IDB news

VOL. I, No.0
NOV. 1973

INTER-AMERICAN DEVELOPMENT BANK
WASHINGTON, D.C. 20577

in this issue

Ortiz Mena Advocates Greater Voice for Developing Countries

The rich nations of the world must, in their own self-defense, find a way to make the poor nations more prosperous. This was one of the main themes developed by Antonio Ortiz Mena, President of the Inter-American Development Bank, in speeches to California audiences in mid-September. He added that the world's industrialized countries should grant developing nations a greater voice in creating a new world monetary system.

Mr. Ortiz Mena gave major addresses in Los Angeles and San Francisco. In a third speech in Los Angeles, he urged leaders of the Hispano-American community to help foster greater understanding and support for the role that multinational organizations such as the IDB are playing in world development.

The Bank President told 300 members of the Los Angeles World Affairs Council that rapid technological growth is producing great wealth in some countries while others struggle with basic development problems. He added that this disparity is creating "a clear and present danger to the peace and tranquility of the world" which "is more evident in our

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Guests at Hispanic breakfast addressed by President Ortiz Mena include, left to right, Arnold Weiss, IDB General Counsel; Mrs. Romana Bañuelos, U.S. Treasurer, and, second from right, Dr. Henry Ramírez, Chairman of President's Committee on Spanish-Speaking Americans

IDB Helps Latin America in Battle Against Foot-and-Mouth Disease

Each year, South American cattlemen suffer losses of more than $500 million to an implacable foe – foot-and-mouth disease.

This dreaded virus, which also affects sheep and swine, is a particular menace to cattle, producing death, a loss of weight, a reduction in milk yield and a high rate of sterility. Furthermore, the cattlemen's loss is compounded on the national level as foreign markets are closed to exports of beef from countries afflicted with the disease.

Foot-and-mouth disease, or "aftosa" as it is known in Spanish, was eliminated in Canada, the United States, Mexico and Central America at great cost. For this reason, the lingering existence of aftosa among the 195 million head of cattle in South America represents a latent threat to regions which are free of the scourge.

If foot-and-mouth disease deprives the South American cattleman of substantial income, it likewise inflicts grave economic damage on his country's economy. The decline of cattle production and

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IDB News is a monthly publication of the Inter-American Development Bank. It will provide a summary of the credit and technical operations of the Bank. In addition, it will report on the economic and social growth trends in its member countries, in which IDB financing plays a role.

The IDB was established in 1959 and today is composed of 24 members – 22 Latin American and Caribbean countries with membership in the inter-American system, the United States and Canada.

In 13 years of operations, the Bank has provided almost $6 billion in development financing for more than 750 projects. It has helped to finance works and programs with a total cost of more than $17 billion in such varied sectors as industry, agriculture, electric power, transportation, communications, sanitation, urban development, education, export financing and tourist development.

LATIN AMERICA IN 1968-72

Region Posts Gains in Investment, Exports of Manufactured Goods

The Latin American economy grew in 1968-72 at a higher rate than the average recorded in the preceding seven years, as well as the general economic expansion of the developed countries and other developing areas.

This evaluation is made in a report just issued by the IDB, which estimates that Latin America's gross domestic product (GDP) grew from an annual average of 5.1 per cent in 1961-67 to over 6 per cent in 1968-72. Taking into account the population increase, the per capita product growth rate, which in 1961-67 averaged 2.2 per cent a year for the region as a whole, rose to 2.6 per cent in 1968-72.

The 416-page report, titled *Economic and Social Progress in Latin America – Annual Report, 1972* notes that the agricultural sector's share in the regional GDP fell from 23.2 per cent in 1960 to 18.3 per cent in 1971, reflecting an increase in farm output of only 3.2 per cent a year. In contrast, the manufacturing sector expanded in 1968-71 at a rate exceeding 8 per cent a year, a pace which the study says was substantially higher than that posted by the developing countries in Asia and almost twice the rate attained by the developed market economies. Altogether, the contribution of Latin America's industrial sector (including manufacturing, construction, electricity and transport) to the region's GDP rose from 33.2 per cent in 1960 to 37.6 per cent in 1971.

According to the study, the dynamic performance of Latin America's industrial sector is especially noticeable in the region's booming manufacturing exports. It notes that "No economic projections, not even those made in Latin America as late as the mid-1960s, contemplated sharply increased industrial exports by the region." The figures reveal that while the value of all Latin American exports grew at an average rate of 8.8 per cent a year in 1968-70, that of manufacturing exports did so at a rate of 13 per cent.

