

MEXICO

LOAN TO NACIONAL FINANCIERA, S. A. CANCUN TOURISM DEVELOPMENT PROJECT

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REPUBLIC OF MEXICO

SUMMARY OF THE PROPOSED LOAN TO NACIONAL FINANCIERA, S. A.

CANCUN TOURISM DEVELOPMENT PROJECT

1. Borrower: Nacional Financiera, S.A. (NAFIN).
2. Executing Agencies: The project would be executed by the following agencies: a) Fondo de Promoción de Infraestructura Turística (INFRATUR), a trust of the Banco de México, S.A., established on May 22, 1969, which would also act as supervisory agency for the works and coordinator of the other participating agencies; b) Department of Public Works (SOP), and c) Department of Water Resources.
3. Amounts and Currencies: Up to the equivalent of US\$21.5 million of which up to US\$16.1 million would be disbursed in dollars and other currencies that are part of the Bank's ordinary capital resources (except Mexican pesos), including up to the equivalent of US\$6.44 million that would be disbursed in currencies of nonmember countries and up to the equivalent of US\$5.4 million in Mexican pesos. 1/
4. Source of Funds: The Bank's ordinary capital resources.
5. Terms, Interest, Charges, Disbursements and Currencies of Payment:
 - a. Terms: The loan would be amortized within a term of 18 years from the date of signature of the loan contract, by means of 30 consecutive semiannual installments in approximately equal amounts, the first of which would be payable 3-1/2 years after the date mentioned.
 - b. Interest: 8% per annum, payable, semiannually on outstanding balances, with the first payment due six months after the contract date. 2/
 - c. Commitment Fee: 1-1/4% per annum, payable semiannually on the undisbursed portion of the loan, commencing to accrue 60 days after the date of the contract. 2/

1/ Exchange rate: US\$1.00 = Mex\$12.50.

2/ For the equivalent of up to US\$6.44 million to be disbursed in the currency of nonmember countries, the commitment fee would be 2% and the service charge 1/2 of 1% per annum.

- d. Disbursement Period: The loan would be disbursed in a period of three years.
 - e. Currencies of Payment: Payments of principal and interest would be made proportionately in the currencies disbursed. The commitment fee would be paid in the respective currencies committed and on the same dates as the interest.
6. Guarantee: The joint and several guarantee of the United States of Mexico.
7. Description: The project would consist principally of construction of a tourism city on the coast of the Territory of Quintana Roo, on the Yucatan Peninsula. The project would comprise the area lying between Puerto Juárez and Tulum, with Cancun Island, where most of the programmed works would be executed, serving as the major pole, in addition to smaller investments for environmental sanitation on Isla Mujeres. For fulfillment of this purpose, it is proposed to execute the following tourism infrastructure subprojects:
- a. Transportation subproject: This would include: i) construction of an international airport located approximately 17 km. from the junction of the Puerto Juárez-Tulum and Puerto Juárez-Mérida highways; ii) a bridge approximately 80 meters long to link the island with the mainland; iii) expansion and improvement of the Puerto Juárez dock; iv) dredging and filling work, and v) acquisition of a ferry for passenger service.
 - b. Sanitary engineering subproject: This would include: i) construction of a water supply system designed to meet the needs of an estimated future population of 40,000; ii) construction of a full treatment sewerage system for the same population, and iii) elimination of harmful flora and fauna, as well as insect pest control, collection and disposal of solid wastes in Cancun and environmental sanitation at Isla Mujeres.
 - c. Electrification subproject: This would call for the construction of a 150-km. transmission line, substations and terminal stations at either end of the transmission line and the overhead and underground distribution networks required for 5,000 household connections and a public lighting system.
 - d. Telephone subproject: This would include installation of a telephone exchange with an ultimate capacity of 1,000 lines and long-distance connections.
 - e. Fuel supply subproject: This would cover the construction of two service stations for the supply and sale of fuels.

- f. Urbanization subproject: This would include: i) the construction of streets and avenues; ii) urbanization works, including construction and paving of interior and peripheral streets; iii) development of the tourism area, including street paving, improvement, maintenance of parks, gardens and plazas, and iv) development of the commercial tourism area, including construction of a convention center and related services.

An 18-hole golf course and its club house would also be built and archaeological restoration of the Mayan ruins at Tulum and in the zone carried out

The project would cover the acquisition of materials, equipment and land; employment of labor; technical and administrative supervision; contingencies, and tourism promotion. The project would also include US\$3,679,000 representing the financial costs during execution and the contribution to the Bank's Inspection and Supervision Fund.

As a supplement to the infrastructure investments listed above, the private sector would participate in the construction of 750 first-class hotel rooms at an approximate cost equivalent to US\$15,000 per unit. The federal government would also ensure, by means of existing mechanisms, the construction of 670 housing units for an initial population of 4,000, whose principal source of employment would be the tourism area. The construction cost of this housing was estimated at the equivalent of US\$3.5 million.

8. Total Project Cost: The total cost for project infrastructure is estimated at the equivalent of US\$47.1 million, apportioned as shown in the following breakdown:

<u>I t e m</u>	(Equivalent in US\$ thousands)		<u>Total</u>	<u>%</u>
	<u>Foreign</u> <u>Currency</u> <u>Costs 1/</u>	<u>Local</u> <u>Currency</u> <u>Costs</u>		
I. <u>Construction Costs</u>				
a. <u>Transportation subproject</u>	5,337	6,889	12,226	25.96
- Airport	3,203	6,397	9,600	20.38
- Bridge	63	153	216	0.46
- Dredging and filling	1,608	284	1,892	4.02
- Ferry	450	-	450	0.96
- Puerto Juárez dock	13	55	68	0.14
b. <u>Sanitation subproject</u>	918	3,904	4,822	10.24
- Water Supply	315	2,229	2,544	5.40
- Sewerage	498	1,301	1,799	3.82
- Environmental sanitation	105	374	479	1.02
c. <u>Electrification subproject</u>	1,405	1,914	3,319	7.05
d. <u>Telephone subproject</u>	480	640	1,120	2.38
e. <u>Fuel supply subproject</u>	81	47	128	0.27
f. <u>Urbanization subproject</u>	944	3,631	4,575	9.71
g. <u>Other costs 2/</u>	-	910	910	1.93
Construction costs subtotal	9,165	17,935	27,100	57.54
II. <u>Engineering and Administration</u>	54	2,758	2,812	5.97
III. <u>Price Increases</u>	1,133	2,178	3,311	7.03
IV. <u>Contingencies</u>	1,524	3,014	4,538	9.63
V. <u>Land Acquisition</u>	-	960	960	2.04
VI. <u>Publicity and Promotion</u>	-	2,000	2,000	4.25
VII. <u>Project Administrative Costs</u>	-	2,700	2,700	5.73
VIII. <u>IDB Inspection and Supervision</u>	215	-	215	0.46
IX. <u>Financing Costs</u>	1,722	1,742	3,464	7.35
TOTAL (from I to IX)	13,813	33,287	47,100	100.00
Percentage	29.33	70.67	100.00	

1/ Includes US\$7,839,244 estimated as the indirect foreign currency cost.

2/ Includes a golf course with its club house and the archaeological restoration work.

9. Financing Sources: The project would be financed as shown below:

(Equivalent in US\$ thousands)

	<u>Currencies of Origin</u>		<u>Currencies of Use</u>		<u>Total</u>	<u>%</u>
	<u>Foreign</u>	<u>Local</u>	<u>Foreign</u>	<u>Local</u>		
a. <u>IDB-OC</u>	16,100 ^{1/}	5,400	11,238 ^{2/}	10,262 ^{1/}	21,500	45.65
b. <u>Local Contribution</u>	-	25,600	2,575	23,025	25,600	54.35
i. <u>Federal Government</u>						
Directly through the Department of Public Works, Department of Water Resources and Federal Electric Power Commission						
	-	10,385	2,446 ^{3/}	7,939	10,385	22.05
ii. <u>Federal Government</u>						
Through INFRATUR						
	-	15,215	129 ^{4/}	15,086	15,215	32.30
Total (a + b)	<u>16,100</u>	<u>31,000</u>	<u>13,813</u>	<u>33,287</u>	<u>47,100</u>	<u>100.00</u>
Percentage	<u>34.18</u>	<u>65.82</u>	<u>29.33</u>	<u>70.67</u>	<u>100.00</u>	

10. Justification: The project is consonant with the purposes of the Comprehensive Tourism Development Plan, prepared in 1968, which constitutes the policy adopted by the federal government for, among other aspects, improving and diversifying present national tourism centers and creating new centers to attract a maximum number of tourists to Mexico and encourage domestic tourist travel with the consequent benefits to the national economy. The project works were designed in keeping with these purposes and will also exert a favorable impact on the economic and social development of the project area of influence.

^{1/} The foreign currency allotted to finance local costs (US\$4,862,000) represents 30.2% of the loan in foreign currency.

^{2/} Includes US\$7,839,244 estimated as indirect foreign currency costs.

^{3/} Includes US\$1,722,000 representing foreign currency financing costs during the execution period and US\$724,000 representing the imported component for construction of the electric power transmission line from Tizimín to Puerto Juárez.

^{4/} Represents INFRATUR's direct foreign currency costs during construction.

Each of the subprojects was prepared on the basis of modern engineering and architectural practices, with studies, designs, plans, specifications and budgets establishing their technical and operational feasibility. The level of preparation of these documents would make possible an early start on the process of bidding on construction works. The technical solutions adopted represent the cheapest alternatives and are based on the outcome of technical studies. The project cost includes an item equivalent to US\$3.3 million to cover possible price increases during the execution period and an item of US\$4.5 million for contingencies, representing 12.2% and 16%, respectively, of construction cost. It should be noted that 63.7% of the project construction cost represents works to be undertaken through two federal departments and the Federal Electric Power Commission, which are government agencies of recognized standing in their fields of activity. ^{1/} Execution of the project has been scheduled in reasonable stages of construction consistent with implementation of the investment schedule.

The project would be executed by: (a) the Fondo de Promoción de Infraestructura Turística (INFRATUR), established in 1969 to promote and execute tourism infrastructure works supplementing other federal government investments; (b) the Department of Public Works, and (c) the Department of Water Resources. The coordination system established for the construction works is considered satisfactory. On the government level, this would be the responsibility of the Presidential Secretariat, with the participation of the Investment and Finance Subcommittee through allocations of funds authorized by these agencies; on the operating level, it would be the responsibility of INFRATUR.

No problems are anticipated in prompt provision of the local matching resources, which would be furnished entirely by the federal government through the agencies participating in project execution. The consolidated flow of annual funds for the project, prepared on the basis of a 13-year projection including the construction period, shows a progressive surplus which, by the thirteenth year, would be equivalent to US\$15.13 million, giving an average of nearly US\$1.2 million per annum. The flow of funds for INFRATUR, the principal executing agency and subsequent administrator of the new tourism center, records a cumulative surplus equivalent to US\$7,558,000 over the period mentioned.

During project execution, construction would also be started on 750 hotel rooms with an average cost approximately equivalent to US\$15,000 per unit, possibly with private financing (chiefly large hotel companies)

^{1/} The Department of Public Works and the Department of Water Resources have satisfactorily executed several programs financed by the IDB (see Chapter III). The Federal Electric Power Commission has executed projects financed by the IBRD totaling US\$542.8 million.

and 670 housing units for an initial population of 4,000 (hotel service personnel and their families), to be financed by the federal government through existing mechanisms with resources other than those earmarked for the project, at an estimated cost equivalent to US\$3.5 million. (See proposed resolution.)

The tourism industry in Mexico has for several years been an outstanding factor in the country's economic development, for in addition to functioning as a net generator of foreign exchange whose direct impact is reflected in the balance of payments and the gross national product, it has been an important source of employment. In 1970, Mexico ranked among the first five countries in the world in number of tourists. In that year, revenue from tourist travel inside the country and border transactions produced gross receipts equivalent to US\$1.454 billion, exceeding mercantile exports, which were equivalent to US\$1.368 billion.

Mexico's privileged position with regard to world tourism has helped to ease the deficit on current account recorded in the country's balance of payments since 1955. In 1970, the deficit came to almost the equivalent of US\$850 million, or nearly 30% of total revenue on current account. Tourism has partially offset this situation, since in 1960-70 it accounted for a cumulative net revenue in foreign exchange of over US\$3.335 billion. The importance of tourism in the gross national product is moreover in direct proportion to the multiplier effect of tourist expenditures in Mexico, since recent studies estimated that this factor might be around 4; tourist spending also generates additional investments in the country's productive sectors.

The tourism industry is also an important source of employment. A survey by the Banco de México, S.A. revealed that in 1970 over 190,000 persons were employed in activities relating to the tourism sector; in other words, every 10 tourists visiting the country would have created one job. In addition, the study of the multiplier factor estimates that for every million-peso increase in tourist spending inside the country, an average of 45.6 direct and 160 indirect jobs are created.

Because of the importance of the tourism industry to Mexico and in fulfillment of the objectives set forth in the Comprehensive Tourism Development Plan, which includes the establishment of new tourism centers to expand the flow of tourists into Mexico, the federal government proposes to finance infrastructure works which would, in turn, serve as a catalytic agent in mobilizing the private sector to make the supplementary investments needed for construction of hotels and other facilities.

The proposed project was prepared in the light of these two aspects and designed for the purpose of attracting primarily tourists seeking a change of climate, that is, a warm sunny climate combined with beaches, luxury hotels, transportation facilities and water sport facilities. The works would be executed on Cancún Island, located on the Yucatan

Peninsula, which, because of its natural beauty, proximity to principal tourism markets and Mayan cultural and historical attractions, offers the conditions required for project success.

It was estimated that approximately 117,000 tourists will visit Cancún Island in the first year of full operation, by the eighth year (1980), they would number approximately 252,000 persons. On the basis of these estimates, project execution would provide the following benefits:

- a. A favorable impact on the balance of payments, since it would produce net earnings of approximately US\$14 million in the first year of full operation and total the equivalent of US\$25.8 million by 1980.
- b. A substantial source of employment. Hotel construction would represent an estimated 1,245 jobs in the first year of operation and up to 2,700 jobs by 1980. Fifty-five per cent of these jobs would be held by area residents with no particular skills (waiters, porters and others) and 45% by semiskilled service personnel.
- c. A favorable impact on economic development of the Yucatan Peninsula, which, as one of Mexico's economically depressed areas with a severe unemployment problem, would be benefited by the demand for agricultural products to be generated by the new tourism center. Applying the same index utilized in the abovementioned survey of the Banco de México, S.A., with every million pesos spent by tourists calculated to create 45.6 new direct and 160 indirect jobs, the project would directly create 12,300 jobs in 1975, which, through annual increases would amount to 17,350 in 1980.

Indirect jobs are estimated to exceed 54,000. It is reasonable to expect that, although these figures may prove optimistic, employment opportunities in the Yucatan Peninsula resulting from the demand for agricultural products and services required by the Cancún tourism center cannot fail to show a substantial increase.

- d. It is expected that many of the tourists visiting Cancún will visit the Mayan ruins located on the Yucatan Peninsula, ^{1/} which would increase and distribute tourist spending throughout the region. Execution of the project could raise the gross product of the entire region by the equivalent of US\$10 million in 1975 and possibly US\$20 million in 1980, signifying increases of 300% and 600%, respectively, over the gross product recorded in 1963.

Finally, it should be emphasized that the internal rate of return was estimated on the basis of 48 different combinations and alternatives. Likewise, the individual results were subjected to a sensitivity analysis, and it was concluded that the project would have a satisfactory earning capacity, since this internal rate of return has a minimum index of 16% and a possible index of 24%, with the probable index around 20%.

^{1/} Tulúm, Cobá, Chichen Itzá and Uxmal.

11. Recommendations: On the basis of the Project Committee's conclusions that the project is justified from the technical, economic and financial standpoints, the Operations Department submits the respective loan document to the President of the Bank for consideration and subsequent presentation of the corresponding proposed resolution to the Board of Executive Directors for approval.

PROJECT ANALYSIS

NACIONAL FINANCIERA, S. A.

MEXICO

CANCUN TOURISM DEVELOPMENT PROJECT

I. INTRODUCTION

A. Background

- 1.01 Mexico's natural and historical attractions have encouraged a massive flow of tourists which have placed it, particularly in the last 10 years, in the top rank of developing countries visited by world tourism. The impact of the tourism industry can be measured quantitatively by its effect on the balance of payments and the gross national product. This industry also provides singularly important additional benefits.
- 1.02 Up until a few years ago, development of the tourism sector in Mexico required only the participation of state and municipal governments, with regard to the construction of basic infrastructure for tourism activities. In view of the present heavy demand in the major tourism centers in Mexico, however, the federal government in 1968 prepared a Comprehensive Tourism Infrastructure Program for the purpose of: i) expanding and improving the infrastructure of existing tourism centers, 1/ and ii) promoting and executing infrastructure works in new tourism centers aimed, among other objectives, at obtaining a larger flow of foreign currency earnings to the country to improve its balance of payments on the short and medium term.
- 1.03 The federal government requested the Banco de México, S. A., which, as the central bank, regulates the issuance and circulation of currency, foreign exchange and management of national monetary reserves, to analyze the various alternatives designed to attain the objectives referred to in the preceding paragraph. As a result of this analysis, the Banco de México, S. A., proposed the establishment of a financial mechanism duly authorized to implement a program consisting of the development of new tourism centers. In 1969, the Fondo de Infraestructura

1/ In 1970, extension work on the international airport in Acapulco was completed and in April 1971 the facilities for expansion and improvement of the water supply and sewerage systems entered into service.

Turística (INFRATUR) was set up with the purposes and institutional structure summarized in Chapter III hereof.

- 1.04 It should be noted that this new fund supplements the efforts made by the federal government through the establishment over the past 30 years of several agencies responsible for other functions relating to tourism, as follows:
- Department of Tourism: This department is responsible primarily for applying the Federal Tourism Law and its by-laws; establishing, on the national level and/or abroad, the tourist offices deemed necessary; coordinating measures for development and protection of tourism with the federal departments and other state and municipal departments and authorities to ensure coverage of the fundamental tourism interests within the competence of each; establishing rates for services designed for the tourism trade and controlling the application of prices and rates governing tourism services. In fact, this department operates fundamentally on a domestic basis, to encourage tourism within Mexico. Its functions in conformity with the Law on Federal Departments currently in force in Mexico, which was enacted on December 24, 1958.
 - National Tourism Council: The Council was established in 1939 to promote tourist travel to Mexico on the international level. Its functions are performed through offices located in the United States, Paris, Rome, Zurich, Madrid and recently in Managua, Nicaragua.
 - Tourism Guarantee and Development Fund: This was established in 1956 as a trust of Nacional Financiera, S. A., for the purpose of extending financial aid to the national private hotel industry for promotion and development of existing tourism centers. This fund has extended financing to hotel and tourism service companies for the equivalent of US\$35.3 million.
- 1.05 During the Meeting of the Board of Governors of the IDB in April 1968, the Secretary of Finance and Public Credit of Mexico proposed to the President of the Bank the possibility of participating in the financing of a program of infrastructure works to help develop Mexican tourism. Subsequently, during the visit of Bank missions to Mexico in November 1968 and February 1969, conversations continued with the authorities of the federal government concerning the possible presentation of a tourism program.

- 1.06 In August 1969, the federal government, through the Banco de México, S. A., officially expressed its intention of submitting a proposal for financing of a tourism development project on the coast of the Territory of Quintana Roo, specifically on Cancún Island, for consideration by the IDB.
- 1.07 Later, in accordance with established procedure, the Bank Management submitted to the Board of Executive Directors for consideration the background material and the Mexican Government's preliminary proposal for partial financing of the project mentioned in paragraph 1.06 above ^{1/}. The Board of Executive Directors, in its meeting on December 11, 1969, authorized the Management to continue conversations with the Mexican authorities on study and analysis of the prospective loan operation.

B. Application

- 1.08 On March 18, 1970, Nacional Financiera, S. A., in the name of the federal government, submitted a loan application to the Bank for the equivalent of US\$17 million (US\$12.8 million from the ordinary capital resources and US\$4.2 million from the Fund for Special Operations) to finance part of the Cancún tourism development project.
- 1.09 In July 1970, in view of the loan application submitted to the Bank, an operations mission was sent to Mexico to evaluate in the field the information received and analyze the scope of the project proposed by the federal government. This mission, pursuant to its objectives, discussed with the Mexican authorities the scope of the proposed project and made considerable progress in its appraisal, requesting that additional information be supplied to supplement analysis of a possible loan operation.
- 1.10 Mexican delegations visited Bank headquarters in November 1970 and again in January and February 1971 to furnish the missing information. They also informed the Bank that, owing to adjustments in project cost, the loan application would be increased to the equivalent of US\$23.8 million (US\$17.8 million from the ordinary capital resources and US\$6 million from the Fund for Special Operations). The Bank Management informed these delegations that after an analysis of project financing and other pertinent factors, it had been concluded that the proposed loan should be considered in its entirety as chargeable to the ordinary capital resources. By means of a letter dated April 17, 1971, Nacional Financiera, S. A., made formal application for an increase in the credit application up to the equivalent of US\$25 million in ordinary capital resources of the Bank.

^{1/} Document PR-400 of November 25, 1969.

The figure proposed herein results from the operation analysis and was duly reported to Nacional Financiera, S. A.

- 1.11 Finally, it should be noted that the federal government attaches highest priority to tourism development projects and several times during analysis of the proposed operation the Mexican authorities have confirmed the importance assigned to execution of the project in question within public investments. During the Operation Manager's recent visit to Mexico (April 1971) the project's priority and its importance to the Mexican economy were emphasized by both the Department of Finance and the Banco de México, S. A.
- 1.12 With regard to the project under consideration, no technical assistance on a contingent recovery basis has been authorized.

II. THE BORROWER

A. Description, Origin and Purposes

- 2.01 The loan would be made to Nacional Financiera, S.A. (NAFIN), an administratively autonomous, "mixed" (public and private) corporate entity with a separate capital structure, headquartered in Mexico City, which is responsible for the negotiation and contracting of external credits for public agencies backed by the guarantee of the United States of Mexico.
- 2.02 NAFIN was established by a decree of December 27, 1933 and by public deed of June 30, 1934, for the purpose, among others, of serving as a mechanism for mobilizing and reintegrating within the private economy the properties to be awarded by the State and those which, pursuant to special laws, could no longer continue to form part of the net worth of deposit banks, as well as serving as an auxiliary credit institution to encourage and channel the investment of capital into the private sector, with a view to creating a national securities market.
- 2.03 A law enacted on December 31, 1947, and later a Presidential Decision of November 1959, confirmed the authority of NAFIN to obtain and manage external development credits, acting as financial agent of the federal government and with the guarantee of the United States of Mexico. In line with this authority, the federal public agencies generally use the services of NAFIN when their projects are to be financed with resources from abroad, and may participate jointly with NAFIN in the corresponding negotiations. 1/
- 2.04 As a result, every request for reimbursement or disbursement progress report, statement of expenditures, etc., having to do with the use of resources obtained abroad in the manner noted above must be channeled through the established mechanisms in Nacional Financiera, S.A.

B. Organization and Administration

- 2.05 NAFIN, whose legal and financial characteristics and structure have been studied and analyzed by the IDB as a result of 46 loans granted to it thus far, is managed by a Board of Directors consisting of seven members chosen by the General Shareholders' Assembly, of whom three are elected by the votes cast by the government and four by those of the private sector (credit, insurance and financial institutions). The Secretary of Finance and Public Credit serves, ex-officio, as Chairman of the Board of Directors.

1/ For more information concerning the legal capacity and powers of NAFIN, see document DED/61/74, Appendix II, Rev., of April 12, 1961 (Loan 19/OC-ME).

- 2.06 The Board has the power to appoint and remove the Director General of NAFIN, who heads the staff and is responsible for the operations of the institution. The Director General is assisted in the performance of his duties by three Deputy Directors (Executive Vice Presidents), who are responsible for: i) the units preparing projects for international financing and contracting and handling external credits as agents of the federal government and/or on their own account; ii) the units analyzing and initiating industrial financing and promotion projects, executing and handling issues of securities on the national market, making investments in industrial and public securities and sales investments on the national market, and iii) the units performing accounting and control functions and handling the credits granted to industrial enterprises and public agencies. In addition, the Legal Office, the Trust Office and the Administrative Office, each assigned the functions inherent in its field of activities, have been established directly under the Director General.
- 2.07 NAFIN has an internal auditing office in the Comptroller General's Department and 14 professional staff members who are responsible for continuing internal audit of the organization.

