

in U.S. dollars and is destined to projects undertaken in proven foreigner visited resorts. In 1989 investment were approved for 23 hotels with \$175 million of which \$168 million were disbursed during 1989. In 1990, financing by BNCE amounted to \$427 million for 22 projects in 15 destinations. Of these funds, 71.3% were used for the construction and remodeling of 6,500 rooms, 1.6% were used in promotion and the rest to reinforcing activities. Total investment generated by these credits amounted to \$539 million.

The Mexican stock market was allowed to issue tourism bonds to increase financing for this sector. A new corporate bond indexed to the free dollar exchange rate was approved to be issued by companies in dollar-generating sectors such as tourism. This will help Mexican hotel companies obtain less expensive financing for their expansion.

The World Bank recently granted a \$300 million loan to FONATUR to finance the construction of 8,000 new hotel rooms in already existing resorts, such as Puerto Vallarta, Ixtapa, Huatulco, Cancún and Puerto Escondido during 1990. This will be the first of a series of annual credits totalling three billion dollars for the construction of 8,000 rooms per year. The Interamerican Development Bank (IDB) will destine new resources to Mexico's tourism infrastructure, agriculture and mining.

In 1986, Mexico established a debt-equity conversion (swap) program in certain sectors, including tourism. This program allowed foreign firms to purchase Mexican debt at a discount and to redeem it in Mexico for a higher dollar value, payable in pesos, for investment. In 1986, this program financed 17% of total tourism investment. During 1986 and 1987, FONATUR negotiated a total of \$908 million in swaps for tourism, of which \$207 has been effected, \$356 approved and \$356 in progress, representing 31% of total swaps. The origing of the funds was from the United States (47.6%), England (13.7%) and Panama (9.1%). This program was suspended in late 1987 because of its inflationary impact. At the end of 1989 this mechanism was reinstalled to privatize parastate companies and for the tourism sector.

On March 30, 1990, the new SWAP program was published to foster national and foreign investment in infrastructure programs and the sale of parastate companies. As opposed to the previous program, SWAPS are now open to local investors and are limited to \$3.5 billion withing 3.5 years. The discount rate is auctioned among prospective investors starting with a minimum 35%. The government also published a list of elligible projects for this mechanism. In the case of tourism, SWAPS are oriented towards the megaprojects, marinas and infrastructure.