



*At Board of Governors' Meeting*

## Member Countries Asked to Increase Bank's Resources by \$2.2 Billion

### Bank Sells Short-Term Bonds in 14 Latin American Countries

On April 15, 1967, the Bank sold at par a second issue of short-term dollar bonds amounting to \$30 million to central banks and other official agencies in 14 Latin American countries. Some \$16 million of the issue were one-year bonds maturing April 15, 1968, and \$14 million were two-year bonds, maturing April 15, 1969. The one-year bonds bear an interest rate of 5 per cent and the two-year bonds 5½ per cent.

Completion of the transaction raised the Bank's outstanding funded debt by \$5 million, since \$25 million worth of one-year bonds placed in Latin America in 1966 as part of a first short-term issue of \$65 million, matured on April 15.

The \$30 million issue was sold to official agencies in Argentina, Bolivia, Brazil, Colombia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Paraguay, Peru, Uruguay and Venezuela.

Including this issue, the Bank's outstanding funded debt as of June 30 amounted to \$442.9 million, including \$70 million in short-term dollar bonds and \$372.9 million in long-term obligations due in dollars, Italian lire, deutsche marks, pounds sterling, Swiss francs, and Japanese yen.

The proceeds of these obligations have been incorporated into the Bank's ordinary capital resources for lending for projects in Latin America.

### Canada Places Another C\$10 Million Under Bank Administration

On April 23, 1967, the Government of Canada placed an additional 10 million Canadian dollars under the administration of the Inter-American Bank, to finance economic, technical and educational projects in Latin America. This new contribution raised to 40 million Canadian dollars (about \$37 million) the amount of resources which the Canadian Government has placed under Bank administration since 1964.

Loans made by the Bank with these funds are for terms of up to 50 years and may be free of interest, although they bear appropriate service charges. To date nine loans equivalent to \$15.6 million have been made with these funds.

The Bank also has an agreement with Canada's Export Credits Insurance Corporation to cooperate in channeling on a parallel or an independent basis up to 15 million Canadian dollars for projects in Latin America.

Implementing a resolution approved by the Board of Governors of the Inter-American Bank at its Eighth Annual Meeting in Washington in April 1967, member countries are taking action to put into effect increases in the Bank's Fund for Special Operations of \$1.2 billion and its ordinary *callable* capital of \$1 billion.

The increase in the Fund for Special Operations would be contributed by the member countries in three equal installments of \$400 million over a three-year period, the first of which would be due December 31, 1967, and the other two by the same dates in 1968 and 1969. With this increase the resources contributed by the member countries to the Fund will reach \$2,321,436,000. The increase is designed to assure the Bank of adequate resources to maintain and increase its volume of lending over the next few years.

The increase in the ordinary *callable* capital will be subscribed by the Bank's membership in two equal installments of \$500 million each, the first in 1968 and the second in 1970. With this increase the Bank's authorized capital will reach \$3.15 billion, of which sum \$2,740,360,000 would be subscribed by the member nations and the remaining \$409,640,000 would be available for subscription by future members.

The increase in the ordinary capital resources would be the second and that in the Fund for Special Operations the third authorized by the Board of Governors since the Bank began operations in 1960, with initial ordinary capital resources of \$850 million and a Fund for Special Operations of \$146.3 million.

In January 1964 the Board of Governors approved increases of \$1 billion in the authorized *callable* capital for the Bank's membership and \$300 million in the ordinary capital, both paid in and *callable*, for new members and an increase of \$73,158,000 in contributions by the member countries to the Fund for Special Operations. In March 1965 the Board approved an additional increase in the resources of the Fund for Special Operations amounting to \$900 million, payable in three installments, the last of which was paid in 1966.

The Bank's ordinary resources are used to make loans repayable in the currencies lent on normal banking terms comparable to those of other international financial institutions. The *callable* capital is subject to call only if required to meet the Bank's obligations on borrowings or on loans guaranteed by it. Thus it serves as a guarantee for the obligations issued by the Bank in borrowing funds in the capital market.

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## **Declaration of Presidents of The Americas**

Implementing a resolution of the Board of Governors, the Bank's Executive Directors are studying measures that the Bank must adopt to implement the purposes and determinations agreed to in the *Declaration of the Presidents of the Americas* in Punta del Este, Uruguay, on April 14, 1967, particularly those designed to bring about the harmonious and balanced development of the countries of Latin America.