C. Economic and Financial Structure

- 2.08 Within the Mexican banking system, NAFIN is, after the Bank of Mexico, the organization handling the largest volume of financial resources. Its total assets (amounting, as of June 30, 1970, to the equivalent of approximately US\$2,480 million) place it among the largest financial institutions in Latin America.

1. Capital and Reserves Position

- 2.09 NAFIN's authorized capital amounted originally to 20 million Mexican pesos, of which 3 million pesos were subscribed in cash and the balance consisted of real properties.
- 2.10 In February 1961, when NAFIN's financial position and its role as a development institution within the Mexican economy were fully consolidated, the authorized capital was increased to 1.3 billion Mexican pesos (US\$104 million), and its Series B shares, representing 49% of the authorized capital stock, were offered for public subscription. The government retained the Series A shares, representing the other 51%. By June 30, 1964, the entire amount of authorized capital had been paid in.

- 2.11 As of June 30, 1970, the net capital structure of NAFIN and its evolution over the past three years was as follows:

(In units equivalent to US\$ thousands)

	<u>6/30/68</u>	<u>6/30/69</u>	<u>6/30/70</u>
Paid-in capital <u>1/</u>	104,000	104,000	104,000
<u>Plus</u>			
Legal and other reserves	20,414 <u>2/</u>	22,804 <u>2/</u>	25,697 <u>2/</u>
Surplus arising from evaluation of properties	841	841	841
Earnings unallocated	208	208	208
	<u> </u>	<u> </u>	<u> </u>
Net capital	<u>125,463</u>	<u>127,853</u>	<u>130,746</u>

- 2.12 There was no change during the fiscal period ending June 30, 1970, in the authorized capital, which, as indicated in paragraph 2.11, is fully paid in. Reserves rose by 12.7% and net capital by the equivalent of US\$3.1 million, or 2.2%.

2. Financial Position

- 2.13 The following table summarizes NAFIN's financial statements at the close of the fiscal years ending June 30, 1968, 1969 and 1970.

1/ Distributed as follows:

6,630,000 shares Series A, equivalent to US\$8.00 each	53,040,000
6,370,000 shares Series B, equivalent to US\$8.00 each	50,960,000
	<u> </u>
Total	<u>104,000,000</u>

- 2/ Includes transfer of net earnings for the period to reserves after payment of dividends and other allocations.

Consolidated and Comparative
Summary of General Statements

(In units equivalent to US\$ millions)

<u>Item</u> <u>1/</u>	<u>6/30/68</u>		<u>6/30/69</u>		<u>6/30/70</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
ASSETS						
Availabilities (cash and banks)	14	0.7	11	0.5	10	0.4
Stocks and bonds (net)	520	26.9	301	14.5	328	13.2
Portfolio (total)	1,348	69.8	1,719	82.5	2,073	83.7
Miscellaneous receivables, etc.	32	1.7	37	1.8	48	1.9
Furniture and equipment (net)	1	-	1	-	1	-
Properties and shares of Sociedad Inmobiliaria (net)	4	0.2	5	0.2	5	0.2
Deferred charges	12	0.7	111	0.5	15	0.6
Total Assets	<u>1,931</u>	<u>100.0</u>	<u>2,085</u>	<u>100.0</u>	<u>2,480</u>	<u>100.0</u>
LIABILITIES						
Bonds and obligations	525	27.2	636	30.5	767	30.9
Deposits and other demand obligations	61	3.2	47	2.3	53	2.1
Bank borrowings and other term obligations	1,152	59.7	1,185	56.9	1,451	58.6
Miscellaneous accounts	55	2.8	76	3.6	65	2.6
Net worth	126	6.4	128	6.1	131	5.3
Earnings	12	0.7	13	0.6	13	0.5
Total Liabilities and Net Worth	<u>1,931</u>	<u>100.0</u>	<u>2,085</u>	<u>100.0</u>	<u>2,480</u>	<u>100.0</u>

1/ NAFIN's fiscal year runs from July 1 to June 30.

2.14 On the basis of the figures for the financial statements to June 30, 1970, the ratio of total liabilities to net capital has been established at 16.2 to 1, which is considered to be acceptable in view of the nature of NAFIN activities. This index has increased in comparison to the preceding fiscal years (12.9 to 1 in 1968 and 13.7 to 1 in 1969), as a result of which total bank loans and other term obligations rose by 22.4%. These items, aggregating the equivalent of US\$1.451 billion, account for 62.1% of total NAFIN liabilities, while their ratio to net capital increased from 8.41:1 as of June 30, 1969, to 10.08:1 on the same date in 1970. These indices are considered acceptable taking into account NAFIN's status as a development agency which acts as financial agent of the federal government with the full and/or subsidiary guarantee of the latter.

2.15 Receipts and expenditures to June 30, 1968, 1969 and 1970 are summarized below:

Summary of Consolidated and Comparative Statements of
Receipts and Expenditures

(In units equivalent to US\$ millions)

<u>Receipts</u>	<u>6/30/68</u>	<u>1/</u>	<u>6/30/69</u>	<u>1/</u>	<u>6/30/70</u>	<u>1/</u>
Interest collected	90.4		106.1		124.4	
Interest and commissions earned but not collected	28.5		33.5		43.9	
Dividends (collected)	12.0		10.3		13.2	
Other receipts	7.5		6.7		7.5	
Total receipts	<u>138.4</u>		<u>156.6</u>		<u>189.0</u>	
<u>Expenditures</u>						
General expenditures	12.6		14.7		13.8	
Interest paid <u>2/</u>	108.3		127.2		161.0	
Other expenditures	5.1		1.6		0.9	
Total expenditures	<u>126.0</u>		<u>143.5</u>		<u>175.7</u>	
Net earnings <u>3/</u>	<u>12.4</u>		<u>13.1</u>		<u>13.3</u>	

1/ From July 1 to June 30.

2/ Includes interest earned but not yet paid.

3/ Over these three years, a dividend has been distributed out of annual earnings equivalent to 9% of nominal value of shares in circulation, with the remainder earmarked for reserves and personnel profit sharing.

2.16 A reading of the foregoing table leads to the following conclusions:

- i. In the period ending June 30, 1970, earnings were equivalent to approximately US\$13.3 million. It should be noted that since the second half of 1934, when it began operations, NAFIN has shown a profit in every year.
- ii. In recent years there has been a steady increase in interest and charges accrued on loans granted by NAFIN. Moreover, general expenditures represent a smaller proportion of total receipts, partly as a result of the increase recorded in volume of loans and the fixed nature of many costs.

3. Liquidity

2.17 The information supplied is insufficient for a determination of NAFIN's liquidity index as of the close of the fiscal period on June 30, 1970. As in earlier loans and using the same bases of adjustment for current asset and liability items of the general balance sheet, it has been estimated that the current ratio is 1.47 to 1, which is considered acceptable because of the type of activities undertaken by the institution. This ratio exceeds the current index for the previous fiscal year (June 30, 1969), which was estimated at 1.32 to 1, but is less than that recorded at the end of the immediately preceding period (1.57:1 as of June 30, 1968). Current assets, to June 30, 1970, exceeded current liabilities by the equivalent of US\$253 million, while for the previous year this amount was equivalent to US\$134 million.

4. Portfolio

2.18 The loan portfolio rose from the equivalent of approximately US\$1.719 billion in 1969 to approximately US\$2.073 billion on June 30, 1970, or 20.5% more than in the preceding year. An analysis of unaudited information from NAFIN on its loans in arrears indicates that these accounted for 1% of the total portfolio on June 30, 1969. The additional data requested to update the portfolio status and other financial aspects have not been received.

5. Source and Use of Funds

2.19 Over-all sources and uses of funds for the fiscal years ending June 30, 1969 and 1970 are summarized as follows:

(In units equivalent to US\$ millions)

	June 30 1969 (1)	%	June 30 1970 (2)	%	Increase (Decrease) (2) - (1)
<u>Over-all Source of Funds</u>					
NAFIN resources	140.9	4.7	144.0	4.2	33.1
Commissions	712.8	24.0	845.3	24.8	132.5
External credits	987.6	33.2	1,998.4	38.1	310.8
Guarantees and endorsements	761.6	25.6	766.8	22.5	5.2
Trusts	81.9	2.8	123.7	3.6	41.8
Others	286.9	9.7	233.0	6.8	(53.9)
Total Received	<u>2,971.7</u>	<u>100.0</u>	<u>3,411.2</u>	<u>100.0</u>	<u>439.5</u>
<u>Over-all Use of Funds</u>					
Infrastructure	2,139.6	72.0	2,474.9	72.5	335.3
Basic industries	222.7	7.5	236.5	7.0	13.8
Other industries	498.9	16.8	574.4	16.8	75.5
Others	110.5	3.7	125.4	3.7	14.9
Total Utilized	<u>2,971.7</u>	<u>100.0</u>	<u>3,411.2</u>	<u>100.0</u>	<u>439.5</u>

2.20 The above table shows that total mobilization of NAFIN resources rose by 14.8% by the close of fiscal 1970 as compared to 1969. These resources were used as follows:

- i. Of the funds channeled to the financing of infrastructure projects, 41.6% went to electric power, 16.2% to transportation, 6.5% to irrigation and 5.7% to road and bridge construction. The remaining 30% corresponds to investments in agriculture, communications, housing and other public investment projects.
- ii. Of the resources allocated to finance basic industry projects, 67.2% corresponded to iron and steel projects, 15.1% to petrochemical and coal projects and the remaining 17.7% to construction, cement and nonferrous ore projects.
- iii. Of the funds channeled into the rest of the industrial sector, 29% went to transportation equipment, 21.6% to the chemical industry, 17.2% to food products and the 32.2% balance to other industries, including textiles and paper.

6. Mobilization of External Resources

- 2.21 NAFIN has experienced no problems in performing its responsibilities as financial agent for the mobilization of external financing for economic and social development of the country.
- 2.22 As of January 31, 1971, NAFIN had received loans from the IDB for a total equivalent to US\$512.8 million. Virtually all of the loans made by the Bank for the financing of projects in Mexico's public sector have been negotiated and contracted through NAFIN. 1/

7. External Audit

- 2.23 The financial statements are audited by a firm of independent public accountants acceptable to the Bank, contracted by NAFIN for that purpose.

D. Administrative and Financial Capacity

- 2.24 The Bank's experience in its dealings with NAFIN as borrower has been satisfactory to date, owing to the excellent institutional administration established. NAFIN's qualified staff enables it to fulfill its functions and purposes satisfactorily. The institution's financial capacity is also satisfactory, and the accounting systems employed for administration of resources are adequate.

E. Legal Authority

- 2.25 An amendment of December 20, 1947, to NAFIN's organic law made NAFIN the sole agency with authority to handle matters relating to the negotiation, contracting and management of medium- and long-term credits from private, governmental and intergovernmental foreign institutions, whenever the guarantee of the federal government is a requirement for the granting of such credits.
- 2.26 Accordingly, NAFIN has legal authority to contract for the proposed loan and assume the relevant obligations.

1/ The distribution of IDB loans to NAFIN is as follows:

(Equivalent in US\$)

Ordinary capital	254,394	49.6%
Fund for Special Operations	223,331	43.6%
Social Progress Trust Fund	34,596	6.7%
Canadian Fund	500	0.1%
Total	<u>512,821</u>	<u>100.0%</u>

F. Credit Standing

- 2.27 NAFIN has complied satisfactorily thus far with all its internal and external contractual obligations.
- 2.28 The financial soundness of the institution, and the circumstances described above, have earned NAFIN the high prestige which it now enjoys in national and international financial circles.

G. Guarantee

- 2.29 The proposed loan described herein would, like earlier loans, be backed by the joint and several guarantee of the United States of Mexico. Furthermore, Article 11 of the charter law of NAFIN provides that the United States of Mexico will be responsible at all times for the obligations assumed by NAFIN with respect to operations entered into with foreign institutions - whether private, governmental or intergovernmental.

III. EXECUTING AGENCIES

A. Coordination of Project Execution

- 3.01 Direct responsibility for the execution of the project would devolve upon three Mexican Government agencies: a) the Fondo de Promoción de Infraestructura Turística (INFRATUR); b) the Department of Public Works (SOP); and c) the Department of Water Resources (SRH). Inasmuch as the success of the project will depend on coordinated action by the participating agencies, the following levels of coordination have been established.

Governmental coordination

- 3.02 Coordination on this level would be exercised by the Secretariat of the Presidency (Secretaría de la Presidencia) through the Subcommittee on Investments and Finance. This subcommittee controls the public investment projects of the Federal Government through the budgetary allocation authorized by the latter for their execution. In the case of the proposed project, the subcommittee would exercise general control over the various stages of its execution through the allocations of resources made to each of the participating agencies as needed by the project.

Operational coordination at the works level

- 3.03 This coordination would be exercised by INFRATUR as principal executing agency and coordinator of the activities of the other public agencies mentioned in paragraph 3.01, above. INFRATUR would directly supervise the construction of the works assigned to it and act as coordinator of the others included in the project to ensure compliance with the investment plan of the project and the construction timetable.

Coordination of the loan resources

- 3.04 Moreover, NAFIN, as borrower, in addition to seeing to the servicing of the debt, would process disbursements from the loan and channel the funds to the executing agencies.

B. The Executing Agencies

- 3.05 Following is a summary of the salient institutional aspects of the agencies participating in the execution of the project. 1/

1/ Each of these agencies would carry out one or more subprojects, as appropriate; see Chapter IV of this document.

1. The Fondo de Promoción de Infraestructura Turística (INFRATUR)

a) Identity and Background

- 3.06 In a communication dated May 9, 1969 the Department of the Treasury advised the Banco de México, S. A. that the Federal Government had decided to set up a fund for the promotion and execution of tourism infrastructure works at the national level. Since the Government of Mexico attaches highest priority to this important sector of the country's economy, the Fondo de Promoción de Infraestructura Turística (INFRATUR) was constituted on May 22, 1969 with its own capital under a trust agreement entered into between the Department of the Treasury and Public Credit and the Banco de México, S. A., in which the latter was designated as the trustee of that fund.

Clause 12 of the agreement referred to in the preceding paragraph states that INFRATUR is to remain in existence indefinitely and not longer than 30 years, although the Federal Government, as the trustor, reserves the right to revoke the agreement when it sees fit to do so, "in which event it shall leave with the trustee such funds as the latter may require to meet any outstanding contractual obligations".1/

b) Purposes

- 3.07 Following is a summary of INFRATUR's principal purposes as stated in the trust agreement:
- to promote and execute tourism infrastructure works that complement other Federal Government investments.
 - to foster private investment as a complement to investments for tourism infrastructure.
 - to acquire, urbanize, subdivide, sell and lease real property.
 - to collaborate with federal, state and municipal government agencies in the promotion of the tourism industry in general.

c) Organization and Administration 2/

- 3.08 INFRATUR is governed by the provisions of the trust agreement. Its operating standards and administrative manual are in preparation and will be submitted to the Bank for consideration within the first 6

1/ See paragraph 8 (a) of the proposed resolution.

2/ See Appendix B-1 "Estructura Orgánica de INFRATUR".

months after the date of signature of the proposed loan contract. (See paragraph 8 (h) (iv) of the proposed resolution). Following is a summary of its basic organization.

The Technical Committee

- 3.09 This Committee is the highest directing body; it charts the general policies of INFRATUR and regulates and directs its activities. The Committee has three members, one each representing the Department of the Treasury, the Banco de México, S. A. and Nacional Financiera, S. A. An alternate is appointed for each representative and acts in the latter's stead whenever he is absent. The delegate of the Department of the Treasury acts as Chairman of the Technical Committee with the right to vote. In addition, the Committee designates an Assistant Secretary.
- 3.10 It may be noted that the trust agreement authorizes the Technical Committee to request advice from the Department of Tourism, the National Tourism Council and the Tourism Guarantee and Development Fund on matters within the field of competence of each of these agencies in pursuit of its objectives and contractual obligations.

Management

- 3.11 INFRATUR is run by the General Director of the Banco de México, S.A., who in turn delegates all operational activities to a Special Trust Delegate and Administrator of the Fund. The latter officer: i) transacts INFRATUR's business; ii) draws up the internal organization plans and recommends the policies and operating standards of the Fund to the Technical Committee; and iii) programs, recommends and administers the agency's investments in tourism infrastructure works.

Departments

- 3.12 INFRATUR's administration consists of four units that operate under the office of the Special Trust Delegate and Administrator and perform the following functions:

Office of the technical subdirector

- 3.13 This office has charge of basic studies, preliminary and final designs for works and topographical and works-siting charts. It also controls the execution of works on force account, supervises contracts for both the study and execution of construction works, and prepares and approves bidding documents. In the performance of its functions,

it is supported by two bureaus, one of Planning and Engineering Works and the other of Architecture. 1/

Economic Affairs Department (Departamento de Economía)

- 3.14 This Department performs economic feasibility studies on tourism infrastructure programs and/or projects envisaged by INFRATUR. It prepares statistical studies and analyses on the major regions of tourism in the world and on areas in Mexico suitable for development as centers of tourism. These studies and analyses relate mainly to touristic demand, economic statistical data, climate, natural attractions, transportation, facilities, installations, manpower and other subjects.

Accounting Department

- 3.15 Is responsible for INFRATUR's accounting activities, including the control, recording and supervision of its financial operations. It is also responsible for the financial performance of annual expenditure budgets. (See paragraphs 3.31 and 3.32).

Legal Department

- 3.16 Is responsible for all legal aspects of INFRATUR's operations, including the writing of contracts. Performs studies on the legal situation of land tenure in areas of tourism development and determines the legal bases for the acquisition of land required for INFRATUR projects.

Promotional activities

- 3.17 Publicity and promotional activities are the responsibility of the Special Trustee Delegate and Administrator, to which end he has a representative in the United States of America responsible for disseminating information with a view to enlisting contributions from private investors in the construction of hotels, condominiums or residential zones in the areas of tourism development administered by INFRATUR.
- 3.18 For each tourist development project, INFRATUR sets up a Project Committee headed by a Zonal Officer. This Committee is composed of engineers, economists, lawyers and the necessary specialized personnel. Their main functions are: i) the preparation of specific

1/ The Bureau of Architecture is receiving technical advisory services from the Mexican firm of "Arquitectos Landa Asociados" which was hired as consultant on the preparation of the project for which the proposed loan was requested.

studies on the project under consideration; ii) the analysis of construction projects; iii) the preparation of preliminary and final drawings and opinions on technical and economic feasibility; iv) coordination with Federal Government Agencies and/or private entities participating in the execution of the project; v) negotiation of its financing and of the study and construction contracts; and vi) supervising the execution of the project.

- 3.19 The Project Committee for the project considered in this loan document was set up by INFRATUR at the end of 1969. This committee would also take charge of the work supervising the contracts for construction of the works covered by the project and of coordinating the activities assigned to the Federal Government agencies participating in the execution of the project. (See Chapter IV, paragraphs 4.23 to 4.35).

d) Personnel

- 3.20 On January 31, 1971, INFRATUR had a full-time staff of 25 professional officers, 7 administrative and secretarial employees and 5 general service employees. In addition, the Banco de México, S. A. has detached members of its professional staff to work indefinitely with INFRATUR, and is also cooperating with INFRATUR by performing a number of administrative and technical services for it.
- 3.21 It should be pointed out that the INFRATUR staff has been adequate, both in quantity and quality, during the stage of preparing specific projects. ^{1/} In view of the magnitude of the proposed project, however, this staff would not suffice to perform the activities involved in the supervision of the works called for under this project, for which reason INFRATUR is hiring additional professional and technical personnel to enable it to exercise effective supervision. (See Proposed Resolution, paragraph 8 (h) (i)).

e) INFRATUR's Economic and Financial Situation

- 3.22 INFRATUR's sources of funds, according to the trust agreement referred to in paragraph 3.06 above, are mainly as follows: i) contributions to capital received from the Federal Government; ii) resources from national and international agencies, which the Treasury Department authorizes to be used for the purposes of the trust agreement; iii) income from operations and from the investment of its resources;

^{1/} Up to December 31, 1970, INFRATUR had prepared two specific tourism development projects: CANCUN, the subject of the proposed loan, and the Zihuatanejo project whose financing has been requested from the IBRD. Similarly, INFRATUR is doing preliminary studies of four tourism development projects located in the states of Oaxaca (Santa Cruz Huatulco), Colima (Manzanillo), Jalisco (Puerto Vallarta) and the latest one in the territory of Baja California (San José del Cabo). The proposed project would be the first to be executed by INFRATUR.

iv) proceeds of the sale of lands in project zones; and v) other contributions from official sources.

- 3.23 According to the trust agreement, uninvested INFRATUR funds are used by the Banco de México to purchase government securities the income from which is to be added to INFRATUR's capital.

Net worth

- 3.24 In accordance with the trust agreement, on June 2, 1969, INFRATUR received from the Federal Government an initial contribution in the equivalent of US\$2,400,000. The net worth at December 31, 1969 and 1970 was as follows:

(Equivalent in thousands of US\$)

	<u>12-31-69</u>	<u>12-31-70</u>
Initial contribution from Federal Government	2,400	2,400
<u>Plus:</u> Additional contribution from Federal Government	<u>-</u>	<u>1,680</u>
Total contributions	2,400	4,080
<u>Plus:</u> Cumulative net annual surpluses	<u>94</u>	<u>106</u>
Net worth	<u>2,494</u>	<u>4,186</u>

- 3.25 As indicated in the above table, INFRATUR's net worth increased by about 60%, mainly as a result of the Federal Government additional contribution in 1970. Following are details on the movement of the trust's accounts during the last 7 months of 1969 and for the same period of 1970:

(Equivalent in thousands of US\$)

	<u>12-31-69</u>	<u>12-31-70</u>
Opening balance	2,400	1,985
Additional Federal Government contribution	<u>-</u>	<u>1,680</u>
Available	2,400	3,665
<u>Plus:</u>		
Income during the period	108	138
Sundry creditors	<u>-</u>	<u>3</u>
Available	2,500	3,806
<u>Less:</u>		
Transfer to current account	180	(167) <u>1/</u>
Expenditures during the period	14	126
Deferred expenses and charges	329	1,262
Land purchases	-	1,559
Sundry debtors	<u>-</u>	<u>2</u>
Balance available in the Banco de México on 12/31/70	<u>1,985</u>	<u>1,024</u>

- 3.26 It should be pointed out that of the amount allocated by INFRATUR (the equivalent of US\$1,559,000) for the purchase of land in touristic zones, 42.9%, or the equivalent of US\$669,000, has been used to purchase land for the proposed loan project. These purchases were made on the basis of valuations performed by the National Banking Commission. 2/

Financial Situation

- 3.27 The following table summarizes INFRATUR's financial statements at the close of the business years ending December 31, 1969 and 1970. These statements have been audited by the Banco de México, S.A.:

1/ The present bank balance is US\$ 13,000. The US\$167,000 having been used by INFRATUR. See table in paragraph 3.27.

2/ See Chapter IV, paragraph 4.36.

General Consolidated Balance Sheet

(Equivalent in thousands of US\$)

	<u>12-31-69</u>	<u>12-31-70</u>
<u>Assets</u>		
Deposits in the Bank of Mexico S. A.	1,985	1,024
Deposits on current account	180	13
Lands in areas of tourism zones	-	1,559
Sundry debtors	-	2
Deferred expenses and charges	<u>329</u>	<u>1,591</u>
Total assets	<u>2,494</u>	<u>4,189</u>
<u>Liabilities and Net Worth</u>		
<u>Liabilities</u>		
Sundry creditors	-	3
<u>Net Worth</u>	2,400	4,174
Capital profits	<u>94</u>	<u>12</u>
Total net worth	<u>2,494</u>	<u>4,189</u>
Total liabilities and net worth	<u>2,494</u>	<u>4,189</u>

- 3.28 Since this is an organization that only began operations in mid-1969 and its net worth consists mainly of Federal Government contributions, the usual financial ratios would not have any meaning. It is therefore impossible to review its historical evolution over an operating period of sufficient length. It should be pointed out that with the appointment of INFRATUR by the Federal Government as the executing agency and coordinator of the Overall Program for Tourism Infrastructure and, by extension, of the proposed project (See paragraph 3.03), it has an excellent chance of maintaining a constant rate of growth, for it would also be the executing agency for other projects whose technical and economic feasibility are now under study. 1/

1/ See paragraph 4.04.

