McNamara Papers

Travel bri[efs]

Folder 2 of 2

ACTIVE IFC INVESTMENTS IN COLOMBIA
(Col $18.34 = US$1.00)

Industrias Alimenticias Noel S.A. - Medellin

$1,000,000 Loan Investment approved July 30, 1959 and $1,000,000 Line of Credit approved October 13, 1964.

The first loan has been repaid. $553,600 of the second was outstanding at April 30, 1970. IFC also holds 62,657 shares obtained as part of the interest on the second loan. Shares are of par value Col$10.00. The market price is about Col$18.20 and the shares could be sold at a book profit in dollars.

Noel is a major Colombian foods producer. Its principal products are biscuits, macaroni type products, candies, corn-flakes and meat products. Sales in 1969 were Col$188 million and net income Col$5.8 million. These results were substantially better than in 1968 when the dividend was cut out following a strike. Dividend payments have been resumed at the rate of 14.4%. The company is making satisfactory progress and a further expansion of facilities is contemplated. Total assets at March 30, 1970 were Col$139 million. The Manager is Dr. Carlos Cordoba formerly Director of Manufacturing. He recently replaced Dr. Juan Gonzalo Restrepo L, who had done much to build up the Company.

Compania de Desarrollo de Hoteles y Turismo Ltda. (HOTURISMO) - Bogota

Equity Investment of Col$100,000 ($5,882 equivalent) approved October 8, 1968.

IFC was a founder member of the Company with 12 other investors.

Hoturismo is a tourism promotion company formed by several big Colombian companies, DFC's, the government's Corporacion Nacional de Turismo and Cuellar, Serrano, Gomez y Cia., a big architect and contracting firm. Mr. Jose Gomez Pinzon, its president, has been active in the Company.

Hoturismo sponsored the Cali Hotel project in which IFC is participating. It is also promoting hotels in Bogota, Cartagena and Santa Marta in all of which IFC is being asked to participate.

Industria Ganadera Colombiana S.A. - Head office Bogota

Loan Investment of $1,000,000 and Equity Investment of Col$10,000,000 ($585,121 equivalent) approved April 6, 1966.

At April 30, 1970 $785,000 of the loan was outstanding. IFC subscribed the second half of the equity on the same date following a review of the Company's prospects. The shares are not yet quoted. The other shareholder include Corporacion Financiera Colombiana.

Indugan is in the beef cattle business, mainly fattening but some breeding. The bulk of the Company's cattle are fattened on a partnership basis with independent ranchers but Indugan now owns one large ranch and operates two others in the northern plains of Colombia. After several years of stagnation, Indugan has apparantly been revitalized by the new manager, Mr. Camilo Saenz. The cattle herd is now growing rapidly and better results should follow. The emphasis is on improved cattle management techniques and increasing the herd under the Company's own expert management.

Sales in 1969 were Col$42.6 million and net income Col$1.5 million. The cattle herd is now about 50,000 head. Total assets were Col$91 million at end 1969. Over Col$68 million was in cattle. Equity was Col$55 million and long term debt Col$11 million.

Enka de Colombia S.A. - Medellin

Equity Investment of Col$15,000,000 ($923,988 equivalent) approved September 8, 1966. New Equity Investment of Col$5,000,000 ($279,021) for exercising preemptive rights and of up to $368,250 equivalent for additional shares; Loan of US$1,000,000 and Contingent Commitment of up to Col$1,850,000 approved August 12, 1969.

Present shareholding 2,030,000 shares of Col$10 each. Not quoted on market. Shareholders are the Dutch AKZO fibres and chemical group, Colombian textile producers and Corporacion Financiera Nacional.

Enka produces nylon and polyester fibre for the Colombian textile industry and for tires. It is doing very well, expanding rapidly, and operating at capacity. Sales in 1969 were Col$214 million (Col$157 million in 1968) and net income was Col$28.2 million (Col$10.6 million in 1968). Total assets are about Col$370 million. First quarter results show continued growth in sales, income and profit margin.

Morfeo Productos para el Hogar S.A. - Cali

Loan Investment of $45,000 and Equity Investment of 165,000 preferred shares ($91,950 equivalent) approved December 22, 1966. 147,725 shares of par value Col$10 remain with IFC. They are not quoted. The loan has been repaid.

Morfeo produces mattresses, box springs and upholstered furniture. The Company is small, with end-1969 assets of Col$5.3 million. IFC's original investment was in Berry, Selvey y Cia. The business deteriorated and after the foreign shareholders absconded with funds belonging to the Company, the Colombian shareholders and IFC reorganized the Company under its present name. Recovery has since been good. 1969 results show sales of Col$5.7 million (Col$4.9 million in 1968) and net profit of Col$679,480 (Col$650,000 in 1968). On April 3 Morfeo declared an 18% dividend. The Colombian shareholders are using their dividends to purchase IFC's shares at par.

Pro-Hoteles S.A. - Cali

Loan of US$800,000, Equity Investment of Col$3,900,000 ($213,000 equivalent) and Contingent Commitment of Col$633,000 ($35,000) approved December 2, 1969. Investment Agreement signed May 20, 1970, no disbursements yet.

The Company is building a business and tourist hotel of full international standard in Cali to be ready prior to the Pan American Games to be held in Cali in mid-1971. The basic structure is now almost complete and work is on schedule. The total cost is estimated at Col$75 million. The hotel will be operated by Intercontinental Hotels Corporation (Pan-Am) who, with 22.7% of the shares, is the major shareholder. The remaining major shareholders are two private sector Colombian DFC's (Corporacion Financiera Colombiana and Corporacion Financiera del Valle), the government's industrial DFC (IFI) and the Organizing Committee for the Pan American Games. The President of the Company is Mr. Manuel Carvajal, the Cali industrialist and former Minister of Communications.

Compania Colombiana de Tejidos S.A. (COLTEJER) - Medellin

US$2,000,000 Loan Investment approved July 12, 1962.

The loan is now repaid but IFC still has 107,256 shares received by exercising option. Shares have par value of Col$2.50 each. The market price in February 1970 was Col$24.00 per share. IFC expects to sell the shares on the market when the price reaches Col$26.50 per share.

COLTEJER is the largest textile manufacturer in Latin America and supplies about 45% of the Colombian market. It is highly profitable and paying dividends at the annual rate of Col$2.04 per share. Total shareholders' equity in COLTEJER exceeds Col$500 million.

Forjas de Colombia S.A. - Bucaramanga (head office Bogota)

Equity Investment of Col$10,000,000 (US$749,628 equivalent) and an Underwriting Equity Investment of Col$5,000,000 ($352,109 equivalent) approved April 23, 1964 and an Equity Investment of Col$2,751,000 ($169,292 equivalent) approved May 28, 1968.

Present shareholding 1,320,713 common and 274,400 preferred shares all of par value Col$10 each. The shares are not quoted. Forjas' shareholders include two Colombian DFC's, the government owned IFI (the largest shareholder), Adela and Rheinstahl (the German technical partner which built the plant).

The Company has not yet been able to approach break-even. Losses to end 1969 totaled about Col$87 million compared with issued share capital of Col$91 million. However, some of the losses have been treated as organizational and start up costs and are being amortized over 20 years. The basic problem has been the failure of the Colombian market for forgings to develop. It had been hoped that the new Renault automobile plant in Medellin would provide a market but the government decided to give the gear-box contract to Chile. Forjas' basic market at present is tractor trucks, which they produce complete but demand is insufficient for Forjas' capacity. The long term debt to Rheinstahl for the plant construction has had to be rescheduled and currently carries interest at 11% in DM. This, together with the relatively large debt burden, is too heavy for Forjas and a solution is being south. IFI is the guarantor of the Rheinstahl debt. Total fixed assets were Col$186 million and long term debt Col$189 million at end 1969.

J

OFFICE MEMORANDUM

TO: Mr. R. Sadove Sadove

DATE: May 28, 1970

FROM: J. Elkouby JE

SUBJECT: The Bogota Transport and Urban Development Study

Background

The City of Bogota is growing very rapidly; its population which is currently increasing at a rate of nearly 7 percent per year has grown from 150,000 inhabitants in the 1920's to more than 2 million now. It is expected to reach the level of 4.5 million before 1980.

To prepare for this development, the Colombian Government together with the Bogota District Administration wanted to initiate a long range program for transport and urban development. The purpose of the Bogota Transport and Urban Development Study is to assist in the preparation of such a program. The Study was planned in two phases.

In December, 1968 the scope of study and terms of reference for Phase I were agreed on between the Government and the Bank. In March 1969 the firm Freeman, Fox, Wilbur Smith and Associates, of London, in association with the firm Restrepo y Uribe, of Bogota, were appointed to carry out the Study. The budget for Phase I in foreign and local currencies was US$275,000 equivalent, of which $200,000 was provided by UNDP; the Bank acted as executing agency for the Study.

Scope of the Study

Phase I, which has now just been completed, was basically conceived as a comparison of a number of alternative planning strategies. Its objectives were the following:

(a) to identify the major alternative development patterns for a target population of 4.5 million in the Bogota region and to evaluate each pattern in terms of costs and quality of development;

(b) to formulate policies and measures for improving passenger and freight transport in the region;

(c) to define the scope of Phase II of the Study.

The nature of Phase I is thus rather different from most studies of transport and urban development. It does not purport to provide a detailed and definitive regional plan as this will be the major objective of Phase II of the Study. Nor is it intended to be a full-scale metropolitan transportation study similar to the studies that have been carried out in some major American or European cities.

The originality of the Bogota Study lies in the method of approach as it implies an investigation and evaluation of various possible patterns of growth for Bogota prior to the definition and feasibility study of a specific transport system. The transport element is considered as only one aspect, among others, of the evaluation of development patterns.

Definition of the Patterns

The consultants were requested to investigate at least five different growth patterns, including one corresponding to the projection of present trends. Each development pattern included two or three different transport solutions and was evaluated on the basis of costs and benefits including other aspects besides transport. The five patterns can be described as follows:

1. Existing Trends Pattern resulting from continuation of present policies at their current levels of success and incorporating the current long range plans for infrastructure.

2. Intensification Pattern resulting from a positive encouragement of high densities in housing and commercial/retail employment especially along possible mass transit rights-of-way.

3. Westward Development Pattern resulting from a policy of making use of lands that could be reclaimed if the project for canalization of the River Bogota were implemented.

4. North-South Development Pattern resulting from a policy of emphasizing the industrial nucleus in Zipaquira and developing the Metropolitan Area essentially on the eastern bank of the River Bogota.

