



Highlights of Bank's Activity in 1964

During 1964 the Bank approved 69 loans totaling \$299,333,000 from all its resources, compared with 56 loans for a total of \$258,853,487 authorized in 1963.

This volume of commitments brought the Bank's net total lending for Latin America's economic and social development as of December 31, 1964, to 261 loans amounting to \$1,165,521,963. Broken down by the three sources of funds, the Bank's lending was:

Ordinary Capital Resources: 26 loans totaling \$164,010,000, compared with 27 loans for \$179,269,560 in 1963. This brought the cumulative total at the end of the year to 108 loans amounting to \$544,574,169.

Fund for Special Operations: 14 loans aggregating \$49,420,000, compared with 9 totaling \$32,513,927 in 1963. The cumulative volume of commitments by the end of 1964 had risen to 51 loans aggregating \$170,912,794.

Social Progress Trust Fund: 29 loans aggregating \$85,903,000, compared with 20 for \$47,070,000 during 1963. By December 31, 1964, the cumulative total had risen to 102 loans amounting to \$450,035,000.

Disbursements Rise

Disbursements during 1964 also rose remarkably, amounting to \$198,061,632 from all three funds, compared with \$141,008,914 in 1963. By December 31, 1964, cumulative disbursements had risen to \$404,352,692. By sources of Funds, the disbursements were:

Ordinary Capital Resources: \$106,624,662, compared with \$59,796,797 in 1963. Cumulative disbursements had risen to \$197,618,720 by December 31, 1964.

Fund for Special Operations: \$24,594,435, compared with \$15,306,849 in 1963. The cumulative total was \$51,243,816 at the end of the year.

Social Progress Trust Fund: \$66,842,535 compared with \$65,905,268 in 1963. Cumulative disbursements had risen to \$155,490,156 by December 31, 1964.

A total of \$101.4 million, or 33.9 per cent of the year's total lending volume, was devoted to industry and mining and \$69.7 million, or 23.3 per cent, to agriculture. The remainder was allocated as follows: electric power and transportation, \$33.3 million, or 11.1 per cent; water supply and sewage systems, \$43.6 million, or 14.5 per cent; housing for low-income groups, \$27.2 million, or 9.1 per cent; advanced education, \$13.1 million, or 4.4 per cent, and financing exports of capital

goods among the Latin American countries, \$11 million or 3.7 per cent.

The Bank's net income also rose significantly during the year. Net income of the ordinary capital resources amounted to \$4,774,353 in 1964, compared with \$3,858,936 in 1963, and that of the Fund for Special Operations, before deducting technical assistance expenses, was \$2,280,824, compared with \$939,942 in the previous year. Earnings in excess of expenses of the Social Progress Trust Fund amounted to \$358,330 before deducting technical assistance charges and currency adjustments.

Resources Increased

The year 1964 proved a milestone in the Bank's efforts to increase its financial resources, in order to maintain the vigorous lending rate which characterized its early years of operations. Increases were put into effect in each one of the Bank's three "windows" and a majority of the countries took steps to approve a new proposal to increase substantially the Fund for Special Operations. These actions were:

—On January 28, 1964, member countries approved a \$1 billion increase in the authorized callable capital, to be subscribed in two equal installments due at the end of 1964 and the end of 1965. By December 31, 1964, 19 member countries had subscribed \$475,825,000 of the first installment; eighteen had also taken the necessary action to subscribe \$165,945,000 of the second. Once all of these subscriptions enter into effect the Bank's subscribed capital will rise to \$1,769,820,000.

—On the same day member countries approved an increase of \$300 million in the authorized capital to provide for the possible admission of new members.

—As of the same date member countries agreed to an increase of \$73,158,000 in the Fund for Special Operations. By the end of the year 19 member countries had paid in contributions amounting to \$72,605,000 of this sum, bringing the resources of the Fund to \$218,921,000.

—On February 17, 1964, the United States and the Bank signed a protocol under which the United States assigned an additional \$131 million to the resources of the Social Progress Trust Fund. This brought total contributions to this Fund to \$525 million.

—In April 1964 the Bank's Board of Governors recommended that the member countries increase

LOAN AUTHORIZATIONS

Cumulative Total up to December 31, 1964

(Expressed in millions of dollars)

	PRIVATE ENTERPRISE				Governmental Agencies		Export Credits		Improved Land Use		Housing for Low-Income Groups		Water Supply and Sanitation		Advanced Education		Total		Disbursements	
	(Direct Loans)		(Indirect Loans) ¹		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Ordinary Capital	37	79.6	26	174.4	41	279.6	4	11.0									108	544.6		197.6
Fund for Special Operations	2	1.0	14	68.5	35	101.4												51	170.9	51.2
Social Progress Trust Fund									26	83.6	27	195.9	32	141.2	17	29.3		102	450.0	155.5
TOTAL	39	80.6	40	242.9	76	381.0	4	11.0	26	83.6	27	195.9	32	141.2	17	29.3	261	1,165.5		404.3

¹ Loans to development institutions for relending to private enterprise.

