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in this issue

IDB Considering Admission Of New Member Countries

Port of Spain (Trinidad). Antonio Ortiz Mena, President of the Inter-American Development Bank, will report to the Bank's Board of Governors at its annual meeting in April in Santiago, Chile, on continued negotiations with potential nonregional member countries.

Mr. Ortiz Mena held another round of negotiations in early February in Paris at the request of the IDB's Committee of Governors which met in Port of Spain, Trinidad, in January to consider this matter and other topics.

The Committee, composed of Governors of nine of the Bank's 24 member countries, also discussed the membership of newly independent states of the region and the Agreement Establishing the Bank in relation with prevailing general conditions and the immediate outlook.

The two-day session, presided by Mexico's Secretary of Finance and Public Credit, José López Portillo, concluded with a decision by the Committee to meet in Santiago March 30-31 just prior to the convening of the Fifteenth Annual Meeting of the Board of Governors on April 1.

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Meeting in Trinidad: Left to right, Arnold Weiss, IDB General Counsel; Antonio Ortiz Mena, IDB President; Committee Chairman José Lopez Portillo, Mexico's Secretary of Finance and Public Credit; Arturo Calventi, IDB's Deputy Secretary; and Merlyn N. Trued, IDB Financial Manager

IDB News

IDB NEWS is a monthly publication of the Inter-American Development Bank. It provides a summary of the credit and technical cooperation activities of the Bank. In addition it covers economic and social growth trends in which IDB financing plays a role in its member countries.

The Bank was established in 1959 and today is composed of 24 members—the United States, Canada and 22 Latin American and Caribbean countries.

In 14 years of operations, the Bank has provided about $6.3 billion in development loans for a total of 771 projects, 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, preinvestment and tourist development.

Euro-currency Market: New Source of Investment for Latin America

The role of foreign capital in financing the development of the third world nations has changed markedly since World War II. Creation of the World Bank and of regional development banks reflects a growing trend toward the channeling of development financing through multinational institutions and bilateral programs.

In the last eight years, the bulk of the external financing which has flowed to Latin America has been made up of private capital. There follows a description of only one such type of capital, and one which has acquired major significance in many Latin countries.

Growth of the Euro-currency Market

The Euro-currency market is made up of dollar and European currency deposits held by "offshore" groups—private or corporate groups which do not reside in the countries whose funds they manage and are not, therefore, as strictly subject to government regulations as if they were purely domestic entities. Over 80 per cent

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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, and at a faster rate than in other countries, both developed and developing, during the same period.

This evaluation is made in a report 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 1972.

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 overall 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 assistance. 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. ■

IDB Participation in International Meetings

The Inter-American Development Bank participates regularly, through representatives who attend as guests or observers, in international meetings at which development problems are studied and diagnosed and policies for solving them are worked out. The following are notes on some recent meetings in which Bank representatives have participated.

ALIDE Assembly: On November 27, the General Assembly of the Latin American Association of Financial Development Institutions (ALIDE), held its fourth regular session in Bogotá. The IDB's representative, José Antonio Menéndez, Chief of the Development Finance Institutions Section, informed the Assembly of the Bank's decision to continue to cooperate actively in strengthening Latin American development institutions, whether public, private or mixed, national or regional. The Assembly approved plans to undertake a regional study on the operations of banks and financial development institutions. ALIDE plans to request IDB cooperation in executing the study.

CACM: New institutional measures for restructuring the Central American Common Market were studied at the "Symposium on Institutional Aspects of Central American Integration" held November 19 to 21 in Antigua, Guatemala under the auspices of the Permanent Secretariat of the General Treaty for Central American Economic Integration (SIECA), the Institute for Latin American Integration (INTAL), and the Central American Institute for Public Administration (ICAP). The 81 participants, among them the IDB's Deputy Manager for Integration, Nestor Vega Moreno, considered the possibility of establishing a jurisdictional entity for settling controversies. At the opening session, Mr. Vega Moreno set forth the Bank's position on the matter.

