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## BOARD RECOMMENDS MEMBERS REPLENISH BANK RESOURCES BY \$6.3 BILLION

The Board of Governors of the Inter-American Development Bank on July 9 recommended that the institution's 24 member countries take action to increase its financial resources by \$6.3 billion.

President Antonio Ortiz Mena, hailing the increase as a measure of fundamental importance, said it would enable the Bank to meet Latin America's increasing need for development capital over the 1976-78 period. The added capital contributions will increase the Bank's total resources from the present \$10.4 billion level to nearly \$17 billion.

The increase consists of two parts: the first, for \$5 billion, will increase the Bank's total resources to more than \$15 billion; the second, for \$1.3 billion, will become effective once the final quota of the first part of the increase has been paid.

The Board approved the recommendations calling for the new increase at a special meeting held in Washington to consider the Bank's pressing need for a replenishment of its resources if it is to avoid reducing its activities in support of the economic and social development of its member countries in Latin America. The Board of Governors, which consists of the representatives of each of the Bank's 24 member countries, is the institution's highest authority.

The United States representative, John Bushnell, Deputy Assistant Secretary of the Treasury, said the executive branch of the Government would seek authority

from Congress to subscribe the full \$2.25 billion contribution, which exceeds the original amount offered of \$1.8 billion. The \$450 million additional contribution, would be available to the Bank during the United States 1979 fiscal year beginning the second semester of 1978.

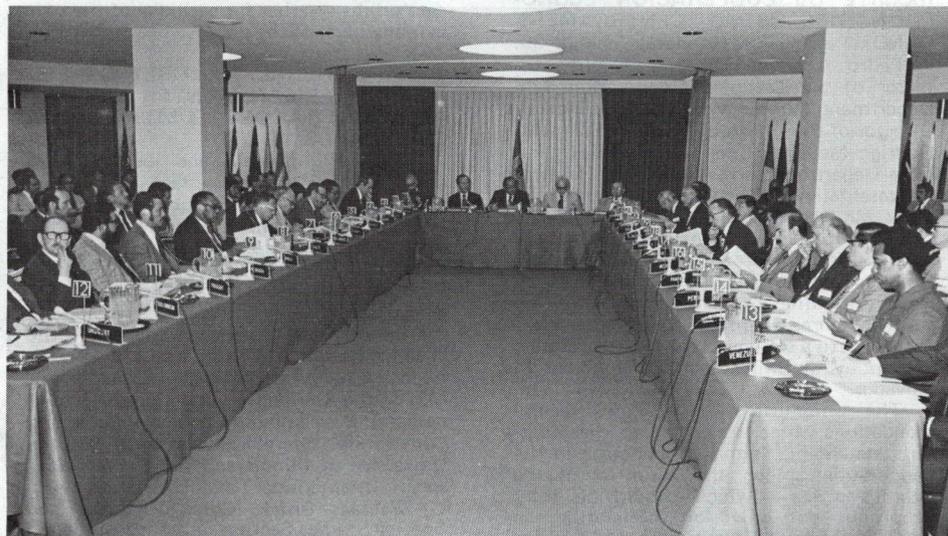
Canada and Venezuela agreed to increase their subscription to the paid-in capital and will make 100 per cent of their paid-in and their capital contribu-

tions, as well as to the Fund for Special Operations, freely convertible into the currencies of other countries eligible for procurement under Bank loans. Trinidad and Tobago also agreed to make 100 per cent of its contributions to the Fund freely convertible, as did Argentina, Brazil and Mexico with 25 per cent of their contributions.

The Board of Governors, at the special

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Governors' Meeting, with Dominican Governor Diógenes H. Fernández presiding.



## HOW THREE TOP U. S. OFFICIALS SEE THE INTER-AMERICAN BANK

Secretary of the Treasury William E. Simon and two other Administration policy-makers, appearing at Congressional hearings, highlighted the major reasons why Congress should authorize measures to strengthen and expand the Inter-American Bank.

Secretary Simon, Assistant Secretary of State for Latin America William D. Rogers, and Deputy Assistant Secretary of the Treasury John A. Bushnell, testifying at the hearings held on July 29 by the House Subcommittee on International Development Institutions and Finance on the proposed replenishment of the Bank's

resources and the expansion of its membership, strongly urged Congress to authorize the required legislation.

Excerpts from their respective statements follow:

**SIMON: BASIC REASONS WHY THE UNITED STATES SHOULD SUPPORT THE BANK**

"Our economic interest in Latin America must be viewed at two levels. First are our obvious interests in trade, investment and access to raw materials. The United States enjoys an aggregate trade surplus with Latin America. This surplus

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IDB approves \$85 million in loans, technical cooperation. Page 7.

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## RAUL BARBOSA

Raul Barbosa, the dean of the Board of Executive Directors of the Inter-American Development Bank, was buried in Fortaleza, Brazil, on August 21. Mr. Barbosa, the Executive Director for Brazil and Ecuador, died in Washington, D.C. on August 16 after suffering a heart attack. He had recently been reelected to a three-year term starting on July 1.

Mr. Barbosa's performance at the Bank culminated a brilliant career which began in his native State of Ceará, Brazil, in 1928. He served as Director General of the State of Ceará's Department of Justice and as Attorney General. He was

also a representative of Ceará in the Constituent Assembly and in the Brazilian Chamber of Deputies and Governor of the State of Ceará in 1951-54.

Before joining the Inter-American Bank, Mr. Barbosa was President of the *Banco do Nordeste do Brasil*, a key development agency. In 1968 he was elected Executive Director of the Inter-American Bank for Brazil and Ecuador.



Antonio Ortiz Mena, President of the Inter-American Bank, said that "In the performance of his duties, Mr. Barbosa was noted for his faith in the future of Latin America, his judgement, his independence of thought and his patriotism. His performance will be remembered not only in Brazil but in the other nations of Latin America to whose economic and social development he selflessly devoted his dedication, talent and equanimity."

Mr. Barbosa was born in Fortaleza in the State of Ceará on August 19, 1911, and received a degree in law and social sciences from the School of Law of the University of Ceará in 1935.

## THE IDB AT INTERNATIONAL MEETINGS

Among recent international meetings on economic and social development in which Bank officials have participated—and some of the topics discussed and conclusions or resolutions adopted—were:

### TENTH MEETING OF THE COMMITTEE FOR ECONOMIC COOPERATION IN THE CENTRAL AMERICAN ISTHMUS (COMITE DE COOPERACION ECONOMICA DEL ISTMO CENTROAMERICANO). Tegucigalpa, Honduras, May 28-30.

Pedro Abelardo Delgado, Deputy Director of the Technical Cooperation Sub-Department, Néstor Vega Moreno, Deputy Director of the Integration Sub-Department, Rodrigo Moscoso, Chief, Division 3, Operations Department, and Arturo Pino Navarro, Representative in Honduras, represented the Bank. Mr. Delgado headed the delegation.

"The meeting was held to organize a common front to protect the Central American economies, which are threatened by grave difficulties brought about mainly by the unfavorable international situation," according to a statement made at the closing session by the Minister of Economy of El Salvador.

The Committee approved 20 recommendations which, according to the Minister's statement, "signal a new stage in the cooperation among the countries of the isthmus—a stage which should be truly propitious not only for accelerating the work of the High-Level Committee, but for maintaining a better climate for making policy decisions in the establishment of a new economic and legal order in the process of integration."

Panama was represented by a high-level delegation which expressed interest in participating in certain aspects of the movement for the integration of Central America.

### EARTH RESOURCES SURVEY SYMPOSIUM. Houston, Texas, June 8-12.

Leon I. Tenenbaum, Advisor, Agricultural Projects Analysis Division, represented the Bank.

The purpose of the seminar was to review the progress made and the possibilities offered by the use of information collected by NASA LANDSAT and SKYLAB EREP satellites and other features of the EARTH program. Information on the possibilities and results of the practical application of information collected by satellites was released at the seminar for the first time, with the idea of focusing research on priority fields.