3.29 Following is a summary of income and expenditures in 1969 and 1970:

<u>Comparative Statement of Income and Expenditures</u>		
(equivalent in thousands of US\$)		
	<u>12-31-69</u>	<u>12-31-70</u>
<u>Income</u>		
From interest collected	108	137
From areas of operation	-	1
Total income	<u>108</u>	<u>138</u>
<u>Expenditures</u>		
General expenditures	14	101
Expenditures in areas of operation	-	25
Total expenditure	<u>14</u>	<u>126</u>
Net profit for the period	<u>94</u>	<u>12</u>

3.30 The above table suggests the following preliminary comments:

During 1970, the first complete business year, the item of interest earned on government securities purchased with temporarily idle funds increased about 27%. However, since total expenditures increased substantially, net profits were only the equivalent of US\$12,000, compared with 1969 profits in the equivalent of about US\$94,000.

INFRATUR's total expenditures are incurred in personnel compensation, supplies and general office expenses, a figure regarded as satisfactory since INFRATUR has been consolidating its administrative structure and has had to recruit the additional personnel required to handle the volume of its operations. As indicated in paragraphs 3.21 and 4.41 to 4.44, execution of the proposed project will necessitate the hiring of additional staff, and this item is accordingly expected to rise constantly during the coming years. 80% of this item relates to INFRATUR's own expenses and the 20% balance relates to expenses in the tourism zone of the proposed project. 1/

f) Financial Administration

3.31 The expenditure and investment estimates are prepared by INFRATUR and submitted to the Technical Committee for consideration. Upon approval by the Committee, they are submitted to the Investment and Finance Subcommittee of the Secretariat of the Presidency (see

1/ The remunerations of the Banco de México, S. A. personnel on loan to INFRATUR (see paragraph 3.20) are paid by the latter.

paragraph 3.02), for final approval. INFRATUR's accounting system has heretofore been limited to recording the receipt and utilization of resources. Accounting records are kept up to date and financial statements are prepared monthly. There is a list of accounts and an accounting manual. INFRATUR's funds are deposited in the Banco de México, S. A., and all accretions to or withdrawals from them are processed and supervised by the General Accounting Department of the Banco de México, S. A. in accordance with its established practices and policies.

- 3.32 The foregoing paragraph notwithstanding, and because of the increase in operations that execution of the proposed program will entail, it is deemed advisable that INFRATUR establish a budgetary accounting system to enable it properly to program, control and coordinate its activities. 1/

g) Auditing

- 3.33 INFRATUR's internal audits are performed by the Banco de México, S.A. In general terms, these audits consist in reviewing the balances on the trust's accounts and the application of its resources. Furthermore, the operations, accounting records and financial statements of the Banco de México, S. A., including INFRATUR, are audited and certified by firms of independent public accountants.

h) INFRATUR's Administrative and Financial Capacity

- 3.34 INFRATUR has efficiently coordinated the activities of public and private entities participating in the stage of selecting tourism areas, preparation of appropriate basic studies and formulation of specific projects. As a new organization, it has not yet had an opportunity to supervise the execution of projects directly, but it has qualified staff and is in process of selecting and hiring additional personnel to enable it to perform the supervision of these projects satisfactorily. It may also be mentioned that the Fund enjoys the technical and institutional support of both the Federal Government and the Banco de México, S. A. in the performance of its functions and will continue consolidating its internal organization. For these reasons, it is felt that INFRATUR has the capacity to assume the supervision of the proposed project.

i) Juridical Capacity

- 3.35 There are no legal impediments to prevent INFRATUR, as trustee for the Banco de México, S. A., from executing the proposed project, coordinating the activities of the other agencies taking part in its execution and, in accordance with the trust agreement, administering the funds obtained for that purpose.

1/ See the proposed resolution, paragraph 8 (h) (iii).

2. Department of Public Works (SOP)

- 3.36 The SOP would be responsible for the construction of the International Airport, which is an integral part of the proposed project. 1/

a) Identity and Background

- 3.37 The SOP functions in accordance with the Law of December 24, 1958, on Departments of the National Government. Article 11 of that Law assigns to the SOP, among other functions, the construction of federal airports, and the construction and maintenance of such installations in cooperation with state and municipal governments.

b) Organization and Administration

- 3.38 The SOP's institutional organization has been studied and analyzed by the Bank in connection with six loans granted to Nacional Financiera, S. A. and now being executed by this department. The SOP's structure and operations are governed by its Internal Regulations which were put into effect by a Presidential Decree of October 21, 1964. 2/
- 3.39 The SOP is headed by the Secretary of Public Works, who is appointed by the President of the Republic. The Secretary of Public Works is personally assisted by two high-ranking officers: the Undersecretary and the Senior Officer.
- 3.40 The SOP has 20 General Directors (10 for Technical Affairs and 10 for services), a Central Administrative Office and an Air Service.
- 3.41 The Office of the Technical General Director for Airports is responsible, on the national level, for the execution of projects for the construction and improvement of airports. 3/ Following is a description of this unit, and also of the Office of the General Director for Accounting, the unit most closely connected with the project under study.

c) The Office of the General Director for Airports

- 3.42 This office has the functions of planning and carrying out the construction, reconstruction and improvement of runways, installations

1/ The cost of building the airport is the equivalent of US\$9.6 million, or 20.4% of the total cost of the proposed project.

2/ See Appendix B-2 "Estructura Orgánica de la Secretaría de Obras Públicas" and, for further information, loan document PR-404 of December 8, 1969, on the Federal Highways and Feeder Roads Program (see Chapter III, The Executing Agency).

3/ For which purpose it is advised by other SOP units.

and ancillary works at federal airports. In doing so, it coordinates its activities with those of the other offices of general directors of the SOP, mainly with the one for Buildings for purposes of constructing terminal buildings and with other agencies of the Federal Government, as appropriate.

- 3.43 It may be noted that during the period 1965-1970 this unit executed 24 airport projects involving the construction or enlargement of runways to accommodate jet aircraft, taxiways, aprons for commercial and other aircraft, control towers, fuel storage and distribution installations, markings and lighting installations for runways, taxiways and aprons. Investments during the stated period amounted to 1,535.0 million pesos (equivalent to US\$122.4 million). Among the projects carried out are those of the International Airports of Mexico City, Acapulco, Monterrey, Guadalajara and Tampico.
- 3.44 On March 31, 1971 this Office of the General Director had a staff of 611 of which 96 were professionals, 304 were administrative employees and 211 were laborers. ^{1/}
- d) The Office of the General Director for Accounting
- 3.45 This Office is under the Senior Officer and has the following functions:
- i) to review, analyze and carry the accounts for operations affecting the Department's budget, national assets in use by that department, or any other resources it may handle;
 - ii) to draw up balance sheets, reports and statements;
 - iii) to prepare monthly summaries of the Department's budgetary transactions; and
 - iv) to prepare any reports that may be requested of it.
- 3.46 The unit's accounting system is adequate to the needs of the Department. Each work executed by the SOP is carried on a separate account and, in projects financed with external resources, loan funds are clearly identified. Furthermore, the unit draws up general balance sheets on the status of construction works in progress, itemizing all the projects in execution.
- 3.47 The unit books the SOP's fixed assets in a system of accounts based on a model designed by the National Controller General for use by all the departments of the Federal Government. Fixed assets are booked at nominal purchase price and depreciation is not deducted. When any

^{1/} On March 31, 1971, the Office of the General Director for Buildings had a staff of 372, of which 156 were professionals, 126 were administrative employees, and 90 were laborers.

asset needs to be written off, it is eliminated from the accounting records, upon authorization from the Department of National Assets (Secretaría del Patrimonio Nacional).

- 3.48 The accounting system was recently reorganized and procedures were improved, which resulted in a staff reduction of about 20% and improved operating efficiency. Similarly, in 1970 the unit introduced a system for the electronic processing of all its budgetary financial operations, using the SOP's computer center. It hopes to be able to computerize all its accounting operations by mid-1972.

e) Annual Budgets

- 3.49 The contribution of the Department of Public Works to the economic and social development of the country is illustrated in the following table, which shows how its budgetary allocations have grown in recent years and how it has ranked as a recipient of such allocations on the national budget. 1/

(Equivalent in millions of US\$)

<u>Year</u>	<u>National Budget</u>	<u>SOP Budget</u>	<u>%</u>	<u>Rank</u>
1967	1,769	126	7.1	5th
1968	1,938	142	7.4	5th
1969	2,121	179	8.4	4th
1970	2,251	144	6.4	5th

Source: Nacional Financiera, S. A., the weekly El Mercado de Valores.

- 3.50 Of the original budget drawn up by the SOP for the years 1967/70, an average of approximately 94% went for capital expenditures and the balance for current expenditures:

(Equivalent in millions of US\$)

<u>Original SOP Budget</u>	<u>1967</u>	<u>%</u>	<u>1968</u>	<u>%</u>	<u>1969</u>	<u>%</u>	<u>1970</u>	<u>%</u>
Capital and maintenance expenditures	119	94	132	93	170	95	134	93
Current expenditures	7	6	10	7	9	5	10	7
	<u>126</u>	<u>100</u>	<u>142</u>	<u>100</u>	<u>179</u>	<u>100</u>	<u>144</u>	<u>100</u>

- 3.51 Actual investments in works executed by the SOP overran the original budgets referred to in the preceding paragraph by 42% to 96%, as shown in the table below, which compares those actual outlays with the original capital budgets.

1/ Original Federal Government expenditure budget; does not include special budgets.

(Equivalent in millions of US\$)

<u>Year</u>	<u>Original budget</u>	<u>Increased budget</u>	<u>% of increase</u>
1967	119	240	96.0
1968	132	240	82.0
1969	170	241	42.0
1970	<u>134</u>	<u>252</u>	<u>87.0</u>
TOTALS	<u>555</u>	<u>973</u>	<u>75.3</u>

- 3.52 The differences shown led to the approval of special budgets. The original budgets did not include expenditures financed with resources from domestic and foreign credit sources, which are approved subsequently through budgetary increases.

The figures for actual capital budgets shown in the following paragraphs consist of budgets as originally approved plus special increases and the investments actually made out of the amounts given in the table of paragraph 3.51, above.

f) The SOP's Work Program for 1967-1970

- 3.53 Following is a breakdown of the investments and expenditures made by the SOP during the period 1967-1970:

(Equivalent in millions of US\$)

<u>Performance of the Capital Budget for</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1/</u>	<u>Total for the period</u>	<u>%</u>
Highways	141	150	166	188		645	68.4
Railroads	20	16	16	14		66	7.0
Airports	26	28	28	29		111	11.8
Buildings	23	19	7	3		52	5.5
Indirect and capital expenditures	19	17	16	17		69	7.3
Totals	<u>229</u>	<u>230</u>	<u>233</u>	<u>251</u>		<u>943</u>	<u>100.0</u>

- 3.54 It will be seen from the above table that the second largest item during the period in question was airport construction and improvement, which totals the equivalent of US\$111.0 million, or 11.8% of SOP's total investments and expenditures on works.

- 3.55 The investments of the SOP during the stated period were performed to the extent of 96.9% of the total for the increased budgets presented in the table of paragraph 3.51. It may be noted that the items for airport construction and improvement added up to US\$111.0 million or

1/ The figures for 1970 are estimates.

more than the investment in the equivalent of US\$109 million that was budgeted over the period.

- 3.56 During 1967 and 1970, there was an increase of 21% in SOP's investment in highway projects and of 20.9% in airports, while investments in railroads fell by about 31.6%. Similarly, there was a substantial increase (91.0%) in building construction, mainly owing to the investments made in 1967 and 1968 to prepare for the Olympic Games held in Mexico City.
- 3.57 The SOP's investments and expenditures during the period 1967-1970 were financed as follows:

(Equivalent in millions of US\$)						
Source of funds	1967	1968	1969	1970 1/	Total for the period	%
Government resources	74	73	81	83	311	33.0
Income from assessments	21	28	34	39	122	13.0
Toll receipts	23	21	10	9	63	7.0
Domestic credit	88	93	89	99	369	39.0
Subtotals	206	215	214	230	865	92.0
Foreign credit	23	15	19	21	78	8.0
	<u>229</u>	<u>230</u>	<u>233</u>	<u>251</u>	<u>943</u>	<u>100.0</u>

- 3.58 It will be seen in the above table that foreign credit came to 8% of the total, which means that the financial effort in this area was largely made with domestic resources. Of the total domestic resources originally budgeted, 99.7% was utilized (the equivalent of US\$865 million actually spent against US\$867 million budgeted).

g) SOP's Administrative Capacity and Reputation

- 3.59 The SOP enjoys a high reputation in Mexico and abroad, as much for the scale and quality of the works it executes as for the demonstrated seriousness of purpose it has shown over the years of its existence. The SOP has a highly qualified professional staff and has the institutional, administrative and technical capacity to prepare studies and designs and to execute the airport subproject. On several occasions the SOP has provided professional staff to render advisory services in other Latin American countries and has to disseminate its experience through training courses and seminars that have benefited both Mexican professionals and specialists of other nationalities.
- 3.60 The technical and administrative capacity of the SOP are factors of confidence that have made it possible for the Bank to grant NAFIN loans in the equivalent of US\$134,500,000 up to December 31, 1970, to finance projects whose execution would fall under the responsibility of the SOP.

1/ The figures for 1970 have been estimated.

h) Juridical Capacity

- 3.61 Under the Law on the Departments of the National Government, referred to in paragraph 3.37 above, the SOP has the requisite juridical capacity to construct the proposed airport.

3. Department of Water Resources (SRH)

- 3.62 The Department of Water Resources (SRH) would be responsible for the construction of the potable water and sewerage systems that are an integral part of the proposed project. 1/

Identity and origin

- 3.63 The SRH was established in 1946 to promote, encourage and channel the planning, construction and operation of various irrigation, environmental sanitation and flood control works, and to promote the settlement of land as it were made cultivable by the development of the available water resources. The SRH operations are governed by the Law of December 24, 1958, on Departments of the National Government. Article 12 of that law assigns to the SRH, among other functions, participation in all matters relating to the provision of water supply and sewerage services to towns.

a) Organization and Administration

- 3.64 SRH's institutional organization has been studied and analyzed by the Bank in connection with 23 loans to Nacional Financiera which have been or are being executed by that Department.
- 3.65 The highest officer of the SRH is the Secretary of Water Resources who is appointed by the President of the Republic. The various technical advisory bodies, the offices of the Directors for Planning and Statistics, and the journal Ingeniería Hidráulica, as well as Press Offices and decentralized committees report to the Secretary. 2/
- 3.66 Next in rank are Subdepartments (A) and (B), the latter set up on December 3, 1965. Each of them is headed by an undersecretary and their functions and activities are intercoordinated, as are those of the undersecretaries with those of the Secretary, through a Senior Officer who also coordinates the work of the Office of the Comptroller General, of the Legal Affairs and of Administration. Each of the two subdepartments is staffed by technical and administrative personnel.

1/ The potable water and sewerage systems under the project would cost the equivalent of US\$4,343,000, or 9.22% of the total cost of the proposed project.

2/ See Appendix B-3 "Estructura Orgánica de la Secretaría de Recursos Hidráulicos" and, for further information, loans 204/OC-ME and 278/SF-ME.

- 3.67 Subdepartment A is chiefly responsible for the promotion, planning and construction of various works for the development of water resources and for sewerage and potable water systems. These two functions are performed, respectively, by two departmental divisions (Irrigation and River Control, and Water and Sewerage) in which there are 12 offices of directors, which have the requisite technical, administrative and studies units with branches in every state of the country. This subdepartment is also directly responsible for the execution of works financed with foreign resources.

Division of Potable Water and Sewerage

- 3.68 The execution of this project would be the responsibility of the Division of Potable Water and Sewerage. This Division programs, executes and controls the works of the SRH under the national potable water supply and sewerage plans, mainly in the country's major urban centers. This includes the promotion, execution, study, planning, financing and execution of the requisite works.
- 3.69 It may be pointed out that this subdepartment has executed some 440 potable water projects to the benefit of a population estimated at 4 million; 315 of these projects are in small localities with an aggregate population of 775,000, and 125 are in large cities with a total population of almost 3 million. During the period 1968-1970 alone, 174 works were completed to the benefit of some 1,200,000 users (35 works in large towns and 139 in small towns).
- 3.70 On March 31, 1971 this division had a staff of 1,921, of which 363 were professionals (graduate engineers and middle-level engineering technicians), 394 were administrative employees, and 1,164 were unclassified. 75% of this staff is employed outside the Federal District.
- 3.71 Subdepartment B is responsible for all matters relating to operation of hydraulic works, with 3 offices of general directors: one for irrigation districts, one for small-scale irrigation operations and the third for potable water and sewerage systems.

The Office of the General Director for Potable Water and Sewerage Systems

- 3.72 This office organizes, participates in, and supervises the administrative operation of potable water and sewerage works for the purpose of assuring efficient service and the recovery of the federal investment. To accomplish these purposes, it advises local authorities and agencies that administer potable water and sewerage systems in the legal, technical, administrative and financial aspects of each

system. ^{1/} It may be mentioned that, through this office, the SRH takes part in the management of 1,086 potable water systems serving 1,285 population centers with a total of 12 million inhabitants.

b) SRH Investment Budget for 1965-1970

- 3.73 The following table itemizes the investment budgets, with the sources of their funds, for the works executed by the SRH during the period 1965-1970.

(Equivalent in millions of US\$)

Year	Amount of investment budget	Percentage increase over previous year %	Resources		Credit		Income from assessments
			Fiscal	Own	Domestic	Foreign	
1965	98.3	-	52.7	9.4	18.7	17.5	-
1966	135.0	37.3	53.3	17.3	34.9	29.5	-
1967	182.4	35.1	66.0	16.0	64.0	36.4	-
1968	208.0	14.0	68.0	12.8	72.0	43.2	12.0
1969	240.0	15.4	80.0	14.0	91.6	45.2	9.2
1970	250.4	4.3	97.3	13.6	76.8	50.7	12.0
Total	1,114.1		417.3	83.1	358.0	222.5	33.2
%	100.0		37.5	7.5	32.1	20.0	2.9

Source: "Inversión Pública Federal", a publication of the Office of the Director for Public Investments, Secretariat of the Presidency.

- 3.74 During the period 1965-1970 the SRH investment budget grew 154.7%. This increase in the agency's activities is to be credited mainly to its excellent administrative and technical capacity, which has enabled it to expand the volume of its works at a steady pace.

In 1970 the SRH investment budget increased only 4.3% over the previous year, probably because of the imposition of certain measures to control domestic indebtedness. Nevertheless, that year witnessed the utilization of the largest volume of government resources (this utilization increased by the equivalent of US\$17.3 million) in the whole period. In 1968 other sources of funds came into use for the partial financing of projects (a total equivalent to US\$33.2 million for the joint execution of projects by, in addition to the SRH, other federal departments, state

^{1/} The local authorities or agencies administering potable water and sewerage systems are the Federal Potable Water Boards, which are set up, with the cooperation and guidance of the SRH, to administer and maintain the systems once they go into operation (see Chapter IV, paragraph 4.48 on the establishment of the Federal Water Board for the proposed program).

or municipal governments, cooperatives and other institutions). As shown by the table in paragraph 3.73, the financial effort was largely made with domestic resources.

According to information obtained, SRH executed over 90% of the investment budgets for the period in question. Moreover, these budgets represent 42% of public investment in the social welfare sector and some 10% of total public investment.

c) Administrative Capacity and Reputation of the SRH

- 3.75 During the 44 years of its existence, first as the National Irrigation Commission and later as the Department of Water Resources, this agency has played a growing part in the economic and social development of Mexico. During this time it has acquired a wealth of experience in designing and executing works, and so has been able to build up a crew of qualified technical officers, some of whom have been with the organization from the beginning. The SRH has the institutional, administrative and technical capacity required to construct the potable water and sewerage systems called for in the proposed project.
- 3.76 The technical capacity and executive responsibility of NAFIN are factors of confidence that have made it possible for the Bank to grant this agency, as of December 31, 1970, the equivalent of about US\$273.3 million in loans to finance various projects for whose execution the SRH was responsible. These resources represent more than 50% of the value of all loans granted by the Bank to Mexico.

d) Legal Capacity

- 3.77 In accordance with the Law on Departments of the Federal Government, referred to in paragraph 3.63 above, the SRH has the legal capacity required to execute this potable water and sewerage subproject.

IV. THE PROGRAM AND PROJECT

A. Background

- 4.01 Historically, the tourism industry has had a favorable impact on the Mexican economy because of its direct effect on the balance of payments, the gross domestic product and employment levels. Consequently, in 1968, in order to promote this important economic activity, the federal government formulated a comprehensive Tourism Development Plan with the following major objectives:
- a. To develop new sources of employment, mainly in areas having a high tourism potential and a sizable rural or semirural population, in which feasible alternatives for developing other employment-generating activities are either few or nonexistent;
 - b. To further, through integrated tourism centers, regional development that will stimulate new agricultural, industrial and arts and crafts activities;
 - c. To improve and diversify the country's areas of tourism attraction, thus increasing the flow of foreign tourists to Mexico, and
 - d. To increase the country's short- and medium-term balance of payments current account income from the tourism industry, inasmuch as the latter would generate more substantial short-term income than other activities.
- 4.02 In order to implement the aforementioned "Integrated Comprehensive Tourism Development Plan", the federal government intends to allocate the necessary sums in its annual public investment budgets. The Cancún project would constitute the first comprehensive development of a new tourism center carried out within the framework of the plan. It would entail a direct government investment totaling US\$47.1 million, including the US\$21.5 million of the loan requested of the Bank.

B. The Program

- 4.03 In 1969, INFRATUR began studies designed to identify the most favorable areas for carrying out tourism infrastructure projects, in accordance with the objectives set forth in the plan mentioned in paragraph 4.01 above. For achievement of the aforesaid objectives, it was decided to select the projects in line with the following criteria: i) concentration of investments in areas on the Pacific and Atlantic coasts, as, traditionally, most tourists visit beach areas; ii) establishment of a limited number of new tourism centers; iii) maximum variety of attractions in the new tourism areas, and iv) development of each new center as part of a comprehensive plan.
- 4.04 Through study and research done by INFRATUR, six different projects embodying the characteristics indicated above were identified and the respective priorities for their execution established. The first two are: i) the Cancún tourism development project, on the coast of Quintana Roo Territory, the subject of the proposed loan, and ii) the Zihuatanejo project, in the State of Guerrero, for which a loan has been requested of the IBRD. The other four projects are: i) Santa Cruz de Huatulco in the State of Oaxaca; ii) Manzanillo in the State of Colima; iii) Puerto Vallarta in the State of Jalisco, and iv) San José del Cabo in the State of Baja California. INFRATUR is preparing the preliminary technico-economic feasibility studies for the last four projects, in order to determine the respective priorities for their execution.

C. The Project

- 4.05 The project consists mainly of integrated development of the tourism infrastructure on the coast of the Territory of Quintana Roo on the Yucatan Peninsula.
- a. Description of Area 1/
- 4.06 The project would cover the coastal area between Puerto Juárez and Tulum, whose main axis would be the Cancún Island where most of the proposed construction work would be carried out.
- 4.07 In order to achieve the objectives of the "Comprehensive Tourism Development Plan" described in paragraph 4.01, the

1/ See Appendices D1 and D2.

Mexican authorities selected the coast of the Territory of Quintana Roo because of the attractions offered by its natural beauty, its geographic location vis-a-vis the Caribbean islands and its proximity to the principal tourist sources of travel from the United States 1/. In addition to the fact that this is one of the most dynamic and important tourism areas of the peninsula, implementation of the proposed project would further the development of the entire region, which is in precarious economic situation with widespread unemployment.

- 4.08 A substantial part of the programmed investments would be made on Cancún island, where there are very favorable natural resources, mainly its beaches, which consist of 18 kilometers of fine white sand bathed by very clear waters of several shades of turquoise. The island surrounds the Nichutpé marine lagoon, 2/ whose characteristics offer excellent conditions for water sports.