5. Pattern Incorporating Regional Centers (Dispersion Pattern) resulting from a policy of creating three major centers supporting their own employment areas as alternative attraction poles in the region.

The costs (including private and public expenditures) of each alternative have been estimated, taking into account not only the major investments necessary in transport and public utilities to cope with urban growth, but also the cost of providing public services to the new residential areas as well as the cost of new housing.

Preliminary Results

The final report of Phase I will be soon submitted to the Bank. However, it may be of interest to outline from the results now available what are the major findings of the Study:

1. The Intensification Pattern corresponds to the highest overall cost. The other four are quite comparable on the basis of overall cost.

2. The Existing Trends Pattern cannot be recommended because it would not provide for growth of the urban area beyond 1980.

3. The Intensification Pattern cannot be recommended in its present form as it would involve very high total costs and would be quite difficult to implement. Although the public sector infrastructure costs are lower than in the others, the Pattern would probably require a heavy commitment to expensive public sector housing. However, a more limited degree of intensification would probably be desirable.

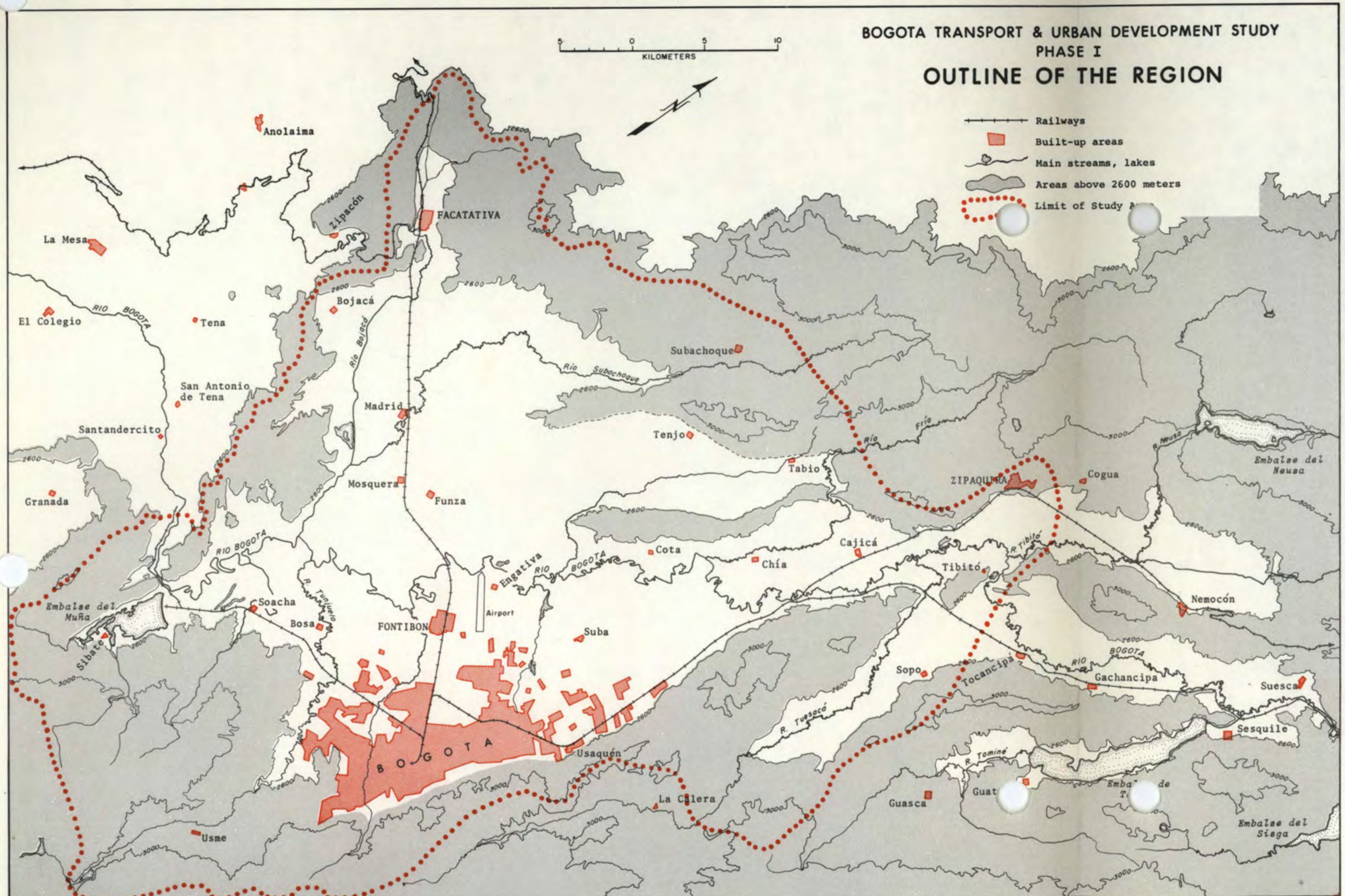
4. The Dispersion Pattern cannot be recommended at this stage due to the high public sector costs involved and to the difficulties of early implementation.

5. Of the five Patterns examined, the Western Expansion Pattern is considered to be the most suitable for adoption as a basis for development of the Bogota region. Adoption of the Western Expansion Pattern could also lead later on to the Dispersion Pattern. The main difference between the two Patterns lies in the degree of expansion in the Zipaquira area.

6. The public sector costs (excluding public housing) represent 16-20 percent of the total cost. In ascending order of public sector costs, the Patterns are the Intensification, Existing Trends, Northern, Western and Dispersion Patterns.

7. The evaluation of the transport solutions point to the need for a new mass transport system whatever overall planning pattern is adopted. Several systems, including rail transit system and a "busway" system (highway network reserved for bus services) have been studied, but results of their detailed investigation are not yet available.

JElkouby:bc



MARCH 1969

IBRD-2490R

COLOMBIA

THE URBAN TRANSPORT PROBLEM IN BOGOTA

1. INTRODUCTION AND SUMMARY

1.1 In January 1968 the Government of Colombia asked the Bank to finance the widening of the approach road from Soacha to the southwestern end of Bogota. The Bank's appraisal mission consisting of Mr. S.Y. Park and Mr. J.D. North considered that while the proposed widening appeared justified at first sight, it should not be carried out without reference to the general transport problem of Bogota. They recommended that a mission including an expert on urban transport should visit Bogota to review its transport problems and suggest terms of reference for future studies. A mission consisting of Mr. G.J. Roth (Transport Economist) and Sr. Gian Carlo Guarda (Consultant on town planning) visited Bogota during the first half of July 1968 and the present report is based on their findings.

1.2 The mission concludes that Bogota's road network is adequate for its present needs, but that the rapid growth of the city could lead to serious shortages in the medium term. The city administration is considered to be able and vigorous, but in need of help to devise an effective strategy to guide the city's growth.

1.3 It is recommended that an urban study be carried out to help the resolution of key policy questions and the selection of optimal growth patterns (Section 4). Recommendations are made for some immediate measures to improve the transport situation (Section 5).

2. THE PROBLEM

2.1 The population of Bogota is 2¼ million and growing at a rate of about 7% per year, half of this growth being due to natural increase and half to migration from other areas. This rapid growth, which may double the city's population in ten years, induces shortages in the provision of public services, particularly transport and water, but also of electricity, housing, schools and recreational areas.

2.2 The dilemma facing the authorities is that they have to provide additional water, power, and transport services to keep up with the growth of the city but are unable to raise the funds required for this expansion. The costs of providing the additional facilities are not being met by those who migrate into Bogota, nor indeed could they be, as many of the migrants live at subsistence level. The authorities have therefore to choose between providing facilities that they cannot afford, and at the same time attracting additional migration to Bogota, or else not providing the facilities, and allowing standards to fall to unacceptable levels. In principle it is recognized that full charges should be made for expanding services, but no effective means have been found of applying the principle in practice.

2.3 While the provision of funds to finance public services would help to relieve immediate shortages, this would not in itself resolve the basic problem: to devise a strategy of city growth which would minimize community costs and enable the city itself to provide the services for which its residents are prepared to pay. In order to reduce the financial burden, it would be desirable that the costs of growth be brought home to the maximum practicable extent to those whose decisions create the additional expenditures. While the imposition of economic charges for drinking water may impose considerable hardship on those least able to pay, the same does not apply in the case of transport. Much of the road space required in Bogota is for commercial and private vehicles which may reasonably be expected to pay their full costs. Even if buses were also charged, the effect on fares would be negligible, and the discouragement of private car and commercial traffic might even help bus services so that total costs would fall.

2.4 The twin objects of transport policy should therefore be to provide the transport facilities required by the people of Bogota as economically as possible, and to ensure that as far as possible the full costs of expanding transport facilities are met by the users whose needs make the additional facilities necessary.

2.5 Closely allied with transport problems are those of town planning. Bogota has become the main focus of a country-wide migratory movement from the rural areas towards the cities. The increasing demand for jobs and services and the accompanying social and political frictions impose strains on the administration which are causes of serious concern. The settlement of migrants on the city outskirts creates slums and the need for public utility services that drain the municipal budget. The horizontal growth of the city reflects both the settlement of migrants on the outskirts and the preference of the upper and middle classes for single family dwellings in exclusive neighborhoods. The city is trying to counter this growth by encouraging high density development in the city center, but has not succeeded in bringing this about without heavy expense from public funds. The town planners require improved analysis to enable them to assess optimal growth patterns, and also the legal and administrative machinery necessary to enable them to put their plans into effect.

3. BACKGROUND

A. General

3.1 The city of Bogota, the capital of the Republic of Colombia and of the State (Departamento) of Cundinamarca, was founded in 1538 on a fertile valley 8,600 feet above sea level. It has grown rapidly in recent years and its population (1968) is estimated to be 2¼ million.

3.2 Bogota has a dominant position in the economy of Colombia. Although it accounts for only about one-eighth of the total population its share in the formation of gross national product is about one-third. It contains the country's main concentration of administrative, industrial, financial and cultural activities, and the main pool of Colombia's professional expertise.

B. The Administration

3.3 Since 1954 the City of Bogota has been organized as a "Special District" (Distrito Especial) administratively separate from the surrounding area. The Special District is under the jurisdiction of a mayor and an elected corporation which is solely responsible for the City's budget and empowered to levy all taxes considered necessary within the framework of the Constitution. It is served by intelligent and dedicated individuals in many key positions, who, however, require more expert guidance in dealing with some of the complex problems facing it.