Another of the seminar's objectives was to ascertain the problems that can be solved through the use of satellites, among them determining the location and percentage of land acreage in use, barren lands, and land under cultivation; the types of soil according to classification and use; the extension, composition and topography of forestlands; available nonrenewable natural resources, etc., in order to shorten the planning process.

A fact that emerged from the seminar was that a great deal of available information is not being used, and that there is now data on the weather for each day of the year in many parts of the world.

### NINTH GENERAL ASSEMBLY OF THE INTER-AMERICAN CENTER OF TAX ADMINISTRATORS (CIAT). Ottawa, Canada, June 8-14.

About 120 delegates and observers from every country in the Western Hemisphere except the Dominican Republic and Panama attended the Assembly. There was, in addition, wide international representation, with delegations from Australia, Denmark, France, Germany, Ghana, Indonesia, Ireland, Italy, Nigeria, South Korea, and Spain, the International Monetary Fund (IMF), the Organization of American States (OAS), the Agency for International Development (AID), the German Foundation for International Development, and the Caribbean Community Secretariat, as well as the University of Illinois and the Harvard University International Tax Program.

Nicholas Bruck, Chief, Financial and Special Studies Section, attended on behalf of the Bank as an observer.

Three major topics were discussed: the taxpayer master file and related information systems; experiences in the administration of the value added tax; and the taxation of multinational corporations.

The meeting revealed that there is a need for increased cooperation among national taxation authorities and that there is keen interest in many countries in achieving that objective.

The CIAT assemblies provide the Western Hemisphere's most important forum for exchanging experiences and discussing common problems on tax administration with a view to achieving greater uniformity of policies and procedure.

### IDB-CIDA SEMINAR ON HANDICRAFTS DEVELOPMENT. Ottawa, Canada, June 15-20.

Almost all Bank member countries were represented at the Seminar, which was held to discuss Canada's experience in handicraft development.

Ann Williams, of the Training Division, Gladys Weintraub, Consultant on Handicrafts, and Raymond Magloire, economist of the Industrial Economics and Infrastructure Section of the General Studies Division, represented the Bank. Miss Williams headed the delegation.

Participants unanimously adopted a declaration—"The Ottawa Declaration"—which states that there is need to protect this artistic and cultural heritage and to accelerate the sector's economic and social development.

The declaration calls on international financing organizations to undertake broader programs in this field and on countries to coordinate handicrafts development programs and marketing policies.

### ANNUAL MEETING OF THE INTERNATIONAL CENTER OF TROPICAL AGRICULTURE (CIAT). Cali, Colombia, May 21-25.

Claudio Meira, of the Livestock and Marketing Section, attended on behalf of the Bank as an observer.

Participants reviewed CIAT's experimental work. The lands CIAT—working jointly with the *Instituto Colombiano Agrario*—is using for its experiments and for its technical training program, are of low fertility, but thanks to good pastures and fertilizers, results are promising.

It is estimated that Latin America has about 250 million hectares of similar land, and that if the economic and technical results are confirmed, these areas could be used for livestock. The meeting also discussed the experimental results obtained in rice, bean and yucca production and the development of cattle and pork production, particularly in terms of feed.

### EIGHTH ANNUAL CONFERENCE OF POPULATION/FAMILY PLANNING LIBRARIES AND INFORMATION (APLIC). Seattle, Washington, April 14-18.

During the Annual Meeting of the Population Association of America, which was held simultaneously with APLIC's conference, one theme of particular interest was a presentation of the potential use of ERTS satellite technology and remote sensing possibilities for population estimates. This discussion was largely under the direction of staff from the United States Bureau of the Census and the United States Space Agency.

Robert W. Fox, of the Social Studies Section, who represented the Bank, gave an opening address on the Conference topic "Population Information: Its Impact on the Quality of Life," entitled "Population Data Explosion for Latin America: A look at the Census Materials."



IDB Secretary Jorge Hazera makes introductory statement at Governors' Meeting.

## Canada, Latin American Countries Make Special Contributions to Bank

(from page 1)

meeting, adopted resolutions recommended by a working group composed of the representatives of Argentina, Brazil, Canada, Colombia, Mexico, Nicaragua, United States and Venezuela. The resolutions recommended that the first part of the increase, consisting of \$5 billion, be divided in the following manner:

- An increase of \$4 billion in the authorized capital stock—the Bank's conventional loan resources—to be effected in the 1976-1978 period. Of that amount \$344 million would consist of paid-in capital and \$3,656 million would consist of callable capital.

- An increase of \$1 billion in the contributions to the Fund for Special Operations, the Bank's "soft" loan window, all of which would be paid in by the member countries.

The Bank's ordinary capital—for which the \$4 billion replenishment is intended—

consists of the subscriptions by the member countries to the paid-in portion, the institution's borrowings in the capital markets and the interest and repayment of the loans it extends. The ordinary capital—consisting of paid-in and callable capital—is used to make loans repayable in the currency lent, on conventional development financing banking terms comparable to those of other international financial institutions similar to the IDB, and reflecting the cost of the funds obtained by the Bank in the capital markets through direct borrowings or bond issues. The callable portion of each member's subscription is not directly available to the Bank for lending, but serves as a guarantee of the obligations incurred by the Bank in borrowing funds in the capital markets.

The Fund for Special Operations—for which an increase of \$1 billion was

recommended—consists entirely of the contributions made by the 24 member countries and is used to extend loans on especially favorable, or "concessional," terms—longer maturities and grace periods and lower interest rates than for ordinary capital loans. Its resources are used mainly to promote the development of the less developed countries and regions of Latin America.

The new increases, which are subject to the approval of the member countries, would raise the Bank's financial resources to more than \$16 billion, increasing the capital stock from \$6 billion to \$11.2 billion and the Fund for Special Operations from \$4.4 billion to \$5.4 billion.

In addition, the Bank administers more than \$1.1 billion in special funds entrusted to it by member and non-member countries, including the \$500 million Venezuelan Trust Fund which was entrusted to the Bank earlier this year.

Moreover, twelve nonregional countries have also indicated their intention to join the Bank when the process of adopting the necessary amendments to the Bank's charter—the Agreement Establishing the Bank—now under way, is completed. Those countries would contribute approximately \$745 million to the Bank over a three-year period—half to the ordinary resources and half to the Fund for Special Operations.

The increases approved by the Board of Governors will enable the Bank to substantially increase its lending for the

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**AUTHORIZED CAPITAL STOCK**  
(Expressed in United States dollars)

