



**Governing Council
of the
United Nations
Development Programme**

Distr.
GENERAL

DP/CP/MEX/4
26 March 1987
ENGLISH
ORIGINAL: SPANISH

Thirty-fourth session
26 May-19 June 1987, New York
Item 5 (b) of the provisional agenda

PROGRAMME PLANNING

Country and intercountry programmes and projects

FOURTH COUNTRY PROGRAMME FOR MEXICO*

<u>Programme period</u>	<u>Actual resources programmed</u>	<u>\$</u>
1987-1991	IPF for 1987-1991	11 000 000
	Other resources programmed	8 652 449
	Total	19 652 449

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* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) planned activities of the funds and operational programmes under the authority of the Administrator; and (e) distribution of new country programme by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. In the early 1980s Mexico faced its most severe economic crisis in 40 years. The crisis had already manifested itself in the previous decade, when the economic growth rate had slackened and there had been high inflation rates and disequilibria in the balance of payments and public finance.

2. The discovery of extensive oil deposits and access to a considerable amount of external credit paved the way for the economic recovery that took place in the late 1970s and the early 1980s. In the period in question production capacity expanded at an unprecedented rate. In the period 1979-1981 the increase in gross fixed investment was greater than that achieved in the five-year period from 1975 to 1979, and major progress was also made in the area of basic social services.

3. Domestic production machinery could not keep pace with the increase in both public and private expenditure, which meant that import volume had to keep expanding, while the crisis in Mexican agriculture made it necessary to buy food abroad. As a result, in the oil-boom years accelerated economic growth was accompanied by a deterioration in the balance-of-payments situation in the non-oil branches, whose current-account deficit almost doubled each year in the period 1978-1981.

4. Owing to this vulnerability of Mexico's production machinery, the drop in the price of oil and higher interest rates on international capital markets triggered a crisis in the economy in 1982. In that year Mexico was confronted by a profound financial crisis, as a result of which business activity decreased.

5. At the end of 1982 the total public-sector deficit represented 17.1 per cent of the gross national product (GNP), an unprecedented level. The disequilibrium in the external sector was virtually unmanageable, and the financial system showed signs of accelerated deterioration, savings dropped by 30.5 per cent in real terms and capital flight accelerated. Moreover, rising prices pointed towards hyperinflation and, for the first time in decades, GNP fell.

6. The crisis was triggered by short-term factors basically connected with demand-management problems, international interest rates and oil prices; moreover, other factors of a structural nature also played a role in producing the crisis. Industry, which was chiefly focused on the domestic market, relied on importing raw materials and other inputs. Both the public and the private sector thus became increasingly dependent on oil exports to meet their foreign-exchange requirements.

7. Domestic savings were insufficient to meet investment requirements, and economic development was therefore financed by means of external resources, thus substantially increasing the external debt. Government subsidies were a burden on public finance, while the inefficiency of some public and private enterprises depressed productivity levels.

8. Since the beginning of the crisis, the Government has been taking a considerable number of measures in all areas. The economic programme implemented in the period 1983-1985 produced favourable results. There was a considerable improvement in public finance; there was a major improvement in the balance-of-payments situation; the rate at which the external debt was growing slackened; inflationary pressures decreased - 80.8 per cent in 1983, 59.2 per cent in 1984 and 63.7 per cent in 1985 - and, after the 1983 recession, business activity began to recover. Major structural changes were made, particularly in the area of subsidies, foreign trade practices and the public sector. In the period in question GNP rose from an annual growth rate of -5.3 per cent in 1983 to a rate of 3.7 per cent in 1984 and 2.7 per cent in 1985.

9. However, there was a price to be paid for this progress. In the period under consideration the development of the Mexican economy was uneven, and in 1985 it became likely that there would be another crisis. The adjustment measures adopted inevitably had an adverse effect on economic growth, employment and real incomes, as well as on the cost of the financial resources available to the private and public sectors. However, despite the programme's short-term negative impact on all population segments, the Government demonstrated its unswerving determination to take all the necessary steps to achieve the goals set at the end of 1982.

10. In 1985 the Mexican economy was confronted with a particularly difficult situation. Inflation had risen more than anticipated, which gave rise to unexpected changes in the exchange rate and interest rates, which in turn resulted in higher payments than had been foreseen. The shortage of external financing contributed to the deterioration in fiscal matters. This deterioration, together with an increase in private-sector business activity, led to additional pressure on prices and the balance of payments. Moreover, the country had to cope with the negative impact on public finance and the balance of payments of the instability on the international oil market that had been observed since late January 1985, and these problems were exacerbated by the cost of repairing the damage caused by the severe earthquakes of September 1985.

