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inter-american development bank
ANNUAL REPORT 1972

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UNITED STATES
URUGUAY
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INTER-AMERICAN DEVELOPMENT BANK
WASHINGTON, D.C. 20577

April 5, 1973

Mr. Chairman:

Pursuant to Section 2 of the By-Laws of the Bank, the Board of Executive Directors has authorized me to submit the Annual Report of the Bank for 1972 to the Board of Governors.

The Report contains a section on economic development trends in Latin America, a review of the Bank's overall activities in 1972 and a description, on a country-by-country basis, of the loans and technical cooperation authorized during the year.

To facilitate an understanding of the Bank's overall operations these have been combined. Complying with provisions of the Agreement Establishing the Bank, the Bank also presents a separate accounting of its various sources of funds.

Thus Part I contains the audited financial statements of the ordinary capital resources, which are published pursuant to the provisions of Article VIII, Section 6 (a), of the Agreement Establishing the Bank.

Part II presents the financial statements of the Fund for Special Operations in accordance with the provisions of Article IV, Section 8 (d), of the Agreement.

Part III contains the financial statements of the Social Progress Trust Fund, which the Bank, as Administrator, presents pursuant to Section 5.04 of the Agreement signed between the United States Government and the Bank.

Finally, Part IV summarizes the other resources which the Bank has mobilized for Latin America's economic and social development from non-member countries.

Sincerely yours,

Antonio Ortiz Mena
President

Chairman, Board of Governors
Inter-American Development Bank

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THE COVER:
Chemistry Student at University of West Indies in Mona, Jamaica.

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AUGMENTING AGRICULTURAL PRODUCTION and productivity in Latin America has been a principal accomplishment of the Bank. 1. Technicians combat foot-and-mouth disease in Brazil. 2. Extension agent in Trinidad and Tobago visits market. 3. Small-scale farmer sprays corn crop in Jamaica. 4. Farmer feeds chicken flocks in Paraguay.

economic development trends

ECONOMIC DEVELOPMENT TRENDS

In recent years Latin America has achieved a satisfactory rate of growth. This trend carried on into 1972. Industrial activity continued to play a dynamic role in the evolution of Latin America's internal economy and this was reflected in a rapid growth in exports of manufactured products. At the same time, programs to develop electric power and basic industry —particularly iron and steel—became increasingly important, while the exploitation of natural resources such as iron, aluminum, petroleum and forest resources was intensified

The strengthening of the region's economy in recent years was fostered largely by a sustained investment and savings effort, along with a substantial improvement in fiscal finances, particularly those of central governments. Nonetheless, the less developed countries of the region still have savings rates that are insufficient to maintain dynamic growth.

The countries of the region recently have begun to show a greater awareness of social problems; nevertheless, action in this field, with the possible exception of progress achieved in health and education, has not yet had a significant impact. The problems of unemployment and unequal distribution of income, worsened by the high rate of population growth and the rapid rate of urbanization, are marked by highly complex features that stand in the way of short- or medium-term solutions.

In the external sector of the region's economy, the value of imports grew more sharply than exports. This contributed to an increase in the current account deficit in the balance of payments. However, long-term capital movements favorable to the region helped offset these effects and permitted a significant expansion of the international monetary reserves of the region.

The world economic situation is extremely uncertain at present, due particularly to the problems besetting the international monetary system. Insofar as these problems have a direct bearing on the normal flow of foreign trade and international financing, the course of events may profoundly affect the regional economy, particularly at this time when the Latin American countries are actively seeking to expand and diversify their exports.

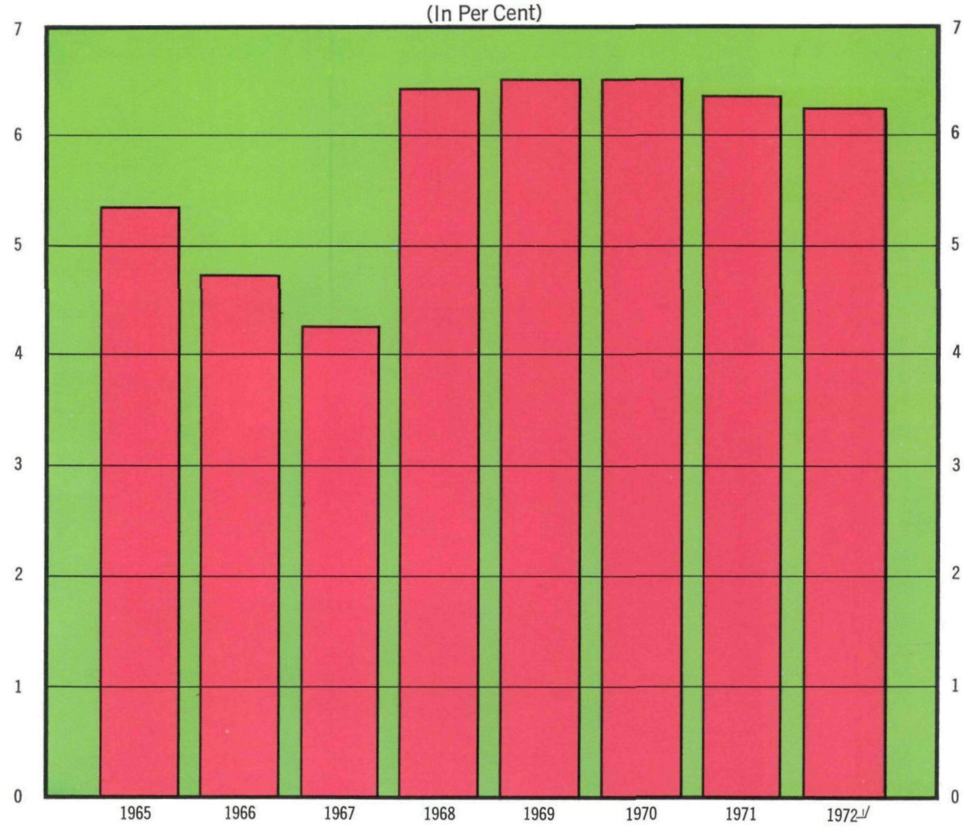
Gross Domestic Product

The average rate of growth of the gross domestic product of the region during the 1968-71 period was 6.4 per cent a year. According to preliminary information, the increase in 1972 was 6.2 per cent — a rate similar to that achieved in 1971. In terms of the per capita product, the increase in those two years amounted to an average 3.5 per cent annually. These figures compare favorably with those registered in the 1960-69 period, in which the overall rate of growth in the region varied irregularly around an average 5.4 per cent annually.

The continuation of a high rate of growth over the last three years—1970-72 —is an encouraging sign of progress in the capacity for autonomous development of the region, thanks to which adverse factors in the world economy have been counterbalanced. It might be recalled that prior to the international financial crisis of late 1971 and its effects on trade and monetary relations, there had been a considerable economic decline in the developed countries. Thus, the increase in gross national product of the 23 member countries of the Organization for Economic Cooperation and Development (OECD) was 2.6 per cent in 1970 and 3.4 per cent in 1971, compared with an average 5 per cent for the 1966-69 period.

There is no need to stress the limitations which a general economic indicator, such as per capita product, has in the evaluation of the many and complex aspects of the development process. Hence

LATIN AMERICA: GROWTH OF GROSS DOMESTIC PRODUCT IN REAL TERMS, 1965-72
(In Per Cent)



SOURCE: Inter American Bank, based on official statistics of member countries
[1]Preliminary data.

the comparison of this indicator among countries is intended only to give an approximate illustration of conspicuous economic differences, such as the average availability of goods and services and differences in productive capacity.

In recent years the structure of production in Latin America continued to develop according to the long-term trends observed since the beginning of the 1960s, although at a slightly faster rate. The contribution of the primary sector—agriculture and mining—to the gross domestic product declined from 20.5 per cent in 1967 to 18.3 per cent in 1971. This reflected an increase in the value added of those sectors substantially lower than that of the rate of expansion of the total product. On the other hand, the contribution of the secondary sector—manufacturing, construction, electric power and transportation—increased progressively from 35.4 per cent in 1967 to 37.6 per cent in 1971, with its total value added registering an average annual increase of 6.6 per cent in 1960-69 and 7.5 per cent in 1970-71.

The proportion of the gross domestic product corresponding to private and public consumption increased slightly from 81.1 per cent in 1960-61 to 81.5 per cent in 1970-71. Resources allocated to gross domestic investment remained at an average of 19 per cent during the period, reaching a slightly higher level (19.3 per cent) in the years of fastest economic growth, 1968 to 1970. As a whole, the total resources utilized domestically in consumption and investment in 1968-71 exceeded the value of the gross product by a margin of about 2 per cent, compared with 1.2 per cent in 1960-67. This amount of additional resources, resulting from the excess of imports over the value of exports of the region, represents the real counterpart of the net financial transfer of foreign capital received by the region.

The Industrial Sector

The Latin American industrial sector continued to play a dynamic role in the region's economy in 1971, expanding

GROSS DOMESTIC PRODUCT
ANNUAL GROWTH RATES, 1960-71
(In Per Cent)

Country	1960-69 (Average)		1970		1971	
	Total	Per Capita	Total	Per Capita	Total	Per Capita
Argentina	4.3	2.8	4.1	2.6	3.8	2.3
Barbados	4.8	4.6	7.1	6.9	−1.0	−1.5
Bolivia	5.5	2.9	5.2	2.6	3.8	1.2
Brazil	5.7	2.8	9.4	6.5	11.3	8.2
Chile	4.5	3.1	3.1	1.7	8.5	7.2
Colombia	5.1	1.9	6.7	3.4	5.5	2.2
Costa Rica	6.0	2.6	5.9	2.9	4.9	2.0
Dominican Republic	3.9	0.9	5.5	2.5	7.4	4.1
Ecuador	4.7	1.3	8.7	5.1	7.0	3.5
El Salvador	6.0	2.6	4.8	1.3	3.3	−0.1
Guatemala	5.5	2.4	5.7	2.1	5.8	2.6
Haiti	0.9	−0.6	4.7	3.2	5.7	4.1
Honduras	5.1	1.7	4.0	0.4	6.0	2.5
Jamaica	4.6	3.1	0.4	−1.1	2.1	0.6
Mexico	7.0	3.6	6.9	3.3	3.7	0.1
Nicaragua	7.6	4.8	5.0	2.2	5.7	2.9
Panama	8.1	5.1	7.0	3.7	8.6	6.8
Paraguay	4.6	2.2	6.1	3.8	4.5	2.1
Peru	4.9	2.5	8.0	5.5	5.5	2.9
Trinidad and Tobago	4.3	2.2	2.5	0.4	2.5	0.4
Uruguay	1.1	−0.2	4.3	3.1	−1.0	−2.2
Venezuela	5.7	2.2	4.4	0.7	4.5	0.8
Latin America	**5.4**	**2.6**	**6.5**	**3.5**	**6.2**	**3.6**

SOURCE: Inter-American Bank, based on official statistics of member countries.

STRUCTURE AND GROWTH OF LATIN AMERICA'S
GROSS DOMESTIC PRODUCT, 1960-71
(In Per Cent)

	Structure (Average)		Average Annual Growth Rate		
	1960-61	1970-71	1960-69	1970	1971
Primary Sector	**22.7**	**18.6**	**3.2**	**4.1**	**4.2**
Agriculture	18.9	15.4	3.0	4.8	5.0
Mining	3.8	3.2	4.1	1.0	0.4
Secondary Sector	**33.5**	**37.5**	**6.6**	**7.8**	**7.1**
Manufacturing	22.8	26.0	6.9	7.5	7.1
Construction	3.6	3.8	5.9	5.9	5.9
Electricity	1.1	1.7	10.3	9.2	8.5
Transportation	6.0	6.0	5.2	10.0	7.3
Tertiary Sector	**43.7**	**44.0**	**5.5**	**6.4**	**6.5**
Trade	22.4	23.2	5.8	6.5	6.3
Financial Services	5.2	5.1	5.2	5.9	4.5
Other Services	9.4	9.2	5.0	6.5	7.8
Government	6.7	6.6	5.3	6.2	7.1
TOTAL	100.0	100.0	5.4	6.5	6.2

SOURCE: Inter-American Bank, based on official statistics of member countries.

MANUFACTURING SECTOR VALUE ADDED GROWTH RATES, 1968-71 (In Per Cent)

	1968-71	1968	1969	1970	1971
Argentina	7.3	7.1	11.1	5.0	6.1
Barbados	6.4	5.3	9.2	4.6	6.6
Bolivia	4.6	2.5	7.5	6.0	2.3
Brazil	11.8	14.4	11.2	10.3	11.3
Chile	4.2	2.5	2.9	–0.1	12.0
Colombia	7.4	6.1	7.5	7.9	8.3
Costa Rica	7.2	8.1	6.5	7.6	6.7
Dominican Republic	9.4	–3.1	27.8	8.9	6.3
Ecuador	7.1	5.4	4.7	6.2	12.0
El Salvador	4.0	5.4	4.0	3.7	2.8
Guatemala	6.9	11.6	7.4	3.7	5.1
Haiti	8.8	4.9	5.4	19.6	5.9
Honduras	7.0	11.4	4.4	6.3	6.1
Jamaica	2.0	6.8	0.3	–2.4	3.5
Mexico	7.7	10.2	8.0	8.1	4.5
Nicaragua	9.8	10.3	9.0	12.6	7.2
Panama	8.4	9.6	11.0	5.1	8.0
Paraguay	6.2	6.0	4.9	8.1	5.7
Peru	5.3	1.7	–0.6	11.8	8.6
Trinidad and Tobago	5.9	11.1	5.8	5.4	1.5
Uruguay	2.9	4.9	5.8	3.9	–2.7
Venezuela	5.1	5.8	2.6	10.5	1.6
CACM	6.9	9.3	6.5	6.3	5.4
Andean Group	5.5	3.4	3.5	5.4	9.8
LAFTA	8.1	10.0	9.4	8.0	6.8
Latin America	**8.0**	**8.9**	**8.5**	**7.5**	**7.1**

SOURCE: Inter-American Bank, based on official statistics of member countries.

more rapidly than the gross domestic product, even though at a slower pace than in previous years.

Production rose by 7.1 per cent in 1971, a slight decrease from the 7.5 per cent rate of the preceding year. The average rate for the period 1968-71 was 8 per cent.

In recent years, Latin America's industrial growth rate has been heavily weighted by Brazil, whose rate of expansion averaged 12 per cent a year during 1968-71. This striking performance was due to the strong stimulus provided by the demand of an internal economy in rapid development as well as by the opening of new export markets. Three other countries—Argentina, Colombia and Mexico—which together with Brazil account for 80 per cent of Latin America's industrial production, registered average gains of more than 7 per cent a year during the period, and similar results were achieved by such smaller countries as Ecuador, Haiti, Panama and most of the member countries of the Central American Common Market.

The most significant production increases during 1968-71 (more than 10 per cent a year) were registered in the branches of metal products and machinery, nonmetallic minerals and chemical products. Textiles and clothing posted the lowest rates (6.9 per cent and 5.5 per cent, respectively). The picture changed slightly in the last part of the period, when both textiles and clothing experienced a notable recovery; textiles, for example, expanded by 10.8 per cent in 1971. Certain noteworthy basic industry programs in Latin America were initiated in 1972. These included iron and steel expansion in Brazil, Argentina and Mexico and aluminum projects in Argentina and Venezuela.

One of the most important features of Latin America's recent industrial expansion has been the rapid growth of exports of manufactured products, which during 1968-70 increased by a rate of 13.1 per cent. In Brazil the value of such exports, excluding processed foods, rose from $13 million in 1959 to $426 million in 1971, and to more than $600 million in 1972.

Although a large proportion of Latin America's industrial exports is represented by nonferrous metals and light manufactures, which have a comparatively low value added, the exports that grew the fastest in 1968-70 were those of machinery and equipment (39 per cent a year), followed by textiles (23 per cent) and iron and steel products (19 per cent). The majority of the exported manufactures went to countries outside the region. In this connection, an encouraging development is that, despite the increasing preferences being granted intraregional trade as a result of the economic integration process, during 1968-70 extraregional exports rose at nearly the same annual rate as intraregional exports (12 and 16 per cent, respectively). Nonetheless, manufactures exported within the region, which include a comparatively large percentage of metal products, machinery and equipment, have tended to embody a higher degree of industrial technology and a higher proportion of value added.

Many factors explain the reorientation of industrial development taking place in the region, which already is yielding highly satisfactory results in the export sector. First of all, some countries have reached a comparatively advanced stage of industrial growth as regards the structure and size of their industrial plant; secondly, the attitude of governmental entities as well as businessmen, particularly regarding the need to export, is unquestionably changing. Furthermore, the governments of several countries have adopted measures to provide financial and fiscal incentives for exports of manufactures, including tax exemptions and export credit facilities. Also, by abandoning traditional practices, greater flexibility has been introduced in exchange policies in order to facilitate exports.

A key role in this entire process is played by the regional integration groups, including the Latin American Free Trade Association (LAFTA), the Central American Common Market (CACM), the Caribbean Free Trade Association (CARIFTA) and the Andean Subregional Group, which have stimulated the expansion of business operations. For instance, 48 per cent of the manufacturing exports of Brazil in 1971 were absorbed by other Latin American countries, primarily under complementation agreements.

In the course of evolving from an industry based on natural resources to a more highly technological industry, Latin America has had to face new problems. The more advanced technological requirements of industry have continued to be met by traditional methods, i.e., the importation of equipment and the purchase of licenses and technical assistance, as well as the acceptance of foreign private investment incorporating all of these elements. This process places a mounting burden on the balance of payments of the region.

Local innovations and adaptations of imported technology have not yet acquired an important role, but in some countries a spirit of innovation is beginning to be manifested, particularly in relation to certain branches of the metal-machine industry.

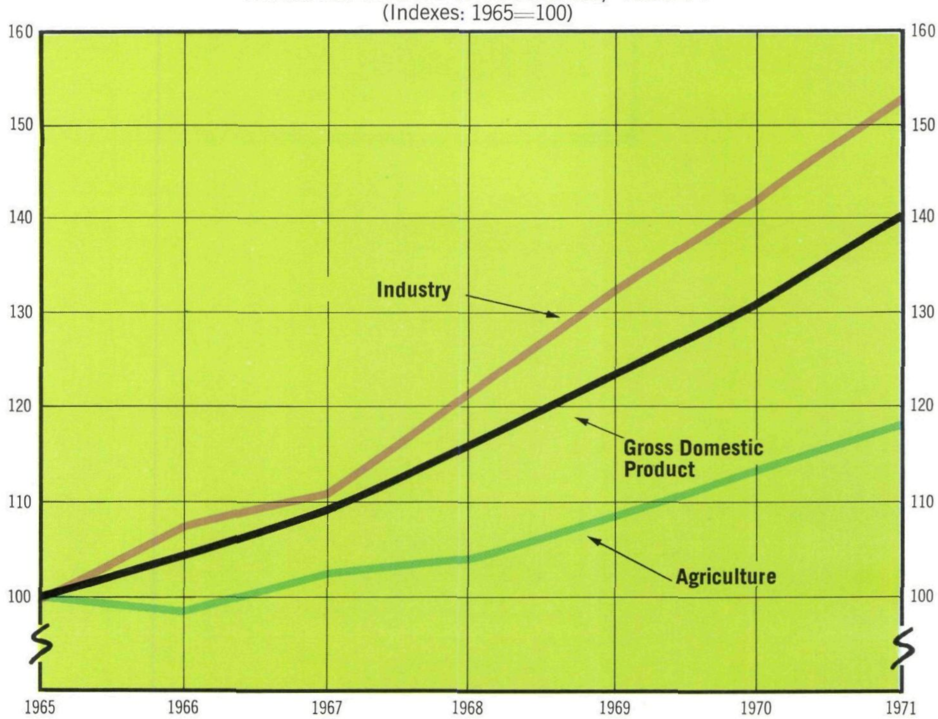
The Agricultural Sector

Even though in terms of value added agricultural production in Latin America continued to expand in 1971 at a slightly faster rate than the growth in population, statistics of the UN Food and Agriculture Organization (FAO) show that in terms of volume the total agricultural output of the region in 1971 remained at the level of 1970, ending the upward movement, however slow, of previous years. Total food production in 1971 also failed to surpass that of 1970. In per capita terms, this represented a 3 per cent decrease both in total agricultural production and in food production. In 1971 per capita food production in Latin America stood at the level of 1961-65, which attests to the inability of that sector to maintain a growth rate more in accord with the general economic progress achieved by the countries of the region. Preliminary information indicates that more favorable climatic conditions, e.g., in Argentina, produced an increase in agricultural production in 1972.

The trends just mentioned are the combined result of diverse circumstances affecting specific products and of irregular climatic changes in several countries. Meat production fell by 6 per cent in 1971, owing largely to a 20 per cent decrease in Argentine production. As a result, apparent consumption of that product fell from 5.4 million tons in 1970 to 5.3 million tons in 1971, a reduction of 2 per cent. The corn harvest was slightly larger in 1971 than in 1970, but regional consumption was 2 per cent less. A sharp decline in production in some areas was quite offset by increases in Mexico and Argentina. Wheat production in the region recovered in 1971 with respect to the previous year, totaling 11.3 million tons. The gain was due particularly to a 22 per cent increase in Argentine production, which accounts for almost half of the regional total. As a result, apparent consumption of wheat in Latin America rose by 32 per cent, to 10.3 million tons.

Coffee production increased substantially in the region, thanks to the recovery registered in Brazil after an abnormally small harvest in 1970. However, production did not vary significantly in the other countries. Sugar production expanded by

LATIN AMERICA: GROWTH OF GROSS DOMESTIC PRODUCT, AGRICULTURE AND INDUSTRY, 1965-71
(Indexes: 1965=100)



SOURCE: Inter-American Bank, based on official statistics of member countries.

slightly less than 5 per cent, while prices in the world market went up to very favorable levels. The regional production of bananas declined by 2 per cent, primarily because of smaller harvests in the most important producer countries, Brazil and Ecuador. There also was a decrease in the regional production of rice, mainly because of the small harvest in Brazil.

In general, the progress achieved by the agricultural sector in the various geographical areas of Latin America showed significant differences. For instance, the Central American countries enjoyed excellent harvests in 1971; on the other hand, agricultural production increased only slightly in Panama, and by no more than the regional average in Mexico and the Caribbean. In South America, agricultural production declined in Argentina, Ecuador, Paraguay and Uruguay, but posted increases in other countries ranging from 1 per cent in Peru to 8 per cent in Chile.

The value of exports of Latin American agricultural products has risen constantly in recent years, but irregularly in the different subregions. For Latin America as a whole the value of agricultural exports increased by 60 per cent from 1961 to 1970. In South America the gain was 67 per cent, in comparison with 39 per cent in the Caribbean and 59 per cent in Central America. On the other hand, the value of imports of those products went up by 88 per cent for the region as a whole; but while this increase was only 46 per cent in South America, it was 169 per cent in the Caribbean region and 178 per cent in Central America. As noted, the overall situation in this regard is unfavorable insofar as there is a definite trend toward a faster rise in agricultural imports than in exports.

An equally adverse situation, resulting from the generally lagging growth of the sector, is its continuing inability to generate employment opportunities at a rate compatible with the rapid expansion of the labor force and strong enough to check the rate of rural migration to the cities. This is an extremely critical situation, both in terms of the general level of unemployment and underemployment that prevails in Latin America and of the large proportion of the labor force employed in the agricultural sector, particularly in certain countries of the region. For example, 1970 data show that more than 60 per cent of the labor force was employed in agriculture in the Dominican Republic, Haiti, Honduras and Guatemala.

Balance of Payments

The performance of Latin America's balance of payments in 1968-71 was generally favorable. Preliminary data indicate that this trend continued in 1972. Although the balance on current account constantly deteriorated during 1968-71, there was a substantial increase in long-term capital movements, so that the international reserves of the region increased by $2.7 billion.[1] The countries that had the most significant improvements in their balance of payments were Brazil and Venezuela, whose international reserves increased by $1.7 billion and $1.5 billion, respectively.

In 1971 the basic balance of the Latin American balance of payments showed a

[1] The figures for international monetary reserves given here include the Special Drawing Rights allocated by the International Monetary Fund.

BALANCE OF PAYMENTS SUMMARY, 1968-71
(In Millions of Dollars)

	1968	1969	1970	1971[1]
I. Goods, Services and Private Transfers				
1. Merchandise	1,004.7	1,383.3	783.1	–438.1
Exports, f.o.b.	12,038.2	13,419.3	14,623.7	15,042.5
Imports, f.o.b.[2]	11,033.5	12,036.0	13,840.6	15,480.6
2. Services	–3,297.0	–3,730.5	–3,888.8	–4,093.6
Freight and insurance	–1,084.6	–1,124.7	–1,262.0	–1,216.2
Travel (tourism)	474.9	584.1	542.2	675.0
Net payments to capital	–2,355.3	–2,729.1	–2,660.6	–2,970.0
Other	–332.0	–460.8	–508.4	–582.4
3. Net private transfers	18.6	29.9	62.4	70.5
4. Deficit (–) on current account	–2,273.7	–2,317.3	–3,043.3	–4,531.7
II. Capital Accounts and Public Transfers	1,917.5	3,297.3	2,387.6	3,471.4
1. Net capital flows (long-term)	2,237.1	3,506.1	3,053.1	3,924.4
Public	656.0	967.3	1,090.1	921.0
Private	1,581.1	2,538.8	1,963.0	3,003.4
2. Net public transfers	118.1	114.0	144.6	46.7
Basic Balance	**81.5**	**1,302.8**	**154.4**	**–560.6**
3. Net monetary flows	33.7	233.1	358.3	596.3
4. Increase (–) in monetary reserves	–471.4	–555.9	–1,168.4	–1,096.0
III. Errors and Omissions	356.2	–980.0	655.7	1,060.3

Notes: 1 Estimate.
2 F.o.b. import values are not available for Agentina, Barbados, Chile, Mexico and Trinidad and Tobago. For purposes of this table it has been estimated that f.o.b. values represent 87.5 per cent of recorded c.i.f. values.

SOURCE: International Monetary Fund.

marked decline with respect to the two previous years; however, the overall result was favorable judging by the new increase registered in international monetary reserves, which probably was due to unrecorded increases in capital movements. The improvement noted in 1972 was reflected in a further increment of 30 per cent in the total reserves of the region.

In 1970 and 1971 there was a rapid deterioration in the current account of the balance of payments, particularly in the merchandise account. In 1971 the traditional trade surplus of the region not only disappeared but was transformed into a deficit. Due largely to the rapid expansion of economic activity in the region, the value of imports of merchandise increased swiftly; nonetheless exports did not rise at the same rate. The principal cause of the slowdown in exports during the year was the unfavorable performance of the prices of basic products of the region, since the volume of exports rose by 7.2 per cent in 1971.

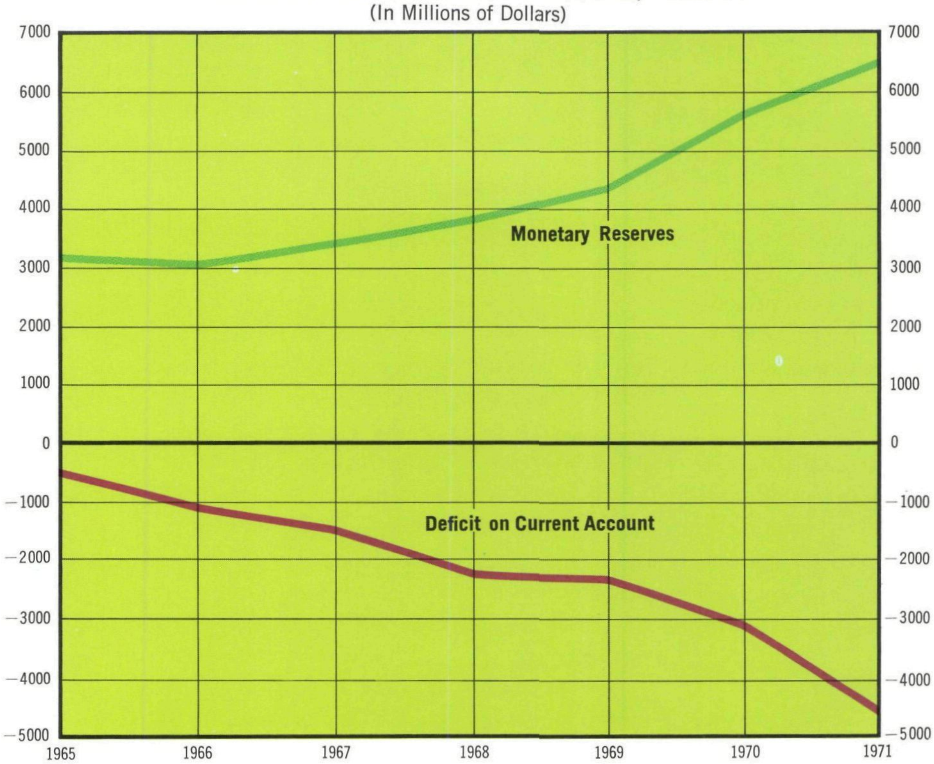
The services account of the Latin American balance of payments continued to show an increasing deficit during the 1968-71 period, equivalent to an annual rate of 7.5 per cent. In absolute terms, foreign exchange earnings from exports of services climbed from $3,330 million in 1968 to $4,583 million in 1971, while payments for imports of such services increased from $6,066 million to $8,081 million in the same period. In other words, while receipts increased by only $1,250 million, expenditures increased by $2,020 million.

Following previous trends, the larger volume of expenditures for services acquired abroad originated in the categories of interest and dividends on foreign capital and payments for freight and insurance.

The travel category—mainly tourism—was the only one that showed a surplus for the region. The largest share of this category went to Mexico, which according to 1971 data accounted for more than two-thirds of the receipts and about one-half of the regional expenditures in this category.

LATIN AMERICA: DEFICIT ON CURRENT ACCOUNT AND GROWTH OF INTERNATIONAL MONETARY RESERVES, 1965-71

(In Millions of Dollars)



SOURCE: International Monetary Fund.

As a result of the mounting increases in net capital movements, particularly in the private sector, the international monetary reserves of the region increased by almost 70 per cent in 1968-71. Furthermore, in 1972 Latin America received $273.3 million in Special Drawing Rights allocated by the International Monetary Fund.

The general outlook for 1973 is for a continued improvement in the balance of payments, especially since higher earnings are expected from exports of goods. This expectation is based primarily on the favorable trend of economic activity in the industrialized countries which make up the principal markets of Latin America. However, this projection should be regarded with caution in view of the general uncertainty prevailing in relation to the eventual solution of the present monetary crisis and the reform of the international monetary system.

The devaluation of the United States dollar in 1971 and subsequent developments in the international monetary field had an important impact on the external sector of Latin America. This element will continue to be a basic concern for the region. Hence, on several occasions and in a number of forums the Latin American countries have called for the interests of the developing countries to be considered in the discussion and eventual agreements on these issues. This is particularly important at a time when those countries—including the Latin American nations—are making effective efforts to increase their exports.

Economic Integration

The integration process in Latin America during 1972 underwent changes of various kinds, reflecting the form adopted by each of the integration schemes, as well as the varying circumstances that each has faced since going into effect.

As has been the case since it was constituted, the most dynamic of them was the Andean Group, which was organized within the framework of LAFTA. The member countries have sought to perfect the commitments made in the Agreement of Cartagena by means of complementary measures and the adoption of new juridical forms that are helping to shape an integration scheme among developing countries that may be the most original of its kind.

In addition, the Andean Group apparently is having a catalytic effect within the broader context of Latin American integration. One sign of this is the interest manifested by Argentina and Mexico in some form of association with the Group. In October 1972 agreement was reached on the formation of a mixed Andean-Mexican Commission, organized in December with delegates of the five countries of the subregion and a representative of Mexico. Another such commission was formed in November by the Group and Argentina. The purpose of the two commissions is to increase the trade of the member countries of the Cartagena Agreement with Argentina and Mexico. From the standpoint of regional integration, these developments tend to make the overall process more dynamic.

Among the major events noted in the Andean Group in 1972 was the adoption of a regime for the establishment of multinational firms within the Andean area and the signing of the first sectoral development program for the metal-machine industry. To some extent, the regime for multinational firms in the Andean area can be regarded as a complement of the common regime for the treatment of foreign capital established by Decision No. 24, in effect since June 30, 1971, with respect to the regulations for multinational investment within the subregion. The sectoral development program for the metal-machine industry provides for the assignment of production for each signatory country of the Cartagena Agreement, with special advantages being given to Bolivia and Ecuador, the countries recognized as being relatively less developed within the subregion.

As for the foreign trade of the Andean Group, in 1970 and 1971 both intrazonal exports and imports were highly dynamic in comparison with total imports and exports.

Within LAFTA as a whole, there has been a continuation of the stagnation that has been evident since the Ninth Conference of the Contracting Parties. However, this stagnation has been partly offset by advances in the use of complementation agreements. While only 51 products were included in the national lists and 100 in the lists of non-extensive concessions at the most recent conferences of LAFTA, a total of 256 concessions have been granted through complementation agreements.

In 1972 Argentina, Brazil, Mexico and Chile signed a new agreement for the pigment and colorant industry. Argentina, Brazil, Mexico and Uruguay signed two other agreements, one on products of the photographic industry and another on products of the electronic and electrical communications industry. In addition, certain other agreements were revised.

Despite the difficulties encountered by LAFTA, intrazonal trade (the average of exports and imports) totaled $1,424 million in 1971, an increase of 8.1 per cent over that of the previous year. In 1970 intra-LAFTA trade had expanded by 8.8 per cent with respect to 1969, while the annual growth rate for 1966-71 was 9.1 per cent. The ratio of intrazonal trade within LAFTA to the total foreign trade of the member countries had remained at about 11.0 per cent.

Insofar as can be learned from the available figures, the expansion of trade in products with a higher degree of processing has continued at a rate exceeding that of intrazonal trade in primary and semiprocessed products. Furthermore, it is likely that the measures to promote exports of nontraditional products adopted by some countries of the area have influenced trade flows, reinforcing the advantages gained in past years through the process of negotiation.

In the Central American Common Market, a series of meetings were held in 1972 to further the integration of the region and to deal with the problems arising from the conflict between Honduras and El Salvador and the acute balance of payments deficit of Costa Rica. At its first meeting of the year, held in January, the Normalizing Commission recommended that the governments approve the continuation of its functions until the agencies established in the General Treaty resume their normal activities.

In July 1972 Costa Rica announced the suspension of the system of automatic payments for its regional imports which have been made through the Central American Clearing House. In view of its foreign trade deficit, it raised the prospect of applying the free exchange rate to non-special imports from Central America. This measure, equivalent to a 30 per cent surcharge, threatened to block integration efforts. A meeting of Ministers of Economy and Finance and the Monetary Council, which approved a temporary agreement, established the exchange rates that will be applied to certain imports into Costa Rica from the rest of the area in order to improve its balance of trade.

The critical situation that has faced the Central American Common Market has been reflected in the trade of the area in recent years. Intrazonal trade declined in 1971 for the first time since the formation of the Common Market. In 1969 that trade totaled $249 million; in 1970 it was $299 million, and in 1971 it fell to $273 million. The most recent preliminary figures point to an improvement in this trend. In the first six months of 1972 intrazonal trade was $150.3 million, as against $126.6 million during the same period of 1971.

The integration process of the Caribbean Free Trade Association (CARIFTA) continued its forward progress during 1972. The major events include amendments to the Free Trade Treaty in favor of the less developed countries; establishment of the Caribbean Multinational Investment Company; establishment of the system of credit and insurance for export promotion; preparation of a common external tariff; completion of studies for the harmonization of fiscal incentives for industry and drafting of the agreement to eliminate double taxation.

The intrazonal exports of the CARIFTA countries rose 37 per cent between 1967 and 1969, going from $53 million to $73 million. The exports of Trinidad and Tobago, which amounted to $23.5 million in 1967, increased to $46 million in 1970. Jamaica, which exported $4.3 million in 1967, went up to $11.4 million in 1970. The exports of Barbados rose from $5.2 million to $8.1 million in the same period. Only Guyana saw a contraction of its exports to the countries of the region, from $15.1 million in 1967 to $13.6 million in 1970.

Domestic Financing

Most of the Latin American countries have significantly increased their investment and savings coefficients in recent years. For the region as a whole, the investment coefficient rose from 18.1 per cent in 1967 to 19.4 per cent in 1971, which represented an average annual increment of 8.3 per cent while the savings coefficient rose from 16.6 per cent to 17.3 per cent in the same period, an annual rate of 7.6 per cent.

In 1971, investment expanded by 6.6 per cent, while savings rose by 7.2 per cent. Taking 1970 as the base year, Latin America's savings coefficient equaled the average for the developing countries as a whole but was lower than that of the developing countries of Southern Europe, the Near East and Africa.

The position of Latin America was more favorable in regard to the savings coefficient. Latin America's coefficient was higher than that of other regional groups of developing countries, except for Southern Europe. This favorable position is all the more apparent when the relationship between savings and investment (i.e., the proportion of investments financed with domestic resources) in the same year is compared. The average was higher for Latin America than for the other groups of developing countries.

In the context of the investment and savings effort of the Latin American countries, the evolution of public finances is of fundamental importance. To judge from the data available on the central governments, the fiscal position improved in the majority of the countries in the period from 1967 to 1971. This is re-

COMPARISON OF INVESTMENT AND SAVINGS COEFFICIENTS, 1970

	In Per Cent of Gross National Product		Savings Investment Ratio
	Gross Investment	Domestic Savings	
Southern Europe	24.0	20.8	87
Middle East	21.6	14.4	67
Africa	19.9	16.2	81
Latin America	19.7	17.5	89
East Asia	19.4	15.4	79
Developing Countries	**19.7**	**16.6**	**84**
Industrial Countries	**22.3**	**22.9**	**103**

SOURCE: World Bank and Inter-American Bank.

RELATIONSHIP BETWEEN INVESTMENT AND SAVINGS, 1967-71
(In Per Cent of Gross Domestic Product)

	Gross Investment	Domestic Savings	Savings Investment Ratio	Net External Financing
Argentina	19.4	19.3	99	1
Barbados	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Bolivia	15.8	10.6	67	33
Brazil	17.3	16.1	93	7
Chile	15.3	13.7	90	10
Colombia	20.8	17.5	84	16
Costa Rica	24.6	16.0	65	35
Dominican Republic	17.7	11.0	62	38
Ecuador	17.9	10.8	60	40
El Salvador	13.6	10.9	80	20
Guatemala	13.3	10.2	77	13
Haiti	5.3	5.4	102	−2
Honduras	18.9	12.8	67	33
Jamaica	26.7	16.6	62	38
Mexico	20.8	17.5	84	16
Nicaragua	17.7	11.6	66	34
Panama	24.2	19.7	81	19
Paraguay	15.4	10.6	68	32
Peru	14.1	13.6	96	4
Trinidad and Tobago	21.7	19.0	88	12
Uruguay	9.9	9.4	95	5
Venezuela	25.3	24.1	95	5
Latin America	**19.0**	**17.0**	**89**	**11**

SOURCE: Inter-American Bank, based on official statistics of member countries.

flected in the favorable growth of revenues, the slightly lower rise in expenditures, and the consequent increase in savings and the relative reduction in the total deficit for the Latin American central governments as a whole.

In the period under reference central government current receipts grew by 8.4 per cent a year, while total expenditures (including current and capital expenditure) rose by 7.4 per cent a year. Thus, in 1971, current receipts amounted to some 11.6 per cent of the region's gross domestic product, and expenditures totaled some 12.8 per cent. In addition, central government tax receipts made up 88 per cent of their current receipts in 1971, compared with 85 per cent in 1967, an annual cumulative growth rate of 9.2 per cent during the period.

In 1971, central government tax receipts were made up of some 60 per cent in indirect taxes and 40 per cent in direct taxes. In the period 1967-71 both forms of tax revenue grew at more or less similar rates (9.4 and 9.2 per cent, respectively). Income tax collections, for their part, rose at an annual rate of 11 per cent during the same period, reaching 32 per cent of the current receipts and 3.7 per cent of the region's gross domestic product in 1971.

Greater fiscal discipline was reflected in a noticeably slower rise in expenditures than in receipts. The annual rate of growth of expenditures was 7.4 per cent, which made possible a relative reduction in the overall deficit from 1.6 per cent of the gross domestic product in 1967 to 1.2 per cent in 1971.

Another highly significant trend is connected with the growth of capital expenditures of the central governments, which in relation to total expenditure rose from 27 per cent in 1967 to 30 per cent in 1971. In 1971, capital expenditures consisted of 41 per cent in real investments and 59 per cent in financial investments and transfers of capital, mainly to local governments and autonomous entities. Real investments increased at a faster rate (10.7 per cent) than the financial investments and capital transfers, rising from 10.8 per cent of total expenditure in 1967 to 12.2 per cent in 1971. This increase represents a definite trend toward a greater contribution by the central governments to the economic development of the Latin American countries.

As a result of the trends mentioned above, the savings generated by the Latin American central governments (current receipts less current expenditure) rose at an annual rate of 16 per cent between 1967 and 1971. In their turn, these resources made it possible to finance, on the average, 63 per cent of the capital expenditures. The remaining 37 per cent was covered by deficit financing.