	PAID-IN			CALLABLE			Grand Total	Percentage of total
	Dec 31, 1974 <sup>1</sup>	Proposed Increase <sup>2</sup>	Total	Dec 31, 1974	Proposed Increase <sup>2</sup>	Total After increase		
Argentina	124,422,242	40,171,230	164,593,472	585,510,755	498,726,421	1,084,237,176	1,248,830,648	12.694
Barbados	2,497,131	434,286	2,931,417	5,995,526	6,007,587	12,003,113	14,934,530	0.152
Bolivia	9,988,522	3,257,124	13,245,646	46,999,133	40,002,345	87,001,478	100,247,124	1.019
Brazil	124,422,242	40,171,230	164,593,472	585,510,755	498,726,421	1,084,237,176	1,248,830,648	12.694
Canada	48,253,730	19,615,140	67,868,870	244,501,647	176,198,494	420,700,141	488,569,011	4.966
Chile	34,163,641	11,001,852	45,165,493	160,781,427	136,968,210	297,749,637	342,915,130	3.486
Colombia	34,139,514	11,001,852	45,141,366	160,636,666	136,847,574	297,484,240	342,625,606	3.483
Costa Rica	4,994,261	1,592,376	6,586,637	23,499,566	20,025,295	43,524,861	50,111,498	0.509
Dominican Republic	6,659,014	2,171,412	8,830,426	31,364,924	26,708,445	58,073,369	66,903,795	0.681
Ecuador	6,659,014	2,171,412	8,830,426	31,364,924	26,708,445	58,073,369	66,903,795	0.681
El Salvador	4,994,261	1,592,376	6,586,637	23,499,566	20,025,295	43,524,861	50,111,498	0.509
Guatemala	6,659,014	2,171,412	8,830,426	31,364,924	26,708,445	58,073,369	66,903,795	0.681
Haiti	4,994,261	1,592,376	6,586,637	23,499,566	20,025,295	43,524,861	50,111,498	0.509
Honduras	4,994,261	1,592,376	6,586,637	23,499,566	20,025,295	43,524,861	50,111,498	0.509
Jamaica	6,659,014	2,171,412	8,830,426	31,364,924	26,708,445	58,073,369	66,903,795	0.681
Mexico	79,980,557	25,839,870	105,820,427	376,379,090	320,573,654	696,952,744	802,773,171	8.160
Nicaragua	4,994,261	1,592,376	6,586,637	23,499,566	20,025,295	43,524,861	50,111,498	0.509
Panama	4,994,261	1,592,376	6,586,637	23,499,566	20,025,295	43,524,861	50,111,498	0.509
Paraguay	4,994,261	1,592,376	6,586,637	23,499,566	20,025,295	43,524,861	50,111,498	0.509
Peru	16,671,664	5,356,164	22,027,828	78,460,564	66,855,542	145,316,106	167,343,934	1.701
Trinidad & Tobago	4,994,261	1,592,376	6,586,637	23,499,566	20,025,295	43,524,861	50,111,498	0.509
United States	361,902,971	120,007,026	481,909,997	2,047,212,729	1,079,990,847	3,127,203,576	3,609,113,573	36.687
Uruguay	13,342,156	4,270,452	17,612,608	62,778,102	53,513,389	116,291,491	133,904,099	1.361
Venezuela	66,662,527	28,879,860	95,542,387	313,697,496	259,846,331	573,543,827	669,086,214	6.801
Sub-Total	983,037,041	331,430,742	1,314,467,783	4,981,920,114	3,541,292,955	8,523,213,069	9,837,680,852	100.000
Unassigned	72,513,292	12,377,081	84,890,373	175,197,228	114,904,194	290,101,422	374,991,795	
	1,055,550,333	343,807,823	1,399,358,156	5,157,117,342	3,656,197,149	8,813,314,491	10,212,672,647	

<sup>1</sup> Includes \$10,659,249 to be subscribed June 30, 1975.

<sup>2</sup> Relates to "Increase in the Authorized Capital" (Section 1 of proposed resolution).

# U.S. Officials Support IDB, Latin American Development

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amounted to about \$1 billion in 1974. The \$15 billion in U.S. exports to the region accounted for about 15 per cent of total U.S. exports in that year, while almost \$14 billion, or 14 per cent of all U.S. imports, came from Latin America.

"Through its direct investments, the United States has an important economic stake in Latin America. Latest data on U.S. direct investment indicate that nearly 14 per cent of total U.S. direct investment abroad, or about \$15 billion, is in Latin America. This represents about 60 per cent of total U.S. direct investments in the developing countries of the world.

"Latin America is important as a source of supply for several commodities essential to the U.S. economy. Last year, for example, we obtained the following percentages of our mineral imports from the Latin American and Caribbean region: iron ore, 34 per cent; copper, 48 per cent; petroleum 24 per cent; bauxite, 47 per cent. In addition to minerals, we obtain about 47 per cent of our sugar imports, 82 per cent of our bananas, 60 per cent of our cocoa beans, and 40 per cent of our coffee from Latin America.

"The Latin American countries are also important to us in a perhaps less obvious but, in the long-run, more significant sense. The existing international economic order is being challenged by some Third World spokesmen. If

the changes being advocated for the world economic order were widely adopted, they would impair the continuation of the open, free market orientation in the U.S. and other developed countries. Moreover, the proposed changes would reduce the efficiency of resource use and thus reduce productivity in both developing and developed countries. Thus, the economic success of our Latin American neighbors and their allegiance to market-oriented economies and an open world trading system will, in an important way, affect prospects for our own free economy, as well as for world prosperity in general.

"Fortunately, economic development in Latin America is succeeding and the IDB is playing an important role in that success and in orienting that growth in directions compatible with the U.S. economy. The IDB stresses the key role of market forces in the effective allocation of resources, the development of outward-looking trading economies, the critical role of private enterprise and the importance of spreading development benefits to the poorer people.

"Many of the development successes of the past quarter century are in Latin America. Countries as diverse as Brazil and the Dominican Republic, with annual GNP growth averaging 10 per cent, have been among the fastest growing economies in the world over the past several years. GNP in Latin America as a whole has grown at almost 7 per cent per

William E. Simon  
U.S. Secretary  
of the Treasury



annum in real terms. Since 1960, value added in manufacturing in the region has tripled, installed electrical capacity has tripled, primary school enrollments have quadrupled, adult literacy increased from about 52 per cent in 1950 to about 73 per cent in 1970, the number of rural families with access to potable water has tripled. The IDB has been a major factor contributing to most of these accomplishments.

"We must keep in mind that in spite of the progress achieved, half the population of Latin America still has a daily calorie intake below minimum requirements; more than a third of the primary school-age population is without education facilities or unable to attend school; a quarter of all adults are illiterate; 40 per cent of urban households lack potable water; and infant mortality in Latin America is 80 per 1000 of live births as compared with 19 in the U.S. Agricultural production, although still involving 40 per cent of the labor force, is expanding only slightly faster than population."

## ACTION NEEDED

"To equip the Inter-American Bank to play a key continuing role in Latin American development and to share the burden of supporting the Bank more widely, we are asking the Congress to approve:

- "A replenishment including \$2,250 million of U.S. contributions. For the first

# United States Boosts Its Share Of Increase in IDB Resources

(from page 3)

development of the Latin American member countries. The Bank expects that the total loan volume to be made in the next

three years will come to about \$5 billion. This compares with the \$7.5 billion lent by the institution in its first 15 years of operations.

FUND FOR SPECIAL OPERATIONS  
(Expressed in thousands of U.S. dollars)

Country	Subscribed contributions Dec. 31, 1974	Proposed increase	Total after increase
Argentina	\$ 246,319	\$ 82,752	329,071
Barbados	837	297	1,134
Bolivia	22,684	6,645	29,329
Brazil	253,973	82,752	336,725
Canada	73,843	50,000	123,843
Chile	71,068	22,718	93,786
Colombia	69,722	22,704	92,426
Costa Rica	10,224	3,321	13,545
Dominican Republic	13,743	4,428	18,171
Ecuador	13,372	4,428	17,800
El Salvador	9,911	3,321	13,232
Guatemala	13,597	3,321	18,025
Haiti	11,159	4,428	14,480
Honduras	10,995	3,321	14,316
Jamaica	13,193	4,428	17,621
Mexico	159,094	53,196	212,290
Nicaragua	10,770	3,321	14,091
Panama	10,380	3,321	13,701
Paraguay	11,974	3,321	15,295
Peru	34,223	11,082	45,305
Trinidad and Tobago	9,890	3,321	13,211
United States	3,040,350	600,000	3,640,350
Uruguay	26,539	8,874	35,413
Venezuela	132,169	60,000	192,169
Unassigned	123,869		123,869
<b>TOTAL</b>	<b>\$4,393,898</b>	<b>\$1,045,300</b>	<b>\$5,439,198</b>

A Bank report on the increase states that the Latin American countries have made substantial progress in recent years, but that attaining their development goals in the years ahead involves overcoming a number of complex problems.

First, the report said, "there are many unsatisfied demands in the different economic and social development sectors in the region, including those associated with the process of regional and sub-regional integration. Second, due to relative income levels, the gap between the standard of living of the Latin American countries and that of the industrialized countries is increasing. Third, the external financial situation of most Latin American countries has been severely affected by international events; while they are faced with a much higher import bill than before, their export earnings are shrinking as a result of declining commodity prices.

"Adequate attention to these problems will require not only additional savings from the Latin American countries themselves, but also an increasing volume of external financial resources, both public and private. Within this context, the member countries look to the Bank to continue its role as a leading source of development finance for Latin America."