Bank Loans Total \$131,120,000 in November and December 1964

During November and December 1964, the Bank approved 21 loans totaling \$131,120,000 from its three sources of funds. They included:

Ordinary Capital Resources—Nine loans totaling \$81,350,000:

- \$10,000,000 to the *Corporación Venezolana de Fomento* to finance small and medium private industrial projects in Venezuela.
- \$1,300,000 to *Ferro e Aço de Vitória S.A.*, a steel company of Brazil, to finance feasibility studies for a program to expand the company's steel production.
- \$28,800,000 to the *Companhia Vale do Rio Doce* to expand its iron ore production and shipping facilities in Brazil.
- \$5,450,000 to the *Central Elétrica Capivari-Cachoeira S.A.* to help install a hydroelectric plant in the State of Paraná, Brazil.
- \$8,000,000 to the *Instituto de Aprovechamiento de Aguas y Fomento Eléctrico* for construction of a hydroelectric power plant on the Prado River in Colombia.
- \$3,200,000 to the *Instituto de Aprovechamiento de Aguas y Fomento Eléctrico* to expand electric power in the Department of Notre de Santander in Colombia and link its system to that

of the State of Táchira in Venezuela.

- \$15,000,000 to the *Banco de la Nación Argentina* to finance agricultural mechanization in Argentina.
- \$5,000,000 to the *Banco do Estado da Guanabara S.A.* to expand and improve the water supply system of the city of Rio de Janeiro, Brazil.
- \$4,600,000 to the *Banco Nacional de Nicaragua* to finance livestock development projects to Nicaragua.

Fund for Special Operations—Six loans totaling \$24,500,000:

- \$3,600,000 to the *Cooperativa Nacional de Productores de Leche* to expand the dairy industry in Uruguay.
- \$200,000 to the *Republic of Honduras* to finance the preparation of feasibility studies for a pulp and paper mill.
- \$1,000,000 to the *Banco Nacional de Panamá* to finance small and medium private industrial projects in Panamá.
- \$8,200,000 to the *Central American Bank for Economic Integration* to finance industrial and infrastructure projects of a regional nature in Central America.

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Disbursements

As of December 31, 1964, disbursements on the 261 loans authorized by the Bank from all of its sources of funds amounted to \$404.3 million. This sum represents 34.7 per cent of the total of \$1,165.5 million authorized up to that date and 47.8 per cent of the \$846 million in the 186 loans eligible for disbursement at the end of the year. The following table shows the rise in disbursements during the past five quarters.

Quarter Ending	Cumulative Disbursements (In Millions of dollars)	Quarterly Increase	Disbursements as per cent of Authorizations
Dec. 31, '63	206.3	48.0	23.6
March 31, '64	256.2	49.9	28.8
June 30, '64	304.0	47.8	32.8
Sept. 30, '64	356.8	52.8	35.5
Dec. 31, '64	404.3	47.5	34.7

Bank's Role in Fostering Higher Education

The role of the Inter-American Development Bank in fostering progress in higher education in Latin America was outlined in a speech given by Mr. Felipe Herrera, President of the Bank, before a dinner meeting of the Society of Friends of Puerto Rico in New York January 22.

At the meeting the Society conferred on Mr. Herrera the Eugenio María de Hostos One America Award for his contributions to cultural, economic and political union in the hemisphere. The award was established in honor of the great Puerto Rican educator and philosopher who taught throughout Latin America in the last 30 years of the Nineteenth Century. Following are key passages of the speech:

"No one can grasp the true spirit of Hostos who fails to realize that it was this dedicated struggle for American integration which impelled him to become an educator, a sociologist, a philosopher and a politician during the course of his full and complex life in so many diverse cultural and geographic settings. At the age of 21, while still a law student in Spain, he joined the liberal, Republican movement of the times, side by side with Pi and Morgall, Concepción Arenal, Sanz del Río, Castelar and Francisco Giner, and advocated an "Equalitarian Federation of Hispano-America and Spain." He suffered his first great deception at that time, when his Spanish comrades in arms abandoned him alone with his dream of independence in his own land.