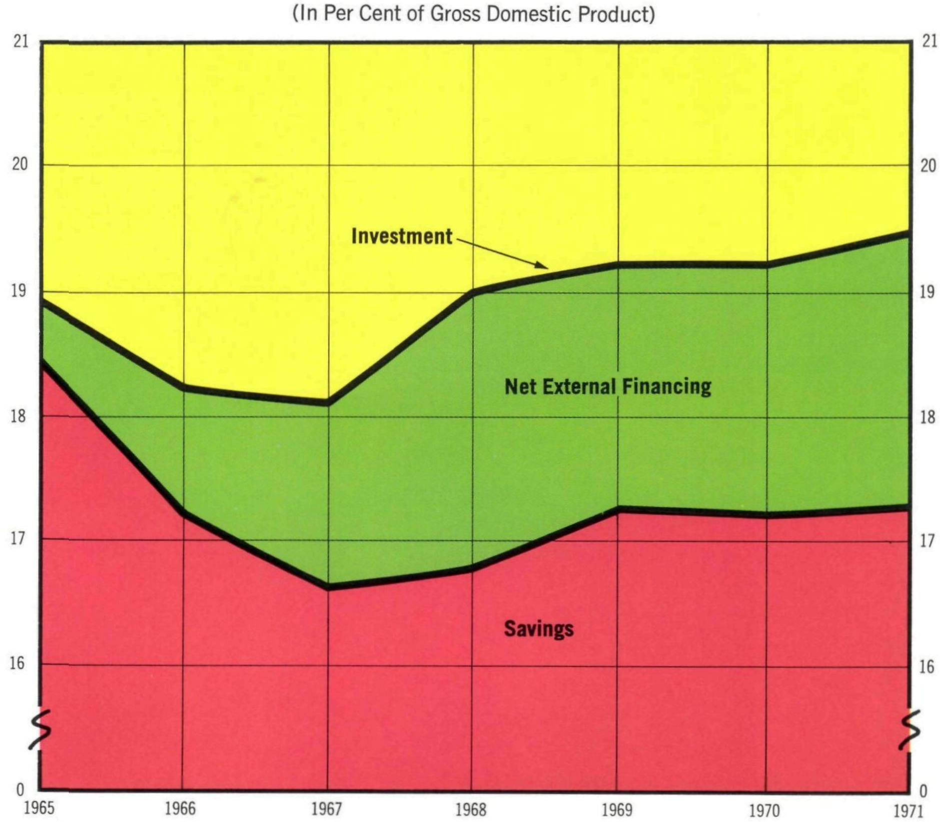
External Financing

The increase in gross domestic investment in Latin America over recent years has generally been accompanied by higher inflows of external capital. In the 1967-70 period, the net flow of long-term capital amounted to the equivalent of 11.6 per cent of the region's gross domestic investment, compared with an average of 9.4 per cent in 1960-66. In 1971 net external financing was of the order of 9.3 per cent.

In 1971 the total net flow of long-term external financing received by Latin America was approximately $2,740 million, 7 per cent less than in 1970. This compares unfavorably with the increase in the total financing granted by the OECD member countries. The proportion of that total received by Latin America fell from 20 per cent in 1970 to 15.8 per cent in 1971.

The net flow from public, multilateral and bilateral sources shrank by 2 per cent in 1971; however, the main components of this flow did not behave in a uniform manner. The net amount provided by the

LATIN AMERICA: INVESTMENT AND SAVINGS 1965-71
(In Per Cent of Gross Domestic Product)



SOURCE: Inter American Bank, based on official statistics of member countries.

multilateral agencies (the Inter-American Bank and the World Bank Group) rose by 13 per cent to a total of $688 million, thus strengthening the trend toward greater multilateral financing. On the other hand, net bilateral assistance from the United States fell sharply from $687 million in 1970 to $374 million in 1971. Bilateral assistance from other governments and official financing agencies of OECD member countries, with the exception of the United States, has remained in the 1969-71 period at an average of $60 million per year.

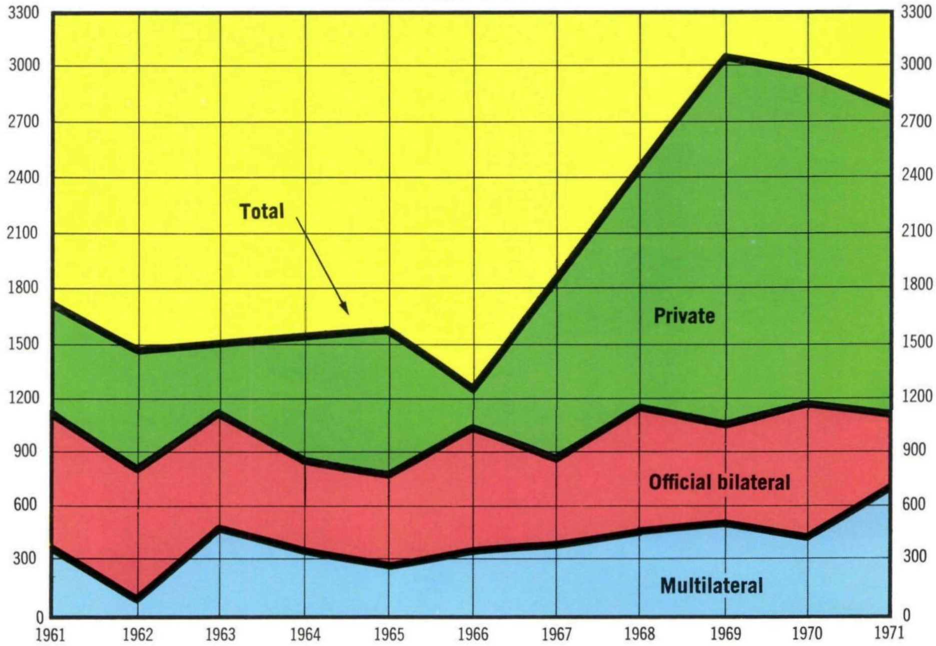
Net financing from such private external sources as credits from banks and suppliers and net bond sales went down for the second consecutive year, from $825 million in 1970 to $494 million in 1971. In contrast, the net flow of direct private investment, including reinvested earnings, topped the $1.1 billion mark in 1971, an increase of 16 per cent over the 1970 level. For the fourth year in succession direct private investment amounted to around $1 billion yearly, nearly two and a half times the average for 1961-67.

At the close of 1971 Latin America's public debt amounted to approximately $21,341 million, an increase of 9.3 per cent over 1970. Among individual countries, the rapidly mounting debt of Argentina and Venezuela stands out, with increases of 13.4 per cent and 38.7 per cent, respectively. On the other hand, the rates of indebtedness of Chile and Peru were distinctly lower.

The rising trend in the debt to multilateral credit agencies continued through 1971, reaching some 28.1 per cent of the total. Indebtedness to private financing entities rose from 41 per cent in 1970 to 42 per cent in 1971. On the other hand, the proportion accounted for by commitments to official bilateral sources of finance fell from 33 per cent in 1970 to 30 per cent in 1971.

No significant change occurred in the composition of debt maturities either. Debt maturing in under five years lessened by one percentage point while debt falling due between six and ten years increased by one point.

LATIN AMERICA: NET FLOW OF EXTERNAL FINANCING, 1961-71
(In Millions of Dollars)



SOURCES: Inter-American Bank and other external financing agencies.

Debt service on interest and amortization rose by 2.1 per cent in 1971, reaching $2,688 million. The burden of this service on the total balance of payments current receipts of the Latin American countries remained at 13.8 per cent, equivalent to the average for the 1960-70 period.

In the course of 1972, some Latin American countries, including Chile, Peru and Uruguay, carried out negotiations with their foreign creditors, especially those in the private sector, in order to ease the immediate burden imposed by their external debt commitments.

Population Growth and Urban Development

Few characteristics of Latin American development in recent decades have been as significant as the accelerated population growth and the trend towards rapid urbanization in most countries. These phenomena are very complex and are marked by a multitude of variations among countries. Hence, it is difficult to make generalizations that would apply to all Latin American countries. For example, in examining population growth rates there does not appear to be a strict correlation between economic growth and population expansion. Some countries which experience rapid population expansion also enjoy accelerated rates of economic growth; in other countries low population expansion rates go along with slow economic growth. The countries which do not fall into these two extreme categories follow various intermediate patterns.

In regard to the distribution of population between rural and urban areas, however, some characteristics and implications seem to be generally applicable to all the countries. In most countries, there is a strong correlation between rapid urbanization and problems of housing scarcities, insufficient urban services and, above all, high levels of unemployment or underemployment, all phenomena which since they are concentrated in a limited number of large urban centers tend to grow progressively, thus becoming more and more difficult to solve.

The population growth rate of Latin America is relatively high compared to other regions of the world. In absolute terms the region's population increased from 199 million in 1960 to 263 million in 1970. This amounted to an average annual growth rate of 2.9 per cent. In comparison, Canada, Japan and the United States registered growth rates of 1.8, 1.0 and 1.3 per cent, respectively. Projections indicate that Latin America's population will reach 347 million inhabitants by 1980, or 32 per cent more than the 1970 figure.

There are, however, considerable variations in growth rates between individual countries in Latin America. Brazil and Mexico, which account for 54 per cent of the population of Latin America, are growing at an annual rate of 2.9 and 3.4 per cent, respectively, while Argentina and Chile increase at only 1.5 per cent yearly.

ANNUAL POPULATION GROWTH RATES, 1960-70

Country and Growth Rate Range		
Less than 2%	2 to 3%	More than 3%
Argentina	Bolivia	Colombia
Barbados	Brazil	Costa Rica
Chile	Dominican Republic	Ecuador
Haiti	Nicaragua	El Salvador
Jamaica	Panama	Guatemala
Uruguay	Paraguay	Honduras
	Trinidad and Tobago	Mexico
		Peru
		Venzuela

SOURCE: Latin American Center for Demographic Studies (CELADE) and statistics of member countries.

A great many factors account for the population growth rate variations shown above. Among the more basic are the personal decisions involved in increasing or limiting family size; the general level of development in the country and of education in the people; varying health conditions prevailing in urban and rural areas, and access to medical facilities. Certain demographic characteristics also are important factors influencing growth rates. These include differences in the age and sex composition of the population and the extent to which the population is located or tends to locate in urban or rural areas. Each of these, however, can be summarized in the three principal determinants of population growth—the number of births, the number of deaths and migration movements.

The large-scale efforts begun throughout Latin America in the 1940s to reduce mortality rates were largely successful. Many communicable diseases were eliminated or brought under control through strict control measures. Infant mortality rates were drastically reduced with the widespread introduction of vaccines. In addition, investments in drinking water and sewage systems greatly improved health conditions.

As a result of these factors, however, the traditional balance between births and deaths was altered. While mortality rates went down considerably, birth rates remained high. Only in a few countries—for varying reasons—have growth rates remained more or less low.

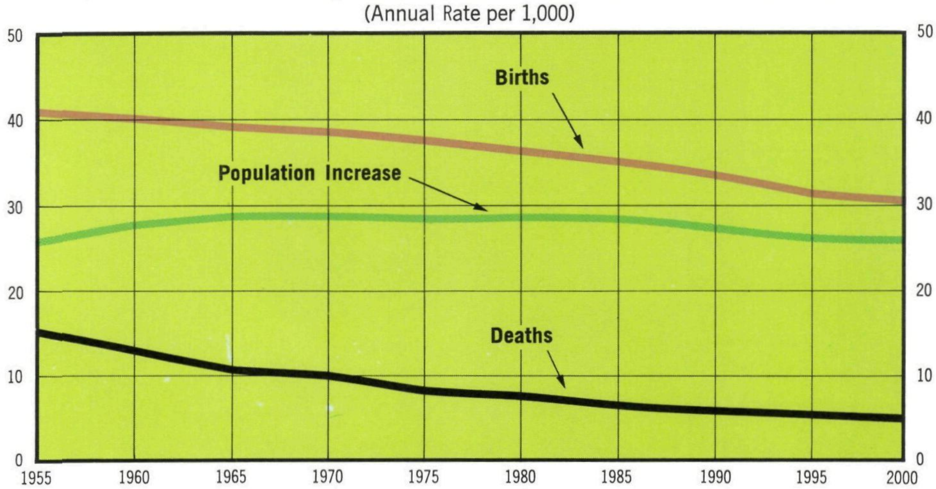
Whether or not Latin American countries will complete the period of demographic transition towards a stage of low birth and low death rates is a fundamental concern of demographers and planners. The evidence at hand is far from conclusive, even though decreasing birth rates have been noted in recent years in such countries as Chile and Costa Rica. Projections of the Latin American Center for Demographic Studies (*CELADE*) for the year 2000 indicate a slightly declining birth rate, but also indicate that mortality rates will continue to decline by nearly the same amount. Consequently, the rate of natural increase will continue high and the population of Latin America, which numbered 263 million in 1970 is projected to reach approximately 600 million by the year 2000.

Parallel to the rapid population increase and the implications associated with varying age structures, there is a second demographic trend which is strongly influencing the economic and social systems of Latin America. It is the rapid transition taking place in the region from a predominantly rural to a predominantly urban society.

Recent studies covering six major Latin American countries, which account for approximately 75 per cent of the region's total population, indicate that most of the overall increase in the 1960s was concentrated in cities and metropolitan areas.

While a part of the urban growth is due to high levels of migration from rural

LATIN AMERICA: ESTIMATED RATES OF BIRTH, DEATH AND POPULATION INCREASE, 1955-70, WITH PROJECTIONS TO YEAR 2000
(Annual Rate per 1,000)



SOURCES: Latin American Center for Demographic Studies and official statistics of member countries.

to urban areas, a rising proportion can be attributed to a natural increase in the urban population, as the rural segment becomes a smaller and smaller share of each country's total inhabitants and rural areas continue to lose their young citizens to the urban centers at rapid rates.

URBAN AND RURAL POPULATION DISTRIBUTION IN SELECTED COUNTRIES 1960-70

	Number of Cities		Urban Population (Thousands)		Urban as Percentage of Total National Population	
	1960	1970	1960	1970	1960	1970
Brazil	151	252	20,483	37,719	29	40
Chile	26	30	3,689	5,264	50	60
Colombia	42	58	6,442	9,695	37	45
Mexico	87	134	12,727	21,235	36	44
Peru	27	39	2,957	5,784	43	49
Venzuela	32	47	3,794	6,729	50	63

Note: Urban is defined as cities with 20,000 or more inhabitants, based on 1970 census data.
SOURCE: Inter-American Bank.

These trends have produced a population distribution which is increasingly urban. Out of a total population of 273 million in 1971, about 56 per cent resided in the urban sector. According to projections, this proportion could reach 70 per cent by 1980.

There are numerous problems inherent in rapid urbanization, such as housing shortages, deficiencies in water and sewage services, growing environmental pollution, traffic congestion and limitations involving social and private services. This phenomenon, which has characterized Latin America's demographic picture in recent decades, will seemingly continue to do so throughout the coming decades.

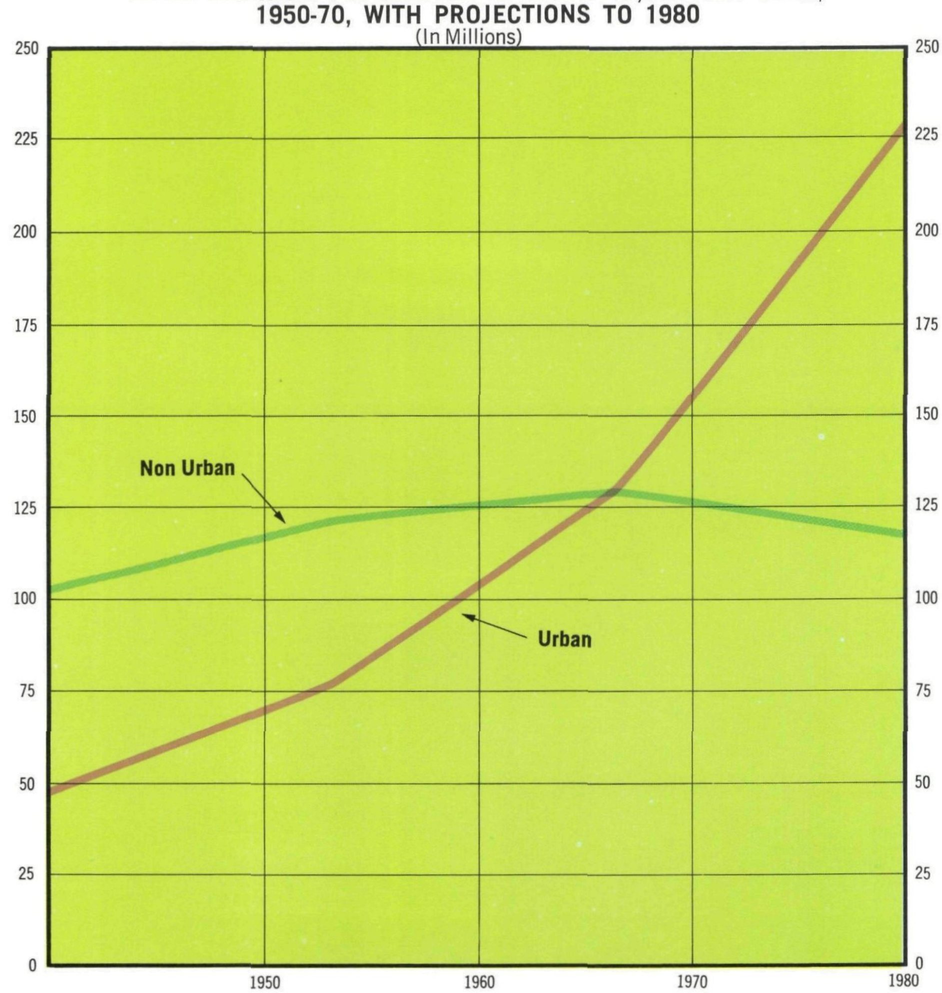
Another element of critical importance is the fact that, in general, the urban centers are incapable of providing sufficient sources of employment to immigrants from rural areas. Therefore, the need to provide new employment opportunities is perhaps more pressing in the cities than in the countryside, if for no other reason than that unemployment is much more concentrated in the urban sector and thus constitutes a growing economic and social development problem.

It is interesting to note that the majority of the countries of the region are characterized by a limited number of major cities. In many cases, a single city—usually the capital—has a monopoly on the political, cultural and economic life of the country, the other cities being much smaller and thus weighing much less in the national scene. Colombia, which has multiple urban growth poles, constitutes perhaps the most notable exception to this pattern.

The problem of the growing scarcity of urban housing is especially serious for low-income families, who face high rent problems even for the most inadequate dwellings, while at the same time there is heavy pressure on such environmental services as water and sewage systems. Even though this problem has obliged governments to channel large amounts of resources into housing over the past decade, its impact has been limited in the face of the massive need.

These facts, coupled with new demands arising from a still expanding urban population, have brought many national

LATIN AMERICA: POPULATION IN CITIES 10,000 AND OVER, 1950-70, WITH PROJECTIONS TO 1980



SOURCE: Inter-American Bank estimates based on OAS statistics.

planners to the conclusion that the most realistic solution to the problem would be the provision and improvement of basic services for low-income communities, along with credit facilities for the improvement of existing houses.

Infrastructure deficiencies also are among the most obvious consequences of rapid urbanization. The construction of roadway, water, sewage and drainage systems generally lags behind urban growth. Nonetheless, rarely have expanding cities in Latin America failed to provide their citizens with at least the most basic infrastructure needs.

Public investment for water and sewage systems in the urban sector has evolved particularly well in the region. In the 1961-71 period, Latin American governments devoted sufficient resources to this sector to keep abreast of natural growth as well as partially to reduce existing deficits. In 1961 some 60 per cent of the total regional urban population enjoyed access to water services and 28 per cent had sewage services. By 1971 these figures had increased to 78 and 38 per cent, respectively. In other words, the number of persons with water service rose from 60 million persons in 1961 to 120 million in 1971 and those with sewage services rose from 29 million in 1961 to 60 million in 1971.

These antecedents indicate that national development in the future will depend in large measure on how governments respond to the phenomenon of rapid urbanization and, in this context, there is clearly a need for them to establish urban development policies at a local, regional and national level that will orient the growth of cities.

Urban and regional planning, in general, should serve to complement and more effectively coordinate the strategies and programs of sectoral development with the geographic distribution of the population. The objective should be that of minimizing the adverse effects of rapid urbanization and, at the same time, maximizing the benefits to be derived from an urban setting.

SHOWER OF SPARKS SILHOUETTES STEEL worker at mill of Companhia Siderúrgica Paulista near São Paulo. Bank loans totaling $128 million are helping expand Brazil's three largest steel mills. Under expansion program steel output will be hiked from 3.1 million to 11 million tons by 1980.

1

2

3

4

SMALL-SCALE INDUSTRY throughout Latin America has been fostered by Bank financing. 1. Textile mill worker guides bolt of cloth in El Salvador. 2. Women manufacture shoes in Jamaica. 3. Mill workers stack wood sheets rolling from machinery in Costa Rica. 4. Welder solders panel for industrial freezer in Paraguay.

the bank in 1972

THE BANK IN 1972

By a number of indicators, 1972 was by far the best year in the history of the Inter-American Bank. These indicators included the Bank's lending volume, which was substantially higher than that of any previous annual period. During the year, the thirteenth of its operations, the Bank extended a total of 52 loans amounting to $807 million [1] to support the economic and social development of its member countries. That figure was 24 per cent higher than the previous record total of $652 million authorized in 1971.

Other notable indicators of accomplishment were:

• The entry of Canada into the Bank as a full member. That nation thus became the first member to join the Bank solely as a contributor since it was established in 1960.

• Continued progress in the Bank's efforts to attract new financial resources for Latin America's development from capital-contributing nations outside the hemisphere.

• The entry into effect of a $1.5 billion increase in the Bank's Fund for Special Operations which, under Bank policy initiated in 1972, is increasingly being used to provide preferential support for the Bank's less developed member countries and those of insufficient market. In this connection, it might be pointed out that during the year five of those countries—Bolivia, the Dominican Republic, Ecuador, El Salvador and Haiti—received the highest annual volume of loans they have ever received from the Bank.

The Year's Lending

The Bank's lending volume of $807 million represented a broad advance in the Bank's objective of achieving a lending plateau of about $1 billion yearly over the next few years, compared with the slightly more than $600 million average level established over the past three years.

During 1972 the Bank's cumulative lending surpassed the $5 billion mark, reaching as of Dec. 31, 1972, $5,441 million, net of cancellations and exchange adjustments, distributed in 719 individual loans.

For the first time since 1964, the Bank's lending volume from its ordinary capital resources, which are used to make loans on conventional development banking terms, was higher than that extended from the Fund for Special Operations, which is used for making loans on concessional terms, including longer repayment periods and substantially lower interest rates.

This was partially due to the fact that the proposed increase of $1.5 billion in the Bank's Fund for Special Operations, which was recommended by the Bank's Board of Governors at the Punta del Este Meeting in 1970, did not enter into effect until Dec. 20, 1972, at a time when the Bank had virtually completed its lending operations for the year.

Nearly 55 per cent of the Bank's lending in 1972 was authorized from the ordinary capital resources, 42 per cent from the Fund for Special Operations and 3 per cent from the resources which the Bank administers for Canada and the United Kingdom.

Summary of Loans

A summary of the loans authorized by the Bank in 1972, as well as cumulative totals, is shown below by sources of funds:

• ORDINARY CAPITAL RESOURCES: 19 loans (plus increases in previously authorized export financing credits) amounting to $443 million. This brought the net cumulative total of ordinary capital loans to 233 for $2,162 million as of Dec. 31, 1972.

• FUND FOR SPECIAL OPERATIONS: 30 loans totaling $344 million, bringing the net cumulative total to 342 loans amounting to $2,687 million at year end.

• OTHER RESOURCES: 3 loans amounting to $20 million from resources administered for Canada and the United Kingdom. This brought the net cumulative total extended by the Bank from the resources which it administers for various countries, including Argentina, Canada, Sweden, the United Kingdom and the Vatican, to 28 loans totaling $98 million as of Dec. 31, 1972.

• SOCIAL PROGRESS TRUST FUND: The Bank's cumulative loan portfolio also includes 116 loans amounting to $494 million authorized from the Social Progress Trust Fund which the Bank has administered for the United States Government since 1961. All of the loans committed from the fund have been completely disbursed. Repayments on Trust Fund loans are being rechanneled into new social development projects through the purchase of participations in appropriate Fund for Special Operations loans.

The Bank's cumulative lending on a country-by-country and on a fund-by-fund basis is shown in the accompanying table.

On a cumulative basis, 40 per cent of the Bank's lending has come from the Bank's ordinary capital resources and 60 per cent from the concessional funds available to it (including 49 per cent from the Fund for Special Operations, 9 per cent from the Social Progress Trust Fund and 2 per cent from the other resources which the Bank administers).

Counterpart Funds

The Bank's lending represents, of course, only a minor portion of the total Latin American investment effort and the steady economic growth registered over much of the past decade by a substantial number of the countries of the region has been due primarily to their own ef-

[1] In this report dollar figures used may include, as appropriate, the U.S. dollar equivalent of amounts in other currencies in values of Dec. 31, 1972. Figures in the narrative portion of the report have been rounded out as appropriate.

THE BANK'S LENDING, 1961-72
(In Thousands of Dollars)

	TOTAL		DETAIL BY FUNDS							
			Ordinary Capital Resources		Fund for Special Operations		Social Progress Trust Fund		Other Resources	
Country	Number	Volume	Number	Volume	Number	Volume	Number	Volume	Number	Volume
Argentina	66	$ 747,544	37	$ 472,587	24	$ 230,708	4	$ 43,500	1	$ 749
Barbados	2	3,800	—	—	2	3,800	—	—	—	—
Bolivia	35	156,918	2	21,029	24	110,982	6	14,548	3	10,359
Brazil	88	1,235,185	42	635,757	32	517,641	10	61,510	4	20,277
Chile	59	312,036	17	105,039	25	163,172	14	34,350	3	9,475
Colombia	62	505,630	24	212,707	26	225,271	9	49,008	3	18,644
Costa Rica	26	73,410	6	15,372	14	46,339	6	11,699	—	—
Dominican Republic	17	96,155	1	6,152	11	74,195	4	8,408	1	7,400
Ecuador	34	173,375	5	24,036	17	109,062	9	27,449	3	12,828
El Salvador	21	96,741	4	7,018	9	62,583	6	21,952	2	5,188
Guatemala	20	77,915	5	10,813	11	52,782	4	14,320	—	—
Haiti	7	23,437	—	—	7	23,437	—	—	—	—
Honduras	22	85,565	2	460	15	77,502	5	7,603	—	—
Jamaica	5	19,960	1	2,060	4	17,900	—	—	—	—
Mexico	62	713,946	31	360,353	22	318,131	8	34,927	1	535
Nicaragua	23	90,244	7	18,410	12	58,799	4	13,035	—	—
Panama	21	81,639	1	1,504	17	67,273	3	12,862	—	—
Paraguay	27	143,041	4	6,110	17	122,558	3	7,800	3	6,573
Peru	42	249,476	16	45,046	14	157,855	10	45,107	2	1,468
Trinidad and Tobago	9	29,600	1	1,300	8	28,300	—	—	—	—
Uruguay	25	109,726	11	58,929	11	39,247	2	10,350	1	1,200
Venezuela	33	331,023	14	138,662	11	119,500	8	72,861	—	—
Regional	13	84,275	2	18,485	9	60,104	1	2,902	1	2,784
TOTAL	719	$5,440,641	233	$2,161,829	342	$2,687,141	116	$ 494,191	28	$ 97,480

NOTE: The total for Argentina includes an $80 million loan extended to the *Comisión Técnica Mixta de Salto Grande*, an international authority of Argentina and Uruguay based in Buenos Aires. The loan will be used to carry out a hydroelectric project which will jointly benefit both parties. Initially 16.66 per cent of the capacity will be used by Uruguay.

forts. Overall, Latin America has provided approximately 89 per cent of its own investment thrust, with the remaining 11 per cent coming from the international financial community and bilateral lending sources.

Although the proportion of the Inter-American Bank's lending can vary substantially from project to project, throughout its years of operations the overall portion of the Bank's financing in the totality of the cost of the projects has remained approximately one-third.

Thus the $5,441 million in loans which the Bank has extended since it made its first loan in 1961 has been matched by a total of $10,933 million in counterpart funds provided primarily by the Latin American countries themselves in financing development projects whose total cost amounts to $16,374 million.

A country-by-country breakdown of how Bank projects are financed is shown on the next page.

The Year's Disbursements

The Bank's disbursements on approved loans in 1972 also exceeded those of any previous year, amounting to $479 million. As of Dec. 31, 1972, total disbursements had risen to $3,087 million, an amount which is 57 per cent of the loan volume authorized by the Bank through Dec. 31, 1972.

A summary of the disbursements made in 1972, as well as cumulative totals, is shown below by sources of funds:

- ORDINARY CAPITAL RESOURCES: $186 million, bringing the cumulative total to $1,272 million at year end.
- FUND FOR SPECIAL OPERATIONS: $279 million, bringing the cumulative total to $1,279 million as of Dec. 31, 1972.
- OTHER RESOURCES: $14 million, bringing the total to $41 million at year end.

In addition, all of the $494 million in loans committed from the Social Progress Trust Fund had already been disbursed by the end of 1971.

The Bank's cumulative disbursements

HOW BANK PROJECTS ARE FINANCED
(In Thousands of Dollars)

Country	The Bank's Loans	Latin America's Counterpart	Total Cost
Argentina	$ 747,544	$ 1,869,959	$ 2,617,503
Barbados	3,800	2,200	6,000
Bolivia	156,918	152,091	309,009
Brazil	1,235,185	4,634,640	5,869,825
Chile	312,036	681,344	993,380
Colombia	505,630	675,163	1,180,793
Costa Rica	73,410	79,880	153,290
Dominican Republic	96,155	89,366	185,521
Ecuador	173,375	184,519	357,894
El Salvador	96,741	97,192	193,933
Guatemala	77,915	74,957	152,872
Haiti	23,437	6,516	29,953
Honduras	85,565	68,427	153,992
Jamaica	19,960	17,535	37,495
Mexico	713,946	955,150	1,669,096
Nicaragua	90,244	81,378	171,622
Panama	81,639	62,353	143,992
Paraguay	143,041	89,000	232,041
Peru	249,476	259,891	509,367
Trinidad and Tobago	29,600	27,634	57,234
Uruguay	109,726	116,181	225,907
Venezuela	331,023	598,688	929,711
Regional	84,275	109,431	193,706
TOTAL	$5,440,641	$10,933,495	$16,374,136

are shown on a country-by-country and on a fund-by-fund basis in the table on the opposite page.

Expansion of Membership

Parallel to the lending record achieved by the Bank in 1972 was the progress made by the institution in broadening its resource base, particularly by attracting capital from countries outside its original membership. Since it was established the Bank has sought to do this by borrowing funds in the markets of such countries or administering resources provided by them.

For the past two years, moreover, the Bank, heeding a mandate of its Board of Governors, has been actively exploring the possibility of bringing those countries into membership in the Bank as a means of increasing capital flows for the region's development.

A turning point was reached in this regard when on May 3, 1972, Canada joined the Bank as a full member. The Government of Canada formally applied for membership in the Bank on March 30, 1972, after the Bank's Board of Governors had approved, a week earlier, an amendment to the Agreement Establishing the Bank to permit Canada, which only has official observer status with the Organization of American States, to join. The same resolution also provided for the eventual admission into the Bank of other developed countries outside the Western Hemisphere under conditions to be determined by the Board of Governors.

Under the original terms of the Agreement Establishing the Bank, membership was open only to member countries of the Organization of American States. Under the approved amendment, Article II, Section 1(b) now reads:

"Membership shall be open to other members of the Organization of American States and to Canada, at such times and in accordance with such terms as the Bank may determine. For the purpose of increasing the resources of the Bank, nonregional countries which are members of the International Monetary Fund, and Switzerland, may also be admitted to the Bank, at such times, in accordance with such terms and, under such general rules as the Board of Governors shall have established, subject to such limitations on their rights and obligations, relative to those applicable to regional members, as the Bank may determine."

In joining the Bank, Canada agreed to subscribe, in terms of United States dollars of the weight and fineness in effect on Jan. 1, 1959, a total of $242,680,000 to the Bank's ordinary capital ($40 million to the *paid-in* capital and $202,680,000 to the *callable* capital) and to contribute $60 million, in terms of dollars of the same weight and fineness, to the Fund for Special Operations. Payments to the *paid-in* capital and the Fund for Special Operations are being made in Canadian currency in three equal installments, the first of which was paid at the time the instrument of ratification was deposited.

The Canadian Government also agreed to contribute to the Fund for Special Operations all repayments made on loans which the Bank has made with the resources which it administers for the Canadian Government under an agreement entered into Dec. 4, 1964. The total contributions made by Canada under that agreement amount to 74 million Canadian dollars.

The Bank's efforts to attract substantial additional resources from nonmember countries for Latin America's development by bringing them into active membership in the Bank stem from a directive of its Board of Governors taken in April 1970 at the Bank's Eleventh Annual

Meeting in Punta del Este, Uruguay.

At that meeting the Board of Governors adopted a resolution establishing a seven-member committee representing the grouping of countries on the Board of Executive Directors. The Committee, which was composed of the Governors for Argentina, Brazil, Mexico, Nicaragua, the United States, Uruguay and Venezuela, was to examine various alternatives designed to assure an increased flow of resources to the Bank from developed countries not presently members.

Under the chairmanship of the Governor for Mexico, the Committee (which was broadened in accordance with an expansion in the Board of Executive Directors to nine with the addition of Canada and Colombia in 1972) met on eight occasions prior to the end of 1972—in Mexico, Caracas, Buenos Aires, Lima, Washington, Brasilia, Quito and Washington again. At its last Washington meeting, held Sept. 24 and 26, 1972, the Committee carried out a general exchange of views and approved a set of principles for the admission of nonregional members to the Inter-American Bank.

Subsequently, on Sept. 27, 1972, in answer to an invitation of the President of the Bank, representatives of 18 nonregional countries heard a report on these principles at a meeting at the Bank's headquarters. The 18 countries included Austria, Belgium, Denmark, Finland, France, Germany, Israel, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and Yugoslavia.

Under the principles the Bank would be prepared to consider the admission of nonregional countries when at least eight of them, whose total proposed subscriptions to the Bank—both to its ordinary capital resources and its Fund for Special Operations—would amount to not less than $750 million, had indicated their intention to join.

Increase in Resources

Meantime, the Bank's membership acted late in 1972 to make effective a replenishment in the Bank's concessional loan window, the Fund for Special Operations. As indicated in the 1971 Annual Report, the Bank's member countries on Dec. 30, 1971, put into effect an authorized increase of $2 billion in the ordinary capital resources, thus raising those resources to $5.15 billion.

A parallel increase of $1.5 billion in the Fund for Special Operations did not become effective in 1971 because the necessary requirements had not been completed during the year. However, on Dec. 20, 1972, those requirements were met by the needed number of countries and the increase entered into effect.

The increases in the two funds were recommended in April 1970 by the Bank's Board of Governors at its Eleventh Annual Meeting in Punta del Este, Uruguay. Member governments formally adopted the recommendations on Dec. 31, 1970, and began taking necessary action to put them into force. The increases were recommended in order to enable the Bank to make a greater contribution to Latin America's development by achieving targeted rates of lending of $900 million a year by 1973.

Of the authorized ordinary capital increase of $2 billion, $400 million is *paid in* and $1.6 billion is *callable.* Payment of the *paid-in* capital is being effected over a period of three years which began in 1971 for members with subscriptions of more than $10 million in the *paid-in* capital stock and over a period of five years for the other member countries.

Fifty per cent of each installment of the *paid-in* capital is payable in gold

THE BANK'S DISBURSMENTS, 1961-72
(In Thousands of Dollars)

TOTAL		DETAIL BY FUNDS			
Country	Amount	Ordinary Capital Resources	Fund for Special Operations	Social Progress Trust Fund	Other Resources
Argentina	$ 338,135	$ 216,175	$ 77,711	$ 43,500	$ 749
Barbados	31	—	31	—	—
Bolivia	91,186	19,902	54,819	14,548	1,917
Brazil	721,397	350,959	298,203	61,510	10,725
Chile	254,827	98,970	114,766	34,350	6,741
Colombia	294,000	124,255	108,434	49,008	12,303
Costa Rica	44,494	14,814	17,981	11,699	—
Dominican Republic	49,615	6,152	35,055	8,408	—
Ecuador	71,697	13,508	27,676	27,449	3,064
El Salvador	38,076	7,018	5,570	21,952	3,536
Guatemala	55,717	10,813	30,584	14,320	—
Haiti	6,901	—	6,901	—	—
Honduras	48,574	460	40,511	7,603	—
Jamaica	9,451	379	9,072	—	—
Mexico	445,511	232,185	178,296	34,927	103
Nicaragua	56,736	14,720	28,981	13,035	—
Panama	55,284	1,504	40,918	12,862	—
Paraguay	70,514	6,110	55,709	7,800	895
Peru	164,035	41,219	76,842	45,107	867
Trinidad and Tobago	4,357	—	4,357	—	—
Uruguay	43,847	24,945	8,476	10,350	76
Venezuela	174,735	71,769	30,105	72,861	—
Regional	47,387	16,104	28,256	2,902	125
TOTAL	$3,086,507	$1,271,961	$1,279,254	$494,191	$41,101

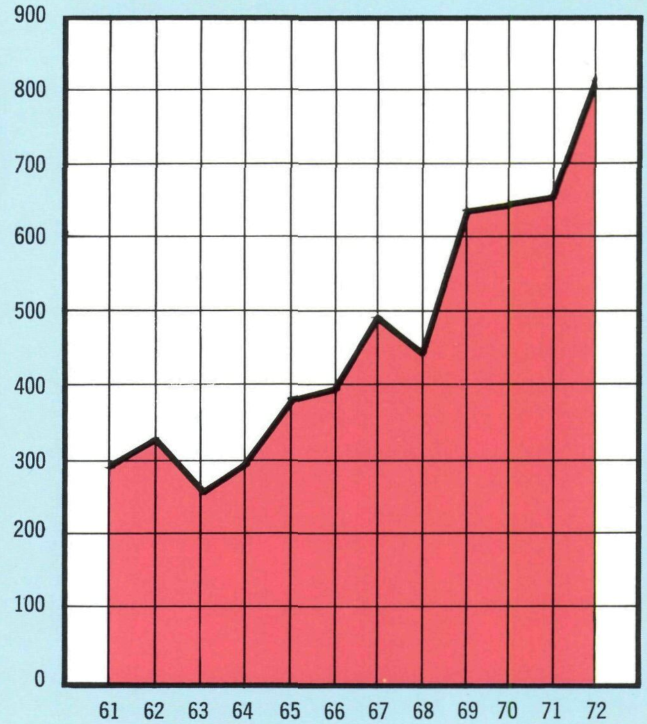
Resources of the Bank exceeded $8 billion as of Dec. 31, 1972. Increases due in future will raise that total to more than $10 billion.

Bank's lending in 1972 surged 24 per cent ahead of previous record year to $807 million.

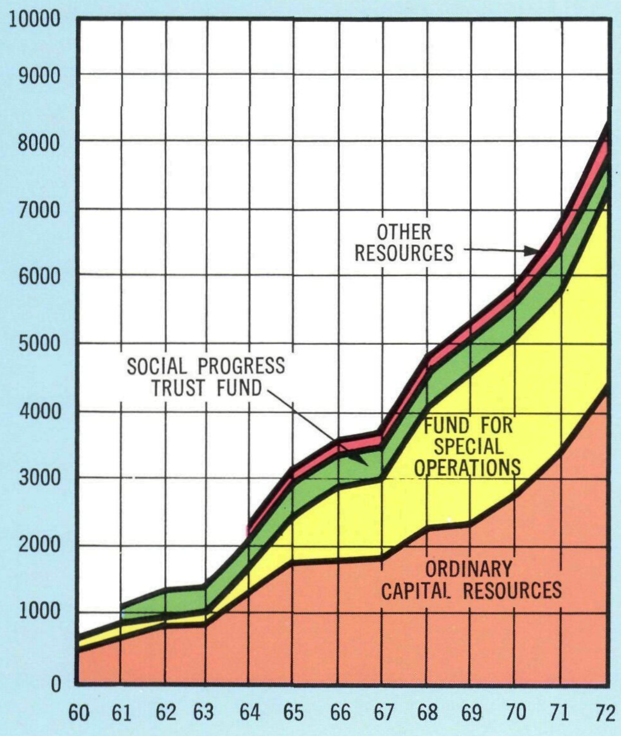
Productive sectors account for 41 per cent of Bank's lending; economic infrastructure for 35 per cent, and social infrastructure and others for 24 per cent.

Bank loans of $5.5 billion are supporting matching Latin American funds of $10.9 billion in carrying out $16.4 billion worth of development projects.