1/ Air miles from the cities listed to various Caribbean tourism centers. Isla Mujeres is 3.5 miles from Cancún.

	New York	Miami	Chicago	Dallas	New Orleans	Los Angeles
Isla Mujeres	1,539	517	1,432	879	557	2,112
Miami, Fla.	1,091	-	1,198	963	586	2,030
Nassau, Bahamas	1,098	184	1,312	1,118	742	2,460
Kingston, Jamaica	1,562	588	1,785	1,404	1,032	2,786
San Juan, Pto. Rico	1,601	1,044	1,968	1,869	1,493	3,378
St. Thomas, Virgin Islands	1,629	1,106	2,116	1,922	1,546	3,342
Port of Spain, Trini- dad	1,921	1,411	2,344	2,369	1,991	3,412
Bridgetown, Barbados	2,092	1,611	2,624	2,362	1,985	3,941

2/ The Nichutpé Lagoon is located between the Yucatan Peninsula and Cancún Island. It has an area of approximately 44 square kilometers.

Throughout the year the island is fanned by cool breezes. Annual temperatures range from a high of 85° F. to a low of 75° F; average relative humidity is 86%, and annual precipitation is 1,700 mm.

At present Cancún Island is underpopulated; the nearest population centers are Isla Mujeres, with 2,000 inhabitants, and Cozumel, with approximately 6,000. In addition to its excellent environmental conditions, the island lies near a series of Maya ruins of archeological interest--a unique attraction in the Caribbean region 1/.

b. Allocation of Proposed Investments

4.09 Total programmed project investments are estimated at US\$47.1 million and comprise, basically, construction of infrastructure facilities and the required services, consisting of the following: 2/

- i. Tourism Area. This area would consist of infrastructure works on Cancún Island for construction of hotels, condominiums, residential zones, golf clubhouse, a convention center and golf course.
- ii. Service Area. This area would consist of the infrastructure works required for constructing an urban center for employees working in the tourism area. It would be located approximately six kilometers from Cancún Island, 3/ with an initial estimated population of 4,000.

1/ Principally Chichén Itza, at a distance of 200 kms., Cobá, 140 kms., and Tulúm 100 kms. The latter ruins are opposite the coast.

2/ In addition to infrastructure investments, the project calls for private sector participation in financing construction of 750 first-class hotel rooms for national and international tourism at an estimated total cost of US\$11.2 million. (see paragraphs 4.50 to 4.54) and of housing at an estimated total cost of US\$3.5 million (see paragraphs 4.55 and 4.56).

3/ Approximately 670 housing units would be constructed for the initial population. Investments required for building such housing, as well as other community projects, would be in addition to those covered by the project. The federal government would ensure this construction through mechanisms available in Mexico for this purpose. (see paragraphs 4.55 and 4.56).

- iii. International Airport. An international airport would be built on the mainland, 17 kilometers from Cancún point.

c. Description of Works

4.10 In order to achieve the objectives indicated above in paragraph 4.09, the following subprojects would be carried out:

- 1. Transportation Subproject. This subproject comprises the infrastructure works summarized below. Construction costs of such works would total US\$12,226,000.
 - i. Airport. This subproject would consist of construction of an international airport 17 kms. from the junction of the Puerto Juárez-Tulum and Puerto Juárez-Mérida highways, with all necessary facilities for day and night service provided by 138-seat jets, including: i) an asphalt-paved 2,700-meter long and 45-meter wide runway with a lateral 100-meter safety lane on each side; ii) an approach runway for aircraft, parallel to the main runway, 1,700 meters long, 23 meters wide, with 20-meter shoulders; iii) aircraft parking areas; iv) an access road to the airport two kilometers long with two paved lanes; v) a two-story terminal building with capacity for handling 250 international and 100 local passengers in a 15-minute period, which would include such modern passenger facilities as waiting rooms, an observation deck and telescopes for watching landings and take-offs; vi) utilities such as water supply, electric power and fuel-storage facilities, and vii) a runway lighting system and electronic aircraft-guidance navigation equipment for the control tower. The airport has been designed with a view to facilitating future expansion capable of accommodating 747 supersonic aircraft. In view of its location, the runway may easily be extended as far as 4,200 meters.
 - ii. Bridge. This subproject consists of an 83-meter-long cement bridge over the mouth of Nichutpé Lagoon, connecting Cancún Island with the mainland. Providing the main access to the island, the bridge would be constructed four meters above sea level, and would have an eight-meter-wide paved roadway and sidewalks for pedestrians.

- iii. Dredging and Filling. Dredging operations would entail extraction of approximately 1.6 million m³ of sandy material from the bottom of Nichutpé Lagoon to be used as follows: a) 750,000 m³ to fill in 81 additional hectares on Cancún Island, where some of the hotels and residential zones would be built, and b) 850,000 m³ to fill in an islet located in the lagoon itself, thus creating an additional 97.6-hectare area on which a golf course would be built. The fills would be strengthened by dikes formed by accumulations of stones, each weighing from 20 to 30 kgs. Likewise, approximately 372,000 m³ would be dredged by means of suction dredges, creating 4,650 meters of canals on the lagoon, which would enable medium-sized vessels to enter and sail on the lagoon.
 - iv. Dock. This subproject calls for expansion of the existing dock at Puerto Juárez (8 km. north of Cancún Island) to permit medium-sized vessels as well as the ferry (described below), to dock. Such expansion would consist of extending the length of the concrete dock by 23 meters. Likewise, both sides of the dock would be dredged over a length of 58 meters and to a minimum depth of 2.4 meters.
 - v. Ferry. This transportation subproject entails purchase of a passenger ferry, which would be used to transport tourists between Puerto Juárez-Isla Mujeres-Cozumel-Tulúm and Playa del Carmen (a round trip of approximately 270 km.). The ferry would have a capacity of approximately 70 passengers, a sailing radius of 600 km. and a cruising speed of 60 kms. per hour.
2. Sanitary Engineering Subproject. This subproject entails construction of water supply and sewerage systems, as well as activities related to environmental sanitation. The direct cost of investments under this subproject would total US\$4,822,000, distributed among the following items:
- i. Water Supply System. This activity entails construction of a complete water supply system for Cancún Island 1/

1/ Puerto Juárez and Isla Mujeres have water supply systems.

by means of: a) drilling of 12 deep wells with a pumping capacity of from 7 to 20 liters per second (lps) per well and installation of the respective pumping equipment and 6" collecting pipes; 1/ b) installation of a 22 km.-long asbestos-cement conduit pipe leading to the treatment plant, 2/, with diameters of from 12" to 14"; c) construction of a treatment plant with a capacity of 120 lps; d) construction of a storage tank with 1,500-m³ capacity; e) installation of a distribution system with a length of 19,242 meters, including an asbestos-cement conduit 2/ with diameters of from 3' to 14" -- the distribution system will include an intermediate pumping station for maintaining adequate pressure in the pipe and an elevated storage tank with a 1,000 m³ capacity, thus ensuring adequate flow during peak demand hours, and f) household and commercial connections utilizing pipes with a diameter of 1/2" and more. This system would cover the water supply needs of a population of 30,000 with a daily supply of 300 liters per person for the services area and 600 liters per room, for a total of 4,000 rooms, in the tourism area (hotels and condominiums). Likewise, the system has been designed to facilitate future expansion.

- ii. Sewerage System. This subproject would consist of construction of a complete sewerage system, 3/ including: a) construction of principal and lateral collectors for the tourism area, with 3,800 meters of pipes of from 10" to 16" in diameter and a capacity for 6,000 persons and a plant for complete physical and biological treatment; b) construction of main and lateral collectors for the residential areas, with 3,185 meters of 12" pipes serving approximately 1,500 persons and a plant

1/ The Department of Water Resources conducted the studies necessary to determine availabilities and quality of water supplies. It was found that such supplies are located in an area 30 kms. from the coast and that they would provide salt-free water.

2/ Use of this type of pipe is considered advisable, not only because it is cheaper but also because it is more resistant to corrosion caused by sea water.

3/ Puerto Juárez, Isla Mujeres and Cozumel have a septic tank system for collecting and treating sewage.

for complete treatment, and c) a system of collectors would be constructed for the services area with a length of 6,250 meters, together with a complete treatment plant, including a pumping station and residential connections consisting of concrete 8" pipes, covering a total of 12,135 meters. It should be emphasized that the sewage flow from the treatment plants would be used for irrigating the golf course and green areas. The proposed system would cover the needs of an estimated population of 40,000.

- iii. Environmental Sanitation. This item would include: a) eradication and control of harmful flora and fauna and insect pests, for which it is planned to buy insecticides and special equipment, and train the required personnel; b) disposal of solid wastes through a system for burial of refuse and the purchase of equipment for that purpose, consisting mainly of compacting trucks and a tractor, and c) daily cleaning and maintenance of streets and avenues and purchase of a motorized sweeper.
- 3. Electrification Subproject. This subproject calls for provision of electric power for the tourism and service areas, entailing an investment totaling US\$3,319,000 in direct construction costs. Electric power would be supplied by the steam power plant in the city of Mérida, via the Tizimín substation owned by the Federal Electric Power Commission. These investments would include: a) construction of a single-circuit power line, with a capacity of 115 kw. 150 km. long from Tizimín to Puerto Juárez; b) construction of substations and terminal stations at either end of the power line, and c) a 60-km. power line, with 13.2 kw. voltage for the distribution system--both overhead and underground--to provide 5,000 connections and approximately 1,020 street lights. The power line is designed to satisfy demand for electric power for 10 years. The distribution system would cover service needs until about 1975 and is designed to facilitate future expansion in accordance with demand.
- 4. Telephone Service Subproject. This subproject entails installation of a 1,000-line switchboard and connections with the long-distance system and those required between the tourism and residential areas. It is estimated that the direct cost of construction and installations would total US\$1.12 million.
- 5. Fuel Supply Subproject. This subproject calls for construction of two service stations for the sale of fuel and lubricants, including purchase of pumping equipment, meters, hydraulic equipment and two tank trucks, each with a capacity of 25,000 liters. It is estimated that the direct cost of this subproject would total US\$128,000.

6. Urban Development Subproject. This subproject would comprise all urban infrastructure works in the tourism and service areas. The estimated direct cost of such works totals US\$4,575,000, apportioned among the following items:
- i. Streets, Avenues and Preliminary Works 1/. This item would include initial construction of: a) an approach road and wooden bridge providing access to Cancún Island; b) a temporary workers' encampment, including water supply service; c) clearance and cleaning of streets, including earth moving; d) construction of approximately 10.6 kms. of road from the junction with the Puerto Juárez-Tulum highway to the tourism area, including Nizuc point on the southern part of the island. This road would constitute the central boulevard of the island and would have two paved lanes, with a 7.50-meter roadway having 1.50-meter shoulders, except in the tourism area, where it would have a length of two kms. in four lanes, with a width of 12 meters and two-meter shoulders, to serve the hotels, beaches and residential areas, and e) street paving.
 - ii. Urban Development of Service Area. This item would comprise construction of: a) peripheral and interior concrete paved streets, curbs and sidewalks, and b) paving of lateral streets.
 - iii. Preparation of Tourism Area. This activity would consist of such works as: a) connecting roads throughout the island; b) interior and access streets; c) paving of streets and construction of curbs, sidewalks and parking lots; (d) preparation of beaches, gardens and parks, and e) numbering and naming of houses and avenues and zoning.
 - iv. Preparation of Commercial Area. This activity would comprise construction of: a) a convention center with an estimated capacity of 500; and b) plazas, access streets and parking lots.
7. Other Tourism Facilities. The project also includes construction of the tourism facilities indicated below, which would be carried out by means of local contributions at a total estimated cost of US\$880,000.
- i. Golf Course. An 18-hole golf course would be constructed on an artificial island to be formed by the dredging and filling

1/ See paragraphs 4.18 to 4.20.

works described earlier. It would be connected to the island by an access street which would permit golfcart and pedestrian traffic. It would also have a clubhouse, including locker rooms, sanitary services and offices.

- ii. Archaeological Restoration. This activity would consist of restoration of the Maya ruins located in Tulum, 100 km. from Cancun Island.

- 4.11 For purposes of the works described above, the project would comprise:
i) purchase of materials, equipment and land; ii) employment of laborers; iii) contracting of services, and iv) promotional activities.

D. Total Project Cost

- 4.12 The estimated total cost of the tourist infrastructure project is US\$47.1 million. This cost is based on reasonable estimates and sound budgets formulated in the light of the Mexican Government's experience with similar projects carried out over the past few years. It should be emphasized that, in each activity, a reasonable average percentage (12%) has been estimated for construction costs in order to take into account price increases that may occur during the implementation phase and an average of 16.6% for contingencies. Likewise, the project includes engineering and administrative costs, administrative costs of implementation, the contribution to the Bank's Inspection and Supervision Fund and financial costs of the loan during the period of execution totaling US\$3,464,000. It is estimated that, of the aforementioned total cost, US\$13,813,000 represents foreign exchange costs and US\$33,287,000 local currency costs, as shown in the following breakdown:

<u>Item</u>	(Equivalent in thousands of US\$)			
	<u>Foreign Currency Costs 1/</u>	<u>Local Currency Costs</u>	<u>Total</u>	<u>%</u>
<u>I. Construction Costs</u>				
a. <u>Transportation Subproject</u>	<u>5,337</u>	<u>6,889</u>	<u>12,226</u>	<u>25.96</u>
-Airport	3,203	6,397	9,600	20.38
-Bridge	63	153	216	0.46
-Dredging and filling	1,608	284	1,892	4.02
-Ferry	450	-	450	0.96
-Puerto Juárez Dock	13	55	68	0.14
b. <u>Sanitary Subproject</u>	<u>918</u>	<u>3,904</u>	<u>4,822</u>	<u>10.24</u>
-Water Supply System	315	2,229	2,544	5.40
-Sewerage System	498	1,301	1,799	3.82
-Environmental Sanitation	105	374	479	1.02
c. <u>Electrification Subproject</u>	<u>1,405</u>	<u>1,914</u>	<u>3,319</u>	<u>7.05</u>

1/ Includes US\$7,839,244 estimated as indirect foreign currency cost.

Cont.

(Equivalent in thousands of US\$)				
Item	Foreign Currency Costs 1/	Local Currency Costs	Total	%
d. <u>Telephone Service Subproject</u>	480	640	1,120	2.38
e. <u>Fuel Subproject</u>	81	47	128	0.27
f. <u>Urban Development Subproject</u>	944	3,661	4,605	9.71
-Streets, avenues and preliminary work	392	1,585	1,977	4.20
-Urban development of service center	269	898	1,167	2.48
-Conditioning of tourism area	94	284	378	0.80
-Commercial and civic areas	189	864	1,053	2.23
g. <u>Other Subprojects</u>	-	880	880	1.93
-Golf course	-	720	720	1.53
-Golf club house	-	30	30	0.06
-Archaeological restoration	-	160	160	0.34
Subtotal of construction costs	9,165	17,935	27,100	57.54
II. <u>Engineering and Administration</u>	54	2,758	2,812	5.97
III. <u>Price Increases</u>	1,133	2,178	3,311	7.03
IV. <u>Contingencies</u>	1,524	3,014	4,538	9.63
V. <u>Purchase of Land</u>	-	960	960	2.04
VI. <u>Publicity and Promotion</u>	-	2,000	2,000	4.25
VII. <u>Administrative Costs of Project</u>	-	2,700	2,700	5.73
VIII. <u>IDB Inspection and Supervision</u>	215	-	215	0.46
IX. <u>Financial Costs</u>	1,722	1,742	3,464	7.35
TOTAL (I to IX)	13,813	33,287	47,100	100.00
Percentage	29.33	70.67	100.0	

1/ Includes US\$7,839,244 estimated as the indirect foreign currency cost.

E. Financing Plan

- 4.13 The project would be financed in accordance with the breakdown of financing sources, origin of currency and costs to be financed indicated below:

(Equivalent in thousands of US\$)

	<u>Currencies of Origin</u>		<u>Currencies of Use</u>		<u>Total</u>	<u>%</u>
	<u>Foreign</u>	<u>Local</u>	<u>Foreign</u>	<u>Local</u>		
a. <u>IDB-OC</u>	<u>16,100^{1/}</u>	<u>5,400</u>	<u>11,238^{2/}</u>	<u>10,262^{1/}</u>	<u>21,500</u>	<u>45.65</u>
b. <u>Local Contribution</u>	<u>-</u>	<u>25,600</u>	<u>2,575</u>	<u>23,025</u>	<u>25,600</u>	<u>54.35</u>
i. <u>Federal Government</u> <u>Directly, through the</u> <u>Department of Public</u> <u>Works, Department of</u> <u>Water Resources and</u> <u>Federal Electric Power</u> <u>Commission</u>	<u>-</u>	<u>10,385</u>	<u>2,446^{3/}</u>	<u>7,939</u>	<u>10,385</u>	<u>22.05</u>
ii. <u>Federal Government</u> <u>through INFRATUR</u>	<u>-</u>	<u>15,215</u>	<u>129^{4/}</u>	<u>15,086</u>	<u>15,215</u>	<u>32.30</u>
<u>TOTAL (a + b)</u>	<u>16,100</u>	<u>31,100</u>	<u>13,813</u>	<u>33,287</u>	<u>47,100</u>	<u>100.0</u>
<u>Percentage</u>	<u>34.18</u>	<u>65.82</u>	<u>29.33</u>	<u>70.67</u>	<u>100.0</u>	

^{1/} The amount in foreign exchange for financing local costs (US\$4,862,000) represents 30.2% of the loan in foreign currency.

^{2/} Includes an estimated indirect foreign exchange costs totaling US\$7,839,244.

^{3/} Includes US\$1,722,000 of financial foreign exchange costs during the execution period and US\$724,000 representing the imported component for construction of the Tizimín-Puerto Juárez electric power line.

^{4/} Represents indirect foreign exchange costs of INFRATUR during the execution phase.

- 4.14 The Bank loan would total US\$21.5 million, of which US\$5.4 million would be disbursed in Mexican pesos. The proceeds of the loan would be used to pay for goods and services in Mexico and other member countries of the Bank, the less developed countries which are members of the International Monetary Fund and Switzerland, as well as developed countries declared eligible by the Bank.
- 4.15 Foreign currency proceeds of the loan would be used to finance purchases of goods and services made on the basis of international public bids (except in the case of engineering services which would not be subject to bidding) employing, where applicable, preferential margins acceptable to the Bank. These resources would cover direct and indirect costs in foreign currency, ^{1/} as well as the acquisition of goods and services of local origin, in an amount equivalent to US\$4,862,000. Funds disbursed in Mexican pesos would be used to finance part of the local currency costs of construction contracts awarded under the international public bidding system cited, as well as local goods and services acquired through public bidding restricted to the national level. The part of the loan allocated to finance local costs would total the equivalent of US\$10,262,000, or 21.8% of the total cost of the project and 30.8% of the local currency cost.
- 4.16 The entire local contribution to the program, totaling US\$25.6 million, would be prorated by the federal government through specific allocations which would be included annually for such purposes in the national public investment budgets. In accordance with existing procedures in effect in Mexico, the Department of Finance and Public Credit would allocate the necessary local counterpart funds in order to ensure timely execution of the project, when authorization is granted by the Investment and Finance Subcommittee of the Office of the President. The aforesaid allocations would comprise:
- i. Increases in the annual public investment budgets of the Department of Public Works and the Department of Water Resources, through the allocation of sufficient resources to cover the programmed investments for the subprojects, whose execution would be supervised by the aforesaid departments;
 - ii. Disbursement to the Banco de México, S.A., as trustee of the federal government, of the funds required each year for executing the subprojects supervised by INFRATUR, and

^{1/} Except for financing costs and acquisitions chargeable to the local contribution for materials and equipment for the Tizimín-Puerto Juárez electric power line, which would be effected in conformity with pertinent regulations established by the Federal Electric Power Commission. They also include fuel distribution equipment, including two tank trucks with a capacity of 25,000 liters each.

iii. The required allocation of funds (equivalent to US\$1,074,000) to the Federal Electric Power Commission for construction of the Tizimín-Puerto Juárez power line (see paragraphs 4.30 and 4.31).

4.17 Local contribution funds would be allocated to finance the cost of: i) land; ii) national materials; iii) construction of contract works; iv) engineering and administration; v) supervisory and administrative project costs, and vi) financing costs of the IDB loan. Likewise, the aforesaid resources would be used for purchases abroad of equipment and installations for distribution of fuel and materials needed for constructing the Tizimín-Puerto Juárez electric power line.

2. Expenditures Incurred

4.18 On March 18, 1970, INFRATUR began construction of various preliminary installations permitting access to Cancún Island, in order to complete detailed studies of the various components of the proposed project and begin preparatory work for execution of the programmed works. The work was carried out under the direct award (without bidding) system through a contract concluded between INFRATUR and "Consortio Caribe", an experienced and competent firm of Mexican builders. Cost of the works totals US\$1,418,172, broken down as follows:

-Access road, Puerto Juárez-Cancún Island	US\$ 17,741
-Earth fill, protection and temporary bridge	1,186,475
-Earth moving	39,315
-Clearance and grading of streets	6,336
-Temporary encampment for laborers	131,345
-Introduction of water supply system	36,960
TOTAL	<u>US\$1,418,172</u>

4.19 The main works carried out were: i) construction of a temporary runway in Puerto Juárez for piston engine aircraft (DC-3 and DC-6), thus permitting establishment of air communications with the island; ii) an access road and temporary bridge to Cancún Island, for vehicles, equipment and heavy construction machinery; iii) earth moving for fills and clearance and cleaning of streets, and iv) construction of a temporary encampment for engineers and laborers, including 15 houses and a preliminary water supply system, as there is no community near the area of the project. The encampment will also provide housing for laborers and operators of construction machinery during the period of project execution.

4.20 The costs of works carried out prior to the date of the proposed loan contract but subsequent to July 28, 1970, would be considered as chargeable to the local contribution. With a view to expediting construction of the airport, INFRATUR is also carrying out, through the system of direct awards, clearance and grading work in the area where

the airport is to be built. It also plans to replace the temporary bridge with a permanent one, as well as other additional works designed to facilitate the start of operations, including the preliminary installations for supplying electricity and telephone service for the planned hotel area. Contracts would be awarded on the basis of competitive price bids. The cost of these works would total the equivalent of US\$1.6 million, an amount which would also be chargeable to the local contribution to the project. (See proposed resolution paragraph 8(s)).

F. Investment Categories

- 4.21 The works included in the program would be financed in accordance with the detailed breakdown of costs and summary of categories of investments presented in Tables A and B below.

