

IDB NEWSLETTER

INTER-AMERICAN DEVELOPMENT BANK



Vol. V / No. 1

Washington, D. C.

January 1967

Bank Lending in 1966 Climbs to \$396.1 Million, Sets New Record for Second Straight Year

The Inter-American Bank set new records in its contributions to Latin American development activities in 1966, the sixth year of its lending operations. Over the past 12 months, the Bank reached new high marks in lending, obtained greater resources, and marshalled additional funds from other areas of the world towards Latin American economic and social development.

Loans Authorized in 1966

During 1966 the Inter-American Bank extended 68 loans totaling a record \$396,121,895. This tops the 1965 level of 66 loans—equivalent to \$373,472,865—up to then the Bank's best lending year.

The 1966 commitments brought the Bank's net lending contributions to the economic and social development of its member countries since it began operations in 1961 to a year-end figure close to the 2 billion dollar mark. This consolidates the Bank's position as prime source of external public financing in Latin America.

Bank loans are helping to finance development projects having an estimated total cost of more than \$5 billion. Latin American nations themselves are contributing approximately \$3 for every \$2 loaned by the Bank

Other highlights of the Bank's 1966 operations include:

- The highest annual volume of disbursements recorded to date, amounting to \$211,828,585. These brought cumulative disbursements as of December 31, 1966, to \$798,342,338, or 42 per cent of the total amount committed.
- A record volume of technical assistance authorizations, amounting to \$29,458,021. These brought the cumulative total to \$81,937,953.
- The establishment of a Preinvestment Fund for Latin American Integration to finance studies of multinational development projects. A total of \$16.5 million was allocated to the Fund in 1966.
- The mobilization of some \$136 million of funds for Latin America's development through borrowings and other arrangements.

By sources of funds, the Bank's lending was:

Ordinary Capital Resources: 15 loans totaling \$100,876,154, compared with 18 loans for \$121,512,198 in 1965. The cumulative total is now 139 loans, equivalent to \$747,186,938.

Fund for Special Operations: 48 loans for \$291,305,000, compared with 31 loans totaling \$196,595,000 in 1965. This expanded cumulative

lending volume to \$656,881,856 in 130 loans.

Other Resources: 5 loans equivalent to \$3,940,741 extended from funds which the Bank began administering for the Government of Canada in 1964. This brought cumulative lending from this source to \$8,107,407 in 7 loans.

No new 1966 commitments were made from the Social Progress Trust Fund, since the Bank in 1965 used virtually all the fund's \$525 million which the United States Government placed under the Bank's administration within the framework of the Alliance for Progress in 1961. When repayments on loans from the Fund are made in the future, they will be subject to relending.

However, lending for the social development purposes previously financed with the Trust Fund did not abate during 1966, with new projects financed with the resources of the Fund for Special Operations.

The Bank's lending by fields of activity is shown in the following table, first in 1966 and

(Continued on Page 3)

Bank's Eighth Annual Meeting Set for April in Washington

The Eighth Annual Meeting of the Board of Governors of the Inter-American Bank will be held at the Shoreham Hotel in Washington, D. C., April 24-28, 1967. The Board is made up of a Governor and an Alternate Governor representing each of the Bank's 20 member countries.

In addition to the official delegations, observers representing 37 international organizations and a number of special guests representing private entities throughout the world have been invited to attend the meeting.

Felipe Herrera, President of the Inter-American Development Bank, is scheduled to deliver his annual address and formally submit the Bank's Annual Report to the Board on Tuesday, April 25.

An important highlight of the meeting will be a roundtable discussion on prospects for Latin American agricultural development in the next decade. Roundtable deliberations will be divided into two afternoon sessions Tuesday, April 25, and Wednesday, April 26. The Bank has sponsored such roundtable gatherings at each of its Annual Meetings as a means of promoting an exchange of views on major problems related to the economic and social development of Latin America.