A major factor behind this favorable over-all behavior of the Latin American economy has been the great internal effort made by the countries to mobilize their resources, supplemented by steadily rising levels of external financial assis-

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IDB Helps Fight Aftosa

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productivity produces repercussions throughout the agricultural sector.

Also, the market for meat exports is reduced. Chilled and frozen South American beef, for example, cannot gain entry into the profitable U.S. market. At a recent international conference, Frank Mulhern of the U.S. Department of Agriculture explained one of the reasons why:

"If foot-and-mouth disease were introduced into this country (the United States), annual vaccination costs alone would exceed $100 million – and this would not be to eradicate the disease, only to prevent the outbreak of epidemics. We have been spared the virus for more than 40 years. Vaccines alone in that period would have cost over $4 billion."

It is for this reason that all the cattle-producing countries of South America are united in efforts to combat the disease. Since 1968 the Bank has approved a substantial volume of loans to help finance anti-foot-and-mouth disease campaigns in Argentina, Brazil, Chile, Colombia and Paraguay. In September the Bank extended two new loans for this purpose –one to Peru in the amount of $6 million and another to Venezuela for $10.6 million– thereby raising total Bank financing for the campaign to $52.5 million. The respective governments and the cattlemen themselves have made important additional contributions, increasing to $200 million the volume of funds invested in the drive.

Massive vaccination: key to control of aftosa

The strategy of the campaign, in which the Pan American Health Organization is also participating through its Panamerican Foot-and-Mouth Disease Center in Rio de Janeiro, is to cooperate with health officials in the regional countries to vaccinate all cattle, to isolate sick animals in "pockets" for purposes of control and, eventually, to eradicate the disease throughout the subcontinent.

Because the disease is easily transmitted from one country to another, the national programs in the region have been coordinated and constitute, in effect, one "sanitary integration" program. To bolster this effort, the implementation of bilateral border programs to be carried out by "ad hoc" commissions created in contiguous border regions is being considered.

Loans for the Month

In addition to the two loans totaling $16.6 million extended to the Ministries of Agriculture of Peru and Venezuela, respectively, to help those countries combat foot-and-mouth disease, the IDB approved these loans in September, which all told total $167.4 million:

BOLIVIA: $46.5 million to Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) to increase national oil refining capacity to 41,500 barrels per day.

BRAZIL: $54.2 million to Centrais Elétricas de São Paulo S.A. (CESP) to finance the construction of the transmission systems which will link the Ilha Solteira hydroelectric plant with the city of São Paulo.

EL SALVADOR: $8 million to the General Office of Irrigation and Drainage of the Ministry of Agriculture to carry out an irrigation and agricultural development program.

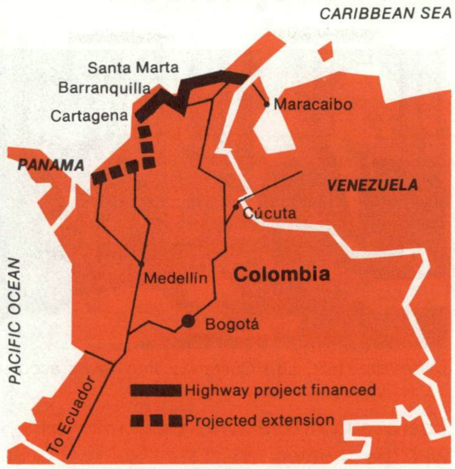
GUATEMALA: $17.5 million to the Ministry of Communications to construct and improve the national highway system.

JAMAICA: Two loans totaling $10 million to the Jamaican Development Bank to finance a program of industrial and tourist development.