Pilot Project for Slum Clearance and Improving Low-cost Housing: Improving housing in the marginal sectors of Latin America was the theme of a meeting held under the auspices of the Organization of American States (OAS) November 5 to 7 in Bogotá. Enrique Buguñá, Chief of its Urban Development Section, who represented the Bank at the meeting, described its experience in the field of urban development. Participants analyzed the progress made in this field in Colombia, Ecuador, El Salvador, Mexico, Peru, and Venezuela, and heard a report on housing by the Pan American Federation of Architects' Associations and another by the United Nations Environmental Program. Delegates emphasized that the existence of slums, or marginal housing, is only one of the manifestations of a faulty economic and social process and that the problem is one that needs to be attacked in ways that go beyond simply eliminating that type of housing.

OTHER MEETINGS: The following meetings, in which the IDB participated, were also held recently:

Andean Integration and National Enterprises. This, the last in a series of seminars held under the auspices of the Andean Development Corporation (CAF)—the multilateral financing agency of the Andean Group countries—took place December 5 to 7 in Santiago, Chile. **Permanent Managing Committee of Pan American Road Congresses.** The meeting was held in Washington, D.C. from November 19 to 21. **Seminar on Capital Markets.** The seminar was held in Montevideo, Uruguay, December 5 to 7. **Regional Functional Literacy Center for Rural Areas in Latin America.** Seminar held in San Salvador, El Salvador, November 26 to December 21. **Permanent Directing Committee of Inter-American Congresses on Tourism** (Sixth meeting of the Technical Commission for Promotion). The meeting was held in Buenos Aires, Argentina, from December 5 to 7.

Bank's $884 Million in Loans Makes 1973 a Record Year

The Inter-American Bank established a new lending record in 1973 when it authorized 57 loans amounting to $884 million. This increases to 771 the cumulative total of loans approved since 1961 and to $6.3 billion the aggregate resources channeled into economic and social development projects in its 22 member countries of Latin America and the Caribbean.

The Bank's massive lending volume for the year benefited the 10 major sectors of the Latin American economies. The largest loan volume—$125.6 million—helped to finance projects in the field of electric power. Another $182.2 million was channeled into agriculture in a region where cereals and meats continue to be important earners of foreign exchange. Projects in the fields of industry and mining were financed with $172.1 million in Bank funds.

An analysis of cumulative Bank lending from 1961 to December 31, 1973, shows that the Bank has extended credits totaling $3.6 billion in these three basic sectors—$1,464,100,000 in agriculture, $1,171,800,000 in electric power and $977.9 million in industry and mining.

Projects in the field of transportation and communications have also received strong support from the Bank. In 1973 the Bank extended $133 million in loans for the construction, expansion and rehabilitation of highway networks, sea and river ports and modern telecommunications systems in its member countries. With a cumulative loan total of almost $1.1 billion, this sector ranks third in total Bank loans received.

During the year the Bank approved $152.5 million for "social infrastructure" projects—housing, water and sewage, and education. On a cumulative basis, loans to these sectors total $1.3 billion—$844 million for water and sewage, $416 million for housing and urban development and $288 million for education.

Preinvestment studies, which help prepare viable loan projects for financing by the IDB and other financial agencies, received $14.3 million, increasing to almost $110 million cumulative Bank financing for that purpose. Export financing received $10.2 million, raising the cumulative total in that sector to almost $100 million. And, finally, the Bank approved $4.1 million for tourism, a relatively new field of investment. In an effort to stimulate tourist growth in its member countries, the Bank has approved a cumulative total of $42 million in loans, much of it in Mexico and the Caribbean, and virtually all within the last three years.

During 1973 the Bank's lending was virtually balanced between loans extended on conventional banking terms from the ordinary capital resources and loans made on concessional terms from the Fund for Special Operations.