C. Transport Planning and Coordination

3.4 The Planning Department of the Special District is the organization primarily concerned with transport coordination. It has the power to construct roads which are financed by special taxes levied on the owners of adjoining properties. The Special District is the licensing authority for all urban buses but has no control over bus fares which are fixed by the Superintendency for Economic Regulation, an agency of the Central Government. Nor has it any authority over the railways in its area.

D. Town Planning Capability

3.5 Despite a copious production of city planning studies and schemes, Bogota planners do not claim to have been successful in directing urban growth. There is no statutory zoning ordinance nor any approved "master plan". There is an Official Street Map which serves as a basis for the street network and which is adhered to, and a number of informal reference documents upon which land improvement control is based. Development licenses are required for any building scheme, and in the absence of any general rules these licenses are granted on the basis of the ample discretionary powers that are vested in the District Planning Office. Although the mission found no evidence that the discretionary powers are abused, there was widespread recognition - especially within the Planning Office itself - that the present position is unsatisfactory. An important function of any study on town planning in Bogota would be to recommend general rules to take the place of planning by administrative discretion (para 4.5).

3.6 The present urban land use pattern is due mainly to the interaction of market forces and only to a minor extent to planning policy. The main influence of the planners has been to revise the standards for floor area ratios, plot sizes, building heights, etc., with a view to allowing increased densities in the city. This is in line with the present philosophy of most officials and planning experts in Bogota which favors a limitation of the territorial expansion of the city and an encouragement of higher densities, particularly in the central areas. However, the economic, social and functional implications of this policy do not appear to have been adequately investigated.

3.7 There is a lack of centralized information on basic matters necessary for town planning such as current land uses, population densities, land values, utility service areas, and housing characteristics. Some data are scattered; some are incomplete; some are out of date. This information could be gathered immediately but if there is to be an urban study it may be desirable to await the appointment of the consultants before making the necessary arrangements.

3.8 Housing developments are a significant influence in both road development requirements and road use, but (as in many other countries) policy in this area is confused. Loans for housing are provided by public agencies but the bulk of the funds serve people in the medium and upper income brackets. There is an urgent need to devise a housing strategy to ensure that available funds are used to further socially desirable ends.

E. Roads

3.9 Bogota's existing road network can be roughly described as a modified grid system. Confined by steep hills to the east, the city has developed into an elongated north-south pattern which now extends over 20 miles. Three parallel main avenues serve the north-south movement with frequent secondary streets providing transverse connections. Recently urban growth has spread out in a westerly direction.

3.10 Hitherto the lack of bypass roads has forced practically all traffic, local as well as through, to negotiate the congested central avenues, and as a result the streets of the Central Business District have been heavily congested. But new roads now nearing completion appear to be well placed to ease some of the pressure on the central area by providing bypass routes on the west of it (see map), and will provide

Bogota with a road network of higher capacity than is possessed by most other cities of equivalent size. In view of the other calls on the city's resources we do not see the need for further major road construction inside Bogota before the completion of the general transport study recommended below, as the current program will meet the city's needs for a few more years. The widening of the approach road from Soacha to the intersection with Carrera 68 in southwest of Bogota will eventually be necessary; the timing of this project should be decided in the light of the findings of the general transport study.

3.11 Road construction is financed by the Valorization tax ("Impuesto de Valorizacion"), which is a tax on the increase in property values that result from public investment. When a road is improved, the Valorization agency collects the total cost from property owners in the "zone of influence", defined as the area within 500 meters of the improvement. The amounts that can be raised by the Valorization tax have a big influence on the magnitude and priorities of road improvements. The tax is justified by the authorities on the grounds that it forces property owners to return to the community some of the benefits that result from the road improvement. While it has been successful in raising funds for many major road schemes the imposition of the tax is open to the objections that it discriminates unfairly between property owners and that it does nothing to bring home to road users the cost of the facilities provided for them. It would be desirable to investigate alternative sources of finance for road improvement, particularly payments by the users of congested roads (see para 4.9).

3.12 The Valorization laws do not allow road maintenance to be financed out of these "value added" taxes; as a result maintenance remains a charge on the normal municipal budget. Even the proceeds of the fuel taxes collected in Bogota cannot be spent on maintaining roads in the city as they are fed into a fund which is reserved for the improvement of "national" highways. Poor road maintenance is a major problem in Bogota. The criteria for allocating road funds between maintenance and new construction appear to be inadequate.

F. Private Transport

3.13 There are about 40,000 automobiles and jeeps in the Bogota area, representing an average of one vehicle for every 50 people. The relative scarcity of motor vehicles is due in large measure to import restrictions and is reflected in high prices: for example, a new medium-sized automobile currently costs the equivalent of US$12,000. The rate of growth of private motoring will be determined by import policies and by the local capability of assembly or manufacture. The possibilities of establishing car manufacturing plants in Colombia are being seriously examined and, while the pace of development cannot be predicted, it is very probable that within ten years local manufacture or more liberal imports will cause the motor vehicle population in Bogota to increase rapidly.

G. Public Transport

3.14 The internal routes of Bogota are served by 3,500 full sized buses, and 500 "micro buses" which can carry up to 14 seated passengers. In addition 3,000 buses provide transport between Bogota and other cities. About 5% of the buses are run by the municipal service and the rest by private operators. In general the buses are grossly overcrowded and badly maintained. Conditions are best on the municipal buses but they lose money.

3.15 Bus routes are allocated by the District's Licensing Department to companies or cooperatives owning 80 buses or more. Any operator wishing to run a bus in Bogota must be big enough to obtain a route or else must "affiliate" to an existing route holder, who is able to demand a share of the proceeds. As the main streets carry buses of more than one route, there is keen competition to pick up passengers, often at the expense of safety. Fares are fixed by the Superintendency of Economic Regulation at a level equivalent to US¢2.5 per route, many routes being 25 miles in length. No information could be obtained on the journey (as distinct from route) lengths, and therefore the average fare per mile cannot be calculated. Daily takings per bus average Col$ 320 - Col$ 360, (equivalent to US$20 - US$24) and are supplemented by a subsidy of Col$ 100 (US$6.13) per bus per day. It is evident that the present revenues are not high enough to maintain equipment and to attract more buses into the area. It is three years since the Licensing Department received an application to commence a new service with ordinary buses, but micro-bus services (for which the permitted fare is 50% above the ordinary) are expanding rapidly. It is likely that ordinary buses could operate at a profit if allowed to charge the micro-bus fare. The bus service in Bogota could be improved (see paras 5.5 and 5.6 for proposals) but will never be satisfactory so long as fares are kept at uneconomic levels.

3.16 Movement by rail within Bogota is negligible. The railway authorities are unwilling to provide local passenger services as they see no prospect of providing them without loss. Three railway lines traverse the central area. Because of the interference they cause to road traffic, there are no local objections to the railways' proposal to move the rail tracks (and the terminus) outside the congested area of Bogota. It is possible that space thus vacated could serve another transport use (for example, as reserved routes for buses) and it is recommended that the rail rights-of-way be preserved pending the results of the transport study (see para 5.10).

3.17 There are no underground railways in Bogota. An investigation recently made by a team of consultants and local university experts concluded that subway fares would have to be double the existing bus fares to cover operating costs alone. Even so, an underground railway might be justifiable in the future.

H. Parking

3.18 Street parking is not yet a major problem; in general, moving traffic is not hampered by the parking of cars on main routes. This is due to a combination of effective police enforcement and, paradoxically, the danger of theft and vandalism. Parking meters were installed a few years ago but failed in their objectives and were withdrawn. Some off-street parking space is provided by private enterprise at parking charges that reach the equivalent of US$1 per day. It is doubtful whether even with this comparatively high rate they cover the opportunity cost of the land.

J. Summary

3.19 Despite the serious problems facing it, Bogota still compares favorably with most other cities of equivalent size in developing countries. There is little doubt that the growth of Bogota will continue at its present pace, and that, if uncontrolled, this could lead to serious social and economic problems. The present administration is concerned about the situation. It is staffed by dedicated and energetic individuals who are aware of the need for sound growth policies. They are likely to make use of competent, practical advice. This is a suitable time to devise an effective strategy to guide the city's efforts. The alternatives that have to be studied and the information required are discussed in the following sections.

K

(From 1969 IMF Report)

THE EXPORT PROMOTION FUND

This special Fund, which is administered by the Banco de la Republica (Central Bank), began operations in March 1967. Its goal is the financing of export activities, including promotion through trade missions, international fairs, seminars, etc. It obtains its resources from a special 1½ per cent import tax and a special direct credit line from the Banco de la Republica. The 1½ per cent tax applies to all c.i.f. imports other than those made by the Government, diplomats, etc. In 1969 the proceeds of the tax amounted to Col$106 million and in 1970 they are expected to reach around Col$140 million. As of September 1969, two thirds of the Fund's outstanding credit of Col$221 million had been financed through its own capital (obtained from the import tax noted above) and the remainder through credit from the Banco de la Republica (see Table). The Export Promotion Fund currently makes three types of loans, for opening markets, for working capital, and for export financing. The interest rates charged for the different operations vary widely from 3 per cent to 12 per cent depending on the nature of the loans. The maximum term is five years.

Table

COLOMBIA: Summary Accounts of the Export Promotion Fund 1/

(In millions of Colombian pesos)

	December 1968	September 1969
International reserves (net)	-	-
Domestic reserves	10	4
Domestic credit	94	217
National Government	19	9
Private sector	111	202
Unclassified assets	-36	6
Domestic resources	104	221
Liabilities to Banco de la Republica	23	76
Official capital and surplus	81	145

Source: Banco de la Republica

1/ Foreign exchange accounts valued at Col$16.30 per U.S. dollar.

L

FOR IMMEDIATE RELEASE

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
WORLD BANK

1818 H STREET, N.W., WASHINGTON D. C. 20433 TELEPHONE: EXECUTIVE 3-6360

Bank Press Release No. 69/71
December 10, 1969

Subject: $18.3 million livestock loan to Colombia

A program to develop further Colombia's livestock industry -- a large and promising field for expansion -- will be assisted by a World Bank loan equivalent to $18.3 million, it was announced today. The modernization of the livestock industry could play a key role in achieving sustained economic growth, with the possibility of livestock products becoming an important export.

