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Economic Integration Highlight of Annual Meeting

Board of Governors Calls on Bank to Take Steps to Speed Physical Integration of Latin America



Bank President Felipe Herrera reports on the Bank's 1967 activities at the Board of Governors Meeting in Bogota, Colombia.

Felipe Herrera Reelected President of Inter-American Development Bank

Felipe Herrera has been reelected to a third five-year term as President of the Inter-American Development Bank. The term will begin July 1, 1969. He was elected the first President of the Bank in February 1960 at the First Meeting of the Board of Governors in San Salvador and was reelected to a second five-year term in Panama in 1964.

The Governor for Argentina, Pedro Eduardo Real, who is President of the Central Bank of Argentina, proposed Mr. Herrera's reelection during the first session of Chiefs of Delegation to the Ninth Annual Meeting of the Board of Governors in Bogota April 22 and the motion was unanimously adopted.

Mr. Herrera was born in Valparaiso, Chile, in 1922. He attended the University of Chile, obtaining a Master's Degree in Law and Social Sciences in 1946 and a doctor's degree in law in 1947. Subsequently he carried out postgraduate studies in economics at the University of London.

Mr. Herrera initiated his career as an attorney

(Continued on page 4)

The Inter-American Bank, in conjunction with the Inter-American Committee on the Alliance for Progress (CIAP), is taking steps to establish a task force to speed up the physical integration of Latin America.

In doing so, the Bank is fulfilling a mandate of the Ninth Annual Meeting of the Board of Governors held in Bogota in April 1968. The Board resolved "that the Bank undertake promptly, in conjunction with CIAP, to initiate the establishment of a task force to develop a five-year plan and action program for physical integration projects in Latin America."

The resolution, adopted April 26, 1968, asked that the task force be composed of senior officials of organizations concerned with the economic integration and development of Latin America and that it be aided by a full-time staff of experts headed by a distinguished citizen of Latin America.

The resolution stated that in developing the plan and action program, the task force should take into account, among other factors, the following:

- The urgency of the establishment, interconnection, and expansion of systems of land, sea, river, and air transportation in the hemisphere, and of telecommunications and electric power systems and pipelines.
- Means of facilitating the participation in the physical integration process of countries at a relatively lower stage of economic development and those not having direct access to the sea.
- The resources estimated to be needed for the preparation of studies for projects which can be initiated within a five-year period and for the execution of such projects.

The resolution asked the Board of Executive Directors to present a progress report on the work of the task force to the Board of Governors not later than December 31, 1968.

In a letter read to the Board of Governors by Treasury Secretary Henry H. Fowler, United States President Lyndon B. Johnson proposed specific action to speed up the physical integration of the hemisphere as a follow-up to decisions adopted by the Presidents of America in Punta del Este on April 14, 1967.

In the declaration, the Presidents affirmed their intention of laying the physical foundations for

(Continued on page 4)

LOANS UP TO MARCH 31, 1968

(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	78	388.3	22	105.7	—	—	3	3.2	103	497.2
Agriculture	25	182.7	38	303.8	28	89.3	—	—	91	575.8
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	26	178.5	32	161.0	—	—	72	396.5
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	9	23.7	—	—	—	—	—	—	9	23.7
TOTAL	156	908.1	167	972.5	117	501.0	12	21.3	452	2,402.9

Bank Lent \$15,359,000 During the First Quarter of 1968

During the first quarter of 1968, the Bank authorized five loans equivalent to \$15,359,000, as follows:

Ordinary capital resources—Two loans totaling \$9,500,000:

- \$6,500,000 to the *Banco Industrial del Perú* to help finance a broad credit program for private industrial enterprises.
- \$3,000,000 to the *Corporación Venezolana de Fomento* to help finance exports of Venezuelan capital goods to other Latin American member countries.

Fund for Special Operations—Two loans totaling \$5,000,000:

- \$3,000,000 to the *Instituto Ecuatoriano de Reforma Agraria y Colonización* to help finance a farm resettlement and development program in Ecuador.

- \$2,000,000 to the *Republic of Nicaragua* to help finance construction of 69 rural water supply systems which will benefit about 65,000 persons in 75 communities.