The Declaration calls for the creation of a Latin American Common Market, beginning in 1970, as well as for multinational action to promote industrial development, carry out infrastructure projects, increase foreign exchange earnings, modernize rural living conditions, expand farm productivity, speed up educational, scientific and technological development and strengthen health programs.

In the Declaration, the Bank is specifically asked to participate in the mobilization of resources, within and outside the hemisphere, in addition to those that will continue to be placed at the disposal of the countries to support national economic development programs, such resources to be devoted especially to the implementation of multinational infrastructure projects that can represent important advances in the Latin American integration process. "In this regard," the Declaration states, "the Inter-American Bank should have additional resources in order to participate actively in the attainment of this objective."

The Bank during the past few years has increasingly fostered the Latin American economic integration process.

To date, it has helped to finance projects of a multinational character with loans totaling more than \$100 million. In 1966 the Bank also created the Preinvestment Fund for Latin American Integration which is devoted exclusively to the financing of studies of multinational projects. In the Declaration, the Presidents also agreed to allocate sufficient resources to the Preinvestment Fund to accelerate the integration process.

The Declaration singles out the Bank as one of the institutions that should participate in the mobilization of financial and technical resources "to contribute to the solution of problems in connection with the balance of payments, industrial readjustments, and retraining of the labor force that may arise from a rapid reduction of trade barriers during the period of transition toward the common market, as well as to increase sums available for export credits in intra-Latin American trade."

### **Bogota Scheduled to be Site of Bank's 1968 Annual Meeting**

The Ninth Annual Meeting of the Board of Governors of the Inter-American Bank is scheduled to be held in Bogota, Colombia, in April 1968. Bogota was selected as the site of the 1968 meeting at the Eighth Annual Meeting of the Board of Governors.

## **Bank Studies Measures to Obtain More Aid From Non-Member Countries**

At the request of the Board of Governors, the Board of Executive Directors is carrying out a study of new measures that might be adopted to increase the flow of resources to the Bank from non-member countries.

The Board of Governors also asked the Board of Directors to put into effect before January 1, 1968, the measures and mechanisms which it may consider appropriate in the light of the study or that it present proposals to the same ends to the Board of Governors.

The Board of Governors noted that "the contributions of various non-member countries are not commensurate with the needs of Latin America for development financing or their capacity to assist in such financing, nor with the amount of actual or potential procurement in those countries financed with loans of the Bank."

Since it was established, the Bank has carried out continuous efforts to raise funds for Latin America's development in capital-exporting countries which are not members. To date it has entered into arrangements to mobilize some \$205 million from these countries through the sale of bond issues, the administration of special funds, the sale of participations in its loans, and parallel financing arrangements.

## **Latin America's Agricultural Outlook Analyzed at Round Table**

A round table discussion on the outlook for Latin America's agricultural development in the next decade took place during the Annual Meeting. Participating in the two afternoon sessions April 25 and 26 were agricultural experts, spokesmen for governmental and private sectors, farm organization leaders, and representatives of international organizations working on problems connected with Latin America's agriculture.

Alfonso Rochac, Consultant to the Bank, acted as moderator for the discussions, and Francisco Aquino, Technical Manager of the Bank, opened them with a general introduction. Papers on various agricultural topics were submitted by Armando Samper, Colombia's Minister of Agriculture; Monsignor Luigi Ligutti, the Vatican's Permanent Observer at the UN Food and Agricultural Organization (FAO); Hernan Santa Cruz, FAO's Deputy Director General for Latin American Affairs; and Prof. Theodore W. Schultz, of the University of Chicago.

Serving as background for the discussions were three documents: *Agriculture in Latin America: Outlook for its Development*, prepared by FAO; *Agricultural Development in Latin America: Current Status and Prospects*, prepared for the Bank by Montague Yudelman of the University of Michigan, and *The Financing of Agriculture by the Inter-American Development Bank*, prepared by the Bank.

These papers and documents, along with the views expressed by the participants, will appear in a forthcoming Bank publication.

