



### 2 German Loans, Italian Bond Issue

## Bank Mobilizes \$74 Million in Europe During First Quarter for Latin America's Development

During the first quarter of 1969, the Inter-American Bank raised an additional \$74 million in the capital markets of Germany and Italy.

These arrangements raised the Bank's net outstanding borrowings in Europe at the end of the quarter to \$228,010,088, and represent further steps in the Bank's accelerated efforts to marshal capital from outside its membership to foster Latin America's development.

In another step of great significance to multi-lateral financing, the Bank agreed to administer a development fund being established by the Holy See (see page 3). This fund, called the *Populorum*

*Progressio Fund*, will have an initial capitalization of \$1 million and will benefit low-income sectors.

The two German borrowings, which are the third and fourth in that market, included:

- \$25 million (100 million Deutsche marks) placed privately in January with the Bayerische Vereinsbank of Munich, and the Commerzbank, of Dusseldorf. The loan will mature in 1984 and will be repaid in 10 equal annual installments beginning in 1975.

- \$25 million (100 million Deutsche marks) privately placed in March with the Deutsche Girozentrale-Deutsche Kommunalbank of Frankfurt. The loan will mature in 1984 and is to be repaid in 10 equal annual installments beginning in 1975.

The two German loans bring the total the Bank has borrowed in the German market to \$90 million.

The 20-year, Italian Bond issue for \$24 million (15 billion lire) was offered for sale between February 24 and March 4, at a price of 96 per cent, by a syndicate of Italian banks managed by Mediobanca and including the following: Banco Commerciale Italiana, Credito Italiano, Banco di Roma, Banca Nazionale de Lavoro, Banco di Napoli, Banco de Sicilia, Monte dei Paschi di Siena, Istituto Bancario San Paolo di Torino and the Banco di Sardegna. The bonds will be redeemed in 15 annual installments in each of the years 1975 through 1989.

The issue, which is the third sold in Italy and the first public offering of the Bank in that market, raised the total the Bank has borrowed in the Italian market to \$72 million.

The three borrowings, as of the end of the quarter, raise the Bank's net outstanding borrowings to \$706,320,977. These resources are all incorporated into the Bank's ordinary capital resources and are used to make economic development loans in its Latin American member countries. These loans are repayable in the currencies in which they are extended.

### Canada Channels Another C\$10 Million Toward Latin America Through Bank

On January 14 the Bank announced the Government of Canada had placed in late December an additional 10 million Canadian dollars (equivalent to \$9.26 million) under Inter-American Bank administration, to finance economic, technical and educational projects in Latin America. This new contribution raised to 50 million Canadian dollars (about \$46.3 million) the amount of resources 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, depending on the project being financed. To date, 13 loans totaling C\$39,843,000 (about \$37 million) have been made with these funds. They have been extended for preinvestment programs in Argentina, Brazil, Colombia, Ecuador, Mexico, Paraguay and Peru; for electric power projects in Brazil and Colombia; for infrastructure works in Central America; for industry and mining in Bolivia; for port improvements in El Salvador, and for educational and telecommunications facilities in Chile.

## LOANS UP TO MARCH 31, 1969

(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	419.3	25	123.6	—	—	3	3.2	110	546.1
Agriculture	29	220.6	51	381.3	26	83.3	—	—	106	685.2
Electric Power	21	250.7	11	115.9	—	—	2	24.1	34	390.7
Transportation	10	86.5	17	226.6	2	5.6	4	14.6	33	333.3
Water Supply and Sewage	15	68.5	27	186.9	32	160.5	1	5.0	75	420.9
Housing	—	—	11	95.7	32	215.8	—	—	43	311.5
Education	—	—	23	86.9	19	31.6	1	4.0	43	122.5
Preinvestment	3	6.4	42	53.9	5	1.2	7	5.4	57	66.9
Export Financing	9	35.1	—	—	—	—	—	—	9	35.1
<b>TOTAL</b>	<b>169</b>	<b>1,087.1</b>	<b>207</b>	<b>1,270.8</b>	<b>116</b>	<b>498.0</b>	<b>18</b>	<b>56.3</b>	<b>510</b>	<b>2,912.2</b>

### Bank Lends \$115.2 Million During First Quarter of 1969

During the first quarter of 1969, the Inter-American Bank authorized 12 loans equivalent to \$115,200,000. By sources of funds, they were:

**Ordinary Capital Resources:** One loan for \$5,300,000 to *Propulsora Siderúrgica, S.A.*, of Argentina, to help finance technical and professional services required in the construction of a steel plant.