Agriculture accounts for nearly a third of Colombia's gross domestic product, three-fourths of total exports, and employs about half the labor force. In order to lessen heavy dependence on coffee, the Colombian Government is giving considerable attention to diversifying exports. An appropriate focus for this effort is livestock development, particularly of beef cattle. Cattle raising now occupies some 70 million acres or about 90% of the land used for agriculture. In addition, vast areas suitable for cattle grazing in the tropical lowlands and temperate highlands await exploitation. Productivity on beef cattle ranches, however, has been relatively low, and Colombia consumes most of the beef it produces. In recent years the Government has taken several measures to improve the prospects for meat exports. To be effective, however, these measures need to be accompanied by major improvements in ranch and herd management, more long-term credit, and technical assistance.

In mid-1966 the Bank made a loan of $16.7 million to help finance the initial stages of a program to provide credit to operators for livestock

/more

development. Under this program over 600 loan applications have been approved: 530 were for beef production, 90 were for dairying operations and 7 for sheep production. The greater part of the loans were for beef cattle ranches in the North Coast region which has favorable prospects for increasing productivity and access to export markets through the slaughtering and shipping facilities of the port of Barranquilla.

The loan announced today will assist in financing the program for another four years. About 700 beef ranchers, 250 dairy farmers and 20 sheep growers are expected to participate during this period. Basic investments will continue to be for fencing, water supply, stock handling facilities, pasture improvement, machinery and equipment, farm buildings and breeding stock. To promote the development of a commercial sheep industry, the project includes the establishment of a Sheep Development Center, with breeding and training functions.

The Government will channel the loan funds through the Agricultural Financing Fund of the Banco de la Republica to the Caja de Credito Agrario Industrial y Minero, a government lending institution. The Caja will organize and manage the project, with its Livestock Development Department as the authority controlling technical standards and implementation. The total cost of the project is estimated at the equivalent of $44.1 million. The Bank loan will finance 42% and the balance will be contributed by the Caja (21%) and the ranchers (37%).

The Bank loan to the Government will be for a term of 18 years, including a 6-year grace period, and will bear interest at the rate of 7%. The terms of the relending to the Caja will be the same except that the Caja will pay additional interest of 3% to the Government for assuming the foreign exchange risk. The Caja, in turn, will make loans to ranchers.

- 0 -

(From December 1969 appraisal report for Second Livestock Loan; tables have not been included.)

COLOMBIA

THE AGRARIAN INDUSTRIAL AND MINING CREDIT BANK (CAJA DE CREDITO AGRARIO INDUSTRIAL Y MINERO)

A. Introduction

1. The Agrarian Industrial and Mining Credit Bank (Caja de Crédito Agrario Industrial y Minero - Caja) was formed in 1931 as a semi-official joint stock company. The Ps 511 million share capital is held by:

	Ps '000	%
Government	421,468	82
National Federation of Coffee Growers	61,935	12
Agricultural Mortgage Bank	21,003	4
Stabilization Fund	6,876	1
Others	21	1
	511,303	100

2. Caja has 638 offices or agencies throughout Colombia and employs 8,400 people. It is the largest bank in Colombia, apart from the Central Bank itself, and probably the largest agricultural credit institution in Latin America. Ninety per cent of Caja's portfolio is in agriculture (including livestock) and the rest in small industry and mining. More than 50% of all Colombian agricultural lending was financed by Caja in 1967, though this proportion is declining somewhat as lending in the sector by other institutions increases, e.g., Banco Ganadero (Livestock Bank), with AID and IDB assistance; and the commercial banks, through government directed lending regulations (See Annex 2 on Banking and Credit). The growth of Caja lending is illustrated by the following totals:

	Ps Million			
	1965	1966	1967	1968
Total Loan Portfolio	2,038	2,339	2,806	3,584
Index (1965 = 100)	100	115	138	176

3. Caja lending is extensive. In 1967, 306,334 loans were made for a total of Ps 2,063 million, an average of Ps 6,734.

4. In the same year, 24% of Caja loans were between Ps 1,000 - 5,000 (US$60,300), the largest group, while about 14% were in excess of Ps 150,000 (US$ 9,000). There is no official maximum, though loans are rarely made for more than Ps 1.0 million or to borrowers with net worth exceeding Ps 1.5 million (US$ 90,000).

5. Rates of interest vary between 8% short-term (for small amounts) and 12% long-term. For loans longer than five years, a higher rate of 14% has been introduced.

6. Security for medium and long-term loans is usually a first mortgage on land and improvements; on short-term loans, a chattel mortgage on cattle, machinery or crops, though personal guarantees are accepted. All loans are judged by expected repayment capacity generated by the loan, regardless of security offered.

B. Purpose

7. Caja's objective is to improve agricultural production, mainly by the smaller farmer, through provision of credit and inputs at reasonable costs. In addition to lending, mostly on short and medium-term - short 66% of portfolio; medium 27%; long 7% in 1968 - Caja provides technical assistance to its borrowers and, through its numerous branches, sells agricultural machinery (much of it imported) and a wide range of agricultural requisites, all at competitive prices. Caja also produces and distributes improved seeds and carries out trial plantings to demonstrate their effectiveness.

C. Organization and Management

8. As a semi-autonomous body, Caja makes its own lending decisions within the framework of Government's general agricultural policy. Caja is controlled by a 10-man Board of Directors comprising:

The Minister of Agriculture (Chairman)
One representative each of:
- The President of the Republic
- National Federation of Coffee Growers
- Colombian Farmers' Association
- The Central Bank
- The Small Farmers' Association 1/

Manager of the Colombian Agricultural and Livestock Institute (ICA) 1/
Manager of the Farm Products Marketing Institute (IDEMA) 1/
Manager of the Institute for Development of Natural Resources 1/

The Minister of Finance, though not a member, may also speak and vote at Board meetings.

1/ Added in October 1968.

9. Caja is administered by a General Manager (Sr. Miguel Garcia Herreros) with five General Sub-Managers and a Secretary General. A General Sub-Manager is in charge of each of the following departments: Administration; Banking; Finance and Commerce; and Development.

10. Branches have a large measure of independence and may approve loans up to certain limits (maximum Ps 120,000) according to which one of four categories they are in. Larger branches have local boards that may approve loans to larger limits (maximum Ps 250,000 for the highest category). Bank Livestock Project lending, however, is centralized for the time being and all project loan decisions are made by a Loan Committee, specially set up for the purpose.

D. Resources

10. Caja's principal sources of funds are deposits (of which two-thirds are on savings account) and discounts with the Central Bank, as shown by the following figures at June 30, 1968:

Deposits		1,710	31
Sundry Liabilities		426	7
Discounts with Central Bank		1,669	30
Bonds		668	12
Foreign loans		199	4
Capital Account:			
Paid Capital	511		
Reserves and Provisions	351	862	16
		5,534	100

Caja is negotiating with Government for an increase in paid-up capital, which has remained virtually unchanged since early 1966. The permitted limit for discounts with the Central Bank is decided from year to year and it is uncertain whether Caja will be permitted to increase its quota, already considerably higher than for other banking institutions. Caja is also considering other sources of funds, e.g. compulsory share capital subscription by borrowers.

11. Caja has received several foreign loans; in 1949 US$ 5 million from the Bank for imported agricultural machinery; another US$ 5 million for the same purpose in 1956 (both repaid within seven years); in 1967 US$ 12.2 million from the International Development Bank for agricultural machinery; US$ 2.5 million and US$ 3.4 million from the Export-Import Bank; and US$ 8 million from the Development Loan Fund.

12. In 1966, the Bank lent US$ 16.7 million to Caja, repayable in 18 years, for supervised livestock credit, and at December 31, 1968 nearly 75% had been committed. Tables 1 and 2 gives summarized actual and estimated profit and loss accounts and balance sheets for this project. Early short-fall of income over expenditure was due to a slow start as the separate Livestock Development Department was set up and the project explained to livestock producers. The Bank project is only part of Caja's livestock loan portfolio totalling Ps 954 million (US$ 56 million) or 34% of all lending at December 31, 1967. Other loans totalled Ps 1,853 million (US$ 109 million) or 66%. At June 30, 1968, Bank project loans totalled Ps 171 million or about 5% of total lending. If the proposed Second Livestock Project loan is approved, Bank project loans will rise to about 12% of Caja's total lending by 1971. (See Tables 3 and 4; Caja actual and estimated profit and loss accounts for the years ending June 30, 1965 to 1971; and actual and estimated balance sheets at June 30, 1965 - 1971.)

E. Financial Situation

13. Caja aims to make its income exceed expenditure by a small margin, taking one year with another, and reinvests all profits. The percentage of net income, before reserves and provisions, over the past four years was:

1965	1966	1967	1968
(%)			
7.3	7.7	9.0	13.0

14. Although the ratio between total indebtedness and capital reserves and provisions has been declining during the past three years, due to the availability of rediscount facilities with the Central Bank, the percentage of capital and reserves to total indebtedness is not expected to fall below 15%, which is acceptable. The following are actual and forecast percentages:

	Percentages					
	1965	1966	1967	1968	1969	1970
Capital and reserves	19.7	19.3	17.0	15.0	15.2	15.6
Total Indebtedness	80.3	80.7	83.0	84.0	84.8	84.4

15. Caja's collection record is good, the average loss over many years being Ps 1 in 10,000. Delinquent loans over the past four years have averaged about 12% of total loans; most are repaid within two months (and are overdue because of harvesting delays). The figures are:

Year	(Ps '000) Total Loans	Over due	%
1965	2,038	281	13.8
1966	2,339	285	12.2
1967	2,806	341	12.2
1968	3,584	394	11.0

The good record is partly because Caja credit is very important to the small farmer. If he destroys his credit with Caja, he has no other certain source and none at reasonable cost.

G. Audit

16. Caja accounts are subject to the surveillance of the Superintendence of Banks, a Government department responsible for the control of all banking institutions. The Superintendent of Banks appoints the Caja general auditor and he has two assistant auditors working continually in the Caja office.

M

Note: Mr Alter is bringing a more complete report on the Colombian coffee situation.
Lee 6/2

COFFEE - COLOMBIA

Introduction

1. Colombia is the second largest producer and exporter of coffee in the world after Brazil. However, Colombian coffee, an extra mild arabica variety, is known for its aromatic flavor and commands a price-premium over all other types of coffee. Kenya and Tanzania are the only other countries which produce Colombian types of coffee. "Other" mild arabica varieties, grown chiefly in Central America and Mexico, offer the first line of competition to Colombian coffee.

2. Colombia has historically played an active role in regional and international efforts aimed at stabilization of coffee prices. It has been a member of the International Coffee Agreement since its inception in 1962 and was a signatory to the various producer agreements which preceded it.