Other Resources — One loan for 358,000 pounds sterling (equivalent to \$859,200) to the *Banco Industrial del Perú* to help finance the industrial credit program mentioned above. The loan was extended from the United Kingdom resources which the Bank began to administer for that country in 1966.



Two Bank loans totaling \$7.3 million extended in the first quarter of 1968 to the Banco Industrial del Perú will assist this development agency in carrying out a credit program for private industrial enterprises. The program, to which the Bank had previously contributed loans totaling \$14.5 million, has helped to finance a variety of industrial projects, including a textile mill (right) and a fishmeal plant.



Bank Sells \$43 Million in Short-Term Bonds Primarily in Latin American Member Countries

The Inter-American Bank on April 15 sold a new short-term bond issue totaling \$43 million to central banks and other governmental financial agencies in 14 Latin American countries and Israel. The member countries participating in the issue were: Argentina, Bolivia, Brazil, Colombia, Chile, the Dominican Republic, Ecuador, Honduras, Mexico, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela.

The bonds were divided into two maturities: one-year bonds maturing April 15, 1969, and two-year bonds due April 15, 1970. One-year bonds bear interest of 5½ per cent and two-year bonds carry 6 per cent per annum.

The proceeds of the issue have been incorporated in the Bank's ordinary capital resources and are being used to refund \$16 million of one-year bonds maturing April 15, 1968, and \$27 million two-year bonds maturing the same date.

This is the third issue sold by the Bank in the Latin American region. In April 1966 the Bank made its first issue of short-term bonds for \$65 million and in April 1967 its second issue for \$30 million.

In addition to its short-term bonds issues, the Bank to date has borrowed a total of \$444,245,681 on a long-term basis through 11 bond issues and two direct borrowings. Five of the bond issues, totaling \$335 million, have been placed in the United States market, and the remaining six, totaling \$87,633,798, have been placed in the markets of Belgium, Germany, Italy (two), Switzerland and the United Kingdom. Long-term loans totaling \$21,611,883 million have been obtained in Japan and Spain.

Disbursements

As of March 31, 1968, disbursements on the 452 loans authorized by the Bank amounted to \$1,089.7 million. This sum represents 45.3 per cent of the total of \$2,402.9 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
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
Mar. 31, 1968	1,089.7	48.9	45.3

Santos Named Bank's Operations Manager

Felipe Herrera, President of the Inter-American Bank, has appointed João Oliveira Santos as Operations Manager of the Bank. Santos assumed his new position February 27, 1968. He was previously the Executive Director of the International Coffee Organization in London. As Operations Manager, Mr. Santos is in charge of the Department responsible for the analysis of the loan applications, negotiations of loans and the administration of approved loans.

He was born in Rio de Janeiro in 1914, obtained a Law Degree in Brazil and later studied economics at American University in Washington, D.C.

Mr. Santos began his public career in 1935 in Brazil's Ministry of Labor, Industry and Commerce, rising to the position of Chief of Cabinet. In 1958 he became Secretary General of the Latin American Coffee Agreement and subsequently in 1963 he became Executive Director of the Coffee Organization in London.

Inter-American Bank Fosters Establishment of Latin American Development Bank Association

Representatives of development banks have agreed to establish a Latin American Association of Development Financing Institutions. The decision to create the association was adopted at a three-day meeting of development banks sponsored by the Bank in Washington, January 22-24, 1968. Its establishment was proposed by the Peruvian delegation to the First Latin American Meeting of Development Financing Institutions, sponsored also by the Bank in Washington late in 1964.

The Inter-American Bank has channelled nearly a quarter of its loans, particularly in the industrial and agricultural fields, through such financial development agencies. At the end of 1967, assistance authorized through 47 development institutions in Latin America, totaled some \$615 million. In addition to its direct development impact, this aid has helped strengthen small- and medium-sized enterprises, has improved managerial talent and has helped mobilize substantial sums of domestic Latin American capital.

According to its statutes the new association, which will have its headquarters in Lima, Peru, will seek to foster cooperation among its members, to establish a flow of information among them, and to promote the execution of studies of common interest.

