



Highlights for 1967

Bank's Loans to Latin America Reach \$496.4 Million Its Financial Resources Greatly Strengthened

The Inter-American Development Bank ended 1967 with record contributions to the economic and social development of Latin America. Not only did the Bank's loan volume rise sharply but its resources also were substantially widened. Thus the Bank, which began operations in 1960 on the eve of the Alliance for Progress, has steadily expanded its assistance to the growth of Latin America.

Loans Authorized in 1967

During 1967 the Inter-American Bank extended 60 loans totaling \$496.4 million—by far the largest yearly total the Bank has recorded to date. Loans extended in 1966, which up to then had been the Bank's best year, were \$396.1 million.

Added to the Bank's contributions for economic and social development of its member countries since it opened its doors in 1961, loan commitments over the past 12 months brought the institution's lending total to nearly \$2.4 billion.

These loans are helping to finance development projects which have an estimated total cost of about \$6.4 billion. This means that Latin American nations themselves are contributing approximately \$3 for every \$2 loaned by the Bank.

The Bank also posted other new benchmarks in its seven-year history as a key instrument of external public financing in Latin America:

- It registered the highest annual volume of disbursements—\$243.2 million—recorded to date. These compared with the previous record figure of \$211.2 million achieved in 1966 and brought cumulative disbursements as of December 31, 1967, to \$1,040.8 million, or 43.5 per cent of the total amount committed.

- The Bank's 21 members agreed to replenish its pool of "soft" loan resources by \$1.2 billion over a three-year (1967-69) period. The United States is contributing \$900 million of this sum and the Latin American members are contributing the remaining \$300 million. The new increase will bring total contributions to the Fund to slightly more than \$2.3 billion.

- The Bank's membership initiated action to increase its authorized ordinary capital resources—its "hard" loan window—by \$1 billion in callable capital. This would enable the Bank to borrow more effectively in the world's capital markets, since the callable capital serves, in effect, as a guarantee of the Bank's securities. The increase, which would be made in two installments in 1968 and 1970, would raise the Bank's total authorized capital to \$3.15 billion.

During 1967 the Bank borrowed an additional \$146 million in the world's markets. A total of \$110 million of this was represented by two bor-

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Fund for Special Operations Increased by \$1.2 Billion

Member countries of the Inter-American Development Bank have approved a resolution which increases its Fund for Special Operations by \$1.2 billion over a three year period. The increase in the Fund became effective when 16 of the Bank's 21 member nations agreed to contribute well over \$1,125,000,000—the amount needed to bring the change into effect.

The increase, which is payable in three equal tranches in the period 1967-1969, will raise the total contributions to the Fund from the current \$1,121,436,000 to \$2,321,436,000 and will enable the Bank to continue its current high rate of lending.

The 16 member countries which had voted in favor of the increase by the end of 1967 were Argentina, Bolivia, Brazil, Colombia, Costa Rica,

the Dominican Republic, Ecuador, Haiti, Honduras, Mexico, Nicaragua, Paraguay, Trinidad and Tobago, the United States, Uruguay and Venezuela. Shortly thereafter the Bank's remaining five member nations joined to make the action unanimous.

Rise in Ordinary Capital Scheduled

At their Eighth Annual Meeting the Bank's Board of Directors also proposed that member countries take action in the coming year to raise the Bank's ordinary capital resources to \$3.15 billion, through an increase of \$1 billion in its callable capital. The callable capital constitutes, in effect, a guarantee of the Bank's securities and thus enables the Bank to borrow funds in the world's capital markets.