# President Antonio Ortiz Mena— Washington Press Conference

In response to requests from the Washington-based international press corps, President Antonio Ortiz Mena on July 10 held a press conference to discuss the decision of the Board of Directors to recommend an increase in the Inter-American Development Bank's resources and the expansion of its membership. The following is a condensation of the transcript of the conference.

Mr. Ortiz Mena: The recommendation which the Board of Governors made yesterday is a fundamental step for the development of the Bank. The resolutions adopted will bring the resources of the Inter-American Development Bank to more than \$15 billion—\$8 billion in its current portfolio; \$6.3 billion from the increase decided upon yesterday; \$755 million to be provided by the nonregional countries, and \$500 million from the Venezuelan Fund. With these resources we will be able to meet Latin America's development needs for the next three years.

I would like to stress the spirit of unity shown by our countries. The United States increased its contribution from \$1.8 billion to \$2.25 billion. Canada also increased its share over the initial amount. Venezuela, while significantly increasing its contribution, made its currency convertible, which means that the Venezuelan money may be used for purchases anywhere. Argentina, Brazil and Mexico made a noteworthy contribution in making 25 per cent of their contribution to the Fund for Special Operations convertible. Trinidad and Tobago also made its contribution to the Fund convertible. All these countries, therefore, have provided basic support to the other Latin American countries, so that the latter may have more concessionary funds available to them.

As for the Central American Isthmus, the resources Venezuela will grant for petroleum purchases, if used as counterpart funds in development projects financed by international agencies, will be bound to expand the economic capacity of those countries.

I consider that all these things I have mentioned will impart a new dimension to the Bank. And if we bear in mind that the inclusion of nonregional countries will transform the operating mechanism of the Fund for Special Operations, the Bank will be able to engage in international competition in respect to all its operations, moving beyond the region.

Another point worth noting is the financial situation through which the Bank has passed. We have been operating with the greatest prudence in the capital markets so as to avail ourselves of lower interest rates, and so we have been able to maintain the 8 per cent rate we charge on our ordinary capital loans. Some of our efforts are directed to maintaining this interest rate. It is the lowest charge made by any of the international and regional development banks for this kind of loan.

We estimate that we can sustain a large enough volume of lending to enable Latin America to maintain its rate of growth, regardless of the rate of inflation that may prevail in the next three years.

I should now like to consider a specifically Latin American problem to which we have given special attention. Latin America has the greatest hydraulic resources and the largest reserves of food-producing land in the world.

Since coming to the Bank, we have regarded the regulation of the region's water resources as one of the factors in its development and one which will make possible, in the medium and long term, a substantial increase in food production.

In Latin America we often experience floods which cause tremendous damage and hinder the proper programming of agricultural plans. The first step toward solving the problem is to contain the waters and, in most cases, generate electric power. The next step is to use the rivers for navigation and irrigation. At the same time, the lakes which are formed will have to be used for fishery, tourism and other development programs.

Under these circumstances the generation of electric power becomes a by-product. However, if we bear in mind the rise in the value of sources of energy, the generation of hydroelectric power becomes increasingly attractive and has a direct impact on the balance of payments of the countries concerned.

At the Bank we are beginning to change our statistical system so as to reflect this phenomenon more accurately, for the system we are now using would make it appear that we are supporting only large-scale electric power programs, when what we are in fact doing is to program better use of water to increase agricultural development and raise the standard of living of the rural populations. Many examples of this type of development are now in full swing.

I will be glad to answer any questions you may wish to ask me.

*Q.: At previous IDB meetings there have been complaints from some countries about the predominant voting power held by the United States. Will not this type of capital contribution further entrench the United States' voting power?*

*A.: On the contrary; with these contributions the United States' voting power will drop from 40 per cent to 34 per cent.*

*Q.: But with 34 per cent, won't the United States still have considerable power over soft credits?*

*A.: That situation exists in all the institutions; in the World Bank and the International Monetary Fund the United States has 25 per cent, while in the Asian Development Bank other industrialized countries have set their vote at a much higher percentage than ours. I believe that the combination of resources in our Bank is much more balanced. Besides, with the admittance to membership of the nonregional countries, our Executive Board will have four Directors from industrialized countries against seven Latin American Directors. At present there are two Directors from industrialized countries and seven from Latin America.*

The agreement signed provides for increasing the number of Latin American Directors by two more as new countries join, as is already the case; we are about to welcome three new countries of the area as members—the Bahamas, Guyana and Grenada. We trust the Netherlands Antilles and Surinam will be able to join later.

*Q.: Mr. President: you have spoken of obtaining large amounts of funds for the Bank, both for the ordinary capital and for the Fund for Special Operations; however, you have approached the Arab countries. What has been the outcome?*

*A.:* We have been extremely prudent about obtaining funds in the capital markets. To date, the interest rate and the currencies available in the Arab countries have not been sufficiently attractive. That is to say, we would have to accept funds in their currencies, which are consistently overvalued, and we would have to pay higher interest rates than we are charged elsewhere. That is why we have not borrowed in the Arab countries. If we can do so on acceptable terms, we will do so. Otherwise, we will continue to use the traditional markets.

*Q.: Which of the Arab countries has come closest to a transaction of this type with the IDB, Mr. President? And why was it not concluded? Because of the interest?*

*A.:* Because of the interest. However, we are discussing with Kuwait possible loans to Latin America through the special fund it has set up. They have concluded two operations in the African countries and are about to conclude one in the Asian region. The understanding we have with them is that once they have operated in those two regions, we could consider making loans jointly in the Latin American region.

*Q.: Mr. President, what is the Asian country you referred to? The country in Asia with which Kuwait is negotiating?*

*A.:* I believe there is to be an operation with Bangladesh.

*Q.: Mr. President, you have spoken of a considerable increase in the United States contribution; however, I have heard that there is a balance of \$250 million due from the United States. What is the position on this outstanding sum, this United States debt?*

*A.:* Yes, the figure is \$275 million, and we hope that it will be appropriated this semester.

*Q.: In Latin America it has been said that during the Allende regime the United States constantly vetoed lending to Chile; will the United States with its new voting power of 34 per cent be able to maintain its veto against countries it does not approve of?*

*A.:* Well, the matter of the Allende case can be explained quite simply. We have in fact done it many times, and I will be happy to do it once more. In the document entitled "Fifteen Years of Activities of the Inter-American Development Bank," the table on page 47 shows that during the Allende Administration Chile received its greatest amount of funds. The press has been given copies of this document. You can see from the table I mentioned what the flow of resources was between the Bank and Chile between 1961 and 1974, year by year, as well as the total for those years. Chile received the largest annual foreign exchange disbursements in the Bank's history in the following amounts: \$35,600,000 in 1971, \$22,200,000 in 1972, and the equivalent of \$21,400,000 between January and September 1973.

To understand why Chile received these funds from the Bank, we should bear in mind: that we are a development bank, not a commercial bank. When commercial banks make a loan they hand

over the money at once, as the loan is for a very short term and recovery is certain—the term is from 99 to 180 days, although it can be longer. Under these conditions, commercial banks operate with considerable flexibility and a high degree of movement. A development bank cannot operate like that. It lends for a project that by its very nature requires considerable time for implementation. If we lend for a road, construction is started and we begin to disburse funds as the work progresses. The average execution period for projects we finance is four years. This means that if we expend a loan of \$10 million today, the country concerned will receive the \$10 million in the course of the four years it takes to execute the project. Meanwhile, a favorable balance is built up for the country. Under this banking technique, Mr. Allende's Government could never have received the amount of the loans authorized in a lump sum; the funds would have been disbursed as the respective works were carried out.

*Q.: Is it not nevertheless true that during the Allende regime—I must admit I'm not interested in defending Mr. Allende—the Bank adopted a very prudent attitude on the granting of loans? As I remember, only two or three were granted: two under Mr. Ortiz Mena's predecessor and the other after the earthquake; I believe money was drawn from other funds to make a special or extraordinary loan.*

*A.:* The situation, and the so-called prudence in the granting of loans, had nothing to do with the Bank; both were brought about by the action of Mr. Allende's Government.

