

IDB NEWSLETTER

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LENDING HIGHLIGHTS IN 1963

During 1963 the Inter-American Development Bank authorized 56 loans totaling \$258,853,487 to foster the economic and social development of its Latin American member countries. This figure brought the cumulative total of loans extended by the Bank since it began operations to \$875,080,350. Broken down by the three sources of funds the Bank's lending activity was:

- Ordinary capital resources, 27 loans totaling \$179,269,560.
- Fund for Special Operations, 9 loans totaling \$32,513,927.
- Social Progress Trust Fund, 20 loans totaling \$47,070,000.

As of December 31, 1963, the cumulative lending volume from the ordinary capital resources had risen to \$385,754,087, that of the Fund for Special Operations to \$121,694,263, and that of the Social Progress Trust Fund to \$367,632,000.

The loan volume from the ordinary capital resources was the largest since the Bank began operations. Lending from the Fund for Special Operations and the Social Progress Trust Fund was lower than in previous years due to the fact that the resources in those two funds were notably diminished during 1963.

To help mobilize private capital for Latin America's development the Bank sold participations, without its guarantee, in early maturities of 10 of its ordinary resource loans during 1963 to commercial banks in the United States, Canada and Europe for a total of \$7,381,518. These participations brought the total at the end of the year to \$15,083,260.

During 1963 the Bank also made portfolio sales for a total of \$1,645,058 to the United Nations Special Fund in five loans previously authorized from the Fund for Special Operations.

The \$875,080,350 in loans extended by the Bank during its three years of operations have helped to finance projects whose total cost is estimated at nearly \$2.5 billion. Thus the Bank's lending has been accompanied by the mobilization of domestic Latin American resources, plus other external funds, of more than \$1.5 billion.

Disbursements rose notably during the year,

rising from \$65,282,146 at the end of 1962 to \$206,291,060 at the end of 1963. The rise by quarters is shown in table on page 2.

Increase in Resources

In order to increase the resources of the Bank, shortly after the end of the year, on January 28, member countries fulfilled requirements to make effective the increase in the ordinary capital resources and in the Fund for Special Operations recommended by the Board of Governors in April 1963. Those recommendations were:

- That the authorized callable capital be increased by \$1,000,000,000.

- That the authorized capital—both callable and paid in—be increased by \$300,000,000 to provide for possible new members in the future. With the above increases the total authorized capital resources of the Bank, which were originally \$850 million, would rise to \$2.15 billion.

- That the Fund for Special Operations be increased by \$73,158,000. This would increase the original \$146,316,000 in the Fund to \$219,474,000.

By January 28, 1964, 18 countries had taken the necessary steps to adopt the recommendation of the Board of Governors and had agreed to fulfill their subscriptions to the \$1 billion increase—half by the end of 1964 and half by the end of 1965. The countries were: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the United States and Venezuela (in part). Their subscriptions represent an amount of \$906.3 million. The minimum needed to make the increase effective was \$750 million. The \$300 million increase entered into effect on the approval of the first recommendation.

In regard to the Fund for Special Operations, 17 member countries, accounting for 95.2% of the quotas, had adopted the Board's recommendation. A subscription of at least 75 per cent was needed to put the measure into effect. The countries which had acted were: Argentina, Bolivia, Brazil, Chile,

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LOAN AUTHORIZATIONS

Cumulative Total up to December 31, 1963

(Expressed in millions of dollars)

BANK'S OWN RESOURCES						SOCIAL PROGRESS TRUST FUND								TOTAL				
Private Enterprise Direct Loans		Private Enterprise Indirect Loans ¹		Governmental Agencies		Improved Land Use	Housing for Low-Income Groups		Water Supply and Sanitation		Higher Education		Amount Approved		Amount Disbursed			
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount			
Ordinary Capital	31	\$66.7	20	\$110.0	31	\$209.1								82	\$385.8	61	\$ 91.0	
Fund for Special Operations	1	0.6	10	50.8	26	70.3								37	121.7	26	26.6	
							21	\$68.6	21	\$168.7	22	\$114.1	9	\$16.2	73	367.6	48	88.6
Total	32	\$67.3	30	\$160.8	57	\$279.4	21	\$68.6	21	\$168.7	22	\$114.1	9	\$16.2	192	\$875.1	135	\$206.2

¹ Loans made to development institutions for relending to private enterprise.

Loans Granted in Fourth Quarter

During the last quarter of the year, the Bank approved 26 loans totaling \$99,847,000 from its three capital resources. Listed by source the loans are:

Ordinary Capital Resources

Fourteen loans, totaling \$85,277,000 including:

- \$3,000,000 to the *Banco de la República* of Colombia to help finance private projects in agricultural, livestock and industrial fields.

