

# IDB NEWSLETTER

INTER-AMERICAN DEVELOPMENT BANK



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## Inter-American Bank Lends \$430.8 Million in 1968 to Finance Latin American Development

During 1968 the Inter-American Bank authorized loans totaling more than \$430.8 million to help finance Latin America's economic and social development. The figure brought the Bank's cumulative lending at the end of 1968 to \$2.8 billion, net of cancellations and exchange adjustments.

These loans are helping to finance development projects and programs whose total cost is approximately \$7.5 billion. Thus the Latin American nations are matching every dollar lent by the Bank with nearly two of their own.

Disbursements—the amount of funds actually spent on projects—were the highest yearly total ever—\$292.6 compared with the previous record figure of \$243.2 million in 1967. Cumulative disbursements as of December 31, 1968, had risen to \$1,333.5 million or 47.6 per cent of the total amount authorized as of that date.

The year's lending was the second highest volume of any of the Bank's eight years of lending operations, and was topped only by the record \$496.4 million approved in 1967.

The Bank's leading lending sector in 1968 was economic infrastructure (electric power, transportation and communications), \$209 million. Agriculture, industry and mining accounted for \$133.5 million. Social infrastructure (housing and water supply) amounted to \$52.8 million. Other sectors (education, preinvestment and export financing)

totaled \$35.5 million.

On a cumulative basis agriculture is the Bank's leading lending sector, as shown in the following table:

*Distribution of Loans*  
(In millions of dollars)

	1961-68	%
Agriculture	\$ 632.7	22.6
Industry and Mining	543.1	19.4
Water Supply and Sewage Systems	420.9	15.0
Electric Power	352.6	12.6
Transportation & Communications	333.2	11.9
Housing	311.8	11.1
Education	110.5	4.0
Preinvestment	61.2	2.2
Export Financing	33.6	1.2
<b>TOTAL</b>	<b>\$2,799.6</b>	<b>100.0</b>

By funds, the Bank's 1968 volume included:

**Ordinary Capital Resources:** 17 loans totaling \$193.5 million compared with 17 totaling \$171 million in 1967. This brought the cumulative net

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## Bank Borrows \$97.1 Million in Fourth Quarter to Channel Toward Latin America

During the fourth quarter of 1968, the Bank borrowed or arranged to borrow \$97.1 million in the world's capital markets. The Bank placed two long-term bond issues in the United States and Austria, and arranged to borrow in Japan and Finland. The borrowings climaxed the Bank's most successful year in marshaling resources in the world's capital markets, bringing the total for 1968 to \$177.1 million.

The two bond issues, totaling \$76 million, were:

- \$70 million placed in the United States. The 6½ per cent, 25-year bonds were offered to the public beginning November 14, 1968, at a price

of 99½ per cent by a nationwide group of 100 banking institutions under the joint management of Blyth & Co., Inc., Lazard Frères & Co., and Lehman Brothers.

- \$6 million (150 million Austrian schillings) placed in Austria. The 6¾ per cent, 12-year bonds were offered for public sale between November 18 and 22, 1968, at a price of 96¾ per cent by an underwriting group of Austrian banks headed by Creditanstalt-Bankverein and Oesterreichische Länderbank Aktiengesellschaft.

The Japanese loan is from the Export-Import Bank of Japan for the equivalent of \$10 million in

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# LOANS UP TO DECEMBER 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	82	421.0	24	118.9	—	—	3	3.2	109	543.1
Agriculture	29	221.3	46	327.7	26	83.7	—	—	101	632.7
Electric Power	21	251.5	9	85.6	—	—	1	15.5	31	352.6
Transportation	10	86.4	17	226.6	2	5.6	4	14.6	33	333.2
Water Supply and Sewage	15	68.5	27	186.9	32	160.5	1	5.0	75	420.9
Housing	—	—	11	95.7	32	216.1	—	—	43	311.8
Education	—	—	22	74.9	19	31.6	1	4.0	42	110.5
Preinvestment	2	1.1	41	53.5	5	1.2	7	5.4	55	61.2
Export Financing	9	33.6	—	—	—	—	—	—	9	33.6
<b>TOTAL</b>	<b>168</b>	<b>1,083.4</b>	<b>197</b>	<b>1,169.8</b>	<b>116</b>	<b>498.7</b>	<b>17</b>	<b>47.7</b>	<b>498</b>	<b>2,799.6</b>