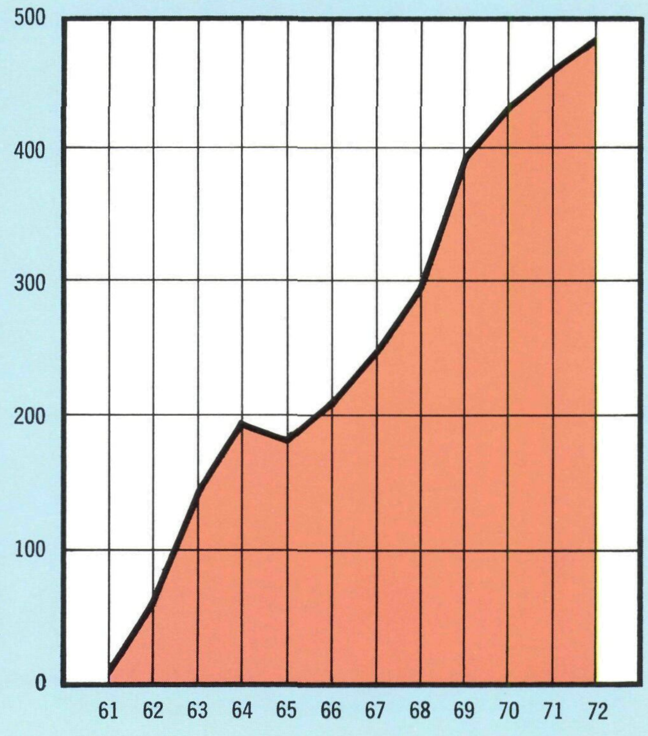
YEARLY LOANS
(In millions of dollars)



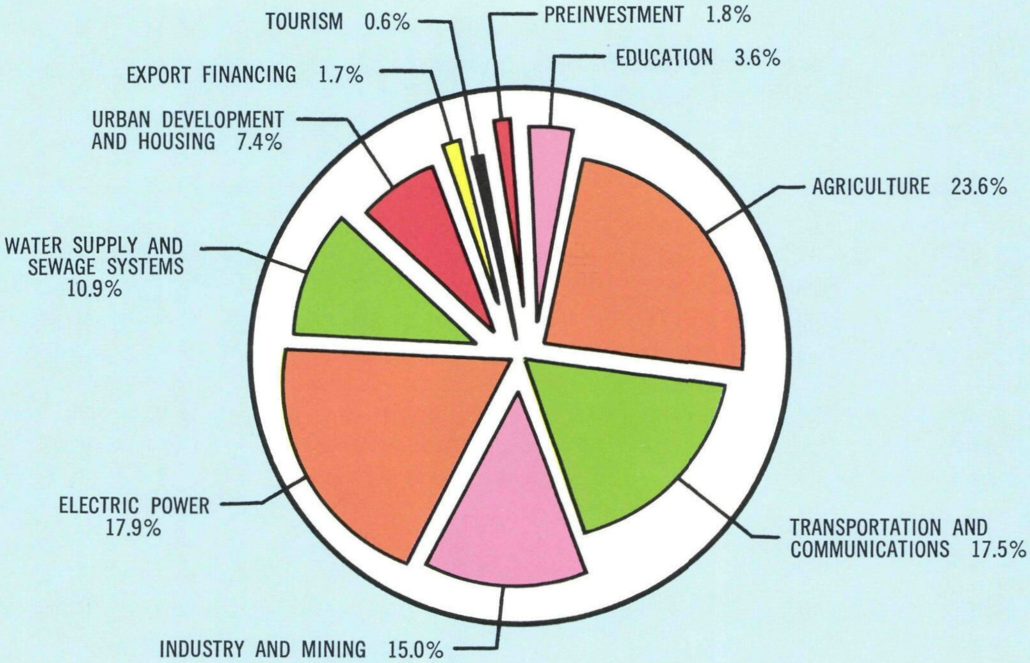
RESOURCES (CUMULATIVE)
(In millions of dollars)



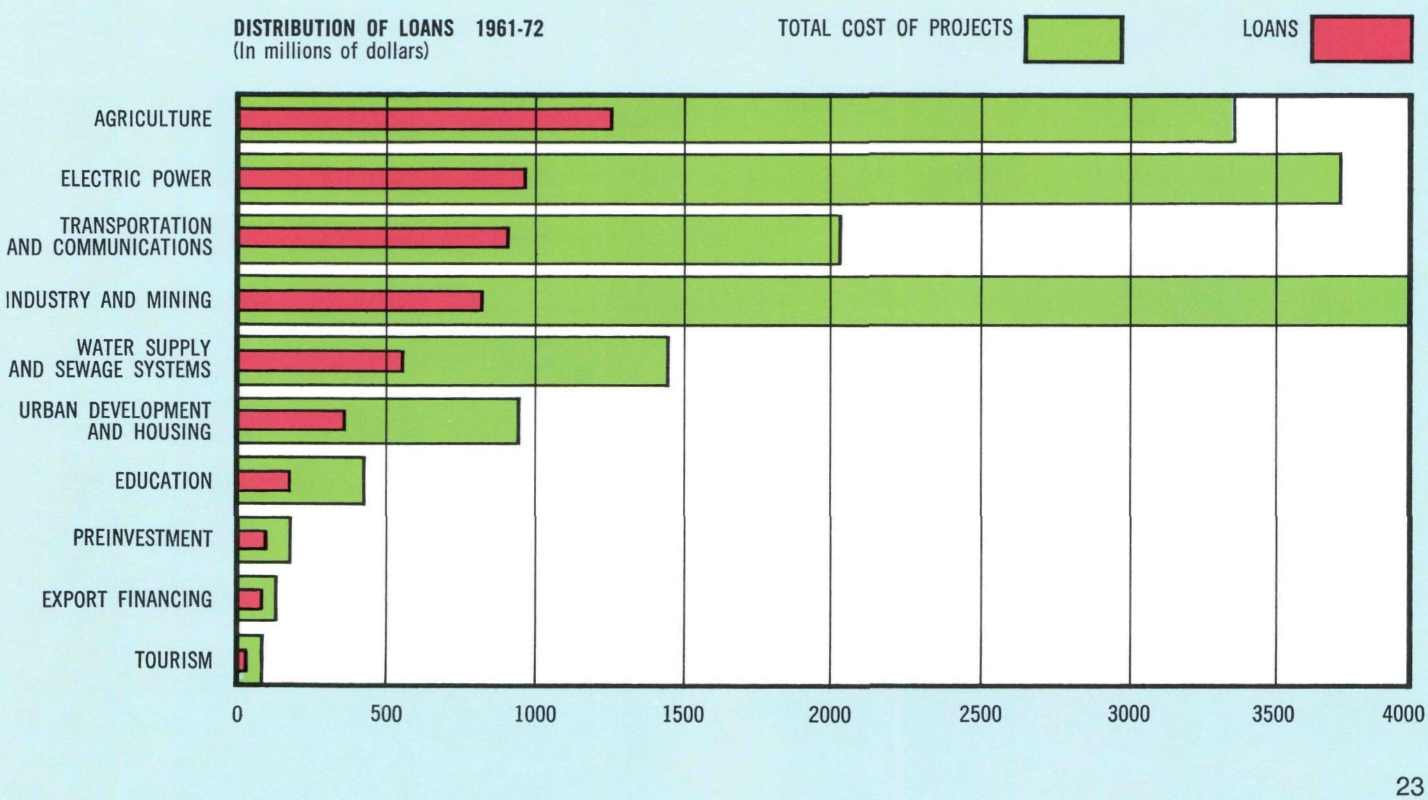
YEARLY DISBURSEMENTS
(In millions of dollars)



DISTRIBUTION OF LOANS



DISTRIBUTION OF LOANS 1961-72
(In millions of dollars)



and/or dollars and 50 per cent in the currencies of the member countries. The *callable* capital is being subscribed by the member countries in two equal *tranches,* the first in 1971 and the second due in 1973.

Latin American member countries subscribed $1,115,440,000 of the total increase, of which $236,410,000 is *paid in* and $879,030,000 is *callable.* The United States is subscribing $823,520,000 of which $150 million is *paid in* and $673,520,000 is *callable.* The remaining $61,040,000 is available for subscription by new members.

As of Dec. 31, 1972, the first and second *tranches* to the *paid-in* capital had been totally paid in and the first installment of the increase in the *callable* capital had also been made completely effective.

The increase in the ordinary capital provides the Bank with substantial additional guarantee authority to borrow funds in the world's capital markets as needed during the coming year and also gives the Bank a modest increase in actual *paid-in* resources. The status of the Bank's authorized capital resources as of Dec. 31, 1972, which also reflects an increase due to the devaluation of the dollar in 1972, is shown on a country-by-country basis in the table below.

The increase in the Fund for Special Operations entered into effect when 22 member countries whose total contributions amounted to $1,391,019,000 had deposited appropriate notice with the Bank of their intention to make their subscriptions to the increase. The terms, as amended, of the resolution recommending the increase provided that the Bank's Latin American member countries would contribute $500 million in three *tranches:* $50 million due June 30, 1972, $225 million due Oct. 31, 1972, and $225 million due Dec. 31, 1973. The United States was to contribute $1 billion in three *tranches*—$100 million, $450 million and $450 million—by the same respective dates. On July 20, 1972, the Board of Governors extended the date for the repayment of the first two tranches to Dec. 31, 1972. While these schedules have not been completely met, member countries are making the necessary effort to meet their obligations to the increase.

The status of the Bank's Fund for Special Operations as of Dec. 31, 1972, is reflected on a country-by-country basis in the table on the opposite page.

AUTHORIZED ORDINARY CAPITAL RESOURCES
(In Thousands of Dollars)

	SUBSCRIBED AS OF DECEMBER 31, 1972			INCREASE DUE			
Country	Paid-In	Callable	Total	Paid-In	Callable	Total	Grand Total After Increase
Argentina	$ 93,317	$ 423,215	$ 516,532	$ 18,664	$103,745	$ 122,409	$ 638,941
Barbados	2,247	3,822	6,069	—	1,575	1,575	7,644
Bolivia	6,293	33,972	40,265	2,697	8,327	11,024	51,289
Brazil	93,317	423,215	516,532	18,664	103,745	122,409	638,941
Canada	43,428	220,052	263,480	—	—	—	263,480
Chile	25,623	116,214	141,837	5,126	28,488	33,614	175,451
Colombia	25,604	116,111	141,715	5,123	28,461	33,584	175,299
Costa Rica	3,146	16,986	20,132	1,348	4,164	5,512	25,644
Dominican Republic	4,195	22,670	26,865	1,798	5,559	7,357	34,222
Ecuador	4,195	22,670	26,865	1,798	5,559	7,357	34,222
El Salvador	3,146	16,986	20,132	1,348	4,164	5,512	25,644
Guatemala	4,195	22,670	26,865	1,798	5,559	7,357	34,222
Haiti	3,146	16,986	20,132	1,348	4,164	5,512	25,644
Honduras	3,146	16,986	20,132	1,348	4,164	5,512	25,644
Jamaica	4,195	22,670	26,865	1,798	5,559	7,357	34,222
Mexico	59,987	272,051	332,038	11,997	66,689	78,686	410,724
Nicaragua	3,146	16,986	20,132	1,348	4,164	5,512	25,644
Panama	3,146	16,986	20,132	1,348	4,164	5,512	25,644
Paraguay	3,146	16,986	20,132	1,348	4,164	5,512	25,644
Peru	10,504	56,712	67,216	4,501	13,902	18,403	85,619
Trinidad and Tobago	3,146	16,986	20,132	1,348	4,164	5,512	25,644
United States	271,428	1,476,869	1,748,297	54,286	365,623	419,909	2,168,206
Uruguay	8,406	45,377	53,783	3,602	11,123	14,725	68,508
Venezuela	49,997	226,745	276,742	9,999	55,583	65,582	342,324
Subtotal	732,099	3,640,923	4,373,022	152,635	842,809	995,444	5,368,466
Unassigned	—	—	—	65,262	157,678	222,940	222,940
TOTAL	$732,099	$3,640,923	$4,373,022	$217,897	$1,000,487	$1,218,384	$5,591,406

The Year's Borrowings

During 1972 the Bank raised a total of $141 million in new funds in the world's capital markets. The Bank also drew down an additional $36 million on borrowings arranged the previous year in Japan.

The 1972 borrowings raised the Bank's total as of Dec. 31, 1972, to a net figure of $1,137 million. This was composed of $612 million owed in nonmember countries, $448 million owed in the United States and $77 million in Latin America. These borrowings are summarized on a country-by-country basis in the accompanying table.

The Bank's long-term borrowings in 1972 included: $62.1 million in Germany, $20.8 million in Switzerland, $19.5 million in France and $6.2 million in Sweden. In addition the Bank also placed its seventh short-term issue, $32.4 million, in its Latin American member countries.

The new borrowings negotiated by the Bank in 1972 included:

GERMANY: $62.1 million.

• 100 million Deutsche marks (equivalent to $31,031,000) in a public bond issue sold in the German capital market. The issue was placed on the market by a syndicate of German banks under the joint direction of *Deutsche Bank A.G.* and *Dresdner Bank A.G.*, both of Frankfurt, Germany. The 6¾ per cent, 15-year bonds were priced at par. Dated June 1, 1972, the bonds will have their final maturity date on June 1, 1987. They will be redeemed at par, through a redemption fund or by lot, in ten annual installments between 1978 and 1987. In addition, the Bank will retain the right to redeem at par all of the bonds on June 1, 1982, or on any subsequent interest payment date.

• 100 million Deutsche marks (equivalent to $31,031,000) in another long-term bond issue placed in the German capital market by a syndicate of banks also under the joint direction of *Deutsche Bank A.G.* and *Dresdner Bank A.G.* of Frankfurt, Germany. The 6¾ per cent, 15-year bonds were priced at 98½ per cent. Dated Nov. 1, 1972, the bonds will have a final maturity date of Nov. 1, 1987. The issue will be redeemed at par through a redemption fund or by lot in ten annual installments between 1978 and 1987. The Bank will retain the right to redeem at par all of the bonds on Nov. 1, 1982, or on any subsequent interest payment date.

SWITZERLAND: $20.8 million.

• 80 million Swiss francs (equivalent to $20.8 million) in a bond issue sold through a public offering by a group of Swiss banks headed by Swiss Credit Bank, Union Bank of Switzerland and the Swiss Bank Corporation. The 5¾ per cent, 15-year bonds were priced at 98 per cent. Dated Nov. 10, 1972, the

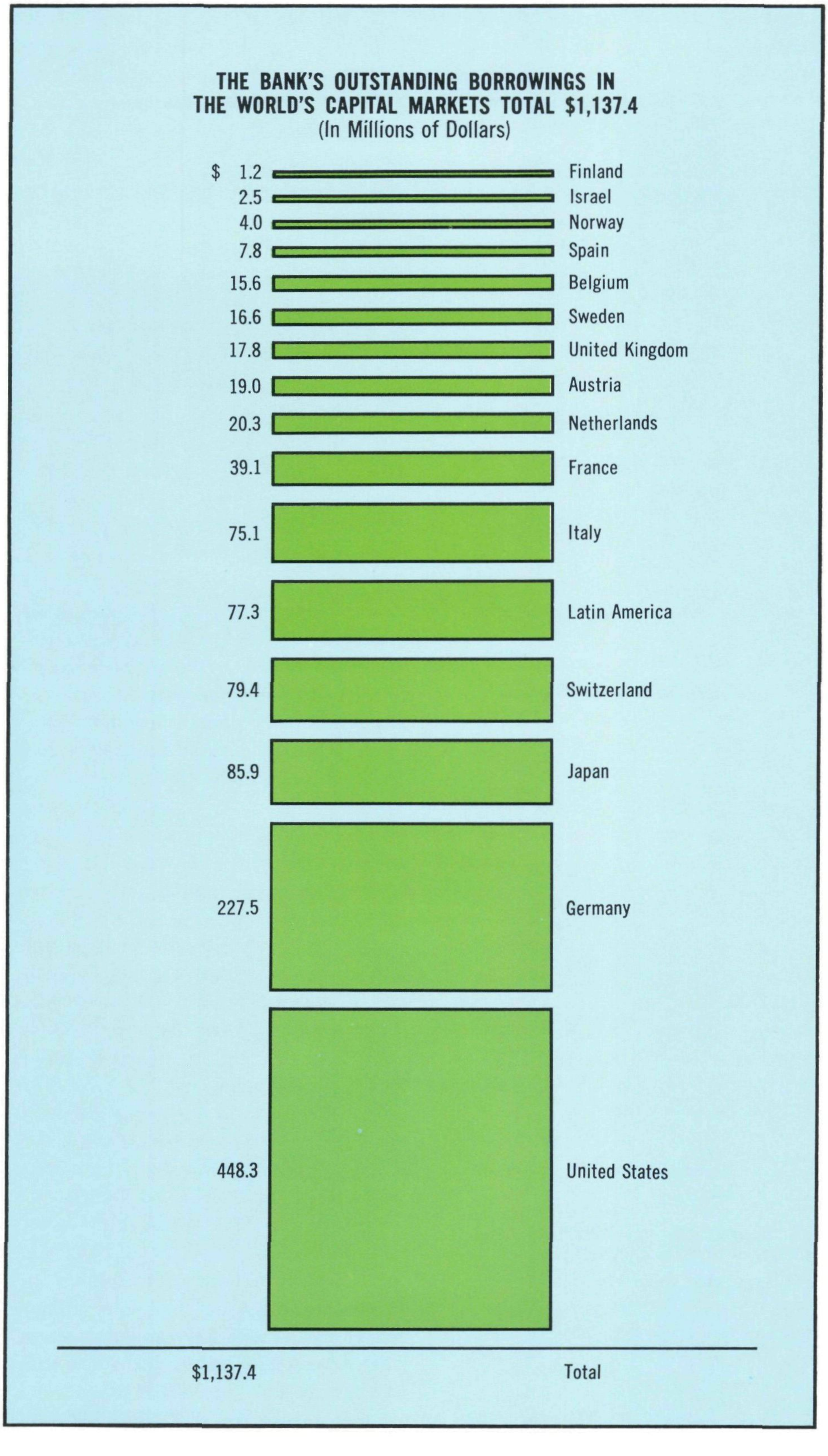
BORROWINGS AS OF DEC. 31, 1972
(In Thousands of Dollars)

	Outstanding Issues	Outstanding Amount
Austria	3	$ 19,024
Belgium	2	15,620
Finland	2	1,249
France	2	39,095
Germany	8	227,424
Israel	1	2,500
Italy	3	75,103
Japan	7	85,890
Latin America	2	77,300
Netherlands	2	20,341
Norway	1	4,000
Spain	1	7,813
Sweden	3	16,622
Switzerland	5	79,427
United Kingdom	4	17,680
United States	7	448,300
TOTAL	53	$1,137,388

FUND FOR SPECIAL OPERATIONS
(In Thousands of Dollars)

County	Paid in as of December 31, 1972	Increase Due	Total After Increase
Argentina	$ 124,295	$ 108,981	$ 233,276
Barbados	558	267	825
Bolivia	15,897	3,938	19,835
Brazil	186,659	49,041	235,700
Canada	21,947	43,429	65,376
Chile	51,595	13,466	65,061
Colombia	51,174	13,457	64,631
Costa Rica	7,495	1,968	9,463
Dominican Republic	9,994	2,625	12,619
Ecuador	9,920	2,625	12,545
El Salvador	7,404	1,968	9,372
Guatemala	9,949	2,625	12,574
Haiti	7,971	1,968	9,939
Honduras	7,749	1,968	9,717
Jamaica	8,536	3,962	12,498
Mexico	118,704	31,529	150,233
Nicaragua	5,709	3,936	9,645
Panama	7,527	1,968	9,495
Paraguay	8,152	1,968	10,120
Peru	24,930	6,569	31,499
Trinidad and Tobago	7,398	1,968	9,366
United States	2,185,047	725,000	2,910,047
Uruguay	19,785	5,260	25,045
Venezuela	66,684	58,395	125,079
Unassigned	—	42,630	42,630
TOTAL	$2,965,079	$1,131,511	$4,096,590

NOTE: On Jan. 24, 1973, Argentina subscribed its share, amounting to $108,981,000, in the increase due in the Fund for Special Operations and paid in the first and second quotas totaling $59,940,000.



bonds will have a final maturity date of Nov. 10, 1987. In each of the years 1983 through 1986, up to 15 million Swiss francs of the bonds are scheduled to be purchased at or below par during the 60-day period preceding the coupon date. The remaining bonds will mature on Nov. 10, 1987. The Bank will have the right to redeem all of the bonds at par on Nov. 10, 1982, or on any subsequent interest payment date.

FRANCE: $19.5 million.

• 100 million French francs (equivalent to $19.5 million) in a public bond issue sold in France. The issue was placed on the market at a price of 99.20 per cent by a banking syndicate managed by *Lazard Frères & Cie.* and including *Banque de Paris et des Pays Bas; Crédit Lyonnais; Banque Nationale de Paris* and *Société Générale.* The 8 per cent, 20-year issue was dated Nov. 10, 1972. The bonds will have a final maturity date of Nov. 10, 1992. The Bank will redeem the issue in 15 annual installments beginning Nov. 10, 1978, and ending Nov. 10, 1992.

SWEDEN: $6.2 million.

• 30 million Swedish kronor (equivalent to $6.2 million) in a private borrowing obtained from three private Swedish banks—*Skandinaviska Enskilda Banken,* acting as leader of the group, *Göteborgs Bank* and *Svenska Handelsbanken.* The 7¾ per cent, 10-year loan was the second obtained from private Swedish banks. It was extended for 10 years and is to be repaid in five equal annual installments beginning in 1978.

LATIN AMERICA: $32.5 million.

• On April 15, 1972, the Bank sold its seventh short-term bond issue—$32.5 million—at par to central banks and other governmental agencies in 12 member countries of the Bank and in Israel. The two-year bonds will mature April 15, 1974, and will carry an interest rate of 5⅜ per cent per annum. Proceeds of the issue were used to refund most of the $34,250,000 two-year bonds issued in 1970. Member countries participating in the issue were Bolivia, Brazil, Colombia, the Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Peru, Trinidad and Tobago, Uruguay and Venezuela.

In a further step of cooperation with the Bank, the United Kingdom in 1972 added an additional 2 million pounds sterling (equivalent to $5.2 million) in untied resources to the United Kingdom Development Fund for Latin America which the Bank has administered for that country since June 1, 1971. The Fund, which is replenished as qualifying loans are approved, is being used to provide concessional loans to assist in financing projects which promote development in the Bank's Latin American member countries. In addition the United Kingdom increased by some 1 million pounds sterling ($2.6 million) the tied resources it is making available for a telecommunications loan in Bolivia.

During 1972 the Bank raised an additional $15,159,000 for Latin America's development by selling participations without its guarantee in its ordinary capital loans to private commercial banks in the United States. That figure included $11.4 million in participations in loans authorized in 1972 and $3,759,000 in sales from loans approved late in 1971 and from the portfolio of the Bank.

As of Dec. 31, 1972, cumulative participations in ordinary capital loans had reached $72 million. A total of 80 banks in the United States, Canada, Europe and Japan, as well as the United Nations Special Fund, the United Nations Development Programme and the *Instituto Español de Moneda Extranjera* of Spain, have purchased participations in such loans.

Preference for Less Developed Countries

As indicated at the start of this part of the Annual Report, over the past two years the Inter-American Bank has sought increasingly to give preferential treatment in its lending and technical cooperation policy to the development of its least developed member countries. In doing so the Bank implemented guidelines laid down by its Board of Governors and directives spelled out by its Board of Executive Directors. As a result the Bank in 1972 put into effect a policy granting progressive preference, in interest rates, grace periods, and repayment terms, to member countries according to their position in the development spectrum, with those at the lowest end receiving the greatest concessions.

At the Bank's Thirteenth Annual Meeting held in Quito on May 11, 1972, the Board of Executive Directors presented a report to the Board of Governors entitled "Fund for Special Operations. New Policy Guidelines and Preferential Treatment for Economically Less Developed Countries and Countries of Insufficient Market." The report was made in compliance with a resolution adopted by the Governors at their Twelfth Annual Meeting in Lima, Peru, in 1971, calling on the Bank to improve its action in favor of the economically less developed countries and, to the extent appropriate, in favor of those of insufficient market.

In its report the Board of Executive Directors recommended:

- That payments of principal on loans with the new resources of the Fund for Special Operations (those stemming from the $1.5 billion increase which entered into effect Dec. 20, 1972) be effected in the respective currencies lent.
- That interest rates reflect the concessionary nature of Fund for Special Operations resources, providing greater concession to less developed countries.
- That such rates for the more advanced countries should be 4 per cent for economic projects and 3 per cent for social projects. That for the remaining countries the rate should be 2 per cent for both economic and social projects and that in the case of the least developed countries the interest rate should only be 1 per cent during the grace period.
- That the grace period should be up to five years in the more advanced countries and from up to seven to up to ten years in the others.
- That the amortization period for the more advanced countries could be as long as 25 years and for the remaining countries from up to 30 to up to 40 years.
- That Fund for Special Operations loans to the less developed countries might appropriately finance up to 80 per cent and, in exceptional cases, up to 90 per cent of the total cost of a project, compared with the traditional policy of 50 per cent.

Even before the new increase in the Fund for Special Operations became effective, the Bank on June 1, 1972, adjusted its interest rates and grace periods on loans being financed with the previous resources of the Fund, which are repayable in local currencies, to the new concessional policy and that policy applied throughout the remainder of the year.

Within its preferential policy the Bank in 1972 extended a total of $245 million in loans to a group of nine least developed countries and six countries with insufficient market. This figure represented 30.3 per cent of the Bank's lending. Those countries received a total of 21.4 per cent of the Bank's lending in 1970, but since then the percentage has tended to rise significantly, first to 28.3 per cent in 1971 and then to 30.3 per cent in 1972.

Even more important was the fact that in 1972 about 62 per cent of the Bank's lending from the concessional Fund for Special Operations went to the countries classified as relatively less developed or of insufficient market. Of the total of $344 million extended in loans from the Fund for Special Operations in 1972, some $169 million, or nearly 50 per cent of the total, went to the countries considered least developed and an additional 12 per cent to those countries judged to have an insufficient market. Within this total, Bolivia, with $42 million, Ecuador with $40 million, El Salvador with $40 million, the Dominican Republic with $34 million and Honduras with $10 million, received a higher yearly volume of loans than they had ever received from the Bank.

The concept that the Inter-American

VAST BRAZILIAN NORTHEAST receives much of its power from this hydroelectric complex on the São Francisco River — the Paulo Afonso dam — which has been expanded with aid of Bank loans. In 1972 Bank approved three loans for Moxotó project being built two miles upstream.

Bank should act more and more as a catalyst in projects of broad economic impact in the region gained increasing importance in the Bank's lending activity in 1972. In accordance with this policy the Bank in certain cases exercised leadership in attracting capital to finance projects of such magnitude that they required much larger resources than those the Bank could provide. In other cases the Bank associated itself with other international financial agencies and with bilateral entities and private sources of capital in the United States, Europe, Canada and Japan in financing projects which are affecting major transformations in the economic and social development scene of member countries.

Thus the Bank's $80 million in loan support for the 1,620,000-kilowatt hydroelectric power project being built jointly by Argentina and Uruguay is being matched by some $100 million provided by suppliers, plus financing made available by those two countries. And the $128 million which the Bank is providing to help finance the expansion of Brazil's three largest steel mills in 1971 and 1972 represents some 10 per cent of the $1.28 billion cost of the program. In addition to resources provided by Brazil, parallel financing is being provided by the World Bank and by bilateral sources in the United States, Europe and Japan.

Lending by Sectors

The Bank's lending in 1972 reflected a judicious balance between the economic infrastructure fields of electric power and transportation and the directly productive sectors of industry and agriculture. Along with this careful attention to the factors which are contributing to the region's progressively growing economic sinews, the Bank also pressed forward with its efforts to support the region's social development sectors—education, water and sewage systems and urban development — and its preinvestment activities. In 1972, within this context, economic infrastructure accounted for $357 million or 44 per cent) of the Bank's lending; the directly productive sectors for $307 million, or 38 per cent, and the social sectors for $143 million, or 18 per cent, of the total.

Over the long-term trend the productive sectors still account for the biggest segment in the Bank's lending. Thus the Bank has devoted a total of 41 per cent of its total lending to the productive sectors; 35 per cent to the economic infrastructure sectors and 24 per cent to the social development sectors.

The Bank's overall lending is shown by sectors in the following table:

DISTRIBUTION OF LOANS
(In Millions of Dollars)

Sector	1972	1961-72	%
Agriculture	$130	$1,283	23
Electric Power	233	973	18
Transportation and Communications	124	951	17
Industry and Mining	160	813	15
Water and Sewage Systems	61	596	11
Urban Development	44	402	7
Education	29	197	4
Preinvestment	9	100	2
Export Financing	16	91	2
Tourism	1	35	1
TOTAL	$807	$5,441	100

Electric Power

The *electric power* sector accounted for $233 million of the Bank's lending in 1972. Within that sector, the $80 million loan from the ordinary capital resources extended to the *Comisión Técnica Mixta de Salto Grande* for the construction of a 1,620,000-kilowatt hydroelectric power plant at Salto Grande on the Uruguay River, 210 miles north of Buenos Aires, was particularly notable not only due to its size (it was the largest individual loan ever extended by the Bank) but also due to its impact on the economic unity of the hemisphere. Being built on a joint basis by Argentina and Uruguay, the plant will have the capability to provide electric power service over a 110,000-square-mile energy grid, as needed, which embraces all of Uruguay and a sizeable part of the Northeast of Argentina, areas with a total population of 5.2 million persons. Approximately 83 per cent of the power produced by the plant will normally be consumed in Argentina and about 17 per cent in Uruguay.

Another electric power loan of significant importance to the development of Argentina was the $50 million credit, also from the ordinary capital resources, approved for the Futaleufú hydroelectric plant being built near the Chilean border in the western part of Argentina's Chubut Province. The 440,000-kilowatt plant will provide power for the operation of a 140,000-ton-a-year aluminum plant being built by a private company at Puerto Madryn on the Atlantic coast of the Province.

In Brazil, the Bank supported power expansion for the nation's underdeveloped Northeast with three loans totaling $57,220,000. The three—$16.3 million from the ordinary capital resources, $35.7 million from the Fund for Special Operations and $5,211,000 from the United Kingdom Fund for Latin American Development—will help build facilities at Moxotó on the São Francisco River, two miles upstream from the existing Paulo Afonso power complex, which along with improvements at Paulo Afonso, will make available an additional 550,000 kilowatts of electric power capacity for the Northeast system.

Another power project of broad economic impact for one of its member countries was the Cerrón Grande hydroelectric power project in El Salvador, which the Bank helped finance with a $38.1 million loan from the Fund for Special Operations. Along with additional financing provided by the World Bank, the loan will help build a hydroelectric plant with a first-stage generating capacity of 135,000 kilowatts on the Lempa River, 19 miles east of San Salvador, the nation's capital.

Finally, the Bank approved a $7.4 million loan to the Dominican Republic, from the resources which it administers for the Government of Canada, for a rural electrification project designed to provide power service to some 160 rural towns and communities with approximately 140,000 inhabitants throughout the nation.

Transportation & Communications

The $125 million in loans authorized by the Bank in the *transportation and communications* sector in 1972 financed a variety of highway, port and telecommunication projects in Latin America.

Among these was a $40 million loan extended from the ordinary capital resources to Brazil for the construction of a key link in the highway that joins Rio de Janeiro with São Paulo's port of Santos. The loan will help build a 160-mile segment of the highway leading from Santa Cruz to Ubatuba in São Paulo State.

In Mexico the Bank authorized a loan for $25 million from its ordinary capital resources as a further step in its continuing efforts to help improve the nation's highway network. The loan will enable Mexico, which has made rapid strides in recent years in increasing the length of its road network, to improve its road maintenance service.

The Bank authorized two loans which will make significant contributions to Bolivia's highway network. A loan of $13.7 million extended from the Fund for Special Operations will support the construction of a four-lane express highway from the nation's capital, La Paz, to El Alto, site of the La Paz Airport as well as the nation's main road outlet to the outside world. Another loan for $10 million, also from the Fund for Special Operations, will enable Bolivia to build essential highway segments near the cities of La Paz, Cochabamba, Oruro and Santa Cruz.

In Bolivia also two Inter-American Bank loans totaling $15.7 million ($8,650,000 from the Fund for Special Operations and $7,082,000 from the United Kingdom resources which the Bank administers) will help to finance the construction of a modern telecommunications system which will provide integrated service to the principal cities and towns of the country and improve telecommunications links to the outside world.

A $10 million loan extended from the Bank's ordinary capital resources will help Uruguay to build an offshore petroleum terminal which will enable tankers of up to 100,000 tons to anchor off shore from Montevideo and supply the country with petroleum products.

Finally, a $10 million loan, extended from the Fund for Special Operations, will enable Haiti to improve port handling facilities at Port-au-Prince. Improvements to be carried out under the project will enable the port to handle 510,000 tons of cargo a year by 1980, a figure nearly twice the 300,000 tons handled in 1969 and 1970.

Industry and Mining

The Bank's lending for *industry and mining* in 1972 was higher than that achieved in any previous year in its history. A significant factor in this increase was the Bank's participation, which totaled $85 million in 1972, in financing the $1.28 billion expansion program carried out by Brazil's three main steel mills.

As a first stage in the Bank's support for this program, the Bank late in 1971 had extended a loan amounting to $43 million from the ordinary capital resources to expand the steel mill of the *Companhia Siderúrgica Nacional,* located at Volta Redonda between São Paulo and Rio de Janeiro. Early in 1972 it followed this approval with a loan of $42 million from the ordinary capital resources to finance the expansion of the plant of *Usinas Siderúrgicas de Minas Gerais S.A.,* located at Ipatinga, in the State of Minas Gerais, and subsequently approved another loan for $43 million also from the ordinary capital resources for the expansion program being carried out by the *Companhia Siderúrgica Paulista,* located at Cubatão near Santos. Expansion of the three mills in this stage of the program will result in an increase in the production of raw steel in Brazil from 3.6 million to 7.2 million tons a year.

The Bank also supported major iron ore or steel expansion projects in Argentina and Venezuela during 1972. In Argentina the Bank authorized a loan for $32 million from the ordinary capital resources to enable the *Empresa Hierro Patagónico de Sierra Grande, S.A.M.,* to build an industrial complex in southern Argentina to mine and process iron ore near Punta Colorado. The complex will be able to mine 3.5 million tons of ore a year and to produce 2 million tons of pellets annually. The iron ore production will be used in the blast furnaces of the *Sociedad Mixta Siderúrgica Argentina* at San Nicolás and the furnaces of *Propulsora Siderúrgica,* a private company in Ensenada.

In Venezuela, an $18.5 million loan from the ordinary capital resources is being used to finance the expansion of the Government-owned steel mill, *C.V.G. Siderúrgica del Orinoco, C.A.,* at Matanzas in the State of Bolivar. The project will result in an expansion of production from 800,000 tons a year to 1,250,000 tons by

BROAD RANGE OF BANK FINANCING IN BRAZIL in 1972 included steel mills, hydroelectric power, highway construction, Rio de Janeiro water supply and a seed improvement program helping farm regions.

1974 and subsequently to 3 million tons by the year 1980.

In addition to supporting the execution of these specific projects, the Inter-American Bank also extended loans in 1972 to foster the growth of a wide variety of small- and medium-sized enterprises in several of its member countries. The loans, which were extended to domestic financial institutions which in turn relend the proceeds in amounts much smaller than the Bank can authorize, included $10 million from the ordinary capital resources to Mexico's *Fondo de Garantía y Fomento a la Industria Mediana y Pequeña* to spread credit benefits to small- and medium-scale industries scattered throughout Mexico, with preference for those outside the capital city; $10 million from the ordinary capital resources to the *Comisión de Valores-Corporación Financiera Nacional,* Ecuador's development agency, to expand or modernize small and medium industrial and related enterprises, of which $1 million will be devoted to tourism projects; $1.5 million from the Fund for Special Operations to enable a private development Bank in Bolivia, the *Banco Industrial, S.A.,* to foster the growth of small- and medium-scale industry in that nation, and lastly, a $4 million loan from the Fund for Special Operations to the *Corporación Andina de Fomento,* the regional development bank of the Andean Group, for the execution of projects with an integration component in its two lesser-developed member countries—Bolivia and Ecuador.

Agriculture

The bulk of the Bank's $130 million in loans in the *agricultural* field was extended in 1972 to aid Mexico's efforts to expand and improve its irrigated farmlands. This support amounted to $79 million and included a loan for $35 million from the Fund for Special Operations to finance a program to build small-scale irrigation works in 22 states and two territories of the nation; $21 million from the ordinary capital resources to finance the Tomatlán irrigation project, which is designed to provide water for 82,250 acres of land in three irrigation districts, in the State of Jalisco, and $23.1 million from the Fund for Special Operations to carry out a program to foster improved and expanded use of existing irrigation waters throughout the nation, thus placing more land under cultivation.

In the Dominican Republic the Bank extended a loan amounting to $24.8 million from the Fund for Special Operations for a broad-scale integrated agricultural development program which will benefit some 300,000 persons scattered over 988,000 acres located in six zones of the nation.

A loan of $10 million from the Fund for Special Operations extended to Brazil is financing a research program designed to improve the seed quality of eight basic crops and to foster the use of the improved seed in seven states in the southeastern part of the country.

The Bank helped to support improved production and productivity of small- and medium-scale farmers at the grassroots level by providing credit facilities to institutions in three of its member countries. Extended from the Fund for Special Operations, the loans included $6 million to improve livestock production in Costa Rica; $9.2 million primarily to improve livestock output but also to increase production of basic food crops in Honduras, and $1.3 million to finance the second stage of a program to provide credit to small-scale farmers and ranchers in Panama.

Water and Sewage Systems

The Bank's support to improve *water and sewage* systems in Latin America totaled $61 million in 1972. This assistance was especially important to Ecuador's development plans. There the Bank provided a loan of $18.8 million from the Fund for Special Operations to finance a second stage in a program to improve the water system of Quito and authorized another for $10.9 million, also from the Fund for Special Operations, to help that nation provide water and/or sewage facilities for 16 communities with a population of half a million persons.

The Bank financed a further stage in the project being carried out to expand the pure water system of Rio de Janeiro, Brazil, with a $10 million loan from the ordinary capital resources. It supported projects with the resources of the Fund for Special Operations to provide water service to 85 rural towns and communities with 65,000 inhabitants in El Salvador with a loan for $1.5 million; to benefit with water or sewage systems an estimated 347,600 persons in 10 cities and 64 communities in ten states throughout Nicaragua with another loan for $12.5 million, and finally to help expand water and sewage systems in some 60 communities in Panama with 140,000 persons with a loan for $7.5 million.

Urban Development

In the *urban development* sector the Bank extended two loans for $44 million ($20 million from the ordinary capital resources and $24 million from the Fund for Special Operations) to finance a project to improve and modernize the eastern section of the city of Bogotá, where approximately 635,000 inhabitants —about one-fourth of the city's total population—live. The improvement program involves the execution of a broad spectrum of projects in the fields of electric power, highway construction, health, housing, education, sanitation and community facilities.

Education

The $29 million in loans, all extended from the Fund for Special Operations, which the Bank devoted to *education* in 1972 supported the improvement of higher as well as vocational education in four member countries. The loans included two for Trinidad and Tobago, one for $9.4 million to build 10 vocational schools and improve two other facilities and another for $3.7 million to provide credit facilities to enable students to carry out studies at universities at home and abroad; another for $6.9 million to improve the physical facilities and improve academic standards of the University of Panama; $5.9 million to expand the faculty and improve the physical plant of the *Universidad Industrial de Santander* in Bucaramanga, Colombia, and a $2.8 million loan to expand the physical plant and teaching facilities of the Barbados Community College in Bridgetown, the major technical and vocational institution in Barbados.

Preinvestment

In the *preinvestment* field the Bank authorized loans totaling $9.2 million to support the preparation of development projects in Costa Rica and the Dominican Republic, as well as regionally in the Andean and Central American groups. All of this assistance was extended from the Fund for Special Operations.

The loans included $2.3 million to enable Costa Rica's national planning agency to carry out a wide range of specific and general preinvestment studies in the private and public sectors; $1.5 million extended to the Planning Office of the Dominican Republic for a similar purpose; $4 million to the Central American Bank for Economic Integration to help that regional bank to finance additional preinvestment studies in a wide range of development fields in its five member countries, and $1.4 million extended to the Andean Development Corporation to help establish a preinvestment fund through which feasibility and complementary studies will be carried out in its member countries.

Export Financing

During 1972 the Bank provided $16 million in export financing credits to its member countries. The assistance was provided within the framework of a program adopted in 1963 to support the efforts of its members to expand their capital goods industry and foster greater intraregional trade. For the first time in 1972 such assistance was extended to one of the Bank's lesser developed member countries.

This was a $1,150,000 loan which will enable Bolivia to export quebracho railroad ties to Argentina. The Bank supported Brazil's export financing program by providing an additional $5 million to increase its revolving line of credit, originally initiated in 1964 and subsequently increased periodically. Three individual credits totaling $785,000 were extended to Peru to enable that nation to export oceangoing vessels to neighboring countries. Finally, previous revolving lines of credit were augmented through repayments totaling $8,595,000. These increased previous lines of credit for Argentina by $661,000, for Brazil by $5,945,000, for Mexico by $1,589,000 and for Venezuela by $400,000.

Progress Achieved

During 1972 the Bank completed its share in the execution of 48 projects. The Bank's lending investment in these projects amounted to a net $304 million and their total cost to $797 million. Projects completed in 1972 brought the number carried out with the assistance of Bank loans as of Dec. 31, 1972, to 391 for $1,797 million out of the Bank's overall total of 719 loans for $5,441 million. Some typical examples of the projects completed in 1972 were:

• The construction of a 360-mile natural gas pipeline from fields in the Province of Neuquén to the city of Bahía Blanca in the Patagonia region of Argentina as part of a 10-year plan to meet Argentina's gas needs during the 1970s. The Bank made a loan of $21.7 million in 1969 to finance the project which was carried out by *Gas del Estado,* a state enterprise, at a total cost of $44.4 million. At Bahía Blanca the pipeline feeds into the major north-south trunk system which supplies Buenos Aires and other major consuming centers.