The important thing to stress is the way in which disbursements are made; that when credits accumulate there is a greater availability of resources as execution of the projects moves ahead.

In the case of the Allende Administration, two loans were granted in 1971 for universities—the Catholic University in Santiago and Southern University in Valdivia. The first loan was for \$7 million and the second for \$4.6 million.

Some seven months later, when Chile was struck by a major earthquake, on July 6, 1971, I accompanied President Allende and members of his cabinet on a tour through the devastated areas. At this time, various Bank loans previously granted to Chile were in the disbursement stage. Some of these loans, which for a variety of reasons had not yet been fully disbursed, could not be used for the projects for which they were originally approved. Under our usual policy, these sums would have been canceled. However, the Bank's Executive Directors approved amendments to the pertinent contracts so that these undisbursed funds could be used for emergency relief. That was how \$16,120,000 was reallocated to Chile for quick disbursement in the remaining months of 1971 and the first half of 1972. Our Bank considered the possibility of granting other sizable credits to Chile, which were accompanied by not always favorable circumstances.

As you know, the "pipeline" of projects is very important in a development bank. This means that the governments assign priorities to certain works. When the Allende Government took office, the priorities assigned to projects which had already been submitted were withdrawn; as a result, we were left without any firm basis on which to continue working. The Bank and Chile had

to start over. Unfortunately, the first project submitted, a petrochemical one, was very complicated because it assumed an arrangement within the Andean Pact which had not been concluded. At the same time, the feasibility was not found to be favorable. Realizing that it was not a good project, the Allende Administration withdrew the priority given it.

*Q.: What was the total cost and how much would the IDB have contributed if it had been approved?*

*A.:* The loan application was for \$29 million for *Petroquímica Chilena S.A.* and the total project cost was \$49.9 million. When the priority I mentioned was withdrawn, the Antuco hydroelectric power generation and irrigation project was submitted to us for study. That was a very good project. Its total cost was estimated at \$262.1 million, of which the Bank would have covered 28.7 per cent.

When the project study was begun it was found that the Bank was in a position to offer Chile cheaper funds than those offered

by the Soviet Union. It was then, when the operation planned with Chile was canceled, that a larger credit was sought from us, for which reason the loan again was held up. The loan was programmed for approval in November 1973, and we in fact had it ready for that date.

The change of Government then occurred and, of course, we held up the operation, as we always do when we have to scrutinize the priorities established by any new Government. The loan contract for \$75 million was signed with the new Government. If you review the Bank's lending to Chile, you will note that another loan was granted for industry, one whose basic purpose was the promotion and development of private enterprises. The contract was originally to allow the *Corporación de Fomento* (the development corporation) to use a maximum of 10 per cent of the amount of the loan for lending to companies in which it was a shareholder. Ninety per cent of these funds was to go to the private sector. As no applications were received from

Members of the international press corps talk with President Ortiz Mena.



that sector, we were asked to amend the contract to permit a larger proportion to be used for the public sector. The percentage authorized for this purpose was increased from 10 per cent to 40 per cent so that the Government would not lose the credit.

This change in the structure of the loan was made subject to a vote in which the majority of the votes went against that of the United States. This shows that the United States does not exert pressure, or that if it does do so without justification, it loses.

I believe this answers a question that was left pending.

You can see here (Mr. Ortiz Mena pointed to page 47 of "Fifteen Years of Activities of the IDB") that the largest volume of Bank disbursements was during the Allende period, and that the present Government has not received a comparably higher amount than that received in any of the three years of the Allende Administration.

*Q.: Mr. President, up till now reliance has been placed on the good will of the executive branch of the United States Government for increasing the funds; the delay in the United States does not appear to lie in the executive branch, but in Congress. At this time, what is the attitude of Congress? I understand that you have already approached Congress to seek to ensure that it will not raise the obstacles which on previous occasions have prevented the United States from making its contributions as scheduled in accordance with its commitments. In a word, what steps have you taken, what do you expect from Congress?*

*A.:* First, I want to make it clear that the United States authorities are the ones who approach the Congress of the United States. The only thing we do is to cooperate, within our sphere, by giving information to the members of Congress with whom we are in contact—information that can be useful to them in approving the sums involved.

One thing I have always stressed, and which I want to mention now, is that, unfortunately, Latin America is included in the general aid category, the "AID Program." And the operations carried out in Latin America have nothing to do with that category. It is purely a business matter for all the parties concerned. The Bank makes a cooperative effort for development and this development benefits both the countries receiving the funds and those providing them. If we study the effects of the credits in relation to the economies of the countries supplying the resources, we see that for each dollar invested—I speak of the dollar purely in a symbolic sense, for it could just as well be a franc, a mark or a pound—Latin America, as a general rule, returns more than the dollar invested. That is to say, it is not a matter of gifts, but of business among countries. The development of Latin America is good for Latin America, but it also benefits the countries which contribute to that development.

Latin American purchases of goods and services throughout the world, directly and indirectly, represent a sum larger than the amount contributed to further its development. Let me give you a very rough example: the Bank grants a loan for a project—let's say for a hydroelectric power station. When bids are called for and the contract is awarded, before we have disbursed a single

cent of the loan the contractor makes a large-scale purchase of goods and services abroad; in other words, he buys all the machinery and equipment that is not produced in Latin America. This immediately sets exports in motion before a single dollar has been disbursed. Then disbursement starts, and purchases of additional inputs for the project begin.

Latin America does not produce the machinery to be installed, so it has to be procured elsewhere. And as for purchases of Latin American products for these major projects, it must be understood that the actual Latin American production is only a part, since many or some of the inputs included in the products are imported. For example, when we buy a Brazilian turbine, we are automatically buying abroad and not in Brazil. We are buying in Brazil the part produced in Brazil, but Brazil will have imported many of the machine parts; thus, although it is apparently a Latin American product, a Brazilian machine, that Brazilian machine has many foreign-made parts.

I have always held that there should be a special heading for financing for Latin America, something separate from AID, mainly to prevent the confusion which arises in the mind of the American taxpayer who feels that his money is being used for foreign aid. American taxpayers very often ask, and with considerable justification, why money is being handed out for sewer systems, or for road projects, when the same things are needed where he is, in his state and in his community. The reason is very clear; carrying out these projects in Latin America produces more resources for the United States.

*Q.: Mr. President, could you give us figures on the increase by Venezuela and the other countries you mentioned?*

*A.:* Yes. The figures are in the document handed out to you. There you will find the tables, with a complete breakdown. Thank you.

#### CHILE

Loans authorized, by year and source of funds, and annual disbursements (In thousands of dollars)

Year	Loans authorized								Disbursements		
	Ordinary resources		Fund for Special Operations		Social Progress Trust Fund		Other resources		Total		
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
1961	3	\$12,050	2	\$ 7,323	3	\$13,738	-	\$ -	8	\$33,111	\$ 400
1962	2	18,463	1	2,100	3	9,300	-	-	6	29,863	5,400
1963	3	17,360	-	-	2	2,600	-	-	5	19,960	13,800
1964	4	12,900	-	-	4	9,800	-	-	8	22,700	29,000
1965	1	8,000	3	19,700	2	3,500	-	-	6	31,200	25,500
1966	-	-	5	45,550	-	-	-	-	5	45,550	20,100
1967	3	22,300	4	14,180	-	-	3	8,859	10	45,339	15,000
1968	-	-	2	12,300	-	-	-	-	2	12,300	28,600
1969	2	13,765	5	48,700	-	-	-	-	7	62,465	29,100
1970	-	-	1	3,000	-	-	-	-	1	3,000	30,100
1971	-	-	2	11,600	-	-	-	-	2	11,600	35,600
1972	-	-	-	-	-	-	-	-	-	-	22,200
1973	-	-	-	-	-	-	-	-	-	-	21,400
1974	1	75,300	1	22,000	-	-	-	-	2	97,300	20,300

Source: IDB Annual Reports.