LOAN AUTHORIZATIONS UP TO DECEMBER 31, 1966

(In millions of dollars)

Resources	Industry and Mining	Agriculture	Electric Power	Transportation	Water Supply and Sewage	Housing	Education	Pre-investment	Export Financing	Total	
										No.	Amount
Ordinary Capital	314.9	171.9	123.2	50.9	57.0			2.4	26.9	139	747.4
Fund for Special Operations	85.4	166.4	32.5	110.5	131.5	56.0	33.6	41.0		130	656.9
Social Progress Trust Fund		89.3			161.0	218.1	32.1	0.7		117	501.2
Other Resources	1.5			3.0				3.6		7	8.1
TOTAL	401.8	427.6	155.7	164.4	349.5	274.1	65.7	47.7	26.9	393	1,913.4

Bank Loans Total \$173,720,000 in Last Quarter of 1966

During the last quarter of 1966, the Bank authorized 26 loans totaling \$173,720,000. By sources of funds, the loans were:

Ordinary Capital Resources—Seven loans totaling \$50,790,000:

- \$7,000,000 to the *Municipalidad de Buenos Aires* for water, sewage, power, and street facilities for an urban renewal program in the Argentine capital.
- \$1,900,000 to the *Banco Nacional de Nicaragua* for a program of agricultural credit.
- \$10,000,000 to the *Instituto Nacional de Obras Sanitarias* of Venezuela to enlarge the water systems of the cities of Cumaná, Puerto Cabello, and Puerto Ordaz, and the sewage system of Maracaibo.
- \$10,780,000 to the *Banco do Brasil S.A.* to help finance exportation of three Brazilian-manufactured merchant vessels to Mexico.
- \$6,000,000 to the *Banco do Nordeste do Brasil* for a credit program assisting private industry in Northeast Brazil.
- \$13,060,000 to Mexico's *Nacional Financiera S.A.* to help finance an irrigation project covering 98,000 acres in the northwestern part of the country.

Disbursements

As of December 31, 1966, disbursements on the 393 loans authorized by the Bank amounted to \$798.2 million. This sum represents 41.7 per cent of the total of \$1,913.4 million in loans authorized to that date. 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, 1965	586.5	55.2	38.3
Mar. 31, 1966	612.5	26.0	39.3
June 30, 1966	667.6	55.1	40.5
Sept. 30, 1966	720.7	53.2	41.2
Dec. 31, 1966	798.2	77.4	41.7

- \$2,050,000 to the *Republic of Peru* for a dam to support an irrigation system near Arequipa.

Fund for Special Operations—Seventeen loans totaling \$120,930,000:

- \$7,000,000 to the *Banco Nacional de Fomento* of Honduras for expanding agricultural and industrial credits.
- \$12,200,000 to the *Municipalidad de Buenos Aires* for an urban development program involving construction of 6,800 new housing units in the Argentine Capital.
- \$3,500,000 to the *Republic of Panama* to build 16 farm-to-market roads running a total of 127 miles.
- \$10,800,000 to the *Corporación Boliviana de Fomento* for a program of industrial and mining credits in Bolivia.
- \$6 million to the *Banco Nacional de Fomento* of Paraguay for a program of farm and livestock development.
- \$5,100,000 to the *Banco Nacional de Nicaragua* for an agricultural credit program.
- \$1,300,000 to the *Banque Nationale de la Republique d'Haiti* to improve medical, veterinarian, and technical-vocational instruction.
- \$7,200,000 to Venezuela's *Instituto Nacional de Obras Sanitarias* to enlarge potable water systems for the towns of Cumaná, Puerto Cabello, and Puerto Ordaz, and to improve Maracaibo's sewage services.
- \$6 million to the *Banco do Nordeste do Brasil* to help furnish credits to private industry in Brazil's northeastern area.
- \$14,450,000 to the *Banco do Nordeste do Brasil* to expand and improve water facilities for the towns of Fortaleza, João Pessoa, and Aracajú.
- \$12 million to the *Departamento Municipal de Aguas e Esgotos* of Belo Horizonte to modernize the city's water system.
- \$7,700,000 to expand facilities at branches of the *Universidad Nacional de Colombia* in Bogotá, Medellín, Manizales, and Palmira.
- \$1,800,000 to the *Universidad Nacional de*

(Continued on Page 4)

Bank Lending in 1966 . . .