11. In the course of 1985 the Government adopted a set of measures with a view to dealing with the shortcomings in question. In February, just after the first drop in the price of oil, monetary policy was made more stringent, private expenditure was cut and trade liberalization was accelerated. In March, local interest rates were raised and the daily adjustment of the peso in relation to the dollar was accelerated.

12. In May and June public-sector expenditure began to drop again, and in the course of July, following the second drop in the price of oil, a comprehensive adjustment package was adopted.

13. In March and August external debt in an amount of approximately \$49 billion was renegotiated. Furthermore, the reorganization of the decentralized sector was accelerated in 1985 and the prices of the goods and services offered or subsidized by the public sector were raised considerably. In November, Mexico requested admission to the General Agreement on Tariffs and Trade (GATT) with a view to promoting non-oil exports.

14. Despite these measures, in 1985 no significant progress was made in terms of economic stability. However, it was possible to avoid losing ground where the benefits gained in the period 1983-1984 were concerned, and - in view of the extremely unfavourable conditions in 1985 - that in itself represented a major achievement.

15. The 1986 budget was designed to bring about a major economic adjustment with a view to compensating for the deterioration that had taken place in 1985, in the context of a reduction in revenue resulting from the drop in the price of oil of \$2.50 per barrel. The Government also planned to consolidate the progress made in the area of the balance of payments, inflation and rationalization of public-sector operations. However, early in the year the international oil market deteriorated further, bringing about a sharper drop in prices than had been anticipated, as well as a reduction in export volume. The estimated loss of revenue from oil represented 6.7 per cent of GNP.

16. A set of measures was adopted in response to this new blow: monetary policy was made even more stringent; the prices of public-sector goods and services and a number of basic products were raised yet further; tax measures were adopted; and public expenditure was cut by 500 billion pesos. Interest rates were raised, and the controlled rate of exchange of the peso was increased. A new export-promotion package was introduced, and progress was made in the negotiations with a view to becoming a member of GATT.

17. In July 1986 Mexico submitted a letter of intent to the International Monetary Fund (IMF), requesting assistance for its economic recovery and restructuring. Until August 1986 the Government was obliged to absorb the entire impact of the new blow from outside, owing to a lack of external financing. Despite the measures adopted, the economy had begun to show signs of serious deterioration, which threatened to cancel out the achievements of the period 1983-1985.

18. Beginning in September 1986, the external debt was renegotiated, with agreements being concluded with the international financial organizations, the Governments of a number of industrialized countries and international private banks. This renegotiation was based on an analysis of the external resources required in order to achieve an annual economic growth rate of 3 to 4 per cent in 1987 and 1988 - the calculations in question being made on the basis of a number of assumptions regarding the volume and price of exported hydrocarbons, interest rates, the need to build reserves and estimates of private-sector capital movements.

B. National development strategies

19. The current Government's original economic programme had two chief goals - to overcome the crisis and to restore steady economic growth. If those two goals were to be achieved, not only the short-term factors that had triggered the crisis but also the structural factors responsible for the country's economic problems had to be dealt with.

20. The Government therefore developed a strategy focused on two interrelated approaches - short-term economic adjustment and restructuring. The strategy's main goals are:

(a) To bring about an improvement in public finance. The public-sector deficit must be reduced by means of a sound budgetary policy, combined with a comprehensive review of the granting of subsidies, the fiscal system and the pattern of public expenditure;

(b) To remedy the disequilibrium in the balance of payments - by improving the terms and the maturity profile of the external debt and reducing the current-account deficit, chiefly by means of a realistic foreign-exchange policy and a comprehensive programme to promote non-oil exports;

(c) To increase domestic saving. The foreign-exchange and interest-rate policies would play a major role in achieving this goal, which would reduce dependence on external credit;

(d) To rationalize the economy by reviewing foreign-trade policies, restructuring States enterprises and modernizing industry;

(e) To protect employment and production from the inevitable short-term negative impact of the adjustment process;

(f) To co-ordinate all policy measures with a view to achieving the two goals of the programme and ensuring that the burden of adjustment is distributed equitably.

21. The economic programme was adopted in order to reduce inflation, restore confidence in the Mexican economy and promote economic growth. The strategy's basic goal was to provide an appropriate framework for the recovery of both public and private investment and for a full restructuring of production, rather than merely bringing about a temporary improvement in a number of economic variables.

22. In July 1986 the Ministry of Finance and Public Credit and the Ministry for Programming and the Budget announced the promotion and growth programme, which lays down the basic features of the economic strategies that the Government will pursue with a view to overcoming the 1986 crisis. As its title indicates, the programme emphasizes the need to respond to the reduction in oil revenue with a programme that will not depress business activity still further.

