

# IDB NEWSLETTER

INTER-AMERICAN DEVELOPMENT BANK

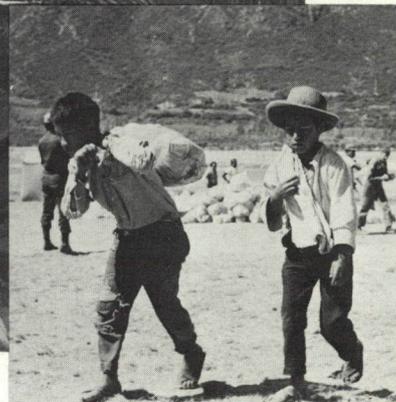


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## Bank Lends \$35 Million to Earthquake-Stricken Peru



Disaster in Peru killed some 60,000 and left another 400,000 homeless. Photos show: IDB President Herrera inspecting ruins; devastation at Chimbote, and earthquake victims in the Huaylas Valley.

In the wake of the worst natural disaster ever to strike Latin America, the Inter-American Bank acted rapidly to extend a \$35 million loan to help earthquake-stricken Peru carry out the massive task of reconstructing and rehabilitating the affected area.

As many as 60,000 persons may have died in the May 31, 1970 earthquake that severely damaged a 30,000-square-mile area along Peru's north central coast and Andean regions. Another 400,000 persons may have been left homeless and more than a half billion dollars in property damage was sustained. The devastated area included the Department of Ancash and large parts of the Departments of La Libertad, Huánuco and Lima.

The Bank loan was extended after a mission, headed by Bank President Felipe Herrera, visited Peru in early June following the earthquake to explore possibilities for lending technical and financial aid to the stricken region.

The Bank-sponsored loan program is designed primarily to help reconstruct and repair infrastructure facilities and basic social services which were devastated by the earthquake.

Approximately 50 per cent of the loan will be channeled into housing construction and repair in order to provide minimum living conditions to some of the 400,000 left homeless, most of whom are from the low-income sector.

Another 30 per cent will be used to restore electric service and to rebuild and rehabilitate port facilities.

The loan, which was extended to the Republic of Peru, will be used by the Peruvian Government's Commission for Reconstruction and Rehabilitation, which was organized following the earthquake to aid the disaster-stricken area. The total cost of the Bank-financed program is estimated at \$52.5 million. The Bank loan will cover 66.7 per cent of this cost and domestic sources will contribute the remaining 33.3 per cent.

The subprograms to be financed by the Bank loan include:

- Preparation of studies and designs required for the execution of the projects within the subprograms.
- Rehabilitation of the Ports of Chimbote, Huarney, Salaverry and Supe, completion of the

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IDB FELIPE HERRERA LIBRARY



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## Loans Approved up to June 30, 1970

(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	88	\$ 453.6	30	\$ 142.0	—	\$ —	3	\$ 3.2	121	\$ 598.8
Agriculture	36	262.6	72	667.7	26	82.1	1	1.0	135	1,013.4
Electric Power	24	292.4	15	184.7	—	—	3	25.6	42	502.7
Transportation & Communications	14	191.5	24	326.3	2	5.6	5	16.4	45	539.8
Water Supply and Sewage	17	80.6	32	219.9	32	159.9	1	5.0	82	465.4
Urban Development	—	—	13	107.0	32	215.1	—	—	45	322.1
Education	—	—	26	101.3	19	31.4	1	4.0	46	136.7
Preinvestment	2	1.1	45	58.3	5	1.2	7	5.4	59	66.0
Export Financing	12	45.5	—	—	—	—	—	—	12	45.5
<b>TOTAL</b>	<b>193</b>	<b>\$1,327.3</b>	<b>257</b>	<b>\$1,807.2</b>	<b>116</b>	<b>\$495.3</b>	<b>21</b>	<b>\$60.6</b>	<b>587</b>	<b>\$3,690.4</b>

### Bank Lends \$242.3 Million During the Second Quarter of 1970

During the second quarter of 1970, the Inter-American Bank authorized loans amounting to \$242.3 million. This sum includes \$240.1 million in 16 individual loans authorized during the quarter and \$2.2 million in increases in previous loans authorized for export financing. (The total includes three loans totaling \$7,351,000, which were inadvertently attributed to first quarter authorizations.) The second quarter loans by source of funds are:

**Ordinary Capital Resources:** Three loans for \$19,200,000:

- \$9,000,000 to *Agua y Energía Eléctrica, Empresa del Estado* of Argentina, along with \$21,000,000 from the Fund for Special Operations, to expand electric power systems throughout the interior of Argentina.

- \$8,000,000 to the *Republic of Venezuela*, together with two loans from the Fund for Special Operations amounting to \$67,000,000, to help finance a program of integrated agricultural development benefiting 38,130 square miles con-

taining a population of approximately 845,000 persons.

- \$2,200,000 to the *Banco de Costa Rica*, together with \$3,300,000 from the Fund for Special Operations, to foster private industrial development. (This loan was inadvertently attributed to first quarter authorizations.)