(Continued from Page 1)

then on a cumulative basis during the 1961-66 period:

Distribution of Loans (In Millions of Dollars)

	In 1966	1961-66
Agriculture	\$107.6	\$427.6
Industry and Mining	54.3	401.8
Water Supply	61.4	349.5
Housing	47.0	274.1
Transportation	30.0	164.4
Electric Power	29.5	155.7
Education	29.1	65.7
Preinvestment	22.4	47.7
Export Financing	14.8	26.9
Total	\$396.1	\$1,913.4

New Moves Toward Latin American Integration

During 1966 the Bank greatly increased its support for Latin America's integration, convinced that this is one of the most effective means of hastening Latin American development.

A new measure taken by the Bank in this field in 1966 was a mandate from the Board of Governors for a Preinvestment Fund for Latin American Integration. The Fund is devoted to the preparation of feasibility studies of multinational projects designed to spur Latin America's economic integration.

The Preinvestment Fund was established on July 21, 1966, with initial resources of \$15 million from the Fund for Special Operations. Subsequently, on Sept. 7, 1966, the United States Government agreed to the assignment of an additional \$1.5 million to the new Fund from the resources of the Social Progress Trust Fund.

The fields in which the Fund's resources will be used include multinational infrastructure works, integrated development of economic areas spreading beyond national frontiers, and basic industries of regional scale. The resources will also be used to carry out studies and programs for the joint exploitation of natural resources and for the establishment of multinational agencies, enterprises, research and training.

Expanded Resources

During 1966 member countries increased the resources of the Fund for Special Operations by \$300 million through the payment of their third quota to a \$900 million increase in the Fund's resources, adopted in 1965. With this increase the resources of the Fund had risen to \$1,119,474,000.

Additional Resources

The \$136 million mobilized by the Bank for Latin America's development during 1966 in-

cluded borrowings of \$110 million and agreements to administer another \$25.9 million from non-member countries. In addition to borrowing funds in Italy, Germany, the United Kingdom, Spain, Japan, Switzerland and Israel, the Bank is administering special funds for the Governments of Canada and the United Kingdom and has entered into cooperative agreements for parallel or independent financing arrangements with Canada and the Netherlands. Total resources mobilized in the capital markets of these countries have now reached the \$200 million mark.

Bank to Administer \$5 Million Swedish Fund for Latin American Development

On December 27, 1966, the Inter-American Development Bank signed an agreement with the Government of Sweden to administer a \$5 million Swedish Development Fund for Latin America.

The Bank will use the Fund in extending loans, jointly with loans from its own ordinary capital resources, for specific high priority projects geared to economic and social development of the Bank's Latin American member countries.

Under the agreement, the Bank as Administrator will make loans from the Fund to national governments or government agencies and, with the guarantee of a national government, to government-owned corporations and municipal entities and development institutions.

The Swedish Fund will be used to cover portions of external financing extended in foreign currencies for specific projects; the remaining foreign currency costs will be covered by loans from the Bank's ordinary capital resources. Limited portions of the Fund may be used for the payment of local costs.

Loans from the Swedish Fund will be extended in dollars and will be repayable in dollars. Loan terms will generally be the same as those applied by the Swedish Government to development credits. These currently provide for maturities of 20 years, grace periods of 5 years, and interest of 2 per cent per annum. The Bank may also charge a commission of up to 1/2 of 1 per cent per annum.

The loans will be untied and may be used for international procurement in accordance with the Bank's regular lending policies. Swedish suppliers will be given adequate opportunities of bidding for goods and services supplied for these projects.

Plans to establish a Swedish Development Fund for Latin America were announced at the Seventh Annual Meeting of the Board of Governors of the Inter-American Bank in Mexico City in April 1966.

The agreement is one of several by which the Bank is helping to channel funds provided by non-member countries for Latin America's development.

Sharply Increased Farm Investments Needed to Speed Latin America's Development

Farm output in Latin America has managed to keep pace in recent years with the needs of the area's growing population, while at the same time providing much of the export income required for economic development.

However, the time is rapidly approaching when investment in agricultural activities must rise sharply if the growth targets of the Alliance for Progress are to be met and the food needs of Latin America's burgeoning population—estimated to reach 600 million persons by the year 2000—are to be satisfied.