Note: The amounts of authorized loans shown represent the dollar value of the loans as they were approved in the years indicated. Therefore, the figures do not show changes that may have occurred in the amounts lent because of loan cancellations or exchange adjustments made subsequent to the year in which the loans were originally authorized.

three years this is the same total level of U.S. contribution as provided in 1970 replenishment; a fourth year with \$450 million of additional callable capital has been added. Most important, the composition of the U.S. contribution has been changed to reduce substantially our annual budget outlays.

- "An increase in the Bank's capital of \$5.3 billion, of which the U.S. will contribute \$1,650 million with \$120 million paid-in and the rest callable capital providing backing for Bank borrowings in private capital markets. This is double the U.S. subscription in the 1970 replenishment, but the paid-in portion, which is the only part likely to involve budget outlays, is down from \$150 million to \$120 million. The U.S. share of the capital replenishment is down from 41 per cent to 32 per cent. The planned replenishment period is four years instead of three.

- "An increase in the Fund for Special Operations, which makes highly concessional loans, of \$1,045 million, of which the U.S. would contribute \$600 million, \$200 million a year in FY-77-79. This U.S. contribution of grant-like funds would be down sharply from the \$1.0 billion pledged in the 1970 replenishment; the U.S. share is down from two-thirds to 57 per cent. Including the \$370 million contribution to be made by the new nonregional members, the U.S. share will be only about 42 per cent of resources being added to the Fund for Special Operations. Moreover, Latin American contributions will be more readily usable.

- "Membership in the Bank by European countries, Japan and Israel and the complex set of amendments and rules to convert the Bank from a hemispheric institution into an institution with worldwide donor membership. This major change in donor membership not only reduces the U.S. share of resources needed by the IDB during the next four years, but also promises improved burden sharing in subsequent replenishments, as does the emergence of several Latin countries as donors. But the U.S. will continue to have a veto over the Fund for Special Operations.

- "Technical amendments to admit additional regional countries and permit lending to the subregional Caribbean Development Bank."

"As U.S. Governor of the IDB, I urge your early and full support for this major restructuring and strengthening of the IDB.

"This replenishment of IDB resources is a fundamental step in strengthening our relations with Latin America—an area of major economic and political interest to the United States. The constructive relations built among governments in this common development enterprise carry over into many other aspects of our relationships. We find the close cooperation achieved with Latin Americans in the IDB to be extremely useful in promoting cooperation in our dealings with them in the fields of trade, investment and economic relations in general.

"These measures will provide a substantial part of the external funding for continued rapid economic development in Latin America with programs increasingly directed to improving the abysmal daily living conditions of the poorest people in our Hemisphere.

"This package represents a basic and constructive change for any of the regional development banks because the more advanced developing countries in the region will contribute in a meaningful and substantial way to the development of the poorer developing countries through concessional contributions to the Inter-American Bank.

## BUSHNELL: THE BANK PLAYS A LEADING AND INNOVATIVE ROLE IN PROMOTING DEVELOPMENT

John A. Bushnell, Deputy Assistant Secretary of the Treasury, spotlighted some of the Bank's innovative achievements. He noted:

"IDB has been the leader in lending for integrated rural development where organ-

## IDB: Symbol Of Cooperation

Assistant Secretary of State William D. Rogers, in his testimony, also presented strong support for the proposed legislation and called for continuing hemispheric cooperation between Latin America and the United States. The following are excerpts from his address:

"The Inter-American Development Bank, since its establishment in 1959, has been a principal component of our Latin American policy. It is a key symbol—and living expression—of continuing hemispheric cooperation for a better life for the peoples of the Americas. Over the years, the nature of that cooperation has accommodated to the increasing maturity and efforts at self-help of Latin America—and the IDB has accurately reflected that changing relation within the Hemisphere.

"Whereas a decade ago bilateral official assistance from the United States was the largest source of resource transfer to Latin America, in fiscal 1974 the IDB provided more official finance to Latin America than any other institution. Its loans are today indispensable to continuing economic and social development in a part of the world

izational and logistical problems are especially difficult, such as rural health services, education, small farmer credits and feeder roads. Rural water supply is also an example of a sector in which IDB has played a pioneering role by providing potable water to Latin America's rural population through loans to nearly all its member countries. Over the past five years, IDB-financed projects provided potable water for the first time to an estimated additional 10 million people. Even so, only 25 per cent of Latin America's rural population has access to this service. Thus, much remains to be done.

"IDB has taken the lead in lending through cooperatives. Availability of loans for use by cooperatives has increased to 80 per cent of the Bank's agricultural credit loans and to all its loans for rural community development and rural electrification. In several countries loans to increase the domestic supply of fisheries have also been made through cooperatives.

## NEW APPOINTMENTS

President Ortiz Mena recently announced the appointment of Pedro Abelardo Delgado as Deputy Manager of Region III of the Operations Department, effective August 11, 1975.

Mr. Delgado joined the Bank in 1966 as Deputy Advisor of Integration. Later he served as Associate Director for the Program on the Development of the Plata Basin as Advisor in the Office of the Technical Manager.

Mr. Delgado left the Bank to serve with the United Nations as Special Programs Director in the Division for Trade Expansion and Economic Integration Among Developing Countries, with headquarters in Geneva, Switzerland.

of special interest to the United States. As Latin America has sustained and accelerated its growth in the last decade and a half, the expanding role of the IDB has required increased sharing by all member governments in the finance of development programs. Such an evolution has paralleled our changing political relations with Latin American countries on a basis of greater equality.

"Our willingness to continue our support for the IDB, on terms reflecting greater Latin American participation than ever before, is a test of the seriousness of our hemispheric foreign policy. For while Latin America has enjoyed increasing prosperity, it also has not been immune from the dislocations that have wracked the world economy. In this uncertain environment, sustained financial flows to Latin America assume special importance. A central tenet of our policy in the region has been the mutuality of the benefits of economic development in Latin America. Now, more than in recent years, that development has been rendered precarious, not by internal policy, but by external events. Our prompt adoption of this legislation will eliminate any uncertainty about where the United States stands in its commitment to help Latin America help itself. And it will make much easier the needed flow of private funds to satisfy Latin American demands."

"IDB is in the forefront in encouraging Latin American integration projects. With a view to increasing economic efficiency, the IDB has taken a leading role in promoting individual projects that benefit more than one member country. Examples include IDB loans for the Acaray hydroelectric project in Paraguay, which delivers part of its output to Argentina and Brazil; an integrated road project that serves several countries in Central America; and the Trans-Andean highway between Argentina and Chile."

Mr. Bushnell said that "innovative projects almost always involve more administrative and technical risks than lending for conventional purposes, such as electric power, major irrigation and telecommunications. But IDB lending in untried but important fields has paid off in terms of benefiting Latin America's rural poor, many of whom have obtained the basic amenities of life for the first time through IDB's work."

Three years later he returned to the Bank as Deputy Manager of the Technical Cooperation Sub-Department in the Economic and Social Development Department.

The Executive Vice-President announced the appointment of Luis Buitrago to serve in the Office of the Controller, where he will fulfill the latter's duties whenever that officer is on special assignment or absent from Headquarters. The appointment was effective September 1, 1975.

Mr. Buitrago, who was on leave from the Bank to serve as an Executive Director of the Central American Bank for Economic Integration, has been with the IDB since 1965. He was Deputy Manager for Loan Administration.

On July 9, the Board of Governors of the Inter-American Development Bank recommended an increase of \$6.3 billion in the institution's resources.

On July 29, the United States Secretary of the Treasury, William E. Simon, testified before the Subcommittee on International Development Institutions and Finance of the House of Representatives Committee on Banking, Currency and Housing, on the proposed replenishment of the Bank's resources and on the expansion of its membership.

That testimony, which is summarized on page 4, was the first step in the complicated legislative process required before the United States Governor—in this case, Secretary Simon himself—is authorized to vote for the resolutions proposing an increase in resources, the admittance of nonregional members, the admission of Bahamas and Guyana, and lending to the Caribbean Development Bank.