• The expansion and improvement of technological facilities at the University of Costa Rica, carried out with the help of a $1,370,000 Bank loan approved in 1967. Executed at a total cost of $2,531,-000, when completed the project had directly benefited some 17,500 students enrolled in the University, particularly those in the Schools of Agronomy, Pharmacy and Engineering through the expansion of physical facilities and laboratories and the acquisition of modern laboratory equipment as well as the establishment of programs in the fields of electrical, mechanical and chemical engineering.

• The execution of a $46.3 million farm mechanization project in Colombia which was designed to increase output by a minimum of 70,000 tons per year and to bring approximately 607,000 acres of land under intensive farming, particularly in the production of wheat, rice, corn and cotton. To implement the project, the Bank in 1967 approved a $12.2 million loan for the *Caja de Crédito Agrario, Industrial y Minero,* a government development corporation which in turn has provided credit to farmers for the purchase of farm machinery.

• The construction of a 125-mile highway between Tegucigalpa, the capital of Honduras, and the industrial city of San Pedro Sula. The two-lane, asphalt highway forms a vital link in the transcontinental system contemplated in the Central American Regional Highway Program which links Puerto Cortés, on the Atlantic coast of Honduras, with the Pan American Highway and the Gulf of Fonseca on the Pacific. A Bank loan of $10,130,000 authorized in 1965 helped to finance the project.

• The conclusion of two more phases of Mexico's continuing effort to increase farm production and productivity through the construction of small-scale irrigation works in six major economic regions of the country. In 1964 the Bank provided $9.8 million for the construction of nine irrigation systems in the heavily-populated southwestern basin area of Mexico formed by the Lerma, Chapala and Santiago Rivers designed to improve the cultivation of 53,550 acres of farmland. In 1967, the Bank approved a $34.1 million loan which has helped finance 560 small irrigation works covering some 193,000 acres of farmland located throughout the country.

• A two-stage program financed jointly by the Bank, the U.S. Agency for International Development and the World Bank and its affiliate, the International Development Association, to help build and improve several key highways in Ecuador. Completion of these roads has opened up new farming regions and has linked the coastal highway network with the Pan American Highway in the Sierra. The Bank in 1964 approved a $6 million loan for the program which was carried out at a total cost of $63.9 million.

• The execution of a project to construct 16 local roads with a total length of 126 miles in rural sections of Panama. These roads now provide access to local and national markets for areas producing rice, corn, cattle, swine, tubers, citrus fruits, coffee, bananas and other crops and are expected to increase farm output in these areas by some 86 per cent during the first five years of the program. A bank loan of $3.5 million extended in 1966 financed the program.

• A program to build some 12,000 low-cost homes and related urban and community facilities in various cities and communities throughout Chile. The Bank in 1966 approved a loan for $12,050,000 to help finance the $24 million program which was designed to resettle families then living in sub-standard housing in new homes.

• A program to strengthen the curriculum and expand the physical facilities of a private university, the *Universidad Católica Andrés Bello,* in Caracas, Venezuela, to permit it to handle an expected increase of 50 per cent in student enrollment during the 1970s. The Bank loan of $1.5 million extended in 1967 has helped the university finance the construction and outfitting of a new campus, expand the fulltime faculty, acquire laboratory and related equipment and contract consulting professors at a total cost of $3,129,000.

A summary estimate of the accomplishments which the Bank's total lending through Dec. 31, 1972, has brought about or is expected to bring about, is given below:

AGRICULTURE—A total of 157 loans amounting to $1.3 billion are helping to finance *agricultural* projects whose total cost amounts to $3.4 billion. When completed, these projects are expected to improve or bring into production 9.3 million acres of land. As of Dec. 31, 1972, some 7.6 million acres had already been improved or brought into production. This figure includes 1.7 million acres brought into production through irrigation. In addition, the Bank's lending has helped to provide farmers with nearly 1 million agricultural credits totaling slightly more than $1 billion and over 100 farm cooperatives and 8 food markets have benefited from Bank lending.

TRANSPORTATION AND COMMUNICATIONS — A total of 73 loans for $951 millions are helping to finance *transportation and communications* projects whose total cost is $2 billion. This lending is designed to build or improve 26,610 miles in Latin America's road network, including 6,860 miles of main highways and 19,750 miles of access or farm-to-market roads. As of Dec. 31, 1972, some 12,630 miles had been completed, including 2,860 miles of main highways and 9,770 miles of farm-to-market roads. Bank financing in this field is also being devoted to the construction of 1,500 miles of main gas lines and 240 miles of gas distribution systems, of which 690 miles of main lines and 190 miles of distribution lines have been completed. Bank loans are also helping to finance the improvement of eight major ports in Latin America, are providing new or improved grain elevator facilities in six other ports and are building four major telecommunications systems in the region.

ELECTRIC POWER — A total of 60 Bank loans for $973 million are helping to finance projects in the *electric power* sector at a total cost of $3.8 billion. These loans are helping to increase Latin America's generating capacity by 10.3 million kilowatts, to add 54,300 miles of primary transmission and distribution lines to the region's power grid and to build or improve distribution systems in 1,100 communities. As of Dec. 31, 1972, generating units with a total of 2.7 million kilowatts were in operation, 14,000 miles of transmission and distribution lines had been laid and improved power services had been brought to 460 communities.

INDUSTRY AND MINING — Some 133 loans amounting to $813 million are helping to finance *industrial and mining* projects at a total cost of $4 billion. These loans are helping to build or improve 71 industrial plants directly and thousands more indirectly through credits channeled to small- and medium-sized entrepreneurs in Latin America through the region's development banks. Of these, 47 industrial plants are already in operation, another 24 are under construction and 5,100 additional private industrial enterprises, primarily small and medium, have been built or expanded through the Bank's loans to development financing agencies.

WATER AND SANITATION—A total of 96 Bank loans amounting to $595 million are helping to finance *water supply and sanitation* projects whose total cost amounts to $1.4 billion. The loans are helping to build or improve 4,480 pure water systems and 360 sewage systems.

These systems are benefiting a total population in Latin America's cities and countryside of 58 million persons. As of Dec. 31, 1972, some 3,650 pure water systems, 290 sewage systems and three rain drainage systems had been completed.

URBAN DEVELOPMENT—A total of 50 Bank loans amounting to $402 million are helping to finance *urban development* projects whose total cost is $911 million. These loans are helping to build some

367,100 housing units, along with community facilities, as well as six municipal markets. As of Dec. 31, 1972, 319,000 of these units had been completed.

EDUCATION—The Bank has made a total of 61 loans for $197 million for *education* projects whose total cost is $418 million. These loans are helping to modernize, expand or improve 614 learning centers, of which 100 are university-level, 496 are vocational or technical schools and 18 are experimental primary and secondary schools.

EXPORT FINANCING — Bank loans totaling a net $91 million are helping to finance capital goods exports with an invoice value of $122 million among the Latin American member countries of the Bank.

PREINVESTMENT—Sixty-nine Bank loans amounting to $100 million are helping to finance *preinvestment* projects and programs whose total cost is $165 million. These loans were extended directly to Latin American development and planning institutions for the establishment of revolving preinvestment funds or were made directly for studies of specific development projects. As of Dec. 31, 1972, some 240 preinvestment studies had been carried out with direct loans and 360 studies had been made with credits extended to the various preinvestment funds. Thus Bank loans have so far helped to carry out a total of 600 preinvestment studies.

TOURISM—Bank financing amounting to $35 million is helping to finance *tourism* projects in 9 Latin American countries at a total cost of $86 million. These resources are used to study investment priorities in the sector, to build or improve infrastructure facilities, either directly or indirectly through credits extended to small and medium domestic enterprises, and to improve tourist attractions.

Technical Cooperation

Parallel to its lending support for its Latin American member countries, the Bank authorizes technical cooperation on a reimbursable, a nonreimbursable and a contingent recovery basis to help formulate development plans and programs, to carry out preinvestment and feasibility studies, to execute the projects financed by Bank loans with maximum effectiveness, to train personnel for key roles in the future development of the region, to strengthen institutions that deal with development problems, and to support research, and spread knowledge regarding such research, on development and economic integration.

The Bank extends reimbursable technical cooperation as a loan or part of a loan. Technical cooperation made on a nonreimbursable basis as well as that extended on a contingent recovery basis is charged to the earnings of the Fund for Special Operations or to the Social Progress Trust Fund. Contingent aid is extended subject to repayment if the technical cooperation leads to the drafting of an investment project which results in the extension of a loan by the Bank or another external credit institution.

In 1972 the Inter-American Bank and the United States Government amended the Social Progress Trust Fund Agreement to permit the Bank to use up to $15 million of the resources of the Fund to finance a special inter-American project preparation effort. The aim of the effort is to increase the number of well-prepared development projects available for consideration to public and private international financial institutions. The resources are made available in the form of grants or on a reimbursable basis to public and private institutions in the Bank's member countries for the preparation of development projects. The resources are administered in a manner designed to give preferential access to the lesser developed member countries of the Bank.

During 1972 the Bank authorized the use of $617,000 of these funds for the execution of two projects. They included $280,000 to enable the Government of Honduras to organize a telecommunications project and $337,000 to El Salvador to draft a tourism development project.

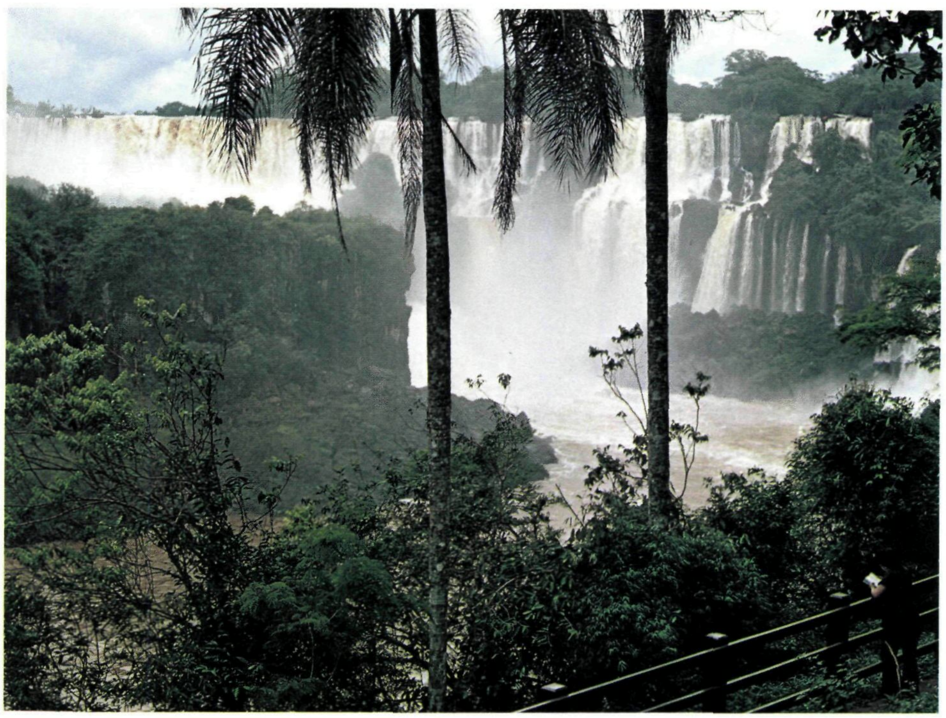
In 1972 the Bank authorized a total of $22 million in technical cooperation, including $16 million extended by the Bank on a reimbursable basis and $6 million authorized on a nonreimbursable basis. These figures brought the Bank's cumulative net technical cooperation authorizations, as of Dec. 31, 1972, to $192 million, of which $147 million was authorized on a reimbursable basis and $45 million on a nonreimbursable basis.

As was the case in 1971 the Bank's efforts to support the preparation of development projects in its lesser developed member countries was particularly notable during the year. The Bank extended such assistance in Central America to Costa Rica, Honduras, El Salvador and Nicaragua; in the Caribbean to Barbados, Jamaica and the Dominican Republic, and in South America to Bolivia and Ecuador, all either to lay the groundwork for further project preparation or to carry out individual studies.

In addition to the just mentioned projects in El Salvador and Honduras the cooperation was designed to aid Nicaragua prepare a feasibility study of a project to interconnect various Nicaraguan cities in a national and international telecommunications network, to enable Jamaica to carry out supplementary studies and prepare final designs for the expansion of the water supply systems of two communities—Mandeville and Ocho Rios/St. Anne's Bay—to help Ecuador plan possible colonization in the Northeast part of the country, to aid Costa Rica to improve its national university and to improve the sanitation system of the city of Bridgetown in Barbados.

In the training field the Inter-American Bank provided cooperation to carry out courses on loan administration, on sources of external financing, on public administration, on the evaluation of projects, on fostering community participation in programs to control foot-and-mouth disease, on planning integrated rural development, on external debt problems and on industrial methodology.

FISHERMEN'S NETS DRY in the sun at Maracas Beach near Port of Spain in Trinidad. Bank financing is helping to provide small-scale tourist facilities on the island to enable travelers to enjoy such spots.



SPECTACULAR FALLS OF IGUAZU provides focal tourist attraction for three nations — Argentina, Brazil and Paraguay. Bank technical cooperation helps chart tourism possibilities in the region.

The Bank extended cooperation to Nicaragua for the preparation of a five-year development plan, to Ecuador for the preparation and evaluation of agricultural projects, to Honduras to foster planning and training, to support — jointly with Israel — the execution of agricultural studies in El Salvador and Nicaragua, to prepare a study of the farm sector in Haiti and to carry out a fisheries study in Venezuela.

The Bank also cooperated in the execution of studies to improve taxation programs in the region, to foster improved transportation, to carry out seminars on tourism, on resource mobilization and on economic integration, and also sponsored a round table on private investment.

Additional technical cooperation, which is described below, was extended to support the continuing efforts of the Bank's Latin American members to foster economic unity among themselves.

Economic Integration

In support of the economic integration effort, the Bank also registered its best year so far. In this regard the biggest loan ever extended by the Bank fostered economic integration among two of its members. That loan was the $80 million credit extended to a joint commission created by Argentina and Uruguay to build a 1,620,000-kilowatt hydroelectric power plant at Salto Grande, approximately 210 miles north of Buenos Aires.

In other integration activities, the Bank provided two loans totaling $5.4 million to enable the Andean Development Corporation to finance projects in the two least developed member countries of the region—Ecuador and Bolivia—and to draft new projects throughout the area and lent $4 million to the Central American Bank for Economic Integration to be used in the preparation of preinvestment projects throughout the five member countries of the Central American Common Market region.

Within its export financing activities the Bank authorized additional credit resources totaling $16 million. These are enabling Argentina, Bolivia, Brazil, Mexico, Peru and Venezuela to finance exports of capital goods produced in their countries to other Latin American member countries of the Bank.

During 1972 the Bank provided nearly $1.4 million in technical cooperation funds designed to foster Latin America's integration. These resources were devoted to assisting the Andean Development Corporation to carry out prefeasibility studies of specific projects as well as general studies of an integration nature in the industrial sector and in the transportation and marketing subsectors; to help the Central American Bank for Economic Integration to update a study of the various forms of transportation in the region; to support the Secretariat of the Central American Common Market—the *Secretaría Permanente del Tratado General de Integración Económica Centroamericana* —in carrying out a program of regional studies on agricultural development and physical integration and to identify regional investment projects; to assist Argentina, Brazil and Paraguay in carrying out a joint study of the possibilities of developing the Falls of Iguazú as a greater tourist attraction, and to carry out a technical seminar on the main aspects and problems pertaining to highway transportation in South America.

The Bank's cumulative support for integration activities is summarized in the accompanying table.

SUPPORT FOR ECONOMIC INTEGRATION, 1960-72
(In Millions of Dollars)

	Bank Support	Total Cost of Projects
EXPORT FINANCING	$ 90.6	$ 141.3
REGIONAL PROJECTS		
Transportation	424.1	809.5
Electric Power	143.1	704.9
Telecommunications	19.8	42.2
Industry	26.7	55.2
Agriculture	52.1	182.4
Education	4.9	18.9
STUDIES AND PREINVESTMENT		
Sectoral	11.8	16.5
General	0.4	0.4
Transportation	4.4	6.9
Communications	1.2	2.4
Electric Power	2.7	4.6
Industry	2.3	4.1
Agriculture	2.8	7.3
Border and Multinational	1.1	3.8
TRAINING AND RESEARCH	6.6	14.6
INSTITUTIONAL SUPPORT	2.8	15.0
TOTAL	$797.4	$2,030.0

Board of Governors

As indicated in other sections of this report, the Bank's Board of Governors worked throughout the year in a variety of endeavors designed to invigorate the Bank's activity in behalf of its member countries in Latin America. In this regard the Board of Governors continued its study of the possibility of attracting additional financial resources for Latin America's development from nonmember countries. It also approved policies to give preferential attention in its lending activities to the least developed member countries in Latin America and to those with a limited market area. These two topics, which have been amply covered elsewhere in this report, occupied the priority attention of the Governors at their Thirteenth Annual Meeting in Quito, May 8-12, 1972.

In addition, the Board of Governors analyzed and approved other resolutions at the meeting through which they:

• Approved the financial statements of the ordinary capital resources and the Fund for Special Operations.

• Extended the mandate of a special committee of the Board of Governors to continue conversations with potential nonregional members until the Fourteenth Annual Meeting of the Board of Governors scheduled to be held in May 1973 in Jamaica.

• Adopted new regulations for future elections of the President of the Bank.

• Approved a resolution amending Resolution AG 12/70 which called for a $1.5 billion increase in the resources of the Fund for Special Operations by adding two provisions to the effect that each payment of a member country to the increase shall be "in such an amount as, in the opinion of the Bank, is equivalent to the full value, in terms of the par value of the United States dollar in effect in the International Monetary Fund on the date when the payment is due."

The other provision states that "currencies of all members held by the Bank which are derived from these additional contributions shall be subject to the maintenance of value provisions of Article V, Section 3, of the Agreement Establishing the Bank, but the standard of value set for this purpose shall be the par value of the United States dollar in effect in the International Monetary Fund on the due date for each installment, provided, however, that the Bank may exercise the waiver provisions of Article V, Section 3(c) in the event of a currency realignment involving a significant number of members of the Bank."

• Decided that the Fourteenth Annual Meeting of the Board of Governors shall be held in May 1973 in Kingston, Jamaica.

Board of Executive Directors

In the resolution approved by the Board of Governors on April 27, 1972, to admit Canada into membership in the Bank as a non-borrowing member, Canada was extended the right to elect an Executive Director.

The same resolution also increased the number of Latin American Executive Directors from six to seven, thus establishing, with the director appointed by the United States, a nine-member board.

At the Bank's Thirteenth Annual Meeting in Quito the Board of Governors conducted its Fifth General Election of Executive Directors, with the result that the following persons were elected by the respective countries for the three-year term of office beginning July 1, 1972, and ending June 30, 1975:

- Raul Barbosa, of Brazil, re-elected by Brazil and Ecuador.
- Aníbal Fernández de Soto, of Colombia, elected by Colombia and Peru.
- Alfredo J. Girelli, of Argentina, elected by Argentina and Chile.
- David B. Laughton, of Canada, elected by Canada.
- José Luis Montiel, of Nicaragua, elected by Costa Rica, El Salvador, Guatemala, Haiti, Honduras and Nicaragua.
- Ildegar Pérez Segnini, of Venezuela, who previously had been the Executive Director for Colombia, Chile, Trinidad and Tobago and Venezuela, elected by a new grouping consisting of Barbados, Trinidad and Tobago and Venezuela.
- Jesús Rodríguez y Rodríguez, of Mexico, re-elected by the Dominican Republic, Jamaica, Mexico and Panama.
- Guido Valle Antelo, of Bolivia, re-elected by Bolivia, Paraguay and Uruguay.

In addition to these elected directors, Reuben Sternfeld, Alternate Executive Director, continued to represent the United States, which appoints its director.

As their alternates, Mr. Barbosa subsequently appointed José C. Cárdenas of Ecuador; Mr. Fernández de Soto designated Armando Prugue of Peru; Mr. Girelli named Danilo P. Poklepovic of Chile; Mr. Laughton appointed H. Dennis Madden of Canada; Mr. Montiel designated Marco Antonio López of Costa Rica; Mr. Pérez Segnini named Knowlson W. Gift of Trinidad and Tobago; Mr. Rodríguez y Rodríguez named Eduardo McCullough of Panama and Mr. Valle Antelo named César Charlone of Uruguay.

During 1972, the Bank's Group of Controllers of the Review and Evaluation System, which was established by the Board of Executive Directors in 1968 as a means of carrying out an independent, continuing and comprehensive review and evaluation of Bank operations and activities, completed and issued a report on education. The report was sent to the Board of Executive Directors for its consideration.

By Dec. 31, 1972, also, the Group had substantially completed work on three additional evaluation studies, including the reporting system of the Bank, the preinvestment loan program and the loan program to intermediate credit institutions.

The Bank's Income

Under the Agreement Establishing the Bank, a complete separation is maintained by the Bank on the accounts it keeps for the various resources which it maintains including the ordinary capital resources, the Fund for Special Operations, the Social Progress Trust Fund. Each of these funds is held, used, obligated, invested and otherwise disposed of entirely separate from each other.

In order to give an overall view of the scope of its operations, however, the Bank in the narrative portion of its Annual Reports provides consolidated figures not only of its lending and technical assistance activities but also of its income and expenses.

In this regard, the Bank's overall income in 1972 was higher than that registered in 1971. The *gross income* in 1972 from its three main sources of funds—the ordinary capital resources, the Fund for Special Operations and the Social Progress Trust Fund—amounted to $161 million compared with $148 million in 1971.

The *net income* was $51 million in 1972 compared with $45 million in 1971. These earnings brought about a substantial increase in the Bank's *general reserves,* as well as the cumulative excess of income of the Social Progress Trust Fund. As of Dec. 31, 1972, these had risen to $216 million, compared with $166 million in 1971.

Management

Throughout 1972, the Inter-American Bank intensively pursued goals to increase its productivity and efficiency, to tighten and improve its procedures in processing loans and technical cooperation, to sharpen its systems for controlling expenses and in general to streamline its administrative procedures.

To provide better service to its member countries, the Bank in late 1972 initiated a broad reorganization of the Bank in accordance with guidelines adopted by the Board of Executive Directors. The reorganization, was designed to improve the Bank's operational structure so that it might better serve Latin America's social and economic development requirements.

The reorganization involved:

- The establishment and organization of the Office of the Controller at the Bank's headquarters, which will report directly to the President, thus enhancing the effective compliance of the Bank's operational policies and the continued improvement of its administrative systems.
- The reorganization of the Bank's Operations Department through a merger of its loan and loan administration functions, thus unifying responsibilities connected with the processing and negotiation of loan applications with the administration of loans already approved.
- The establishment of a Project Analysis Department separate from the Department of Operations to strengthen the system for the independent evaluation of loan projects.
- The strengthening of the Bank's field offices so that they might participate more effectively in the process of identifying and preparing projects, as well as in administering loans and supervising projects in execution, thus enhancing the rate of loan disbursements and the execution of projects.

As it had the previous year, the Bank in 1972 continued to place strong emphasis on improving its administrative practices. As part of this effort it initiated during the latter part of the year the preparation of a long-range master plan for all of the data processing requirements of the Bank. The master plan will identify and schedule the development of an integrated set of all information and control systems required in the management decision process. The master plan, in which all units of the Bank are participating, is expected to be completed in mid-1973 when it will be reviewed by the Board of Executive Directors.

Late in 1972 the Bank also took action to consolidate the office space it had occupied in six different buildings in the area around its headquarters into one building situated directly across the street from its main headquarters.

The total administrative expenses of the Bank in 1972 amounted to $30.1 million compared with $29.3 million in 1971. The increase, which amounted to about 3 per cent, was the smallest yearly increase in the history of the Bank and reflected the Bank's concern over the past two years in economizing on administrative expenses.

The Bank's total permanent staff in 1972 at its headquarters amounted to 1,050 persons, including 536 professional staff and 514 non-professional staff. This represented an increase of 11 in the professional staff and 8 in the administrative staff over the 1971 figure of 1,031. During 1972 the number of employees in the Bank's field offices increased by 19 over that of 1971. The total number of employees, permanent and temporary, working in the field offices as of Dec. 31, 1972, numbered 397, compared with 378 at the end of 1971. These included 62 regular international employees, compared with 59 in 1971; 97 temporary international employees, hired as project specialists, compared with 90 in 1971, and 238 local professional and non-professional employees, compared with 229 in 1971. (Project specialists are contracted with resources of the Bank's Fund for Inspection and Supervision).

The Bank's consolidated administrative expenses (including those of the ordinary capital resources, the Fund for Special Operations and the Social Progress Trust Fund) for 1972, as well as its administrative budget for 1973 are shown in the accompanying table.

Cooperation With Other Entities

During 1972 the Bank strengthened its ties with other development banks engaged in fostering the economic and social development of its member countries. As indicated previously the cooperation with the World Bank was translated during the year into joint action in financing a variety of projects. This joint effort embraced the steel mill expansion program embarked on by Brazil in 1971 and 1972. The Inter-American Bank extended loans totaling $128 million for the $1.28 billion which covered the nation's three leading steel producers. The World Bank participated with $320 million; bilateral credits provided $300 million and the remainder was provided by Brazilian sources.

Similarly, the Inter-American Bank joined forces with the World Bank in helping to finance a 270,000-kilowatt hydroelectric power expansion program in El Salvador. Of the total cost of $80 million, the Inter-American Bank contributed $38.1 million, the World Bank is expected to lend $15.9 million and Salvadoran sources are providing $26 million.

As indicated earlier also, the Bank sought to strengthen the mission of two of Latin America's subregional financial institutions—the Central American Bank for Economic Integration and the Andean Development Corporation—by granting them loans to increase and improve the

CONSOLIDATED ADMINISTRATIVE EXPENSES [1]
(In Thousands of Dollars)

	Actual 1971	Actual 1972	Budgeted 1973
BOARD OF GOVERNORS			
Annual Meeting	$ 304	$ 231	$ 273
Other Expenses	147	31	7
BOARD OF EXECUTIVE DIRECTORS			
Salaries	553	658	868
Other Compensation and Benefits	133	129	206
Travel	149	154	175
Review and Evaluation Group	262	305	377
STAFF			
Salaries	12,963	13,775	14,641
Other Compensation and Benefits	4,561	4,955	5,837
Travel	1,613	1,541	1,720
OTHER ADMINISTRATIVE EXPENSES			
Communications	748	787	840
Office Occupancy	1,971	1,904	2,495
Publications and Printing	376	279	446
Supplies and Equipment	898	795	1,092
Contractual Services	1,222	910	1,128
Miscellaneous	247	312	351
FIELD OFFICES			
Salaries	984	1,158	1,389
Other	2,205	2,170	2,442
CONTINGENCIES	—	—	346
TOTAL	$29,336	$30,094	$34,633

[1] Ordinary capital resources, Fund for Special Operations and Social Progress Trust Fund.

flow of development projects which they are considering as well as to finance individual projects.

During the Annual Meeting of the World Bank held in Washington in September 1972, the Inter-American Bank sponsored a third meeting of the presidents of the three regional banks—the Inter-American, the Asian and the African Development Banks—along with a representative of the World Bank, to consider joint cooperation and coordination of various activities.

Through its continuing technical cooperation program the Bank supported research and training activities of a variety of regional organizations engaged in the task of supporting the region's economic integration. These included the Latin American Free Trade Association, the Permanent Secretariat of the General Treaty of Central American Economic Integration, the Organization of Central American States and the Board of the Agreement of Cartagena.

It maintained close cooperative ties throughout the year at its Washington headquarters with its sister organizations of the hemisphere, the Organization of American States, the Inter-American Economic and Social Council, the Inter-American Committee on the Alliance for Progress and the Pan American Health Organization.

The Bank improved coordination of its development work when applicable with such United Nations agencies as the United Nations Development Programme, for which the Bank often acts as executing agency for development studies in Latin America; with the UN Economic Commission for Latin America; the UN Food and Agriculture Organization, and the UN Industrial Development Organization.

Finally, the Bank maintained close liaison with multilateral agencies in Europe, particularly the Development Assistance Committee of the Organization for Economic Cooperation and Development and the European Economic Community.

Loans and Technical Cooperation

The following section contains a description of the loans and technical cooperation authorized from the Bank's various sources of funds. Both loans and technical cooperation are grouped on a country-by-country basis in order to give an overall view of the Bank's operations in each of its borrowing countries.

On ordinary capital loans the Bank's basic interest rate continued at 8 per cent per annum throughout 1972. Interest rates charged included, in all cases, the 1 per cent commission allocated to the Bank's special reserve. Loans authorized in 1972 from the ordinary capital resources were extended for terms ranging from 15 to 20 years.

The rates of interest charged on loans extended from the Fund for Special Operations were changed, effective June 1, 1972, from a basic 2¼ per cent and 3¼ per cent per annum, depending on the nature of the project, plus a ¾ per cent service charge, to a schedule which varied according to the stage of development of the member country, as indicated earlier in this report. Likewise the terms on such loans varied from 20 to 40 years.

The accompanying table shows the Bank's comparative lending on a country-by-country basis over the past three years.

COMPARATIVE YEARLY LENDING, 1970-72
(In Thousands of Dollars)

	1970		1971		1972	
Country	Number of Loans	Total	Number of Loans	Total	Number of Loans	Total
Argentina	6	$ 79,171	4	$ 73,688	3	$162,661
Barbados	—	—	1	1,000	1	2,800
Bolivia	1	530	2	21,579	6	42,082
Brazil	7	161,068	9	148,929	8	213,156
Chile	1	3,000	2	11,600	—	—
Colombia	3	23,100	4	80,275	3	49,900
Costa Rica	4	15,600	1	3,500	2	8,300
Dominican Republic	1	4,100	1	3,400	3	33,700
Ecuador	4	32,480	4	30,300	3	39,700
El Salvador	2	3,980	1	10,000	2	39,600
Guatemala	—	—	2	9,200	—	—
Haiti	1	5,100	2	1,800	1	10,000
Honduras	—	—	4	21,400	1	9,200
Jamaica	2	10,900	3	9,060	—	—
Mexico	7	91,022	3	57,699	5	115,689
Nicaragua	1	12,400	1	3,500	1	12,500
Panama	1	1,700	2	17,400	3	15,700
Paraguay	—	—	4	44,782	—	—
Peru	3	58,590	3	24,052	3	785
Trinidad and Tobago	2	3,600	2	7,600	2	13,100
Uruguay	7	28,700	—	—	1	10,000
Venezuela	4	87,402	4	71,001	1	18,900
Regional	2	22,000	—	—	3	9,400
TOTAL	59	$644,443	59	$651,765	52	$807,173

NOTE: The total for Argentina includes an $80 million loan extended to the *Comisión Técnica Mixta de Salto Grande*, a mixed international authority of Argentina and Uruguay based in Buenos Aires. The loan will be used to carry out a hydroelectric project which will jointly benefit both nations. Initially 16.66 per cent of the capacity will be used by Uruguay.

FIVE ADDITIONAL SHIPS can now dock at Port of Paranaguá in Southern Brazil thanks to loan extended by Bank, which helped build this dock, the warehouse and 10,000-ton grain silo in background. Loan also helped improve highway leading from the port to the Paraguayan border.

ARGENTINA

LOANS

Futaleufú Hydroelectric Plant

Ordinary Capital Resources
$50 million 20-year 8% loan of Feb. 24, 1972
($47 million and $3 million in Argentine pesos)
Borrower: **Agua y Energía Eléctrica, Empresa del Estado**

In the past, Argentina has had to import all its aluminum. Now, however, a private company, *Aluminio Argentina, S.A.I.C.*, is setting up a primary aluminum reduction plant at Puerto Madryn in the Province of Chubut in Patagonia, which will provide all of Argentina's domestic needs plus a supply for export. An assured and steady source of electric power is required for the operation of the 140,000-ton-a-year plant. After considering a variety of alternatives, Argentina's national power authority, *Agua y Energía Eléctrica, Empresa del Estado (AyEE)*, decided that the most appropriate source of power would be a hydroelectric plant to be constructed 350 miles directly west of Puerto Madryn on the Futaleufú River in Chubut Province, near Chile.

This loan will help *AyEE* to build a 440,000-kilowatt project, as well as a transmission system, to provide the aluminum plant with all its power requirements which amount to at least 80 per cent of the yearly production of the power plant.

The project calls for the construction of a 350-foot storage dam on the Futaleufú River; a generating station equipped with four 110,000-kilowatt turbogenerator units—three of which would be in regular service providing power for the plant, while the fourth would be used as a spare unit—and the construction of a 350-mile transmission system consisting of two 330-kilovolt transmission lines from the generating plant to Puerto Madryn, which is located approximately 700 miles southwest of Buenos Aires. In addition, a booster station would be constructed at Futaleufú and a reducer station would be built at Puerto Madryn.

The Bank loan will cover 42.4 per cent of the $117,820,000 cost of the project, the Argentine Government will provide 49 per cent and *AyEE* the remaining 8.6 per cent.

Completion of the aluminum plant will lead to the creation of an industrial complex in Patagonia, provide additional employment in the region and foster greater use of its natural resources. It is also expected to boost Argentina's foreign exchange reserves by about $131 million by 1980, as aluminum imports are phased out and exports are initiated.

The loan is guaranteed by the Republic of Argentina.

Salto Grande Hydroelectric Plant

Ordinary Capital Resources
$80 million 20-year 8% loan of Dec. 21, 1972
Borrower: **Comisión Técnica Mixta de Salto Grande**

The Uruguay River flowing south into the River Plate forms a natural border between Argentina and Uruguay as well as a natural source of hydroelectric power for the surrounding region. To tap this source and to supply the growing electric power needs of both countries, the Inter-American Bank approved this $80 million loan—the largest in its history—to help finance the construction jointly by Argentina and Uruguay of a 1,620,000-kilowatt hydroelectric power plant at Salto Grande, approximately 210 miles north of Buenos Aires.

The plant will provide electric power for a 110,000-square-mile market area in northeast Argentina and Uruguay with a total population of 5.2 million—all of the 2.9 million who live in Uruguay and 2.3 million in Argentina. On completion, the project will be able, as needed, to provide power over the entire 72,000-square-mile area of Uruguay, which has an integrated electric power grid, and over 38,000 square miles in the *litoral* region of Argentina, which lies west of the Uruguay River. This region includes the northern departments of Buenos Aires Province, the southern and central parts of Santa Fe Province and all of the Province of Entre Ríos.

The loan will be used by the *Comisión Técnica Mixta de Salto Grande (CTM)*, an international public authority established jointly by Argentina and Uruguay with headquarters in Buenos Aires, which is responsible for all aspects related to the use of the waters of the Uruguay River.

The *CTM* will use the loan resources to help build the first stage of the plant which will cost an estimated $432 million. The loan will cover 18.5 per cent of that cost, suppliers' credits 23.6 per cent and the two governments 57.9 per cent.

The first stage of the Salto Grande plant involves the construction of:

- A concrete impounding dam 800 meters long and 45 meters high on a rock foundation to store a volume of 4,140 million cubic meters of water.
- A hydroelectric generating plant with twelve 135,000-kilowatt generators.
- A surface spillway 340 meters in length with a peak discharge capacity of 70,000 cubic meters per second, situated between the hydroelectric plant and the Uruguayan bank.
- Two lateral earth and rock dams 1,000 meters in length on the Argentine side and 900 meters in length on the Uruguayan side, with provision for the construction of an international highway on the crown.
- A navigation lock upstream from the dam on the Argentine side of the river for vessels with a nine-foot draft.

The loan is guaranteed by the Republics of Argentina and Uruguay.

Sierra Grande Iron Ore Complex

Ordinary Capital Resources
$32 million 20-year 8% loan of June 13, 1972
($25.5 million and $6.5 million in Argentine pesos)
Borrower: **Empresa Hierro Patagónico de Sierra Grande, S.A.M.**

The proven iron ore reserves of the underground mine at Sierra Grande in Argentina's Río Negro Province, 790 miles southwest of Buenos Aires, are estimated at 70 million tons, an amount sufficient to support 20 years of mining operations at an extraction rate of 3.5 million tons per year.

To utilize these resources and to promote the growth of the country's iron and steel industry, the *Empresa Hierro Patagónico de Sierra Grande, S.A.M. (HIPASAM),* a state-controlled corporation, is investing $125 million to build an industrial complex in southern Argentina which will mine and process the iron ore, move it 20 miles by a hydraulic system of pipe transportation from the mine site to a pelletization plant—with a capacity of 2 million tons of pellets per year—at Punta Colorado on the Atlantic coast, and load it aboard ship for delivery by sea to domestic markets.

The ore would foster development of Argentina's steel-making capacity by supplying blast furnaces operated by the *Sociedad Mixta Siderúrgica Argentina (SOMISA)* at San Nicolás, 145 miles north of Buenos Aires, and the furnaces of *Propulsora Siderúrgica,* a private company at Ensenada in the Province of Buenos Aires.

The project is expected to generate a net annual income of $25 million in Argentina's foreign exchange, equivalent to 1.5 per cent of the total value of the country's imports in 1971. Over the 20-year expected life of the project, the savings in foreign exchange would total $500 million. It would also create more than 1,200 jobs.

The Bank loan will cover 25.6 per cent of the cost of the project, foreign suppliers will provide 21.6 per cent, local credits another 12.8 per cent and *HIPASAM* the remaining 40 per cent.

The loan is guaranteed by the Republic of Argentina.

EXPORT FINANCING

During 1972 previous lines of credit to Argentina to finance exports of capital goods were augmented by $661,000 through repayments. This activity is described further on in this report under the heading "Export Financing."

COMBINES HARVEST STRAIGHT SWATH of wheat at estancia La Laura near Chacabuco, west of Buenos Aires. One combine was purchased with Bank credit channeled through Banco de la Nación Argentina.

SALTO GRANDE PROJECT will provide electricity to Uruguay and Argentina; Futaleufú plant will generate power for aluminum plant at Puerto Madryn, and Sierra Grande's iron ore will fuel industry.

BARBADOS

LOAN

Vocational and Technical Education
Fund for Special Operations
$2.8 million 35-year 1¼% loan of Dec. 7, 1972
Borrower: **Barbados**

The demand for skilled labor at the intermediate and advanced levels in Barbados is expected to amount to an annual rate of 1,550 persons by 1980. To help fill this demand, the Bank is supporting the expansion of physical and teaching facilities at the Barbados Community College (BCC) in Bridgetown. A state college, BCC is one of the country's major technical and vocational institutions.

This loan will help expand general as well as vocational and technical education in Barbados by enabling the BCC to increase its student enrollment capacity to 1,500 by 1976, compared with 825 in the 1971-72 academic year. In turn this will help increase the total number of persons with intermediate and advanced skills entering the labor market each year by about 1,100.

The BCC expansion project calls for the construction of five new buildings with a combined capacity of approximately 12,400 square meters to house the Science, Humanities and Commerce Divisions; the acquisition and installation of technical equipment in the new classrooms and laboratories; the purchase of textbooks and specialized journals for the new Central Library; the contracting on a full-time basis of additional teachers, assistant teachers and library personnel, and the establishment of a professional counseling and employment service to select and counsel students and to help place graduate students in the job market.

The total cost of the project is estimated at $4.3 million, of which the Bank loan will cover 65.1 per cent and the Government of Barbados 34.9 per cent.

TECHNICAL COOPERATION

Sewage System Study

Fund for Special Operations
$61,000 contingent repayment assistance of Sept. 19, 1972

This technical cooperation was added to $149,000 approved in 1971 to enable the Ministry of Health and Social Welfare of Barbados to draw up studies and design work for a sewage system for Bridgetown, the capital, and surrounding areas and to prepare a feasibility study for the sanitary protection of the area around the Belle wellfield and pumping station, which constitutes the primary source of potable water for the city.

Institutional Improvement

Fund for Special Operations
$20,000 nonreimbursable assistance of Nov. 8, 1972

In March 1972 the Inter-American Bank and the UN Food and Agriculture Organization (FAO) concluded a joint study looking towards agricultural diversification and fisheries development in Barbados. The program is designed to lessen the nation's dependence on the cultivation of sugar and provide it with additional sources of food, thus leading to a reduction in food imports.

This assistance will enable the Barbados Development Bank to take advantage of the recommendations of the study by establishing units for the extension of agricultural and fisheries credit.