Importance in Domestic Economy

3. Coffee accounts for some 35 percent of production in the agricultural sector and roughly 10 percent of the Gross Domestic Product. Coffee represented 67 percent of Colombian exports in 1967-69, as compared to 73 percent in 1960-62 (Table A). Although the relative importance of coffee in the Colombian economy has been on the decline, partly reflecting the considerable efforts the country has been making to diversify her economy, the social importance of coffee overwhelmingly dominates the Colombian scene. Coffee cultivation is concentrated in hillside areas; it is largely a small-holder's operation (75 percent of the area comprises farms under 10 hectares with an average coffee holding of 2.7 hectares), and some 2 million persons are mainly occupied in coffee growing and harvesting. The growers receive only 40 percent of the price fetched on the external market (51 percent is taken by taxation and 9 percent by marketing costs). At the present rate of coffee yields, which lie mainly between 400 and 500 kilos per hectare on these farms (somewhat above average world yields), available income to the grower varies between 800 to 1,000 pesos per hectare, yielding an income per family per farm of 2,000 to 3,000 pesos per annum.

Production

4. Production, currently around 8 million bags, has been relatively stable over the past 10 years, increasing at a rate of less than one percent per annum. In 1960-68, production on the average exceeded total current demand (domestic consumption plus exports). Exports fluctuated between 5.6 and 6.6 million bags per year and domestic consumption averaged about 1.3 million bags per year. The result was that stocks gradually rose to a reported 5.5 million bags, although they seem to have changed little since then (Table B). Despite limited availability of suitable land, production over the next few years is expected to expand at an annual rate of 2 percent per annum, rising to 9 million bags in the mid-1970's. This assumes that output will respond to the recent increase in

coffee prices and producers' incomes. Actually, in the period 1970-73, Colombia could fill its export quota under the International Coffee Agreement, even if production failed to expand, by drawing down its existing stocks. However, in the succeeding years when prices will be weakening,1/ either Colombia will have to maintain the growth of its coffee output at the faster rate or risk losing a part of its present share of the world coffee market. Recognizing this, and because of the difficulties involved, Colombia has become an advocate in the International Coffee Council of high prices even if it implied a slower growth in export volume.

Price Policy

5. Price policy, which has been in effect for more than 10 years, and whose main objective is to maintain production in line with demand, is one of the key instruments of Colombia's coffee policy. This policy contains the following elements:

(a) ad valorem export tax, currently 20 percent of proceeds;

(b) coffee retention tax, currently 25 percent of the internal sales value;

(c) the "pasilla" tax, 6 percent in kind, designed to retain lower quality coffees in the country;

(d) "reintegro" system, governing surrender of foreign exchange receipts from coffee; and

(e) a minimum support producer price (in most years the Coffee Federation has been buying 50-70 percent of the crop).

6. Following the upsurge in coffee price in the latter half of 1969 (currently Colombian coffee sells at 58 cents per pound), Colombia took additional measures to curb increases in internal coffee prices by raising the marginal rate of taxation on coffee. Nonetheless, current producer prices have risen by 30 percent as compared to early 1969, and may provide an economic incentive to increased production.

7. At the March 1970 session of the International Coffee Council, Colombia proposed that other countries, too, should raise taxes on coffee exports with a view to discouraging the possibility of another round of overinvestment in coffee. However, most countries showed no interest in the proposal.

Diversification

8. A pilot diversification program has been carried out in the country's central coffee belt since 1963, involving investments of about

---

1/ We expect Colombian coffee prices to average over 55 cents per pound (c.i.f. N.Y.) in 1970-72 and then fall to the level of around 46 cents per pound by 1975, compared to 44 cents in 1968/69.

$35 million. A special emphasis was placed on agricultural and industrial credit. A new five-year program, involving an investment of $54 million has been presented in the National Coffee Policy Plan. It is aimed at concentrating coffee in optimum areas and developing surrounding zones with adequate alternative activities.

The World Situation

9. Between the mid-1950's and the mid-1960's, world production substantially exceeded world demand, and stocks reached an all time peak in 1965/66 (Chart I, Appendix 1 to Attachment I). These stocks were largely held in Brazil. Since then, world production has consistently lagged behind world demand with the result that stocks have been rapidly drawn down. The coffee situation has been further affected by the Brazilian frost of 1969, the worst in that country's history of coffee cultivation, which severely damaged the 1970/71 and 1971/72 crops.

10. The main conclusions of our analysis of the coffee situation as presented in Attachment I (which will appear as Annex 10 to the Brazil Agriculture Sector Mission Report) are that:

(a) world supply is likely to lag behind world demand for the next 3 to 4 years;

(b) Brazilian stocks will be substantially drawn down in the next 2 to 3 years; in fact Brazil may be left with insufficient stocks to cushion the effects of another poor crop if one should occur;

(c) not only will the damaged parts of Brazil's coffee productive capacity have to be rehabilitated but capacity will also have to be expanded if Brazil is to maintain its share of the world market;

(d) the higher prices which we expect to prevail in the next 2 to 3 years lead to expansion in coffee in the other producing countries of the world, and coffee prices will tend to fall after 1973 as output from new plantings starts pouring in; and

(e) the state of the market is likely to remain highly uncertain in the next few years because the nearly balanced supply and demand situation that now seems to be emerging (but without the cushion of Brazilian stocks) could be upset as much by poor weather conditions as by excessive new plantings.

11. A more detailed set of quantitative projections, giving past and prospective production and consumption in the major producing and consuming countries is presented in Attachment II. It should be noted, however, that the production data in this attachment refer to an average of 4 years (to eliminate the effects of two-year cycle in coffee output) and the consumption data to an average of 3 years.

12. It should also be noted that although world production and consumption as shown in Attachment II appear to be nearly balanced (with a variation of only 5 percent) in the base year, as well as 1975, the situation in each of the two periods is radically different. World coffee stocks in 1965/66, at the beginning of the base period, were at a peak, and prices were under constant pressure. The situation prior to 1975 is apt to be quite the opposite since world stocks in the next few years will be at their lowest levels in nearly 20 years. (See Tables 10-9 to 10-13 in Attachment I.) Prices are expected to remain strong in 1970-72 but may weaken thereafter; the extent of the fall will depend on the rate at which new plantings may be undertaken in the producing countries.

13. A second point is that the slow rate of expansion in world production implied in Attachment II during 1956/57-1959/60 to 1966/67-1969/70 reflects the influence of the short crops in Brazil of the last four seasons. The higher rate of expansion indicated for 1966/67-1969/70 to 1975 is almost exclusively due to anticipated recovery of production in Brazil.

14. Thirdly, on the consumption side, growth in world import demand is expected to slow down from 3.4 percent per year in 1956-58 to 1966-68 to 2.2 percent per year in 1966-68 to 1975. The earlier period was associated with falling prices and low starting levels of per capita consumption in many West European countries. In the latter period, average prices are expected to be higher. In the case of the producing countries, Brazil is again responsible for the sharp fall in the rate of growth in consumption. Coffee prices within Brazil have risen by nearly three-fold and may rise further. Domestic consumption in the other producing countries is also expected to slow down temporarily because of the relatively high price elasticity of demand in these countries.

Shamsher Singh
Economics Department
June 1, 1970

Table A

COLOMBIA

SYNOPTIC TABLE: RELEVANT INFORMATION ON COFFEE

	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68	1968/69*
1. Area (000 hectares)										
Total	836.0 1/	831.5	824.1	810.0	813.1	812.0	811.4	810.6		
Small farms (up to 10 ha.)	600*						600*			
Large farms (over 10 ha)	200*						200*			
2. Total Production (000 bags)										
Country's figures 2/	7,648	7,500	8,035	7,500	7,800	7,900	8,200	7,507	8,395	7,880
U.S.D.A.	8,000	7.800	7,800	7,700	7,300	8,000	8,000	7,800	7,000	8,000
3. Exportable Production (000 bags)										
Country's figures 3/	6,451	6,230	6,509	6,085	6,425	6,546	6,998	6,257	7,125	6,590
U.S.D.A.	7,200	7,600	6,800	6,600	7,300	6,900	6,800	7,800	6,300	6,670
4. Yield per hectare (kilos)										
5. Exports in coffee years (000 bags) 2/										
Total	5,671	6,042	5,594	6,056	6,311	5,743	5,864	5,634	6,595	6,534
Quota Markets	5,597	5,989	5,536	5,952	6,229	5,612	5,669	5,421	6,344	6,204
Annex B Markets	74	53	58	104	82	131	195	213	251	330
6. Domestic Consumption (000 bags) 2/	1,197	1,270	1,526	1,415	1,375	1,354	1,202	1,250	1,270	1,290
7. Stocks on 30 September (000 bags)	894	1,081	1,996	2,024	2,139	2,942	4,075	5,369	5,499	5,575
8. Exports in Calendar Year	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
Quantity (000 bags)	5,938	5,651	6,561	6,134	6,412	5,651	5,566	6,094	6,588	6,478
Value (millions US dollars)	351	308	343	303	394	344	339	322	351	344
Unit value (U.S. ¢ per lb.)	44.69	41.20	39.52	37.34	46.45	46.02	46.04	39.95	40.28	40.12
9. Coffee exports as percentage of total exports	75.6	70.9	71.6	67.9	71.9	63.8	66.8	64.7	69.1	67.0*

* Estimate

1/ Official Federation figure 1960 Census: 968,000 hectares.

2/ See EB-756/69 Corr.

3/ Total production less domestic consumption in conformity with Article 2 (13) of the 1968 Agreement.

Table B

COLOMBIA: PRODUCTION, SALES AND STOCKS OF COFFEE

(Thousands of bags)

	1958/59	1959/60	1960/61	1961/62	1962/63	1963/64	1964/65	1965/66	1966/67	1967/68
1. Exports	6,431	5,671	6,043	5,594	6,056	6,310	5,743	5,865	5,634	6,595
Quota Markets	6,372	5,597	5,990	5,536	5,952	6,229	5,612	5,669	5,421	6,344
Non-quota Markets	59	74	53	58	104	81	131	196	213	251
2. Home consumption 1/	908	1,197	1,270	1,526	1,416	1,375	1,354	1,202	1,250	1,270
Total requirements	7,339	6,868	7,313	7,120	7,471	7,685	7,097	7,067	6,884	7,865
Total production	7,442	7,648	7,500	8,035	7,500	7,800	7,900	8,200	8,178	8,395
Surplus	+ 103	+ 780	+ 187	+ 915	+ 28	+ 115	+ 803	+ 1,133	+ 1,294	+ 130
Stocks	114	894	1,081	1,996	2,024	2,139	2,942	4,075	5,369	5,499

1/ Includes coffee sold by the Federation, purchases by roasters from other sources on the home market and coffee consumed on coffee estates.