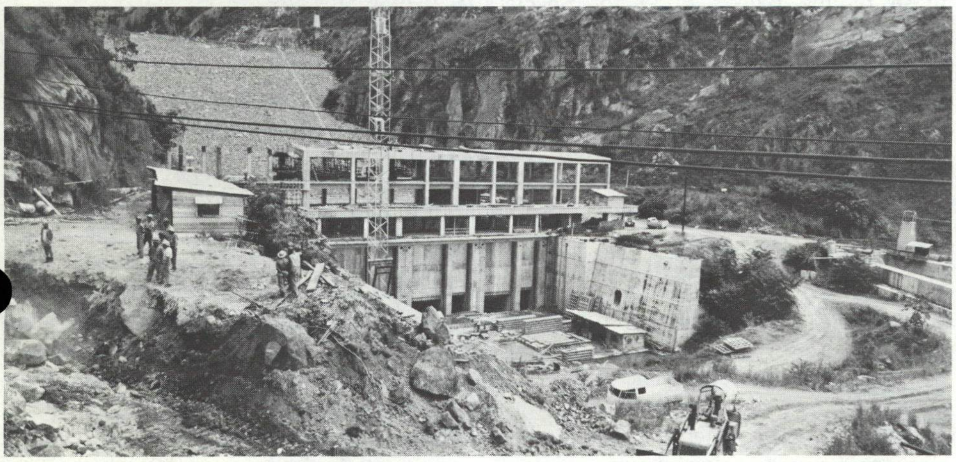
NICARAGUA: $8.3 million to the Instituto Agrario to finance a land settlement program in a 123,500-acre zone on the Atlantic coast.

PERU: $6.3 million to the Institutos Nacionales de Salud to finance physical and technological improvements in four installations and train technical and professional staff members.

Colombia: IDB-Financed Projects Help Buttress High Growth Rate



IDB financing has contributed to Colombia's development by helping construct the Mamonal soda plant, the Caribbean highway and the Rio Prado power plant



Just over a year ago Colombia began welcoming a new stream of tourists from neighboring Venezuela. Completion of a paved highway started in 1968 is beckoning thousands of Venezuelans from the booming Maracaibo oil center to cross the border at the Guajira Peninsula and head west for the Colombian Caribbean resorts at Santa Marta, Barranquilla and Cartagena, about 200 miles away. Colombian authorities say this tourist bonanza could add $6 million a year to the country's foreign exchange earnings.

The Inter-American Bank in 1968 had lent Colombia $12.7 million to help finance the $28 million road project – a section of the proposed Caribbean Transverse Highway that one day will rim South America's northern coast from Panama to Recife in Brazil. The Colombian road is but one of 59 IDB-supported projects in that country in the past 13 years, and while the loan is not of record size, its economic and social implications illustrate some of the complementary aims of Bank participation in Colombian development: besides promoting foreign tourism and thus stimulating the growth of a host of related businesses, the highway provides an outlet for farm produce grown in *La Guajira* for sale in major consumer centers on the coast and the interior; and at the same time, the road is fostering settlement of a previously unexploited area with great agricultural potential.

In various degrees and ways, the rest of the Bank-supported projects in Colombia are also making themselves felt on the national economy. Perhaps those of greatest national significance are a number of electric power works designed to upgrade Colombia's installed capacity by more than a million kilowatts (capacity was 1.9 million KW in 1969), add about 3,700 miles to the primary transmission system, and interconnect the nation's dispersed power grids, thus supplying more balanced service among the country's major regions.

Up to October 1973, the IDB had lent Colombia $588 million, including $300 million in "soft loans" which bear especially favorable interest rates and repayment terms. Projects under financing include all development sectors and geographic areas, from the Caribbean coast to the Ecuadorean border in the south, and from the Pacific to the vast and sparsely-populated eastern plains.

Agriculture and transportation follow electric power in importance in the IDB's lending in Colombia. Agricultural loans have helped to finance farm credit, machinery and technical assistance for the benefit of 15,000 farm families and to carry out animal health projects, including control of foot-and-mouth disease and brucellosis, as well as pioneering agricultural research. In the transportation sector, the IDB has helped to build some 1,200 miles of highways and access roads and modernize Colombia's four main ports: Buenaventura, Barranquilla, Santa Marta and Cartagena.

The IDB has also helped install or expand more than 120 small and medium-sized factories, build more than 35,000 housing units for low-income urban families, improve and enlarge water supply systems benefitting about 5 million people and construct new buildings and related facilities at five universities.

Also, with Bank technical cooperation more than 100 economic and social development projects have been formulated, many of which have already moved from the drawing-boards to execution with external financing from IDB and other international aid agencies.

In addition to the Caribbean Highway, other specific IDB projects that stand out because of their scope are the hydroelectric works going up at Chivor and Anchicayá, with an initial capacity of 500,000 and 340,000 kilowatts, respectively; an urban development program in the eastern part of Bogotá, the capital, that will benefit some 635,000 people —a quarter of the city's population; a sodium carbonate and caustic soda plant at Mamonal, near Cartagena; and a synthetic fiber plant in the outskirts of Medellín owned by a private enterprise, ENKA de Colombia. All these projects are helping to buttress the high rate of economic growth that has characterized the Colombian economy in recent years—which has been expanding at a rate of more than 6 per cent a year since 1968.