## Bank Lends \$213,774,000 During Fourth Quarter of 1968

During the fourth quarter of 1968, the Inter-American Bank authorized 21 loans equivalent to \$213,774,000. By sources of funds, they were:

**Ordinary Capital Resources:** Ten loans for \$139,440,000:

- \$15,000,000 to the *Compañía Italo-Argentina de Electricidad* to expand the output and distribution of electric power in Greater Buenos Aires.

- \$11,000,000 to the *Companhia Vale do Rio Doce* to help expand the facilities of Brazil's largest iron ore producer.

- \$2,500,000 to the *Instituto de Fomento Industrial* to support the development of medium industry in Colombia.

- \$43,300,000 to the *Corporación Autónoma Regional del Cauca* and the *Central Hidroeléctrica del Río Anchicayá, Ltda.*, to help build Colombia's largest hydroelectric project—a 340,000-kilowatt plant 31 miles west of Cali.

- \$10,500,000 to *Nacional Financiera, S.A.*, to help finance a project to irrigate 82,500 acres of farm land which will benefit 40,000 persons in Central Mexico.

- \$27,500,000 to *Nacional Financiera, S.A.*, to help carry out a project to irrigate 103,740 acres of farm land benefitting 16,000 persons in Mexico's Northeast State of Tamaulipas.

- \$4,390,000 to *Nacional Financiera, S.A.*, to provide medium-term export financing for the capital goods used in the construction of an oil pipeline in Colombia.

- \$2,600,000 to the *Instituto de Fomento Nacional* to help Nicaragua diversify its agricultural production.

- \$9,350,000 to the *Administración Nacional de Puertos* to help improve the port facilities of Montevideo.

- \$13,300,000 to the *C.A. de Administración y Fomento Eléctrico* to help finance the construction of the initial stage in a 240,000-kilowatt hydroelectric complex on the Santo Domingo River in Venezuela's underdeveloped West.

**Fund for Special Operations:** Nine loans for \$58,050,000:

- \$10,000,000 to the *Banco del Estado* to help provide credits to improve farm production and productivity in drought-stricken states in Chile.

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## Disbursements

As of December 31, 1968, disbursements on the 498 loans authorized by the Bank amounted to \$1,333.5 million. This sum represents 47.6 per cent of the total of \$2,799.6 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, 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
Sept. 30, 1968	1,235.8	77.7	47.4
Dec. 31, 1968	1,333.5	97.7	47.6



## Bank Lends \$430.8 Million . . .

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total to \$1,083.4 million in 168 loans. The 1968 figure includes a \$3.8 million increase in revolving lines of credit for export financing approved in previous years.

**Fund for Special Operations:** 32 loans for \$210.1 million compared with 39 loans for \$313 million in 1967. This brought the net cumulative lending volume to \$1,169.8 million in 197 loans.

**Other Resources:** 6 loans for \$27.2 million extended from the resources which the Bank administers for the Governments of Canada, the United Kingdom and Sweden. This brought the net cumulative lending from such sources to \$47.7 million.

On the Bank's books also are 116 loans amounting to \$498.7 million approved from the *Social Progress Trust Fund* through 1965. This fund was placed under the Bank's administration by the United States Government in 1961.

A year end review of the Bank's activities also showed that the Bank received record increases in its lending resources to enable it to continue its high contributions to Latin America's growth over the immediate future.

The increases in the Bank's resources were made in both the Fund for Special Operations and the ordinary *callable* capital. During 1968 the Bank also borrowed more money in the world's capital markets than it had in any previous year in its operations.