**Fund for Special Operations:** Twelve loans totaling \$219,100,000:

- \$58,800,000 to the *Republic of Venezuela*, together with \$8,000,000 from the ordinary capital resources and the following \$8,200,000 loan to carry out an integrated agricultural development program.

- \$8,200,000 to the *Republic of Venezuela*, together with the above loan and another for \$8,000,000 from the ordinary capital resources, for an agricultural development program.

- \$35,000,000 to the *Federal Republic of Brazil* to help finance a farm credit program which will benefit rural cooperatives and 38,000 small- and medium-scale farmers and ranchers.

- \$29,000,000 to the *State of Minas Gerais* of Brazil for the overall development of its extensive northwestern region.

- \$26,000,000 to *National Financiera, S.A.*, to build small irrigation works which will benefit some 30,500 farm families in Northeastern Mexico.

- \$21,000,000 to *Agua y Energía Eléctrica, Empresa del Estado* of Argentina, together with \$9,000,000 from the ordinary capital resources, to help finance the expansion of electrical services in rural areas of that nation.

- \$16,100,000 to the *Fondo Vial Nacional* of Colombia to finance the construction of a highway between Bogotá and Medellín, the nation's two largest cities.

- \$13,000,000 to the *Federal Republic of Brazil* to help finance a campaign to control foot-and-mouth disease in a seven-state area of Brazil which is the center of that country's cattle industry.

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### Disbursements

As of June 30, 1970, disbursements on the 587 loans authorized by the Bank amounted to \$1,898.1 million. This sum represents 51.4 per cent of the total of \$3,690.4 million in loans authorized to that date. The following table shows disbursements during the past five quarters.

Quarter Ending	Cumulative Disbursements (In millions of dollars)	Quarterly Increase	Disbursements as per cent of Authorizations
June 30, 1969	1,484.3	86.1	49.3
Sept. 30, 1969	1,583.1	98.8	50.3
Dec. 31, 1969	1,725.7	142.7	50.3
Mar. 31, 1970	1,806.3	80.6	52.3
June 30, 1970	1,898.1	91.8	51.4

## Bank to Administer \$2 Million Development Fund for Norway

On June 26, 1970, the Inter-American Bank entered into an agreement with the Government of Norway to administer a \$2 million Norwegian Development Fund for Latin America.

The Norwegian Fund will be used by the Bank in extending loans designed to promote social and economic development in the Bank's 23 Latin American member countries. The Bank will be responsible for selecting, processing and approving loan projects, but it will obtain the approval of the Government of Norway at an early stage in the project selection process.

Loans granted from the Norwegian resources will be made and will be repayable in dollars, will have maturities ranging up to 30 years and grace periods of up to seven years. The interest rate on loans extended from the Fund will be 2½ per cent annually, including a commission of one-half of one per cent to cover the Bank's administrative costs. Loans from the Fund will be open to international bidding procedures, and goods financed under the agreement will be shipped in accordance with normal commercial competitive practices.

The signing of the agreement with Norway brings to 16 the number of non-member nations cooperating with the Bank in providing funds to foster Latin American development. The Bank had previously entered into agreements to administer funds for Canada, Germany, Sweden, the United Kingdom and the Vatican. In addition, the Bank has borrowed resources in Austria, Belgium, Finland, Germany, Israel, Italy, Japan, the Netherlands, South Africa, Spain, Sweden, Switzerland and the United Kingdom.

### Bank Lends . . .

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- \$5,100,000 to the *Banque Nationale de la Republique d'Haiti* to help carry out a program to improve and expand the municipal water supply systems of Port-au-Prince, Petionville and adjacent areas.

- \$3,300,000 to the *Banco de Costa Rica*, along with \$2,200,000 from the ordinary capital resources, for industrial credit. (This loan was inadvertently attributed to first quarter authorizations.)

- \$2,900,000 to the *Government of Trinidad and Tobago*, along with the following \$700,000 loan, to carry out agricultural development and crop diversification programs.

- \$700,000 to the *Government of Trinidad and Tobago*, together with the above mentioned \$2,900,000, to stimulate agricultural production.

**Other Resources:** One loan for CAN\$2,000,000 (equivalent to \$1,851,852) from the Canadian resources administered by the Bank to the *Comisión Ejecutiva Portuaria Autónoma* of El Salvador to improve the nation's major Pacific port, Acajutla. (This loan was inadvertently attributed to first quarter authorizations.)



Signing the Agreement establishing the Norwegian Development Fund for Latin America are (from the left): Director General Thomas Løvold of the Royal Norwegian Ministry of Commerce and Navigation, and IDB Executive Vice President T. Graydon Upton. Mr. Odvar Mosneset, First Secretary of the Royal Norwegian Embassy in Washington, observes the signing.

In addition to the initial \$2 million, the Norwegian Fund will be increased with the interest received on loans granted from it and any investment income or other accruals. Money received in repayment of loans will also be part of the Fund's resources and will be available for relending in accordance with the terms of the agreement.