23. The Government's basic economic goal continues to be to attain sustained economic growth in a stable financial climate. Consequently, the new strategy provides for demand-management measures designed to keep the main economic variables at the planned levels, and for supply policies to provide a framework for promoting rationalization of the economy and strengthening the country's long-term growth prospects.

24. The new strategy does not envisage a more drastic economic adjustment that would sacrifice economic growth and call for internal absorption of the entire impact of the reduction in oil revenue. Quite the contrary, the Government is convinced that in view of the present situation growth is the only long-term solution to the problems confronting the Mexican economy.

25. The shift from adjustment policies to growth policies can be explained by various factors, the most important of which are described below:

(a) Economic recession reduces tax revenue, so that to compensate for that reduction and the drop in oil income massive cuts have to be made in public expenditure. The effect is to push the economy from a recession into a depression, thus aggravating the financial situation of private enterprises. Mexico's industries would be further debilitated and its ability to service its debt eroded;

(b) Investment by the public sector has been stalled for over four years. Further cuts would prevent the necessary improvements from being carried out and would stop the Federal Government from investing in infrastructure and other public services. There would be serious repercussions on financing of industrial plant and the economic well-being of the population;

(c) It is impossible to continue to make structural changes if the economy is in depression or recession, making it necessary to delay reform of government spending, public investment, liberalization of imports and the modernizing of the industrial infrastructure;

(d) Labour will be more plentiful in the next few years. As a result of the baby boom of the late 1960s and early 1970s, the number of job-seekers will peak during the latter half of this decade. It should also be remembered that during the period 1982 to 1985, the number of jobs failed to keep pace with the increase in the labour force, thus pushing up the unemployment rate. Consequently, without substantial increase in GNP, it will be impossible to create the number of jobs needed;

(e) A drastic process of economic adjustment is not desirable for the time being, since after almost four years of economic adjustment, the effectiveness of that mechanism has been used up.

26. On the basis of the foregoing considerations, the new medium-term strategy shall have the following objectives:

(a) To protect production and jobs by creating the necessary conditions for sustained economic recovery;

(b) To control inflationary pressures;

(c) To protect real wages;

(d) To improve public finances so that the necessary public investment can be made;

(e) To improve the financial situation of private enterprises and actively promote investment in the private sector;

(f) To boost non-oil revenue;

(g) To reduce the net transfer of resources from Mexico to its foreign creditors.

27. In order to attain these objectives, it is essential that the Mexican economy be cushioned against the full and immediate impact of the unfavourable trends in the world economy - especially in the world oil market. Accordingly, the new strategy provides for a mechanism that ties external financing and certain economic variables to fluctuations in oil prices.

28. This mechanism provides that, should the price of Mexican oil fluctuate during the next 18 months between \$9 and \$14 per barrel, net external financing for the public sector would remain at its planned level. Should prices exceed that level, however, financing would be cut back; if prices fell below \$9, it would be increased.

29. The strategy incorporates a second mechanism, a growth fund, which would come into play automatically if economic recovery failed to take off in the first quarter of 1987. This fund could amount to \$500 million in external credit and could be used, if necessary, to stimulate public investment in highly productive, selective projects with a high intrinsic content likely to promote private investment.

C. Technical co-operation priorities

30. The Mexican Ministry of Foreign Affairs, as the body responsible for establishing international technical co-operation policies, has completed the task of pinpointing where such co-operation is needed, within the framework of the national development strategies outlined in the National Development Plan and in the sectoral programmes. As the strategy for meeting those needs, an effective link with the outside has been sought, in order to help achieve national development objectives. For this purpose Mexico's representation in international forums has been strengthened and bilateral relations have been expanded.

31. Technical co-operation has been channelled primarily towards aspects of medium-term and long-term economic growth in an effort to remove technical bottle-necks from the production sector. The production sector need the immediate support of international technical co-operation.

32. The Ministry of Foreign Affairs, the Ministry of Programming and Budget and the National Council for Science and Technology, which are represented in the technical committee, invited all the government departments and other administrative bodies as well as institutes of higher education and research to submit projects for consideration in the content of the Fourth Country Programme of the United Nations Development Programme (UNDP). In the notice of meeting, the

following guidelines for the submission of proposals were set out: to consider the priorities set out in the National Development Plan and in the sectoral programmes; to consider institutional needs; and, lastly, to bear in mind that international resources should complement the efforts of the national institutions.

33. The projects submitted underwent an initial examination by the technical committee. The committee worked out the selection criteria and appointed the evaluators. Out of all the projects that met the criteria, 32 were highly recommended. Twenty-five highly recommended projects of high institutional priority were ultimately adopted.