COSTOS DE LOS SUBPROYECTOS

(equivalente en miles de US\$)

	Participación BID			Gobierno Federal			INFRATUR			
C o n c e p t o	Costos en Divisas 1/	Costos en Moneda Local	Total (1)	Costos en Divisas	Costos en Moneda Local	Total (2)	Costos en Divisas	Costos en Moneda Local	Total (3)	Total (1+2+3)
Construcción										
Proyecto de Transportes	5.337	3.379	8.716	-	3.200	3.200	-	310	310	12.226
Proyecto de Puerto	3.203	3.197	6.400	-	3.200	3.200	-	-	-	9.600
Proyecto de Relleno	63	67	130	-	-	-	-	86	86	216
Proyecto de Puerto Juárez	1.608	95	1.703	-	-	-	-	189	189	1.892
Proyecto de Puerto Juárez	13	20	33	-	-	-	-	35	35	68
Proyecto de Puerto Juárez	450	-	450	-	-	-	-	-	-	450
Proyecto de Ingeniería Sanitaria	918	1.999	2.917	-	631	631	-	1.274	1.274	4.822
Proyecto de Ingeniería Sanitaria	315	1.290	1.605	-	631	631	-	308	308	2.544
Proyecto de Ingeniería Sanitaria	498	602	1.100	-	-	-	-	699	699	1.799
Proyecto de Ingeniería Sanitaria	105	107	212	-	-	-	-	267	267	479
Proyecto de Electrificación	681	801	1.482	724	350	1.074	-	763	763	3.319
Proyecto de Teléfonos	480	61	541	-	-	-	-	579	579	1.120
Proyecto de Abastecimiento de Combustibles	-	-	-	-	-	-	81	47	128	128
Proyecto de Urbanización	944	1.025	1.969	-	-	-	-	2.606	2.606	4.575
Proyecto de Urbanización	392	-	392	-	-	-	-	1.585	1.585	1.977
Proyecto de Urbanización	269	431	700	-	-	-	-	467	467	1.167
Proyecto de Urbanización	94	151	245	-	-	-	-	133	133	378
Proyecto de Urbanización	189	443	632	-	-	-	-	421	421	1,053
Proyecto de Golf	-	-	-	-	-	-	-	910	910	910
Proyecto de Golf	-	-	-	-	-	-	-	720	720	720
Proyecto de Golf	-	-	-	-	-	-	-	30	30	30
Proyecto de Golf	-	-	-	-	-	-	-	160	160	160
Costo de Construcción (a+b+c+d+e+f+g)	8.360	7.265	15.625	724	4.181	4.905	81	6.489	6.570	27.100
Costo de Construcción (a+b+c+d+e+f+g)	54	1.013	1.067	-	949	949	-	796	796	2.812
Costo de Construcción (a+b+c+d+e+f+g)	1.104	949	2.053	-	534	534	29	695	724	3.311
Costo de Construcción (a+b+c+d+e+f+g)	1.505	1.035	2.540	-	533	533	19	1.446	1.465	4.538
Costo de Construcción (a+b+c+d+e+f+g)	-	-	-	-	-	-	-	960	960	960
Costo de Construcción (a+b+c+d+e+f+g)	-	-	-	-	-	-	-	2.000	2.000	2.000
Costo de Construcción (a+b+c+d+e+f+g)	-	-	-	-	-	-	-	2.700	2.700	2.700
Costo de Construcción (a+b+c+d+e+f+g)	215	-	215	-	-	-	-	-	-	215
Costo de Construcción (a+b+c+d+e+f+g)	-	-	-	1.722	1.742	3.464	-	-	-	3.464
TOTAL GENERAL (del I al IX)	11.238	10.262	21.500	2.446	7.939	10.385	129	15.086	15.215	47.100
CENTAJE	23,86	27,79	45,65	5,19	16,93	22,12	0,27	31,96	32,23	100,0

7.839.244 estimados como costos indirectos en divisas.

EXORIAS DE INVERSION

(equivalente en millones de US\$)

Inversiones	Desarrollo Urbano 1/			Ingeniería Sanitaria 2/			Sec. Transportes 3/			Energía y Combustibles			Telecomunicaciones			Otros 4/			Totales	
	FID	Local	Total	BID	Local	Total	FID	Local	Total	BID	Local	Total	BID	Local	Total	BID	Local	Total	BID	Local
	274	222	496	-	333	333	713	685	1.398	40	334	374	40	83	123	-	88	88	1.067	1.745
	1.969	2.666	4.575	2.917	1.905	4.822	8.715	3.510	12.225	1.482	1.965	3.447	541	579	1.120	-	910	910	15.625	11.475
Adquisición de terrenos, costos administrativos	-	1.580	1.580	-	448	448	-	826	826	-	463	463	-	136	136	-	2.207	2.207	-	5.660
Urbanización																				
Acondicionamiento de el período de	578	748	1.326	858	540	1.398	2.562	996	3.558	436	558	994	159	164	323	-	250	250	4.593	3.256
Otros																				
Adquisición durante ejecución y aporte financiero	27	796	723	40	575	615	120	1.060	1.180	20	592	612	8	175	183	-	266	266	215	3.464
	2.848	5.952	8.700	3.815	3.801	7.616	12.111	7.077	19.188	1.978	3.912	5.890	748	1.137	1.885	-	3.721	3.721	21.500	25.600
	60,0	12,6	18,5	8,1	8,1	16,2	25,8	15,0	40,8	4,2	2,4	12,5	1,6	1,4	4,0	-	7,9	7,9	45,7	54,3

obras de construcción de: i) calles, avenidas y trabajos previos; ii) urbanización de la Ciudad de Servicios; iii) acondicionamiento de la Zona Turística; y iv) Zona Comercial y Cívica.

obras de construcción de: i) Sistema de agua potable; ii) Sistema de alcantarillado; y iii) los trabajos de saneamiento ambiental.

obras de construcción de: i) Aeropuerto; ii) Puente; iii) Muelle; iv) trabajos de dragado y relleno; y v) adquisición del Aliscafo.

obras de construcción del campo de golf, los trabajos de restauración arqueológica; las actividades de promoción y publicidad; y la casa club de golf.

G. Project Execution

1. Investment Schedule

- 4.22 The project would be executed over a three-year period from the date of signature of the contract, in accordance with the following investment schedule:

(Equivalent in thousands of US\$)

	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>	<u>Total</u>	<u>%</u>
a. <u>IDB</u>	<u>7,753</u>	<u>8,137</u>	<u>5,610</u>	<u>21,500</u>	<u>45.65</u>
b. <u>Local Contribution</u>	<u>8,857</u>	<u>8,953</u>	<u>7,790</u>	<u>25,600</u>	<u>54.35</u>
i. <u>Federal government</u> Through the federal departments (SOP and SRH) and the CFE	2,502	4,496	3,387	10,385	22.05
ii. <u>Federal government</u> through INFRATUR	<u>6,355</u>	<u>4,457</u>	<u>4,403</u>	<u>15,215</u>	<u>32.30</u>
Total (a + b)	<u>16,610</u>	<u>17,090</u>	<u>13,400</u>	<u>47,100</u>	<u>100.00</u>
Percentage	<u>35.3</u>	<u>36.3</u>	<u>28.4</u>	<u>100.0</u>	

2. Execution of Works

- 4.23 As execution of the project will require coordinated action by the various participating agencies, INFRATUR, the SOP and SRH would prepare annual works budgets, which would be submitted to the Department of Finance and Public Credit and the Investment and Finance Subcommittee of the Office of the President for authorization of the required allocations in the investment budgets of said agencies. The various works included in the project are described below, with an indication of the work methods to be employed.

a. Airport

- 4.24 Construction of the International Airport of Cancún would be supervised by the Department of Public Works. 1/ Chapter III of this document

1/ See paragraph 4.40.

contains a description and analysis of the technical capacity of this department. The Department of Communications and Transportation selected the location of the airport 1/. The designs and plans proposed, as well as the specifications, were prepared by Aeropuertos y Servicios Auxiliares (ASA), 2/ in accordance with modern principles of engineering. They meet the needs of the project adequately.

- 4.25 After the construction work is completed, administration, maintenance and operation of the airport will be entrusted to Airports and Auxiliary Services. 3/

1/ The Department of Communications and Transportation is the federal entity which is responsible--among other things--for granting concessions and licenses for establishing and operating commercial airlines in Mexico and international airlines.

2/ Airports and Auxiliary Services (ASA), which was set up in 1965 as an autonomous agency with its own juristic personality and assets, is responsible for operating federal airports. Article 2 of the presidential decree that authorized its formation assigns to ASA, among its other responsibilities, those of administering, operating and maintaining airports, runways and supplementary services at the airports which constitute part of its original assets as well as those required for operating new routes and those which may be assigned it through the conclusion of agreements or appropriate legal provisions. ASA is directed by an Administrative Board and an Office of the Director General which is divided into the following four units: i) Office of the Director of Planning and Construction; ii) Operations Conservation and Maintenance Management; iii) Administrative Management, and iv) Promotion Management. ASA is responsible for administration of various international airports located on national territory, including those at the following localities: Mexico City, Acapulco, Guadalajara, Puerto Vallarta, Monterrey, Tampico, Tereón and San Luis Potosí. It has the necessary professional and administrative personnel and enjoys an excellent reputation because of its technical capacity. During the 1968-70 period ASA's total assets increased by US\$58.3 million, because of the addition of several federal airports to its assets. At present, its assets total approximately US\$121.1 million. As of July 31, 1970, ASA assets totaled US\$120.9 million. ASA indices of liquidity are satisfactory: 35.71:1 in 1968; 15.67:1 in 1969, and 34.99:1 in 1970. The respective ratios of immediate liquidity during those years were: 32.8:1; 12.6:1, and 32.2:1. It may be stated categorically that the financial situation of this entity is sound.

3/ See note to paragraph 4.24.

b. Water Supply and Sewerage Systems

- 4.26 The Department of Water Resources (SRH) would be responsible for construction 1/ of the water supply and sewerage systems in the case of works to be implemented outside of the tourism area, that is, the collection, piping, storage and treatment of potable water and treatment and disposal of sewage. 2/ Works in the tourism area, consisting mainly of distribution systems and household connections, would be carried out by INFRATUR. During execution of such works, INFRATUR would receive technical advisory assistance from SRH.
- 4.27 After the works have been constructed, SRH would assume responsibility for operation and maintenance of the services to be provided through the facilities that it installed. INFRATUR, acting through a Water Board to be set up for that purpose (see paragraph 4.48), would be responsible for both water distribution and sewerage services, collection of rates and operation and maintenance of the systems.

c. Other Works Directly Supervised by INFRATUR

- 4.28 The works described below would be carried out by INFRATUR 3/. The work contracts and agreements concluded by INFRATUR with other federal government agencies for implementation of all works related to the program would be submitted to the Bank for prior approval. (See proposed resolution, paragraph 8(g)).

i. Puerto Juárez Dock

- 4.29 The plans, budgets and specifications for expansion and improvement of the Puerto Juárez Dock were prepared by the Department of the Navy. INFRATUR would be responsible for supervising the constructions and for their subsequent maintenance.

ii. Electric Power

- 4.30 Plans, budgets and specifications for construction of the electric power transmission works for Cancún Island would be prepared by the

1/ See paragraph 4.40.

2/ It should be emphasized that SRH carried out the necessary hydrological and geological studies in order to ensure the existence of water supply sources of sufficient volume for the project. Deep wells were also drilled in order to determine the quantity and quality of such sources. They were found to be satisfactory.

3/ See paragraph 4.40.

Federal Electric Power Commission (CFE) 1/ Likewise, CFE would assume responsibility, through a contract with INFRATUR, for construction and operation of the Tizimín-Puerto Juárez power line. INFRATUR would award contracts for construction of the overhead and underground distribution systems on Cancún Island.

- 4.31 Upon completion of the works, CFE would assume responsibility for operation, establishment and collection of rates provided by law, as well as maintenance of all installations, in accordance with an agreement or contract concluded with INFRATUR for such purposes. (See conclusions and recommendations, Section 6.03.)

iii. Telephone Service

- 4.32 Construction of telephone service facilities and their subsequent operation and maintenance would be carried out by Teléfonos de

1/ CFE is an autonomous, decentralized agency with its own juridical personality and assets, established on August 14, 1937. CFE's functions include the following: i) to execute, on the national level, works related to the generation, transformation and distribution of electric power; ii) to participate in electrification activities undertaken by governmental and semigovernmental institutions, and iii) to carry out the operations and perform all acts and contracts required for fulfillment of its functions. For attainment of its objectives, CFE has a satisfactory internal structure and personnel of recognized competence. Thus, it enjoys excellent prestige, both locally and abroad. (CFE has obtained several loans from the IBRD) for an aggregate amount of US\$542.8 million.)

CFE's financial situation is satisfactory. During the 1965-1969 period, its total assets rose by US\$919.4 million, with fixed assets accounting for 72.3% of that increase. Its fixed assets total US\$1,799.4 million. The most important item in its total liabilities is its long-term obligations, which total US\$1,163.4 million, including loans granted by NAFIN and the IBRD. CFE has also sold several bond issues on European markets. During the aforesaid period, CFE's net profits totaled US\$149.4 million.

México, S.A. (TM). 1/ The work would be performed under a contract to be concluded between INFRATUR and TM, which would first be submitted to the Bank for approval. (See conclusions and recommendations, Section 6.03.)

iv. Other Items

- 4.33 These would include: i) construction of streets, avenues and bridges; ii) preparation and urbanization of the tourism and service areas and the commercial and civic zone; iii) dredging and filling operations, and iv) work relating to supply of fuel, with the advisory services of Petróleos Mexicanos, S.A. The golf course and archeological restoration of the Maya ruins of Tulum, Cancun and Cobá would be financed entirely with resources provided by means of the local contribution. Restoration activities would be carried out in coordination with the National Institute of Anthropology and History, an entity which has broad experience in this type of work.
- 4.34 Likewise, the project calls for purchase of a ferry for passenger service between Puerto Juárez-Isla Mujeres-Cozumel-Tulum and Playa del Carmen.

1/ Teléfonos de México, S.A., is a joint venture agency (which builds, operates and maintains telephone service facilities in several Mexican cities. The company operates under two renewable concessions granted by the federal government, one of which (local service--except in Mexico City--and long distance) will expire in June 1976, while the other (local service in Mexico City) will expire in June 1978. Under the terms of the aforesaid concessions, the government is authorized--upon notification three years prior to expiry of the concessions--to purchase, at a current fair price to be paid in gold or its equivalent in legal tender, the telephone installations and their accessories. On the other hand, if the concessions expire and are not renewed, the company would be obliged to discontinue the telephone service.

Every year during the 1966-1969 period, TM achieved net operating profits, which totaled US\$50.3 million. In 1969 total TM capital, including common stock and preferred government stock and profits, amounted to US\$226.5 million. That year its long-term liabilities, which represent the most important item in its total liabilities, aggregated US\$202 million. The plant, property and equipment item of its total assets amounted to US\$441.3 million.

TM has an adequate administrative structure, qualified personnel and broad experience which ensure its ability to execute the proposed works.

- 4.35 The total cost of the project includes a US\$2 million item that would be allocated to information and promotional activities during the execution phase. This amount is considered reasonable and adequate for those purposes.

3. Purchase of Land

- 4.36 INFRATUR reports that it controls all the land on Cancún Island, where the works envisaged in the project would be carried out. The aforesaid land was purchased or is being purchased on the basis of appraisals made by the National Banking Commission with the aid of expert personnel. These appraisals totaled US\$960,000. In addition, INFRATUR is negotiating the purchase of additional property on the mainland, as well as the transfer of land owned by the federal government considered necessary for comprehensive development of the tourism center. To that end, INFRATUR should present to the Bank--prior to the initial disbursement of the proposed loan--evidence that it owns all the land involved in the project. (See proposed resolution, paragraphs 8(d) and 8(k).) 1/

4. Engineering Design, Plans and Specifications

- 4.37 The status of preparation of engineering design, plans, specifications and costs of the principal works included in the program are summarized as follows:

- a. Airport: The detailed engineering plans, specifications and cost estimates based on unit construction costs were prepared by Airports and Auxiliary Services (ASA), with the cooperation of consultants contracted for that purpose. Detailed plans of the runway, terminal building and facilities are available. The status of preparation of the aforesaid documents will permit a call for bids to be made within three months from the date of the contract.

- b. Water Supply and Sewerage Systems

Water Supply

Preliminary designs and plans for secondary lines and the main conduit, storage tank, the pumping station and other works have been prepared. Additionally, detailed designs of distribution systems and complete budgets are available. These designs and plans may be ready in final form within four months from the date of approval of the proposed loan contract. The final designs and plans of the main conduit and treatment plant are in the preparatory phase.

Sewerage System

Final designs and plans for facilities for sewage collection and distribution and detailed specifications are being prepared.

1/ See paragraph 4.59.

The final plans for the sewage treatment and disposal plants are being prepared, and detailed specifications are expected to be available by August 1971.

c. Puerto Juárez Dock

Preliminary studies, designs, plans and specifications have been prepared by the Department of the Navy; budgets have been estimated on the basis of unit construction costs. In view of the status of preparations for this subproject, calls for public bidding could be started within three months from the date of signature of the contract for the proposed loan.

d. Electric Power Subprojects

CFE would prepare the designs, plans and specifications for the Tizimín-Puerto Juárez power line. Market and demand studies projected to 1990 have been prepared by TECHNIMEX, a consulting firm contracted by INFRATUR through direct award (without bidding). These studies are technically satisfactory. TECHNIMEX is also preparing studies of the electric power distribution system. It should be emphasized that these plans and the respective documents for bidding are being prepared in conformity with CFE requirements. This subproject is expected to be completed within a period of 18 months.

e. Telephone Service Subproject

As indicated in paragraph 4.32, Teléfonos de México, S.A., would undertake preparation and construction of telephone installations and connections on Cancún Island, after they have been designed by the consultants contracted by INFRATUR for that purpose.

f. Streets, Avenues, Urbanization and Other Works

Plans and designs are available for work related to construction of the access road, streets and avenues, ^{1/} and for preparation and urbanization of the tourism and service areas, as well as the commercial and civic zones. Studies of soil consistency and the various fill materials to be used have been carried out, and plans and designs for dredging and filling operations prepared. Preliminary designs, plans and specifications for the golf course are available.

^{1/} Some of these activities have already been started. (See paragraph 4.18.)

- 4.38 On the basis of the level of preparation of designs, plans, reports and specifications, it would be possible to call for bids within three to six months from the date of signature of the loan contract. Consequently, the three year period mentioned in paragraph 4.22 for execution of the project appears reasonable. The technical documents noted have been prepared by consulting firms with the assistance of 12 specialized agencies of the Mexican Government. 1/

5. Acquisition of goods and services

- 4.39 All purchases of equipment and machinery and all construction contracts for the project in which the unit or total value exceeds the equivalent of US\$40,000 would be subject to public bidding. Purchases financed in whole or in part with foreign exchange from the loans would be subject to international bidding. Those financed with local currency from the loan or with counterpart local funds may be awarded through bidding restricted to the national level. As indicated in paragraph 4.15, the Bank's policy on margins of preference will be applied to project bids.

a. Bidding for construction work

- 4.40 Public bidding for construction work forming part of the project would be conducted in accordance with paragraph 4.15 above and with the following rules:

i. Call for bids

In the case of international bids, a call for bids, approved in writing and in advance by the Bank, will be published. This call will provide for participation by firms of member countries of the Bank, by firms of relatively less developed member countries of the International Monetary Fund, and by firms of those developed countries which, at the date of the call for bids, have been declared eligible by the Bank. This publication will be inserted at least three times in three dailies with the largest circulation in Mexico City, while at the same time a circular will be distributed to the embassies or consulates of each of the countries indicated accredited to Mexico.

In the case of national bids, the call for bids may be restricted to firms in Mexico.

ii. Registration

The firms interested in participating in the bidding shall present the respective applications for registration within a period of 45 days from the date of the first publication of the call for bids in the case of international bidding and within 30 days from such date in the case of national bidding.

Those natural or juridical persons, Mexican or foreign, that have presented the required information to the satisfaction of the executing agency within the prescribed period shall be officially "registered" as firms interested in participating in the corresponding bidding.

iii. Prior selection

The executing agencies, will on the basis of the background of each of the interested parties, declare "eligible" those which they consider technically, financially, legally and administratively qualified to perform the work. The analyses made by the executing agency on the interested parties selected and the corresponding list of goods shall be presented for the Bank's consideration. The executing agencies shall also provide the Bank with the general criteria governing the selection of contractors and, in each particular case, the list of the interested parties that have been declared "eligible".

iv. Invitation to participate in the bidding

After the procedure mentioned in (iii) above has been completed, the executing agency shall invite a minimum of six Mexican firms and six foreign firms, if available, that have been classified as "eligible" to participate in each competition for the execution of works. The executing agencies shall select those firms on the basis of a study of the background of each, taking into account the factors mentioned in (iii) above. Should the number of Mexican firms increase or diminish, the proportion with respect to the foreign firms shall be maintained, provided the number of the latter is sufficient.

The executing agency shall submit for the Bank's consideration the documentation relating to the invitation to bid, as well as the list of the firms invited, so that the Bank may issue an opinion thereon.

The executing agencies shall supply the invited firms, at the proper time, with the corresponding documentation, including the description of the project, characteristics of the work machinery and materials, the corresponding set of plans and designs, and such supplementary data as shall be necessary.

v. Study of the proposal

The executing agencies shall proceed to study the proposals in order to determine the award. An analysis of the unit prices, technical characteristics of the machinery, equipment and materials and equipment maintenance programs shall be taken into consideration for this purpose. In the study of the proposals, the executing agencies shall accord a 15% margin of preference to machinery, equipment and materials of local origin, in accordance with the Bank's policies on this matter.

vi. Award

The executing agencies shall send the Bank a copy of the comparative tables which shall be prepared to judge the proposals, attaching copies of the reports in which the results of those proposals are analyzed. The Bank shall issue a written opinion on those documents within 20 days from the date of their receipt.

b. Bidding for the purchase of equipment, machinery and other materials

The executing agency shall issue the call for bids in accordance with (a) above. All Mexican suppliers of goods, and all suppliers from eligible countries, which have been duly registered in accordance with (a) (ii) above shall be entitled to submit proposals. All Mexican or foreign suppliers registered in accordance with (a) (ii) above shall be considered eligible to be invited to participate in the corresponding competitions. The procedure referred to in (a) above shall apply in all other respects.

a. Project Supervision

4.41 As indicated in paragraph 3.21 above, INFRATUR has suitable personnel for efficient performance of activities related to the preparation of specific projects for development of tourism. However, in view of the magnitude of the works to be carried out in Cancún, INFRATUR intends to contract the technical and administrative personnel required for adequate supervision of the works and coordination of the subprojects whose execution is the responsibility of the other federal government agencies.

4.42 To this end, INFRATUR has begun to contract such personnel, the numbers and composition of which would be:

i. Professional and Technical Personnel

- Resident engineer	1
- Supervisory architect for private construction	1
- Supervisory engineers for construction	11
- Engineers and architects	13
- Service, encampment and warehouse supervisors	3
- Office supervisors (Accountant)	1
- Topographers, surveyors and draftsmen	12
- Airport manager and radio operator	2
- Other technical personnel	9

Subtotal	53
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ii. Clerical personnel	12
iii. Service personnel	31
iv. Medical personnel (physician and nurse)	2
Total	96

- 4.43 Although the personnel mentioned in the preceding paragraph would work in Cancún, organizationally they would be under the Technical Office of INFRATUR, which would be responsible for supervising execution of the project. This office would receive advisory assistance from the various agencies of the federal government which would participate in execution of the project (Public Works, Water Resources), as well as those which would cooperate in subsequent administration of some of the services. Likewise, the Project Committee of INFRATUR, which prepared the proposed project, would collaborate with the Technical Office in all aspects related to the works. 1/

Committee of INFRATUR, which prepared the proposed project, would collaborate with the Technical Office in all aspects related to the works. 1/

- 4.44 On the basis of the above, it may be concluded that INFRATUR will have the professional and technical personnel necessary for effective supervision of the works. (See proposed resolution, paragraph 8 (h) (i).)

I. Project Administration and Maintenance

- 4.45 After the project works are completed, INFRATUR would be responsible for the administrative, maintenance and control activities of the Cancún tourism center. To that end, the following measures would be adopted.

Administration

- 4.46 Within 18 months from the date of signature of the proposed loan contract, INFRATUR would establish a central administrative office at the center, whose main function would be to exercise direct control of infrastructure services and facilities. 2/ Establishment of such an office would permit the following activities:
- a. Adoption of necessary measures for maintenance of streets, avenues, plazas, parking lots and green areas, and cleaning of the beaches and tourism areas.
 - b. Establishment of a unit which would be responsible for maintenance and operation of the golf course, convention center and golf club, including collection of income generated by such facilities.
 - c. Formation of a service unit to coordinate activities related to the provision of electric power (including street and residential and commercial lighting), telephone service, fuel supply, and operation and maintenance of the ferry (including collection of fares from passengers).
 - d. Establishment of a unit responsible for all aspects of urban development, including the numbers and names to be assigned to streets, and for coordinating facilities related to police, fire and first-aid services.

1/ See paragraph 3.18.

2/ See proposed resolution paragraph 8 (1).

- e. Formation of a unit which would be responsible for all aspects related to the collection of statistical data on the flow of tourists to Cancún and pertinent analyses and projections.