The authority for the Governors of the Inter-American Bank to vote on this type of proposal differs from country to country. In some countries the Governor casts his vote and ratification by the national legislative body follows. In other countries, the authority is granted by decree-law, cabinet decision, or a monetary board.

Under the legislation authorizing United States membership in the Inter-American Development Bank—better known as the IDB Act, that is, Public Law 86-147, approved August 7, 1959—the Governor representing the United States on the Bank's Board of Governors must have Congressional authorization to vote on any amendment to the Bank's Charter, for any increase in the United States share of the Bank's capital stock or for an increase in the United States contribution to the Bank's Fund for Special Operations.

Such Congressional action is initiated when the executive branch of the Government—specifically, the President himself or the Secretary of the Treasury, as Chairman of the National Advisory Council on International Monetary Affairs—transmits to the President of the Senate and the Speaker of the House of Representatives a request for legislation authorizing the United States Governor of the Bank to vote in favor of the proposal. This letter of transmittal includes the proposed legislation and a report justifying the request.

When the proposed draft bill is received, it is generally introduced in the House or Senate by the Chairman of the Committee or Subcommittee which has the immediate legislative responsibility. Once introduced, the bill is assigned a number by which it is known throughout the legislative process.

Normally, proposed legislation affecting the Bank is first considered in the House of Representatives. Once introduced, the bill is referred to a Committee—in the case of "our bill," to the Banking, Currency and Housing Committee of the House of Representatives. That Committee, in turn, refers it to its Subcommittee on International Development Institutions and Finance, headed by Chairman Henry B. González (D.-Texas). The Subcommittee then sets a date for hearings. At these hearings the proponents, in this case the Secretary of the Treasury, together with supporting witnesses from the executive branch, such as the Assistant Secretary of State for Inter-American Affairs and the United States Executive Director for the Bank, present their views and are questioned by the members of the Subcommittee. On occasion, the Subcommittee also hears other interested witnesses—for or against the proposed legislation. Generally, any

serious witness who asks to be heard is given an opportunity to present his or her views.

Once the hearings have been completed, the record closed, and all questions answered in accordance with Committee rules, the Subcommittee considers the matter and votes on whether or not to report the bill favorably to the full Committee. If there is a favorable vote, the full Committee takes up the matter in due time and votes on whether or not to report the bill to the House. Nine Democrats—"the majority"—and four Republicans—"the minority"—serve on the Subcommittee, and 29 Democrats and 14 Republicans on the full Committee, a ratio directly related to the current representation of each party in the House. If the bill is ordered reported, a Committee report recommending passage of the proposed legislation and containing the views of the Committee is attached. If requested, minority views are appended to the report.

Once the Committee has approved the report, the Chairman applies to the House Rules Committee for "a ruling." The Rules Committee, which sets the legislative calendar for the House, hands down a rule stipulating the length of the debate and certain other rules under which the House will consider the bill.

At the appointed time, the matter goes to the floor of the House. The first order of business is to approve the rule under which the bill may be brought forward. The rule is usually approved and the debate on the bill begins.

A member, rather than the Speaker of the House, is appointed to chair the proceedings. The debate usually features an introductory statement by the Chairman of either the Subcommittee or the full Committee and supporting speeches by minority party Committee members if they are favorably inclined.

The time is evenly divided between the majority and minority parties. Speakers wishing to express their views must request time from the managers of the bill. Normally, the time allotted to each speaker is stated at the outset. Members may be interrupted for questioning if they agree to yield.

Generally, bills authorizing the United States Governor to vote on IDB resolutions merit perhaps two hours of debate and are subject to an "open" rule, which means that amendments may be offered on the floor of the House. If a majority favors the bill, it is sent to the Senate for consideration.

When the Senate has been officially informed of the favorable action in the House, the Senate Parliamentarian will advise the presiding officer to assign the bill to the appropriate Senate Committee.

"Our bill" will be sent to the Senate Foreign Relations Committee, which will probably assign the legislation to the Subcommittee on Foreign Assistance and Economic Policy, headed by Senator Hubert Humphrey (D.-Minnesota).

As in the House, that Subcommittee will hold hearings and report to the full Committee. The Committee will take up the matter and determine whether to order it favorably reported to the Senate.

The date for the Senate debate is left to the judgement of the Senate leadership; there is no time limit on debate except that agreed upon by unanimous consent.

If the Senate passes the bill in exactly the same version as it passed in the House, it can be forwarded directly to the President for his signature. If, however, there is the slightest difference between the two versions, a conference between the two Houses of Congress is necessary. Conferees, always members of the

# Bank Approves \$85 Million In Loans, Technical Assistance

The Inter-American Bank in recent weeks authorized almost \$85 million in loans and technical cooperation for development projects in several member countries. The details are as follows:

**BOLIVIA:** On July 11 the Inter-American Bank announced the approval of two loans equivalent to \$7 million—one equivalent to \$6 million from the Fund for Special Operations and one for the equivalent of \$1 million in Swiss francs from the Swiss Fund for Latin American Development which the Bank administers—to help Bolivia undertake an industrial tourism development program.

The loans, extended to the *Banco Industrial, S.A. (BISA)*, of La Paz, a private development bank, will be used to grant credits to finance the establishment, expansion or improvement of small and medium private enterprises in the industrial and tourism sectors and to finance necessary technical assistance for executing the projects.

**CENTRAL AMERICA:** On July 3 the Bank approved a \$25 million loan to help construct and improve some 159 miles of regional highways in Central America.

## BIDDING INFORMATION

Several member countries have requested bids for goods and services which, in some cases, are to be acquired with financial resources furnished by the Inter-American Development Bank.

Details of one such bid follow:

**ECUADOR:** The *Ministerio de Recursos Naturales y Energéticos*, through the *Instituto Ecuatoriano de Electrificación (INECEL)*, has called on suppliers of electromechanical equipment for hydroelectric plants to submit documentation establishing their technical and economic ability to prequalify for participating in the following bids: *Bid PA-3:* For supplying and supervising the installation of steel penstock, gates, valves and travelling cranes. *Bid PA-6:* For supplying and supervising the installation of 138 Kv cables. *Bid PA-7:* For supplying and supervising the installation of 138 Kv SF6 capsule-type interrupting equipment, line terminals, and control panels for hydroelectric generating equipment and transmission lines.

This equipment is to be installed at the Molino Hydroelectric Plant during Phase I

Proceeds of the loan, which was extended to the Central American Bank for Economic Integration (CABEI), will be re-lent to CABEI's member governments and to government institutions for seven priority projects—two each in El Salvador and Honduras and one each in Costa Rica, Guatemala and Nicaragua.

On July 31 the Bank announced the approval of \$400,000 in grant technical cooperation to help finance a training program related to the prevention and control of animal diseases in Central America and Panama.

The technical cooperation will be used by the Pan American Health Organization (PAHO) to train professional personnel from the beneficiary countries—Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama—in methods and techniques of social communication and animal health education.

On July 11 the Bank announced the approval of Can \$131,000 in nonreimbursable technical cooperation to carry out basic studies on research and transferring technology on drying and preserving local woods.

The cooperation, made from the Canadian Project Preparation Fund which the Bank administers, was extended to the Governments

of the Paute Project.

Interested parties may submit offers for any or all the contracts indicated in accordance with the qualifications specified by INECEL.

The preliminary qualification, as well as the bid, will be made separately for each contract.

INECEL has programmed the procurement of equipment and materials for this bid taking into account the fact that 85 per cent of its f.a.s. (free along side) value will be financed by credit organizations or by suppliers.

Preliminary qualification documents are available in Spanish in sets of two for each bid on payment of a nonrefundable fee of 500 sucres at the following address:

Instituto Ecuatoriano de Electrificación, Secretaría General — Oficina 102, Avenida 10 de Agosto No. 1820, Quito, Ecuador.

The call for bids is expected to take place in October, 1975.