## Member Countries Considering Increases . . . (Continued from Page 1)

The resources of the Fund for Special Operations are used to make loans on terms and conditions more favorable than those which apply to loans extended from the ordinary capital resources. These include repayment in the currency of the borrower, longer terms and lower interest rates.

In addition to its own resources, the Bank since 1961 has administered the Social Progress Trust Fund which was established by the United States Government to foster social development in Latin America as part of the Alliance for Progress. The initial resources of the Fund were \$394 million, a sum which was later increased to \$525 million. By the end of 1965 virtually all of this amount had been committed in loans and technical assistance. In increasing the Fund for Special Operations by \$900 million in 1965 the Board of Governors expanded the Fund's scope of action to include activities of a social development nature previously financed with resources of the Trust Fund.

The Bank also administers some \$63 million in funds provided to the Bank for Latin America's development by the Governments of Canada, the United Kingdom, Sweden and Germany and by the Inter-Governmental Committee for European Migration, and has entered into cooperative arrangements for the equivalent of \$23.9 million with the Governments of Canada and the Netherlands to finance projects in Latin America on a parallel or an independent basis.

In a report presented to the Board of Governors in April the Board of Executive Directors said that the proposed increases in the Bank's resources represent the minimum needed to maintain an appropriate rate of expansion in its activities in view of its responsibilities under the Alliance for Progress and the new responsibilities entrusted to it in

the field of Latin America's economic integration by the meeting of the American Presidents in Punta del Este, Uruguay, in April 1967.

The \$1 billion increase in the authorized *callable* capital would be divided into 100,000 shares having a par value of \$10,000 each. The proposed new subscription, as well as the subsequent total of each member country to the ordinary resources, is shown below:

	Proposed Increase	Total After Increase
Argentina	\$ 121,340,000	\$ 345,820,000
Bolivia	9,740,000	27,760,000
Brazil	121,340,000	345,820,000
Chile	33,320,000	94,960,000
Colombia	33,290,000	94,880,000
Costa Rica	4,870,000	13,880,000
Dominican Rep.	6,500,000	18,520,000
Ecuador	6,500,000	18,520,000
El Salvador	4,870,000	13,880,000
Guatemala	6,500,000	18,520,000
Haiti	4,870,000	13,880,000
Honduras	4,870,000	13,880,000
Mexico	78,000,000	222,300,000
Nicaragua	4,870,000	13,880,000
Panama	4,870,000	13,880,000
Paraguay	4,870,000	13,880,000
Peru	16,260,000	46,340,000
Trinidad & Tobago	4,870,000	13,880,000
United States	411,760,000	1,173,520,000
Uruguay	13,010,000	37,080,000
Venezuela	65,010,000	185,280,000
Subtotal	\$ 961,530,000	\$2,740,360,000
Unassigned	38,470,000	409,640,000
Total	\$1,000,000,000	\$3,150,000,000

The proposed new contributions to the Fund for Special Operations as well as the total of each member is shown below:

	Proposed Increase	Total After Increase
Argentina	\$ 66,213,000	\$ 115,086,000
Bolivia	5,316,000	9,240,000
Brazil	66,213,000	115,086,000
Chile	18,180,000	31,599,000
Colombia	18,168,000	31,578,000
Costa Rica	2,658,000	4,620,000
Dominican Rep.	3,543,000	6,159,000
Ecuador	3,543,000	6,159,000
El Salvador	2,658,000	4,620,000
Guatemala	3,543,000	6,159,000
Haiti	2,658,000	4,620,000
Honduras	2,658,000	4,620,000
Mexico	42,570,000	73,989,000
Nicaragua	2,658,000	4,620,000
Panama	2,658,000	4,620,000
Paraguay	2,658,000	4,620,000
Peru	8,868,000	15,414,000
Trinidad & Tobago	2,658,000	4,620,000
United States	900,000,000	1,800,000,000
Uruguay	7,101,000	12,342,000
Venezuela	35,478,000	61,665,000
Total	\$1,200,000,000	\$2,321,436,000

### Trinidad and Tobago Becomes Bank Member

Following action taken by the Board of Governors at its Eighth Annual Meeting, Trinidad and Tobago on July 10 became the 21st member country of the Bank.