"With his dream, he began an odyssey that took him to France, the United States, Colombia, Peru, Chile, Argentina, Brazil and back to the Antilles. During these years, his ideas evolved and matured. He advocated an Antillean Federation composed of Puerto Rico, Cuba and the Dominican Republic, which, joined by other partial confederations, would ultimately evolve into a Confederated Latin America.

LOANS, Cont'd from page 2

- \$7,000,000 to the *Banco do Estado da Guanabara S.A.* to improve and expand the water supply system of the city of Rio de Janeiro, Brazil.
- \$4,500,000 to the *Banco Nacional de Nicaragua* to develop the nation's livestock industry.

Social Progress Trust Fund—Six loans totaling \$25,270,000:

- \$3,600,000 to the *Instituto Nacional de Vivienda y Urbanismo* for the construction of 2,816 houses for low-income families in Costa Rica.
- \$2,500,000 to the *Instituto de Crédito Territorial* for the construction of 1,400 housing units for members of two trade unions in Colombia.
- \$10,000,000 to the *Republic of Venezuela* to finance the construction of water supply systems in 338 Venezuelan communities.
- \$3,020,000 to the *Instituto de Fomento Municipal* to finance water supply systems in 23 towns and sewage systems in 7 towns in Guatemala.
- \$900,000 to the *Universidad Autónoma de Santo Domingo* of the Dominican Republic for the acquisition of laboratory equipment and bibliographic material.
- \$5,250,000 to the *Instituto Nicaragüense de la Vivienda* for the construction of 3,774 homes for low-income families in Managua and other Nicaraguan cities.

"His integration activities were not confined to the presentation of possible solutions but took the form of positive achievements. In recognition of his vision with respect to the construction of the trans-Andean railroad between Argentina and Chile, the first locomotive to travel that route bore the name of Eugenio María de Hostos on its engine. This also symbolized the dynamic force of his work, which continues to bend modern wills toward the goal of integration.

"Few men perceived the sense of identity and cohesion of Latin America as well as he did. His vital concern with liberating Puerto Rico and Cuba from their colonial status was not the sole interest of his fiery energy. His support of human and social rights was unflagging during the long years of teaching in Chile and the Dominican Republic and during shorter sojourns in Colombia, Panama, Peru and Argentina . . .

"Latin America has changed much in this last half of the Twentieth Century with respect to the contemporary era of Hostos. However, no one will deny that today, more than ever before, our educational system is one of the keys to the future of our peoples. This was made clear in the Charter of Punta del Este which established the bases for a prospective new philosophy of inter-American cooperation and defined the goals to be achieved by the countries in this decade . . .

"It has been our responsibility at the Inter-American Development Bank to administer funds of the Alliance for Progress to promote and modernize higher education and advanced training. . . .

"Fortunately, significant progress has been made in the field of education in the last four years. At the time of the signature of the Charter of Punta del Este in August 1961, there were in Latin America a total of 160 universities and centers of advanced technical teaching, with a total enrollment of 520,000. In 1964, 196 such institutions were providing instruction to 680,000 students, and by the end of the decade enrollment in higher education centers is expected to reach nearly 1 million, representing an increase of 6 per cent a year. It is imperative that these goals be attained, in view of the fact that higher education institutions in the United States, which has a population comparable to our total, had an enrollment of more than 5 million in the year just ended . . .

"The Inter-American Development Bank has endeavored to transform itself into the 'Bank of the Latin American University,' based on its multilateral organization and its over-all approach in evaluating the financing needs of our countries' development. Thus, we have helped to finance 22 projects for a total of \$30 million, benefiting 45 higher education institutions in 15 countries . . ."

HIGHLIGHTS, Cont'd from page 1

the Fund for Special Operations by \$900 million over a three-year period. By the end of the year, 18 member countries had adopted the proposal and action to put it into effect was well underway in the other two. The year 1964 also proved a fruitful one in the Bank's efforts to raise funds in the world's capital markets. Four bond issues, totaling \$173.4 million were sold, as follows: two—one for \$50 million and another for \$100 million—in the United States, one for the equivalent of \$15 million in West Germany, and another for the equivalent of \$8.4 million in the United Kingdom. This brought the Bank's total bond sales to \$272.6 million as of the end of the year.

In addition, the Bank mobilized capital through sales, without its guarantee, of participations in its loans to commercial banks or other institutions. Such sales amounted to \$5,297,124 during 1964 and brought total participations by year end to \$20,261,292.