Highlights included:

—Payment of the complete 1968 *tranche* of \$400 million in a \$1.2 billion increase in the

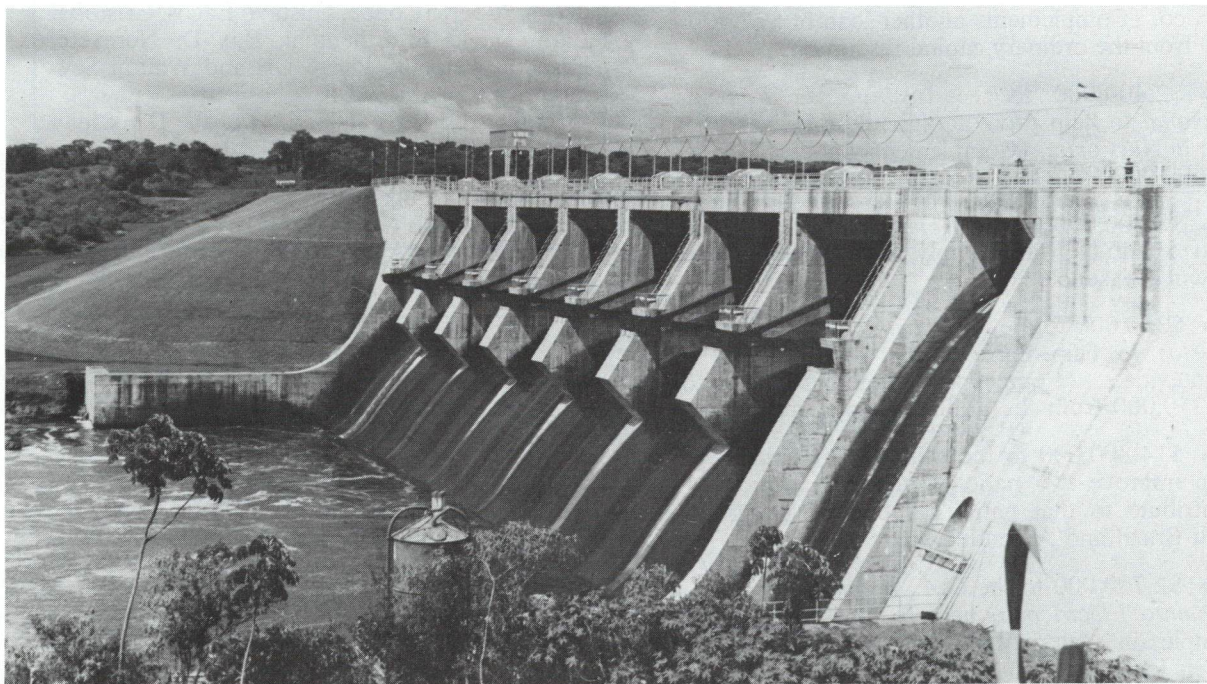
Bank's Fund for Special Operations approved by the Bank's membership December 29, 1967. During early 1968 member countries also paid in \$367,487,000 of the first *tranche* originally scheduled for contribution in 1967. The third *tranche* is due in 1969.

—Subscription of \$480,765,000 in the first *tranche* of a \$1 billion increase in the ordinary *callable* capital, agreed to on June 20, 1968. The second *tranche* is due in 1970.

—Borrowing a record total of \$177.1 million in the world's capital markets during 1968, including long-term borrowings of \$63.9 million in non-member countries, a bond issue of \$70 million in the United States and \$43 million in short-term bonds sold in Latin American countries and Israel.

As of December 31, 1968, the Bank's outstanding funded debt amounted to \$632.3 million. This figure included \$400 million in the United States, \$164.3 million in non-member countries and \$68 million in short-term bonds sold primarily in Latin America.

During 1968 the Bank also received an additional 10 million Canadian dollars to administer for Latin America's development. This contribution was added to a previous amount of 40 million Canadian dollars entrusted to the Bank. The Government of the Netherlands also increased to 90 million guilders (equivalent to \$25 million) the resources it devoted to the region's development on a cooperative—parallel or independent financing—basis with the Bank.



The Rio Acaray Hydroelectric Plant in Paraguay, built partially with \$29,345,000 in Bank loans, was inaugurated December 16. Initial generating capacity is 45,000 kilowatts, later to be increased in stages to 90,000 and 135,000 kilowatts. The plant, which will provide electric power to Asunción and 43 Paraguayan communities, is designed to service nearby areas of Argentina and Brazil.



