

IDB NEWSLETTER

INTER-AMERICAN DEVELOPMENT BANK



Vol. VI / No. 3

Washington, D. C.

July 1968

Bank's Authorized Ordinary Capital Resources Increased by \$1 Billion

On June 20, 1968, a resolution approved by the Bank's Board of Governors to increase the Bank's authorized *callable* capital by \$1 billion entered into effect after 15 member countries had agreed to subscribe their respective shares to the increase. It raises the Bank's ordinary capital resources from an authorized \$2.15 billion to \$3.15 billion, of which sum \$475 million represents paid-in capital and \$2,675 million represents callable capital. The new callable increase will provide additional guarantee authority for the Bank to borrow funds in the world's capital markets for Latin America's development. The increase is to be subscribed in two equal tranches in 1968 and 1970.

At its Eighth Annual Meeting held in Washington in April 1967, the Bank's Board of Governors had approved a resolution recommending that the member countries take action to put the new increase into effect. At the same time the Board recommended that the Fund for Special Operations, the Bank's "soft" loan window, be increased by \$1.2 billion over the three-year period 1967-69. That increase entered into effect December 29, 1967 and raises the authorized resources of the Fund to \$2,321,436,000.

On June 4, President Johnson signed into law the measure approved by Congress authorizing the United States to subscribe \$412 million as its share of the increase in the ordinary callable capital. President Johnson signed the bill at a special White House ceremony in the presence of President José Joaquín Trejos of Costa Rica, then on a State visit to the United States; Felipe Herrera, President of the Inter-American Bank; Galo Plaza, Secretary General of the Organization of American States; Carlos Sanz de Santamaría, President of the Inter-American Committee on the Alliance for Progress; Dean Rusk, Secretary of State; Henry H. Fowler, Secretary of the Treasury; members of the Latin American diplomatic corps; members of Congress and other officials of the U. S. Government and the Bank.

Signing the bill, President Johnson hailed the Bank as "an institution that is responsive to present needs and with such vision of future challenges and opportunities."

Replying to Mr. Johnson's words, Mr. Herrera noted that "in its eight years of lending operations, the Inter-American Bank has been a central factor in fostering the rate of capitalization and development of Latin America. The \$2.5 billion in loans



ADDITIONAL RESOURCES FOR THE BANK. *President Johnson presents Bank President Felipe Herrera the pen with which he has just signed into law a bill authorizing the United States to subscribe its \$412 million share in a \$1 billion increase in the Bank's authorized callable capital.*

which the Bank has devoted to financing 465 projects, has been added on to more than \$4 billion in domestic resources mobilized by the Bank's Latin American member countries, who have also provided substantial resources in both dollars and their own currencies to the Bank."

In expressing appreciation to Mr. Johnson "for this expression of confidence in the multilateral management of the resources" entrusted to the Bank, Mr. Herrera said:

"This decision is a reiteration, by your administration, of support which the Bank also received from your predecessors, Presidents Eisenhower and Kennedy."

LOANS UP TO JUNE 30, 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	79	388.3	23	108.2	—	—	3	3.2	105	499.7
Agriculture	25	183.8	38	303.4	28	89.3	—	—	91	576.5
Electric Power	18	179.9	8	77.5	—	—	—	—	26	257.4
Transportation	9	74.1	14	171.4	—	—	3	10.5	26	256.0
Water Supply and Sewage	15	68.5	26	178.6	32	161.0	1	5.0	74	413.1
Housing	—	—	9	82.3	33	217.9	—	—	42	300.2
Education	—	—	21	72.1	20	32.1	1	4.0	42	108.2
Preinvestment	3	2.4	38	52.1	4	0.7	6	4.6	51	59.8
Export Financing	8	27.0	—	—	—	—	—	—	8	27.0
TOTAL	157	924.0	177	1,045.6	117	501.0	14	27.3	465	2,497.9

Inter-American Bank Lent \$97,230,000 During Second Quarter of 1968

During the second quarter of 1968, the Bank authorized 15 loans equivalent to \$97,230,000. By sources of funds, the loans were:

Ordinary Capital Resources—Three loans totaling \$17,900,000:

- \$11,500,000 to the *State of São Paulo* in Brazil to help improve and expand the water system of the City of São Paulo. The project will bring such service to a total of 2 million persons.
- \$4,900,000 to *Nacional Financiera, S.A.*, to help finance exports of Mexican railroad freight car components to Colombia.
- \$1,500,000 to the *Compañía Algodonera Paraguaya, S.A.*, to improve, expand and diversify production of industrial and edible oils and fats in Paraguay.