34. A fuller and more precise list of projects that could benefit from international technical co-operation was drawn up as a by-product of this exercise. An effort will be made to negotiate additional support from the United Nations system as well as from bilateral sources and non-governmental organizations.

D. Aid co-ordination arrangements

35. The Ministry of Foreign Affairs is the national organ responsible for drawing up international technical co-operation policies and programmes, through its International Technical Co-operation Department. In order to increase institutional, technical and operational capacity and improve the Department's negotiation, co-ordination and evaluation of international technical co-operation, a project known as the National System of International Technical Co-operation (SISTECOP) (MEX/83/002) was approved. The project focused on pinpointing priority sectors in need of technical co-operation and on fields of specialization in which Mexico has acquired a wealth of experience applicable to other countries through the machinery of Technical Co-operation among Developing Countries (TCDC).

36. One of the results of this project is a systematization of information existing in the country relating to international technical co-operation, both bilateral and multilateral, providing the Ministry of Foreign Affairs with the information necessary to enable it to administer the Government's international co-operation resources.

37. Many agencies of the United Nations system have offices in Mexico: for example, the United Nations Fund for Population Activities (UNFPA), the World Food Programme (WFP), the United Nations Children's Fund (UNICEF), the International Labour Office/Organisation (ILO), the World Health Organization (WHO), the United Nations Centre for Human Settlements (Habitat) and the Economic Commission for Latin America and the Caribbean (ECLAC). There is a wide area of co-ordination of measures aimed at enabling the Mexican Government to make better and more efficient use of the resources provided by the United Nations system.

38. The United Nations system made its presence felt when it was involved in the emergency relief measures implemented after the catastrophic earthquakes that shook Mexico in September 1985. The United Nations, in co-ordination with the Mexican Government, was very active in providing immediate emergency relief.

II. THE COUNTRY PROGRAMME

A. Assessment of the previous country programme

39. Within the framework of the National Programme of Technical Co-operation for the Third Cycle, 20 projects were agreed upon to implement the objectives of the Global Development Plan (1980-1982), and of sectoral plans then in progress. The projects concentrated on three basic aspects: (a) food production and food availability; (b) technological research and incorporation and adaptation of advanced technologies; and (c) socio-economic planning and job creation.

40. Development objectives remained valid during the five years of the Third Programme; the change of government at the end of 1982 necessitated the restructuring of certain projects to bring them into line with the initiatives of the new Government. Also, the economic crisis forced the Government to institute more austerity measures, with the result that State budgets of most national agencies were reduced in real terms, and some projects had to be restructured in terms of funding. The earthquake of September 1985 also caused serious delays in carrying out some of the projects.

41. Other factors that affected the functioning of the Third Programme were the drastic cuts in resources initially allocated to Mexico for development purposes. The funds earmarked for the third cycle were sharply cut back in the course of the Programme. The initial illustrative planning figure (IPF) of \$20 million was cut in 1983 to \$11 million, representing a 45 per cent reduction. Furthermore, Mexico's Second Programme overspent its budget by \$936,000, which meant a reduction in the budget for the Third Programme, with the result that the final budget figure for the period 1982-1986 was \$10,110,000, including the \$46,000 added as a result of a budget adjustment. In order to offset the sharp drop in IPF funds, Mexico, through its various institutions, has contributed a total of \$2,809,000 or 27 per cent of the IPF to projects through cost-sharing thus demonstrating the seriousness of the Mexican authorities' intentions, despite the severe financial constraints of the moment.

42. Despite the difficulties mentioned above, there were significant achievements, including the following:

(1) Food production and food availability

Promotion and development of an integrated agro-industry (MEX/82/016)

The aim of the project was to design and formulate an alternative model for agro-industry in the rural areas, which would encourage and support the involvement of primary producers (farmers, foresters and livestock-raisers) in the processing and marketing of their products. This project was executed jointly with the Ministry of Agriculture and Water Resources and with supplementary external funds from the World Bank, added to national resources (estimated to total \$284 million) with the aim of creating, rehabilitating and consolidating small and medium-sized agro-industries. The activities carried out to date have laid the foundations for the establishment of 283 new agro-industries, the rehabilitation of 90 non-active enterprises and the consolidation/modernization of 181 operating enterprises.

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(2) Technological research and incorporation and adaptation of advanced technologies

(a) Capital goods (MEX/82/007) The project objective was to provide the Nacional Financiera with the information necessary for it to update the development strategy for capital goods on a short- and long-term basis from an overall as well as a specifically sectoral point of view. The project has helped to shape economic and industrial policies for use both by private investors and by public agencies involved in that field.