- \$5,000,000 to *Nacional Financiera, S. A.*, of Mexico to expand the operations of its *Fondo de Garantía y Fomento de la Pequeña y Mediana Industria*, which extends loans for small and medium private industrial projects.

- \$11,000,000 to the *Empresa Nacional del Petróleo* of Chile to help finance a petroleum refinery in Concepción with a capacity of 36,000 barrels a day.

- \$750,000 to *Peruano-Suiza de Fomento e Inversiones, S. A.*, to finance small and medium projects in Peru.

- \$13,250,000 to *Centrais Eléctricas de Urubupungá, S. A.*, to help finance the construction of a 1.2-million-kilowatt hydroelectric plant in Tres Lagoas, Brazil.

- \$10,000,000 to *Empresa Puertos de Colombia* to finance more than half the cost of a project to modernize the port of Buenaventura.

- \$5,000,000 to the *Banco Industrial del Peru* to expand its credits to small and medium manufacturing industries in Peru.

- \$1,410,000 to *Compañía Irrigadora Pativilca, S. A.*, to complete an irrigation project that will bring some 16,000 acres of arid land into production in Peru.

- \$1,517,000 to *Wilson y Cía., S.A.I.C.*, to finance the expansion and modernization of a cold storage plant in Buenos Aires, Argentina.

- \$3,150,000 to the *Instituto Nacional de Electrificación* of Guatemala to finance the construction of a 13,000-kilowatt hydroelectric plant near Guatemala City.

- \$3,000,000 to *Industria del Hierro, S. A.*, to help finance a heavy machinery plant to be built in Querétaro, Mexico.

- \$5,000,000 to the *Banco de la República Oriental del Uruguay* to help finance private projects in industrial, agricultural and livestock fields.

- \$3,200,000 to *Companhia de Eletricidade do Estado da Bahia* to expand electric power facilities in the interior of the State of Bahia.

- \$20,000,000 to *Nacional Financiera, S. A.*, to help finance a regional development program in northwestern Mexico.

Fund for Special Operations

Four loans, totaling \$4,850,000 including:

- \$1,100,000 to the *Government of Bolivia* to finance short- and medium-term credits for farmers as part of a broad land settlement project.

- \$3,150,000 to the *Departamento Municipal de Agua e Esgotos* to improve water supply and sewage facilities in the city of Porto Alegre, Brazil.

- \$300,000 to the *Instituto Nacional de Electrificación* to complete studies for a hydroelectric project in Guatemala.

- \$300,000 to the *Republic of Panama* to help finance feasibility studies for a highway from Penonomé to Colón.

Disbursements

By December 31, 1963, loan disbursements had risen to \$206,291,060, or 23.6 per cent of the 192 loans granted by the Bank from all its resources. The following table shows disbursements during the four quarters of 1963.

Quarter Ending	Cumulative Disburse- ments (In millions of dollars)	Quarterly Increase (In millions of dollars)	Disburse- ments as Per Cent of Authori- zations
March 31	89.5	24.2	13.8
June 30	121.8	32.3	16.0
Sept. 30	158.4	36.6	20.4
Dec. 31	206.2	47.8	23.6

Social Progress Trust Fund

Eight loans totaling \$9,720,000 including:

- \$2,000,000 to the *Corporación de la Vivienda* of Chile to finance the construction of 2,400 housing units for low-income families in Viña del Mar.
- \$2,500,000 to the *Departamento de Agua e Esgotos* of Pará State, Brazil, to help finance water supply and sewage facilities in Belém.
- \$100,000 to the *Servicio Nacional de Acueductos y Alcantarillado* to finance studies of the water supply and sewage systems of a number of cities and towns in Costa Rica.
- \$435,000 to the *Government of Bolivia* to help finance construction in rural development centers.
- \$600,000 to the *Universidad de Guayaquil*, Ecuador, to finance part of the cost of a program to improve teaching in basic sciences and technology.
- \$400,000 to the *Universidad Central de Quito*, Ecuador, for the same purpose.
- \$1,585,000 to the *Republic of Honduras* to finance the construction of farm-to-market roads in the western part of the country.
- \$2,100,000 to *Nacional Financiera, S. A.*, of Mexico to help finance the establishment of a national agricultural center in Chapingo.

UNIAPAC Meeting

In November 1963, a Bank mission headed by Mr. Herrera participated in the Latin American Forum on Economic Development sponsored by the International Union of Christian Businessmen (UNIAPAC) in São Paulo, Brazil. The principal objective of the Forum, which was attended by delegates from Latin America, Europe and the United States, was to define the role of private companies in Latin America's efforts to further the economic development of the Hemisphere in general.