BOLIVIA

LOANS

Telecommunications System

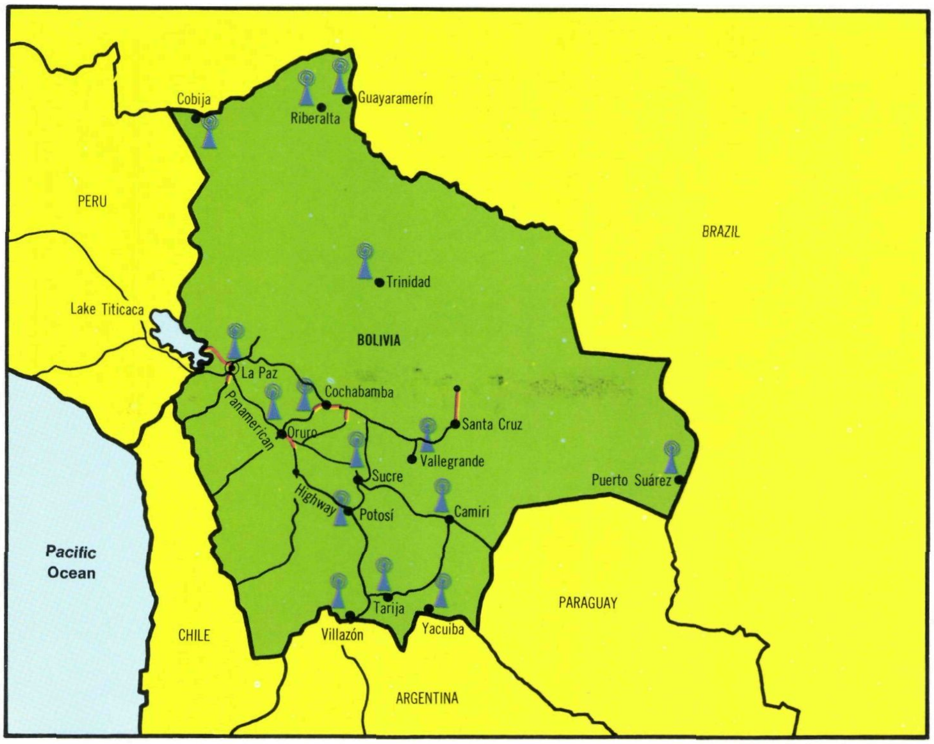
Fund for Special Operations
$8,650,000 40-year loan of Aug. 3, 1972
($8,450,000 and $200,000 in Bolivian pesos)
Interest: ¼% for 10 years, 1¼% subsequently
United Kingdom Funds
$7,082,000 25-year interest free loan of July 28, 1972
(2,718,000 pounds sterling)
Borrower: **Republic of Bolivia**

The lack of modern communications has been a major impediment to the economic development of Bolivia, one of the lesser-developed member countries of the

ORE CARS HAUL ZINC from mine near Potosí, Bolivia. Private company purchased this and other equipment with Bank financing provided through the Bolivian Development Corporation.

MILE-LONG BRIDGE on Paraná River built with Bank financing will link Corrientes in Corrientes Province and Barranqueras in Chaco Province of Argentina and improve communications with neighboring countries.

HIGHWAY AND TELECOMMUNICATIONS SYSTEMS of Bolivia are being improved with loans authorized in 1972. During the year, Bolivia also received financing to foster industry and exports.



MAINTENANCE PROGRAMS FOR MEXICO'S extensive road network merited Bank's loan support in 1972. The Bank has also helped expand the primary and secondary road network which crisscrosses the nation.

Bank. To help Bolivia overcome this problem, the Bank is cooperating through these loans with the nation's *Empresa Nacional de Telecomunicaciones (ENTEL),* a public enterprise, in a project to install a telecommunications system that will provide national service to the principal cities and towns of the country in which the most economically active population is concentrated. The project is a reformulation of one approved in 1968 for which the Bank authorized two loans. The disbursed portion of that operation has been charged to this new one.

The project provides for the construction of a national microwave trunk system with a capacity of 960 voice and television channels and long-distance dialing facilities which will provide the central axis of a national switching system in Bolivia. This system will make possible direct telephone service among the country's four major cities—La Paz, Oruro, Cochabamba and Santa Cruz—which have a total population of 914,000, as well as facilities for interconnection with Peru. It will permit the later installation of telex, television and radio transmitters and electric switching systems.

Also projected is the construction of a modern high-frequency single sideband system which will provide telegraph and voice services between La Paz and the cities and towns of Camirí, Cobija, Guayaramerín, Oruro, Potosí, Puerto Suárez, Riberalta, Sucre, Tarija, Trinidad, Valle Grande, Villazón and Yacuiba. Each of these 13 cities will be interconnected directly or through La Paz, Cochabamba or Santa Cruz.

On completion, La Paz will be the national long-distance telecommunications center for Bolivia. The cities of Oruro, Cochabamba and Santa Cruz will be the terminals of the microwave trunk system as well as the primary stations for the high-frequency network.

The total cost of the project is estimated at $19.3 million, of which amount the Bank will finance 81.5 per cent and the Government of Bolivia 18.5 per cent. The equivalent of $246,000 of the Bank's funds will help provide technical cooperation costing a total of $291,000.

El Alto Highway

Fund for Special Operations
$13.7 million 40-year loan of Nov. 16, 1972
($9.7 million and $4 million in Bolivian pesos)
Interest: ¼% for 10 years, 1¼% subsequently
Borrower: **Republic of Bolivia**

Automotive traffic between La Paz and El Alto, site of the city's international airport, is expected to increase 8 per cent per year over the next 25 years. The present six-mile, two-lane highway between the two points is the only road link between the capital and the airport as well as the Pan American Highway and other cities and towns in Bolivia's highland plateau. The road is badly deteriorated, however, and fails to meet requirements for handling the growing flow of traffic.

This loan will help correct the situation by enabling the Government of Bolivia to build a modern four-lane expressway between La Paz and El Alto and its contiguous airport and customs house facilities. Construction of the limited access road will be carried out by the *Servicio Nacional de Caminos (SNC)*, the nation's highway agency, at a total estimated cost of $15,580,000, of which the Bank loan will cover 87.9 per cent and local contributions the remaining 12.1 per cent.

The 6.3-mile expressway, which will cover the most heavily-traveled vehicular route in Bolivia, has a design capacity of 3,580 vehicles per hour, or approximately 40,000 per day.

The old two-lane road will remain operational, meanwhile, and will continue to carry approximately 20 per cent of the traffic between La Paz and El Alto, consisting primarily of buses serving local communities along the road and trucks which cannot attain the design speed of the expressway.

Highway Construction

Fund for Special Operations
$10 million 40-year loan of Dec. 21, 1972
($7 million and $3 million in Bolivian pesos)
Interest: ¼% for 10 years, 1¼% subsequently
Borrower: **Republic of Bolivia**

Bolivia lacks an adequate transportation network, particularly a good system of highways, whose construction costs are high due to the mountainous terrain and the scattered location of the population. In addition, due to its landlocked position, Bolivia must export its products at high cost long distances over land.

For these reasons the Government has sought to speed the development of its transportation system—road, railroad, river and air. Between 1960 and 1969 for example, Bolivia's highway construction program received 33 per cent of the nation's public investments. These resulted in lengthening the highway network during the period by 41 per cent from 10,378 to 17,460 miles. Despite this progress, many sections of the nation's road network have seriously deteriorated because they were designed for much lighter loads than those moving today and in addition only 660 miles of the 17,460-mile-long network are paved.

This loan makes an attempt to solve the problem by helping the *Servicio Nacional de Caminos (SNC)*, the nation's road agency, to expand and pave eight sections of highway 143 miles in length providing access to Bolivia's major cities.

The eight highway sections included in the project are located near four of the nation's leading cities—La Paz, Santa Cruz, Cochabamba and Oruro—all of which account for a high volume of traffic. Six of the highways have only a gravel cover and two have only a thin layer of asphalt.

The sections of highway to be improved include:

- La Paz—El Alto-Viacha, 11.9 miles; Río Seco-Huarina, 36 miles, and Huarina-Tiquina, 26 miles.
- Cochabamba—Cochabamba-Quillacollo, 7.5 miles, and Tolata-Cliza, 4.4 miles.
- Oruro—Oruro-Vinto, 5.6 miles, and Vinto-Machacamarca, 17.5 miles.
- Santa Cruz—Santa Cruz-Guabirá, 33.8 miles.

The total cost of the project is estimated at $11,170,000, of which the Bank loan will cover 89.5 per cent and local sources the remaining 10.5 per cent.

Industrial Credit Program

Fund for Special Operations
$1.5 million 40-year loan of Sept. 14, 1972
Interest: ¼% for 10 years, 1¼% subsequently
Borrower: **Banco Industrial, S.A.**

The manufacturing sector of Bolivia concentrates primarily on foods, beverages, textiles, furniture and such intermediate consumer goods as petroleum and its byproducts. About 89 per cent of the total value of the nation's manufacturing is centered in La Paz, Cochabamba and Santa Cruz, the country's three leading cities.

This loan, which was extended to the *Banco Industrial, S.A. (BISA)*, a private development bank, will help diversify production and spread industry to other areas. The loan will finance 68.2 per cent of a project being carried out at a total cost of $2.2 million. *BISA* is contributing 15.9 per cent and the ultimate borrowers another 15.9 per cent.

Approximately two-thirds of the resources of the program will be used to finance industries producing nondurable consumer goods and the remaining one-third will help increase the production of intermediate and capital goods.

The Bank loan will be relent by *BISA* to private industrial enterprises to accelerate growth of priority projects using local inputs, producing domestic substitutes for products now imported and contributing to the expansion of exports.

A previous Inter-American Bank' loan totaling $1 million helped *BISA* to launch a similar credit program for Bolivia's private industry in 1966. The loan generated $1,739,000 in additional capital—$525,000 from *BISA* and $1,214,000 from sub-borrowers—to help finance 33 subloans, of which 26 were in the Department of La Paz, four in Santa Cruz and three in Cochabamba.

The loan is guaranteed by the Republic of Bolivia.

EXPORT FINANCING

During 1972 Bolivia received a line of credit for $1,150,000 to finance exports of capital goods. This activity is described further on under the heading "Export Financing."

BRAZIL

LOANS

Seed Improvement Program

Fund for Special Operations
$10 million 20-year 3% loan of July 28, 1972
($4.2 million and $5.8 million in cruzeiros)
Borrower: **Federal Republic of Brazil**

Despite the fact that agriculture is one of Brazil's most important economic activities, accounting for 22 per cent of the nation's gross domestic product, it has been a declining factor in its recent economic growth rate. In the 1947-62 period, the agricultural sector grew at an annual average rate of 4.7 per cent, but that rate fell off in the 1963-70 period to 3.6 per cent partly because of unfavorable weather conditions. Thus the modernization of its agricultural sector is considered imperative if Brazil is to check the recent decline in the rate of its farm growth and push that growth to levels matching other sectors of its economy.

In an effort to stimulate growth in this lagging sector, the Brazilian Government in 1970 established five priority agricultural activities, one of which was a National Seed Plan, which in its initial phase will seek to improve seed quality of eight basic crops and to foster the use of the improved seed in seven states in the southeastern part of the country. In a later phase use of the improved seed will be extended to other regions of Brazil. The eight crops, which are basic to Brazil's consuming needs and to the income of its farmers, are cotton, rice, beans, corn, peanuts, potatoes, soybeans and wheat.

This loan will help Brazil carry out the program which calls for the study and testing of genetic varieties of the seeds of each of the selected crops, the production and distribution of basic seed varieties and the control of marketing of the seeds by competent official agencies.

The loan will cover 40 per cent of the $25 million total cost of the first phase of the program and will help finance the construction of such facilities as cold-storage and humidity-controlled warehouses, dry storage facilities, laboratories, offices, silos, germination plants and garages; the acquisition of insecticides, fungicides, herbicides and genetic seed, and the purchase of agricultural machinery, laboratory equipment and vehicles. The Brazilian Government will finance the remaining 60 per cent.

Up to $1,048,000 of the Bank loan will be devoted to technical cooperation aspects of the program, including the hiring of consultants and the sending of Brazilian specialists abroad for specialized post-graduate training in specific fields.

Moxotó Power Project

Ordinary Capital Resources
$16.3 million 20-year 8% loan of Oct. 26, 1972
Fund for Special Operations
$35.7 million 20-year 4% loan of Oct. 26, 1972
($26.7 million and $9 million in cruzeiros)
United Kingdom Fund for Development of Latin America
$5,220,000 25-year 3% loan of Oct. 26, 1972
(2 million pounds sterling)
Borrower: **Centrais Elétricas Brasileiras S.A.**

Electric power consumption in Brazil has increased at an average annual rate of 8.8 per cent over the past five years. Most of this growth has taken place in the nation's industrial heartland spreading out from São Paulo and Rio de Janeiro. Per capital consumption in the nation's Northeast amounts to only 25 per cent of the national average and an estimated 60 per cent of the urban inhabitants and 469 of the 1,394 municipalities in the nine-state region have no service at all.

In consonance with the Bank's policy of giving priority in its lending policy to underdeveloped regions of the hemisphere, the Bank made these three loans in 1972 to improve power facilities in the Northeast. They will help Brazil's national power agency, *Centrais Elétricas Brasileiras S.A. (ELETROBRAS)* to construct facilities at Moxotó on the São Francisco River which will add 550,000 kilowatts of power to the capacity of its subsidiary in the region, the *Companhia Hidro Elétrica do São Francisco (CHESF)*.

Construction of the project will boost *CHESF's* total capacity to 1,658,000 kilowatts and will enable it to meet an expected yearly increase of 16.5 per cent in the region's demand in 1972-80.

The project is being carried out at a total cost of $224 million. *ELETROBRAS* is putting up the biggest share—59.8 per cent—of the cost. The Bank's loans will cover 25.5 per cent, *CHESF* will contribute an additional 9.3 per cent and suppliers' credits will provide the remaining 5.4 per cent.

The Moxotó project forms part of an *ELETROBRAS* program calling for expansion of Brazil's electric power generating capacity from 12.5 million kilowatts in 1971 to 18 million kilowatts in 1974 with the help of $856,550,000 in external financing.

The Moxotó and the neighboring Paulo Afonso complexes on the São Francisco River are located approximately 230 miles directly north of the city of Salvador in the State of Bahia and a similar distance to the southwest of Recife in the State of Pernambuco, both major consumer centers.

The project calls specifically for the construction of:

- The Moxotó storage dam on the São Francisco River, about two miles upstream from the existing Paulo Afonso power complex, thereby making available an additional 150,000 kilowatts in capacity for this system.
- The Moxotó hydroelectric plant with a capacity of 400,000 kilowatts.

• A transmission system for the power to be generated by the Moxotó project and for that to be generated by the third and fourth units (206,000 kilowatts each) of the Paulo Afonso III plant already under construction with Inter-American Bank financing, and other installations.

The loans are guaranteed by the Federal Republic of Brazil.

Santos-Rio de Janeiro Highway

Ordinary Capital Resources
$40 million 20-year 8% loan of Sept. 28, 1972
($27.3 million and $12.7 million in cruzeiros)
Borrower: **Departamento Nacional de Estradas de Rodagem**

The Government of Brazil has assigned top priority to the development of its transportation network. This has been particularly true of its highway system which in recent years has accounted for half the nation's investments in transportation. As a result, from 1967 to 1970, the length of the nation's road network expanded from 24,000 to 32,000 miles and in 1970 highway traffic accounted for two-thirds of the nation's total movement of freight.

This loan will help finance a project to build a 160-mile-long section in a projected 336-mile-long road linking Rio de Janeiro and Santos, port city of São Paulo. The road between the two cities will form part of BR-101, Brazil's main coastal highway, which stretches 2,600 miles from Natal in the State of Rio Grande do Norte to Osorio in the State of Rio Grande do Sul, linking in the process the nation's most important state capitals and ports.

The link, being built at a total cost of $135.6 million, will be the fastest most direct route between the two cities. The Bank's loan will cover 29.6 per cent of the cost; the remaining 70.4 per cent will be provided by the borrower, the *Departamento Nacional de Estradas de Rodagem,* the nation's highway agency.

To date two segments, totaling 63 miles in length have been built. The first, 42 miles long, connects Rio with Santa Cruz in the State of Guanabara, and the second, 21 miles long, joins Santos with Morro do Cabrão in São Paulo State.

This loan will finance the 160-mile section of the highway leading from Santa Cruz to Ubatuba in São Paulo State. Construction of the 113-mile final section of the roadway between Ubatuba and Morro do Cabrão will start in 1973.

The loan is guaranteed by the Federal Republic of Brazil.

Steel Expansion

Ordinary Capital Resources
$42 million 15½ year 8% loan of April 12, 1972
($37,920,827 and 1,256,385,160 Japanese yen)
Borrower: **Usinas Siderúrgicas de Minas Gerais S.A.**

One of the principal sectors which the Government of Brazil has sought to stimulate in its efforts to increase the annual rate of economic growth over the past years, which amounted to more than 9 per cent yearly between 1968 and 1972, is the steel industry. In order to accelerate this expansion in the future, the Inter-American Bank, the World Bank, the Export-Import Bank and other public and private agencies of the United States, Europe and Japan in 1971 began providing financing for a $1.28 billion expansion program of the Brazilian steel industry being carried out under the guidance of the *Conselho Nacional da Industria Siderúrgica (CONSIDER).*

The nation's steel development plan consists of a program to be carried out in three stages under which the capacity is to be increased from 3.1 million tons a year in 1971 to 11 million tons in 1980. It is being carried out by Brazil's three major steel mills, all mostly Government owned: the *Companhia Siderúrgica Nacional (CSN)* whose plant, located at Volta Redonda, is being expanded with a $43 million Bank loan authorized in 1971; *Usinas Siderúrgicas de Minas Gerais S.A. (USIMINAS),* the recipient of this loan, and the *Companhia Siderúrgica Paulista (COSIPA),* near Santos, borrower of the loan described below.

The production expected to be reached in each stage of the expansion program is shown in the following table:

EXPANSION PROGRAM
(In Millions of Tons of Raw Steel)

	Existing	Stage I	Stage II	Stage III
	1971	1973	1976	1980
CSN	1.5	1.7	2.5	4.0
USIMINAS	1.0	1.0	2.4	3.5
COSIPA	0.6	0.9	2.3	3.5
TOTAL	3.1	3.6	7.2	11.0

This loan will help *USIMINAS* to increase production from 1 million tons per year to 2.4 million tons by 1976. Capacity will be expanded in a later stage to 3.5 million tons by 1980. Completion of the present expansion program will create an estimated 3,400 new jobs at *USIMINAS* and produce a net saving of approximately $90 million per year in foreign exchange outlays.

The main items of equipment to be provided under the expansion program are a third blast furnace, a second B.O.F. plant (with two 160-ton converters), three new soaking pits and an additional charging crane for the slabbing mill, a third slab re-heating furnace for the hot strip mill, a 160-inch wide plate mill, three new annealing furnaces for cold strip mills and rolling stock and vehicles. In addition the reversing cold mill will be modified, as well as the energy and water systems.

The project also includes the expenditure of more than $10 million for pollution control devices in order to minimize adverse effects on the environment.

The Bank's loan will cover 11.1 per cent of the $378.7 million cost of the *USIMINAS* project. The World Bank will finance 16.6 per cent, bilateral credits another 22.4 per cent and local sources the remaining 49.9 per cent.

The loan is guaranteed by the Federal Republic of Brazil.

PARTICIPATIONS — The following banks are participating in the loan for some $5.9 million: First National Bank of Atlanta; Mercantile Trust Company, St. Louis; Mitsui Bank Ltd., Tokyo; Bank of California National Association, San Francisco; Crocker National Bank, San

Francisco; Chase Manhattan Bank, New York; Long-Term Credit Bank, Tokyo; Western Pennsylvania National Bank, Pittsburgh; Bank of Tokyo of California, San Francisco; Bank of America, N.T. & S.A., San Francisco; Central National Bank of Cleveland; J. Henry Schroder Banking Corporation, New York; Marine Midland Bank-Western, Buffalo; Security Pacific National Bank, Los Angeles; First Wisconsin National Bank, Milwaukee; Industrial National Bank of Rhode Island, Providence; Industrial National Bank of Japan, Tokyo; Marine Midland Bank-New York; Union Bank, Los Angeles; Central National Bank of Chicago, and Wells Fargo Bank, San Francisco.

Steel Expansion

Ordinary Capital Resources
$43 million 15½ year 8% loan of June 14, 1972
($42,937,388 and 36,408,880 Italian lire)
Borrower: **Companhia Siderúrgica Paulista**

This loan represents the third of three, totaling $128 million, which the Inter-American Bank has extended to help Brazil carry out the $1.28 billion steel expansion program described in detail above.

The proceeds of the loan will help the *Companhia Siderúrgica Paulista (COSIPA)* to increase its production capacity from nearly 1 million tons a year to 2.3 million tons by 1976 through the installation of such facilities as an extension to its existing dock, a primary ore yard, a coal yard, two coke-oven batteries each with 53 ovens, a blast furnace designed for an ultimate capacity of 5,000 tons per day, a third 100-ton B.O.F. vessel in place of the existing 75-ton vessel, an oxygen plant, a wide plate mill, two cold-rolled coil inspection lines, of which one will have a combination stretcher-leveler and auxiliary equipment. In addition, to provide a more reliable and flexible electric power supply, an 88-kilovolt distribution system will be added.

The new facilities will incorporate pollution control equipment which is consistent with requirements of industrialized countries and whose approximate cost is estimated at $9 million. The expansion of *COSIPA* facilities will create 3,500 new jobs and produce approximately $95 million in estimated annual net foreign exchange savings.

The Bank loan will cover 9.4 per cent of the estimated $454.8 million total cost of the project. The World Bank will finance 14.2 per cent, bilateral credits another 20.1 per cent and local sources the remaining 56.3 per cent.

The loan is guaranteed by the Federal Republic of Brazil.

PARTICIPATIONS — The following banks are participating in the loan for a total of $3.7 million: Chase Manhattan Bank, New York; Security Pacific National Bank, Los Angeles; European-American Banking Corporation, New York; Marine Midland Bank-Western, Buffalo; Marine Midland Bank-New York, and J. Henry Schroder Banking Corporation, New York.

Rio de Janeiro Water System

Ordinary Capital Resources
$10 million 20-year 8% loan of Oct. 26, 1972
($5 million and $5 million in cruzeiros)
Borrower: **Companhia Estadual de Aguas da Guanabara**

Since it began operations in 1960, the Inter-American Bank has been closely associated with the efforts of Brazil to provide pure drinking water and improved sanitation services to its peoples. Through 1971 the Bank had authorized 15 loans totaling $158 million to help carry out such programs at a cost of nearly a half billion dollars, benefiting nearly 25 million of the nation's 97 million inhabitants.

These loans have particularly improved systems in Brazil's leading cities, among them Rio de Janeiro, which through 1971 had received four loans for $36 million to modernize and increase its water system through the construction of facilities tapping the Guandú River, the city's largest source of water. The Guandú system has a present daily capacity of about 915,000 cubic meters and supplies some 60 per cent of the daily needs of the State.

This new loan will help implement a project, being carried out by the *Companhia Estadual de Aguas da Guanabara (CEDAG),* that includes the improvement of the impoundment and settling facilities of the Guandú River system, expansion of the system's water treatment plant, construction of a new high-pressure pumping station at the treatment plant and construction of an 8.4-mile transmission line parallel to the pressure tunnel of the new Guandú aqueduct to connect the new pumping station with the existing Lameirão pumping station.

The total cost of the project is estimated at $22 million, of which the Bank loan will cover 45.4 per cent, *CEDAG* 25.7 per cent, the *Banco Nacional da Habitacão* 19.6 per cent and the Export-Import Bank 9.3 per cent.

A Water Supply Master Plan for Rio de Janeiro prepared in 1969 laid down a two-phase program for the future development of the drinking water system of the State up to the year 2000. Completion of the first phase, which is partially financed by this loan, will permit Rio de Janeiro to meet a projected demand for drinking water of 2,265,000 cubic meters per day by 1980. (In 1971, the availability was 1,555,000 cubic meters). The second phase of the program is scheduled to meet a demand of 3,561,000 cubic meters per day by 1995.

The project will benefit areas of Rio de Janeiro where the lowest-income residents live, where present water consumption levels are low and where the incidence of water-borne diseases is high.

The loan is guaranteed by the State of Guanabara.

EXPORT FINANCING

During 1972 the Bank added another $5 million to a previous line of credit extended to Brazil to finance exports of capital goods. In addition through repayments previous revolving lines of credit were increased by another $5,945,000. This activity is described further on under the heading "Export Financing."

COLOMBIA

LOANS

Integrated City Development

Ordinary Capital Resources
$20 million 20-year 8% loan of Nov. 29, 1972
($18.5 million and $1.5 million in Colombian pesos)
Fund for Special Operations
$24 million 30-year 2% loan of Nov. 29, 1972
($15.7 million and $8.3 million in Colombian pesos)
Borrower: **Republic of Colombia**

The population of the city of Bogotá has increased at an average annual rate of 6.8 per cent over the past 20 years, rising from 715,000 in 1951 to 2,540,000 in 1971. This rapid rise has resulted in great urban growth which has placed severe pressure on the city's public services and its ability to provide jobs for the growing population.

As a result, the Colombian Government has placed high priority in its national development program on urban development. As a first target area, it has selected the Eastern Zone of Bogotá, a section containing approximately 635,000 inhabitants—or roughly one-quarter of the city's total population—which is characterized by substandard health, education, housing, community and urban facilities.

The proceeds of these two Bank loans will help the Colombian Government execute a broad program in the fields of electric power, highway construction, health, housing, education, sanitation, community services *et al.* The proceeds of the loans will be relent to agencies and units of the Special District of Bogotá to carry out nine interrelated subprograms at a total cost estimated at $86,130,000, of which the Bank loans will cover 51.1 per cent, the Government 13.1 per cent and the Bogotá municipal agencies the remaining 35.8 per cent. The execution of the Integrated Program of Urban Development for the Eastern Zone of Bogotá, *(PIDUZOB)* will be coordinated by a special agency created for that purpose.

The $20 million loan from the Bank's ordinary capital resources will help implement two subprograms with a total cost of $42,980,000 in the fields of highway construction and electric power. The proceeds from the Fund for Special Operations loan will help carry out seven subprograms in the fields of health, education, housing, sewage systems, institutional improvement, road and street paving and social services at a total cost of $42,550,000. In addition, the cost of the *PIDUZOB* program includes $600,000 to cover administrative expenses.

Major subprograms include:

- The construction of a limited access, divided, high-speed expressway approximately seven miles in length to expedite the flow of traffic and ease congestion.
- The expansion of public lighting and private electric power services and the modernization of transmission and distribution facilities.
- The construction and equipping of a 300-bed general hospital, two maternal and child clinics with 100 beds each, two health centers, a 300-bed rehabilitation hospital and other health facilities.
- The construction and equipping of 12 primary and six secondary schools, of three community centers and 4,300 housing units.
- The execution of the third stage of the Master Sewage Plan for Bogotá which includes the construction of drains, open and closed sewage canals and 56 miles of secondary sewage networks in the eastern zone of the city.

Up to $507,000 of the loan from the Fund for Special Operations will be devoted to technical cooperation aspects of the program—$307,000 to the educational phase and $200,000 to institutional improvements.

University Expansion

Fund for Special Operations
$5.9 million 30-year 2% loan of Oct. 5, 1972
($4.9 million and $1 million in Colombian pesos)
Borrower: **Universidad Industrial de Santander**

In 1971 the *Universidad Industrial de Santander (UIS)* of Bucaramanga, Colombia, had a student enrollment of 3,200 and a dropout rate of approximately 50 per cent. The curriculum laid heavier emphasis on engineering specialties than on such fields as physics, chemistry, business administration, languages, accounting, mathematics, economics and geology, subjects increasingly important to the nation's development requirements.

This loan will help the university to carry out a broad expansion program of its physical plant and faculty, thereby enabling it to accommodate a student enrollment of 5,500 by 1976. The university also hopes at that time to enroll 1,200 high school graduates per year and to reduce its dropout rate to between 25 and 30 per cent.

The program, being carried out at a total cost of $9.4 million, of which 62.8 per cent will be provided by the Bank and 37.2 per cent by the *UIS,* will add approximately 43,000 square meters to the university's present physical facilities, enlarging the total built-up area to 78,500 square meters. It will also provide modern equipment and materials for instruction and research in the laboratories and workshops of the six university divisions and provide modern audio-visual equipment, books and technical publications for the Documents and Library Center.

The program will strengthen the faculty by providing graduate training abroad for 33 members of the *UIS* teaching staff, by adding some 85 fulltime teachers to the staff and by establishing a Department of Education.

The loan is guaranteed by the Republic of Colombia.

COSTA RICA

LOANS

Livestock Development

Fund for Special Operations
$6 million 20-year 3¼% loan of Feb. 10, 1972
($3,820,000 and $2,180,000 in Costa Rican colones)
Borrower: **Banco Nacional de Costa Rica**

The Costa Rican economy has grown at a remarkable rate in recent years. From 1961 to 1970, the country's gross domestic product increased at an average annual rate of 5.9 per cent. This was due substantially to rapid expansion of agricultural and industrial production and to burgeoning exports. A 4.4 per cent growth in the agricultural product in 1970 was sparked by high coffee, banana and livestock yields.

Farm production is the most important single sector of the national economy, representing 24 per cent of the gross national product, generating 75 per cent of total exports and providing employment for 50 per cent of the labor force. Within the sector, roughly 30 per cent of gross value is represented by livestock.

This loan will enable the *Banco Nacional de Costa Rica (BNCR)* to finance a livestock development program which will benefit 1,000 small- and medium-scale ranchers. *BNCR* will relend the proceeds of the loan to ranchers to improve their herds through the purchase of breeding stock to increase beef and dairy production; to build farm infrastructure facilities; to purchase tools and equipment; to plant crops for animal feed, and to improve pastures.

The loan will cover 60 per cent of the total cost of the livestock development project. *BNCR* will provide 25 per cent and the loan beneficiaries will put up the remaining 15 per cent.

The loan is guaranteed by the Republic of Costa Rica.

Preinvestment Studies

Fund for Special Operations
$2.3 million 25-year 1¼% loan of Oct. 5, 1972
($1,610,000 and $690,000 in Costa Rican colones)
Borrower: **Republic of Costa Rica**

The Costa Rican economy has grown substantially over the past few years thanks to expanded agricultural production, rapid industrial development and a sharp increase in exports of farm and manufactured goods. In the future, however, demand for certain farm exports as well as industrial expansion based on import substitution and simple manufactures is expected to level off.

Thus, in order to maintain its accelerated economic development, the nation needs to invest in more sophisticated manufactures and agricultural products capable of competing not only locally and regionally but also in new export markets. Investment programs in these new areas, as well as in infrastructure, have been handicapped by a lack of adequately prepared projects.

This loan will enable the *Oficina de Planificación de la Presidencia de la República (OFIPLAN)* of Costa Rica to carry out a wide range of specific and general preinvestment studies in both the public and private sectors. *OFIPLAN* will establish a Preinvestment Fund which will be used to grant subloans to government agencies, autonomous institutions, municipalities and the private sector and to extend lines of credit to national development institutions. The program is being carried out at a total cost of $3.2 million of which 69.7 per cent is covered by the Bank loan, 18.3 per cent by the Government and 12 per cent by the beneficiaries.

Among the 11 specific projects selected by *OFIPLAN*, four involve transportation, two agriculture, two urban development, one municipal development, one tourism and the last private sector activities.

The studies embrace programs which will improve living standards of low-income groups, open unused lands to cultivation and improve marketing procedures for domestic and export commodities.

TECHNICAL COOPERATION

University Expansion Studies

Social Progress Trust Fund
$35,250 contingent repayment assistance of April 17, 1972

The enrollment of the University of Costa Rica which has benefited from two loans from the Inter-American Bank has grown from 3,800 students in 1960 to 15,500 in 1971. Indications are that this enrollment will rise to 28,000 over the next five years. Such an increase would justify a substantial expansion in the University's facilities.

This cooperation will enable the University to carry out a study to decentralize its facilities through the creation of up to four regional university centers in other parts of the Republic, thus enabling more students from other sections of the country to carry out university studies and easing overcrowded conditions at the San José campus.

DOMINICAN REPUBLIC

LOANS

Farm Production and Productivity

Fund for Special Operations
$24.8 million 40-year loan of Dec. 21, 1972
($16.8 million and $8 million in Dominican pesos)
Interest: ¼% for 10 years, 1¼% subsequently
Borrower: **Dominican Republic**

The agriculture and livestock sector accounts for approximately 25 per cent of the gross domestic product of the Dominican Republic, provides employment for more than 50 per cent of the labor force and contributes approximately 85 per cent of the country's foreign exchange earnings. However, the nation is not self-sufficient in foodstuffs, and 20 per cent of the value of its imports is food.

This loan will help the Dominican Government to carry out the first stage in an Integrated Agricultural Development Program *(PIDAGRO)* designed to improve production and productivity of food. The program will benefit an estimated 300,000 persons, the majority of them small- and medium-scale farmers and cattlemen, in six zones of the country covering some 988,000 acres. Three of the zones are devoted to mixed crop and livestock production and three solely to livestock farming.

The first phase of the project includes:

- A Subprogram for Agricultural Modernization, involving expansion and coordination of all farm and livestock research programs; broadening extension services; providing specialized training to approximately 3,300 persons; forming a livestock breeding center, and distributing some 2,500 head of breeding stock to improve the quality of national herds.
- A Subprogram for Agricultural Credit with technical cooperation bene-

fiting 8,000 independent small- and medium-scale farmers engaged in the production of livestock and such farm products as rice, beans, oilseeds, corn and tubers.

- An Animal Health Project designed to help prevent and control brucellosis, bovine tuberculosis and other livestock diseases.
- A Rural Cadaster Project under which a survey of rural land in an area of 13,896 square miles will be carried out.

Up to $2,582,000 of the loan will be devoted to technical cooperation aspects of the program, including 89 scholarships for Dominican technicians to train abroad.

The total cost of the first phase of the *PIDAGRO* project is estimated at $37.2 million, of which the Bank loan will cover 66.6 per cent and the Dominican Government the remaining 33.4 per cent.

Rural Electrification

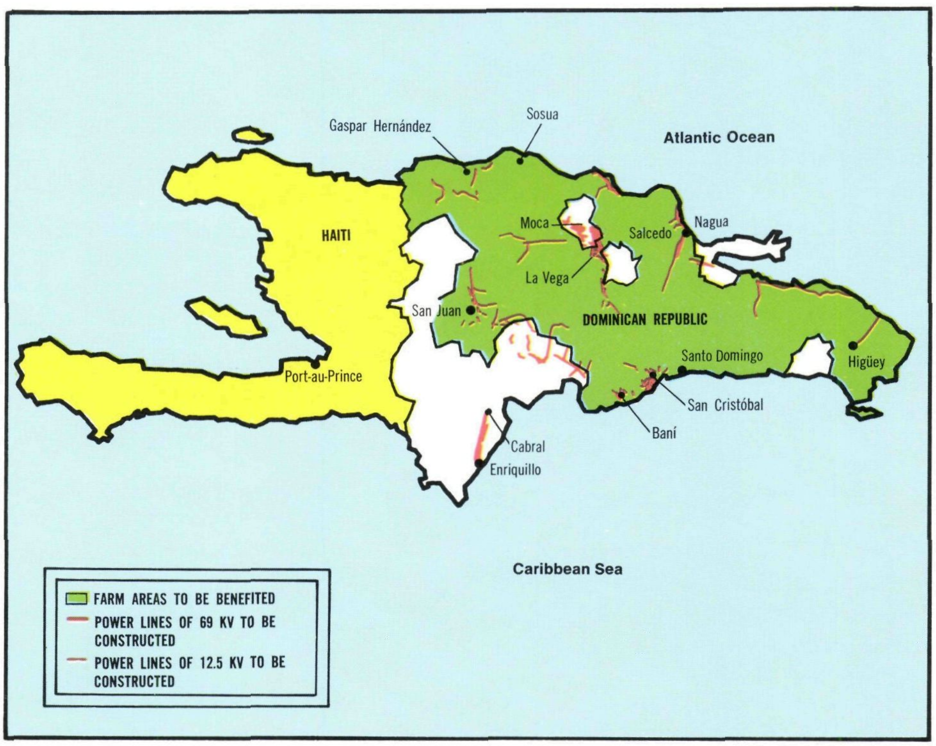
Canadian Funds
$7.4 million 50-year interest free loan of Feb. 17, 1972
(7,474,000 Canadian dollars)
Borrower: **Corporación Dominicana de Electricidad**

Agriculture is the basic economic activity of the Dominican Republic. One of the factors limiting growth in that sector is an inadequate infrastructure, particularly electricity, which is basic to the transformation of the agricultural sector. At the present time, for example, it is estimated that about 8,000 rural communities in the Dominican Republic lack electricity and such service in rural areas is enjoyed only by the nation's sugar mills and about 211 villages.

Most power investments in the nation have been directed to the large urban centers, particularly Santo Domingo, the capital, which, while accounting for only 16 per cent of the country's population, consumes 70 per cent of its electric power.

In an effort to correct this imbalance, the Dominican Government has given high priority in its 1970-75 plans to the extension of power services to rural areas. This loan will help the *Corporación Dominicana de Electricidad (CDE),* the pub-

DOCK FACILITIES AT PORT-AU-PRINCE, Haiti, are being expanded and improved with help of $10 million loan extended by Bank in 1972. Modernization will speed the flow of tourists and freight through port.



FARM PRODUCTION AND RURAL ELECTRIFICATION merited Bank loans in the Dominican Republic in 1972; other financing enabled Haiti to launch program to improve and expand port of its capital city.

lic corporation which provides 90 per cent of the nation's power, to extend transmission and distribution lines to 160 rural towns with approximately 140,000 inhabitants throughout the country.

The program provides for the construction of 97 miles of 69-kilovolt transmission lines and the conversion of another 10.5 miles from 12.5-kilovolt to 34.5-kilovolt lines, installation of 18 substations, construction of 310 miles of primary 3-phase 12.5-kilovolt lines and 310 miles of primary single-phase 7.2-kilovolt lines, distribution networks and 20,000 outlets.

The loan will cover 64.7 per cent of the project's total cost of $11,440,000. The remaining 35.3 per cent will be contributed by *CDE.*

The loan is guaranteed by the Dominican Republic.

Preinvestment Studies

Fund for Special Operations
$1.5 million 30-year loan of Sept. 14, 1972
($900,000 and $600,000 in Dominican pesos)
Interest: ¼% for 8 years, 1¼% subsequently
Borrower: **Dominican Republic**

The Dominican Republic's 1971-74 National Development Plan calls for a 6.6 per cent average annual growth rate in the nation's gross domestic product on the basis of increased public investment in the agricultural, industrial and tourism sectors. In order to achieve this target, the nation has projected $477 million in public expenditures, 25 per cent of which would be allocated to productive sectors, primarily agriculture.

A lack of well-prepared development projects, however, is a handicap to the execution of the program. To help overcome this lack, the Bank made this loan which will permit the Dominican Republic to contract individual consultants or consulting firms to prepare studies on a wide range of development projects in both the public and the private sectors.

The *Oficina Nacional de Planificación (ONAPLAN),* which is directing the program, has compiled a preliminary list of 24 studies which can be carried out in the fields of agriculture, industry, electric power, transportation, education, tourism, environmental sanitation and urban development. The studies, which will be executed at an estimated cost of $1.8 million, involve development projects valued at $234 million.

At least 80 per cent of the program resources will be used to finance studies of specific investment projects and 20 per cent for studies of a sectoral nature.

TECHNICAL COOPERATION

Agricultural Diversification

Social Progress Trust Fund
$27,000 nonreimbursable assistance of Oct. 25, 1972

The *Cooperativa Agropecuaria, Caficultores de Bani,* is a cooperative of some 556 coffee growers who farm nearly 11,000 acres of coffee lands near Bani in the Province of Peravia in the Dominican Republic. However, production is relatively low and the cooperative is seeking alternative sources of income.

This technical cooperation will enable the cooperative to secure the services of consultants who will carry out a prefeasibility study of the possibilities of diversifying production on their coffee lands, thus improving their living standards.

Community Development Studies

Social Progress Trust Fund
$16,600 nonreimbursable assistance of Dec. 4, 1972

This technical cooperation will help the *Oficina de Desarrollo de la Comunidad (ODC)* of the Dominican Republic to formulate a community development project for presentation to an international development agency for financing.

Such a project would be designed to help the less advantaged sectors of the rural population through training programs, the construction of infrastructure and the provision of credit.

ECUADOR

LOANS

Industrial Credit Program

Ordinary Capital Resources
$10 million 15-year 8% loan of Sept. 14, 1972
Borrower: **Comisión de Valores-Corporación Financiera Nacional**

In Ecuador's 1964-73 National Development Plan, high priority was placed on accelerating development in the industrial sector, with special emphasis on factory-sized units, while at the same time fostering craft- or cottage industries. The plan also sought to spread the benefits of industrial growth beyond the Guayaquil and Quito urban centers. In order to further stimulate the economic growth of the country in the next five-year period, the Government of Ecuador is putting into effect in 1973 an Integral Transformation and Development Plan.

In furtherance of these goals, this loan, which will be administered by the *Corporación de Valores-Corporación Financiera Nacional (CV-CFN),* the nation's development agency, will help carry out a program to modernize or expand industrial and related enterprises, including tourism, with assets in machinery and equipment of more than $20,000.

CV-CFN has received loan requests totaling more than $21 million suitable for financing under the credit program. Of these 30.3 per cent involve non-metallic mineral products; 21.9 per cent, wood and wood products; 16.4 per cent, food and beverages; 15 per cent, paper and related products; 8 per cent, textiles and leather goods; 4.7 per cent, chemical products and petroleum or carbon derivatives, and 3.7 per cent, metal products.

Approximately 30 per cent of the projects in the program are located in Azogues, 25 per cent in Guayaquil, 15 per cent in Loja, 12 per cent in Quito, 9 per cent in Santo Domingo, 5 per cent in Manta and 4 per cent in Cuenca, Cayambe and San Lorenzo.

The program will be carried out at a total cost of $22 million, of which the

Bank will provide 45.4 per cent, *CV-CFN* 22.8 per cent and the ultimate borrowers 31.8 per cent.

The loan is guaranteed by the Republic of Ecuador.