As of December 31, 1973, the value of the Bank's conventional loans accounted for 48.5 per cent of the $6.3 billion in total lending. The remaining 51.5 per cent represented concessional loans. ■

DISTRIBUTION OF IDB LOANS
In millions of dollars

Sectors	1973	1961-73
Agriculture	$182.2	$1,464.1
Electric Energy	215.6	1,171.8
Transportation and Communication	133.0	1,099.1
Industry and Mining	172.1	977.9
Water and Sewage Systems	42.1	643.9
Urban Development	14.3	415.8
Education	96.1	287.5
Preinvestment	14.3	108.7
Export Financing	10.2	97.8
Tourism	4.1	41.9
TOTAL	$884.0	$6,308.5

Admission of New Members

(from page 1)

In relation with the proposal by Trinidad and Tobago on the admittance of newly independent states of the region, the Committee formed a study group during the meeting to compile information on the status of independent states, nonautonomous territories and entry requirements into the OAS and the Bank. After hearing the report of the study group, the Committee asked the Bank that a broader study on this item be prepared for its next meeting in Santiago.

The Committee received a proposal from the Argentine delegation which called for broad changes in the Bank's charter and the Bank's operating policies reflecting "the present status of development of the Latin American countries." The Board of Executive Directors has been charged with the task of preparing an analysis of the Argentine proposal for consideration by the Committee at its Santiago meeting.

In a press conference following the meeting, Mr. Ortiz Mena told reporters one of the objectives to include nonregional countries as Bank members is the mobilization of additional resources and a wider participation by the developed nations of the world in the economic development of Latin America. Mr. Ortiz Mena said conversations with nonregional countries have included Austria, Belgium, Denmark, Finland, France, Germany, Israel, Italy, Japan, Kuwait, Luxembourg, Norway, Portugal, Spain, Sweden, Switzerland, the Netherlands, United Kingdom and Yugoslavia.

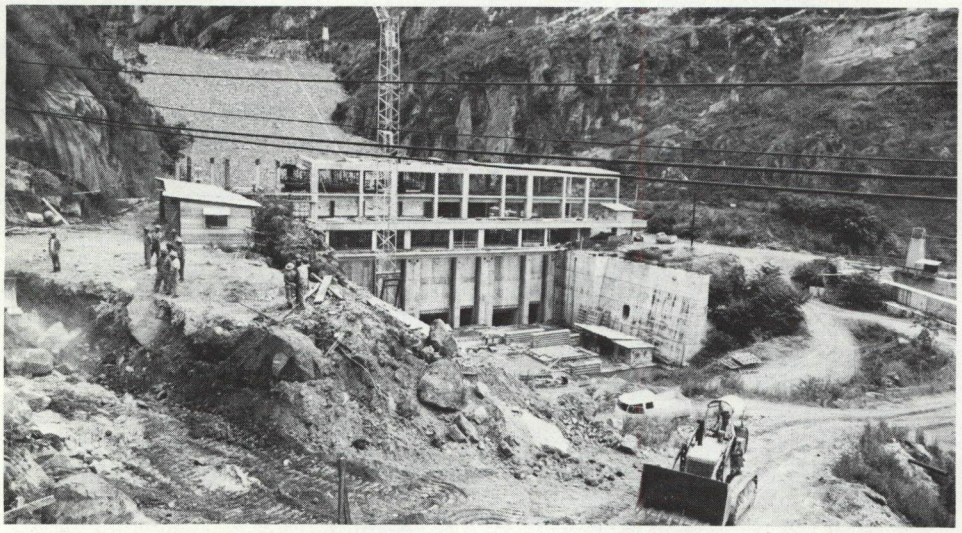
The Committee of Governors was created in 1970 to examine alternative measures designed to increase the flow of resources to the Bank. At the last Board of Governors' meeting in Kingston last May, resolutions requested the Committee to review the Agreement Establishing the Bank and to study measures providing membership to newly independent countries of the Americas. The Governor for Trinidad and Tobago was added to the Committee to participate in the discussions concerning hemispheric membership. It has met 10 times since its inception.