## Barbados Set to Become 22nd Bank Member

In December the Bank's Board of Governors voted unanimously to admit Barbados as the Bank's 22nd member country. Admission will become effective this year when the Caribbean nation completes the conditions set forth in the Agreement Establishing the Bank.

The Board set the nation's subscription to the Bank's ordinary capital resources at \$4,140,000 (\$2,070,000 in *paid-in* and \$2,070,000 in *callable* capital), and its contribution to the Fund for Special Operations at \$414,000.

Barbados will be the second new member to join the Bank since it was created in 1959. Trinidad and Tobago, another Caribbean country, joined in 1967.

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## Bank Lends . . .

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- \$10,800,000 to the *Instituto Colombiano de Reforma Agraria* to help settle 2,200 low-income farmers and their families on 445,000 acres of virgin land in Eastern Colombia.

- \$7,500,000 to the *Instituto de Fomento Industrial* to aid development of small industry in Colombia. (This loan complements another for \$2,500,000 described above from the ordinary capital resources.)

- \$1,200,000 to *Nacional Financiera, S.A.*, to help finance an irrigation project in Northeast Mexico. (Complements another loan of \$27,500,000 from the ordinary capital resources.)

- \$2,400,000 to the *Instituto de Fomento Nacional* to help promote agricultural diversification in Nicaragua. (Complements another loan for \$2,600,000 from the ordinary capital resources.)

- \$8,300,000 to the *Republic of Paraguay* to help expand the water supply, sewage and drainage system of Asunción.

- \$350,000 to the *Administración Nacional de Puertos* to help improve the port facilities of Montevideo. (Complements another loan for \$9,350,000 from the ordinary capital resources.)

- \$14,800,000 to the *Republic of Uruguay* to help improve two national highways, which will contribute to that nation's economic integration with Brazil and Argentina.

- \$2,700,000 to the *C.A. de Administración y Fomento Eléctrico* to help build a hydroelectric complex in western Venezuela. (Complements another loan for \$13,300,000 from the ordinary capital resources.)

**Other resources:** Two loans equivalent to \$16,284,000:

## Bank Borrows . . .

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convertible yen. The second loan obtained by the Bank in Japan, it is for a term of 15 years at 6½ per cent interest and will be repaid in 24 semi-annual installments beginning August 20, 1971; in June 1966 the Bank borrowed a similar amount.

The agreement with Finland provides for a Bank borrowing of \$1.1 million from the Bank of Finland evidenced by a 6 per cent, 5-year promissory note. The *Finnish Export Credit, Ltd.* also agreed to make available to the Bank through 1970 \$10 million, portions of which would be drawn on or before each June 15 and December 15 with 6 per cent interest during the period. The amounts drawn would be related to the amount of additional purchases in Finland generated by the Bank's lending operations in Latin America during the period.

## New Publication

A new publication, entitled *Multinational Investment in the Economic Development and Integration of Latin America*, is now available from the Inter-American Bank.

The 381-page book is a record of the statements presented at the Bank's Round Table discussion, held last April in Bogotá during the Bank's annual Board of Governors Meeting. Included in the report are papers and documents by Paul N. Rosenstein Rodan, José C. Cárdenas, Alberto Coppé, Gustavo Lagos, Cristóbal Lara, David E. Lilienthal, Bax D. Nomvete, Francois Perroux, Pierre Uri and Walton Seymour.

This and other publications of the Bank may be secured by writing the Division of Information, Inter-American Development Bank, 808 17th Street, N.W., Washington, D.C. 20577.

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- C\$847,000 (equivalent to \$784,000) from the Canadian resources placed under the administration of the Bank to the *Federal Republic of Brazil* to finance a feasibility study for the construction of a jumbo jet international airport.

- C\$16,740,000 (equivalent to \$15,500,000) from the Canadian resources to the *Corporación Autónoma Regional del Cauca* and the *Central Hidroeléctrica del Río Anchicayá, Ltda.*, to help finance a hydroelectric project in Colombia. (Complements another loan for \$43,300,000 from the ordinary capital resources.)