4.47 The central office would also be responsible for environmental sanitation. In order to carry out these functions, INFRATUR would establish the following services:

a. Garbage Collection

A daily service for collection of garbage and solid waste would be established on Cancún Island and in the service area. It is estimated that approximately 17.5 tons would be collected each day. Refuse would be compacted and buried a few kilometers inside the mainland. The project includes sufficient funds for purchase of the required equipment (two compacting trucks and a tractor), as well as training of the personnel who would operate the system. 1/

b. Street Cleaning

Streets and avenues would be cleaned daily. To this end, mechanical sweepers would constitute the main equipment. Their purchase is envisaged in the project. 1/

c. Insect Control

Eradication of insect pests and harmful flora and fauna would be handled through continuous use of insecticides 2/ on the beaches, green areas, lagoons, the mainland surrounding Nichutpé Lagoon and areas which appear to be propitious for the breeding of insects. 1/

d. Water Control

In view of the importance of maintaining effective control of potable water supplies and treated sewage to be used for irrigating the golf course and green areas, a complete biological laboratory would be installed for chemical, physical and bacteriological analysis of potable water and of water flowing from treatment plants (sewage), beaches and lagoons. Likewise, several permanent water-sampling stations would be built for the laboratory's use. 1/

1/ See Conclusions and Recommendations, Section 6.02 (b).

2/ The main insecticides to be used would be organic phosphates (Malathion, Diazinon and Abate), whose index of toxicity to mammals is very low. These insecticides would be used in powdered form or diluted in diesel oil; the latter would be used as a larvicide.

The laboratory would be built under the supervision of the Department of Health and Social Welfare, a federal government agency. This department would maintain direct control of all laboratory work and would also train the personnel who would perform such functions.

- 4.48 As indicated in paragraph 4.27, the Department of Water Resources would be responsible for administration, maintenance and operation of the part of the water supply and sewerage system work entrusted to it. The part pertaining to the tourism area of these systems would pertain mainly to distribution of water and collection of sewage. In order to ensure efficient service and recovery of the investment, in accordance with the Federal Law on Sanitary Engineering and with the advisory assistance of the General Administration of Water Supply and Sewerage Systems of SRH, a Federal Water Board would be set up in Cancún, which would be responsible for the administration, operation and maintenance of services.

The Federal Water Board would establish mechanisms for setting and collecting rates for water supply and sewerage services which would adequately cover administrative, operating, maintenance and depreciation costs. However, since the systems were designed to supply a large number of residents and tourists, it has been estimated that, during the first five years of full operation of the tourism center (following the execution period), the rates charged would not cover such costs. Consequently, it is proposed that the federal government cover any deficit resulting from operation of the systems. (See proposed resolution, paragraph 8 (m).) 1/

J. Audit and Financial Statements

- 4.49 INFRATUR would carry separate records for all operations related to the program, which would also be audited by the Banco de México, S.A. as trustee of INFRATUR. For that reason, the independent public accountants contracted by the Banco de México, S.A., for external audits could also be responsible for external audit of the project, provided they were acceptable to the Bank. Otherwise, INFRATUR should directly contract independent public accountants who would be acceptable to the Bank for external audit of the project.

K. Hotel Construction

- 4.50 As indicated in paragraph 4.09, the infrastructure works of the proposed project would be supplemented by an estimated additional investment equivalent to US\$15 million, which would be allocated to

1/ Preliminary estimates indicate that the monthly water rate would be approximately US\$0.65 for consumption of 1,000 gallons, while the sewerage rate would be - for original installation - approximately US\$3.20 per square meter of construction.

hotel construction. The main source of these funds would be the private sector. Consequently, INFRATUR has carried out various preliminary negotiations with representatives of large national and foreign hotel chains.

- 4.51 On the basis of negotiations with the hotel companies, the Mexican authorities are confident that the private sector will participate in building the hotels. Several well-known international companies ^{1/} have indicated an interest, in principle, in constructing and operating first-class hotels on Cancún Island. However, construction of the basic infrastructure for the tourism zone must be started. This in turn would serve as a catalytic agent for mobilizing private supplementary investments in the proposed project.
- 4.52 In view of the interest shown by hotel chains, it is estimated that the minimum initial investment would suffice for the construction of approximately 750 first-class rooms at a minimum average cost of about US\$15,000 per unit, which would be adequate for meeting initial tourist demand. On the basis of tourism market and demand studies done in the Caribbean area, it is estimated that approximately 4,000 hotel rooms would need to be provided up to 1980.
- 4.53 Notwithstanding the above indications, it is deemed advisable to include in the loan contract the obligation of the borrower and guarantor to demonstrate to the Bank - during a period not to exceed 12 months from the date of signature of the proposed loan contract - that it has evidence of the contribution of the private sector or, lacking such evidence, of the measures proposed in order to ensure timely construction of the hotels. (See proposed resolution, paragraph 8 (i).)
- 4.54 Finally, it should be emphasized that construction of the hotels should begin sufficiently in advance so that all rooms will enter into service simultaneously with completion of the works envisaged in the project, or not later than 4-1/2 years after signature of the proposed loan contract.

L. Housing Construction

- 4.55 As indicated in paragraph 4.09, the federal government, operating through existing mechanisms, would ensure the construction of housing and community facilities in the service area with resources additional to those of the project. It is estimated that 670 units would be built for an estimated initial population of 4,000, whose

^{1/} Western International Hotels de México, S.A., Holiday Inn, Braniff International and T.V. Post Company, among others.

main source of employment would be the hotels in the tourism area and the maintenance and upkeep of infrastructure works at Cancún.

No difficulties are expected in executing this program, since the federal government has public institutions which have the necessary experience in carrying out programs of this type. Construction of such housing units would be started at once, that is, upon approval of the proposed IDB loan for financing the infrastructure project. It is estimated that construction of the 670 housing units would entail a total cost equivalent to US\$3.5 million and that it would be carried out within a maximum period of three years.

- 4.56 Financing of housing construction would be carried out mainly through the resources of the Fund for Bank Operations and Discounts for Housing (FOVI), with the participation of private banks and/or other credit sources. It should be noted that, pursuant to the Mexican Federal Labor Law, companies not located in towns are obligated to provide housing for their workers; therefore, the hotel companies themselves can be expected to contribute toward provision of sufficient housing units for their workers. Since it is considered that this aspect is important to the project, it is recommended that the loan contract include a clause ensuring timely execution of these works. (See proposed resolution, paragraph 8 (j).)

M. Airline Rates

- 4.57 INFRATUR has begun talks with various United States air carriers and has received assurances from Eastern Airlines and Braniff International that service from the United States to Cancún would be started as soon as construction of the international airport is completed. 1/ The rates envisaged would be competitive with those now in effect between cities in the southern and southeastern United States and other tourism centers of the Caribbean. In the case of flights originating in cities located in the northeastern United States, rates would be somewhat higher, but the difference would be fully offset by the rates expected to be established at the Cancún hotels, which might be from 20 to 25% lower than those charged in other Caribbean tourism centers.

N. Ecology

- 4.58 Development of tourist centers in Mexico and elsewhere in the world has resulted, in most instances, in some ecological deterioration of the area in question. Generally, the reason for this is failure to

1/ Establishment of new airline routes requires approval by the U.S. Civil Aeronautics Board and special authorization by the Executive Branch of the United States Government. However, on the basis of present relations between the two countries with regard to air traffic, no difficulty is expected in securing such authorization. Likewise, tourist demand would be covered by national companies (Aeronaes de México and Mexicana de Aviación) which have regular dialy flights to Isla Mujeres and Cozumel.

take appropriate steps sufficiently in advance to prevent such deterioration. Therefore, it is of paramount importance that INFRATUR initiate a study of the project area in order to identify possible problems and make suitable recommendations to ensure preservation of the flora and fauna native to the region. To that end, the loan contract would contain a condition whereby INFRATUR would, within six months from the date of signature of the loan contract, initiate a study to determine the measures that should be adopted to protect land and marine flora and fauna on Cancún. The results of this study should be presented to the Bank within 24 months from signature of the proposed loan contract, with an indication of the measures proposed on the basis of the study recommendations. Following the Bank's analysis of the study results, the Mexican authorities would be consulted to determine the need for a broader study of the area between Puerto Juárez and Tulúm. (See proposed resolution, paragraph 8 (h) (ii).)

O. Increased Value

- 4.59 The Mexican legal system contains no specific machinery for allowing the federal government to perceive part or all of the increased value of land generated by public works construction. There are, however, two taxes whose indirect effect is similar to a tax on added value:
- a. Federal Income Tax: The federal government may secure, through the capital gains tax included as part of the General Income Tax Law, part of the increased value of land at the time it is sold. The taxable portion varies depending on the length of time the land remains in the seller's hands; it amounts to 100% of the increased value of the property sold in the case of corporations and 80% in the case of individuals when sales are made within two years after purchase of the land. The tax decreases gradually to zero when the property has been in the hands of a single owner for more than 10 years.
 - b. State Taxes on Real Property: Revenues from these taxes are increased when the added value is reflected in a new valuation of the property.
- 4.60 The two tax measures described in the preceding paragraph enable the public sector to recover some of the investment in infrastructure envisaged in execution of the proposed project. These revenues cannot be quantified in advance, however, since they depend on different state rates for property taxes and on sales contracts concluded by private parties.

P. Inspection and Supervision

- 4.61 In view of the scope and importance of the project, the services of a project specialist are considered necessary. Such a specialist should be a civil engineer experienced in transportation engineering; his terms of reference would be those customarily applied by the Bank in supervising this type of work. Additionally, the services of two assistant engineers specializing in sanitary and electrical engineering would be contracted. The project specialists assigned to the Bank's field office in Mexico would provide the necessary advisory assistance in their respective special areas in accordance with project requirements. To perform his functions adequately, the project specialist would reside initially in Mexico City to supervise the preparation of construction plans and specifications and bidding documents. It is expected that after the works are initiated, he would have to devote most of his time to their direct supervision in the project area.

V. JUSTIFICATION

A. Technical Feasibility

- 5.01 The Comprehensive Tourism Development Plan was drawn up in 1968 by the Department of Tourism Division and later officially adopted by the federal government as the chief policy for stimulating programs designed to develop tourism at the national level. The project proposed ties in with the objectives of that plan and comprises construction of the necessary infrastructure works that would permit the establishment of a new center for attracting tourists to Mexico. Technical analysis of the project shows that the operation proposed is technically and operationally feasible, in accordance with the considerations summarized in the following paragraphs.
- 5.02 The project was prepared on the basis of modern engineering and architectural practices, with the participation of private consulting firms and 12 government agencies specialized in the programming and preparation of designs, plans, reports, specifications and costs for each one of the subprojects envisaged. ^{1/} The level of preparation of these documents would permit early initiation of bidding procedures for the works to be carried out.
- 5.03 The technical solutions adopted for the works to be carried out are the lowest-cost options and are based on the results of studies performed (hydrological, geological, topographical, meteorological, tide and others).
- 5.04 The works to be constructed are technically feasible and the provision of services has been programmed satisfactorily. Appropriate measures will be taken to assure timely and adequate maintenance of the installations.
- 5.05 The costs of materials, equipment, machinery, labor and services are considered reasonable, having been estimated on the basis of prices applicable in Mexico for similar works. To take into account possible increases in unit prices during the period of execution, the equivalent of US\$3.3 million (12.2% of the construction cost) was included in the cost calculations. In addition, the cost of the project includes the equivalent of US\$4.5 million for contingencies, i.e., 16.6% of construction cost. These items were established on the basis

^{1/} The public agencies which took part in preparation of the project were: Department of Communications and Transportation, Airports and Auxiliary Services, Department of Water Resources, Department of Health and Social Welfare, Department of the Navy, Department of Public Works, Department of National Assets, Department of Finance and Public Credit, Banco de México, S.A., Federal Electric Power Commission, Division of Agricultural Affairs and Land Settlement, and National Institute of Anthropology and History.

of individual studies of the subprojects and are considered reasonable and adequate to meet the requirements arising from execution of the works. 1/

- 5.06 It should be stressed that 63.7% of the project construction cost relates to works that would be handled through federal government agencies of recognized competence in their particular fields (Department of Public Works, Department of Water Resources and Federal Electric Power Commission). 2/
- 5.07 No difficulties are anticipated with the supply of construction materials and the purchase and provision of goods and services of domestic or foreign origin. The labor required, both skilled and unskilled, is available in Mexico, while training programs would also be prepared to ensure suitable personnel for the different activities required for project execution. Furthermore, the construction industry is very well organized and possesses modern equipment that places it among the best in Latin America. Over 2,000 construction companies are registered with the Department of National Assets.
- 5.08 Reasonable construction stages have been programmed for execution of the project; consequently, the investment schedule referred to in paragraph 4.22 is considered to be feasible and consistent with project needs.
- 5.09 Water sources have been located in an area on the mainland some 30 km from the coast. Two wells have been drilled to check the volume and quality of the water, which are considered satisfactory for the project and which would be adequate to supply a town of 30,000 inhabitants and 4,000 hotel rooms. Electric energy would be obtained from the

1/ In the individual analyses of subprojects, unit price escalation percentages of between 7.5% and 15.4% were used, depending on the type of works, while for contingencies percentages varying between 7.5% and 21.5% were estimated, according to the nature of the particular subproject.

2/ The Departments of Public Works and of Water Resources have satisfactorily executed various projects partially financed with Bank funds. The Federal Electric Power Commission has executed projects financed by the IBRD.

thermoelectric plant in the city of Mérida. No difficulties are anticipated with the supply of agricultural produce on the medium range to satisfy the demand from the new tourism center. The Yucatan Peninsula, in the Santa Rosa region, produces high quality fruit and vegetables which are at present exported to US markets. 1/

- 5.10 Training programs would be set up for the personnel who would be responsible for operation and maintenance of services (sewers, environmental sanitation, water quality control laboratory, control of harmful flora and fauna and insect pests, garbage and solid waste collection, street cleaning, maintenance and upkeep of installations, squares, green areas, etc.), in order to meet the requirements of tourists visiting Cancún effectively and efficiently.
- 5.11 The system of coordination planned for execution of the different works making up the project is considered adequate. Coordination at the government level would be the responsibility of the Investment and Finance Subcommittee, a unit of the Presidential Secretariat, which would maintain general supervision over the different stages of implementation of the project, through the funds it allots for each of the participating agencies. In addition, INFRATUR would be the agency responsible for operational coordination between the federal government agencies taking part in the construction work. 2/ To carry out these activities and to supervise works done under contract, INFRATUR would hire additional staff to ensure effective coordination. The recruitment of about 96 persons is envisaged for this purpose, 53 of whom, or 55%, would be professionals and technicians. 3/

1/ The Yucatan Peninsula has soils that are fairly well suited to commercial-scale growing of food products, but the lack of high-demand markets nearby has restricted agricultural production. However, the federal government, which is aware of the agricultural potential of the Peninsula, has been making special efforts for several years to increase activities in this sector. By way of example, the irrigation project forming part of the Chac Plan, to which the Bank contributed by granting Loan 32/TF-ME, has produced satisfactory results, since the areas products are being exported to the USA. The development of the new tourism center would create an additional incentive that would bring about an increase in agricultural production on the Yucatan Peninsula, as there would be a market on the doorstep for the produce with the singularly important feature of a high payment capacity.

2/ Department of Public Works for construction of the airport; Department of Water Resources as regards water supply and sewers; Federal Electricity Power Commission for the transmission line and substations; Institute of Anthropology and History where archeological restoration work is concerned: INFRATUR would also coordinate the work to be done by Teléfonos de México, S. A. on the Cancún telephone system.

3/ INFRATUR would also be advised by the Mexican firm "Arquitectos Landa Asociados", which has been hired as consultant on preparation of the project covered by the proposed loan.

B. Financial Feasibility

- 5.12 The annual consolidated cash flow of the project has been calculated on the basis of a 13-year projection, which includes the period of execution of the works and the first 10 years of the tourist installations to be built. This cash flow shows a surplus throughout the entire period, which reaches the equivalent of nearly US\$10 million in the thirteenth year. If depreciation is then added to this total, the adjusted balance, available in cash, would be equivalent to US\$15.13 million, i.e., an average of almost US\$1.2 million per year.
- 5.13 During the construction period (the first three years of the cash flow), funds available would amount to the equivalent of approximately US\$48.6 million, derived from: i) the Bank loan of US\$21.5 million; ii) the contributions of the federal government, which would be made directly through the agencies participating in project execution and would amount to the equivalent of US\$10,385,000, plus those provided through INFRATUR which would total the equivalent of US\$15,215,000, and iii) the proceeds of the sale of land during the same period, which would be of the order of US\$1,498,000. Altogether, these funds would amply cover the cost of the works.
- 5.14 The cash flow of the project was calculated on the basis of individual studies of each of the subprojects making up the proposed operation, which, by their nature, would generate either profits or losses. The financial results for these subprojects are summarized below:
- a. Airport: Taking into account its capacity and the estimated number of tourists, it is calculated that the airport's revenues during the first 10 years of operation, from landing fees, fuel sales and auxiliary services, would amount to the equivalent of US\$4,732,000. However, over the same period the costs of operation, maintenance and depreciation would be equivalent to US\$7,702,000, showing a deficit of almost US\$3 million in that period. It should be pointed out that taking into account funds from depreciation (US\$4.5 million), a cash availability equivalent to US\$1.5 million should be obtained.
 - b. Hydrofoil ferry: On the basis of projections of tourist numbers and estimates of passenger trips, it has been calculated that the ferry would produce net operating revenue amounting to approximately the equivalent of US\$114,000 annually, which would make it possible to recover the cost of the craft in about four years of operation. In calculating the income from passenger charges and the costs of operation, maintenance and manning, experience with the running of such ferries in Japan, Puerto Rico-St. Thomas, Argentina, Australia, Norway and elsewhere was taken into account.

- c. Golf course: It has been estimated that the golf course would bring in cumulative revenue of approximately US\$4,428,000 in the first 10 years of operation, while administrative, operation and maintenance costs would add up to US\$3,389,000 in the same period, leaving a net income of US\$1,039,000.
- d. Commercial and tourism areas: For this subproject the revenues have been calculated taking a conservative occupancy percentage for the convention center, restaurant and bar and administrative, operation and maintenance costs, which results in a cumulative deficit of US\$181,947 in the first 10 years. However, the equivalent of US\$160,000, or 87.9%, would be accounted for by depreciation. This loss is considered reasonable, in view of the nature of the installations, for which a heavy demand in certain years could amply offset the loss indicated by the forecasts. Moreover, it should be borne in mind that the construction of these facilities is a special attraction of a complete tourist center, whose main purpose is to provide basic services to those visiting the area and, therefore, to attract and retain the largest possible number of tourists.
- e. Maintenance of installations: For the purpose of the cash flow, the maintenance costs of all the infrastructure installations, including the yearly costs of environmental sanitation and of administration and operation of services, were taken into account. For the first 10 years of operation it has been estimated that these cumulative costs, based on an individual study of each subproject, would be in the region of the equivalent of US\$12.7 million, i.e., a yearly average of US\$1.0 million. ^{1/}
- f. Sale of land: As already noted under 4.36, INFRATUR has acquired 100% of the sites on Cancún Island. Of the total purchased (3.2 million sq.m), some 2 million sq.m would be intended for sale to private individuals or long-term leasing or any other acceptable arrangement, in conformity with Mexican legislation, while the rest would be intended for services and amenities and green spaces. The selling price of the sites has been fixed at the equivalent of US\$4 to US\$12 per sq.m, depending on location. It is estimated that during the execution period some 187,000 sq.m. would be sold, at an average price equivalent to US\$8/sq.m. For subsequent years, and taking into account the added value of the land, these would be offered at between the equivalent of US\$9 and US\$10. It is calculated that in the course of the first 13 years something like 1,456,000 sq.m would be sold, which would produce a net income for INFRATUR of the order of US\$13,873,600; the rest of the land might be used for long-term leases for the construction of hotels by foreign companies. The aforementioned income would be used to cover operating and maintenance costs of the tourism center, with the remainder earmarked for the extensions of infrastructure required by tourist demand. For this purpose the proposed loan contract would

^{1/} See conclusions and recommendations, section 6.02 (d) and section 6.03.

include a condition setting out the obligation of the borrower and the guarantor to ensure that the funds obtained by INFRATUR from the sale and/or lease of such lands would be retained as part of the trust funds, for use in activities connected with tourism. 1/

- 5.15 In the cash flow referred to in 5.14 preceding, the water supply and sewerage projects have not been considered as revenue-generating. In accordance with Mexican sanitary engineering law, the rates charged for these services should cover the cost of operation, maintenance, administration, depreciation, extension, minor repairs and recovery of investment. Cash surpluses revert to the national treasury. However as indicated in paragraph 4.48, the rates would not cover such costs until the fifth year of full operation of the tourism center. Consequently, it is expected that the federal government would subsidize the rates to make them more attractive to private investors. The electric energy rates have been treated in the same way; these would be administered by the Federal Electric Power Commission. (See proposed resolution, paragraph 8 (m).)
- 5.16 On the grounds of the foregoing, it may be stated that the cash flow calculated for the project is reasonably in line with the estimated financial results of the operation for the first 13 years and demonstrates its financial feasibility.
- 5.17 In view of the importance the Mexican Government assigns to the execution of projects designed to stimulate the development of tourism, no difficulties are anticipated concerning the availability of funds for the local contribution in not less than the equivalent of US\$25.6 million during the three-year disbursement period. These funds would be channeled to the institutions taking part in project execution by means of annual additions to their respective budgets, in accordance with the investment calendar. The borrower will have to show, prior to the first disbursement and at the beginning of each calendar year, that the necessary steps have been taken to ensure that this government contribution will be paid through the several direct executing agencies of the project. (See proposed resolution, paragraph 8 (e) and conclusions and recommendations, section 6.02 (c).)
- 5.18 Notwithstanding the above, the loan and guarantee contracts to be signed by the IDB with NAFIN and the Mexican Government would contain appropriate provisions to ensure that the full amount of the domestic resources needed for execution of the project would be forthcoming as and when required (see proposed resolution). 2/ It should likewise be noted that service on the proposed IDB loan would be the responsibility of NAFIN as borrowing authority and as financial agent of the federal government.

1/ See proposed resolution, paragraph 8 (p).

2/ In all loans granted by the Bank with counterpart funds from the federal government, the necessary contributions were provided on schedule.

- 5.19 The cash flow for the project as set out earlier does not include the investments relating to hotels and houses, since these are not considered to form part of the infrastructure project. These items are subject to measures to be adopted in due course by both the borrower and the guarantor in order to assure their execution. (See proposed resolution, paragraph 8 (i) and 8 (j).)
- 5.20 Finally, a consolidated annual cash flow has been prepared for INFRATUR with 13-year projections including the works construction period. For the purposes of this cash flow, account was taken of the operating results of those facilities and services for which INFRATUR would be responsible, including the sale of lands as part of receipts and the cost of promotion and publicity as an item of expenditure for that organization. The cash flow reflects a cumulative surplus equivalent to US\$7,558,000, which could be used to finance future infrastructure investments under the project, thus providing a larger number of facilities which would, in turn, increase the flow of tourism to Cancún. The loan contract will include a clause whereby the borrower and guarantor will agree to take suitable steps to ensure that the promotional expenses of the Cancún tourism center after the execution period will be chargeable to the federal government through INFRATUR and/or the agency designated for that purpose (see proposed resolution, paragraph 8 (p)).

C. Economic Feasibility

a. Effect of tourism on the national economy

- 5.21 There has been an extraordinary growth in tourism in Mexico in recent years and it has become a sector of major importance for economic development of the country, since it is not only a net generator of foreign exchange with a direct positive impact on the balance of payments and GNP, but also an important source of employment. In 1970, Mexico was one of the top five countries in number of tourists. In that year more than 2 million tourists visited the interior of the country and spent almost the equivalent of US\$575 million, 1/ an increase of 400% over 1960.

1/ Tourism to Mexico can be divided into two categories: 1) "border transactions", which includes tourists entering the country with 72-hour passes, and 2) tourism in the interior of the country, which includes all other tourists.