These are some of the points made in a study on *Agricultural Development in Latin America: Current Status and Prospects*, prepared for the Inter-American Bank by Professor Montague Yudelman of the University of Michigan's Center for Research on Economic Development.

There is no "Malthusian crisis" in Latin America at the present time, says Professor Yudelman. Production and consumption of food and fiber are rising along with the increase in population, and the average real per capita consumption is not falling. "However," he warns, "the present situation leaves no room whatsoever for complacency." The report estimates that in the short run agricultural production will have to rise by 5 per cent a year to satisfy an overall growth rate of 2.5 per cent in per capita income.

The study maintains that Latin America must emphasize agricultural growth as one of the principal methods for achieving its economic development, and cites these facts:

- The agricultural sector is the largest employer in the Latin American economy. Nearly 90 million persons, or 45 per cent of the region's total population, live in rural areas.

- Agriculture is the largest single contributor to the gross domestic product in 14 of 19 Latin American republics. In the region as a whole, its contribution to the GDP is only slightly less than that of industry.

- Gross agricultural output accounted for \$20 billion of the total \$100 billion worth of goods and services produced in the region in 1965.

- Agricultural exports are Latin America's principal earner of foreign exchange. The area's nearly \$4 billion worth of such exports account for more than half of all the area's exports. Latin America's industrial development depends on foreign exchange earnings to pay to imports of capital goods, says the report, adding that agricultural exports will continue for a long time to be the major source of such earnings.

"In realization of this fact," says the study, "and also of the dim prospects for some export commodities, it becomes clear that an active investment program must be initiated to develop high-value export commodities and to diversify away from those traditional exports which have limited possibilities of expansion."

Professor Yudelman's report says that a 5 per cent increase in the agricultural growth rate would raise farm incomes to an average of about \$60 a year per capita, improve rural nutrition, provide an expanded market for industry, help curb inflation, expand the tax base, and increase export earnings.

To attain this growth rate, a vast effort will be required. This includes:

- Yearly investments must increase over the next decade as much as \$1.5 billion—between 60 and 100 per cent beyond the present investment level.

- Expenditures, as opposed to investments, will also have to rise sharply. Fertilizer requirements alone will call for an additional \$80 million a year, or 40 per cent above current levels.

- The number of agronomists must be quadrupled over present levels. As much as \$500 million must be spent over the next 2 decades in training 50 thousand additional agricultural scientists.

- Foreign exchange requirements for the investment total must be an additional \$100 to \$200 million a year, and for the expenditure total must amount to \$30 million more annually.

Within this context, the report says that contributions from major lending agencies will have to be increased. Such contributions in 1965 amounted to 4 to 5 per cent of total investment.

The report notes that in the first five years of its operations (1961-65) the Inter-American Development Bank extended \$347.8 million in loans for agricultural development.

The \$347.8 million lent by the Inter-American Bank during its first five year period is more than half of the total \$630 million committed for agriculture in Latin America by all international and bilateral lending agencies during the corresponding period.

The report stated that if this pattern is to be maintained and if the estimated additional investment-imports are to be financed by international agencies, then the Bank will have to increase its annual loan volume for agriculture "by between 80 and 130 per cent above present levels."

Bank Loans . . .

(Continued from Page 2)

Trujillo in Peru for improvements in instruction and research in the basic sciences and chemical engineering.

- \$800,000 to the *Republic of Peru* to help build the Aguada Dam, situated near Arequipa.

- \$11,080,000 to Mexico's *Nacional Financiera, S. A.* for an irrigation project bringing water to 100,000 acres in the northwestern part of the country.

- \$5 million, also to *Nacional Financiera, S. A.* for establishing a preinvestment fund for feasibility and general economic studies in Mexico.

- \$9 million to the *Republic of Guatemala* to build or repair 35 access roads—a total of nearly 500 miles.

Other Resources—The Bank extended from Canadian Resources two loans equivalent to \$2 million, as follows:

- \$1,620,000 Canadian dollars (approximately \$1.5 million) to the *Corporación Boliviana de Fomento* for a program of industrial and mining development in Bolivia.

- \$540,000 Canadian dollars (roughly \$500,000) to Mexico's *Nacional Financiera, S. A.* to help set up a revolving preinvestment fund for feasibility and general economic studies.