The creation of the Fund will establish the eligibility of Norwegian suppliers for procurement of goods and services with the proceeds of loans made to the Bank's borrowers with ordinary capital loans.

The agreement between Norway and the Bank was signed in a ceremony at the Bank's headquarters in Washington. The Bank was represented at the signing by its Executive Vice President, T. Graydon Upton, and Mr. Thomas Løvold, Director General of the Royal Ministry of Commerce and Navigation represented Norway.

### NEW PUBLICATION

The Inter-American Bank has recently published, *Change and Development: Latin America's Great Task*, by Raul Prebisch, Director General of the United Nations' Latin American Institute for Economic and Social Planning, at Santiago, Chile. Mr. Prebisch's report is an in-depth study of development efforts in Latin America and contains his observations on what lies ahead in the continent's path to development.

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

## **Bank Grants \$850,000 to Promote Green Revolution**

During the second quarter of this year, the Inter-American Bank approved four technical assistance grants designed to improve Latin America's agricultural productivity. The grants, totaling \$850,000, were extended to two international agricultural centers which are exerting a positive force in Latin America's agricultural sector and to two projects designed to promote agricultural development and economic integration throughout Central America.

The two centers, one in Mexico and the other in Colombia, were established and operate with financial support from the Rockefeller and Ford Foundations. Their objective is to promote the continent's agricultural development through the so-called "green revolution" which enables the sector to raise its production levels by taking advantage of modern technology and innovations and to make a greater contribution to the gross product of the region. At present agricultural contribution is lower than that of the industrial sector.

One of the grants, for \$300,000, went to the International Maize and Wheat Center, a private corporation with headquarters in Mexico City, Mexico. The center will use the grant to train some 60 agricultural specialists from the Bank's member countries in modern wheat and corn farming technology.

A second grant, also for \$300,000, went to the International Center for Tropical Agriculture, a private research organization located in Cali, Colombia, which will train 50 Latin American professionals in lowland agriculture and ranching.

Another grant, for \$100,000, will be used by the Governments of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua to finance studies on the possibilities for integrated development of the river basin areas of the Gulfs of Fonseca and Honduras and the San Juan River. The studies will determine each basin's area of influence, factors limiting development in them and development projects which could be carried out jointly in the near future.

The Permanent Secretariat of the General Treaty of Central American Economic Integration (SIECA) received the fourth grant, amounting to \$150,000. This grant will be used to carry out agricultural development studies in the following fields: coordination of national food-pricing and supply programs; prospects for the specialization of agricultural production, and the preparation of a plan for agricultural regionalization in Central America.

### **Loan to Peru . . .**

*(Continued from page 1)*

Anta Airport which serves the hard-hit Huavlas Valley, and reconstruction of 62 miles of the Pan American Highway and 42 miles of connecting roads between the towns of Huallanca and Chuquicara.

- Reconstruction and repair of irrigation works throughout the affected area.

- Repairs to electric power systems in seven towns, the power plant at Cañón del Pato and transmission lines and transformer substations in Chimbote and the towns of the Huaylas Valley.

- Provision of credits for the construction and repair of dwellings in the affected area.

- Reconstruction and repair of drinking water systems and drainage and sewage systems in 17 towns and in rural areas.

- Repairs to the university and technical education facilities located in Chimbote and Trujillo.

The Departments of Ancash and La Libertad, where the damage was most severe, account for approximately 10 per cent of Peru's gross national product. Chimbote, the hardest-hit coastal city, is Peru's most important port and is the headquarters for the nation's fish catching and processing industry. Trujillo, further north on the coast, is a major industrial center containing the nation's only integrated steel processing plant.

## **Herrera Urges Greater Role for Youth in Latin America's Future**

Inter-American Bank President Felipe Herrera strongly urged that Latin America's young people be given greater opportunities to participate in the economic, political and cultural life of their continent.

Herrera's remarks were part of a commencement address he delivered at the Graduate School of the University of Miami (Florida). During the ceremony, he was granted an honorary Doctor of Laws degree in recognition of his contribution to the cause of inter-American development.

Forty-three per cent of Latin America's population, Mr. Herrera pointed out, is under 15 years of age; thus, the region is an extraordinarily "young" continent and its future "is heavily dependent on the future of its young people." He called for an increasing emphasis in development planning on finding job opportunities and markets to absorb the labor force of young people who are growing into manhood, but reminded his audience that "access to the economy must be accompanied by access to political, social and cultural life. . . ."

As a result of the urban migration which Latin America is experiencing, it is estimated that about half of its population now lives in cities, and Mr. Herrera stated that the cities would likely become the target for international development efforts in the years ahead.

Unrest among today's young people has spread to every corner of the world, due frequently to a loss of faith in traditional society by the young who do not share their elder's conviction that the society in which they live is either perfect or perfectible.

Young people are frustrated, Herrera said, in a world in which nations cannot live together in peace and man loses respect for both his neighbor and his environment. It is not surprising, he continued, that the world's young people blame their elders for not having created a more rational and humane world.