- 5.22 The quantitative importance of tourism has reached a level above the value of exports of goods. In 1970, revenues from border tourist transactions and tourism in the interior of the country combined produced gross revenue equivalent to US\$1.454 billion, exceeding the figure for exports of goods of US\$1.368 billion for that year.
- 5.23 The current account of the balance of payments has shown deficits since 1955, reaching the equivalent of nearly US\$850 million in 1970, or almost 30% of total income on current account. This situation is mainly the result of the importation of capital goods and raw materials needed for development of the country. While it is a fact that exports of goods have not earned enough to cover all the imports referred to, tourism has made a valuable contribution toward balancing the account, since between 1960 and 1970 it accounted for a net cumulative foreign exchange inflow of over US\$3.335 billion.
- 5.24 Tourism has indirectly boosted the GNP, the effect of which is apparent in the "food and beverage preparation and temporary lodging services" sector. In 1967, ^{1/} expenditures by tourists reached the equivalent of US\$363 million, i.e., a little less than 50% of the figure for gross production of that sector. Moreover, the importance of tourism for the GNP is a direct result of the multiplier effect of tourist spending. In 1969, the Banco de México, S.A., completed a study of that multiplier effect, which it calculated to be ⁴/₂, which may be considered indicative of its order of magnitude. ^{2/}
- 5.25 A 1969 survey by the Banco de México, S. A., showed that tourism was an important source of employment. Over 190,000 persons in the country were engaged in occupations connected with the tourism sector. Bearing in mind that 1.9 million tourists visited the country in 1969, the activities of the tourist sector must have produced one

^{1/} The last year for which detailed figures are available.

^{2/} It must be noted that the multiplier effect of tourist spending has been the subject of various studies in different countries. Checchi & Co. made a study of the future of tourism in 17 South and East Pacific countries concluding that the multiplier factor was 3.2 in the less developed countries and up to 5.5 in the more developed ones. In 1969, a study of the multiplier factor in Guatemala indicated an index of 3.56. (This study was partially financed by the Bank through technical assistance, ATN/983-64, furnished to the Guatemalan Government.) Similar studies which include the Caribbean and European countries show that the multiplier factor ranges from 2.3 to 8.

job for every 10 tourists. The national accounts show that 39% of the added value of the "food and beverage preparation and temporary lodging services" sector is derived from wages and salaries, a percentage that is higher than for the textile industry (26%) or than the national average (27%). The study of the multiplier factor also estimated that for every additional million pesos spent by tourists in the interior of the country, an average of 45.6 direct jobs and 160 indirect ones were created.

b. General aspects of the project

- 5.26 As noted, tourism is important for economic development of the country. The federal government has accordingly assigned top priority to developing tourism activities and is consequently taking appropriate steps to implement the objective set forth in the Comprehensive Tourism Development Plan drawn up in 1968 (see paragraphs 4.01 to 4.04 and 5.01). Execution of this plan would permit, inter alia, substantial short- and medium-term foreign exchange earnings that would help to ease the balance of payments current account deficit and improve the employment position.
- 5.27 It should be added that the CIAP Subcommittee on Mexico, at its meetings in April 1970, included among its chief recommendations the advisability of: i) improving income distribution; ii) raising the employment level of the working class; iii) reducing the current account deficit by increasing exports of goods and services, and tourism in particular, and iv) controlling the level of external indebtedness.
- 5.28 The Comprehensive Tourism Development Plan envisages the establishment of new centers of attraction in order to bring about a considerable increase in the flow of tourists to Mexico. For this purpose, the federal government proposes to finance basic infrastructure works, which should serve in their turn as catalysts prompting the private sector to make the supplementary investments needed for the construction of hotels and other tourism attractions. The present project has been prepared in line with these two requirements and drawn up as an integral whole, as described below.
- 5.29 The first project for the establishment of a new center to attract tourists would be Cancún, since, on account of its natural beauty, distance from the main tourism markets, geographical position in relation to the Caribbean islands ^{1/} and favorable climate, its

^{1/} The US generates 80% of all tourists to the Caribbean. The US East Coast, and mainly the States of Massachusetts, Connecticut, New York, New Jersey, Maryland, Virginia and Florida and the District of Columbia, have been the traditional tourist markets for the Caribbean.

development can be expected to create a prime tourism attraction in the Caribbean. The project has been designed to draw mainly tourists who want a hot and sunny climate combined with beaches, first-class hotels, air transport facilities and opportunities for water sports. ^{1/} In addition, the prospect of visiting the Maya ruins at Chichén Itzá, Tulum and Cobá could attract the type of tourist interested in cultural aspects, which could, in turn, make Cancún the point of departure for tourists who want to visit the Maya ruins that extend from the Yucatan Peninsula to Honduras. ^{2/} This attraction, which would be unique in the Caribbean, could also be an important factor in extending the stays of tourists who come to Cancún for its climate and the recreation facilities it offers.

- 5.30 Execution of the proposed project would have a favorable impact on the entire region. The Yucatan Peninsula is one of Mexico's economically depressed regions, since the market for its main product - sisal - has declined considerably over the past 20 years.

According to the 1960 census, the combined population of the State of Yucatan and the Territory of Quintana Roo numbered 664,000, with Quintana Roo accounting for 50,000. That census showed that the working population of the region totaled 213,400, 60% of whom were engaged in primary activities, 15% employed in industry and the remaining 25% in services. The great majority of the working population was employed in the cultivation, extraction, processing and marketing of sisal, a product that has lost a great deal of its market to synthetic fibers and for which prices have declined. This has occasioned extensive unemployment, and the remaining sisal activities have been subsidized by the federal government for several years now.

- 5.31 The State of Yucatan, ^{3/} which included almost the entire sisal-growing area, has suffered directly the consequences of the fall

^{1/} According to studies, more than 66% of tourists from the US who prefer a change of climate have annual incomes in excess of US\$16,000 and take vacations of between seven and 14 days.

^{2/} Chichén Itzá, Tulum, Cobá and Uxmal in Yucatan, the ruins of Tikal in Guatemala and those of Copá in Honduras.

^{3/} Through loans to NAFIN, the IDB has contributed to improving the economic and social situation in the Yucatan Peninsula. Bank funds have financed environmental sanitation works including the execution of water supply and sewerage projects in various peninsula cities where 44% of the population is concentrated. The IDB has also assisted with the financing of small-scale irrigation and land use improvement programs throughout the region. In addition, highway construction projects have been financed. Loans 208/OC-ME and 282/SF-ME call for the construction of new feeder roads from the city of Alvaro Obregón to La Unión and from Valle Hermoso to Tampak, together with improvement of the highway sections to Puerto Tulum and from Playas del Carmen to Tulum.

in sisal prices. In addition, over the past 10 years, the population of the Territory of Quintana Roo has increased from 50,000 to 90,000, and tourism has developed into an activity of major importance. The tourism centers of Cozumel and Isla Mujeres and the commercial center of Chatumal (recently declared a free port) lie within its boundaries. Commercial activities deriving from tourism have recently placed the territory among the areas of the country with the highest per capita incomes, owing to the fact that 75% of its population is concentrated in these three tourism centers.

- 5.32 Execution of the proposed project would have a favorable effect on the economy of the Yucatan Peninsula. Bearing in mind that the Territory of Quintana Roo has relatively little land prepared for cultivation, it is expected that the traditionally sisal-growing population of the State of Yucatan will be the principal beneficiary of the higher agricultural production induced by Cancún. To this end, INFRATUR, in conjunction with the Agricultural Bank and the Development and Guarantee Fund for Farming, Stock Raising and Poultry Raising will prepare a study to determine the future demand for agricultural produce and the measures to be adopted to facilitate the incorporation within this sector of the population formerly employed in sisal growing.
- 5.33 On the basis of tourism projections (see paragraph 5.37), it is estimated that execution of the proposed project will create a substantial number of jobs. Research carried out in other Caribbean and Mexican tourism centers indicates that about 1.66 employees would be needed for each hotel room, which for Cancún would mean 1,245 jobs in the first year of operation, leading to 2,710 in 1980. ^{1/} It is estimated that 55% of these positions would be occupied by local residents with no special skills (waiters, porters, etc.) and the other 45% by persons with some service skills. In addition, the demand for agricultural produce would also create an important source of employment. Using the same index employed in the Banco de México's study (see paragraph 5.26), that for each million pesos spent by tourists, some 45.6 direct new jobs and 160 indirect ones are created, execution of the project would directly open up some 12,300 jobs in 1975, a number that would increase each year to reach 17,350 in 1980. For indirect jobs, the figures would be 54,000 and 76,000, respectively. Although these calculations are probably optimistic, it is reasonable to expect that the massive tourist flow will greatly improve employment opportunities in the Yucatan Peninsula.

^{1/} See under 5.40.

- 5.34 It is thought likely that many of the tourists who come to Cancún will also visit other places in the Yucatan Peninsula, such as Mérida, Tulum, Cobá, Chichén Itzá and Uxmal, which would increase and distribute tourist spending to the benefit of the region as a whole. It has been estimated that execution of the project could raise the gross product of the entire region by the equivalent of US\$10 million in 1975 and possibly US\$20 million in 1980 - increases of 300% and 600% respectively, compared with the combined gross product of the State of Yucatan and the Territory of Quintana Roo in 1963.

c. Economic evaluation of the project

- 5.35 The most important aspect of the economic project analysis consists of tourist demand, which, in turn, determined the capacity and characteristics of the works to be carried out and the basic requirements in terms of hotel and housing construction. As noted under paragraph 5.29, the project was based on the principle that Cancún would attract tourists interested primarily in a change of climate and recreational facilities. Tourism demand was calculated essentially from the number of tourists who had visited the Caribbean in the past 20 years, the estimated future increase in US tourists to that region, the percentage of these who would be attracted to Cancún Island and the statistics for tourism in the Yucatan Peninsula.
- 5.36 On the basis of these premises, projections of tourism demand were drawn up using the following hypotheses, which are considered reasonable and which adequately reflect Cancún's potential as an important tourism center in the Caribbean:
- i. The new tourism center could absorb between 8% and 15% of the annual increase, up to 1980, in number of US tourists visiting the Caribbean;
 - ii. It would attract between 1% and 2% of the total number of US tourists to the Caribbean;
 - iii. Cancún would receive 50% of the annual increase in US tourism to the Yucatan Peninsula;
 - iv. It would attract 15% of all US tourism to the peninsula;
 - v. 30% of foreign tourists visiting the Yucatan Peninsula would come from countries other than the US;
 - vi. Mexican tourists would make up between 10% and 20% of the total.
- 5.37 Applying the above hypotheses, the following projections of the tourism demand were arrived at:

Number of Tourists

<u>Year</u>	<u>Maximum</u>	<u>Mean</u>	<u>Minimum</u>
1972	-	-	-
1973	140,700	117,200	91,900
1974	203,000	168,800	142,700
1975	126,800	178,700	149,800
1976	232,500	190,000	157,900
1977	250,200	202,600	167,000
1978	270,500	217,200	177,400
1979	293,400	233,600	189,200
1980	319,600	252,400	207,700

- 5.38 All components of the project have been designed to satisfy the tourism demand indicated above, and no technical difficulties are anticipated in the normal development of Cancún. The works to be carried out have been programmed with a view to achieving comprehensive development, so that the subprojects are mutually complementary. In addition, as indicated in paragraphs 5.32 and 5.33, the Yucatan Peninsula has adequate labor to meet needs in terms of services and agricultural production deriving from tourism demand.
- 5.39 Based on the same tourism demand, it has been estimated that a minimum of 750 first-class rooms will have to be constructed in a preliminary stage, which would be sufficient to cater to the tourist flow up to 1973 (the supplementary investments for the building of hotel rooms are explained under paragraphs 4.50, 4.54). These estimates assume a stay of between three and four days per tourist and an occupancy index of between 70% and 80%, which seems reasonable. ^{1/} The tourism demand would require annual hotel room construction in line with the following table:

^{1/} Stays in other Caribbean centers are longer (Jamaica 9.1 days, Bahamas 6.3 days and Puerto Rico 5.4 days). The average stay of tourists arriving in Mexico by air is 13 days.

<u>Year</u>	<u>No. of tourists (in thousands 1/)</u>	<u>Hotel rooms required</u>	<u>No. of employees required</u>
1973	117.2	750	1,245
1974	168.8	1,080	1,790
1975	178.7	1,140	1,890
1976	190.0	1,220	2,025
1977	202.6	1,300	2,160
1978	217.2	1,410	2,340
1979	233.6	1,520	2,595
1980	252.4	1,630	2,710

5.40 Execution of the project would have a favorable impact on the balance of payments, the result of which has been estimated taking into account import requirements, investments of the federal government, investments of the private sector in hotel construction and the spending of tourists on the basis of the projection of tourism demand (see paragraph 5.37 - mean projection). It has also been assumed that each tourist would stay an average of 3.5 days and would spend the equivalent of US\$34.50 daily. Taking these figures as a basis, it is calculated that project execution would bring in a net amount of US\$14 million in the first full year of operation and would rise to the equivalent of US\$25.8 million in 1980, in line with the following table:

Effects on balance of payments

(Equivalent in thousands of US\$)

<u>Year</u>	<u>On current account (1)</u>	<u>On capital account (2)</u>	<u>Result (1 + 2)</u>
1971	-6,461	9,423	2,962
1972	-9,305	10,269	964
1973	7,131	6,860	13,991
1974	17,456	- 545	16,911
1975	18,658	- 1,155	17,503
1976	20,087	- 1,238	18,849
1977	21,602	- 1,032	20,570
1978	23,447	- 1,146	22,301
1979	25,520	- 1,274	24,246
1980	28,294	- 2,518	25,776

5.41 It must be stressed that the participation of the Bank in execution of the proposed project includes US\$4,682,000 in foreign exchange

1/ Mean projection - see table in paragraph 5.37.

to finance local costs, which is considered reasonable bearing in mind the favorable impact the project would have on the country's balance of payments current account deficit. The imported component of the project is low compared with similar works in other Latin American countries, due mainly to the high level of development of Mexico's construction industry and the output of building materials. On the other hand, the multiplier effect on investment costs and the average propensity to import, calculated at 10%, will produce on the medium and long range consumer imports adding up to a minimum of US\$10 million, with a consequent adverse effect on the balance of payments. Finally, during the period of project execution, the country will have to meet a debt service which would represent a foreign exchange outflow of US\$1,722,000. This aspect would be offset to some extent by the foreign exchange from the Bank loan intended, in that period, to cover local expenditures, which would be utilized through the system of international public bidding.

5.42 The internal rate of return for the project was calculated on the following bases:

- i. The useful life of the installation was estimated at 20 years;
- ii. The total cost of investments in the project was taken into account;
- iii. Benefits were calculated on the basis of a daily per-tourist expenditure of between US\$33 and US\$36, ^{1/} which can be considered as conservative since Cancún would have first-class facilities, for a stay of from three to four days. Also taken into account were the airline benefits extended to the country and a "shadow price" on the foreign exchange attracted by the project;
- iv. The cost of the services was calculated at between 40% and 70% of total revenues produced by tourist spending;
- v. Indirect effects were disregarded.

5.43 Taking these bases into account, the internal rate of return was calculated by utilizing 48 different combinations and alternatives. The individual results were then subjected to a sensitivity analysis using an increase factor of 5% and a decrease factor of 10% of investment costs. These computations led to the conclusion that the project is highly profitable, since the internal rate of return, assuming an opportunity cost of labor equal to zero, averages 24%; on the assumption that the legal minimum wage in the area reliably reflects the economic value of labor, the internal rate of return drops to an average of 16%. These calculations suggest that the probable rate would be about 20%.

^{1/} The 1969 study by the Banco de México, S.A., shows that US tourists arriving by air spent an average of US\$31.

VI. CONCLUSIONS AND RECOMMENDATIONS

- 6.01 In view of the benefits that would accrue to the Mexican economy and to the social and economic development of the peninsula of Yucatan as a result of the execution of the project, and considering that there are no technical, institutional, financial, economic or legal impediments, it is recommended that a loan up to the equivalent of US\$21,500,000 from the ordinary capital resources of the Bank be granted to Nacional Financiera, S.A., to assist in financing the project for tourist infrastructure of Cancún.
- 6.02 It is further recommended that, in addition to the conditions appearing in the proposed resolution, there be included in the loan and guarantee contracts, as appropriate, the following conditions, which shall be fulfilled to the satisfaction of the Bank:
- (a) Prior to the call for bids and/or the commencement of any work included in the project, the debtor shall present to the Bank the corresponding plans, budgets, and final specifications and specific bidding requirements.
 - (b) Within 6 months from the date of the loan contract, the debtor shall submit through the Fondo de Promoción de Infraestructura Turística (INFRATUR):
 - (i) A program for the training of the personnel of INFRATUR that will be responsible for the operation of the water treatment and disposal and/or utilization of sewage waters plant in the tourist zone of Cancún. This program shall include the detail of the budgets intended for this purpose;
 - (ii) a plan for the administration of the street cleaning, collection of solid wastes, and environmental sanitation services, and for operation of the stations for testing and sampling of water and of the water laboratory to prevent contamination, including the budgets intended for these purposes.
 - (c) The debtor shall demonstrate to the Bank during the course of the first quarter of each year of execution that INFRATUR, the Secretaría de Obras Públicas (SOP), the Secretaría de Recursos Hidráulicos (SRH), and the Comisión Federal de Electricidad (CFE) shall have the necessary funds for the normal execution of the works during the corresponding year.
 - (d) Following the completion of each of the works already financed with the resources of the project and throughout the life of the loan contract, INFRATUR, the guarantor and/or such entity or

entities as INFRATUR shall designate, shall maintain them in accordance with generally accepted engineering standards and in conformity with the provisions of Appendix A of this document.

- (e) The debtor, through INFRATUR, shall provide the Bank with the statistical data on the development of the Cancún tourist center, substantially in accordance with the provisions of Appendix C of this document and such data shall be sent to the Bank at the end of each calendar year for a period of 10 years, as from the fourth year from the date of the loan contract.
- 6.03 At least 6 months before the date estimated for the completion of each subproject, the debtor, through INFRATUR, shall submit to the Bank the contracts, agreements or covenants which shall be entered into with the organizations that will be responsible for the administration and operation of the corresponding facilities, or other legal instruments having the same purposes.
- 6.04 The debtor, the guarantor and or INFRATUR shall maintain insurance that will adequately cover the updated value of the insurable assets of the project during the life of the loan.
- 6.05 The financial statements of the debtor and the project shall be audited in accordance with the pertinent provisions in the loan contract, taking into consideration paragraph 4.49 of this document.
- 6.06 An annex substantially similar in content to Appendix A of this document shall be included in the loan contract.
- 6.07 The sum of US\$215,000 shall be allotted to the respective Fund for Inspection and Supervision of the Bank from the resources of the loan.
- 6.08 The equivalent of US\$6,440,000 in currencies of nonmember countries to which Resolution DE-49/62, as amended, is applicable, shall be utilized in the loan.

APENDICE AANEXO B AL CONTRATO DE PRESTAMOI. Objetivos y Descripción del Proyecto

Consiste en el desarrollo de un complejo turístico en Cancún, en la costa del Territorio de Quintana Roo, en la Península de Yucatán. El proyecto tiene como eje principal la isla Cancún, en donde se llevarán a cabo la mayoría de las obras programadas, además de inversiones menores de saneamiento ambiental en Isla Mujeres y el mejoramiento de algunos centros arqueológicos en la zona. El proyecto comprende la ejecución de los siguientes subproyectos de infraestructura turística:

- (a) Subproyecto de Transportes: Comprende la construcción de: (i) un aeropuerto internacional localizado aproximadamente a 17 Kms. del empalme de las carreteras Tulum-Puerto Juárez y Puerto Juárez-Mérida, cuya ejecución estará a cargo de la Secretaría de Obras Públicas; (ii) la ampliación y mejoramiento del muelle de Puerto Juárez, a cargo de INFRATUR; (iii) de un puente de aproximadamente 80 Mts. de longitud para unir la isla con la zona continental, a cargo de INFRATUR; (iv) los trabajos de dragado y relleno que efectuará INFRATUR; y (v) la adquisición de un aliscafo por INFRATUR para el servicio de pasajeros.
- (b) Subproyecto de Ingeniería Sanitaria: Incluye la construcción de: (i) un sistema de agua potable diseñado para atender las necesidades de una población futura, estimada en 40.000 personas; (ii) la construcción de un sistema de alcantarillado sanitario con tratamiento completo, tanto físico como biológico, para igual población; y (iii) la erradicación de la flora y fauna nocivas, así como el control de plagas de insectos, la recolección y disposición de desechos sólidos en Cancún y el saneamiento ambiental de Isla Mujeres. Este subproyecto será ejecutado por la Secretaría de Recursos Hidráulicos e INFRATUR.
- (c) Subproyecto de Electrificación: Comprende la construcción de una línea de transmisión entre Tizimin y Puerto Juárez de 150 Kms. de longitud aproximadamente, que forma parte del programa regional de electrificación de la Comisión Federal de Electricidad (CFE), las subestaciones y estaciones terminales en los puntos de origen y terminación de la línea de transmisión que serán ejecutadas por la CFE. INFRATUR se encargará de la construcción de las redes aéreas y subterráneas de distribución que permitan efectuar unas 5.000 conexiones domiciliarias y el alumbrado público.
- (d) Subproyecto de Teléfonos: Incluye la instalación de una central telefónica con capacidad final de 1.000 líneas, con conexiones de larga distancia. Este subproyecto será ejecutado por Teléfonos de México S.A. en coordinación con INFRATUR.

- (e) Subproyecto de Abastecimiento de Combustibles: Comprende la construcción de dos estaciones de servicio para la venta y abastecimiento de combustibles. Este subproyecto será ejecutado bajo supervisión de Petróleos Mexicanos, S.A., en coordinación con INFRATUR.
 - (f) Subproyecto de Urbanización: Incluye: (i) la construcción de calles y avenidas; (ii) los trabajos de urbanización incluyendo la construcción y pavimentación de calles perimetrales e interiores; (iii) los trabajos de acondicionamiento de la zona turística que incluye, pavimentación de calles, mejoramiento, conservación de plazas, jardines y parques; (iv) acondicionamiento de la zona comercial turística que comprendería la construcción de un centro de convenciones, una casa-club de golf y los servicios conexos. Este subproyecto será ejecutado por INFRATUR.
 - (g) Asimismo, INFRATUR se encargará de la construcción de un campo de golf de 18 hoyos, y de los trabajos de restauración arqueológica de algunos centros arqueológicos de origen maya de la zona.
- II. Fuente de Financiamiento: El proyecto será financiado de la manera siguiente:

APENDICE A

- 3 -

(equivalente en miles de US\$)

	<u>Monedas de Origen</u>		<u>Gastos a financiarse</u>		<u>Total</u>	<u>%</u>
	<u>Divisas</u>	<u>Local</u>	<u>Divisas</u>	<u>Local</u>		
(a) <u>Préstamo/OC-ME</u>	16.100	5.400	11.238 <u>1/</u>	10.262	21.500	45,65
(b) <u>Aporte Local</u>	-	25.600	2.575	23.025	25.600	54,35
 (i) <u>Gobierno Federal</u>						
Directamente a través de la Secretaría de Obras Públicas, Secretaría de Recursos Hidráulicos y Comisión Federal de Electricidad	-	10.385	2.446 <u>2/</u>	7.939	10.385	22,05
 (ii) <u>Gobierno Federal</u>						
Por medio de INFRATUR	-	15.215	129	15.086	15.215	32,30
Total (a+b)	16.100	31.000	13.813	33.287	47.100	100,0
Porcentaje	34,18	65,82	29,33	70,67	100,0	

III. Categorias de Inversión

Los recursos del proyecto serán invertidos aproximadamente en la siguiente manera:

1/ Incluye US\$7.839.244, estimados como costos indirectos en divisas.

2/ Incluye US\$1.722.000 que corresponde a costos financieros en divisas durante el período de ejecución y US\$724.000 que corresponde al componente importado para la construcción de la línea de transmisión de energía eléctrica de Tizimín a Puerto Juárez.