**Fund for Special Operations:** Ten loans for \$101,270,000:

- \$25,270,000 to *Centrais Eléctricas Brasileiras, S.A.*, to help expand electric power generation, transmission and distribution facilities in ten of Brazil's less developed states.
- \$4,500,000 to the *Republic of Guatemala* to help finance a farm credit program for low-income farmers.
- \$26,000,000 to the *Federal Republic of Brazil* to expand beef cattle production in the States of Bahia, Minas Gerais and Espírito Santo.
- \$6,000,000 to the *Banco Nacional de Fomento*, of Ecuador, to help finance a credit program for small-scale agricultural and industrial development.
- \$300,000 in technical assistance to the *Republic of Colombia* to help improve the nation's economic and social planning efforts.
- \$4,000,000 to the *Banco Nacional de Fomento*, of Paraguay, to help expand and develop industry and tourism throughout the country.
- \$7,700,000 to the *Republic of Honduras* to help settle some 3,300 low-income families on 110,000 acres of state-owned lands.
- \$5,000,000 to the *Dirección Nacional de Energía y Combustibles*, of Argentina, to improve

the electric power transmission system of the Province of Misiones and interconnect it with the new Acaray hydroelectric plant in Paraguay.

- \$12,000,000 to the *Republic of Argentina* to help improve and expand technical education throughout the country.

- \$10,500,000 to the *Republic of Argentina* to help carry out a national campaign to control and eventually eradicate foot-and-mouth disease.

**Other resources:** One loan for C\$9,320,000 (equivalent to \$8,630,000) from the Canadian resources placed under the administration of the Bank to *Centrais Eléctricas Brasileiras, S.A.*, complementing the \$25,270,000 loan from the Fund for Special Operations mentioned above, to help expand electric power generation, transmission and distribution in Brazil.

#### Disbursements

As of March 31, 1969, disbursements on the 510 loans authorized by the Bank amounted to \$1,398.2 million. This sum represents 48 per cent of the total of \$2,912.2 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, 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
Mar. 31, 1969	1,398.2	64.7	48.0

## Holy See Entrusts Development Fund to Inter-American Bank

The Inter-American Bank on March 26 agreed to administer a development fund being established by the Holy See to benefit low-income sectors in Latin America.

The Fund, which will be capitalized with an initial interest-free contribution of one million U.S. dollars, will be known as the *Populorum Progressio Fund* and will operate in the spirit of Pope Paul VI's well known Encyclical of that name.

The Pope announced the fund's creation during a general audience in St. Peter's Basilica. Later, the agreement establishing the Fund was signed in a ceremony at the Vatican by Cardinal Maurice Roy, President of the Pontifical Commission on Justice and Peace, by Monsignor Sergio Guerri, Vice President of the Pontifical Commission for the Vatican City State and Secretary of the Administration of the Properties of the Holy See, and by Felipe Herrera, President of the Inter-American Bank.

Herrera, speaking at the signing ceremony, welcomed the Pope's announcement as an explicit recognition of the Bank's role as a regional institution engaged in fostering Latin America's development, and added: "We are certain that the creation of this Fund will serve as an inspiration and a model for similar solutions of multilateral scope."

The Fund, announced on the occasion of the Second Anniversary of the Encyclical *Populorum Progressio*, will be used to provide loans and, in some cases, technical assistance, in the fields of agrarian and economic reform, over-all social well-being and workers' organizations in the developing countries which are members of the Bank.