LOANS UP TO DECEMBER 31, 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	77	379.7	22	105.7	—	—	2	2.4	101	487.8
Agriculture	26	188.2	37	300.8	28	89.3	—	—	91	578.3
Electric Power	18	179.9	6	45.0	—	—	—	—	24	224.9
Transportation	9	74.1	13	158.7	—	—	3	10.5	25	243.3
Water Supply and Sewage	14	57.0	25	176.5	32	161.0	—	—	71	394.5
Housing	—	—	8	69.7	33	217.9	—	—	41	287.6
Education	—	—	20	65.5	20	32.1	1	4.0	41	101.6
Preinvestment	3	2.4	34	45.6	4	0.7	5	3.6	46	52.3
Export Financing	8	19.7	—	—	—	—	—	—	8	19.7
TOTAL	155	901.0	165	967.5	117	501.0	11	20.5	448	2,390.0

Bank Lends Total of \$201,050,000 in Final Quarter of 1967

During the final quarter of 1967, the Inter-American Bank authorized 19 loans totaling \$201,050,000. By sources of funds, the loans were:

Ordinary capital resources—Five loans totaling \$43,350,000:

- \$12,850,000 to the *Republic of Argentina* for road construction projects which will help improve Argentina's internal highway network and its external links with Chile, Bolivia, Brazil and Paraguay.

- \$7,000,000 to the *Banco do Brasil S.A.* for credits to help finance small- and medium-sized private and corporate undertakings in processing agricultural, livestock, fishery and forestry products.

- \$12,000,000 to the *Corporación Venezolana de Fomento* to help Venezuela finance industrial and fishery projects.

- \$5,000,000 to Uruguay's *Administración Nacional de Combustibles, Alcohol y Portland* to assist in constructing a cement plant with a capacity of 100,000 metric tons annually.

- \$6,500,000 to the *Empresa Nacional de Petróleo* of Chile to help build an ethylene and liquefied petroleum gas plant in Concepción.

Fund for Special Operations—Fourteen loans totaling \$157,700,000:

- \$21,150,000 to the *Republic of Argentina*, complementing the ordinary capital loan, for highway construction.

- \$18,000,000 to the *Banco do Brasil S.A.*, complementing an ordinary capital loan, to provide credits for private and cooperative enterprises in processing agricultural, livestock, fishery and forestry products.

- \$1,950,000 to the *Dominican Republic* for a program to build 89 water systems benefiting 124,000 small town residents.

- \$34,100,000 to *Nacional Financiera, S.A.*, for a nation-wide program to improve small-scale farm irrigation in Mexico.

- \$4,000,000 to the *Corporación Venezolana de Fomento* to form a preinvestment fund to be used for preparing agricultural, mining and manufacturing projects and studies.

- \$3,000,000 to the *Corporación Venezolana de Fomento* for CVF's industrial and fisheries credit program.

- \$1,500,000 to the *Fundación Andrés Bello* to provide new campus facilities for the *Universidad Católica Andrés Bello* in Caracas, Venezuela.

- \$6,000,000 to the *Republic of Guatemala* to help build some 30 small- and medium-sized irrigation projects mainly in the eastern and southern areas of the country.

- \$20,000,000 to *Nacional Financiera, S.A.*, to help Mexico provide credit for medium- and small-scale farmers.

- \$10,700,000 to the *Banco Ganadero* of Colombia for a livestock program to expand the supply of meat and milk.

- \$300,000 to the *Government of Trinidad and Tobago* to help finance a general study to improve and expand the nation's water supply systems.

- \$11,000,000 to the *Republic of Bolivia* to improve the water systems of Cochabamba and

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Disbursements

As of December 31, 1967, disbursements on the 448 loans authorized by the Bank amounted to \$1,040.8 million. This sum represents 43.5 per cent of the total of \$2,390.0 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, 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
Sept. 30, 1967	975.9	60.1	44.3
Dec. 31, 1967	1,040.8	64.9	43.5

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rowings in the United States. The 1967 borrowings brought the Bank's total to \$513.6 million, of which sum \$335 million has been raised in the United States and the remainder has been obtained from non-member countries and the Bank's Latin American member countries.

- The Bank sold record participations of \$9,347,059 in its ordinary capital loans to private commercial banks. This brought the total of such purchases by private banks in the United States, Europe, Canada and Japan at year's end to \$38,048,533.

- During 1967 the Bank received an additional 10 million Canadian dollars to administer for Latin America's development. This contribution was added to 30 million Canadian dollars previously contributed by Canada. Under previous arrangements, the Bank also administers a 4,142,800 pound-sterling fund for the United Kingdom and a \$5 million Swedish development fund for Latin America.