(equivalente en miles de US\$)

<u>Categorías de las Inversiones</u>	<u>Costos en Divisas</u>	<u>Costos en Moneda Local</u>	<u>Total</u>	<u>%</u>
1. <u>Ing. y Administración</u>	<u>54</u>	<u>2.758</u>	<u>2.812</u>	<u>5,97</u>
- <u>Costo de Obras</u>	<u>9.165</u>	<u>17.935</u>	<u>27.100</u>	<u>57,54</u>
2. <u>Gastos Concurrentes</u>	<u>-</u>	<u>5.660</u>	<u>5.660</u>	<u>12,02</u>
(Incluye la adquisición de terrenos (US\$960.000 <u>2/</u>); publicidad (US\$2.000.000); y costos administrativos del proyecto (US\$2.700.000)).				
3. <u>Sin Asignación Específica</u>	<u>2.657</u>	<u>5.192</u>	<u>7.849</u>	<u>16,66</u>
(Imprevistos y escalamiento de costos durante el período de ejecución)				
4. <u>Gastos Financieros</u>	<u>1.937</u>	<u>1.742</u>	<u>3.679</u>	<u>7,81</u>
(Intereses y comisión de servicio durante el período de ejecución y aporte al F.I.V. del Banco)				
TOTALES	<u>13.813</u>	<u>33.287</u>	<u>47.100</u>	<u>100,00</u>
Porcentajes	<u>29,33</u>	<u>70,67</u>	<u>100,0</u>	

IV. Bases de Licitaciones

Las bases de licitación pública internacional para la adquisición de bienes y contratación de servicios con los recursos del préstamo deberán permitir la libre competencia de postores originarios o provenientes de países miembros del Banco, de los países de desarrollo relativo que sean miembros del Fondo Monetario Internacional y Suiza y los países desarrollados que hayan sido declarados elegibles por el Banco y por consiguiente no podrán establecerse condiciones que impidan o restrinjan la

1/ Incluye US\$7.839.244 estimados como costos indirectos en divisas.

2/ Corresponde al valor de los terrenos comprendidos en el proyecto que serán aportados por el deudor con cargo a la contribución local.

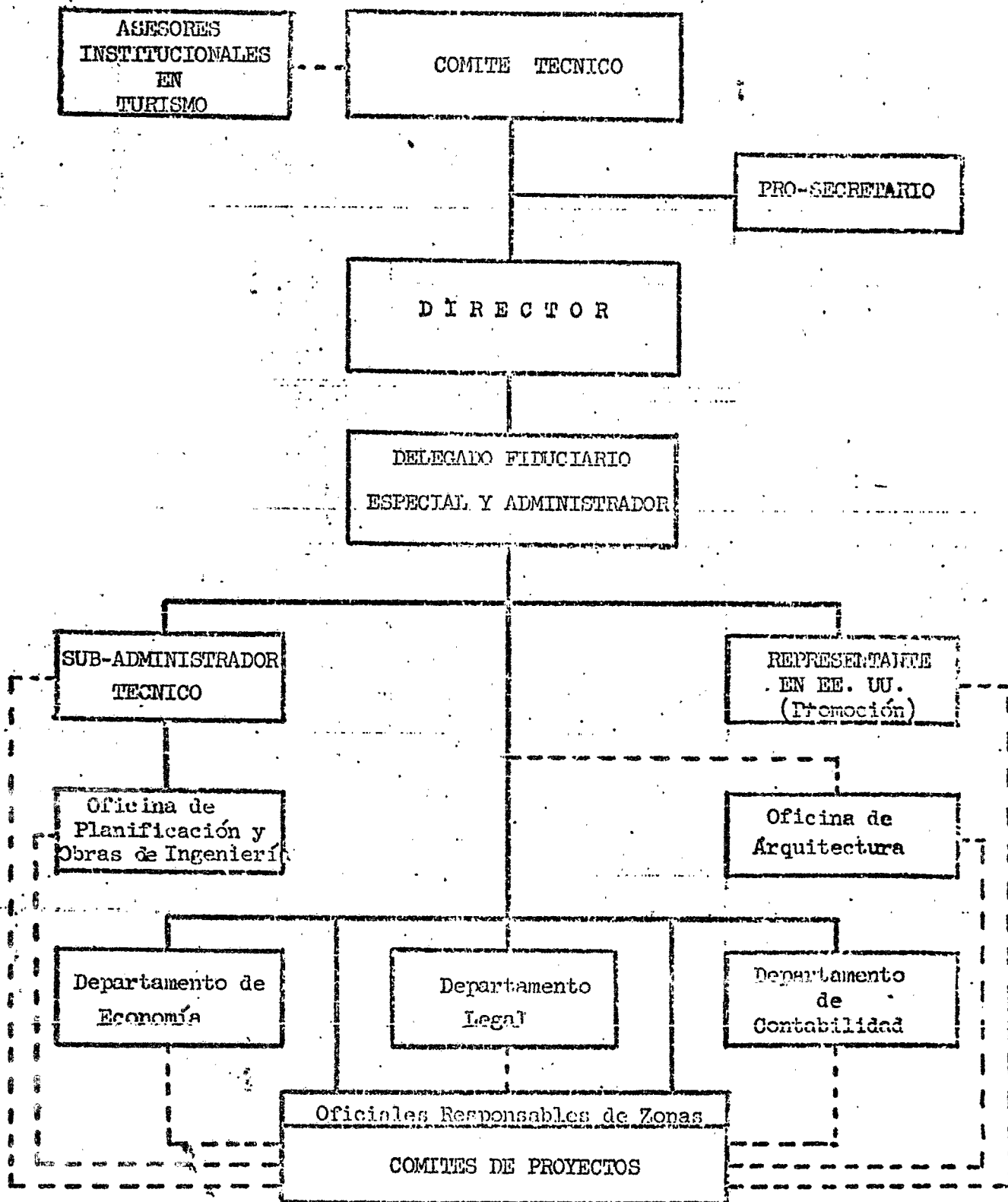
asistencia de dichos postores, tanto en los casos de adquisición de bienes como en la adjudicación de contratos para la construcción de obras.

V. Mantenimiento de las instalaciones

- (a) El propósito básico del mantenimiento será conservar durante la vigencia del contrato de préstamo las instalaciones de infraestructura, con todas sus partes componentes, razonablemente en las condiciones en que se encontraban al momento de la terminación de las obras correspondientes financiadas por el Préstamo.
- (b) Los planes anuales de mantenimiento de las instalaciones financiadas parcialmente con el Préstamo, deberán ser presentados por los organismos correspondientes, a través del deudor, a la consideración del Banco antes del 30 de noviembre precedente a cada año fiscal; incluirán como mínimo los detalles de la organización responsables de mantenimiento, el personal encargado del mantenimiento, el número, tipo y condición de los equipos destinados a mantenimiento.
- (c) Los planes de mantenimiento deberán señalar los fondos disponibles en el presupuesto de mantenimiento en ejercicio al 30 de noviembre de cada año (con exclusión de las operaciones de mejora) e incluirán la cantidad a ser asignada en el presupuesto correspondiente al año con respecto al cual los planes son sometidos.
- (d) Los planes deberán señalar también los sistemas de evaluación que demuestren un mantenimiento adecuado de las instalaciones.
- (e) El Banco tendrá el derecho de inspeccionar periódicamente las instalaciones. Si llegare a determinarse por la inspección o por los informes que reciba el Banco que el mantenimiento se efectúa por debajo de las normas convenidas, el Deudor y el Garante deberán tomar las acciones necesarias para corregir totalmente las deficiencias.

ORGANIGRAMA ACTUAL DE INFRATUR

APENDICE B-1



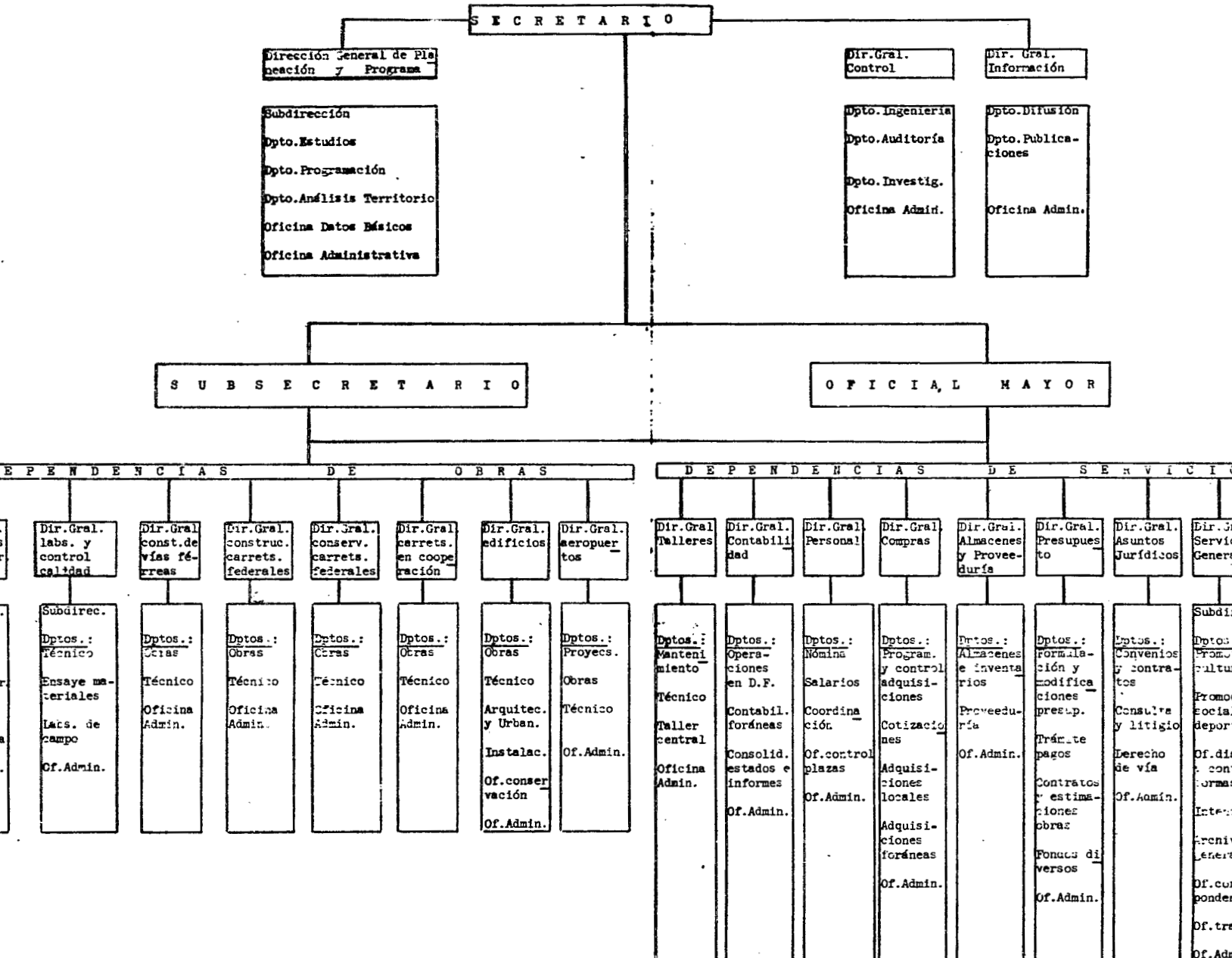
————— Líneas de Mando

- - - - - Asesoramiento

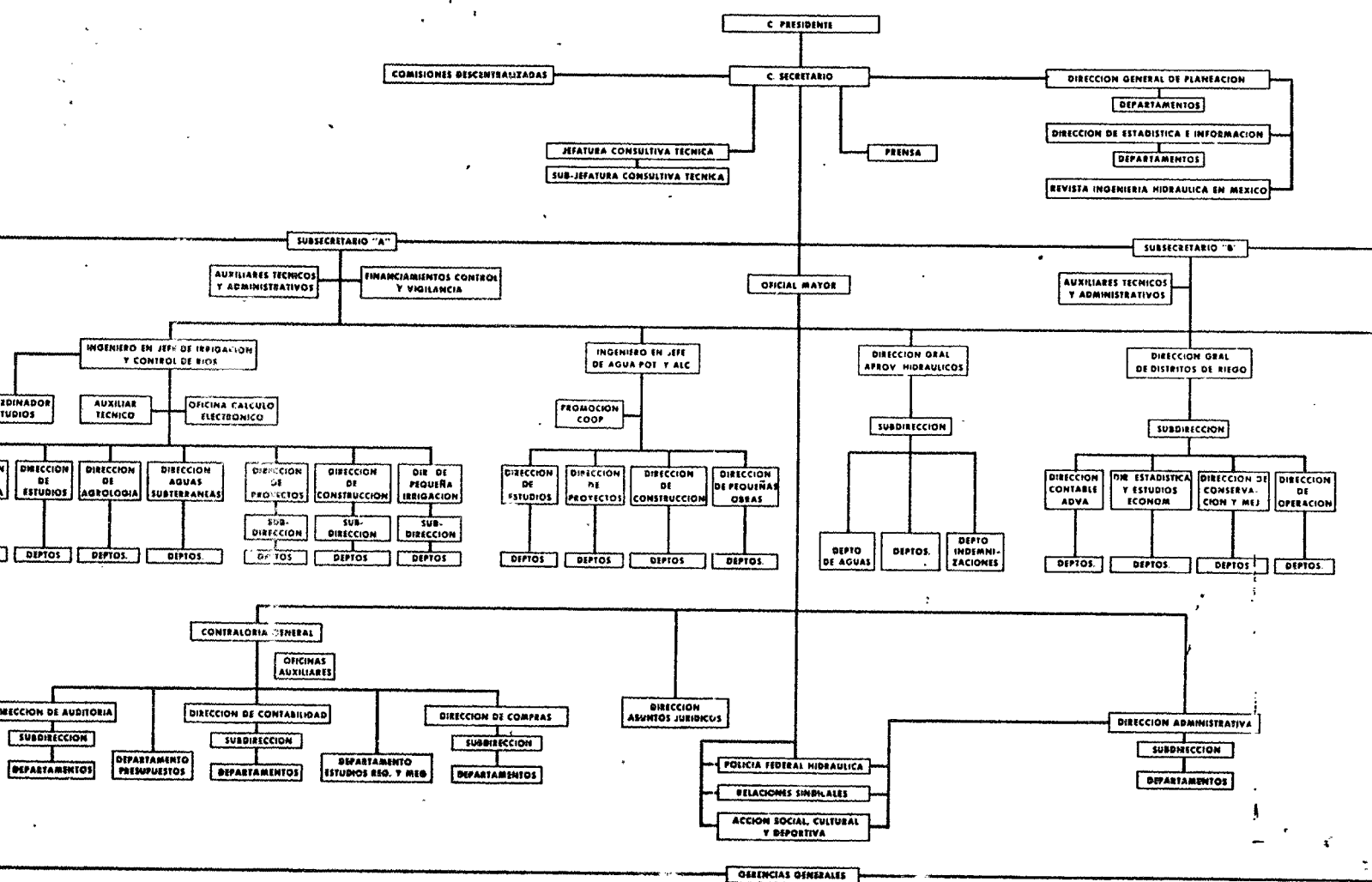
SECRETARIA DE OBRAS PUBLICAS

Diagrama de Acuerdos Funcionales

APENDICE B



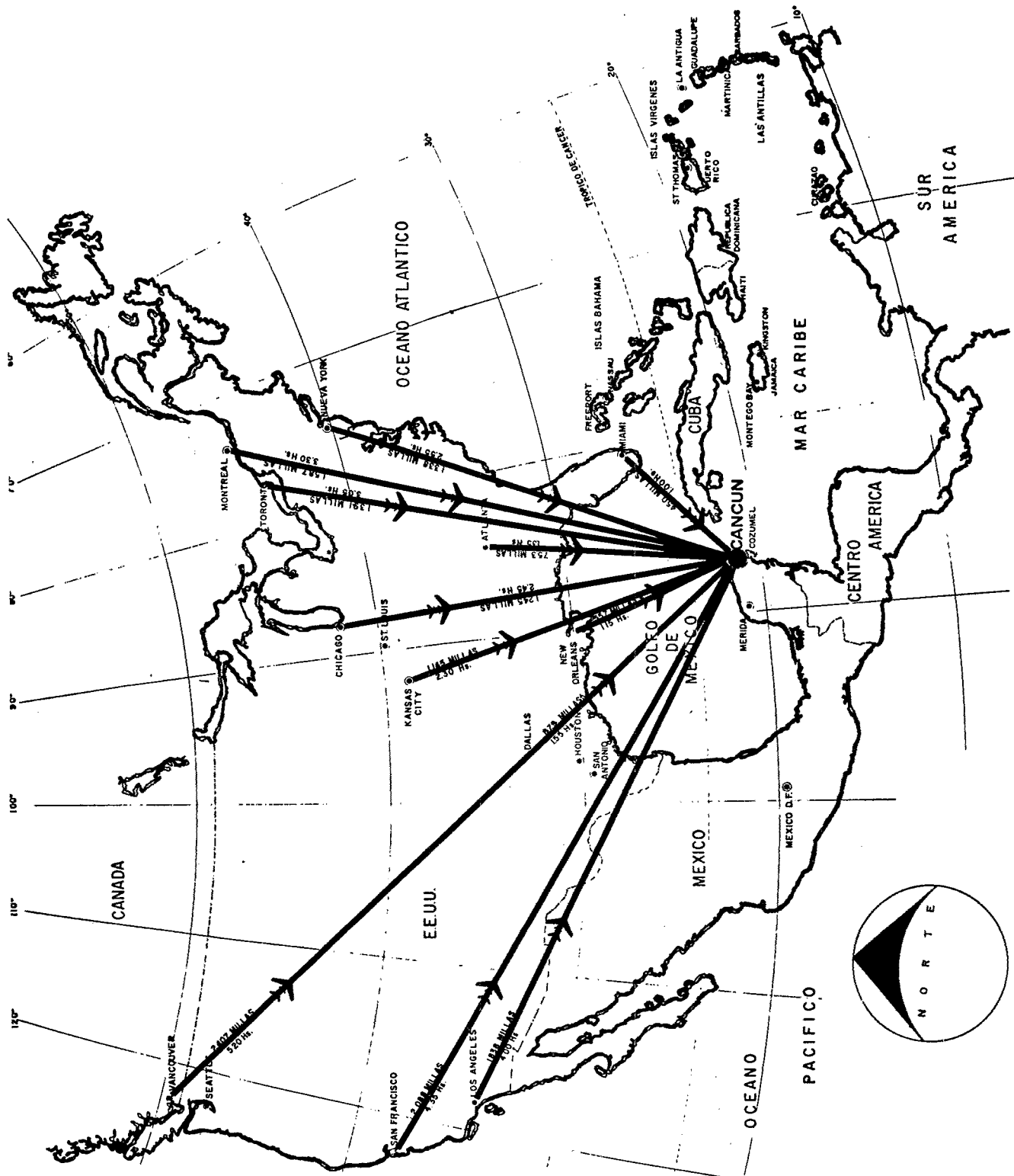
SECRETARIA DE RECURSOS HIDRAULICOS
ORGANOGRAMA



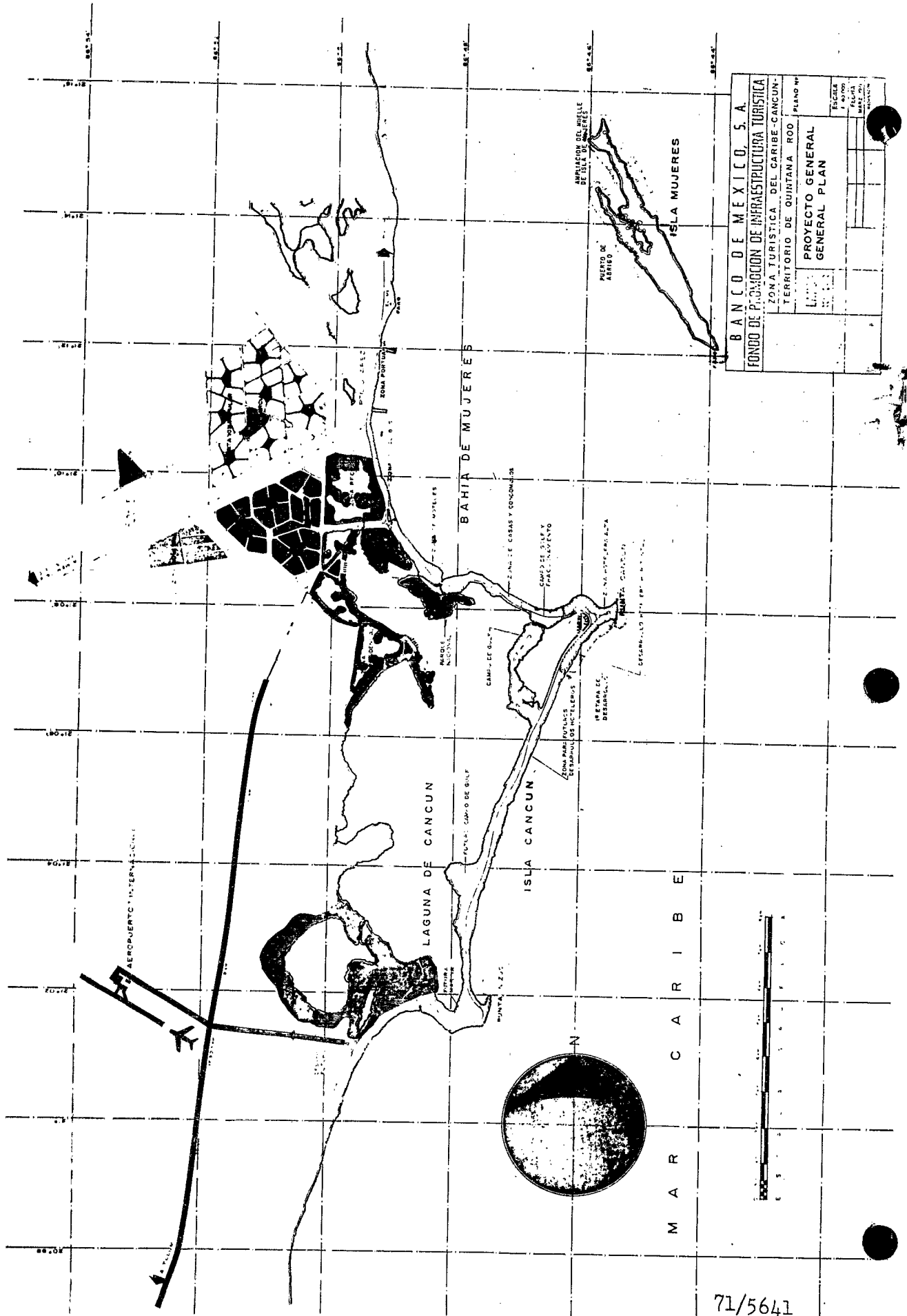
INFORMACION QUE EL DEUDOR PRESENTARA ANUALMENTE

AL BANCO INTERAMERICANO DE DESARROLLO

1. La siguiente información relacionada con los turistas que visiten Cancún de conformidad con una muestra representativa.
 - (a) Detalle sobre el número total de turistas.
 - (b) Ciudadanía, lugar de origen y de destino.
 - (c) Medio de transporte.
 - (d) Tiempo de estancia en Cancún y en otros lugares de la Península de Yucatán.
 - (e) Gasto diario de los turistas y su distribución.
 - (f) Preferencia de los turistas con respecto a las facilidades que ofrece Cancún.
2. La siguiente información debe ser obtenida si fuese posible, de las compañías hoteleras de Cancún.
 - (a) Estados financieros (balance general y de ingresos y egresos).
 - (b) Detalle de la distribución de ingreso por concepto de alojamiento, servicio de restaurant y bar, tienda de regalos (gift shop) y otras categorías.
 - (c) Detalle de la distribución de costos entre sueldos, servicios, alimentos, promoción y publicidad y otras categorías.
 - (d) Tasa mensual de ocupación de los hoteles.
 - (e) Nivel de empleo incluyendo número, categorías y escalas de sueldos.
 - (f) Origen geográfico de los trabajadores.
 - (g) Costos de adiestramiento del personal.
3. Otra información
 - (a) Número de llegadas de aviones indicando el tipo de la nave y su capacidad.
 - (b) Número de llegadas de barcos, indicando el tipo de las naves y su capacidad.



D.



BANCO DE MEXICO, S.A.			
FONDO DE PROMOCION DE INFRAESTRUCTURA TURISTICA			
ZONA TURISTICA DEL CARIBE - CUNCUN			
TERRITORIO DE QUINTANA ROO			
PROYECTO GENERAL			
GENERAL PLAN			
ESCALA	1:100,000	1:200,000	1:500,000
FECHA	1960	1961	1962
MADE EN	MEXICO	MEXICO	MEXICO

71/5641