Water and Sewage Systems

Fund for Special Operations
$10.9 million 40-year loan of Sept. 28, 1972
($6.4 million and $4.5 million in sucres)
Interest: ¼% for 10 years, 1¼% subsequently
Borrower: **Republic of Ecuador**

While the Government of Ecuador has made substantial progress since 1961 in providing water and sewage services for its people, that service is still deficient, particularly in the countryside. In 1961 only 19.5 per cent of the nation's population had access to water service and only 14.3 per cent to sewage service.

By 1970 these figures had risen to 28.8 per cent and 22.4 per cent respectively. However, 86 per cent of those receiving water service and 98 per cent of those with sewage facilities were located in urban centers.

Throughout the past decade the Bank has cooperated with Ecuador in its efforts to improve these services, having approved four loans totaling $22.9 million for projects to improve the water and sewage systems of Quito and the sewage system of Guayaquil.

In addition the Bank helped finance the first stage of a national Water Supply and Sewage Program with a $5.5 million loan which benefited more than 230,000 persons in 17 Ecuadoran communities. This loan will finance the second stage of that program. It provides for the construction and expansion of nine water systems and 12 sewage projects in 16 communities with a population of about half a million persons. Four of these communities are medium-sized cities of between 35,000 and 100,000 inhabitants; the remaining 12 are communities with populations ranging from 1,600 to 16,400 persons.

The program calls for the construction or improvement of water supply systems in the towns of Ambato, Baños, Catamayo, Chillanes, Cuenca, Limones, Macas, Santa Rosa and Vinces and for the construction or expansion of sewage systems in the towns of Andrés de Vera, Bahía de Caráquez, Balzar, Baños, Calceta, Chillanes, Chone, Cuenca, Esmeraldas, Ibarra, Santa Rosa and Vinces.

The nine water systems will benefit a population of approximately 208,700 but are designed to provide service for up to 447,000 persons. The 12 sewage networks will provide service for some 227,900 persons but have a design capacity for up to 577,000 persons.

The total cost of the project is $14,650,000. The Bank loan will cover 74.4 per cent of this amount and local contributions will make up the remaining 25.6 per cent. Up to $85,000 of the loan will be devoted to technical cooperation designed to strengthen the administrative organization of the executing agency and provide technical training for its staff.

Quito Water System

Fund for Special Operations
$18.8 million 40-year loan of Dec. 21, 1972
($14 million and $4.8 million in sucres)
Interest: ¼% for 10 years, 1¼% subsequently
Borrower: **Republic of Ecuador**

Quito, the capital of Ecuador, is undergoing a population growth rate of 5.1 per cent a year. This rapid increase has placed serious pressure on the city's water and sewage systems. Quito's present water system was built more than 20 years ago and now supplies less than 50 per cent of its maximum requirements.

To help solve the problem, the *Empresa Municipal de Agua Potable (EMAP),* the city's water agency, embarked in 1966 on a project to tap the resources of the Pita and Tambo Rivers, some 35 miles from the capital, as an additional source of water for the city. The Inter-American Bank supported the project with $7 million in financing.

Now approximately one-third complete, the Pita-Tambo project will increase the flow of potable water to the city from a present maximum level of 1,300 liters per second to some 3,000 liters per second by the end of 1975.

In its initial phase, partially financed by the previous Bank loan, the project included construction of intake works at the Pita River, of a conduction system consisting of tunnels, canals and siphons, of a pipeline to convey untreated water to the El Placer filter treatment plant in the city and of related works.

This new loan will help finance a project to enable *EMAP* to complete construction and installation of the canals and tunnels from the Pita River to Quito and to build the Puengasí treatment plant as well as three mainlines of storage tanks for treated water. In addition, it will help finance engineering costs, a pitometric survey of the potable water system of Quito, the acquisition of 16,000 water meters and the recruitment and contracting of technical personnel.

The loan will cover 79.7 per cent and *EMAP* the remaining 20.3 per cent of the still pending cost of $23.6 million.

Up to $25,000 of the Bank loan will finance technical cooperation costs connected with the design and implementation of a data processing system to improve administrative procedures at *EMAP.* This complements nonreimbursable technical cooperation of $48,000 approved by the Bank in 1971 to help study, analyze and evaluate the administrative systems and procedures of *EMAP.*

TECHNICAL COOPERATION

Institutional Improvement

Fund for Special Operations
$90,000 15-year 2% technical cooperation credit of Sept. 14, 1972
Borrower: **Comisión de Valores-Corporación Financiera Nacional**

In connection with the previously described loan of $10 million to the *Comisión de Valores-Corporación Financiera Nacional (CV-CFN)* for industrial credit in Ecuador, the Bank authorized this technical cooperation credit. The assistance will help improve the agency by financing a study to evaluate its structure, functions, procedures and policies.

Satellite Mapping

Social Progress Trust Fund
$35,000 nonreimbursable assistance of April 17, 1972

The discovery of vast reserves of petroleum in Ecuador's Northeast has brought about a strong influx of colonists to the area in search of better work in the oil fields or possible settlement in the region. This influx is creating a demand for additional data regarding the resources and geography of the region.

This cooperation will enable Ecuador's planning agency, the *Junta de Planificación y Coordinación Económica,* to carry out a satellite photogrametric survey of the region, including the Provinces of Pichincha, Cotopaxi, Tungurahua, Chimborazo and Cañar. The mapping and space photography is being carried out by the Earth Resources Technology Satellite launched in July 1972 by the U.S. National Aeronautic and Space Administration (NASA).

Project Analysis Training Course

Fund for Special Operations
$31,000 nonreimbursable assistance of Oct. 2, 1972

This cooperation will help the *Comisión de Valores-Corporación Financiera Nacional (CV-CFN)*, Ecuador's national industrial development agency, to carry out a training program in Quito on the analysis of projects. Approximately 25 participants—15 from *CV-CFN* and 10 from other Ecuadoran planning and development institutions—will participate in the program, which will include on-the-job training and seminars at *CV-CFN* headquarters in Quito.

Agricultural Studies

Social Progress Trust Fund
$54,250 nonreimbursable assistance of Oct. 19, 1972

The increased production of petroleum products is expected to lift income levels in Ecuador and possibly accelerate the trend of the rural population to move to the cities. To feed this increased urban population without resorting to food imports, Ecuador must stimulate the growth and productivity of its agricultural sector which currently employs more than 50 per cent of the nation's labor force and represents some 36 per cent of its gross domestic product.

This cooperation will assist the *Ministerio de la Producción* of Ecuador to improve the formulation and evaluation of investment projects in agriculture, ranching and integrated rural development. Special emphasis will be placed on marketing, on agro-industries and on the development of densely-populated zones in the *Sierra.*

EL SALVADOR

LOANS

Cerrón Grande Power Project

Fund for Special Operations
$38.1 million 40-year loan of Dec. 21, 1972
($32.1 million and $6 million in colones)
Interest: ¼% for 10 years; 1¼% subsequently
Borrower: **Republic of El Salvador**

The annual increase in demand for electric power in El Salvador in the coming decade is estimated at approximately 11 per cent. To meet this need, the *Comisión Ejecutiva Hidroeléctrica del Río Lempa (CEL),* the autonomous state agency in charge of most of the electric power projects in the country, has launched an expansion program designed to increase the system's total installed generating capacity from 166,000 kilowatts in 1971 to 631,000 kilowatts by 1984. To achieve this, *CEL* is exploiting power sources throughout the country, particularly those located along the Lempa River.

This loan will help *CEL* to finance the construction of a hydroelectric plant with a first stage generating capacity of 135,000 kilowatts and an eventual capacity of 270,000 kilowatts at a site known as Cerrón Grande on the Lempa River, approximately 19 miles northeast of San Salvador. The total cost of the project is estimated at $80 million, of which the Bank loan will cover 47.6 per cent, the World Bank 19.9 per cent and *CEL* the remaining 32.5 per cent.

The project will include the construction of a dam with a maximum height of 85 meters and an approximate length of 600 meters; of a spillway with a maximum discharge capacity of 6,500 cubic meters per second; of two intake gates and tunnels to supply the generators; of a powerhouse to house two sets of generators with a total capacity of 67,500 kilowatts each; of a substation from which electric power will be distributed to consumer areas, and of a control center in the main building of *CEL.*

With the completion of the first stage of the Cerrón Grande plant in 1976 the nation's hydroelectric capacity will account for 63 per cent of the nation's total output of electricity and the percentage of power produced by thermal units, which require oil imports, will drop.

Rural Water Systems

Fund for Special Operations
$1.5 million 25-year 2¼% loan of March 3, 1972
($1.1 million and $400,000 in Salvadoran colones)
Borrower: **Republic of El Salvador**

Some 79 per cent of the 2.1 million rural dwellers in 4,400 rural communities in El Salvador lack adequate potable water systems. This lack results in a high incidence of water-borne diseases among rural inhabitants.

In an effort to reduce morbidity and mortality rates caused by such diseases, the Government of El Salvador is carrying out a program to construct potable water systems in scores of rural communities. Under the program, the *Departamento de Sanidad Ambiental (DSA),* the Environmental Sanitation Division of the Ministry of Public Health, built water systems in 53 communities with 60,000 inhabitants in 1969-70.

This loan will help finance another stage under which water systems will be built for 85 rural communities with 65,000 inhabitants. The systems will provide a minimum daily supply of about 13.3 gallons of water per person. The population of the benefiting communities range from 300 to 2,000 inhabitants.

The Bank loan will cover 67 per cent of the total $2,250,000 cost of the project. The Government of El Salvador will contribute $525,000 and the communities will put up $225,000.

Up to $49,000 of the loan, along with $13,000 in government funds, will be used for technical cooperation aspects, consisting mainly of the training of technical and administrative personnel.

TECHNICAL COOPERATION

Institutional Improvement

Fund for Special Operations
$59,700 nonreimbursable assistance of Feb. 3, 1972
$59,700 contingent repayment assistance of Feb. 3, 1972

The *Instituto Salvadoreño de Fomento Industrial (INSAFI)* is the principal public promoter of industrial growth in the Republic of El Salvador. In 1965 it received a loan of some $3 million from the Inter-American Bank to relend to small- and medium-scale industry.

In evaluating the results of that loan the Bank determined that *INSAFI* had in general handled the program efficiently but that in the future it could improve certain of its operating procedures. This technical cooperation will help the agency to secure expert assistance in the financial, accounting and administrative fields; in the evaluation of industrial projects, and in international marketing.

Tourism Development Project

Social Progress Trust Fund
$337,000 contingent repayment assistance of Dec. 21, 1972

El Salvador's 1973-75 Economic and Social Development Plan places high priority on the establishment of tourist centers along the country's virtually undeveloped Pacific coast in an effort to increase and diversify sources of foreign exchange income and to expand employment opportunities.

This cooperation will help the *Instituto Salvadoreño de Turismo,* acting in cooperation with the *Consejo Nacional de Planificación y Coordinación Económica,* to formulate a specific and integrated program for tourism in the coastal region which would greatly facilitate the later development of tourism at the national and the regional levels.

HAITI

LOAN

Port Improvements

Fund for Special Operations
$10 million 40-year loan of Sept. 7, 1972
($8,420,000 and $1,580,000 in gourdes)
Interest: ¼% for ten years, 1¼% subsequently
Borrower: **Banque Nationale de la République d 'Haiti**

Port-au-Prince handled approximately 67 per cent of Haiti's 300,000 tons of maritime imports and exports in 1969 and 1970. Of that amount, 201,000 tons were moved over the port's existing finger pier and the remainder was handled through two private commercial piers. Some 24,100 tourists arrived at the port in the 1970-71 season. The port's present facilities, however, are inadequate to handle the cargo and passenger volume projected for 1980, when freight volume is expected to total 375,000 tons and passengers are expected to number 75,000.

In 1969, the *Administration Portuaire de Port-au-Prince (APP)* initiated a $2 million project with its own resources to lengthen the port's existing wharf 890 feet in order to add two cruise ship berths and widen the central part of the structure to facilitate the movement of containers and the use of "roll-on-roll-off" cargoes. The present wharf was built in 1911 and cannot support cargoes in excess of 20 tons.

This loan, which was extended to the *Banque Nationale de la République d'Haiti,* will permit *APP* to carry out a second phase in its port expansion and modernization program. Specifically, the project calls for the construction of a reinforced concrete wharf, 1,254 feet long and 208 feet wide, with berthing facilities for two vessels; two 84,000-square-foot warehouses parallel to the new wharf; a port administration building with 10,000 square feet of floor space; and approximately 2,600 lineal feet of a gravel fill dike to enclose an area of 1,652 feet by 480 feet to the north of the new wharf to be used later as a cargo storage area.

The new wharf, 800 feet north of the present finger pier, will expand the port's total freight handling capacity to 510,000 tons a year by 1980.

The Bank loan will also help *APP* dredge an access channel to the new wharf for medium-draft vessels with a capacity of up to 52,000 tons, to install electric power and supplementary systems and to purchase and install cargo-handling equipment, including a mobile crane and 25 self-loaders with wooden pallets.

Up to $750,000 of the loan will be used to provide technical cooperation consulting services to improve *APP's* operations and administrative and accounting functions.

The loan is guaranteed by the Republic of Haiti.

TECHNICAL COOPERATION

Agrarian Project Identification

Fund for Special Operations
$75,000 nonreimbursable assistance of Dec. 7, 1972

A lack of technical and financial resources needed for the identification and planning of development projects has thwarted Haitian efforts to increase the production and productivity of the agricultural sector, keystone of its economy.

This cooperation will help improve the situation and thus enable the Bank to improve its assistance to Haiti by providing studies and identifying priority investment and preinvestment projects in the agricultural sector, with particular emphasis on marketing, stock farming, diversification, irrigation and other aspects of rural development.

HONDURAS

LOAN

Farm Credit

Fund for Special Operations
$9.2 million 40-year loan of Dec. 21, 1972
($6 million and $3.2 million in lempiras)
Interest: ¼% for 10 years, 1¼% subsequently
Borrower: **Banco Nacional de Fomento**

The agriculture and livestock sector of Honduras employs almost two-thirds of the country's economically active population and provides more than one-third of the nation's gross domestic product. In view of the importance to the nation's economy of these sectors, the Inter-American Bank since 1962 has extended three loans totaling $15.5 million to help finance rural credit programs in Honduras to modernize farm and livestock practices.

This loan represents a new effort by the Bank to expand production, create new jobs and improve income levels under the Honduran Government's 1972-77 National Economic Development Plan by providing credit to small- and medium-scale farmers, ranchers and cooperatives.

The loan was extended to the *Banco Nacional de Fomento (BNF),* the nation's development agency. The loan will finance a project being carried out at an estimated cost of $13.3 million, of which the Bank loan will cover 69.2 per cent, the *BNF* 24.1 per cent and the farmers 6.7 per cent.

BNF will utilize approximately 60 per cent of the program resources to finance livestock development projects—the majority of them to expand beef and dairy herds—and the remaining 40 per cent to increase production of corn, beans and rice, the three most important items in the Honduran diet. Corn production alone is expected to expand by an estimated 34,100 tons a year, a 9 per cent gain over the average annual production of 346,000 tons of recent years.

The *BNF* will grant subloans ranging from $500 to $20,000 to small-scale farmers and ranchers and subloans of up to $40,000 to medium-scale farmers and ranchers and up to $400,000 to rural cooperatives and associations. The program will benefit approximately 4,800 rural families—4,000 small-scale and 800 medium-scale farmers and rancher producers.

Up to $53,000 of this loan will be devoted to technical cooperation to improve the organization, administration and financial programming of the BNF.

The loan is guaranteed by the *Banco Central de Honduras.*

Telecommunications System

Fund for Special Operations
$65,000 nonreimbursable assistance of Sept. 21, 1972
Social Progress Trust Fund
$280,000 contingent repayment assistance of Sept. 21, 1972

Honduras has an index of 1 telephone per each 200 inhabitants, compared with a Latin American average of 5.6 for that many persons. In order to improve this situation, the Honduran Government has assigned high priority to the expansion and modernization of its national telecommunications network and has prepared a project to improve the system in its 1972-76 Economic and Social Development Plan.

Under the program Honduras hopes to install 19,000 new telephone lines, in addition to the present 16,000, in 37 localities throughout the country and to add 16,000 telephones in 10 cities making a total of 51,000 instruments. This would make it possible for Honduras to extend service to all sections of the country and to make better use of the Central American Telecommunications Network which became operational in 1971.

As a step prior to the execution of the program, this technical cooperation for $345,000 will permit the *Ministerio de Comunicaciones y Obras Públicas* to hire consultants to organize all aspects of a telecommunications system.

Specifically, the aid will be used:

- To estabish the bases and make recommendations for setting up the institutional framework for the Honduras telecommunications system, including agencies to operate and regulate it.
- To prepare the technical specifications for major bids on telecommunications equipment and buildings included in the program.
- To provide advice for improving the existing telephone service in Tegucigalpa and San Pedro Sula.

Institutional Improvement

Social Progress Trust Fund
$374,000 nonreimbursable assistance of Oct. 26, 1972

In an effort to reduce the country's dependence on banana exports and to foster balanced economic development, the *Consejo Superior de Planificación Económica (CONSUPLAN),* the national planning agency of Honduras, formulated a 1972-77 Economic and Social Development Plan which includes a broad public investment program that must rely for part of its funding on fiscal reform measures.

This cooperation will help *CONSUPLAN* to implement the plan with greater effectiveness than were previous five-year plans. It will enable the agency to hire consultants to recommend improvements in the fields of institutional development, project preparation, coordination of technical and financial assistance and the use of natural resources. The aid will help *CONSUPLAN* also to carry out a training program on the preparation and evaluation of investment projects.

Institutional Improvement

Social Progress Trust Fund
$52,500 nonreimbursable assistance of Dec. 21, 1972

This technical cooperation was granted along with $53,000 in reimbursable assistance from the previously described loan to provide advisory services designed to improve the organization, administration and financial programming of the National Development Bank of Honduras.

JAMAICA

TECHNICAL COOPERATION

Water System Studies

Fund for Special Operations
$224,000 contingent recovery assistance of Oct. 12, 1972
$20,000 nonreimbursable assistance of Oct. 12, 1972

The rapid growth of industry, mining and tourism in recent years has severely strained Jamaica's water supply system. This has prompted the Government of Jamaica to adopt a policy designed to insure the installation of water services and electric power concurrently with the development of any new mining and tourism facilities.

Within that policy, this cooperation will enable the National Water Authority (NWA) to carry out supplementary studies and prepare final designs for the expansion of the water supply systems of two rapidly-developing new communities —Mandeville, site of the large Alpart and Alcan mining complexes, and Ocho Ríos/St. Ann's Bay, a tourist zone on the northern coast of the island also noted for its excellent port and harbor facilities.

In addition the assistance would enable NWA to carry out preliminary pollution control studies on beaches along the seashore in the Ocho Ríos area.

MEXICO

LOANS

Small-Scale Irrigation Works

Fund for Special Operations
$35 million 25-year 3% loan of Sept. 28, 1972
($28 million and $7 million in Mexican pesos)
Borrower: **Nacional Financiera, S.A.**

In a continuing effort to increase agricultural production throughout its arid regions, Mexico brought some 9.9 million acres under irrigation from 1926 to 1970, of which 6.9 million were by the public sector and 3 million by the private sector. Within the public sector about 5.6 million acres were irrigated through large-scale irrigation projects and the remaining 1.3 million acres through small-scale works. Nonetheless, land under irrigation still constitutes only 22 per cent of the 44,460,000 acres throughout the country considered suitable for irrigation.

In 1967 the Mexican Government launched a ten-year plan—known as the National Plan of Irrigation Works for Rural Development—to build some 2,270 small-scale irrigation works, covering 676,780 acres of land which would benefit 118,000 farm families at a projected investment of $260 million.

The objectives of the plan are to provide food and fiber in greater quantity for the nation's rural population, which represents 42 per cent of the nation's total; provide more job and work opportunities; improve living conditions in the countryside so that the flight to the city might be lessened, incorporate more rural dwellers into the nation's economic mainstream, and generally bring about more balanced development in the nation.

The plan was divided into two stages, the first of which was financed with two previous Inter-American Bank loans totaling $47.1 million. This resulted in the irrigation of some 321,100 acres of land benefiting more than 40,000 farm families. In 1970 the Bank authorized a loan of $26 million to partially finance the second stage through works being carried out in seven Northeast states.

This new loan will help construct small-scale irrigation works in 22 states and two territories. The works are being executed at a total cost of $71,660,000, of which 48.8 per cent is covered by the loan and 51.2 per cent by the Government.

Approximately 60 per cent of the works will irrigate medium-scale land parcels 62 acres in size or larger which will benefit some 16,300 families and the remaining 40 per cent will irrigate small-scale plots under 62 acres aiding 8,900 families.

The loan is guaranteed by the United Mexican States.

Irrigation Technology

Fund for Special Operations
$23.1 million 25-year 3% loan of Nov. 22, 1972
($12.1 million and $11 million in Mexican pesos)
Borrower: **Nacional Financiera, S.A.**

Through improved techniques and procedures, Mexico has sought to increase its land under irrigation, and thus its production. It is estimated that improved irrigation techniques could be applied to some 1,662,310 acres of irrigated land through savings of 1.6 billion cubic meters of water per year. Utilization of that volume of water would be sufficient to irrigate an additional 339,625 acres of crop land located within the country's irrigation districts.

This loan will help Mexico's *Secretaría de Recursos Hidráulicos (SRH)* to carry out a program designed to achieve that aim. The Bank loan will cover 49.1 per cent of the $47 million cost of the project and the Mexican Government will provide the remaining 50.9 per cent.

The program seeks to improve water use in the region's small and large irrigation units in several ways. Irrigation canals will be strengthened and relined. Flow gauges will be installed and a more effective use of hydrometers will be made. Direct advisory services on irrigation methods and procedures for individual farmers will be provided and a series of water, plant and soil studies will be carried out to guide farmers in the proper use of water and soil resources. Professionals and technicians in irrigation procedures and hydrometry will be trained and these, in turn, will provide technical advice to individual farmers.

A total of 404 engineers will receive specialized training in irrigation technology in Mexico under the project and a subsequent phase of the same national program. Mexican professionals will also study irrigation technology in the United States and Israel. In addition, training courses will be provided for 1,250 irrigation technicians and canal builders in all of the country's irrigation districts.

Under a subsequent phase of the same

program, the Secretariat will recover an additional 1.2 billion cubic meters of water per year for further use on approximately 222,722 acres of land. Completion of the two-stage program will produce an estimated 20 per cent increase in the value of production on the 568,100 acres of land included in the program. Some 300,000 low-income farm families, composed mainly of *ejidatarios,* who make up 57 per cent of the population of the irrigation districts, will benefit from the execution of the program.

The loan is guaranteed by the United Mexican States.

Tomatlán Irrigation Project

Ordinary Capital Resources
$21 million 20-year 8% loan of Dec. 21, 1972
($13,620,000 and $7,380,000 in Mexican pesos)
Borrower: **Nacional Financiera, S.A.**

Since it was established, the Inter-American Bank has provided continuous support for Mexico's efforts to step up farm output and raise the income of small- and medium-scale farmers by increasing agricultural production and productivity. Since 1961 the Bank has extended loans totaling $366 million for projects directly benefiting the agricultural sector, of which $192 million financed large-scale irrigation works.

This new loan will help foster economic growth in a broad coastal region in the western part of the State of Jalisco, by providing irrigation for a total of 82,251 acres of land in three different zones in the Tomatlán District. The project includes the intensification and diversification of farm and livestock operations in the region and the establishment of farm extension services required to improve irrigation, production, marketing, management, credit and other matters related to farming and ranching.

The resources of the loan will be used by the *Secretaría de Recursos Hidráulicos (SRH)* to harness the waters of the Tomatlán River in Jalisco State by the construction of a storage dam at Cajón de Peña with a maximum capacity of 675 million cubic meters, intake works for the dam, a main intake canal with a maximum capacity of 43 cubic meters per second, the La Mesa and El Guayabillo diversion dams, distribution canals for irrigation and drainage, dikes and siphons and related works.

Although agriculture is the primary source of employment in the Tomatlán region, the development of commercial farming has been impeded by a lack of irrigation, scant use of modern farm techniques and poor communications.

The execution of the project will directly improve the living standards of some 3,040 farmers, 98 per cent of them *ejidatarios,* and their 14,000 dependents. The annual value of crop and livestock production of the region is expected to increase to approximately $11.9 million one year after completion of the project and to some $18 million by the end of the fifth year, compared with an estimated $652,000 at present.

The total cost of the project is estimated at $45,810,000, of which the Bank loan will cover 45.8 per cent and the Government the other 54.2 per cent.

The loan is guaranteed by the United Mexican States.

Highway Maintenance Program

Ordinary Capital Resources
$25 million 20-year 8% loan of Jan. 20, 1972
($22.5 million and 8,056,250 Deutsche marks)
Borrower: **Nacional Financiera, S.A.**

In recent years Mexico has greatly accelerated its highway construction. The nation's road network increased from 13,290 miles in 1950 to 45,000 miles in 1970 and is expected to reach 62,100 miles by 1976. Simultaneously, Mexico also upgraded its highway network so that 60 per cent of the system was paved by 1970. A rapid rise in usage, however, has brought about substantial road wear and tear. For this reason Mexico has increasingly sought to intensify its efforts to maintain and improve its road network.

This loan is especially designed to contribute to the latter end. It will cover 52.3 per cent of the $47.8 million total cost of a project prepared by Mexico's Secretariat of Public Works to expand and improve Mexico's highway maintenance service. The Mexican Government will provide the remaining 47.7 per cent.

The Bank resources will be used to replace obsolete maintenance equipment and vehicles and purchase additional units, as well as equipment for radio communications, photogrammetry and photo interpretation laboratories and workshops. The project also provides for the construction of maintenance units.

The loan is guaranteed by the United Mexican States.

PARTICIPATIONS — The following banks are participating in the loan for a total of $1.8 million: National Bank of North America, New York; Chemical Bank, New York; Crocker National Bank, San Francisco; The Fidelity Bank, Philadelphia; The Riggs National Bank of Washington, and American National Bank and Trust Co. of Chicago.

Industrial Credit

Ordinary Capital Resources
$10 million 20-year 8% loan of Dec. 21, 1972
($8 million and $2 million in Mexican pesos)
Borrower: **Nacional Financiera, S.A.**

According to the 1966 industrial census, small- and medium-scale industries in Mexico contributed 36 per cent of the total production value of the manufacturing sector. They also produce inputs for larger manufacturing units, contribute to the sectoral and geographic distribution of production and generate employment.

Since it was founded in 1954, the *Fondo de Garantía y Fomento a la Industria Mediana y Pequeña (FOGAIN),* a governmental agency which promotes and finances small- and medium-scale industry in Mexico, has extended some 12,000 credits totaling almost $230 million to nearly 6,000 industrial enterprises. These credits have helped to create approximately 216,000 new jobs and to increase the production of the benefited enterprises to approximately $1.24 billion annually.

The Bank has cooperated with this effort with five previous loans amounting to $26 million. These provided assistance to increase production of fuels, soft drinks, textiles, shoes, clothing, furniture and chemical substances and products, as well as non-metallic, mineral, paper and other products.

This new loan will provide additional resources to help *FOGAIN* to finance the development of industry in Mexico by extending credits to small- and medium-scale industries. Under the program, *FOGAIN* will make credits of up to $280,000 for investments in fixed assets and credits of up to $200,000—in local resources of the loan only—for working capital and other production uses. Amortization periods will range up to 10 years.

The total cost of the program is estimated at $25 million, of which the Bank loan will cover 40 per cent and the Mexican Government and *FOGAIN* beneficiaries the remaining 60 per cent.

The loan is guaranteed by the United Mexican States.

EARTHQUAKE-DEVASTATED MANAGUA was focus of Bank concern late in 1972. Shortly after earthquake destroyed city on Dec. 23, Bank mobilized plans to provide assistance for rehabilitation effort.

EXPORT FINANCING

During 1972 previous lines of credit extended to Mexico to finance exports of capital goods were augmented by $1,589,000 through repayments. This activity is described further on under the heading "Export Financing."

TECHNICAL COOPERATION

Project Preparation Seminars

Fund for Special Operations
$48,900 nonreimbursable assistance of Dec. 5, 1972

As one of its principal objectives, Mexico's national development agency, *Nacional Financiera, S.A. (NAFIN)*, has sought to foster programs designed to spread the benefits of industrial development to states throughout the nation.

Through this assistance the Bank will cooperate with *NAFIN* to spark such programs by sponsoring regional seminars in such cities as Mexico City, Mérida, Culiacán and Monterrey, in order to train officers charged with fostering economic development in the federal entities of Mexico in the preparation and evaluation of investment projects.

NICARAGUA

LOAN

Water and Sewage Systems

Fund for Special Operations
$12.5 million 40-year loan of Nov. 9, 1972
($7.4 million and $5.1 million in cordobas)
Interest: ¼% for 10 years, 1¼% subsequently
Borrower: **Republic of Nicaragua**

Shortly before an earthquake devastated Managua on Dec. 23, 1972, the Inter-American Bank had approved this loan to support the Nicaraguan Government's efforts to provide pure water and adequate sanitation services for cities and communities outside the capital.

This loan is intended to benefit an estimated 347,600 persons—192,600 in the country's 10 largest cities, after Managua, and 155,000 in 64 other communities.

The program is to be carried out by the *Departamento Nacional de Acueductos y Alcantarillados (DENACAL),* an agency of the Ministry of Public Health, at a total cost estimated at $15.9 million, of which the Bank loan will cover 78.6 per cent and the Nicaraguan Government the remaining 21.4 per cent.

The program will be divided into three subprograms which are designed to:

- Expand and improve the potable water systems in the cities of León, Granada, Masaya, Boaco, Chinandega, Corinto, Juigalpa, Ocotal, Rivas and San Juan del Sur.
- Construct sewage systems in nine of the same 10 cities (all except Rivas).
- Expand potable water systems, develop new sources of water and reinforce and extend distribution networks in 64 other communities.

The Bank loan includes $39,000 in technical cooperation for consulting services to train *DENACAL* personnel in organization and methods.

On Jan. 4, 1973, the contract for the loan was signed in Managua while the President of the Inter-American Bank conferred with Government officials regarding the role the Bank might play in the nation's reconstruction effort.

TECHNICAL COOPERATION

Telecommunications System

Fund for Special Operations
$80,000 contingent repayment assistance of May 25, 1972

In 1971 the Nicaraguan Government, in an effort to modernize its telecommunications service, created the *Dirección General de Telecomunicaciones y Correos (TELCOR)* to replace the then existing communications agency.

This cooperation will help organize *TELCOR* as a decentralized agency of the State; revise the National Telecommunications Plan of the nation, and prepare a feasibility study of a project designed to improve the telephone system of the nation.

Development Planning

Social Progress Trust Fund
$140,000 nonreimbursable assistance of Oct. 19, 1972

In 1971 in an effort to strengthen national planning the Government of Nicaragua reorganized the *Oficina Nacional de Planificación (ONP)* as an administrative unit of the presidency.

In order to assist the planning office during its reorganizational phase, this cooperation will provide consulting services for the formulation of a medium-term national economic and social plan for Nicaragua as well as short-term operative plans. In addition the assistance will help provide advisory services to program the financing required for both types of plans and help identify, analyze and evaluate investment projects.

PANAMA

LOANS

Farm Credit

Fund for Special Operations
$1.3 million 35-year 1¼% loan of Nov. 9, 1972
($846,000 and $454,000 in balboas)
Borrower: **Instituto de Fomento Económico**

Although Panama's agricultural sector provides about 25 per cent of the nation's gross domestic product, farm output has not expanded as rapidly as that of other sectors of the economy. This has been due largely to the lack of modern machinery, to deficient production techniques and to a shortage of crop storage facilities.

In an effort to stimulate farm and livestock production, the Panamanian Government has assigned approximately 17 per cent of its total public investment over the past four years to the agricultural sector.

Supporting this effort the Inter-American Bank approved two loans totaling $6.4 million in 1970 to help the *Instituto de Fomento Económico (IFE),* the governmental agency in charge of implementing Panama's agricultural goals to carry out the first stage in a nationwide agricultural credit and marketing program at a total cost of $12.7 million. Under the program sub-loans were made available to small- and medium-scale Panamanian farmers and ranchers for the purchase of machinery, pure-bred beef and dairy cattle, hogs and poultry, as well as for the preparation of land and fixed improvements on farms producing such crops as rice, corn, beans and tomatoes.

In the 1970-71 period, the first two years that the program was operational, *IFE* extended 3,500 credits for about $8.5 million. Of these, 2,800 for $5 million were granted to small-scale producers and 700 for $3.5 million were made to medium-scale producers.

This new loan for $1.3 million will help finance the second stage of the program, which, on completion, will increase the income levels of benefiting farmers and ranchers by some 20 per cent. The cost of this stage is estimated at $2,684,-000, of which the Bank loan will finance 48 per cent and *IFE* and the sub-borrowers 26 per cent each.

The loan is guaranteed by the Republic of Panama.

Water and Sewage Systems

Fund for Special Operations
$7.5 million 35-year 1¼% loan of Dec. 5, 1972
($4,250,000 and $3,250,000 in balboas)
Borrower: **Instituto de Acueductos y Alcantarillados**

Since 1961 the Government of Panama has invested a substantial portion of its public investment funds in water and sewage systems and has plans to give similar priority consideration to such investments, particularly in the interior, during the 1970s. In favoring projects in the interior, the Government seeks to improve rural living standards, levels of social integration and discourage migration to the cities.

The Bank has previously cooperated with the agency in charge of this effort, the *Instituto de Acueductos y Alcantarillados (IDAAN),* with two loans—one for $2,762,000 which financed the construction of water systems in seven cities with a total population of 78,600 and another for $3,450,000 which helped provide water in 45 urban and rural communities and build a sewage system for Chitré, projects benefiting about 65,000 persons.

This new loan will enable *IDAAN* to construct and expand water supply systems and build a sewage system in Panama's third largest city, which will benefit approximately 140,000 persons in the interior of the country. The total cost of the project is estimated at $11,450,000, of which the Bank loan will cover 65.5 per cent and Panamanian sources the remaining 34.5 per cent.

Specifically, the proceeds of the Bank loan will help finance:

- The construction of new potable water systems in approximately 60 rural villages containing less than 2,000 inhabitants each and benefiting a total population of about 61,000 persons.
- The expansion of existing water systems in some 20 other rural towns and cities, benefiting a total of approximately 60,000 persons.
- The installation of a sewage system which will benefit some 19,000 persons in David, the third city of Panama with a total population of 39,000.

The loan is guaranteed by the Republic of Panama.

University Expansion

Fund for Special Operations
$6.9 million 35-year 1¼% loan of July 5, 1972
($5 million and $1.9 million in balboas)
Borrower: **Universidad de Panamá**

The *Universidad de Panamá,* which had a 1971-72 enrollment of 14,467 students, serves about 95 per cent of the nation's university student body. Of a total faculty of 581, some 140 possess doctoral degrees and less than 130 devote their full time to the University. Physical facilities, particularly in the architectural, engineering, natural sciences and agronomy faculties, are badly overcrowded.

To help correct these academic and physical defects, the University has embarked on a $10.7-million expansion and training program to permit it to cope with an anticipated enrollment of 25,000 students by 1980.

This Bank loan will help the University to improve academic standards by providing scholarships for postgraduate study in foreign countries for 110 faculty members; to implement a regular system of review and evaluation of curricula content and teacher effectiveness; to improve administration, financial planning and management capabilities; to systematize accounting, budgeting and inventory control procedures; to build eight additional library, classroom, laboratory and administration buildings, as well as an addition to an existing structure, and to purchase the furniture, library books, laboratory equipment and teaching aids needed for these facilities.

A total of $1.3 million of the Bank loan will be used for technical cooperation. Of this amount, $1.1 million will be devoted to the faculty scholarship program and $180,000 will be used to hire consultants to work with the University Planning Office on academic and physical planning and administrative and financial management, and the remaining $20,000 for training in financial and administrative matters.

The Bank loan will cover 64.5 per cent of the $10.7-million program and the University will finance the remaining 35.5 per cent.

The loan is guaranteed by the Republic of Panama.

TECHNICAL COOPERATION

Institutional Improvement

Social Progress Trust Fund
$12,000 nonreimbursable assistance of March 23, 1972

In 1969 the Inter-American Bank extended $43,000 in nonreimbursable technical cooperation to enable Panama's *Instituto de Vivienda y Urbanismo (IVU)* to evaluate mortgage loans, especially in the areas of payment problems, collection and borrower-selection procedures. This additional assistance will help *IVU* to complete the evaluation.

PERU

EXPORT FINANCING

During 1972 Peru received three special lines of credit for $785,000 to finance exports of capital goods. This activity is described further on under the heading "Export Financing."

TRINIDAD AND TOBAGO

LOANS

Student Revolving Loan Fund

Fund for Special Operations
$3.7 million 35-year 1¼% loan of Oct. 12, 1972
($3,150,000 and $550,000 in Trinidad and Tobago dollars)
Borrower: **Trinidad and Tobago**

According to a Ford Foundation study, between 1970 and 1985 the demand for professionals in Trinidad and Tobago will increase by 90 per cent, from 7,300 to

13,900; for technicians by 108 per cent, from 26,900 to 56,000, and for skilled workers by 68 per cent, from 50,300 to 84,500.

This loan will help Trinidad and Tobago to carry out a program, through its Ministry of Planning and Development, which will increase the nation's corps of professionals.

Under the program, which will be carried out at a total cost of $6.2 million, a Student Revolving Loan Fund will be established through which low-interest, long-term loans will be granted to students for study at universities at home and abroad. To qualify for loans, students must be citizens of Trinidad and Tobago, must be enrolled at the University of the West Indies or in another university outside the area declared eligible by the Fund Management Committee and must carry out studies in the priority sectors of the program: science, education, engineering, medicine and agriculture.

Students benefiting from the program must be from low- or medium-income families—one in which the head of family earns $7,800 or less if he is to qualify for a student loan or $4,800 or less if he is to qualify for a government fellowship.

Vocational Education

Fund for Special Operations
$9.4 million 35-year 1¼% loan of Dec. 7, 1972
($7.3 million and $2.1 million in dollars of Trinidad and Tobago)
Borrower: **Trinidad and Tobago**

A rising demand for skilled personnel in both industry and agriculture has created an acute shortage of such craftsmen in Trinidad and Tobago. While the country's present vocational training system produces some 266 graduates a year, the annual demand for craftsmen in the industrial sector alone is estimated at 2,800 today and is expected to rise to 3,690 by 1978 and to 4,600 by 1985.

To remedy this situation, the Inter-American Bank is helping the Government of Trinidad and Tobago to expand the nation's vocational educational facilities. The loan will help build and equip seven industrial and three agricultural vocational schools in leading population and industrial centers of Trinidad and Tobago, the expansion of the existing vocational school at Point Fortin and the construction and equipping of a center to train instructors for the industrial vocational schools.

On completion in 1976, the expanded vocational school system will graduate an estimated 3,000 craftsmen per year, 2,800 from the industrial and 200 from the agricultural schools.

The seven new industrial schools will offer courses in masonry, plumbing, fitting, auto mechanics and related subjects and, along with the expanded Point Fortin school, will graduate approximately 700 craftsmen and 2,100 apprentices yearly.

The agricultural schools will present a two-year curriculum emphasizing farming practices, stock raising, use of farm machinery and rural administration and will graduate approximately 220 students per year.

URUGUAY

LOAN
Off-shore Petroleum Terminal

Ordinary Capital Resources
$10 million 15-year 8% loan of Dec. 21, 1972
Borrower: **Administración Nacional de Combustibles, Alcohol y Portland**

The growing size and the lower operating costs of modern oil tankers as well as the limitations on the size of vessels using the port of Montevideo led the Government of Uruguay to decide to build an off-shore petroleum terminal capable of handling 100,000-ton tankers. The terminal will be built at Punta José Ignacio on the Atlantic coast in the Department of Maldonado, 94 miles east of Montevideo and 19 miles east of the resort city of Punta del Este.

On completion, tankers moored more than two miles off the coast will be able to discharge their liquid to the storage terminal through two 30-inch floating hoses and a 30-inch underwater pipe system. Construction of the facility will reduce the potential hazard to Montevideo of storing large stocks of petroleum products within the city.

STEEL MILL on Orinoco River is being expanded with assistance of Bank loan extended in 1972.

The Bank loan will be used to import goods and services required to construct an off-shore mooring and unloading terminal for deep draft oil tankers, a storage yard consisting of four tanks with a capacity of 67,000 cubic meters of crude petroleum each and a 12-inch land oil pipeline between Punta José Ignacio and Montevideo.

The borrower is the *Administración Nacional de Combustibles, Alcohol y Portland (ANCAP),* the Uruguayan state agency which manufactures petroleum, cement and alcohol products. *ANCAP* operates alcohol distilleries, a cement plant at Minas and an oil refinery in Montevideo which will process the crude petroleum received from Punta José Ignacio. The loan will finance 61 per cent of the $16,381,200 estimated cost of the project. *ANCAP* will cover 39 per cent.

Because of their size, the 100,000-ton tankers operate at substantially lower costs per ton than small tankers. This saving represents a reduction of approximately $2 per ton in freight costs for hauling crude petroleum and thus a net saving of $2 million annually in Uruguay's foreign exchange outlays.

The loan is guaranteed by the Republic of Uruguay.

Salto Grande Hydroelectric Plant

On Dec. 21, 1972, the Bank approved an $80 million loan to enable the *Comisión Técnica Mixta de Salto Grande,* an international authority created by Argentina and Uruguay, to build a 1,620,000-kilowatt hydroelectric power plant on the Uruguay River.