(b) Public health laboratories (MEX/82/020) The project objective was to train the personnel of regional public health laboratories so as to improve the quality of health care and health services throughout the country. Despite setbacks during implementation of the project, basically due to lack of resources, the results achieved have been satisfactory, particularly with regard to the training of personnel in Toluca, León and Acapulco.

(3) Socio-economic planning and job creation

(a) Training and organization for rural development (MEX/82/003) The project objective was to promote the training and organization of campesinos throughout the public agriculture and livestock sector. Among the most important results are the advances in informal education and training research leading to the organization of technicians and campesinos and a systematization and evaluation of the whole training process. The project involved 13 campesino organizations from all over Mexico, covering 500 rural communities, and 7,000 technicians received direct training. The initial targets have been exceeded, owing to the multiplier effect of training activities, which include programmes, projects and appropriate co-ordinated activities at national, regional and State level.

(b) Employment planning (MEX/82/005) The project objectives were: to gain greater knowledge about technological changes in relation to employment and to foster the dissemination of that knowledge among those responsible for planning and implementing policies; to strengthen the process of planning human resources involved in working out employment policies; to establish a mechanism for planning employment in the various States of the country; and to propose a full-scale support programme for the informal sector. The project contributed to the professional consolidation of the Department of Employment which became an invaluable tool for formulating overall, sectoral and regional employment policies. Among other results, it facilitated an analysis of the impact of new technology on the labour sector.

Conclusions and modalities

43. Implementation of the projects of the Third Programme has been shaped by its development framework, which was closely linked with Mexico's economic crisis, the change in administration that occurred in the period 1982 to 1986 and the earthquake of September 1985.

44. Among the conclusions that may be drawn from the development of the Programme, those relating to the following should be mentioned: the Government as executing agent, better and wider use of local human resources, the use of international experts and consultants with optimal adjustments in their periods of project service and a significant increase in technical co-operation activities among developing countries. All of the above should be taken into account in implementing the Fourth Programme.

45. The Government emphasized the objective of using TCDC as a modality for implementing the programme. As a result a number of projects established links with specific institutions or programmes in other countries. An illustration is the project Employment planning and policies (MEX/82/005). In response to repeated recommendations by countries of the region in various forums of the United Nations, it provided assistance in Costa Rica, the Dominican Republic, Argentina and Brazil. Another example is the project Electrical laboratories system (MEX/82/011), which operates within the Electrical Research Institute, part of a Latin American network in the field of electronics. The Government intends to increase TCDC activities in the new programme.

46. Mexico continued to participate actively in global, interregional and regional projects. The continued UNDP assistance to research conducted by the International Centre for Maize and Wheat Improvement (CIMMYT) contributed substantially to obtaining a high-protein variety of maize. The continued support of UNDP to the project GLO/84/002, linked to CIMMYT, is aimed basically at instructing specialists from developing countries in all aspects of maize improvement.

47. The project Management and reuse of solid and liquid waste (GLO/80/004), co-financed by the Government of Italy with the long-term objective of optimizing the efficiency of local waste management practices, was administered by the World Bank.

48. Mexico, together with Argentina, is the host country of the Regional biotechnology programme (RLA/83/003) whose objective is to establish a Latin American network of biotechnology and genetics laboratories designed to strengthen the scientific and technological infrastructure of the medical and chemical industries and agro-industry. This project will continue in the next regional programming period.

49. The project Factors limiting child development (RLA/83/031) is intended to compile information on the characteristics of the child population in developing countries, the early detection of brain dysfunction in children and research on diagnostic and rehabilitation techniques for children.

B. New programme proposal

50. For the five-year period 1987-1991, available IPF resources will amount to \$11 million. This IPF amount will be increased by \$8,652,449 from other resources, which means that \$19,652,449 will be available for programming.

51. Owing to the limited resources available to meet a growing demand for technical co-operation, the Fourth National Programme for Mexico will support the activities and resources of the Government in four priority areas. Accordingly, the objectives of the programme are:

(a) To support the strengthening of the Government's management capacity, placing special emphasis on programmes for economic, employment and social welfare development;

(b) To contribute to the incorporation of new technologies and the development of human resources in the industrial sector, with a view to expanding non-oil exports;

(c) To support the Government's efforts to achieve better use of natural, agricultural and fisheries resources;

(d) To support Government activities on behalf of the poorest population groups with special emphasis on food, health and social welfare.

First objective: strengthening the Government's management capacity

Ongoing projects

Strengthening of the Mexican Statistical System (MEX/82/001) (IPF: \$400,000)
(Cost-sharing: \$263,160)

52. The project objective is to develop and integrate new basic day-to-day and financial statistics at the national and regional levels.