- Technical assistance authorizations amounted to \$16.7 million, which brought the cumulative total to \$96 million.

By sources of funds, the Bank's 1967 lending was:

Ordinary Capital Resources: 17 loans totaling \$171 million, compared with 15 for \$100.9 million in 1966. This raised the cumulative net total to \$901.8 million in 155 loans.

Fund for Special Operations: 39 loans for \$313 million, compared with 48 totaling \$291.3 million in 1966. This brought the net cumulative lending volume to \$967.5 million in 165 loans.

Other Resources: 4 loans equivalent to \$12.4 million extended from funds which the Bank administers for the Government of Canada and the United Kingdom. This brought cumulative lending from such sources to \$20.5 million in 11 loans.

Also on the Bank's authorization list are 117 loans amounting to \$501 million which had been approved from the Social Progress Trust Fund through 1965. The United States Government placed the Fund under the Bank's administration in 1961. Lending for social development is now financed from the Fund for Special Operations.

The leading lending sectors in 1967 were: agriculture, \$153.7 million; industry and mining, \$88.4 million, and economic infrastructure (transportation and communications) and electric power, \$148.3 million.

Bank Lends . . .

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Potosí, and the water and sewage system of Santa Cruz.

- \$1,000,000 to Uruguay's *Administración Nacional de Combustibles, Alcohol y Portland* for technical assistance designed to improve its administration in connection with another loan for the construction of a cement plant.

- \$25,000,000 to the *Republic of Brazil* to expand and improve education in the basic, technological and agricultural sciences in nine Brazilian universities.

On a cumulative basis, the Bank's lending has been divided this way:

Distribution of Loans (In Millions of Dollars)

	1961-67	%
Agriculture	\$ 578.3	24.2
Industry and Mining	487.8	20.4
Water Supply and Sewage Systems	394.5	16.5
Housing	287.6	12.0
Transportation and Communications	243.3	10.2
Electric Power	224.9	9.4
Education	101.6	4.3
Preinvestment	52.3	2.2
Export Financing	19.7	0.8
Total	\$2,390.0	100.0

Loans for Private Enterprise

A significant amount of Inter-American Development Bank lending has gone into private enterprise projects in Latin America. Some \$615 million of such assistance has been made available to development banks and agencies for relending to private industrial and agricultural entrepreneurs and for preinvestment studies. Another \$93 million in loans has been channelled directly to private industrial and agricultural firms. Private Latin American enterprises are also directly benefiting from two other fields of activity of the Bank—the financing of exports of capital goods, and preinvestment financing.

Economic Integration of Latin America

One of the important features of the Bank has been the increasing support it has given to Latin America's economic integration. From its very inception the Bank has sought opportunities to foster the economic union of the Latin American countries in the belief that such unity is one of the most effective means of accelerating the area's development. To date the Bank has extended a total of \$200.9 million in loans and technical assistance to foster Latin American integration.

During 1967 the Bank made three loans totaling \$25 million to the Central American Bank for Economic Integration to help that Bank carry out projects of regional infrastructure and industry in the five Central American countries. Inter-American Development Bank assistance to the Central American Bank now totals more than \$42 million. In addition, the Bank in 1967 made a loan of \$5,275,000 directly to Honduras for a better highway link-up with Guatemala.

The past year saw other applications of integration-oriented development loans. Two loans adding up to \$34 million will help improve internal highway communications in Argentina as well as with neighboring Chile, Bolivia, Paraguay and Brazil. And a \$2 million line of credit has gone to help underwrite exports of Brazilian capital goods to other Latin American countries.

The Bank is continuing its support of the Acaray
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Bank Markets New Bond Issues in the United States and Belgium

The Inter-American Bank placed an additional \$66 million in bonds on the capital markets of the United States and Belgium during November 1967. The United States issue, placed on the market November 15, amounted to \$60 million; the Belgian issue, sold five days later on November 20, was for 300 million Belgian francs (equivalent to \$6 million). Total net borrowings of the Bank now amount to \$513.6 million.