Inter-American Bank Studies Means of Interconnecting Latin American Telecommunications Systems

On March 29, 1968, the Inter-American Bank authorized additional technical assistance to finance the second phase of a preinvestment project to determine the requirements needed to put an Inter-American Telecommunications Network into effect. The network, which will consist of existing and projected microwave systems, submarine cables, and satellite communications, will serve to link up, on an international basis, the individual telecommunications systems of the Latin American countries.

The Bank undertook the first phase of the project in 1967. This phase, which consisted of a general survey of the proposed network, is in

the final stage of completion. The Bank has undertaken the study as part of its program to foster the economic integration of Latin America within the framework of the Alliance for Progress.

The second phase will consist of the preparation of detailed technical-economic feasibility studies analyzing the problems associated with the interconnection of the national telecommunication networks constituting the ITN. The UN Development Programme is participating in the project with a total of \$955,400 and has named the Bank as its executive agency; member countries are providing \$475,000, and the Bank is furnishing \$155,000.

Bank Publications

During the first quarter of 1968 the Bank published the following reports:

- *Socio-Economic Progress in Latin America*, which is the Seventh Annual Report of the Social Progress Trust Fund. The report analyzes economic and social trends in Latin America in the past few years, with special emphasis on the years of the Alliance for Progress.

- *Eighth Annual Report of the Inter-American Bank*, which contains a comprehensive analysis of the Bank's activities during 1967.

- *This is the Inter-American Bank*, a reissue of the brochure which contains basic data on the Bank's objectives, policies and resources.

These publications, as well as others issued by the Bank, may be secured from the Division of Information, Inter-American Development Bank, 808 17th Street, N.W., Washington, D.C. 20577.

Felipe Herrera . . . (Continued from page 1)

in the Central Bank of Chile and also served as Professor of Economics at the University of Chile.

He later served as Chile's Under Secretary of Economy and Commerce in 1952 and as Chile's Finance Minister in 1953. He was General Manager of the Central Bank of Chile between 1953 and 1958; during that period he represented his country as Governor on the Board of the International Monetary Fund and the World Bank.

Mr. Herrera served as Executive Director of the International Monetary Fund, representing Argentina, Bolivia, Chile, Ecuador, Paraguay and Uruguay, from 1958 to 1960. Mr. Herrera was one of the drafters of the Agreement Establishing the Inter-American Development Bank, serving as Chilean delegate to the Committee which drew up the Agreement in 1959. He later served on the Committee which laid the organizational groundwork for the Bank's establishment.

Board of Governors . . . (Continued from page 1)

Latin American economic integration through multinational projects, stating:

"Economic integration demands a major sustained effort to build a land transportation network and to improve transportation systems of all kinds so as to open the way for the movement of both people and goods throughout the Continent; to establish an adequate and efficient telecommunications system; to install interconnected power systems; and to develop jointly international river basins, frontier regions, and economic areas which include the territory of two or more countries."

Adoption of the resolution designed to speed Latin America's physical integration was a highlight of the Bank's Ninth Annual Meeting. In other decisions designed to foster Latin America's economic integration, the Board of Governors:

- Instructed the Board of Executive Directors to place greater emphasis, in formulating the operating plans of the Bank, on the principle of extending preferential treatment to the countries of relatively less economic development and, to the required extent, to those of insufficient market, in keeping with the principles, objectives and goals set forth in Chapter I of the Action Program of the Declaration of the Presidents of

America. The resolution also asked the Board of Executive Directors to study the most effective means, including, as appropriate, modifications of an operational character, for assisting the indicated countries in the formulation of development projects.

- Expressed its satisfaction with the work accomplished by the Institute for Latin American Integration during its initial period of operations and to support its continuation and the expansion of its operations. The Institute is a unit of the Bank based in Buenos Aires which is engaged in studying and helping to accelerate the regional integration process. The resolution also recommended that the member countries adopt the measures necessary to ensure their continued prompt payment of the quotas for the maintenance of INTAL approved by the Board of Executive Directors.

The Board of Governors also:

- Selected Guatemala City as the site of its Tenth Annual Meeting scheduled to be held in April 1969.

- Approved the financial statements of the ordinary capital resources and the Fund for Special Operations for the 1967 Fiscal Year.