Attending the 10th meeting were:

The Governor for Argentina, José B. Gelbard, Minister of Economy; the Temporary Alternate Governor for Brazil, José Carlos Fonseca, General Counsel of the Central Bank of Brazil; the Temporary Alternate Governor for Canada, E.G. Drake, Vice President of the Canadian International Development Agency; the Executive Director of the Bank for Colombia and Peru, Hugo Palacios Mejía, who represented the Governor for Colombia, Luis Fernando Echavarría, Minister of Finance and Public Credit; the Temporary Alternate Governor for the United States, John M. Hennessy, Assistant Secretary of the Treasury for International Affairs; the Governor for Mexico, José López Portillo, Secretary of Finance and Public Credit; the Executive Director of the Bank for the Central American countries, José Luis Montiel, who represented the Alternate Governor for Nicaragua, Roberto Incer Barquero, President of the Central Bank of Nicaragua; the Governor for Trinidad and Tobago, George M. Chambers, Minister of Finance; the Governor for Uruguay, Carlos Ricci, President of the Central Bank of Uruguay, and the Alternate Governor for Venezuela, Carlos Emmanuelli Llamozas, President, Comisión Nacional de Valores. ■

Colombia: 59 IDB-Financed Projects Help Sustain High Growth Rate

Just over a year ago Colombia began welcoming a new stream of tourists from neighboring Venezuela. A recently-completed highway, started in 1968, is beckoning to 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.



Among the projects completed with IDB support is the Rio Prado hydroelectric plant in Tolima

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 the Guajira region 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.

Energy for Growth

In various ways and degrees, the rest of the Bank-supported projects in Colombia are also making themselves felt in a positive way in 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 1,500,000 kilowatts (capacity was 1,900,000 kilowatts 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 throughout the national territory.

The Bank is sharing the cost of installing the country's two largest power plants—at Chivor and Alto Anchicayá, with an initial installed capacity of 1,000,000 kilowatts and 340,000 kilowatts respectively. It is helping to build three other smaller plants, with a total installed capacity of 175,000 kilowatts, in the departments of Caldas, Huila and Santander and to expand 15 transmission and distribution systems, including those for Bogotá, Cali, and Manizales and the surrounding areas.

The installation of the Chivor and Anchicayá plants involves an investment of more than $400 million, of which the Bank is contributing about $160 million. The Chivor plant, about 75 miles northeast of Bogotá, the capital city, will serve mainly the interior of the country. The Anchicayá plant, about 30 miles west of Cali, the country's most important industrial center, will serve the Cauca Valley, a highly developed 15,400-square mile area in the western part of Colombia, rich in natural resources and fertile farmlands, which comprises the Valley and Cauca departments.

Difficult Engineering Work

Installation of the Anchicayá and Chivor plants will involve large-scale works and sophisticated engineering techniques. Plans for the Anchicayá plant, for example, call for building a dam some 427 feet high to provide storage capacity for more than 45 million cubic meters of water; a 5.6-mile tunnel to pipe the water through the mountains to the generating plant; and an underground powerhouse 222 feet long, 58 feet wide and 64 feet high, plus auxiliary works requiring excavation of 450,000 cubic meters of earth and the use of 200,000 cubic meters of cement, concrete, and reinforced concrete.

The Cauca Valley Corporation (CVC), the executing agency for the project, has contracted the Civil Engineering Associates, Ltd., a Mexican firm, for the engineering work. The contract, for $37.5 million, is the biggest of its kind ever concluded between firms in any two Latin American countries.

At Chivor, a rock-fill dam 700 feet high and 853 feet long is being built on the Batá River for storing some 815 million cubic meters of water; a 5-mile pressure tunnel; a powerhouse for four 125,000 kilowatt generator units, and other related works that mean excavating about 3 million cubic meters of earth and the use of almost 300,000 cubic meters of concrete and reinforced concrete. Construction, begun in 1970, is being executed by IMPREGILO, an Italian concern working under a $60 million contract.