The project, described more fully under the chapter on Argentina, will provide power over a grid which embraces all of Uruguay and much of the adjacent Northeastern part of Argentina. Initially up to 16.66 per cent of the power output of the plant will be consumed in Uruguay. Since one united transmission grid serves virtually all of Uruguay, Salto Grande's market will embrace all of that nation.

In addition to providing power, the dam to be built on the Uruguay River will also serve as a roadway between the two countries and will thus contribute to the overall economic integration of the two countries.

VENEZUELA

LOAN

Expansion of Steel Mill

Ordinary Capital Resources
$18.5 million 16-year 8% loan of Dec. 21, 1972
Borrower: **C. V. G. Siderúrgica del Orinoco, C.A.**

In order to meet rapidly growing internal needs for steel Venezuela has planned a program to expand production of its Government-owned steel mill—*C.V.G. Siderúrgica del Orinoco, C.A., (SIDOR)*—from a current 800,000 tons a year to 1,250,000 by 1974 and subsequently to 3 million tons by 1980. In addition *SIDOR* plans to expand its port facilities on the Orinoco River to handle the increased production.

SIDOR, a subsidiary of the *Corporación Venezolana de Guayana,* a state agency established in 1960 to develop the natural resources of the Guayana region, is the principal steel producer in Venezuela. *SIDOR's* manufacturing plant is located at Matanzas, in the State of Bolívar six miles from the confluence of the Coroní and Orinoco Rivers. The proximity of vast reserves of rich iron ore from Cerro Bolívar, approximately 70 miles to the west of the Matanzas plant, assures *SIDOR* of all the high grade iron ore that it may need for an indefinite period. In addition, the plant has access to local limestone, natural gas and electric power, and only needs to import coke.

This loan will enable *SIDOR* to carry out a part of the 1969-74 expansion program whose cost is estimated at $40.4 million, of which the Bank loan will cover 45.8 per cent and *SIDOR* the remaining 54.2 per cent.

The loan will be used to carry out the following program:

- The expansion of the annual production capacity of *SIDOR*'s merchant and rod mill at Matanzas from 240,000 tons at present to 360,000 tons by 1976.
- The expansion and improvement of company port facilities on the Orinoco River, which currently handle 800,000 tons per year, to meet transportation requirements of an annual plant output of 1,250,000 tons of raw steel by 1974 and, with changes, of 3 million tons by 1980.

The port expansion program will include the construction of a floating fender along the present 292 meter-long company pier in the river to insure the safe docking and mooring of vessels, of a control dike to direct river currents away from the pier, of a new pier upstream from the existing structure to facilitate cargo transfer to ships of up to 15,000 tons dead-weight, of a warehouse with an area of 193,680 square feet to store finished products and of access roads and a new railway feeder line.

The project is one of several major modification and expansion projects designed to increase overall production which make up *SIDOR's* 1969-74 Investment Plan, the most important of which is the installation of a flat products mill at Matanzas at a total estimated cost of more than $206 million.

The loan is guaranteed by the *Corporación Venezolana de Fomento.*

EXPORT FINANCING

During 1972 previously authorized lines of credit to Venezuela to finance exports of capital goods were augmented by $200,000 through repayments. This activity is described further on under the heading "Export Financing."

TECHNICAL COOPERATION

Fisheries Project

Fund for Special Operations
$71,000 contingent repayment assistance of Aug. 3, 1972

The fisheries industry of Venezuela is relatively modest and has shown insignificant growth over the past decade. Production increased only from 81,000 tons in 1959 to 126,000 tons in 1970 and the nation has yet to initiate a modern type of industry.

Nonetheless due to its long coastal platform Venezuela has vast resources of fish off its coasts. This cooperation will help Venezuela prepare a comprehensive program of fisheries development, including the selection of new fishing ports, the design of fishing vessels, the planning of a supply and distribution network, the establishment of research facilities and the planning of training centers for fishing personnel.

REGIONAL

LOANS

Preinvestment Studies

Fund for Special Operations
$4 million 30-year loan of July 6, 1972
($3 million and $1 million in currencies of Central American countries)
Interest: ¼% for 8 years, 1¼% subsequently
Borrower: **Central American Bank for Economic Integration**

In 1966 the Inter-American Bank extended a loan for $3 million to the Central

American Bank for Economic Integration (CABEI) to carry out preinvestment studies in its five member countries—Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica.

With the proceeds of that loan as well as an additional $3.9 million from other international agencies and $3.5 million of its own resources, CABEI had, through 1970, financed 83 preinvestment studies of regional interest. Some 72 per cent of the funds were devoted to infrastructure, 11 per cent to industry and 17 per cent to regional studies.

This new loan will enable the Central American Bank to finance a program which includes the preparation of specific preinvestment projects and general studies of regional interest, as well as specific national studies of high priority in the member countries of CABEI. The studies would be designed to create or strengthen economic complementation among the Central American countries or to compensate for disparities in basic sectors which hinder the balanced development of those countries.

The preinvestment studies and projects will benefit both the public and private sectors of the five Central American republics with an estimated 90 per cent of the loan funds being allocated to studies or projects in the public sector and 10 per cent to studies in the private sector. The current phase of the program will be carried out at a total cost of $5.3 million, of which the Bank loan will cover 75.5 per cent, local sources 14.6 per cent and CABEI 9.9 per cent.

Industrial Credit and Preinvestment

Fund for Special Operations
$4 million 30-year loan of Oct. 26, 1972
Interest: ¼% for 8 years, 1¼% subsequently
Fund for Special Operations
$1.4 million 20-year 2% loan of Oct. 26, 1972
Borrower: **Corporación Andina de Fomento**

In 1970 the then five member nations of the Andean Group—Bolivia, Chile, Colombia, Ecuador and Peru—along with Venezuela, established the *Corporación Andina de Fomento, (CAF),* a regional development bank with headquarters in Caracas, Venezuela, to promote the area's economic integration. These countries have a population of 65 million and account for approximately 25 per cent of the Gross Domestic Product of Latin America.

CAF promotes the execution of integration projects, particularly in the industrial, marketing and transportation fields and seeks to establish a "pipeline" of development projects in those fields suitable for financing by national and international banks or private entities.

These two Bank loans will help *CAF* carry out a credit and preinvestment program costing $20 million. The loans will cover 27 per cent of the cost of the program, *CAF* 10 per cent and the sub-borrowers and other groups the remaining 63 per cent.

Some $4 million of the Bank funds will be relent by *CAF* for specific economic integration projects being carried out in Bolivia and Ecuador, the two least developed countries of the region. The remaining $1.4 million will be used to help establish a preinvestment fund within *CAF* which will finance feasibility and complementary studies, including the final design of integration projects in the industrial, marketing and transportation sectors throughout the region.

EXPORT FINANCING

In September 1963 the Inter-American Bank adopted a program to help finance exports of capital goods among its Latin American member countries as a means of stimulating the growth of the capital goods industries in Latin America and fostering its economic integration by helping to increase regional trade. The program was initiated with $30 million earmarked for the purpose from the ordinary capital resources. Through subsequent increments, the latest for $10 million approved in 1972, the earmarked sum has been raised to $60 million.

Under the program the Bank extends global revolving lines of credit, as well as special non-revolving credits, to specially designated national agencies which discount at the Bank credit instruments they issue at medium terms (generally 180 days to five years). Up to 85 per cent of the credits granted by the National Agency may be refinanced with the Inter-American Bank.

Goods eligible for financing under the program must originate in the exporting country. They are considered to have so originated when they are manufactured with raw materials or parts produced in the respective country or in any other Latin American member country or when manufactured with imported components from outside the Latin American membership, provided that the final manufacturing process is undertaken in the country and that the imported component is less than 50 per cent of the FOB invoice value.

Through 1972 the program had benefited the capital goods export systems of Argentina, Bolivia, Brazil, Mexico, Peru and Venezuela, with Brazil, Mexico and Argentina being the chief exporters.

Virtually all of the Bank's Latin American member countries have been importers under the program, the chief among them being Argentina, Colombia and Chile.

Thanks to the revolving nature of the lines of credit, the Bank's total commitments under the program as of Dec. 31, 1972, amounted to $91 million. That amount helped finance exports with a total invoice value of $122 million.

Some of the leading exports financed under the program have been machinery and equipment for the petrochemical and the paper and pulp industries; construction machinery and equipment; telephone exchanges and instruments; steel pipe and plates; goods and services for the construction of a pier, a sugar mill and oil pipelines; automotive vehicles and parts; railway equipment, and machine tools.

During 1972, the following new credit commitments were made.

Argentina—A revolving line of credit

POWER BUCKET LINE DREDGE scoops up rich deposits of tin from Potosí River bed in Bolivia. Bank credit of some $2 million enabled private mining company to purchase dredge.

originally extended to the *Banco Central de la República Argentina* in 1964 was augmented through repayments by $661,000 during 1972. The consolidated line amounts to $4 million and has been augmented through repayments by $4,390,500 for a total of $8,390,500.

Bolivia—For the first time since the program was adopted one of the Bank's less developed member nations was granted a credit to export capital goods. On March 3, 1972, the Bank authorized a 7 per cent, $1,150,000 revolving credit to the *Banco del Estado,* Bolivia's national agency in charge of the export financing program, to provide medium-term financing for the export of approximately 600,000 red quebracho railroad ties to Argentina.

The credit, which is guaranteed by the Republic of Bolivia, is enabling the *Cámara de Exportadores de Durmientes de Bolivia* (the Bolivian Association of Railroad Tie Exporters) to export ties valued at $2.5 million to *Ferrocarriles Argentinos* (Argentina's national railroads) over a two-year delivery period. The export credit term will be five years from delivery.

Brazil—On April 13, 1972, the Bank approved an increase of $5 million in the revolving line of credit opened in favor of the *Banco do Brasil* in 1964. Due to the revolving nature of the credits the line was increased by a further $5,945,000 in 1972. The consolidated line of credit now amounts to $18.5 million and has been increased through repayments by $23,608,200 for a total of $42,108,200. In addition, three special credits for Brazil totaling $5,960,000 have been granted.

Mexico—A consolidated revolving line of credit originally initiated with *Nacional Financiera, S.A.,* in 1964 was augmented through repayments in 1972 by a total of $1,589,700. The consolidated line amounts to $5 million and has been increased by repayments amounting to $9,108,100 for a total of $14,108,100. In addition, four special credits totaling $13,072,000 have been made to Mexico.

Peru—Three special credits were extended to the *Banco Industrial del Perú* during 1972. The first of the credits—$240,000 approved Nov. 7 at 7 per cent interest—is financing the export of fishing vessels with an invoice value of $378,700 to Colombia. The second—$325,000 authorized Dec. 21 at 7 per cent interest—is financing the sale of two fishing vessels and one unloading lighter with an invoice value of $450,000 to Ecuador. The third—$220,000 approved Dec. 21 also at 7 per cent interest—is financing the export of another fishing vessel with an invoice value of $305,000 to Ecuador. Prior to 1972 Peru had received credits amounting to $559,800 under the program.

Venezuela—A revolving line of credit originally extended to the *Corporación Venezolana de Fomento* in 1968 was increased through repayments in 1972 by $200,000. The line of credit to Venezuela was $3 million and has been increased through repayments by $1,404,000 making the total $4,404,000.

TECHNICAL COOPERATION

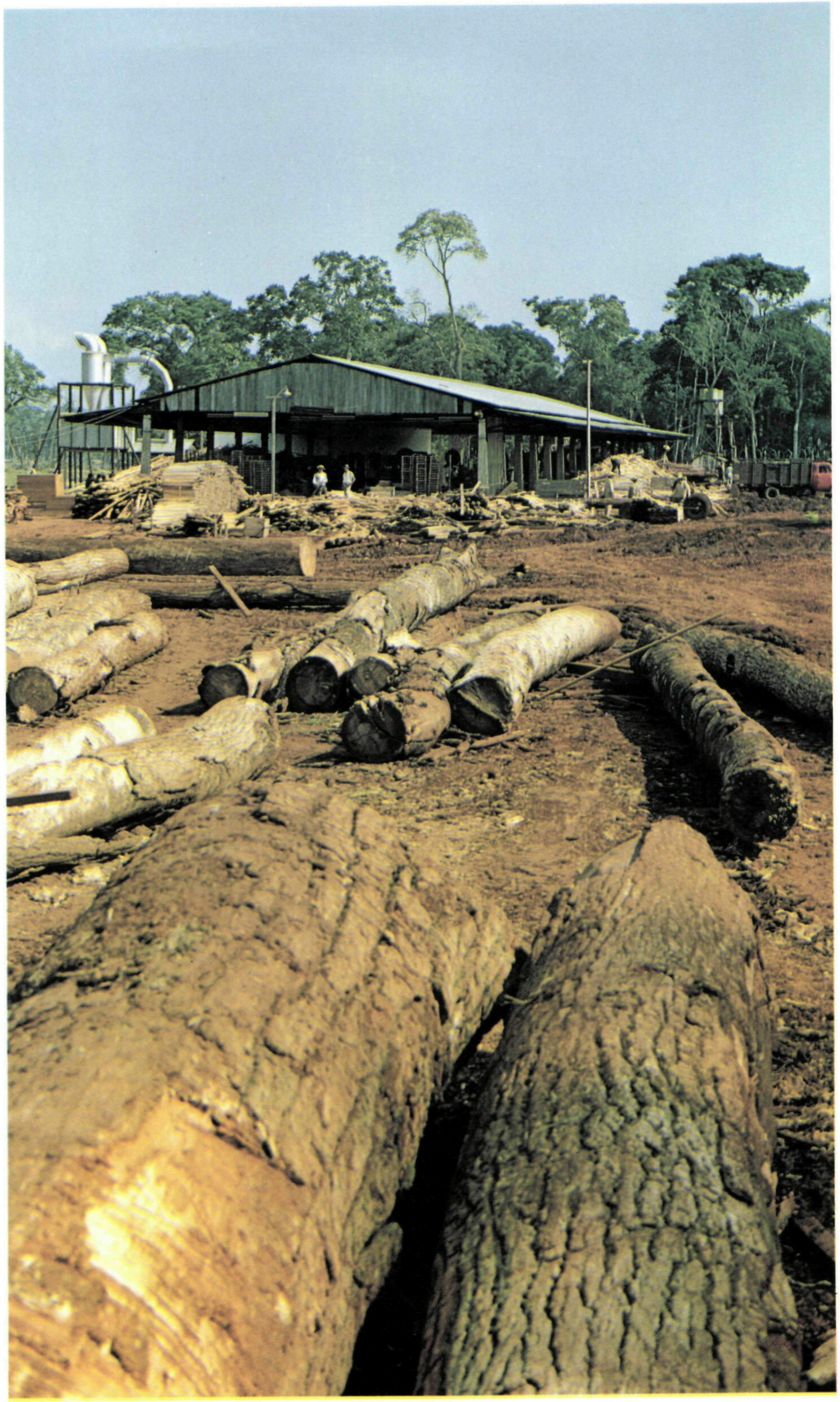
Loan Administration Courses

Fund for Special Operations
$37,200 nonreimbursable assistance of Feb. 8, 1972

In order to train personnel in Latin America in the effective administration of its loans, the Inter-American Bank in 1968 and 1971 offered two courses on Bank policies and procedures of loan administration at its headquarters in Washington, D.C. They were attended by a total of 51 persons from 13 member countries.

To permit wider participation of persons charged with responsibility for managing bank loans in the member countries, the Bank is conducting 12 short-term courses over the 1972-73 period. This technical cooperation was approved to finance the courses, which are being carried out in different member countries of the Bank.

LUMBER FOR FLOORS AND FURNITURE originating at this mill at Puerto Presidente Stroessner provides export earnings for Paraguay. Some of final products find their way to homes in industrial nations.



Training in Development Banking

Fund for Special Operations
$22,400 nonreimbursable assistance of April 12, 1972
Social Progress Trust Fund
$22,400 nonreimbursable assistance of April 12, 1972

Since it began operations, the Inter-American Bank has sought through training programs which it carries out at its headquarters, to acquaint Latin American professionals with the Bank and its role in financing economic and social development programs.

These training programs have also embraced other sources of international financing and recently have stressed a general discussion of development problems in Latin America and the role of international finance in their solution. This technical cooperation enabled the Bank to carry out the 16th such course in mid-1972 for 25 participants.

Project Management Courses

Fund for Special Operations
$132,000 nonreimbursable assistance of April 19, 1972

This cooperation helped finance a program in project management in the member countries of the *Instituto Centroamericano de Administración Pública (ICAP)* headquartered in San José. Members of the public administration institute are the five Central American republics and Panama.

The program contemplated the execution of two regional courses of eight weeks duration each, in San José, Costa Rica. One was held in 1972 and the other is scheduled for 1973. In addition, national courses of four weeks duration were scheduled for each of the five *ICAP* member nations. A total of $63,000 was charged to the Bank's technical assistance budget of 1972 and $69,000 to that of 1973.

Participating in the courses were public officials from *ICAP* countries engaged in the management and execution of projects financed by the Inter-American Bank or the Central American Bank for Economic Integration.

Public Administration Scholarships

Social Progress Trust Fund
$48,900 nonreimbursable assistance of June 12, 1972

Since the Inter-American School of Public Administration *(EIAP)* was established in 1963, the Inter-American Bank has played an active role in helping to support its activities.

This cooperation was used to finance an additional 32 scholarships for non-Brazilian students to attend the school, which is part of the Getulio Vargas Foundation of Rio de Janeiro, during the 1972 academic year. Of these, 10 were allocated to students in development administration, 14 to students of administration of projects and 8 to students attending an intensive seminar on the administration of projects.

Foot-and-Mouth Disease Seminar

Social Progress Trust Fund
$21,400 nonreimbursable assistance of Oct. 12, 1972

The Inter-American Bank has extended loans totaling $44 million to six South American member countries to combat foot-and-mouth disease in cattle. This cooperation will help to insure that farmers and ranchers in those countries become fully aware of the benefits of the campaign and of the need for their cooperation in implementing it.

The assistance will be devoted to organizing a seminar in Bogotá, Colombia, in the first half of 1973 to discuss publicity and community action techniques related to foot-and-mouth disease control and prevention. The Pan American Health Organization and the Inter-American Institute of Agricultural Sciences are co-sponsoring the project. Two officials from each of the South American countries, as well as Panama and Trinidad and Tobago will participate in the meeting which is planned to last for three weeks.

Rural Planning Scholarships

Fund for Special Operations
$30,000 nonreimbursable assistance of October 27, 1972

This technical cooperation is enabling the Bank to finance jointly with the Organization of American States a program to train 25 post-graduate specialists in planning rural regional integrated development programs in Latin America.

The post-graduate courses, which will last during most of 1973, are being carried out with the cooperation of the Farm Settlement Center of Rehovot, Israel, and the Latin American Institute of Economic and Social Planning of Santiago, Chile. The Bank's assistance will provide five scholarships.

External Debt Seminar

Fund for Special Operations
$15,000 nonreimbursable assistance of Nov. 20, 1972

In order to improve the formulation of external financing policies, international banking agencies require more accurate and precise external debt statistics from their member countries.

To help achieve this objective, the Inter-American Bank and the World Bank plan early in 1973 to carry out a one-week seminar for 46 participants in Washington. The objective of the seminar is to determine the assistance needed by the Latin American countries in their efforts to improve their external debt statistics-gathering systems. The World Bank co-sponsored a similar program in Asia in 1972 with the Asian Development Bank.

Development Banking Training

Social Progress Trust Fund
$1,341,750 nonreimbursable assistance of Dec. 21, 1972

This technical cooperation will aid three institutions in Latin America to provide advanced training in development banking. The three institutions include the Economic Research Institute of the University of São Paulo, located in São Paulo, Brazil; the Latin American Association of Development Finance Institutions in cooperation with the Graduate School of Business Administration in Lima, Peru, and the Central American Institute for Business Administration, in Managua.

The assistance will help the three institutions to organize and present training programs in development banking and finance at the postgraduate level, to develop teaching materials and later to incorporate the results of their experience and research into their own curricula while at the same time making it available to other regional institutions.

The total cost of the program is estimated at $2,675,050, of which the Bank's technical assistance grant will cover 50.1 per cent and the sponsoring institutions and other local sources the remaining 49.9 per cent. Subject to appropriations, the $1,341,750 would be charged in the amounts of $149,000 to the 1972 budget; $450,880 to 1973; $391,550 to 1974, and $350,320 to 1975.

Of the program's total resources, approximately 58 per cent will help finance postgraduate training programs, 20 per cent intensive training programs, 16 per cent the development of teaching materials and 8 per cent coordination and liaison programs.

The minimum expected output of the program in a four-year period is 550 participants, many of whom will be awarded master's degrees in economics and business administration on completion of their courses. An estimated 255 will participate in intensive training programs, 175 in postgraduate training programs and 120 in management seminars.

Seminars on Tourism and Exports

Fund for Special Operations
$10,000 nonreimbursable assistance of Jan. 6, 1972

In some Latin American countries tourism has become a major source of foreign exchange in recent years, replacing agricultural, fishing and mineral exports as the country's principal dollar earner. By sharing their tourist promotion and development techniques with their neighbors, these countries can help other regional republics earn the dollars required to promote non-traditional exports and further enhance their incomes.

This technical cooperation helped organize and conduct two round table seminars, one on the promotion of European tourism in Latin America and the other on the promotion of Latin American exports to European countries, held in Rome, Italy, in March 1972. Co-sponsoring the roundtables were the Italo-Latin American Institute and the Organization of American States.

Development Planning Seminar

Social Progress Trust Fund
$22,500 nonreimbursable assistance of March 3, 1972

Since it was established in 1962, the Latin American Institute for Economic and Social Planning *(ILPES)* has provided research, training and advisory services in the field of development planning to its Latin American member countries. The *ILPES* program has been supported by the United Nations Special Fund, the Inter-American Bank and other interested groups.

This cooperation enabled *ILPES* to carry out a seminar on development planning in Santiago, Chile, for approximately 40 participants from Latin America. The program was sponsored jointly by the Bank, the Organization of American States and *ILPES.*

Resource Mobilization Symposia

Fund for Special Operations
$15,000 nonreimbursable assistance of April 6, 1972
Social Progress Trust Fund
$20,000 nonreimbursable assistance of April 6, 1972

Since 1967 the Inter-American Bank has been active, in cooperation with the Organization of American States, in financing studies of the capital markets of several of its member nations, namely Argentina, Brazil, Mexico, Peru and Venezuela, as well as regional studies. In addition it has participated in sponsoring symposia on the subject in Washington, Bogotá, San José, Lima and Asunción.

This assistance financed similar symposia carried out for personnel of finance ministries, planning offices, central and development banks, stock exchanges, universities and private enterprises in Buenos Aires and Kingston, Jamaica. In the short run the symposia were designed to help bring about an analysis of capital market policies, instruments and mechanisms and in the long run to support the efforts of the member countries to mobilize their domestic resources.

Improvement of Tax Systems

Social Progress Trust Fund
$30,000 nonreimbursable assistance of June 14, 1972

The growing needs of economic and social development of Latin America require that governments mobilize a larger volume of domestic resources through taxation. In 1970, tax receipts of the Latin American central and local governments and receipts of the social security system represented about 18 per cent of the regional gross domestic product. At the same time expenditures by the governments and the social security systems exceeded 20 per cent of the GDP.

Since 1961 the Bank has cooperated closely with its member countries in efforts to strengthen and improve their tax systems. With the support of the Economic Commission for Latin America (ECLA) the Bank helped finance the First Inter-American Tax Conference which was held in Buenos Aires and the Second Inter-American Tax Conference held in Santiago, Chile.

This Third Conference was co-sponsored by the Bank and the Organization of American States (OAS) in Mexico City. At the conference studies were presented and viewpoints were exchanged on improving Latin American tax systems as instruments for achieving official economic policy objectives consistent with national development strategies.

Economic Integration Seminars

Fund for Special Operations
$30,000 nonreimbursable assistance of June 16, 1972
Social Progress Trust Fund
$30,000 nonreimbursable assistance of June 16, 1972

This technical cooperation contributed

CASCADE OF WATER BURSTS from President Adolfo López Mateos Dam, built with Bank help, to irrigate parched lands in State of Sinaloa in Mexico's Northwest. The facility irrigates nearly 200,000 acres of land.

to continuing a research and seminar program carried out by the *Programa de Estudios Conjuntos sobre Integración Latinoamericana (ECIEL)*, the Program of Joint Studies on Latin American Integration. Participating in the program are 20 institutions in 12 Latin American countries—Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela.

The program, which is coordinated by the Brookings Institution, was established in 1963. This contribution, which was disbursed to the *Instituto Torcuato di Tella* of Buenos Aires as the fiscal agent for the program, helped to carry out two *ECIEL* program seminars, one in Asunción, Paraguay, in July, and the other in Quito, Ecuador, in December. Approximately 70 participants attended each seminar.

Technical Assistance Missions

Social Progress Trust Fund
$50,000 nonreimbursable assistance of June 22, 1972

From May 1971 to May 1972 the Bank sent eight short-term missions to member countries at their request to advise them on a variety of matters connected with economic planning, the formulation of investment strategies and appraisals of technical assistance needs. This technical cooperation was allocated for use in financing similar short-term missions during the last eight months of the year.

Agricultural Project Studies

Fund for Special Operations
$87,650 nonreimbursable assistance of Oct. 5, 1972
Social Progress Trust Fund
$100,000 nonreimbursable assistance of Oct. 5, 1972

In 1965 the Inter-American Bank and the United Nations Food and Agriculture Organization (FAO) entered into an agreement to cooperate in the identification, planning, financing and execution of projects related to agriculture, livestock, forestry and fisheries. Under the agreement FAO, with support from the Bank, has carried out a number of studies to identify projects in a number of the Bank's member countries, including Barbados, Costa Rica, the Dominican Republic, Guatemala, Honduras, Uruguay and Paraguay.

This additional technical cooperation will help implement a program to send missions of experts hired by FAO to prepare projects in Haiti and Panama for the development of small-scale fishing, to the Dominican Republic for the preparation of an agricultural marketing project and to Honduras to prepare basic studies for a development project in the Guayape Valley, and the dispatch of short-term missions to review and select projects and studies on investment opportunities in Haiti and Panama.

Private Investment Round Table

Fund for Special Operations
$12,000 nonreimbursable assistance of Oct. 17, 1972

This technical cooperation will help finance the Third Round Table on Private Foreign Investments in Latin America in Caracas, Venezuela, early in 1973, under the sponsorship of the Government of Venezuela, the Organization of American States, the Inter-American Committee on the Alliance for Progress and the Bank. The regional meetings stem from a world meeting sponsored by the United Nations in Amsterdam in 1969.

The meetings foster an interchange of views among government officials, local private enterprise, multinational enterprises and international agencies. The round tables seek to define areas of common interest and explore methods for encouraging investment of foreign capital in association with domestic capital.

Pilot Agrarian Development Projects

Fund for Special Operations
$140,000 nonreimbursable assistance of Dec. 21, 1972

Since 1966 the Inter-American Bank, the Organization of American States and the Government of Israel have cooperated in a technical cooperation program designed to foster integrated rural development in Latin America. Under the program pilot projects in colonization, irrigation, farm credit and marketing have been carried out by Israeli experts in six Latin American nations.

Up to $106,750 of this new technical cooperation will be used to carry out a pilot irrigation and land settlement program involving 750 farm families at Rigoberto Cabezas in Nicaragua; the remaining $33,250 will help provide technical assistance to small farmers in the agrarian reform area of Zapotitlán in El Salvador.

Agricultural and Physical Integration Studies

Fund for Special Operations
$75,000 nonreimbursable assistance of June 29, 1972
Social Progress Trust Fund
$75,000 nonreimbursable assistance of June 29, 1972

This technical cooperation will enable the *Secretaría Permanente del Tratado General de Integración Económica Centroamericana (SIECA)*, the Secretariat of the Central American Common Market, to carry out a program of regional studies on agricultural development and physical integration and to identify regional investment projects.

These studies form part of *SIECA's* program for 1973 under the auspices of the member governments and of other international organizations and governmental agencies and should produce, among other results, inventories of agricultural development and physical integration projects in the region.

Iguazú Falls Tourism Study

Fund for Special Operations
$48,000 nonreimbursable assistance of Sept. 21, 1972
Social Progress Trust Fund
$100,000 contingent recovery assistance of Sept. 21, 1972

Iguazú Falls, which is situated on the Iguazú River near the juncture of the borders of Argentina, Brazil and Paraguay, is one of the outstanding tourist attractions of Latin America. Over the past years, the three nations have studied the possibilities of jointly developing the attraction. As a result they have set up a tripartite technical office in Asunción.

This cooperation will foster regional economic integration in the border zone by encouraging joint development of the falls by the three countries. The aid will help finance a study for the comprehensive tourism development of the falls, as well as the sites of the Jesuit Guarani Missions built in colonial times, and identify possible specific investment projects that might be undertaken.

A total of $100,000 of the assistance was extended on a contingent recovery basis in equal parts to Argentina and Brazil and $48,000 was made available on a nonreimbursable basis to Paraguay.

Highway Seminar

Social Progress Trust Fund
$26,220 nonreimbursable assistance of Oct. 12, 1972

In 1972 the Inter-American Bank completed an exhaustive Inventory of Physical Integration Projects in Latin America in an effort to identify projects tending to unite the region. This inventory contained more than 600 projects, about two-thirds in the transportation sector. The total cost of the projects inventoried in that sector is approximately $5,576 million, including $3,350 million—or 60 per cent of the total—in the highway subsector alone.

This cooperation was devoted to a seminar, conducted at the technical level, at the Bank's headquarters in Washington, D.C. The seminar examined the main aspects and problems pertaining to highway transportation in South America and exchanged ideas regarding those projects that would make the most effective contribution to the region's integrated international highway system.

Participating in the seminar were representatives of Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Paraguay, Peru, Uruguay and Venezuela and of international and regional organizations.

Project Preparation

Fund for Special Operations
$500,000 contingent repayment assistance of Oct. 26, 1972
Social Progress Trust Fund
$250,000 nonreimbursable assistance of Oct. 26, 1972

This technical cooperation was extended to the *Corporación Andina de Fomento (CAF)* along with the previously described two loans for $5.4 million. The contingent repayment assistance will be used by *CAF* to carry out prefeasibility studies of specific projects. The nonreimbursable assistance will be devoted also to general studies. The studies will be of an integration nature in the industrial sector and in the transport and marketing service subsectors.

Transportation Studies

Social Progress Trust Fund
$300,000 nonreimbursable assistance of Nov. 16, 1972

One of the keys to the success of the regional integration movement in Central America is the improvement of transportation links between the five republics of the region. As a result the organizations in charge of the integration movement have sought to give priority in their planning to transportation projects. In 1965, for example, the Central American Bank for Economic Integration (CABEI) completed a transportation study of the area. About 96 per cent of the investment loans made for the sector since that date stemmed from that sector. By 1970, however, the Central American countries began to feel the need for an updated study.

This cooperation will help the five countries, acting through CABEI, to formulate during 1973 and 1974 a program of development and complementation of various forms of transportation in the region for the period 1974-83 to be financed by the five regional governments, CABEI, the Permanent Secretariat of Central American Economic Integration (SIECA) and the United Nations Development Programme.

OTHER TECHNICAL COOPERATION

During 1972 the Bank also authorized three smaller nonreimburable technical assistance allocations which totaled $21,678. These included two allocations from the Fund for Special Operations for $18,900 to Bolivia—$9,500 for consulting services involved in analyzing a three-year action development program for the government and $9,400 to help update the financial administration of decentralized government agencies and create a community development fund.

The third allocation—$2,778 from the Social Progress Trust Fund—was used by Brazil's Ministry of the Interior to close out a technical training program in methods related to the organization and execution of irrigation projects which was initiated in 1970.

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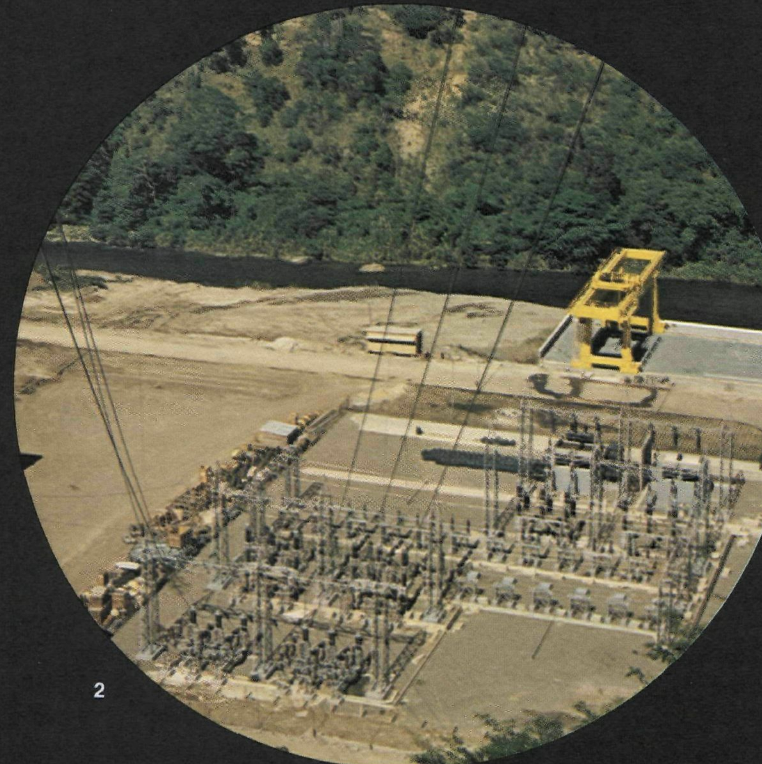

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ELECTRICITY HELPS POWER Latin America's development. Two photos on left show substation and dam of Paulo Afonso complex which is supplying Brazil's Northeast. Two photos on right were taken in the Dominican Republic. One shows Tavera dam substation; the other a family hoping to switch from oil lamp to electricity.

ordinary capital resources PART 1

ORDINARY CAPITAL RESOURCES

Financial Highlights

The *net income* of the Bank's ordinary capital resources in 1972 amounted to $19,061,000, compared with $23,571,000 in 1971.

The *gross income* amounted to $106,992,000 in 1972, compared with $102,574,000 in 1971. This income included: $46,470,000 derived from interest on loans, $8,885,000 derived from commitment charges, $7,973,000 derived from the 1 per cent commission charged on loans which is allocated to the Bank's special reserve, $41,260,000 derived from investments and $2,404,000 from other sources.

As of Dec. 31, 1972, the total *reserves* of the ordinary capital resources, including the *general reserve* and the *special reserve,* had risen to $185,622,000 compared with $154,628,000 in 1971.

The *general reserve,* principally made up of net earnings, amounted to $142,302,000, as of Dec. 31, 1972, compared with $122,105,000 in 1971. The *special reserve* had risen to $43,320,000 at the end of 1972, compared with $32,523,000 in 1971.

The total *administrative expenses* of the Bank chargeable to the ordinary capital resources, including depreciation, in 1972 amounted to $12,047,000, compared with $11,667,000 in 1971. The interest paid by the Bank on its funded debt and the amortization of debt discount and expenses in 1972 was $67,911,000 compared with $60,461,000 in 1971.

As of Dec. 31, 1972, the Bank's funded debt was $1,137,388,000, compared with $1,017,772,000 in 1971.

In 1972 borrowers *repaid* $80,420,000 on ordinary capital loans, compared with $73,948,000 in 1971, bringing total repayments at the end of the year to $376,762,000.

The audited financial statements of the ordinary capital resources are contained in the following pages.

ordinary
capital
resources

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors
Inter-American Development Bank

In our opinion, the accompanying financial statements set forth in the index below (Appendices I-1 to I-7) present fairly, in terms of United States currency, the financial position of Inter-American Development Bank—Ordinary Capital at December 31, 1972 and 1971, the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

PRICE WATERHOUSE & CO.

Washington, D.C.
February 20, 1973

FINANCIAL STATEMENTS — APPENDIX

ORDINARY CAPITAL RESOURCES

INTER-AMERICAN DEVELOPMENT BANK — ORDINARY CAPITAL

BALANCE SHEETS

DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix I-7

ASSETS	1972		1971	
Due from banks				
Unrestricted				
Member currencies	**$ 60,391**		$ 53,075	
Non-member currencies	**956**		17,167	
Restricted				
Member currencies (Note C)	**16,306**	**$ 77,653**	11,755	$ 81,997
Investments				
Obligations of Governments				
at cost or amortized cost (face amount 1972—$18,106; 1971—$28,441)	**18,009**		28,102	
Time deposits				
United States and Canadian dollars	**461,226**		404,470	
Non-member currencies	**271,046**	**750,281**	224,475	657,047
Loans outstanding held by Bank (Appendix I-5) (Notes D and E)				
Total loans approved by Bank since inception, less cancellations	**2,161,829**		1,763,452	
Less principal repayments to Bank and loans sold or agreed to be sold	**407,781**		321,183	
Less undisbursed balance of approved loans held by Bank	**872,019**	**882,029**	661,545	780,724
Accrued interest and other charges				
Investments	**17,741**		19,161	
Loans (Notes D and E)	**17,897**	**35,638**	15,266	34,427
Due from members in member currencies				
Capital subscriptions receivable (Appendix I-6)	**29,402**		7,618	
Non-negotiable, non-interest-bearing demand obligations (Appendix I-6)	**214,840**		47,973	
Amounts required to maintain value of currency holdings (Note B)	**12,465**	**256,707**	—	55,591
Other assets				
Land and building at cost—less accumulated depreciation 1972—$1,261; 1971—$1,113	**8,866**		8,960	
Unamortized funded debt issue costs (amortized over the life of the issues)	**11,514**		9,727	
Advance paid-in capital quotas (Appendix I-6, Note 7)	**4,720**		—	
Miscellaneous (Note E)	**10,167**	**35,267**	1,799	20,486
Special reserve assets (Note F)		**43,320**		32,523
Total assets		**$2,080,895**		$1,662,795

BALANCE SHEETS

DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix I-7

LIABILITIES, RESERVE AND SPECIAL FUNDS AND CAPITAL	1972		1971	
Liabilities				
Accrued interest on borrowings		$ 18,487		$ 16,607
Accrued expenses and accounts payable		1,750		1,407
Mortgage payable		3,491		3,666
Funded debt (Appendix I-4)				
Principal outstanding	$1,137,388		$1,017,772	
Less unamortized debt discount	6,576	1,130,812	6,223	1,011,549
Reserve and special funds				
Special Reserve (Note F)		43,320		32,523
Fund for Special Supervision and Inspection of loans (Note G)		3,914		2,812
Advance paid-in capital quotas		4,720		—
Capital				
Capital Stock (Appendix I-6)				
Authorized 515,000 shares of $10,000 par value in terms of 1959 U.S. dollars				
Subscribed shares 1972—402,779.9; 1971—346,594.6	4,373,022		3,465,946	
Less—Callable portion	3,640,923		2,993,820	
	732,099		472,126	
General reserve (Appendix I-2) (Note A)				
Accumulated net income	141,166		122,105	
Maintenance of value of currency holdings	1,136		—	
	142,302	874,401	122,105	594,231
Commitments (Note H)				
Total liabilities, reserve and special funds and capital		$2,080,895		$1,662,795

INTER-AMERICAN DEVELOPMENT BANK — ORDINARY CAPITAL

STATEMENTS OF INCOME, EXPENSES AND GENERAL RESERVE

YEARS ENDED DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix I-7

	1972		1971	
Income				
From loans				
Interest	$ 46,470		$ 37,597	
Commitment charges	8,885		7,352	
Commissions	7,973	$ 63,328	6,875	$ 51,824
From investments		41,260		46,236
From other sources, principally gain on purchases of funded debt		2,404		4,514
Gross income		106,992		102,574
Deduct commissions allocated to Special Reserve (Note A)		7,973		6,875
Gross income less reserve deduction		99,019		95,699
Expenses				
Funded debt expense		67,911		60,461
Administrative expenses (Notes A and I)				
Salaries	6,463		6,028	
Other compensation and benefits	2,243		2,097	
Office occupancy	902		941	
Other	2,612		2,799	
	12,220		11,865	
Less amounts charged to Social Progress Trust Fund for indirect and overhead expenses by Bank as Administrator (Appendix III-2)	173		198	
Total administrative expenses		12,047		11,667
Total expenses		79,958		72,128
Net income		19,061		23,571
General reserve:				
Accumulated net income beginning of year		122,105		98,534
Accumulated net income end of year		141,166		122,105
Special credit arising from maintaining value of currency holdings (Note B)		1,136		—
General reserve end of year (Note A)		$142,302		$122,105

STATEMENTS OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix I-7

Source of funds	**1972**	1971
Provided from operations		
Net income (Appendix I-2)	**$ 19,061**	$ 23,571
Add expenses not requiring cash funds	**304**	1,756
Cash funds provided from operations	**19,365**	25,327
Proceeds from issuance of funded debt	**176,105**	137,621
Increase in funded debt resulting from currency revaluations	**—**	45,793
Paid-in capital subscribed by members	**259,973**	83,646
Loan repayments	**80,420**	73,948
Proceeds from loan participations	**2,672**	11,278
Proceeds from delivery of bonds sold in 1970	**—**	4,962
Special addition to General Reserve (Note B)	**1,136**	—
Other	**1,134**	922
Total source of funds	**540,805**	383,497
Application of funds		
Loan disbursements	**185,813**	179,964
Increase in loans outstanding resulting from currency revaluations	**—**	18,360
Retirement of funded debt	**55,293**	77,413
Increase in notes and receivables due from members	**201,116**	43,195
Repayments to participants	**6,565**	6,118
Funded debt issue costs	**2,899**	2,313
Other	**229**	592
Total application of funds	**451,915**	327,955
Increase in cash funds	**$ 88,890**	$ 55,542
Analysis of increase in cash funds		
Due from banks (includes increase of $2,252 in 1971 resulting from currency revaluations)	**$ (4,344)**	$ 42,940
Investments (includes increase of $24,811 in 1971 resulting from currency revaluations)	**93,234**	12,602
	$ 88,890	$ 55,542

INTER-AMERICAN DEVELOPMENT BANK — ORDINARY CAPITAL

STATEMENTS OF FUNDED DEBT OF THE BANK

DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix I-7

Payable in	Face value interest rate range (4)	Due Dates	Principal Outstanding 1972 (1)	1971
Austrian Schillings	6¾%-7%	1980-1983	$ 19,024	$ 19,046
Belgian Francs	7%-7½%	1982-1986	15,619	15,619
Deutsche Marks	5½%-8½%	1976-1987	233,632	175,518
French Francs	8%-8½%	1989-1992	39,095	19,548
Italian Lire	5%-6%	1982-1989	75,103	76,278
Japanese Yen (2)	5%-7⅞%	1981-1986	67,890	33,993
Netherlands Guilders	7%-8%	1986-1988	20,341	20,341
Pounds Sterling	5½%-8⅞%	1975-1989	11,474	12,585
Swiss Francs	5½%-6¾%	1981-1987	79,427	59,896
Swedish Kronor	7½%-8%	1979-1982	16,622	10,389
United States Dollars	4¼%-8⅝%	1973-1995	559,161	574,559
			1,137,388	1,017,772
Less unamortized debt discount			6,576	6,223
Total			$1,130,812	$1,011,549

(1) Sinking fund requirements and funded debt maturities for each of the five years subsequent to December 31, 1972 are approximately equivalent to the following:

Period ending	Amount (Thousands)
December 31, 1973	$ 78,000(3)
December 31, 1974	65,000(3)
December 31, 1975	48,000
December 31, 1976	65,000
December 31, 1977	66,000
	$322,000

(2) In September 1971 the Bank signed an agreement which provides that the Bank may borrow up to the dollar equivalent of an additional $10,714,000 in Japanese Yen not included above.