The Belgian issue represents the seventh time the Bank has borrowed funds on a long-term basis in European capital markets to mobilize additional non-member capital for Latin American development. It was underwritten by a group of Belgian banks headed up by the *Société Générale de Banque, Banque Lambert, Banque de Bruxelles, Kredietbank* and *Banque Italo-Belge*. The underwriting agreement for the bond issue was signed in Brussels by representatives of the Inter-American Bank and the Belgian Banks.

The Belgian issue was in the form of "7% Belgian Franc Bonds of 1967," and will have a final maturity date in 1982. The Inter-American Bank will redeem the bond issue at par in 10 annual installments of 30 million Belgian francs each on November 30 of each of the years 1973 through 1982, so the entire issue will be retired by November 30, 1982. The Bank will have the right to redeem all or part of the bonds at par on November 30, 1973 or on any subsequent interest payment date.

The \$60 million United States offering, which was rated Triple A, was made by a nationwide group of 105 U. S. investment banking houses and commercial banks under the joint management of Lehman Brothers, Blyth and Company, Inc., and Lazard Frères and Company.

The issue consists of 6½ per cent 25-year bonds due November 15, 1992, and was priced at 99.375 per cent plus accrued interest. The Bank will redeem \$3 million of the bonds through a sinking fund by November 15 in each of the years 1977 through 1991 at par plus accrued interest. The sinking fund will retire approximately 75 per cent of the issue prior to maturity. The bonds will not otherwise be redeemable prior to November 15,

Stanford Institute Sponsors Meeting on Latin American Integration

The California Institute of International Studies of Stanford University, in cooperation with the Inter-American Bank, will sponsor a three-day conference on the economic integration of Latin America May 9-11, 1968. Felipe Herrera, President of the Bank, will deliver the opening address.

Participants from more than 50 universities and organizations in North and South America and other parts of the world are expected to attend the seminar, which will be held in Palo Alto, California. They will discuss the economic, political and legal aspects of Latin American Integration and its impact on United States-Latin America relations.

1977. On that date they will be subject to optional redemption in whole or in part at 103 per cent plus accrued interest and at decreasing prices thereafter through November 15, 1987, and at par thereafter.

The net proceeds from the sale of all of the bond issues are included in the Bank's ordinary capital resources and are used to make loans for economic development projects in Latin America. Loans extended from the ordinary capital resources are repayable in the currency in which they are extended.

The following table summarizes the Bank's borrowings to date:

BOND ISSUES		
<i>Year of Issue</i>	<i>Dollar Value</i>	<i>Country</i>
1962	\$ 75,000,000	United States
1964	50,000,000	United States
1964	100,000,000	United States
1967	50,000,000	United States
1967	60,000,000	United States
1962	24,000,000	Italy
1966	24,000,000	Italy
1964	15,000,000	Germany
1964	8,400,000	United Kingdom
1966	11,400,000	Switzerland
1966	65,000,000	Spain, Israel, Latin America (short term)
1967	30,000,000	Latin America (short term)
DIRECT LOANS		
1965	\$ 12,500,000	Spain
1966	10,000,000	Japan

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hydroelectric project in Paraguay; two loans worth \$14.5 million are financing Phase Two of the plan, which will boost power output from 45,000 to 90,000 kilowatts and enable Paraguay to sell electricity to nearby areas in Argentina and Brazil. Looking to an even further expansion of the Aca-ray plant's capacity to 135,000 kilowatts in the future, studies are being financed with a 1967 loan for \$225,000 to Paraguay from the Bank's Preinvestment Fund for Latin American Integration.

The Preinvestment Fund was established in 1966 with \$15 million from the Fund for Special Operations, and \$1.5 million contributed by the United States from the Social Progress Trust Fund, administered by the Bank under the Alliance for Progress program and augmented in 1967 with an additional United States allotment of \$2 million.

The Bank also used the Preinvestment Fund in 1967 to finance preliminary feasibility studies in such fields as the integrated development of the River Plate Basin; the development of an integrated communications system in Latin America, and the evaluation of the possibilities for integrating the area's transportation systems.