Key Projects

The Chivor and Anchicayá plants will be key parts of the nationwide electric power grid the Government began to develop in 1967, surmounting geo-

Medellín, the second largest city, has received more than $31 million for sanitation

Sodium plant in Mamonal, near Cartagena

graphical obstacles by interconnecting the regional power systems for Bogotá, Cali, Medellín, Manizales, and environs. The country's electric power system had developed independently because of the relative isolation of the various regions, separated as they are by mountainous terrain. Colombia's installed capacity is divided among four large systems—those of Bogotá, Medellín, Cali and Manizales and their environs—and other smaller systems which serve the northeast and the Atlantic coast. As a first step in the integration of the national power system, the Government in 1967 started to link up the four major regional grids which, jointly, supply the larger consumer centers and generate approximately 80 per cent of the country's total electric power. The startup of the Chivor and Anchicayá plants will help speed this integration effort.

Other Bank-supported Projects

The Bank has contributed $190 million for electric power, or about one-third of the loans assigned to Colombia. Up to December 1973, it had lent Colombia $636.5 million, including $300 million in "soft loans" bearing especially favorable interest and repayment terms. Projects financed included all development sectors and geographical areas, from the Atlantic 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 credits, machinery, and technical assistance for the benefit of some 15,000 farm families and for animal health projects, including control of foot-and-mouth disease and brucellosis, as well as pioneering agricultural research. In transportation, the IDB has helped to build about 1,200 miles of highways and access roads and to modernize the country's four main ports: Buenaventura, Barranquilla, Santa Marta and Cartagena. With Bank support, the port of Buenaventura, where 50 per cent of Colombia's imports and exports are handled, has become one of the most efficient ports in South America.

In addition to the new Caribbean coastal highway, the Bank is also helping to finance construction of 46 farm-to-market roads and two major sections of the national highway system—one extending 131 miles along the Panamerican Highway between Popayán and Pasto in the southern part of the country, and the other, a 69-mile section of the highway linking Bogotá and Medellín.

For a Better Quality of Life

Bank action in Colombia has been important also in industry, preinvestment and social development. The IDB has helped install or expand more than 120 small and medium-scale factories, build more than 35,000 housing units for low-income urban families, improve and enlarge water supply for about 5 million people and put up new buildings and related facilities at five universities.

Some specific projects that stand out among these varied projects because of their scope are an integrated urban development program in the eastern part of Bogotá, which will benefit some 635,000 people—a quarter of the capital city's population; a sodium carbonate and caustic soda plant at Mamonal, near Cartagena; and eight warehouses for storing grain at various key points, including the ports of Buenaventura and Santa Marta, the new or improved markets in Bogotá, Medellín and Cali—the country's main cities.

All these projects are helping, in various ways, to sustain the high rate of economic growth that has characterized the Colombian economy in recent times —which since 1968 has been expanding at a rate of more than 6 per cent a year. ■

New source of investment capital

(From page 1)

of these funds consist of dollars and make up the Euro-dollar market. This market, in turn, forms part of the larger Euro-currency market.

Growth of the Euro-currency market has been spectacular. Total deposits have increased from $44 billion in 1969 to over $100 billion at the present time. The deposits of Latin American residents and government institutions grew from an estimated $4.8 billion to $7.7 billion in the year 1972 alone.

Managed largely from London, where approximately 40 per cent of all transactions are made, the Euro-currency market is not subject to control by any one government in particular. It is managed by scores of banking chains, with most of the home offices in Europe, the United States, Japan and Canada. These institutions, called "Euro-banks," make loans and issue bonds, generally through syndicate arrangements to spread risk.

Until recently, the Euro-currency market invested its funds mainly in the private sector of industrialized nations. Starting in 1971, however, an increasing volume of these banks' resources has been channeled into the developing nations. This is because traditional borrowers in the Euro-currency market have turned to their national markets, due in part to new government regulations and in part to an extraordinary growth in capital available

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in those markets. This has stiffened competition among the Euro-banks which have liberalized interest rates and maturities in a search for new borrowers in the developing countries. At the same time, the worldwide boom in raw materials has increased the number of eligible borrowers.