In a resolution approved April 25 the Board outlined conditions for Trinidad and Tobago to become a member of the Bank and authorized the President of the Bank to accept the new nation as a member, once it fulfilled the requisites set forth in the Agreement Establishing the Bank. The Board also set the nation's subscription to the Bank's ordinary capital resources at \$9,010,000 (\$2,070,000 in *paid-in* capital and \$6,940,000 in *callable* capital), and its contribution to the Fund for Special Operations at \$1,962,000.

At a ceremony at the Pan American Union on July 10, Trinidad and Tobago completed requirements for membership when Sir Ellis Clarke, the nation's Ambassador to the United States, signed the Agreement Establishing the Bank and deposited an instrument of acceptance of the Agreement with the General Secretariat of the Organization of American States.

## Bank Approves Loans Totaling \$86,320,000 During Second Quarter of 1967

During the second quarter of 1967, the Bank authorized 10 loans totaling \$86,320,000. By sources of funds, the loans were:

**Ordinary Capital Resources**—Two loans totaling \$47,500,000:

- \$34,000,000 to the *United States of Brazil* to help finance the first stage of a hydroelectric power plant, which will have an initial capacity of 1,760,000 kilowatts, at Ilha Solteira on the Parana River.

- \$13,500,000 to the *Corporación de Fomento de la Producción* to help provide credit for small and medium industries and crafts in Chile.

**Fund for Special Operations**—Seven loans totaling \$34,820,000:

- \$3,000,000 to the *United States of Brazil* to help finance a program to expand and improve training of intermediate technicians and skilled labor throughout the nation.

- \$1,370,000 to the *University of Costa Rica* to improve teaching and research in technological fields.

- \$1,000,000 to the *Universidad Técnica del Estado*, a state university in Santiago, Chile, to improve and expand instruction and research in technological fields.

- \$6,500,000 to the *Corporación de Fomento de la Producción* of Chile to supplement the one for \$13,500,000 from the ordinary capital in financing an industrial and crafts development program.

- \$3,450,000 to Panama's *Instituto de Acueductos y Alcantarillados Nacionales* to improve

and expand water supply systems in 45 cities and towns in Panama.

- \$16,365,000 to the *Republic of Peru* to improve and expand water and sewage facilities in 11 cities with a population of 800,000.

- \$3,131,000 to the *Republic of Peru* to help finance water supply facilities for 307 rural communities with a population of 240,000 persons.

**Other Resources**—C\$4,320,000 (about \$4,000,000) to the *Universidad Técnica del Estado* of Santiago, Chile, along with the loan for \$1 million from the Fund for Special Operations to improve technological training and research.

### Disbursements

As of June 30, 1967, disbursements on the loans authorized by the Bank amounted to \$915.8 million. This sum represents 43.5 per cent of the total of \$2,104 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
June 30, 1966	\$667.6	\$55.1	40.5
Sept. 30, 1966	720.8	53.2	41.2
Dec. 31, 1966	798.2	77.4	41.7
Mar. 31, 1967	858.0	59.8	42.5
June 30, 1967	915.8	57.8	43.5

### LOAN AUTHORIZATIONS UP TO JUNE 30, 1967

(In millions of dollars)

Sectors	Ordinary Capital Resources		Fund for Special Operations		Social Progress Trust Fund		Other Resources		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Industry and Mining	71	\$330.5	20	\$ 94.0	—	\$ —	1	\$ 1.5	92	\$ 426.0
Agriculture	25	184.1	32	212.1	28	89.3	—	—	85	485.5
Electric Power	17	177.9	5	32.5	—	—	—	—	22	210.4
Transportation	6	50.9	10	122.0	—	—	2	6.5	18	179.4
Water Supply and Sewage	14	57.0	21	157.4	32	161.0	—	—	67	375.4
Housing	—	—	6	58.2	33	218.1	—	—	39	276.3
Education	—	—	18	38.9	20	32.1	1	4.0	39	75.0
Preinvestment	3	2.4	32	41.0	4	0.7	5	3.6	44	47.7
Export Financing	8	28.3	—	—	—	—	—	—	8	28.3
<b>TOTAL</b>	<b>144</b>	<b>\$831.1</b>	<b>144</b>	<b>\$756.1</b>	<b>117</b>	<b>\$501.2</b>	<b>9</b>	<b>\$ 15.6</b>	<b>414</b>	<b>\$2,104.0</b>