The \$1 million initial contribution will be devoted to loans for agrarian reform efforts in Colombia. Repayments of such loans and any additional contributions or other subsequent accruals may also be used for the benefit of other developing member-nations of the Bank.

Other contributions may be made to the Fund by any institutions or other donors, upon approval by the Holy See and the Bank.

Loans from the Fund will be extended in dollars or other currencies in the Fund for maturities ranging up to 50 years, with appropriate grace periods. The loans will be interest free but the Bank may charge a commission of up to 1/2 of 1 per cent annually on amounts committed or outstanding on each loan to cover its services.



*Pope Paul VI greets Felipe Herrera, President of the Inter-American Bank, at Vatican signing ceremony establishing the Holy See's Populorum Progressio Fund which will be administered by the Bank.*

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### Barbados Becomes 22nd Bank Member

Following action taken by the Board of Governors last year, Barbados on March 19 became the 22nd member nation of the Bank.

In a resolution approved November 30, 1968, the Board outlined conditions for Barbados to become a member and authorized the President of the Bank to accept the new nation, 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 \$4,140,000 (\$2,070,000 in *paid-in* capital and \$2,070,000 in *callable* capital), and its contribution to the Fund for Special Operations at \$414,000.

In a ceremony at the Pan American Union March 19, Barbados completed requirements for membership when Ambassador V. T. McComie, the nation's representative to the Council of the Organization of American States (OAS), signed the Agreement Establishing the Bank and deposited an instrument of acceptance to the Agreement with the Secretariat of the OAS.

## Latin America Makes Substantial Progress During 1968, Bank Report Finds

Latin America increased its gross domestic product by nearly 5.5 per cent during 1968, the Inter-American Bank's 1968 survey of Latin America disclosed. The hemisphere thus achieved the growth targets of the Alliance for Progress during the year.

Entitled "Socio-Economic Progress in Latin America," the 409-page report contains a detailed regional and country-by-country analysis of recent development trends as well as a special section on the urban growth problems faced by Latin America today.

Among the key factors accounting for the region's improved growth in 1968, the report says, were the improved economic conditions in Argentina, Brazil and Colombia. Most of the region's other countries also showed relatively high development rates.

The report found that during the 1960-67 period, Latin American exports grew at average annual rates of 4.9 per cent, imports increased 4 per cent yearly and the region's monetary reserves grew by 2.5 per cent a year.

In this period, the report adds, "Latin America's balance of payments reflected a fundamentally sound position, giving rise to a substantial increase in international monetary reserves which moved from \$2,735 million at the end of 1960 to \$3,310 million at the close of 1967, i.e., an improvement of \$575 million."

The report noted impressive development trends have taken place in Latin American industry over

the decade. However, expansion rates in the agricultural sector have lagged behind compared to the rest of the economy. Thus, industrial production in Latin America between 1960 and 1967 increased at an annual rate of nearly 6 per cent—expected to have risen to 8 per cent in 1967—, while the yearly expansion of farm output barely exceeded 4 per cent in the 1960-67 period.

In urban development, the report notes, Latin America will soon face a problem of "considerably greater proportions than that already confronting it, if historical trends are allowed to continue unaltered." The region's rapid urbanization, it adds, poses serious political and social implications as well as economic ones.

Efforts to solve the urban problems, the report stresses, should be primarily oriented toward directly productive activities, in order to increase levels of production, yields per person and employment opportunities. The Bank report concludes that an improvement in the situation will require a much faster rate of capital formation from both domestic and external sources than has prevailed so far, and adds:

"This undoubtedly will involve considerable sacrifices and prove difficult to achieve, but the alternative seems to be the progressive deterioration of already unsatisfactory conditions."

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



*Argentina received a \$10.5 million Bank loan in the first quarter of 1969 to help continue a nationwide campaign to combat foot-and-mouth disease in cattle. Servicio de Luchas Sanitarias, the governmental agency in charge of the project, will coordinate its efforts with similar Bank-financed campaigns underway in Chile and Paraguay.*