Fund for Special Operations—Ten Loans for a total of \$37,330,000:

- \$9,500,000 to the *Republic of Bolivia* to cooperate in the first phase of a project to modernize Bolivia's telecommunications system.
- \$12,700,000 to the *Republic of Colombia* to help build and improve a 179-mile highway between La Yé near the port of Santa Marta and Paraguachón on the Venezuelan border. The project will facilitate the integration of Colombia's highway system with that of Venezuela.
- \$6,600,000 to the *Universidad del Valle* in Colombia to help build a new university campus near the city of Cali.
- \$3,100,000 to the *Republic of Colombia* to help establish a preinvestment fund to be used for the preparation of development plans and projects.
- \$2,500,000 to *Nacional Financiera, S.A.*, to help finance general and specific studies for de-

veloping the Lerma-Chapala-Santiago basin, a 49,000-square-mile region in Mexico.

- \$250,000 to the *Universidad Nacional Autónoma de Nicaragua* to help prepare plans and designs for a university campus in Managua.

- \$12,580,000 to the *Banco de la Vivienda del Perú*, to help finance an urban development program, providing for the construction of 4,650 housing units and their community services in six cities in Peru.

- \$22,900,000 to the *Dominican Republic* to help finance the construction of a dam and a hydroelectric plant with an initial capacity of 40,000 kilowatts and the preparation of studies for the development of an agricultural area of 93,000 acres.

- \$700,000 to *Trinidad and Tobago* to help establish a preinvestment fund to be used for the preparation of development plans and projects.

Other Resources—Two loans equivalent to \$6,000,000:

- \$5,000,000 from the Swedish Development Fund for Latin American Development, placed under the administration of the Bank by the Swedish Government, to the *State of São Paulo*, Brazil, to help expand the water supply system of the metropolitan zone of São Paulo. (This loan complements the one described above from the ordinary capital resources.)

- C\$1,080,000 (equivalent to \$1,000,000), from the resources placed by the Canadian Government under the administration of the Bank to the *Republic of Colombia*, to help finance a program of preinvestment studies. (This loan complements another for \$3,100,000 described above from the Fund for Special Operations.)

Bank Sells Bonds Totaling \$33.3 Million in Europe

During the second quarter of 1968, the Inter-American Bank placed two long-term bond issues totaling \$33.3 million in Europe. They were:

- \$25 million (100 million Deutsche marks) placed in Germany. The 6¾ per cent, 15-year bonds were offered for public sale beginning July 1, 1968, at a price of 99 per cent by a syndicate of German banks headed by Deutsche Bank A.G. and Dresdner Bank A.G., both of Frankfurt. The bonds are to be repaid at par beginning in 1972 through a sinking fund in 12 annual installments until 1983. The Bank will have the right to redeem all or part of the bonds on July 1, 1972, or on any subsequent interest payment date.

- \$8.3 million (30 million Dutch guilders) placed in the Netherlands. The 7 per cent, 20-year bonds were offered to the public beginning July 3, 1968, at a price of 99 per cent through an underwriting group of Dutch banks headed by Algemene Bank Nederland N.V., with the participation of Amsterdam-Rotterdam Bank N.V.; Hollandsche Bank-Unie N.V.; Mees & Hope, and Pierson, Heldring & Pierson. The issue will mature July 15, 1988, and will be redeemed at par in 10 annual installments of 3 million guilders each beginning on July 15, 1979. The Bank will have the right to redeem the issue in whole or in part at 101½ per cent from July 15, 1979, through July 14, 1983, and thereafter at 101 per cent.

The proceeds of both issues, which will be fully convertible into any other currencies, will be included in the ordinary capital resources of the Bank and will be used to make economic development loans in the Bank's Latin American member countries. Loans from the ordinary capital resources are repayable in the currencies extended.

The two issues raised the Bank's outstanding borrowings to some \$540 million and represented the eighth and ninth borrowings on a long-term basis in European capital markets. The other seven, expressed in United States dollars, included \$24 million in Italy in 1962; \$15 million in the Federal Republic of Germany in 1964; \$7.2 million in the United Kingdom in 1964; \$12.5 million in Spain in 1965; \$24 million in Italy in 1966; \$11.4 million in Switzerland in 1966, and \$6 million in Belgium in 1967.

The Bank has floated five long-term bond issues totaling \$335 million, all rated Triple A, in the United States and has short-term bond issues totaling \$68 million outstanding in Latin America and Israel. In addition, Japan has loaned the Bank the equivalent of \$10 million.

Herrera Calls for Greater European Aid to Latin America

In a speech given June 24 in Rome, Felipe Herrera, President of the Inter-American Bank, renewed appeals to European countries to increase their financial cooperation with Latin America.