COFFEE: PROJECTIONS OF PRODUCTION AND CONSUMPTION

	Production				Consumption					
	Quantity (thousand bags)		Rates of Growth (percent per annum)		Quantity (thousand bags)		Rates of Growth (percent per annum)		Per Caput (kg. per head)	
	(1966/67-1969/70) average	1975	(1966/67-1969/70) to 1975	(1956/57-1959/60) to (1966/67-1969/70)	1966-68 average	1975	(1966-68) to 1975	(1956-58) to (1966-68)	1966-68 average	1975
By Types										
Colombian Milds	9,525	11,250	2.4	1.6						
Other Milds	15,266	18,240	2.6	3.6						
Unwashed Arabicas	21,679	33,120	6.2	-1.4						
Robustas	16,930	20,890	3.1	6.0						
By Regions										
Developing										
North & Central America	11,023	13,060	2.5	2.9	3,053	4,035	3.5	4.7	2.2	2.3
Costa Rica	1,256	1,700	4.4	5.6	135	185	4.0	7.6	5.1	5.1
Dominican Rep.	579	600	0.5	0.6	165	215	3.4	2.4	2.5	2.5
El Salvador	2,165	2,750	3.5	4.0	135	180	3.7	1.6	2.6	2.6
Guatemala	1,752	2,300	4.0	2.8	220	290	3.5	1.0	2.8	3.0
Haiti	474	390	-2.7	-2.0	181	230	3.0	0.7	2.4	2.3
Honduras	430	470	1.3	2.9	88	115	3.4	3.1	2.3	2.1
Mexico	2,850	3,300	2.1	5.2	1,250	1,700	4.5	16.2	1.6	1.7
Nicaragua	548	630	2.0	3.4	58	80	4.1	3.0	2.0	2.0
Others 1/	969	920	-0.7	-1.8	821	1,040	3.0	-0.5	3.2	3.9
South America	30,225	42,320	4.9	-0.9	10,185	11,050	1.0	6.5	4.4	3.7
Brazil	19,625	30,000	6.2	-2.0	7,918	8,000	0.1	6.5	5.5	4.5
Colombia	7,850	9,000	2.0	0.8	1,250	1,700	3.9	5.2	3.9	4.0
Ecuador	962	1,300	4.4	6.5	195	260	3.7	11.7	2.1	2.2
Peru	889	1,100	3.1	10.9	202	270	3.7	13.2	1.0	1.0
Venezuela	731	750	0.4	-1.2	565	760	3.8	5.7	3.6	3.6
Others 2/	168	170	0.2	9.6	55	60	1.1	13.9	0.4	0.4
Africa	17,566	22,110	3.3	5.8	782	1,050	3.8	6.4	0.3	0.3
Angola	3,275	4,000	2.9	8.4	60	80	3.7	19.6	0.7	0.8
Burundi	264	380	5.3	3.3	5	7	4.3	n.a.	0.1	0.1
Cameroon	1,075	1,300	2.8	10.3	30	35	1.6	15.7	0.3	0.3
Cen. Afr. Rep.	156	250	7.0	5.1	5	7	4.3	n.a.	0.2	0.2
Congo, D.R.	1,000	1,200	2.6	2.4	50	70	4.3	n.a.	0.2	0.2
Ethiopia	1,886	2,950	6.6	6.8	363	490	3.8	15.1	0.9	1.1
Guinea	168	150	-1.6	-0.6	15	20	3.7	n.a.	0.2	0.3
Ivory Coast	3,550	3,830	1.1	6.3	53	80	5.3	n.a.	0.8	1.0
Kenya	805	1,100	4.6	6.3	20	25	2.8	1.8	0.1	0.1
Malagasy Rep.	924	1,200	3.8	..	105	140	3.7	2.3	1.0	1.1
Rwanda	173	260	6.0	0.2	7	10	4.6	n.a.	0.1	0.1
Sierra Leone	79	80	0.2	4.7	10	12	2.3	n.a.	0.2	0.2
Tanzania	870	1,150	4.1	8.3	15	20	3.7	8.4	0.1	0.1
Togo	199	300	6.0	4.9	5	6	2.3	n.a.	0.2	0.2
Uganda	2,762	3,500	3.4	6.4	15	20	3.7	n.a.	0.1	0.1
Others 3/	380	460	2.7	6.8	24	28	1.9	n.a.	..	..
Asia and Oceania	4,586	5,720	3.2	6.0	2,038	2,540	2.8	7.7	0.2	0.2
India	1,224	1,400	1.9	5.4	693	850	2.6	4.2	0.1	0.1
Indonesia	2,000	2,450	1.7	4.0	403	500	2.7	5.4	0.2	0.2
Others 4/	1,362	1,870	4.6	11.4	942	1,190	3.0	13.1	0.8	0.9
Total Developing Producers	63,400	83,210	4.0	1.6	16,058	18,675	1.9	6.2	0.9	0.8
South & Central America					743	940	3.0	0.4	1.2	1.4
Argentina					565	690	2.5	-0.1	1.5	1.6
Chile					145	200	4.1	5.0	1.0	1.1
Others 5/					33	50	5.3	-5.7	0.6	0.8
Africa					809	1,060	3.4	-0.9	0.5	0.5
Algeria					328	330	0.1	-3.3	1.6	1.2
Morocco					173	300	7.1	4.5	0.7	1.0
Sudan					170	260	5.5	5.1	0.7	0.8
Others 6/					138	170	2.6	-4.3	0.1	0.1
Asia 7/					820	1,000	2.5	12.8	-0.5	0.4
Total Developing Importers					2,372	3,000	3.0	3.6	0.6	0.6
Developed										
North America					23,031	25,200	1.1	0.9	6.3	6.2
United States					21,568	23,500	1.1	0.7	6.5	6.4
Canada					1,463	1,700	1.9	4.7	4.3	4.4
Western Europe					21,890	26,420	2.1	5.7	3.5	3.9
EEC					13,508	15,900	2.1	4.9	4.4	4.9
Belg.-Lux.					1,144	1,200	0.6	3.0	6.9	7.0
France					3,909	4,500	1.8	2.4	4.7	5.1
Germany, F.R.					4,687	5,500	2.0	6.6	4.9	5.5
Italy					2,346	3,000	3.1	6.0	2.7	3.2
Netherlands					1,422	1,700	2.3	7.7	6.8	7.5
Scandinavia					4,038	4,570	1.6	5.0	11.5	12.3
Denmark					901	1,000	1.3	4.8	11.2	11.7
Finland					813	890	1.1	4.5	10.5	11.0
Norway					602	680	1.5	4.1	9.5	10.0
Sweden					1,722	2,000	1.7	5.6	13.1	14.4
Other Western Europe					4,344	5,950	4.0	9.6	1.5	1.9
Austria					346	500	4.7	9.7	2.8	4.0
Greece					214	300	4.3	7.3	1.5	2.0
Iceland					36	45	2.8	4.6	10.9	11.7
Ireland					21	30	4.6	11.6	0.4	0.6
Portugal					246	300	2.2	5.1	1.6	1.8
Spain					831	1,500	7.7	22.2	1.5	2.6
Switzerland					621	700	3.1	5.2	6.1	6.3
Turkey					36	75	9.6	4.1	0.1	0.1
United Kingdom					1,480	1,800	2.5	7.6	1.6	1.9
Yugoslavia					471	650	4.1	22.5	1.4	1.8
Others 8/					42	50	2.2	3.8	2.6	3.1
Other Developed					1,468	2,800	8.4	13.7	0.7	1.1
Australia					284	400	4.4	9.5	1.4	1.7
New Zealand					68	100	4.9	17.1	1.5	1.9
Japan					896	2,000	10.6	25.1	0.5	1.1
S. Africa					220	300	4.0	1.8	0.7	0.8
Total Developed Countries					46,389	54,420	2.0	3.1	3.8	4.1
Centrally Planned					2,165	3,100	4.6	17.8	0.4	0.5
USSR					533	800	5.2	22.7	0.1	0.2
Czechoslovakia					198	300	5.3	9.2	0.8	1.2
Germany, E.					655	900	4.1	12.4	2.5	3.3
Hungary					286	400	4.3	24.1	1.7	2.3
Poland					375	500	3.7	28.3	0.7	0.9
Romania					118	200	6.8	50.5	0.4	0.6
Total Importing Countries					50,926	60,520	2.2	3.4	2.4	2.5
WORLD	63,400	83,210	4.0	1.6	66,984	79,195	2.1	4.0	1.7	1.6

For footnotes, please refer to the next page.

Shamsher Singh and Dorothy Ryan, Trade Policies and Export Projections Division, Economics Department

C

Population: 19.1 m
GNP Per Cap; $300

IVa. COLOMBIA - 5 YEAR LENDING PROGRAM

		($ millions)							
		Fiscal Year						Total	Total
		1970	1971	1972	1973	1974	1975	1964-68	1969-73
Land Settlement I	IBRD		5.0						
Irrigation - Atlantico II	IBRD		1.2						
Irrigation - Cesar I	IBRD			10.0					
Irrigation - Cesar II	IBRD						10.0		
Livestock II	IBRD	18.3							
Livestock III	IBRD			15.0					
Livestock IV	IBRD					15.0			
Telecommunications II	IBRD		7.0						
DFC IV - IFI	IBRD		5.0						
DFC V - DFC	IBRD		30.0						
DFC VI - IFI	IBRD				30.0				
DFC VII - IFI	IBRD						30.0		
Education II	IBRD	6.5							
Education III	IBRD				10.0				
Education IV	IBRD						10.0		
Power - Chivor I Hydro	IBRD	52.3							
Interconnection Hydro	IBRD				15.0				
Highways VI	IBRD	32.0							
Highways VII	IBRD			27.0					
Highways VIII	IBRD					20.0			
Railways VI	IBRD			10.0					
Water Supply - Medium Cities I	IBRD	18.5							
Water Supply - Medium Cities II	IBRD	6.0							
Water Supply - Medium Cities III	IBRD		2.0						
Water Supply - Medium Cities IV	IBRD			20.0					
Water Supply - Medium Cities V	IBRD					25.0			
Water Supply - Bogota II	IBRD				25.0				
Unallocated	IBRD			19.0					
Unallocated	IBRD				10.0				
Unallocated	IBRD					20.0			
Unallocated	IBRD						30.0		
'69 103	IBRD	133.6	50.2	101.0	90.0	80.0	80.0	161.2	477.9
	No.	6	6	6	5	4	4	9	29

P & B 5/14/70

FOR IMMEDIATE RELEASE

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

1818 H STREET, N.W., WASHINGTON D. C. 20433 TELEPHONE: EXECUTIVE 3-6360

Bank Press Release No. 70/24
May 13, 1970

<u>Subject</u>: $38.5 million lent for education and highways in Colombia

Two Colombian high priority programs -- secondary education reform and highway development -- will go forward with the assistance of the World Bank, which today announced two loans to Colombia totaling $38.5 million. A loan of $6.5 million, the Bank's second loan for education in Colombia, will help finance the construction and equipment of nine comprehensive secondary schools that will emphasize basic preparation of skilled personnel for business, social service, industry and agriculture, and thereby help meet the manpower requirements of a growing economy. Another loan, of $32 million, will assist Colombia in upgrading its national highway system and will help to provide, for the first time, paved links between the major inland cities and the major ports. It will be the Bank Group's sixth operation for highway development in Colombia.