IN AUSTRIA, SWITZERLAND

Bank Mobilizes Additional Funds For Latin America's Development

The Inter-American Bank has mobilized approximately \$21.4 million in additional resources in two European nations to promote the social and economic development of its 22 Latin American member countries. On September 24, the Bank borrowed from the Government of the Republic of Austria approximately \$11.4 million (the equivalent of 200 million Austrian schillings) and, on October 4, it entered into an agreement with the Government of Switzerland to administer a fund of about \$10 million (the equivalent of 30 million Swiss francs.)

Austria and Switzerland are two of 19 non-member countries, entities and organizations which, as of December 31, 1972, had used the Bank as a vehicle to channel \$867.3 million in development financing to Latin America since the Bank was established in 1959. In Austria the Bank sold a bond issue of 150 million schillings in each of the years 1968, 1969 and 1971, totaling the equivalent of \$19,313,000. In Switzerland, the Bank mobilized \$94,156,000 by the sale of five bond issues. The Swiss agreement increases to seven the number of non-member countries which have entered into similar arrangements with the Bank and brings to approximately \$50 million the total amount of funds committed by non-member countries to the Bank for administration. In addition, the Bank administers funds for three member nations – the United States, Canada and Argentina.

The agreement covering the Austrian loan was signed in Nairobi, Kenya, by Austrian Finance Minister Hannes Androsh and Antonio Ortiz Mena, President of the Bank, while both were attending the World Bank's annual meeting. The decision of the Austrian Government to lend the funds follows a suggestion made by Minister Androsh at the 1972 World Bank meeting that portions of the large "overhang" of dollars accumulated outside the United States be devoted to low-cost development financing.

The agreement establishing the Swiss fund was signed in Washington by Felix Schnyder, Swiss Ambassador to the United States, and Henry J. Costanzo, Executive Vice President of the Bank.

Schnyder, left, and Costanzo sign Swiss accord

Loans authorized with the Fund, which will be known as "The Swiss Development Fund for Latin America," will be made on terms and conditions similar to those of the Bank's Fund for Special Operations. The acquisition of goods and services under loans from the Fund will not be tied to procurement in Switzerland.

More Savings and Investment

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tance. In short, the study says, most Latin American countries in the past five years saved more and invested more. This was possible essentially because of rising government revenues, reflecting in turn an evident improvement in tax collections, particularly income taxes.

The report has four parts: the first examines economic and social development trends from a regional perspective; the second analyzes these trends at the national level in each of the Latin American and Caribbean member countries of the IDB; the third summarizes the structure of the capital markets in 11 countries; and the fourth contains a statistical appendix listing 37 tables with basic economic and social indicators.

The report, issued in English, Spanish and Portuguese, may be requested from the Office of Information, Inter-American Development Bank, 808 17th St., N.W., Washington, D.C. 20577.

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Ortiz Mena: Developing Nations Must be Heard

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continent that I believe is recognized and appreciated in this country."

Terming Latin America "a good credit risk," Mr. Ortiz Mena noted that the climate for foreign investment is "quite favorable" – especially if the foreign investor engages with local entrepreneurs "in lasting associations that are rewarding for all parties involved."

At the breakfast meeting attended by 40 members of the Los Angeles Mexican-American community a day after he had participated in Mexican Independence Day activities on September 16 in East Los Angeles, the IDB President spoke of the cultural and language link between Latin America and the large U.S. Spanish-speaking population and praised the Hispanic residents of Los Angeles for their leadership and achievements in business and community activities.

He explained the Bank's activities and the need which the Bank has for greater support from the U.S. in its task of fostering Latin America's development. He pointed out that U.S. financial assistance funneled through the Bank produces reciprocal benefits for the United States.

"The Latin American nations do not, as a general rule, produce sufficient goods and services to permit them to undertake large development projects," he said. "They must purchase these goods and services in the industrialized nations and, particularly, in the United States."

In another speech to an International Industrial Conference in San Francisco attended by more than 500 business and government leaders from 75 countries, Mr. Ortiz Mena said he felt "very deeply" that the voice of the developing world has "not been heard as clearly as it should" in discussions leading to a new world monetary order.

"It must be understood," he emphasized, "that if the discussions toward a new monetary order are carried out solely under the aegis of a relatively small number of industrialized countries and only for their benefit, then the new system would be doomed to failure since it would have no relevance to the overwhelming majority of the peoples of the world."