National System of International Technical Co-operation (MEX/83/002)
(IPF: \$200,000)

53. This project is aimed at implementing the international technical co-operation strategy underlying the objectives of sectoral economic and social development programmes and helping to organize the Department of International Technical Co-operation of the Ministry of Foreign Affairs in order to improve the efficiency of its institutional and operational activities.

Technological revolution and employment (MEX/82/005) (IPF: \$230,000)
(Cost-sharing: \$175,440)

54. The objective of this project is to provide a conceptual framework and criteria for a better understanding of the quantitative and qualitative causes and effects of technological change as it relates to employment and to promote the dissemination of the results in the sectors involved.

Rebuilding of the Emilio Barragán Training Centre in the Port of Lázaro Cárdenas (MEX/86/004) (Special programme resources: \$126,000)

55. The project objective is to repair the Training Centre, which was damaged by the September 1985 earthquake, and to provide it with teaching equipment and materials.

Reconstruction and optimization of the national telecommunications network (MEX/86/005) (Special programme resources: \$300,000)

56. The objective this project is to provide advice for the strengthening of the national communications network in order to ensure its proper functioning.

Planning for the revitalization of the Historic Centre in terms of building earthquake-proof structures in the metropolitan area of Mexico City (MEX/86/009) (Special programme resources: \$387,125)

57. This project deals with studies of the variables related to land use and types of construction, bearing in mind factors for mitigating the effects of an earthquake.

Support for the development of the social sector of the economy (MEX/86/008) (IPF: \$350,000) (Cost-sharing: \$200,000)

58. This project is intended to give impetus to expanding the national technical capacity for the development of the social sector to increase job creation and strengthen the social aspects of economic policy.

New projects

Strengthening of the computer system for decision-making by the Ministry of Foreign Affairs (IPF: \$500,000)

59. The objective of this project is to establish a computer system that will facilitate the expeditious handling of information and decision-making.

Linkages

60. In addition to UNDP-financed projects, there are others financed by resources from the various organs of the United Nations system pursuing the objectives outlined in the Fourth UNDP Programme for Mexico.

61. Through the project Support programme for the State Family planning (population) councils (MEX/84/P04), Family planning (population) councils have been established in all States of the Republic to help decentralize decision-making concerning family planning (population) policies and encourage more active participation of the population in State and regional development programmes.

62. The project Study on the systems of the cities of Mexico (MEX/85/P06) analyses the population absorption capacity of some subsystems of the cities in order to channel migration flows towards them and to promote urban and rural development at the regional level, thus achieving a better balanced distribution of the population in the national territory.

63. The project Support for the foreign services of Latin America (RLA/86/002) is devoted to the training of cadres and personnel for the foreign service, promotes the improvement of the infrastructure of Foreign Ministry departments and supports the implementation of foreign policy through seminars and symposiums on political, strategic, economic and technological aspects relevant to Latin America. Other regional projects in which Mexico will participate are: Public policy planning (RLA/86/029), Latin American Centre for Development Administration (RLA/86/020), Support for the external sector (RLA/82/012), Cultural heritage and development (RLA/83/002) and Income policies (RLA/85/016).

64. The International Labour Organisation (ILO) is helping to achieve this objective through its interregional project Support for the departments of Government in training members of co-operatives.

Second objective: industrial sector

Ongoing projects

Consolidation and reconversion of the capital goods industry (MEX/87/007)
(IPF: \$400,000) (Cost-sharing: \$267,000)

65. The objective of this project is the consolidation of the national capital goods industry for better utilization of existing capacity, promotion of new projects through the Nacional Financiera and incorporation of advanced technologies.

Support for the development of the Mexican Institute for Research in Metal Machine Manufacture, A.C. (IMEC) (MEX/86/001) (IPF: \$318,000)

66. The project objective is to increase the capacity of Mexican industry in metal machine manufacture by using advanced technology applicable to the design and manufacture of capital goods to stimulate the development of industrial production and competitiveness on the international market.

Promotion and development of integrated agro-industry (MEX/82/016) (IPF: \$175,000)
(Cost-sharing: \$100,000)

67. The main objectives of this project are the establishment and strengthening of integrated agro-industries through the establishment of information systems, identification of investment alternatives and training of human resources.

Support for the linkage between research and development activities for the technological needs of Mexico's productive sector (MEX/85/004) (IPF: \$350,000) (Cost-sharing: \$48,000)

68. The objectives of the project are to strengthen the technological development of the productive sector and support the Technological Innovations Centre of the National Autonomous University of Mexico.

New projects

Development of the Plastics Technology Division (IPF: \$400,000) (Cost-sharing: \$352,700)

69. The project objective is to improve the quality of plastic products and their diversification, reduce the technological dependence of this sector and generate an export market.

