexico to be included with leaders who had the insight to perceive the urgency of American unity."

## **MEXICAN NEWSMEN VISIT IDB**

Twenty Mexican journalists came to Washington, D.C. in mid-April to visit the Inter-American Bank at the invitation of its President, Antonio Ortiz Mena.

Mr. Ortiz Mena invited the group to visit the Bank shortly before the recent Meeting of the institution's Board of Governors at Cancún so that the Mexican information media could have first-hand information on the Bank's objectives, its loan and technical cooperation activities, its general policies, and its administrative and capital structure.

At the Bank the visitors met with President Ortiz Mena and Jesús Rodríguez y Rodríguez, IDB Executive Director for Mexico. They also met with various officials for briefings on various aspects of the Bank's operations. They interviewed José Juan de Olloqui, Ambassador from Mexico to Washington, and Rafael de la Colina, Mexico's Ambassador to the Organization of

American States (OAS). They also interviewed World Bank and International Monetary Fund officials who deal with Mexican operations.

The visitors included Antonio Isse Núñez, of *Novedades*; Luis de Cervantes, of *Excelsior*; Gregorio Rosas Herrera, of *El Correo Económico*; Humberto Young Coral, of *El Nacional*; Carlos AVECILLA, of *La Prensa*; Jesús Cedeño Posas, of *La Afición*; Patricio Cervantes, of *Ovaciones*; Federico de León, of *Avance Diario Cancún Caribe*; Mario Quintero, of *El Universal*; Hugo Gómez Bulnes, of *El Día*; Joaquín López Dóriga, of *24 Horas, Televisa*; Jaime Maraboto, of *Asociación de Editores de los Estados*; Jorge Muñoz Menéndez, of *Diario de Yucatán*; Roberto Noriega González, of *El Sol de México*; Juan Rodríguez Gómez, of *Informex*; Raúl Rodríguez, of *Avance*; Fernando Sotres, of *Notimex*; Angel Torres G., of *Diario de México*, and Jesús Rangel, of *El Heraldo de México*.

(Continued from page 7)

(FONATUR) and will be used to consolidate infrastructure works and tourism and urban facilities in Cancún and vicinity.

The total cost of the project is estimated at \$49.5 million, of which the Bank loan will cover 40.4 percent and the Mexican Government the remaining 59.6 percent.

Completion of Stage II of the Cancún development project will consolidate the infrastructure required to accommodate a growing tourist population up to 1980, when an estimated 4,200 hotel rooms will be available, and to provide the basic urban services for a stable population estimated at 35,000 persons who will attend to the care and servicing of the hotels and most of whom will live outside of the tourist area.

In 1975, the first year of Cancún's operation as an international tourist center, 99,450 tourists visited the area and stayed in its hotels. As hotel construction continued during the year, the number of hotel rooms increased from 303 in January to 1,322 in December, and to 1,500 at present.

## **APPOINTMENTS**

Antonio Ortiz Mena, President of the Inter-American Bank, announced the appointment of Cristián Santa Cruz as Representative in Colombia, effective May 17.

Mr. Santa Cruz, a Chilean, is a graduate of the University of Chile, where he majored in juridical and social sciences and took specialized courses in economics. In 1958 he received his title as a lawyer from the Supreme Court of Chile.

Mr. Santa Cruz began his professional career at the United Nations Economic Commission for Latin America (ECLA), and in the practice of law. Later he became assistant professor for the University of Chile's Seminar on Economics, and Legal Advisor of the *Corporación de Fomento de la Producción* in Santiago.

He joined the Bank in 1960, the year it was founded, as a loan officer. Since then he has served as Area Chief of the Loan Division and as Integration Assistant, Export Financing Advisor and General Consultant of the Operations Department.

At the time of his most recent appointment he was Chief of Division 4 (Colombia, Ecuador and Venezuela) of the Operations Department.

Mr. Ortiz Mena also announced the appointment of Rajmiel Odinec as Chief of Division 4, Region II, in the Operations Department as of June 1.

Mr. Odinec, a Mexican national, attended the *Instituto Tecnológico y de Estudios Superiores de Monterrey*. He graduated from the University of California in Los Angeles, with a major in economics and from George Washington University in Washington, D.C., from which he received an M.A. in economics.