The Situation in 1972

The lack of available information makes it impossible to present a complete picture of the financing obtained by the Latin American countries in the Euro-currency market except for 1972 (see table). Provisional data compiled by the World Bank shows that 10 Latin American nations obtained $2,180,000,000, in loans or bond issues, or both, in the Euro-currency market in 1972, compared to $1,487,000,000 granted to these same countries by multilateral institutions during the same period. The other Latin American nations did not have access to the market or did not choose to seek financing there. During the year these countries received $273 million in loans from the multilateral institutions.

This does not mean that the Euro-currency market has become a more significant source of development financing for Latin America than the multilateral institutions, even in the case of the 10 nations which raised capital in that market in 1972. It should be remembered that bond issues placed in the Euro-currency market, and particularly commercial bank loans extended by that market, have shorter maturities than loans granted by multinational institutions.

Financing obtained by the Latin American countries in the Euro-currency market and from multilateral institutions in 1972 (equivalent in millions of dollars)

	Euro-currency market			Multilateral institutions		
	Bond issues[1]	Bank loans[2]	Total	IDB[3]	IBRD[4]	Total
Argentina	–	243.9	243.9	162.7	–	162.7
Brazil	121.0	577.8	698.8	213.2	454.6	667.8
Colombia	–	90.0	90.0	49.9	74.1	124.0
Dominican Republic	–	4.0	4.0	33.7	–	33.7
Jamaica	10.0	–	10.0	–	–	–
Mexico	80.0	509.8	589.8	115.7	277.0	392.7
Nicaragua	–	15.0	15.0	12.5	30.1	42.6
Panama	20.0	40.0	60.0	15.7	–	15.7
Peru	–	209.9	209.9	0.8	–	0.8
Venezuela	39.8	218.5	258.3	18.9	28.0	46.9
Sub-total	270.8	1,908.9	2,179.7	623.1	863.8	1,486.9
Other Latin American Countries	–	–	–	174.8	98.6	273.4
Total	270.8	1,908.9	2,179.7	797.9	962.4	1,760.3

1. Public offerings and private placements.
2. Medium and long-term loans.
3. Authorized loans. Amounts include a local currency component, totalling the equavalent of $133.0 million. Excludes export financing.
4. Loans for which loan agreement has been signed. Statistics do not include exchange adjustments. For some countries IDA credits are included.

Sources: For Euro-currency market, World Bank data. Official sources for multilateral institutions.

Bond Issues

The $270.8 million mobilized by five Latin American countries (Brazil, Jamaica, Panama, Mexico and Venezuela) in the Euro-currency market in 1972 far exceeds the $116.5 million mobilized by the same five countries in the capital markets of industrialized nations. The greater significance of the Euro-currency market in the placement of bonds issued by the Latin American nations holds true, furthermore, if an analysis is made of an even longer period of time.

Precise information is not available on the terms and conditions of private bond placements. However, available data shows that, of 13 public issues placed since early 1971, nine were for a term of 15 years, one for 12 years, one for eight years and two for seven years. The interest rate for eight of these issues, subscribed during the first part of the period, ranged from 6¾ per cent to 8½ per cent, while interest rates of the other five were variable. In some cases, the cost to the borrower of a publicly-placed issue is comparable to the cost of non-subsidized loans from the multinational institutions. However, such a comparison has a practical meaning only for those countries having effective access to the Euro-currency market, which is not the case for all the Latin American nations.

The nations which have placed the greatest number of bonds in the Euro-currency market are Brazil, Mexico, Panama, Venezuela, Argentina, Colombia and Jamaica. One can assume that some of the Latin American nations were satisfied with the volume of financing obtained from the multinational institutions. It is also likely that, in other cases, the credit situation, from the point of view of potential bond buyers, has not fully recovered.

Loans in Euro-Currencies

In comparison with bond issues, a larger number of nations contracted loans. In all, nine countries—Argentina, Brazil, Colombia, the Dominican Republic, Mexico, Nicaragua, Panama, Peru and

Venezuela—received a total of $1.9 billion in loans in 1972. Brazil and Mexico combined received 56.3 per cent of this amount. The number of borrowings undertaken by these two countries was considerable. Brazil received 22 loans and Mexico nine. Furthermore, loans were extended in four different currencies compared to only three in the case of bond issues.