Mr. Herrera made the plea at the opening session of a seminar on "Latin America, Italy and the European Economic Community", which took place June 24-26 under the sponsorship of the Italian-Latin American Institute and the Inter-American Bank.

According to figures contained in a document presented to the seminar by the Bank, the outflow of public and private capital from Europe towards Latin America, which reached an average of approximately \$400 million per year in the 1960-62 period, decreased consistently in the next three years, falling to \$132 million in 1965. It recovered partially in 1966 to \$300 million.

In contrast to this, European aid to other developing countries reached an average of \$3 billion annually in 1960-62 and reached \$3.4 billion in 1966.

The report points out that besides the need for a higher level of financial and technical aid for Latin America, foreign trade policies should be improved to offer adequate incentives to Latin American exporters in Western European markets.

The report notes that through the end of 1967 the Inter-American Bank had obtained \$146.6 million for the development of Latin America from Western Europe through various mechanisms. In order to increase this contribution, the report suggests that easier access be given the Bank in the capital markets of Europe, that its sales of bonds be freed from certain taxes and that new funds be placed under its administration.

Disbursements

As of June 30, 1968, disbursements on the 465 loans authorized by the Bank amounted to \$1,158.1 million. This sum represents 46.3 per cent of the total of \$2,497.9 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
June 30, 1968	1,158.1	68.4	46.3

Inter-American Telecommunications Network Moves Closer to Realization

The Inter-American Bank has concluded a feasibility study of the basic requirements for an Inter-American Telecommunications Network. The study, which was submitted to the Third Meeting of the Inter-American Telecommunications Commission (CITEL) held in Rio in July, outlines the requirements for the establishment of an integrated telecommunications network among the Latin American nations as well as its interconnection with the rest of the world. The Bank and the United Nations Development Programme (UNDP) will shortly embark on detailed technical-economic studies for interconnecting the national systems constituting the network.

UNDP, which has appointed the Inter-American Development Bank as its executing agency for the project, is providing \$955,400 for this phase, the Bank is contributing \$250,000 and its member countries are putting up \$475,000.

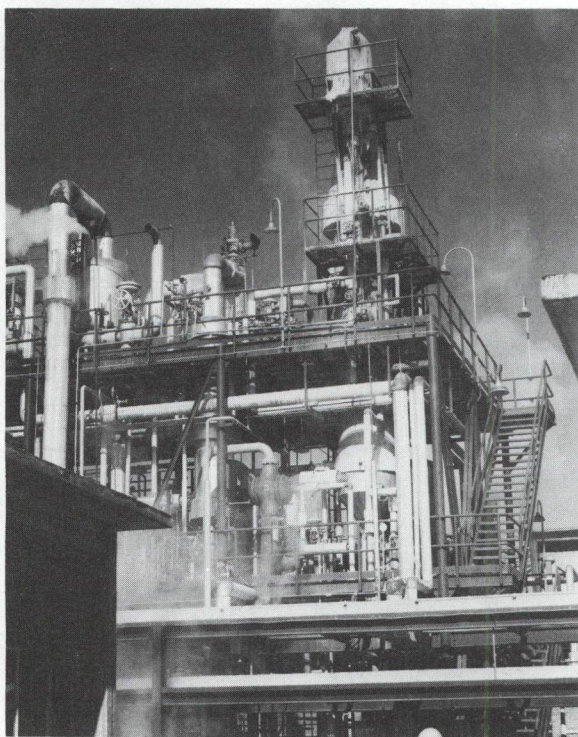
The Bank initiated the study in 1967 jointly with CITEL, a specialized agency of the Organization of American States, and with the cooperation of the International Telecommunications Union (ITU), a United Nations agency which

sets design and specifications standards for telecommunications systems throughout the world.

Total outlays to make the network operational by 1973, would be approximately \$300 million, of which \$250 million would be devoted to terrestrial facilities and \$50 million to satellite communications stations. The estimate includes investments already made or planned by various Latin American countries to improve their national telecommunications systems.

A major share—\$210 million—of the terrestrial phase of the network involves improvements in national systems, which are used primarily in handling domestic communications. The remaining \$40 million represents expenditures to interconnect national systems.

Six of the eight satellite ground stations planned for the network are already in a testing phase or under construction. These are located in Mexico, Panama, Peru, Chile, Argentina and Brazil. A station planned for Colombia is in the design stage, and a proposal for one in Venezuela is under consideration.



A SYNTHETIC FERTILIZER FACILITY, Argentina's largest, began production in June in Campana, near Buenos Aires. The \$21 million facility, consisting of five plants, is owned by Petrosur, S.A.I.C., a private company which built the project with the assistance of a \$10,525,000 Bank loan. Above: the urea-producing plant. Right: partial view of the facility.