<u>$6.5 million, 30-year, 10 years of grace, 7% loan to the Republic of Colombia</u>

The Colombian Government is restructuring secondary-level education in order to meet the need for trained middle-level manpower. As part of its plans for education reform, the Government has under way a program to establish 19 comprehensive secondary schools which integrate academic studies and practical courses, thereby preparing students both for the labor market and for further studies, and accelerating the shift in enrollment from academic to industrial and agricultural studies. These schools are to be located in 18 departmental capitals, serving large urban population centers. The first phase of the program, which provided for the construction and equipment of 10 such schools, is being implemented with the assistance of an earlier Bank loan of $7.6 million. The first school was recently inaugurated and all schools in this phase are expected to be completed before the end of 1971.

/more

The new project will help to finance the second phase of the program, which includes the construction and equipment of nine more comprehensive secondary schools that will provide space, on a two-shift basis, for 31,000 students; related technical assistance; and administrative and operational costs of a unit within the Instituto Colombiano de Construcciones Escolares (ICCE), which will execute the project. ICCE is also carrying out the first project.

In the project schools, the six-year secondary education course will progress in three stages of two years each, from general exploratory studies in pre-vocational subjects (academic, agricultural, commercial, industrial and social service), to more specialized courses, such as the humanities, science, metal mechanics, electricity, construction, industrial chemistry, farming, animal husbandry, secretarial, bookkeeping, health, community development, and home economics. Guidance counsellors will assist the students in choosing suitable options. Initially, the schools will offer a combination of options consistent with the types of manpower needed in the area in which they are located.

The total cost of the project is estimated at the equivalent of $13 million. The Bank loan will provide $6.5 million and the remainder will be provided by the Government of Colombia. The project is scheduled for completion in 1972.

Assistance was provided the Colombian Government in identifying and preparing the program to establish 19 comprehensive secondary schools by the United Nations Educational, Scientific and Cultural Organization (Unesco) under the Bank/Unesco Cooperative Program. The Bank mission which appraised this project included a specialist in agricultural education of the Food and Agriculture Organization of the United Nations under the Bank/FAO Cooperative Program.

/more

$32 million, 25-year (4 years of grace) 7% loan to the Republic of Colombia

Franklin National Bank, New York, Security Pacific National Bank, Los Angeles, and First Wisconsin National Bank of Milwaukee are participating in this loan for a total amount of $250,000.

A large part of Colombia's 21 million people are concentrated in the elevated Bogota-Cali-Medellin triangle, in about one-fifth of the country's land area of approximately 400,000 square miles. Other large population centers are in the Atlantic seaports of Cartagena, Barranquilla, and Santa Marta. Due to Colombia's difficult terrain and the isolation and traditional independence of the various regions, the development of a coherent highway system started only two decades ago.

The project includes the paving of approximately 1,000 miles of highway, representing an increase of over 30% in the paved length of the national highway network. The 48 road sections selected for the paving program have traffic volumes ranging from 220 to 1,460 vehicles a day. Other project works are the construction of a bridge across Colombia's largest river, the Magdalena, on the highway between Barranquilla and Santa Marta, which will form part of the Trans-Caribbean highway linking Colombia and Venezuela; upgrading of the road between El Pailon and the port of Buenaventura, which is the final section of a new highway connecting Colombia's most active port with the rest of the country; and consulting services for the supervision of construction.

The Ministry of Public Works, assisted by consultants, will execute the project, which is scheduled for completion in 1973 at a total cost equivalent to about $62 million. Construction will be under contracts let on the basis of international competitive bidding. The Bank loan will meet the project's estimated foreign exchange requirements and a portion of the local costs of consulting services. The remaining finance will be provided by the Government of Colombia.

The project will bring the total lent by the Bank Group for highway development in Colombia to $135.55 million.

- 0 -

Draft - ALMaher - May 25, 1970

Subject: World Bank lends $70.8 million in Colombia

1. A World Bank loan of $52.3 million will assist in financing the largest electric power undertaking in Colombia -- the Chivor hydroelectric project which will initially add 500 megawatts to the interconnected system supplying the four largest cities -- Bogota, Medellin, Cali and Manizales. This will be the Bank's seventeenth loan for the development of electric power in Colombia, bringing the total to $293 million.

2. A second loan, of $18.5 million, has been made for the improvement and expansion of the water supply and sewerage system in Cali, a city with a population of some 900,000 and growing at the rate of nearly 8% a year largely as a result of an influx from the countryside.

$52.3 million 30-year (7 years of grace) 7% Bank loan to Interconexion Electrica S.A. (ISA), guaranteed by ISA's principal shareholders and the Republic of Colombia

3. Colombia has a total generating capacity of approximately 2,000 MW, of which half is in plants built with the assistance of earlier Bank loans. For over a decade power demand has been growing at an annual rate of 11% and this trend is expected to continue. The Bank has long supported the concept of power integration in Colombia since interconnecting the regional power systems to create a national system would result in significant economies. ISA was created in September 1967 as a vehicle for this interconnection and for developing and operating major new generation plants. ISA is owned by the utilities operating the electricity systems of Bogota, Medellin, Cali and Manizales which produce some two-thirds of all the electric power generated in Colombia. An $18 million Bank loan, together with joint financing from supplier countries, was made to ISA in 1968 for the construction of a 332-mile (535-km), 230-kv network interconnecting the four systems; this will be completed by mid-1971.

4. The Chivor project will be the first generating plant to be built by ISA and will have an ultimate capacity of 1,000 MW. The Bank loan will assist the first phase which includes the construction of the Esmeralda Dam on the Bata River, a powerhouse with an initial capacity of 500 MW, and a 112-mile (180-km) double-circuit transmission line to link the power plant with ISA's interconnected network near Bogota. The power plant is scheduled to start operation in mid-1975. The total estimated cost of the project is equivalent to $114.2 million. The Bank loan will cover part of the foreign exchange costs; the remainder will come from bilateral sources of financing. The local currency costs of about $48 million will be covered by ISA's stockholders.

<u>$18.5 million 25-year (4 years of grace) 7% Bank loan to Establecimiento Publico Empresas Municipales de Cali (EMCALI), guaranteed by the Republic of Colombia</u>

5. Pending the completion of a nation-wide study of the water supply and sewerage sector, the Colombian Government is giving priority to the expansion programs of the larger cities where population is growing rapidly. This loan for the Cali system is the second to be made by the Bank in Colombia's water supply and sewerage sector. A loan of $14 million was made two years ago for the Bogota system.

6. Cali is the third largest city in Colombia and the political, administrative and industrial center of the Department of Valle. The project being assisted by the Bank loan will enable EMCALI to provide water and sewerage services for more than a million people in 1973, compared with the 710,000 who are now served. It will permit the extension of service to areas inhabited by the city's lowest income groups where, because of inadequate sanitation, health conditions are inferior to the level generally prevailing in the city.

7. The water supply portion of the project includes a new intake and water treatment plant on the Cauca River, new supply/distribution pipelines and house connections, and improvements to some existing supply lines and house connections. The sewerage portion includes a major sewerage interceptor, which will reduce pollution of water at the intake of the water treatment plant, a pumping station, trunk and secondary sewers, and drainage canals for the removal of storm water.

8. The project is scheduled for completion by the end of 1973 at a total estimated cost equivalent to $33.5 million. The Bank loan of $18.5 million will cover the foreign exchange requirements and part of the local costs.

H

COLOMBIA - Development Finance Companies

(US$1 = Col$ 18.30)

Role of Financial Institutions in Financing Fixed Industrial Investment

1. Although suppliers credits and promoters' own funds account for about two-thirds of fixed industrial investment in Colombia, institutional sources do supply about one-fourth of the financing required, with foreign investment accounting for the balance. In 1968, financial institutions provided 26% of fixed investment from the following sources: Instituto de Fomento Industrial (16%), nine private financieras (8%), and commercial banks (2%).

Bank Group Financial Assistance

2. The Bank is the main source of foreign exchange for the five largest of the nine private financieras in Colombia. These five financieras (Nacional, Colombiana, Caldas, Valle, Norte) have received three Bank loans totalling US$62.5 million. The borrower is the Banco de la República (BR) which merely acts as a channel. The third loan has been almost fully utilized, and an appraisal mission for a fourth loan is planned for the summer of this year. In addition, IFC has invested in all five financieras, and the total amount of IFC's equity investments is US$5.6 million. IFC is represented on the Boards of all but Nacional and Colombiana. Attachments 1 to 5 give basic data on each of the five financieras as well as the names of important persons connected with them.

3. Some of the remaining four financieras which have not received IFC investments or participated in the use of Bank loans have on several occasions asked for these benefits. The Government has occasionally supported their cause. Both the Bank and IFC have felt, however, that the five financieras we support, which are located in different distinct parts of the country meet the needs of business with reasonable effectiveness, and that spreading the Bank Group's financing over more financieras would not increase the effectiveness of our assistance.