Prequalification documents should be submitted by October 2, 1975. Prequalification forms and documents should be presented before then to the Secretary of the *Comité de Licitaciones* at the above address.

Documents sent by mail will not be accepted.

of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. It will be used by the Central American Institute of Industrial Research and Technology (ICAITI) to execute the project.

**CHILE:** On June 19 the Bank announced the approval of a \$35.5 million loan to help finance the second stage of a national plan for the development of long-distance telecommunication.

The borrower, the *Empresa Nacional de Telecomunicaciones, S.A. (ENTEL)*, the national telecommunication agency, will use the resources of the loan to meet the needs for telecommunication service up to 1981.

The total cost of the project is estimated at \$67.3 million, of which the Bank loan will cover 52.7 per cent and ENTEL the remaining 47.3 per cent.

**DOMINICAN REPUBLIC:** On July 3 the Bank announced the approval of grant technical cooperation for Can \$477,500 to help prepare a study of the transportation sector.

The technical cooperation was extended to the Government from the Canadian Fund for the Preparation of Development Projects which the Bank administers. It will be used by the *Secretaría de Estado de Obras Públicas y Comunicaciones (SEOPC)* to obtain the services required to prepare a study for the organization and administrative structure of the planning system and of the fiscal policy of the transportation sector, and to design the mechanism for the subsequent preparation of the Master Plan for the Transportation Sector.

**ECUADOR:** The Bank on July 31 announced the approval of a loan equivalent to \$11.1 million to help finance the construction and improvement of the Loja-Velacruz-Saracay highway.

The loan, extended to the Republic of Ecuador, will be used by the *Ministerio de Obras Públicas y Comunicaciones* to provide the provinces of Loja and Zamora-Chinchipe with a better road outlet to Ecuador's principal markets and better integrate the area's population with the rest of the country.

The project, which has an estimated total cost of \$20 million, provides for the following works: The construction of an alternate route, paved with bituminous concrete, approximately 21 miles long between Loja and La Toma; the improvement of the alignment, altimetry and width, and paving with dual bituminous treatment, of about 25 miles of the La Toma-Las Chinchas-Velacruz road; the construction of base and paving with dual bituminous treatment of 71 miles of the Velacruz-Saracay highway.

Once the project is finished, use of the Loja-Velacruz-Saracay system will cut overland travel time between Loja and Guayaquil in half.

(Continued on page 8)

(from page 6)

Committee which initially handled the legislation, are divided equally between the House and Senate and represent both majority and minority parties.

The Conference Committee will then meet and iron out the differences between the two bills and, upon agreement, report on the agreement to the House of Representatives and the Senate. Both Houses must consider the report. If favorably received, the bill, having passed both Houses in identical form, is sent to the President for his signature.

When the President signs the bill, it becomes a Public Law. The public record of all transactions dealing with the bill, hearings, reports and debates make up the legislative history of the proposal which may be consulted in case of any doubt concerning

the meaning of the legislation.

In addition to an authorization to vote for the resolutions, the Increase of Resources Resolution requires a commitment to pay—that is, an appropriation, which must also be approved by the Congress. The legislative process is repeated, except that the matter is considered by the Appropriations Committees of the House and the Senate and by their respective subcommittees.

Thus, the legislative process involves the United States Treasury Department, the State Department, the United States Executive Director, the Members of Congress and the staffs of the appropriate Committees. It is expected that the authorizing phase of the procedure will be completed before December, when the other member nations of the Bank also will have completed their respective authorizing processes.



Constantino Quero Morales and IDB officials Cecilio Morales and Alberto Calvo.

## Quero Morales Says Venezuela Will Live Up to Its Commitments

"Venezuela will strictly fulfill its commitments to international cooperation," Constantino Quero Morales, President of that country's Investment Fund, said recently in a lecture delivered at the Inter-American Development Bank. However, Mr. Quero Morales explained that, although Venezuela will respect its commitments, the growing demands imposed by its own economic development will not permit it to cooperate with other countries on a regular basis.

Mr. Quero Morales spoke in one of a series of lectures by leading Latin American economists and statesmen sponsored by the IDB in an effort to better understand events relating to the region's economic and social development. He examined the trade relations between industrialized and developing countries on the basis of the Venezuelan experience. Within that context, he

discussed the prospects for the oil producing countries in the development of the world economy. He also discussed the possibility of a rise in oil prices due to inflationary pressures.

Because of the continuing deterioration in rates of exchange, Mr. Quero Morales said, Venezuelan investments in large-scale projects in basic industries will exceed the 1974 estimates by more than 150 per cent. He explained that Venezuela will have to resort to external financing, mainly through suppliers' credits, to complement the financing of those projects.

The Fund's loans, Mr. Quero Morales said, are well over 15 per cent more than their availabilities. He added that this is an expression of Venezuela's commitment to solidarity with the development and integration of Latin America.

### BANK MOBILIZES NEW RESOURCES

The Inter-American Development Bank on July 7 announced that it had borrowed \$25 million in Italy to channel to the development of its member countries in Latin America. The borrowing is the second obtained in Italy this year. The first, for \$12 million, was made April 1, 1975.

The borrowing, like the previous one, was effected in a single note dated July 7, 1975 which the Bank sold to the *Ufficio Italiano Dei Cambi*, the official Italian foreign exchange office.

The borrowing, made in United

States dollars, will carry an interest rate of 8½ per cent per annum and a straight maturity of 10 years. The Bank will incorporate the proceeds of the loan into its ordinary capital resources for its ordinary lending operations.

This is the fifth borrowing the Bank has made in Italy. The first borrowing was made in 1962; additional borrowings were made in 1966, 1969, and earlier this year—a total of \$107 million.

Italy is one of the 12 countries from outside the region which has signified its intention, by signing the Declaration of Madrid, of seeking membership in the Bank as a non-regional member.

## Three Research Centers Get New \$4 Million Loan

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**HONDURAS:** On July 11 the Bank announced the approval of \$500,000 in technical cooperation to finance the engineering studies and final designs needed to expand the water supply, sewage and storm drain systems of San Pedro Sula, the principal city on the northern coast.

The technical cooperation, which was extended on a contingent repayment basis from the Fund for Special Operations, will be used by the *Corporación Municipal de San Pedro Sula*, a public agency charged with the administration of water, sewage and related facilities in that city and its environs, for engineering studies and final designs for reconstructing the impoundment works and replacing the damaged supply systems of the Santa Ana and Zapotal Rivers. It will also help tap underground water resources as an alternate source of water.

**LATIN AMERICA:** On August 1 the Bank extended \$4 million in grant technical cooperation to support the activities of the three international agricultural research centers in Latin America which have played a major role in the "Green Revolution"—an international effort to improve and increase the yield in the developing countries of such basic food crops as maize, wheat, rice and potatoes through technology, thus providing more food for the growing world population.

The Bank allocated \$1,785,000 to the International Center for the Improvement of Maize and Wheat (CIMMYT) in El Batán, Mexico; \$1,745,000 to the International Center for Tropical Agriculture (CIAT) in Cali, Colombia, and \$470,000 to the International Potato Center (CIP) in Lima, Peru.

The Inter-American Bank is currently the main provider of funds to the three agencies, accounting for 25 per cent of the total \$16 million cost of the core and capital programs of the three centers for 1975.

In 1974, the Bank provided \$2 million to support the core and capital programs and approved another \$2 million for training and outreach programs by the centers that benefit national agricultural institutions in the Bank's member countries.

**PERU:** On June 12 the Bank announced the approval of \$64,600 in technical cooperation for a tourism development project featuring an exhibition of objects and other cultural attractions of Inca civilization.

The technical cooperation, which was extended on a contingent repayment basis, will be used by the *Instituto Nacional de Cultura (INC)*, a public agency charged with conserving and fostering the cultural patrimony of Peru.

The Bank's resources will help INC contract consultants to undertake studies in museum science, lighting techniques and general installations and, if necessary, to propose complementary studies by local personnel. The resources will also help to finance the training of INC technical personnel abroad.

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