Borrowing terms ranged from five to 15 years. Only one loan had a fixed interest rate of 8 per cent. Generally, a variable interest rate ranging from 1 to 1¾ per cent higher than the offering rate for six-month interbank deposits in Eurodollars in London is agreed upon.

Advantages and Disadvantages

One of the characteristics of bond placement in the Euro-currency market is the absence of the requirements to which bond issues must conform in national markets and which generally reflect the economic and monetary policies of the country where the issue is placed. This facilitates the operation and avoids tying the proceeds of the bond issue. Presumably, this fact outweighs the generally higher cost of Euro-currency issues as compared to issues floated in several national markets.

The advantages and disadvantages of bank loans in Euro-currency depend basically on the borrower. On the positive side, it should be noted that such loans constitute an additional source of external financing for developing nations. The speed with which such operations can be undertaken represents an appreciable benefit to the borrower.

On the other hand, the floating interest rate typical of such loans hinders the calculation of project costs and also provides a problem of external debt management for the borrowing country. However, normally loans extended by these banks are not linked to specific projects, since the commercial bank syndicates are generally less concerned than the multinational institutions about the productive investment of the loan proceeds. Nevertheless, several borrowing nations have already attained a sufficient level of administrative capability to meet such a criterion. ■

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Procurement in Latin America

Recently, several IDB member countries have requested bids for goods and services which, in some cases, are to be acquired with financial resources furnished by the bank.

Following are the main facts concerning some of those procurement requests:

ARGENTINA: The *Comisión Mixta Técnica Paraguayo-Argentina de Yaciretá-Apipé* (Paraguay-Argentina Joint Technical Commission for Yaciretá-Apipé) is requesting bids from consulting firms or consortiums of consulting firms for preparing a project for the multiple use of the waters of the Paraná River to be installed in the area of the Yaciretá and Apipé islands. Offers may be submitted under a system of competitive public international bidding by independent consulting firms or consortiums of consulting firms in the United States of America, Canada, and European countries having diplomatic relations with the two high contracting parties and which, in each case, are associated with one or more independent Argentine consulting firms and with a consortium or group of independent Paraguayan consulting firms. Forms containing information on specific bidding requirements and conditions may be obtained at the headquarters of the Comisión Mixta, Avenida Presidente Roque Sáenz Peña 501, 5 Piso, Buenos Aires, Argentina, or at the offices of the Paraguayan Delegation to the Comisión Mixta Técnica Paraguayo-Argentina de Yaciretá-Apipé, calles Cerro Corá y Curupayty, Asunción, Paraguay. Bids will be received at the Comisión Mixta's headquarters in Buenos Aires until March 25 at 4 p.m., when they will be opened in public.

The Government enterprise *Yacimientos Petrolíferos Fiscales* (YPF), the national fuel agency, has requested public bidding, classified as number 1/74, for the construction of three tankers having a gross capacity of 150,000 tons each. Forms containing information on bidding conditions may be obtained at the YPF, 770 Calle Sarmiento, planta baja, Buenos Aires, Argentina. Bids will be opened on March 6 at 10 a.m. at the YPF.