4. About the time that the last loan to the financieras was being negotiated, the Government asked that the Bank make loan financing available to Instituto de Fomento Industrial (IFI), wholly owned by the Government. In consequence Bank staff appraised IFI. However, negotiations for a possible US$5 million loan have been temporarily suspended pending clarification of the Colombian Government's role in minimizing the risk to IFI of its activities involving the promotion and financing of large industrial companies which IFI either owns or manages on behalf of the Government. A letter setting forth the Bank's position is being prepared. Attachment 6 gives some basic data relating to IFI and the names of important persons connected with it.

Five Financieras

Mutual Relationship

5. The financieras cooperate and consult with each other although they are engaged in friendly competition. The Presidents meet together (in different cities) each month and discuss matters of common interest. Also invited to these meetings are the managers of IFI and BR.

6. The Bank has recently asked the financieras and BR to consult with each other and organize a study of suspected potential over-capacity in the field of texturization of synthetic fibers, which has generated several new investments supported by the financieras apparently without regard to the overall picture.

Ownership

7. The aggregate share capital of the financieras totalled Col$ 445 million (US$25 million) as of December 31, 1969. The distribution of private Colombian shareholders varies from about 50% to 70%, and Government and its agencies do not hold more than about 12% of the shares of any financiera. Foreign shareholders own 27%-28% of the shares of three of the financieras; IFC's participation in no case exceeds 15% of share capital. Although the ownership of the five financieras is fairly well diversified, important commercial groups with special interests in the areas in which the financieras are located (particularly commercial banks) have dominating positions in all but one financiera.

Board and Management

8. The Board and Management of the financieras work very closely together, and the views of the local interests mentioned above carry considerable weight in the decisions taken by management. At the same time, by and large, the financieras are led by strong Presidents who manage the day-to-day business of their companies with reasonable competence and technical support of qualified staff. The Presidents of the 5 financieras are the following: Mr. Ignacio Copete Lizarralde (Colombiana); Mr. José Gutiérrez Gómez (Nacional); Mr. Benjamín Martínez Moriones (Valle); Mr. Roberto Ocampo Mejía (Caldas); Mr. Alvaro Jaramillo Vengoechea (Norte). Mr. Gutiérrez is the doyen of the group and Mr. Copete is distinguished by his professional ability.

Resources

9. Unlike development finance companies in many other countries, the Colombian financieras have not received cheap Government funds. They have access to credit lines established by the Banco de la República up to the amount of their share capital, and also obtain loans from Banco de la República's Private Investment Fund, which has received the support of bilateral aid agencies. The financieras have made modest and creditable efforts to raise funds through bond issues from the local market, and have

also attracted some financing from foreign commercial banks. They are generally aggressive in the search for resources, not having recourse to direct Government financing. The Bank is, however, their most important source of foreign exchange funds.

10. All the financieras have the laudable goal of establishing a market for their shares. Market conditions in Colombia require a dividend yield of approximately 16% per annum to interest investors. Only Nacional has been able to approach this level of dividend payment (14.4%). In recent months, the Government has allowed tax concessions for investments in the shares of the financieras, and this appears to have stimulated investor interest in the shares, which are now selling above par.

Operations

11. The regional orientation of the financieras (with the exception of Colombiana), located as they are in natural regions effectively separated from one another, is the most marked characteristic of their operations. Consequently, regional financing has accounted for 75-85% of total operations of the four financieras. Joint operations are now, however, becoming increasingly normal.

12. Lending activities are by far the most important of the financieras' operations. Medium- and long-term industrial loans account for 70% of their financing activity. One-tenth of the financieras' operations are short-term, involving foreign exchange financing of export-import transactions with funds available from foreign bank lines of credit. Short-term operations of this nature have been declining steadily in volume since 1964.

13. The total equity portfolio of the financieras has fluctuated between 16-20% of total assets between 1964-1969. There has been a marked degree of difference in the extent to which the financieras have been promotion-minded. Colombiana and Caldas have been the most promotional of the financieras. The return from these promotional investments, which have taken time to season, has been considerably lower than from other operations, and the profitability of both Caldas and Colombiana has suffered. Nacional, Norte and Valle have been the more conservative, and have emphasized their lending operations.

14. The operations of the financieras have been profitable, and they have most recently been paying dividends ranging from 8% to 14.4% in 1969. Prospects for improving profitability are good.

Bank's Lending Program

15. The Bank's lending program shows the following proposals for the private financieras:

1971	$30 million
1973	$30 million
1975	$30 million

A loan in mid FY 1971 seems a good possibility.

IFI

16. In volume of annual investment in industry, and in total assets, IFI is larger than all the private financieras put together. One of its activities is the financing of private sector investment in industry. Its most important activity is the promotion and financing of large enterprises which the private sector will not finance because of their size or which, for reasons of public policy, are reserved for the public sector. Examples are a petro-chemical complex, a salt and chemical complex, a nickel mining venture, a steel mill, etc.

17. IFI's resources derive mainly from equity provided by the Government from time to time out of budget allocations, and the proceeds of social security funds allocated to it. It also obtains suppliers' credits from foreign sources to finance its clients and subsidiaries. Its interest in the Bank as a source of finance stems from the desire to replace suppliers' credits with a more flexible source, and to increase its resources in order to cope with its very ambitious program of growth.

18. While the Bank recognizes that IFI is doing an important job in creating new industry, the Bank also feels (as stated in paragraph 4) that the Government's role in supporting IFI against the large risks that it carries has to be clarified.

19. The Bank's lending program for IFI is as follows:

1970 (now 1971)	$5 million
-	-
-	-

Some difficult negotiations will have to be gone through before a first loan can materialize. The chances are fair that differences will be resolved and the loan made in FY 1971.

Attachments

Attachment 1

CORPORACION FINANCIERA COLOMBIANA

Share capital (1969)	Col$ 131.2 million
Total assets (1969)	Col$ 899.6 million
Loan portfolio	Col$ 667.2 million
Equity portfolio	Col$ 174.8 million

	1966	1967	1968	1969
Growth of assets	700.5	722.6	826.3	899.6
Amount Bank loans utilized	-	34.2	99.3	135.7

Major Shareholders	%
Banco de Bogotá	18.1
IFC	15.3
Colseguros	12.3
Banco del Comercio	7.9

President: Ignacio Copete Lizarralde

Chairman of Board: Jorge Mejía Salazar, President of Banco de Bogotá

Other important personalities: Gregorio Obregón, Vice Chairman of Colombiana's Board, and President of Colseguros.

Attachment 2

CORPORACION FINANCIERA NACIONAL

Share capital (1969)	Col$ 98.9 million
Total assets (1969)	Col$ 580.1 million
Loan portfolio	Col$ 429.8 million
Equity portfolio	Col$ 91.9 million

	1966	1967	1968	1969
Growth of assets	359.6	376.6	463.8	580.1
Amount Bank loans utilized	-	31.9	84.8	133.2

Major Shareholders

	%
Banco Comercial Antioqueño	16.6
IFC	11.7
Balfour, Williamson & Co. Ltd.	11.0
Boston Overseas Financial Corp.	8.1
Bankers International S.A.	8.1

President: José Gutierrez Gómez

Chairman of Board: Gabriel Angel E., founder of a number of financial institutions.

Other important personalities: Carlos Restrepo Dumit, Vice President of Nacional

CORPORACION FINANCIERA DEL VALLE

Share capital (1969)	Col$ 82.8 million
Total assets (1969)	Col$ 463.0 million
Loan portfolio	Col$ 330.4 million
Equity portfolio	Col$ 34.1 million

	1966	1967	1968	1969
Growth of assets	168.6	201.6	345.7	463.0
Amount Bank loans utilized	-	3.9	7.0	1/

Major Shareholders	%
Banco Cafetero	11.3
IFC	9.1
Continental International Finance Corporation	9.1
Empresa Colombiana de Petroleo	7.8

President: Benjamín Martínez Moriones

Chairman of Board: Jaime H. Caicedo, Industrialist

IFC is represented on Valle's Board by Mr. Justo García Rayneri, Consultant

1/ Data not available.

CORPORACION FINANCIERA DEL NORTE

Share capital (1969)	Col$ 42.0 million
Total assets (1969)	Col$ 243.2 million
Loan portfolio	Col$ 165.2 million
Equity portfolio	Col$ 17.6 million

	1966	1967	1968	1969
Growth of assets	83.3	115.0	164.8	243.2
Amount Bank loans utilized	-	10.8	38.0	51.3

Major Shareholders	% 1/
Marine Midland Overseas Corp.	13.96
IFC	- 2/
Philadelphia International Investment Corp.	9.71
Banco Cafetero	8.23
Empresa Colombiana de Petroleo	4.15

President: Alvaro Jaramillo Vengoechea

Chairman of Board: Karl C. Parrish, Manager of Parrish & Cía. Ltda.

IFC is represented on Norte's Board by Mr. Ernesto M. Rojas, IFC Division Chief

1/ As of 12/31/68. Current breakdown not available since share capital is in process of being increased.
2/ IFC presently holding 750,000 shares.

Attachment 5

CORPORACION FINANCIERA DE CALDAS

Share capital (1969)	Col$ 89.6 million
Total assets (1969)	Col$ 384.0 million
Loan portfolio	Col$ 213.1 million
Equity portfolio	Col$ 113.1 million

	1966	1967	1968	1969
Growth of assets	232.9	264.9	317.3	384.0
Amount Bank loans utilized	22.5	25.3	34.2	41.3 1/

Major Shareholders

	%
Federación Nacional de Cafeteros	20.1
Banco Cafetero	15.0
IFC	10.9
Empresa Colombiana de Petróleo	9.5
Comité Departamental de Cafeteros de Caldas	7.9
Banco del Comercio	7.2

President: Roberto Ocampo Mejía

Chairman of Board: Although the Board has no official Chairman, Arturo Gómez Jaramillo, Manager of the Federación Nacional de Cafeteros, is its most influential member.

IFC is represented on Caldas' Board by Mr. A.G. Arango, IFC Consultant

1/ As of 4/30/70.

INSTITUTO DE FOMENTO INDUSTRIAL

Share capital (1969)	Col$ 264.4 million
Total assets (1969)	Col$ 2,406.4 million
Loan portfolio	Col$ 1,687.0 million
Equity portfolio	Col$ 229.2 million

	1966	1967	1968	1969
Growth of assets	144.7	321.8	776.0	2,406.4

Major Shareholders: IFI is 99.5% owned by the Government of Colombia

Manager: Mr. Alberto Jaramillo

Chairman of Board: Hernando Gómez Otalara, Minister of Development

Other important personalities on IFI's Board: Abdón Espinosa Valderrama, Minister of Finance.
Germán Botero de los Rios, Manager of Banco de la República.