Human resources training for the design and manufacture of prototypes, quality control and renovation of medical equipment (IPF: \$450,000)

70. This project is aimed at human resources training in the design of basic medical equipment, quality control and renovation and relocation of such equipment with a view to expanding health services.

Technological infrastructure to support the manufacture of rotary electrical machinery (IPF: \$900,000)

71. The objective of this project is to consolidate the technological capacity for designing rotary electrical machinery for the manufacture of alternate current motors, generators, synchronizers and direct current motors, especially for electrical traction.

Computerized system for maintenance management in the Mexican iron and steel industry (IPF: \$450,000) (Cost-sharing: \$180,000)

72. The project is intended to increase productivity and efficiency in the use of the resources of Blast Furnaces of Mexico, S.A. (AHMSA), Lázaro Cardenas las Truchas Iron and Steel, S.A. (SICARTSA) and Mexican Iron and Steel (SIDERMEX), through the installation of computerized systems to improve production and information systems.

Support for human resources training in research and technological development in the transport sector (IPF: \$200,000) (Cost-sharing: \$80,000)

73. The aim is to improve transport activities by establishing institutes for applied research and technological development.

Support for human resources training in research and technological development in telecommunications (IPF: \$200,000) (Cost-sharing: \$80,000)

74. The project is intended to improve communications activities and establish institutes for applied research and technological development.

Reconversion of industry and competitiveness (IPF: \$500,000)
(Cost-sharing: \$200,000)

75. The aims of this project are to identify problems in strategic areas of the industrial sector, improve the organization and efficiency of productive activities, and establish and develop a national technology in support of structural change in industry.

Support for productivity and foreign trade (IPF: \$1,500,000)

76. The project objective is to support the industrial sector through specific activities involving international technical co-operation, which foster increased productivity with a view to expanding foreign trade.

Linkages

77. The targets under the second objective of the UNDP Fourth Country Programme which relate to the promotion of industry and exports are being supported by the World Bank through a \$125 million loan to be administered under the project Integrated agro-industries (MEX/82/016). The project is being executed in conjunction with the United Nations Industrial Development Organization (UNIDO) and the Ministry of Agriculture and Water Resources. As indicated earlier, this project focuses on establishing, rehabilitating and expanding a total of 530 agro-industries with a view to increasing productivity and raising the level of exports by adopting new technologies and by human resources training.

78. In addition, the Food and Agriculture Organization of the United Nations (FAO), with its project Training for agro-industrial development (UTF/MEX/022), which will be carried out through a trust established by the Ministry of Agriculture and Water Resources, is focusing on research into new teaching methods and their dissemination among professionals in the public and private agro-industrial sectors. Technical assistance is also being given to producers operating small and medium-sized agro-industries to enable them to increase the value added of their products.

79. In an effort to strengthen export promotion, FAO, under its project Support programme for Africanized-honey-bee control (TCP/MEX/4505), is helping in the export of honey by training workers to identify, control and handle Africanized honey-bees.

80. Mexico is the host country for the regional project Programme for the diversification of the sugar industry in Latin America and the Caribbean (RLA/86/011), the main objective of which is to develop new products and new production processes in each participating country. Other regional projects

related to this objective in which Mexico will participate are: Information technologies (RLA/86/018), Microelectronics (RLA/86/003) and Capital goods (RLA/86/019).

Third objective: Natural, agricultural and fisheries resources

Ongoing projects

Extension work and training in promoting milk and meat production in the tropics (MEX/78/015) (IPF: \$260,000)

81. The aim is to create a network of production modules for milk and meat and to transfer this technology by conducting training programmes.

New programmes

Water and forest management and reclamation in priority watersheds (IPF: \$500,000)

82. This project is directed towards training personnel and developing strategies for community participation in activities involving water and forest management and reclamation in watersheds.

Promotion and development of aquaculture and sea farming (IPF: \$300,000) (Cost-sharing: \$219,556)

83. The objectives here are to develop the water resource potential for the cultivation of the species most suited for mass consumption which also have high commercial value, and to develop technologies and train personnel for optimal utilization of the country's aquaculture resources, with the participation of interested institutions of higher education and of the semi-public sector.

Promotion of full-scale development of fisheries resources (IPF: \$500,000) (Cost-sharing: \$306,926)

84. The project will assist in research and practical demonstrations relating to development of fisheries resources and in introducing modern technologies, training manpower, and establishing machinery for disseminating the technological and scientific innovations.

Geothermal exploration (MEX/GT/84/001) (\$5,000,000)

85. The project will aim to explore the geothermal resources over which the Government exercises sovereignty and jurisdiction.