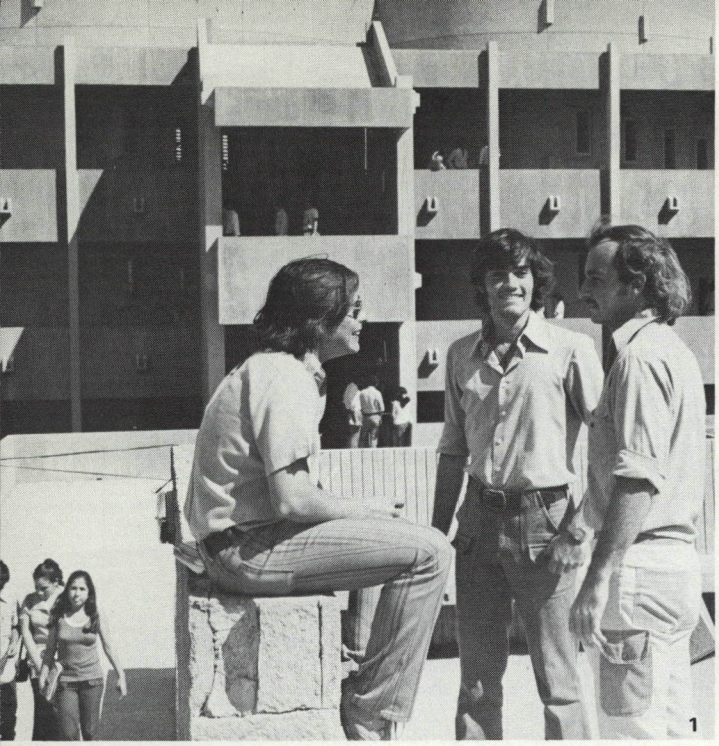
COLOMBIA: International public bid PLD 73-5 (IDB-2) issued by the *Empresa de Energía Eléctrica de Bogotá* (The capital's electric power agency) for designing, manufacturing and supplying 126,000 metres of different types of cables. Forms stating bidding conditions and requirements may be examined and obtained at Company offices at Calle 13 No. 37-35, Room 224, Bogotá, D.E. Bids should be filed with the Company's Revisoría Fiscal, Room 216, at the same address, before 2:30 p.m., March 4, at which time bids will be opened in public. Only bids from manufacturers in IDB member countries, in developing member countries of the International Monetary Fund or in countries classified by the IDB as eligible for this purpose, will be considered.

Signing the loan contract for the Salto Grande project. From left to right: Hector Luissi, Ambassador of Uruguay to Washington; Henry Costanzo, Executive Vice President of the IDB, Alejandro Orfila, Ambassador of Argentina to Washington. Standing, José Chiriboga, Deputy General Counsel of the IDB.

Salto Grande Loan Contract Signed

The signing on December 28 of a loan contract in the amount of $79 million between the Inter-American Development Bank and the *Comisión Técnica Mixta de Salto Grande* signaled the start of one of the largest projects ever financed by the Bank—the 1,620,000-kilowatt hydroelectric power plant to be built jointly by Argentina and Uruguay on the Uruguay River. On completion, the massive integration project will provide power for a 110,000-square mile market area on the borders of northeastern Argentina and neighboring Uruguay with a total population of 5.2 million, some 2.9 in Uruguay and 2.3 in Argentina.

The executing agency, the *Comisión Mixta* (CTM), based in Buenos Aires, will use the $79 million in Bank funds to complete the first stage of the construction of the main plant. The two Governments will cover 57.9 per cent of the remaining $353 million required to complete the $432-million plant, and suppliers 23.6 per cent. By removing the need to import the great quantities of fuel required to operate thermoelectric plants of similar generating capacity, the Salto Grande works will save the two countries about $40 million a year in foreign exchange.



Central America: Economic and Social Progress

The five Central American republics, as of December 31, 1973, had received a cumulative total of more than $500 million in development financing from the Inter-American Bank, much of it on extremely favorable terms. These resources are helping the five area republics—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua—finance a variety of development programs. During a recent visit to the region, Mario Traverso, of the Bank's Office of Information, took a series of photographs which reflect the rapid pace of regional growth. Above, in Photo 1, a view of José Simeón Cañas University, El Salvador; and 2, the Kennedy low-cost housing project in Tegucigalpa, Honduras. In the center, Photo 3, work in progress at the Xayá and Pixcayá aqueduct, which will supply drinking water to Guatemala city, and 4, a plastics plant in Costa Rica. Below, in Photo 5, well-fed cattle graze in Nicaragua, where meat exports are a large dollar earner; 6, a modern market in El Salvador and 7, man working in a citrus fruit nursery in the Aguán Valley of Honduras, which has received Bank financing through the Honduran Agrarian Reform Institute.