Canada to Channel \$10 Million Through Bank for Development Projects in Latin America

On December 4, 1964, the Canadian Government signed an agreement with the Inter-American Development Bank under which Canada will make available up to 10 million Canadian dollars to finance economic, technical and educational assistance projects in Latin America.

The agreement setting out the arrangements under which the Bank will act for Canada as administrator for the Canadian funds was signed by the Honourable Paul Martin, Secretary of State for External Affairs of Canada, and Mr. Felipe Herrera, President of the Inter-American Bank.

Loans from the fund may be granted for periods ranging up to 50 years, and may be free of interest or made under such other concessional terms as might be agreed to between Canada and the Bank. Loans will be repaid in Canadian dollars and they will carry appropriate interest charges.

Under the agreement, the Bank will have the primary responsibility for selecting and processing loan projects and for establishing the terms and conditions for the loans. The Bank will consult with Canada during the various stages of project consideration. Loan contracts will be signed by the Bank on behalf of the Government of Canada. Unless agreed otherwise, proceeds of the loans will be used for the purchase of goods and services in Canada, under competitive bidding among Canadian suppliers.

The agreement is one further step in the growing cooperation between the Bank and Canada in fostering progress in Latin America. Since the

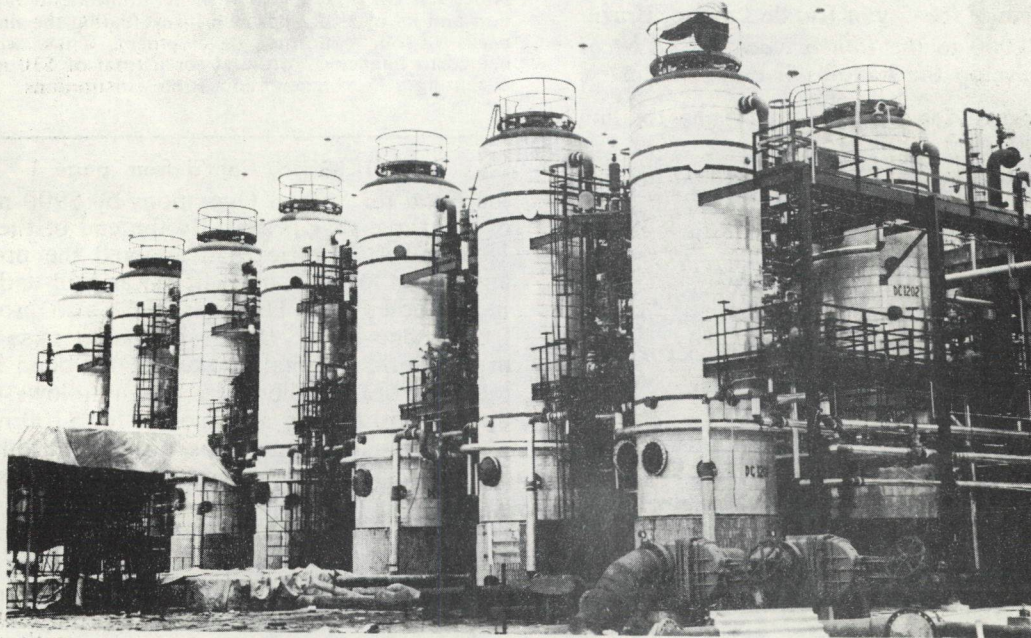
Bank began operations, Canada has cooperated with it through parallel financing operations and through the purchase by Canadian banks of participations in Inter-American Bank loans for economic development projects in Latin America. In addition, Canadian investors have purchased bonds sold by the Bank in the United States market.

Fiscal Survey of Colombia

The Johns Hopkins Press of Baltimore, Maryland, has published **Fiscal Survey of Colombia**, a report of the Fiscal Mission of the Joint Tax Program of the Organization of American States and the Inter-American Development Bank.

The publication notes that like other Latin American countries, the Colombian Government is faced with an urgent need for additional revenues. One of its main problems, however, is a fiscal system which is "eccentric and ineffective." Tax burdens weigh heavily on certain sectors of the economy, and much less so on others.

Recommendations to the Government include a more progressive income tax on individuals, a presumptive income tax on agriculture, a strengthening of the urban real property tax, a consolidation of duties and fees on foreign commerce and an adjustment of internal indirect taxes. The book may be purchased from the Johns Hopkins Press for \$8.95.



Production at this synthetic rubber plant, built with the help of a \$3,615,000 loan from the Inter-American Bank, has just gotten underway in Recife, Brazil. The plant, which will produce 25,000 metric tons of polybutadiene annually, was built by the *Companhia Pernambucana de Borracha Sintetica*.