Linkages

86. The project FAO/World Bank co-operative programme is intended to further the development of dairy products, forests and natural rubber, and expand the irrigation system in Mexico through both small- and large-scale projects. The

project Assistance to small-scale coastal fishing in the Yucatán Peninsula (TCP/MEX/6655) will assist in developing fishing in small fishing communities in this area by designing, constructing and testing boats and devising improved fishing methods and equipment.

87. The trust project Communications for rural development (AUF/MEX/025), financed by the Ministry of Agriculture and Water Resources through a World Bank loan, furnishes technical assistance for the overall development of the humid tropical areas of Mexico with the aim of exploiting the resources of the Southeast in the most rational and productive manner, providing benefits to approximately 40,000 families.

88. The other two FAO projects for development of natural resources are the Programme for the eradication of the Mediterranean fruit fly in Mexico and Central America (TCP/MEX/6651) and the Programme for the prevention of post-harvest losses in fruit crops (TCP/MEX/6653).

Fourth objective: Food, health and social welfare

Ongoing projects

Food and nutrition monitoring system (SISVAN) (MEX/82/014) (IPF: \$400,000)

89. The project aims to set up a food and nutrition monitoring system to compensate for inadequate information and analysis in this field for the benefit of the poorest population groups.

Development of the national network of public health laboratories (MEX/82/020) (IPF: \$400,000)

90. This project is directed towards setting up State and regional laboratories, using new techniques and new ways of organizing services, and towards the training of laboratory personnel.

Reconstruction of health services in the Valley of Mexico

91. This project seeks to support the reconstruction and decentralization of health services by establishing a network of health care and referral services to expand the outreach of health facilities.

New projects

Support for employment and rural development in the Mixteca of the Oaxaca region (IPF: \$166,000)

92. This project is intended to increase the production of staple foods and to encourage workers to remain in their place of origin.

Integration of rural development units (IPF: \$300,000) (Cost-sharing: \$600,000)

93. The aim of this project is to develop the whole range of resources in the region in order to raise the income level and quality of life of the rural family.

Linkages

94. The World Food Programme (WFP) is contributing to the achievement of the fourth objective with five projects, including in particular the project Rural employment and promotion of productive activities (MEX/2764), which is intended to assist in economic development activities by setting up small enterprises financed by community funds or common funds. Planned activities under these five WFP projects are designed to increase the production of staple foods by small enterprises.

95. In addition, UNFPA is supporting this objective in Mexico through the project National family planning programme (MEX/79/PO4), which provides technical and financial assistance to maternal and child health and family planning programmes in different States, especially in communities with fewer than 2,500 inhabitants.

96. Through the project Voluntary Fund for Women (VOFUND), FAO hopes to generate sources of work and make low-cost foods more readily available by implementing small agricultural and livestock projects through a revolving fund managed by rural women. Also, as part of the FAO Freedom from Hunger Campaign, similar community development projects will be implemented in other States of the Republic.

97. After the earthquake of September 1985, FAO approved a programme for the resettlement of approximately 100 low-income urban families in rural areas, involving them in productive farming activities yielding products both for their own consumption and for marketing.

98. ILO is helping to achieve this objective through its project Support to the Ministry of Agriculture and Water Resources and the Ministry of Agrarian Reform, for the improvement of the living and working conditions of day labourers.

99. Mexico participates in regional programmes such as the programme on critical poverty (RLA/86/004), which is designed to assist the Governments of the region to implement national plans and programmes for the eradication of extreme poverty and to promote social development policies. Other regional projects in which Mexico will participate are the project Assistance to the urban informal sector (RLA/86/032) and the project Integrated systems of production (RLA/86/033).

C. Unprogrammed reserve

100. A reserve of \$650,400 has been left unprogrammed.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

<u>A. UNDP-administered sources</u>	<u>\$</u>	<u>\$</u>
Third cycle IPF balance	-	
Fourth cycle IPF	11 000 000	
Subtotal IPF		11 000 000
Special Measures Fund for Least Developed Countries	-	
Special programme resources	1 119 667	
Government cost-sharing	2 532 782	
Third-party cost-sharing	-	
Operational funds under the authority of the Administrator: UNRFNRE	5 000 000	
UNDP special trust funds	-	
Subtotal, UNDP non-IPF funds		8 652 449
<u>B. Other sources</u>		
Funds from other United Nations agencies or organizations firmly committed as a result of the country programme exercise	-	
Parallel financing from non-United Nations sources	-	
Subtotal, other sources		-
TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<u><u>19 652 449</u></u>

II. USE OF RESOURCES

Ongoing projects	5 656 267	
New project proposals	13 345 782	
Programmed reserve	-	
Subtotal, programmed resources		19 002 049
Unprogrammed reserve		650 400
TOTAL USE OF RESOURCES		<u><u>18 652 449</u></u>