One of the resolutions approved at the São Paulo meeting was that a proposed European Fund for Latin American Development, which had been recommended at a meeting of UNIAPAC in Brussels in 1962, be administered multilaterally by the donor countries and the Inter-American Bank. Another urged European countries to facilitate the Bank's access to their capital markets by according the Bank the same tax treatment given to other multilateral financing institutions.

Technical Assistance

During the fourth quarter of 1963 the Inter-American Bank approved four technical assistance operations of more than routine interest. Two of them foster regional integration and the other two are helping two institutions of higher learning—one in Chile and the other in Brazil—to put graduate schools of public administration and political science into operation.

A technical assistance grant of \$200,000 will help Bolivia, Colombia, Ecuador and Peru to evaluate the prospects for the construction of a 3,720-mile highway bordering the Amazon valley. The assistance, extended from the Social Progress Trust Fund, will enable the four countries to carry out a study evaluating the role the proposed highway might play as an access route for land settlement and colonization as well as the road's potential contribution to regional integration. Another grant for \$25,000 was extended to study the possibilities of bringing about integrated development of the frontier area between Venezuela and Colombia. Technical assistance for this purpose had been requested by the two governments.

A total of \$640,000 in non-reimbursable technical assistance from the Social Progress Trust Fund was extended to the *Facultad Latinoamericana de Ciencias Sociales* of Santiago, Chile, and to the *Fundação Getulio Vargas* of Rio de Janeiro for the training of Latin American specialists in public administration and political sciences. The assistance will enable the two institutes to train between 40 and 50 highly skilled specialists a year. The individual grants of \$320,000 will be supplemented with \$520,000 which each will contribute from its own funds.

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Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and the United States.

In addition to the action taken by member countries to increase the Bank's own resources, the United States Congress in December 1963 appropriated additional funds to replenish the resources of the Social Progress Trust Fund which the Bank administers under the Alliance for Progress and it is expected that about \$131 million will be allotted to the Trust Fund. This would increase the original resources of \$394 million to \$525 million.

IA-ECOSOC Meeting at Sao Paulo

New responsibilities were assigned to the Bank at the Second Meeting of the Inter-American Economic and Social Council at the Ministerial Level which was held in São Paulo in November 1963 to assess the advances made during the year in the Alliance for Progress. Of particular interest to the Bank was the resolution which established the Inter-American Committee for the Alliance for Progress (ICAP) as a permanent committee of the IA-ECOSOC to represent the Alliance on a multilateral basis and coordinate and promote its implementations in accordance with the Charter of Punta del Este.

The resolution provided that the Inter-American Bank should be the technical arm of the Committee in matters concerning the financing of Latin American development. It also named the President of the Bank, Felipe Herrera, as one of its permanent advisers.

Transcribed below are excerpts from the address made by Mr. Herrera, at the IA-ECOSOC Meeting:

"From the very start of the collective program embarked upon by the countries of the Hemisphere at Punta del Este, and whenever the Inter-American Bank has had occasion to express an opinion on the advance of the Alliance for Progress, it has stressed the need to strengthen the multilateral conception of this venture and to establish the means of making it more effective . . .

"We have several times emphasized in the Hemisphere the urgent need for establishing some sort of Latin American assembly to devise formulas that will enable the region to meet the demands of the present situation. We have also pointed out that in defining the current political problems of the Alliance what is needed is not a conceptual reformulation of this program, but the creation of sound and permanent institutions designed to give expression to the vast sectors of interests that are committed to the execution and outcome of the Alliance. . . .

". . . It may well be that, for political purposes, the best instrument would be a sort of Latin American parliament with some functional participation by capital, labor and the universities. This parliament might appoint representatives who, in turn, would work with the delegates of the United States Congress.

"We have often pointed out that the program of the Alliance only makes sense if Latin America, this great divided nation, is reorganized politically to form a regional bloc and, thus constituted, is roused to joint, reciprocal action with the United States for the achievement of the objectives set forth in the Charter of Punta del Este.

". . . Together with the establishment of the political institutions of Latin American integration, it is necessary to build the executive machinery of inter-American economic cooperation. . . . Such an integrated system of economic cooperation would lead to a multilateral technical organ within which the Alliance for Progress would find its true, dynamic expression. This would result in specific technical recommendations on how to program our development, find joint solutions to our vital raw material problems, coordinate our foreign trade and our monetary policies and affirm our inevitable integration through increasingly accelerated stages of consolidation. These are the economic aspects that actually present the most serious and far-reaching difficulties in Latin America, in contrast to the problem of foreign financing instruments, where we have already made substantial progress in the practical application of a multilateral philosophy. The creation of the Inter-American Development Bank was our great step forward within the framework of a concept that is steadily gaining force in the general orientation of all inter-American relations. . . ."

Bank loan helps finance irrigation project in Durango State, Mexico.