(3) Includes short-term U.S. dollar borrowings principally from central banks of Latin American members of which US$47,350,000 matures in 1973 and US$32,450,000 matures in 1974.

(4) The weighted average face value interest rates on the outstanding principal of the Bank's funded debt for 1972 and 1971 approximate 6.36% and 6.29%, respectively. The weighted average effective interest rates on the outstanding principal of the funded debt, after deducting discount, approximate 6.45% for 1972 and 6.39% for 1971. The amortization of discount amounted to $709,000 in 1972 and $636,000 in 1971.

SUMMARY STATEMENTS OF LOANS

DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix I-7

Member in whose territory loans have been made (1)	Total loans approved by Bank since inception, less cancellations (2)	Principal repayments to Bank	Loans sold or agreed to be sold	Approved loans held by bank			Currency in which outstanding portion of approved loans held by Bank is repayable		
				Total	Undisbursed	Outstanding	United States dollars	Member's currency	Non-member currency
Argentina	$ 472,587	$ 64,532	$ 7,783	$ 400,272	$256,012	$144,260	$ 74,015	$18,581	$ 51,664
Bolivia	21,029	—	—	21,029	1,127	19,902	11,423	—	8,479
Brazil	635,757	82,079	17,365	536,313	271,401	264,912	180,887	29,232	54,793
Chile	105,039	36,078	6,194	62,767	6,070	56,697	33,840	5,396	17,461
Colombia	212,708	32,054	4,257	176,397	88,148	88,249	44,565	4,114	39,570
Costa Rica	15,371	6,525	1,520	7,326	558	6,768	5,067	340	1,361
Dominican Republic	6,152	2,833	200	3,119	—	3,119	1,471	746	902
Ecuador	24,036	2,127	257	21,652	10,527	11,125	8,909	508	1,708
El Salvador	7,018	2,949	251	3,818	—	3,818	3,152	352	314
Guatemala	10,813	5,549	725	4,539	—	4,539	4,244	107	188
Honduras	460	400	60	—	—	—	—	—	—
Jamaica	2,060	—	—	2,060	1,680	380	35	—	345
Mexico	360,353	50,614	15,851	293,888	124,597	169,291	67,533	15,713	86,045
Nicaragua	18,410	3,560	1,794	13,056	3,690	9,366	7,555	628	1,183
Panama	1,504	265	—	1,239	—	1,239	768	412	59
Paraguay	6,110	2,587	429	3,094	—	3,094	2,156	543	395
Peru	45,046	10,276	5,954	28,816	3,827	24,989	16,246	2,615	6,128
Trinidad and Tobago	1,300	—	—	1,300	1,300	—	—	—	—
Uruguay	58,929	9,843	952	48,134	33,984	14,150	11,778	1,195	1,177
Venezuela	138,662	22,047	7,026	109,589	66,718	42,871	16,179	10,421	16,271
Regional	18,485	1,845	1,000	15,640	2,380	13,260	8,913	—	4,347
Total 1972	$2,161,829	$336,163	$71,618	$1,754,048	$872,019 (3)	$882,029	$498,736	$90,903	$292,390 (4)
Total 1971	$1,763,452	$262,308	$58,875	$1,442,269	$661,545 (3)	$780,724	$514,177	$80,423	$186,124 (4)

(1) The Bank makes loans to its members or political subdivisions of its members or to private enterprises located in the territories of its members. For loans to borrowers other than members and central banks, the Bank in most instances has received either the member's guarantee or other security deemed appropriate by the Bank.

(2) All of the loans have been approved by the Bank, but certain loans have not become effective and disbursements thereunder will not begin until the borrower and guarantor, if any, take certain action and furnish certain documents to the Bank.

(3) Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse approximately $28,500,000 at December 31, 1972 and $25,000,000 at December 31, 1971.

(4) The following table summarizes at December 31, 1972 and 1971 the non-member currencies in which the outstanding portion of approved loans held by the Bank are repayable:

Non-member	Unit of Currency	Amount expressed in United States Dollars (Thousands) 1972	1971
Austria	Austrian Schilling	$ 10,499	$ 5,372
Belgium	Belgian Franc	5,199	3,618
England	Pound Sterling	3,864	4,322
Germany	Deutsche Mark	89,709	47,262
Italy	Italian Lira	48,294	43,351
Japan	Japanese Yen	67,991	34,283
Netherlands	Netherland Guilder	14,721	6,419
Sweden	Swedish Kronor	5,010	2,238
Switzerland	Swiss Franc	47,103	39,259
		$292,390	$186,124

INTER-AMERICAN DEVELOPMENT BANK — ORDINARY CAPITAL

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

DECEMBER 31, 1972

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix I-7

				Paid-in portion of subscribed capital (2)					Due from Members	
Member	Shares	Percent of total	Total subscribed capital (1)	United States dollars	Member currency	Callable portion of subscribed capital (3)	Number of votes	Percent of total	Non-negotiable non-interest-bearing demand obligations (4)	Paid-in capital subscriptions receivable
Argentina	47,575.5	11.81	$ 516,532	$ 46,659	$ 46,658	$ 423,215	47,710.5	11.75	$ 35,853	
Barbados (5)	559.0	.14	6,069	1,123	1,124	3,822	694.0	.17	891	$ 450
Bolivia	3,708.6	.92	40,265	3,146	3,147	33,972	3,843.6	.95	3,283	
Brazil	47,575.5	11.81	516,532	46,659	46,658	423,215	47,710.5	11.75		
Canada (6)	24,268.0	6.03	263,480	—	43,428	220,052	24,403.0	6.01		28,952
Chile	13,064.0	3.25	141,837	12,812	12,811	116,214	13,199.0	3.26	9,845	
Colombia	13,052.7	3.24	141,715	12,802	12,802	116,111	13,187.7	3.25	4,918	
Costa Rica	1,854.3	.46	20,132	1,573	1,573	16,986	1,989.3	.49	432	
Dominican Republic	2,474.4	.61	26,865	2,097	2,098	22,670	2,609.4	.64		
Ecuador	2,474.4	.61	26,865	2,097	2,098	22,670	2,609.4	.64		
El Salvador	1,854.3	.46	20,132	1,573	1,573	16,986	1,989.3	.49	863	
Guatemala	2,474.4	.61	26,865	2,097	2,098	22,670	2,609.4	.64		
Haiti	1,854.3	.46	20,132	1,573	1,573	16,986	1,989.3	.49	955	
Honduras	1,854.3	.46	20,132	1,573	1,573	16,986	1,989.3	.49		
Jamaica	2,474.4	.61	26,865	2,097	2,098	22,670	2,609.4	.64	1,910	
Mexico	30,582.5	7.60	332,038	29,994	29,993	272,051	30,717.5	7.57		
Nicaragua	1,854.3	.46	20,132	1,573	1,573	16,986	1,989.3	.49		
Panama	1,854.3	.46	20,132	1,573	1,573	16,986	1,989.3	.49	863	
Paraguay	1,854.3	.46	20,132	1,573	1,573	16,986	1,989.3	.49	863	
Peru	6,190.9	1.54	67,216	5,252	5,252	56,712	6,325.9	1.56	750	
Trinidad and Tobago	1,854.3	.46	20,132	1,573	1,573	16,986	1,989.3	.49	1,349	
United States	161,028.0	39.98	1,748,297	271,428	—	1,476,869	161,163.0	39.69	134,737	
Uruguay	4,953.7	1.23	53,783	4,203	4,203	45,377	5,088.7	1.25	1,153	
Venezuela	25,489.5	6.33	276,742	24,999	24,998	226,745	25,624.5	6.31	16,175	
Total	402,779.9	100.00	$4,373,022	$480,049	$252,050	$3,640,923	406,019.9	100.00	$214,840	$29,402

(1) In the Agreement Establishing the Bank, the authorized capital of the Bank is expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1959. In these terms, the authorized Ordinary Capital at December 31, 1972 was $5,150,000,000 (515,000 shares) comprised of $875,000,000 (87,500 shares) of "paid-in" capital and $4,275,000,000 (427,500 shares) of "callable" capital. In these financial statements the capital stock values are expressed in terms of current United States dollars.

As a result of the realignment of currency exchange rates which resulted in the maintenance of value adjustment by the members described in Appendix I-7, Note B, the authorized "paid-in" and "callable" capital subscriptions of each member as of May 8, 1972 were increased by 8.57% to reflect their value in terms of current United States dollars. The total amount of the increase as a result of this adjustment was $47,260,000 in "paid-in" capital and $287,428,000 in "callable" capital.

In terms of current United States dollars the authorized Ordinary Capital of the Bank at December 31, 1972 was $5,591,406,000, comprised of $949,996,000 in "paid-in" capital and $4,641,410,000 in "callable" capital.

Included in the authorized capital is an increase of $434,284,000 of "paid-in" capital and $1,737,136,000 of "callable" capital, which became effective in 1971. Subscriptions to the increase of "paid-in" capital are to be made in three equal annual installments beginning in 1971, except that for members whose subscriptions to the increase were $10,857,000 or less, payment is permitted in five equal annual installments beginning in 1971. Subscriptions to the increase of "callable" capital are to be made in two equal installments, the first in 1971 and the second in 1973. At December 31, 1972, twenty-two member countries had subscribed to a total of $1,109,703,000 of this increase, of which $266,894,000 is "paid-in" capital and $842,809,000 is "callable" capital.

(2) The subscribed "paid-in" capital has been or is to be paid 50% in gold and/or United States dollars and 50% in the currency of the respective member except for the subscription of Canada which is payable 100% in Canadian dollars.

(3) The subscribed "callable" portion of the authorized Ordinary Capital shall be called only when required to meet the obligations of the Bank created by borrowing or by guaranteeing loans with respect to the Ordinary Capital and is payable at the option of the member either in gold, United States dollars or the currency required to discharge the obligations of the Bank for the purpose for which the call is made.

(4) Non-negotiable, non-interest-bearing demand obligations have been accepted or will be accepted, as permitted under the provisions of Article V, Section 4 of the Agreement, in lieu of part of the member's subscription to the "paid-in" capital.

(5) Barbados became a member in March 1969 with a "paid-in" capital subscription payable one-half in United States dollars and one-half in member currency. The final installment on this subscription is due in 1973.

(6) Canada became a member on May 3, 1972 and has paid the equivalent of US$14,476,000. The balance of the "paid-in" capital subscription is to be paid in installments cf member currency equivalent to US$14,476,000 in each of the years 1973 and 1974.

(7) At December 31, 1972, one member country had paid the equivalent of US$4,720,000 in advance on its "paid-in" capital quota of the increase due in 1973, consisting of non-negotiable, non-interest-bearing demand obligations.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1972 AND 1971

Note A—Summary of Accounting Policies

This summary of accounting policies is presented to assist the reader in evaluating the accompanying financial statements. The Bank (Ordinary Capital) has consistently followed these policies which conform to generally accepted accounting principles.

Basis of Accounting

The Bank (Ordinary Capital) maintains its accounting records on the accrual basis of accounting except that furniture and equipment purchases are charged directly to expense.

Translation of Currencies

Amounts in member currencies other than United States dollars are translated into United States dollars at the rates at which the amounts were received or loaned by the Bank, except for accrued charges on certain loans denominated in member currencies other than United States dollars, which have been translated into United States dollars at approximate market rates of exchange existing at December 31, 1972 and 1971. Non-member currencies are translated into United States dollars at par value rates of exchange or central rates of exchange as applicable. Exchange gains or losses with respect to non-member currencies have been insignificant and are credited to income or charged to expense as incurred. No representation is made that any currency held by the Bank is convertible into any other currency at any rate or rates.

Investments

Investments in obligations of Governments are stated at cost adjusted for the amortization of premium or discount.

Land and Building

Land and building are stated at cost. Major improvements are capitalized while routine replacements, maintenance and repairs are charged to expense. Depreciation on the building is computed on the straightline method over its estimated useful life of 47 years.

Debt Issue Costs and Discounts

Debt issue costs and discount relating to the issuance of the Bank's (Ordinary Capital) funded debt are being amortized over the life of the issues under the bonds outstanding method.

Special Reserve

The amount of commissions earned by the Bank on loans made out of the Ordinary Capital resources is required under a provision of the Agreement Establishing the Bank to be segregated as a special reserve for meeting the Bank's obligations created by borrowing or by guaranteeing loans. On all loans granted to date the rate of commission is 1% per annum.

Fund for Special Supervision and Inspection of Loans

In accordance with the provisions of the loan contracts borrowers have agreed to special charges to cover the costs of supervision and inspection services performed in connection with projects or programs financed under the loans. Each loan is charged pursuant to the contract and the offsetting credit is accumulated in a special fund called "Fund for Special Supervision and Inspection of Loans". Expenses associated with supervision and inspection of these projects or programs are charged to the fund when incurred.

General Reserve

Pursuant to actions of the Board of Governors the net income from the Ordinary Capital resources of the Bank has been allocated to a general reserve for possible future losses and, until further action by the Board of Governors, the net income of each year is to be allocated automatically to such reserve.

Allocation of Administrative Expenses

Substantially all administrative expenses of the Bank are allocated between the Ordinary Capital and the Fund for Special Operations pursuant to an allocation method approved by the Board of Executive Directors. During 1972 and 1971 such expenses were charged 40% to the Ordinary Capital and 60% to the Fund for Special Operations.

Staff Retirement Plan

The Bank has a Staff Retirement Plan for the benefit of its employees. Every staff member under 65 becomes a participant as a condition of service and contributes a percentage of his remuneration to the Plan. The Bank as provided for by the Plan absorbs all operating expenses of the Plan and contributes that part of the actuarial cost not provided by the contributions of employees. Accrued costs under the Plan are charged to administrative expense when incurred.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1972 AND 1971
(continued)

Note B—Maintenance of Value

In accordance with Article V, Section 3 of the Agreement Establishing the Bank (Agreement), each member is required, if the par value of its currency is reduced or if the foreign exchange value of its currency depreciates to a significant extent, to pay to the Bank (Ordinary Capital) an additional amount of its own currency sufficient to maintain the value of all the currency of the member held by the Bank, excepting currency derived from borrowings by the Bank; likewise the Bank (Ordinary Capital) is required, if the par value of a member's currency is increased or the foreign exchange value of such member's currency appreciates to a significant extent, to return to such member an amount of its currency equal to the increase in value of such member's currency which is held by the Bank, excepting currency derived from borrowings by the Bank. The standard of value for these purposes shall be the United States dollar of the weight and fineness in effect on January 1, 1959. Article V, Section 3, also provides that these maintenance of value provisions may be waived by the Bank when a uniform proportionate change in the par value of the currencies of all the Bank's members is made by the International Monetary Fund.

On May 8, 1972, the United States dollar was officially devalued by approximately 8.57%. As a result of this action and similar actions by other member countries, the Bank requested the member countries to pay a total of $48,396,000 to the Bank to maintain the value of their respective currencies held by the Bank at May 8, 1972, excepting currencies held which were derived from borrowings. This amount was determined on the basis of 8.57% of the members' currencies held at May 8, 1972 and was $1,136,000 more than a proportionate 8.57% adjustment to the members' "paid-in" capital in order to reflect its value in terms of current United States dollars. The $1,136,000 has been credited to the General Reserve. In addition, $2,824,000 was charged to members to maintain the value of currency holdings in the Special Reserve at May 8, 1972 and has been credited to the Special Reserve.

Payments by member countries on account of maintenance of value adjustments may be made in the form of cash or non-negotiable, non-interest-bearing demand obligations. Amounts still due from members at December 31, 1972 are reflected in the accompanying balance sheet as "amounts required to maintain value of currency holdings".

Note C—Restricted Currencies

In accordance with the provisions of Article V, Section 1 of the Agreement, the use of these currencies by the Bank or any recipient from the Bank has been restricted by the members to making payments for goods and services produced in their territories.

Note D—Loans Outstanding Held by Bank

One of the Bank's borrowers, a private enterprise in Chile, has not paid interest and principal installments totalling the equivalent of US$2,068,000 which were due in May and November, 1972, on two loans. The total amount of the loans is the equivalent of US$9,602,000, including unpaid principal of US$8,968,000 and accrued interest of US$634,000. The loans are secured by first mortgages on the land, plant and equipment of the borrower. Discussions relating to collection of the overdue principal and interest installments are in process with the borrower, the outcome of which, in the opinion of the Bank management, should not materially affect the financial position of the Bank.

Note E—Miscellaneous Assets

One of the Bank's borrowers, a private enterprise in Brazil, defaulted on the interest and principal payments due in June, 1966 on two loans. The total amount of the loans is the equivalent of US$8,400,000, including unpaid principal of US$7,082,000 and accrued interest of US$418,000 which amounts have been reclassified to miscellaneous assets in the accompanying balance sheet at December 31, 1972. The Supreme Court of Brazil has upheld the Bank's right to foreclose on the plant, equipment and forest lands which secure the Bank's claim against the borrower.

In November, 1972, the Bank executed an agreement with the borrower which provides for transfer of the assets of the borrower to the Bank and the subsequent sale of these assets to liquidate the indebtedness over a period of five years from the date the agreement becomes effective. Any assets remaining after satisfaction of the indebtedness, including interest and expenses, would be returned to the borrower. The amounts which can be obtained as a result of this arrangement, or from other arrangements for disposition of the properties in the event the agreement does not become effective, cannot be determined at this time. However, in the opinion of the Bank management, the final settlement of these loans is not expected to have any material adverse effect on the financial position of the Bank.

Note F—Special Reserve

The special reserve assets at December 31, 1972 and 1971 consist of the following:

	(in thousands) 1972	1971
Due from Banks	$ 51	$ 75
Investments in United States Government obligations, at cost or amortized cost (face amount 1972—$37,858, 1971—$30,396)	37,829	30,226
Accrued loan commissions	2,616	2,222
Non-negotiable, non-interest-bearing demand obligations (Note B)	2,824	—
Total	$43,320	$32,523

Note G—Fund for Special Supervision and Inspection of Loans

The following is a summary of transactions in the "Fund for Special Supervision and Inspection of Loans" for 1972 and 1971:

		(in thousands) 1972		1971
Balance beginning of period		$2,812		$1,889
Charges against loans		1,953		1,884
Less expenses:				
Salaries of specialists and related benefits	$349		$398	
Other	502	851	563	961
Balance end of period		$3,914		$2,812

Note H—Commitments

The Bank rents certain of its office facilities under lease agreements which expire at various dates through 1978. The estimated annual rentals through 1977, under leases in effect at December 31, 1972 are as follows:

1973	$2,183,000
1974	2,341,000
1975	2,104,000
1976	1,416,000
1977	1,363,000

In connection with a planned consolidation of Washington, D.C. office facilities in 1973, the Bank expects to reduce its rent expenditures either by cancellation of a number of its leases or by subleasing the properties.

Note I—Staff Retirement Plan

Contributions to the Staff Retirement Plan by the Bank during 1972 and 1971 were $2,292,000 and $2,106,000, respectively. Such contributions were charged to the Ordinary Capital and the Fund for Special Operations in accordance with the Bank's policy for the allocation of administrative expenses. There was no unfunded liability as of December 31, 1971, the latest date through which actuarial computations have been made for the Plan.

Note J—Subsequent Event

On February 12, 1973, the United States dollar was devalued by approximately 11.1%, subject to legislative approval of the United States Congress. The ultimate effect on the Bank of this pending action and the actions that other member countries may be considering which relate to the maintenance of value provisions described in Note B cannot be determined at this time. No significant gain or loss is expected from the changes in the exchange rates of non-member currencies in relation to the United States dollar.

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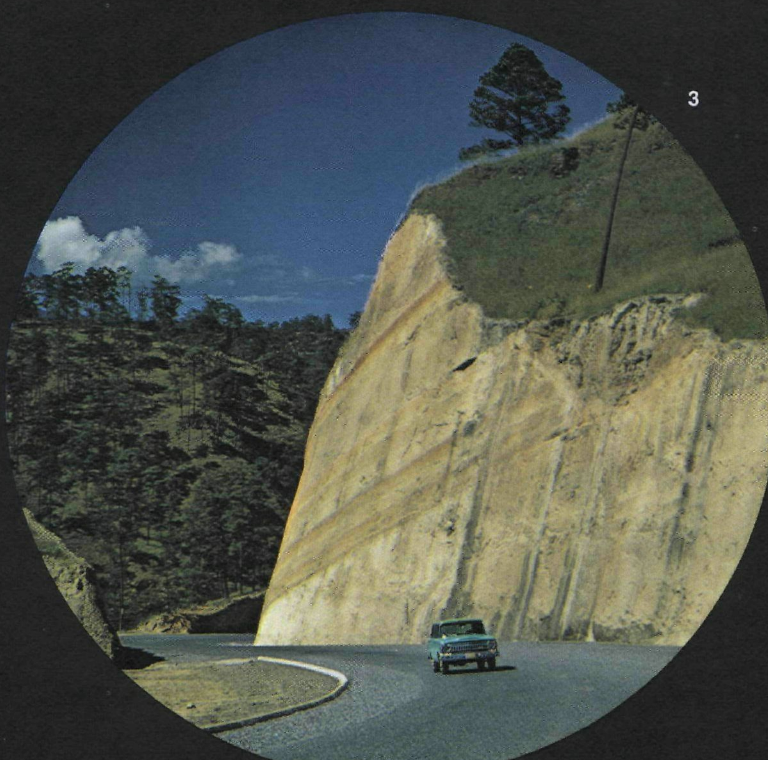
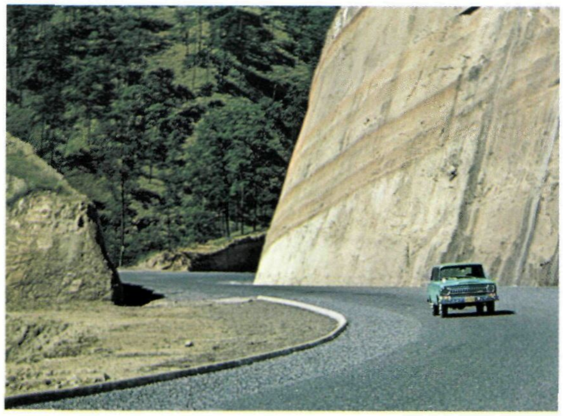


3

4

VARIETY OF SECTORS are covered by Bank's activities in Latin America. 1. Port of Bridgetown in Barbados where Bank is providing credit for tourism and industry. 2. Technician pores over agricultural plans in Trinidad and Tobago. 3. Highway unites San Pedro Sula and Tegucigalpa, Honduras. 4. Children play in front of housing project in Quito, Ecuador.



fund for special operations PART 2

FUND FOR SPECIAL OPERATIONS

Financial Highlights

The *net income* of the Fund for Special Operations in 1972 was $23,615,000 before deducting charges for technical assistance expenses, which amounted to $1,579,000. These figures compared with net income of $15,925,000 and technical assistance expenses of $1,551,000 in 1971.

The *gross income* from the Fund for Special Operations in 1972 amounted to $41,341,000, compared with $33,103,000 in 1971. The 1972 income included $27,102,000 derived from interest on loans, $7,685,000 from commitment charges, $5,301,000 from commissions, $997,000 from investments and $256,000 from other sources.

As of Dec. 31, 1972, the *general reserve* of the Fund for Special Operations had risen to $61,526,000, compared with $39,490,000 at the end of 1971.

Total *administrative expenses,* including depreciation, chargeable to the Fund for Special Operations in 1972 were $17,726,000 compared with $17,178,000 in 1971.

Repayments on loans in 1972 amounted to $45,315,000, compared with $34,534,000 in 1971, bringing total repayments at the end of the year to $137,169,000.

The audited financial statements of the Fund for Special Operations are contained in the following pages.

fund for
special
operations

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors
Inter-American Development Bank

In our opinion, the accompanying financial statements set forth in the index below (Appendices II-1 to II-6) present fairly, in terms of United States currency, the financial position of Inter-American Development Bank—Fund for Special Operations at December 31, 1972 and 1971, the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.
PRICE WATERHOUSE & CO.

Washington, D.C.
February 20, 1973

FINANCIAL STATEMENTS APPENDIX

INTER-AMERICAN DEVELOPMENT BANK — FUND FOR SPECIAL OPERATIONS

BALANCE SHEETS

DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix II-6

ASSETS	1972		1971	
Due from banks				
Unrestricted member currencies	$ 319,885		$ 184,374	
Restricted member currencies (Note C)	71,300	$ 391,185	41,344	$ 225,718
Investments				
Obligations of Governments, at amortized cost (face amount 1972—$8,038; 1971—$6,000)	7,913		5,921	
Time deposits in Canadian dollars	21,887	29,800	—	5,921
Loans outstanding held by Bank (Appendix II-4)				
Total loans approved by Bank since inception, less cancellations	2,687,141		2,404,859	
Less principal repayments to Bank and loans sold	272,004		202,514	
Less undisbursed balance of approved loans held by Bank	1,407,887	1,007,250	1,404,349	797,996
Accrued interest and other charges				
Time deposits	66		—	
Loans	11,250	11,316	9,392	9,392
Due from members in member currencies				
Contribution quotas receivable (Appendix II-5)	979,900		2,629	
Non-negotiable, non-interest-bearing demand obligations including the following restricted amounts: 1972—US$1,311,770; 1971—US$1,122,911 (Appendix II-5) (Note C)	1,543,191		1,331,151	
Amounts required to maintain value of currency holdings (Note B)	94,006	2,617,097	—	1,333,780
Advance contribution quotas		—		26,877
Other assets		646		185
Total assets		$4,057,294		$2,399,869
LIABILITIES, SPECIAL FUNDS AND FUND BALANCE				
Liabilities				
Accrued expenses and accounts payable		$ 1,244		$ 1,277
Special letters of credit		2,760		652
Special funds				
Funds held in trust (Note D)		1,416		1,195
Fund for Special Supervision and Inspection of loans (Note E)		2,739		2,369
Advance contribution quotas		—		26,877
Fund balance				
Contribution quotas authorized and subscribed (Appendix II-5)	$3,987,609		$2,328,009	
General reserve (Appendix II-2) (Note A)	61,526	4,049,135	39,490	2,367,499
Total liabilities, special funds and Fund balance		$4,057,294		$2,399,869

STATEMENTS OF INCOME AND EXPENSES

YEARS ENDED DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix II-6

Income	1972		1971	
From loans				
Interest	$27,102		$21,313	
Commitment charges	7,685		7,483	
Commissions	5,301	$40,088	3,854	$32,650
From investments		997		249
From other sources		256		204
Gross income		41,341		33,103
Expenses				
Administrative expenses (Note A) (Appendix I-7, Note I)				
Salaries	9,694		9,043	
Other compensation and benefits	3,365		3,145	
Office occupancy	1,354		1,413	
Other	3,573		3,873	
	17,986		17,474	
Less amounts charged to Social Progress Trust Fund for indirect and overhead expenses by Bank as Administrator (Appendix III-2)	260		296	
Total administrative expenses		17,726		17,178
Net income		$23,615		$15,925

STATEMENTS OF CHANGES IN GENERAL RESERVE

	1972	1971
Net income	$23,615	$15,925
Less technical assistance (Note F)	1,579	1,551
	22,036	14,374
General reserve beginning of year	39,490	25,116
General reserve end of year (Note A)	$61,526	$39,490

INTER-AMERICAN DEVELOPMENT BANK — FUND FOR SPECIAL OPERATIONS

STATEMENTS OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix II-6

	1972	1971
Source of funds		
Provided from operations		
Net income (Appendix II-2)	$ 23,615	$ 15,925
Deduct income not providing cash funds	(1,957)	(1,226)
Cash funds provided from operations	21,658	14,699
Contribution quotas subscribed by members	1,659,600	—
Reduction in notes and receivables due from members	—	196,764
Loan repayments	45,315	34,534
Proceeds from loan participations	26,368	21,762
Other	591	810
Total source of funds	1,753,532	268,569
Application of funds		
Loan disbursements	276,635	248,416
Technical assistance	1,579	1,551
Increase in notes and receivables due from members	1,283,317	—
Repayments to participants	2,194	1,213
Other	461	—
Total application of funds	1,564,186	251,180
Increase in cash funds	$ 189,346	$ 17,389
Analysis of increase in cash funds		
Due from banks	$ 165,467	$ 15,387
Investments	23,879	2,002
	$ 189,346	$ 17,389

SUMMARY STATEMENTS OF LOANS

DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix II-6

Member in whose territory loans have been made (1)	Total loans approved by Bank since inception, less cancellations (2)	Principal repayments to Bank	Loans sold	Approved loans held by Bank			Currency in which outstanding portion of approved loans held by Bank is repayable	
				Total	Undisbursed	Outstanding	United States dollars	Member's currency
Argentina	$ 230,709	$ 5,453	$ 10,815	$ 214,441	$ 152,997	$ 61,444	$ 2,142	$ 59,302
Barbados	3,800	—	—	3,800	3,769	31	—	31
Bolivia	110,983	22,116	2,960	85,907	56,165	29,742	1,946	27,796
Brazil	517,641	28,695	29,949	458,997	219,438	239,559	13,044	226,515
Chile	163,173	14,056	14,234	134,883	48,407	86,476	552	85,924
Colombia	225,271	7,427	15,115	202,729	116,837	85,892	1,154	84,738
Costa Rica	46,338	1,890	3,145	41,303	28,358	12,945	—	12,945
Dominican Republic	74,194	1,663	2,791	69,740	39,140	30,600	—	30,600
Ecuador	109,062	5,583	1,000	102,479	81,385	21,094	2,400	18,694
El Salvador	62,582	65	1,450	61,067	57,013	4,054	159	3,895
Guatemala	52,782	1,358	2,510	48,914	22,198	26,716	—	26,716
Haiti	23,438	1,499	—	21,939	16,537	5,402	—	5,402
Honduras	77,502	5,992	3,796	67,714	36,991	30,723	3,550	27,173
Jamaica	17,900	—	—	17,900	8,828	9,072	—	9,072
Mexico	318,131	9,550	7,820	300,761	139,835	160,926	114,768	46,158
Nicaragua	58,798	4,400	7,391	47,007	29,817	17,190	—	17,190
Panama	67,273	4,101	8,270	54,902	26,355	28,547	1,040	27,507
Paraguay	122,558	6,558	650	115,350	66,848	48,502	16,047	32,455
Peru	157,855	4,453	15,784	137,618	81,012	56,606	85	56,521
Trinidad and Tobago	28,300	95	—	28,205	23,943	4,262	—	4,262
Uruguay	39,247	1,189	935	37,123	30,771	6,352	—	6,352
Venezuela	119,500	1,653	12,030	105,817	89,395	16,422	7,743	8,679
Regional	60,104	3,563	—	56,541	31,848	24,693	10,909	13,784
Total 1972	$2,687,141	$131,359	$140,645	$2,415,137	$1,407,887 (3)	$1,007,250	$175,539	$831,711
Total 1971	$2,404,859	$ 88,238	$114,276	$2,202,345	$1,404,349 (3)	$ 797,996	$181,545	$616,451

(1) The Bank makes loans to its members, agencies or political subdivisions thereof or to private enterprises located in the territories of its members. For loans to borrowers other than members or central banks, the Bank in most instances has received either the member's guarantee or other security deemed appropriate by the Bank.

(2) All of the loans have been approved by the Bank, but certain loans have not become effective and disbursements thereunder will not begin until the borrower and guarantor, if any, take certain action and furnish certain documents to the Bank.

(3) Of the undisbursed balances the Bank has entered into irrevocable commitments to disburse approximately $40,000,000 at December 31, 1972 and $23,500,000 at December 31, 1971.

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS

STATEMENT OF CONTRIBUTION QUOTAS

DECEMBER 31, 1972

Expressed in thousands of United States Dollars—See Notes to Financial Statements—Appendix II-6

Member	Contribution quotas authorized and subscribed (6): Before maintenance of value adjustment	Maintenance of value adjustment (1)	Total (1)	Due from members: Non-negotiable, non-interest-bearing demand obligations (2)	Contribution quotas receivable
Argentina	$ 115,086	$ 9,209	$ 124,295	$ 65,000	
Barbados (3)	806	19	825	362	$ 267
Bolivia	17,990	1,845	19,835	11,622	3,938
Brazil	224,067	11,633	235,700		49,041
Canada (4)	60,234	5,142	65,376		43,429
Chile	61,522	3,539	65,061	16,457	13,466
Colombia	61,481	3,150	64,631		13,457
Costa Rica	8,994	469	9,463		1,968
Dominican Republic	11,993	626	12,619		2,625
Ecuador	11,993	552	12,545		2,625
El Salvador	8,994	378	9,372	2,406	1,968
Guatemala	11,993	581	12,574		2,625
Haiti	8,994	945	9,939	7,350	1,968
Honduras	8,994	723	9,717		1,968
Jamaica (5)	11,993	505	12,498	7,085	3,962
Mexico	144,053	6,180	150,233		31,529
Nicaragua	8,994	651	9,645		3,936
Panama	8,994	501	9,495	2,406	1,968
Paraguay	8,994	1,126	10,120	5,958	1,968
Peru	30,010	1,489	31,499	14,527	6,569
Trinidad and Tobago	8,994	372	9,366	5,406	1,968
United States	2,800,000	110,047	2,910,047	1,357,202	725,000
Uruguay	24,029	1,016	25,045		5,260
Venezuela	120,060	5,019	125,079	47,410	58,395
Total, before unallocated amount	3,779,262	165,717	3,944,979	$1,543,191	$979,900
Unallocated		42,630	42,630		
Total, including unallocated amount	$3,779,262	$208,347	$3,987,609		

(1) In connection with the maintenance of value adjustments described in Appendix II-6, Note B, the authorized and subscribed contribution quotas of the members as of May 8, 1972 were increased by $208,347,000. The members have been requested to pay $165,717,000 which has been credited to their respective authorized and subscribed contribution quotas. The balance of $42,630,000 represents payment obligations for maintenance of value of outstanding loans as of May 8, 1972 which may be repaid in the currency disbursed or in the currency of the borrower at the option of the borrower. The Board of Executive Directors has interpreted the Agreement as placing the responsibility for maintaining the value of these loans upon the member whose currency is eventually used for repayment. Accordingly, the $42,630,000 has been credited to the authorized and subscribed contribution quotas without allocation to individual members, pending future collections and a determination of the corresponding maintenance of value responsibility.
Included in the authorized contribution quotas is an increase of $1,500,000,000 which became effective in December 1972. At December 31, 1972, twenty-two members had subscribed to $1,391,019,000 of the increase and had made payments thereon in the amount of $455,975,000. Pursuant to the approval of the Board of Governors payments of the increase are to be made in terms of the par value of the United States dollar in effect at the respective quota payment date. The United States has subscribed to $1,000,000,000 of this increase and had paid $275,000,000 at December 31, 1972. Payment of the balance of $725,000,000 is subject to appropriation by the United States Congress. The remaining balance of each member's subscription is due by December 31, 1973. Subscriptions to the increase are payable in the currencies of the respective members.

(2) Non-negotiable, non-interest-bearing demand obligations have been accepted or will be accepted as permitted under the provisions of Article V, Section 4 of the Agreement in lieu of the part of the payment required to be made in the member's currency.

(3) Barbados became a member in March 1969 with an initial subscribed contribution quota, as adjusted, of $449,000 payable one-half in United States dollars and one-half in member currency. The final installment on this subscription is due in 1973.

(4) *Canada became a member on May 3, 1972 with subscribed contribution quotas, as* adjusted, of US$65,142,000 payable in Canadian dollars in three equal annual installments through 1974. In addition, the Canadian contribution quota is to be increased by collections after May 3, 1972 on loans extended from the Canadian Trust Fund (Can$74,000,000) which is administered by the Bank. As of December 31, 1972, US$234,000 has been collected and transferred to the Fund for Special Operations.

(5) Jamaica became a member in December 1969 with an initial subscribed contribution quota, as adjusted, of $6,687,000 payable in United States dollars (7%) and member currency (93%). The final installment on this subscription is due in 1973.

(6) In making decisions concerning operations of the Fund, the number of votes and percent of total vote for each member are the same as shown in Appendix I-6 of the financial statements of the Ordinary Capital. All such decisions shall be adopted by at least a two-thirds majority of the total voting power.

INTER-AMERICAN DEVELOPMENT BANK — FUND FOR SPECIAL OPERATIONS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1972 AND 1971

Note A—Summary of Accounting Policies

This summary of accounting policies is presented to assist the reader in evaluating the accompanying financial statements. The Bank (Fund for Special Operations) has consistently followed these policies which conform to generally accepted accounting principles.

Basis of Accounting

The Bank (Fund for Special Operations) maintains its accounting records on the accrual basis of accounting except that furniture and equipment purchases are charged directly to expense.

Translation of Currencies

Amounts in member currencies other than United States dollars are translated into United States dollars at the rates at which the amounts were received or loaned by the Bank, except for accrued charges on certain loans denominated in member currencies other than United States dollars, which have been translated into United States dollars at approximate market rates of exchange existing at December 31, 1972 and 1971. No representation is made that any currency held by the Bank is convertible into any other currency at any rate or rates.

Investments

Investments in obligations of Governments are stated at cost adjusted for the amortization of premium or discount.

Fund for Special Supervision and Inspection of Loans

In accordance with the provisions of the loan contracts borrowers have agreed to special charges to cover the costs of supervision and inspection services performed in connection with projects or programs financed under the loans. Each loan is charged pursuant to the contract and the offsetting credit is accumulated in a special fund called "Fund for Special Supervision and Inspection of Loans". Expenses associated with supervision and inspection of these projects or programs are charged to the fund when incurred.

General Reserve

Pursuant to actions of the Board of Governors the net income of the Fund for Special Operations, after deduction of technical assistance expenditures, has been allocated to a general reserve for possible future losses and, until further action by the Board of Governors, the net income of each year, less technical assistance expenditures, is to be allocated automatically to such reserve.

Allocation of Administrative Expenses

Substantially all administrative expenses of the Bank are allocated between the Fund for Special Operations and the Ordinary Capital pursuant to an allocation method approved by the Board of Executive Directors. During 1972 and 1971 such expenses were charged 60% to the Fund for Special Operations and 40% to the Ordinary Capital.

Note B—Maintenance of Value

In accordance with Article V, Section 3 of the Agreement Establishing the Bank (Agreement), each member is required, if the par value of its currency is reduced or if the foreign exchange value of its currency depreciates to a significant extent, to pay to the Bank (Fund for Special Operations) an additional amount of its own currency sufficient to maintain the value of all the currency of the member held in the Fund, excepting currency derived from borrowings by the Fund; likewise the Bank (Fund for Special Operations) is required, if the par value of a member's currency is increased or the foreign exchange value of such member's currency appreciates to a significant extent, to return to such member an amount of its currency equal to the increase in value of such member's currency which is held in the Fund, excepting currency derived from borrowings by the Fund. The standard of value for these purposes shall be the United States dollar of the weight and fineness in effect on January 1, 1959, except that the standard of value for currencies derived from the $1,500,000,000 increase in contribution quotas which became effective in 1972 shall be the par value of the United States dollar in effect in the International Monetary Fund on the respective due date for each installment to the increase. Article V, Section 3 also provides that these maintenance of value provisions may be waived by the Bank when a uniform proportionate change in the par value of the currencies of all the Bank's members is made by the International Monetary Fund.

On May 8, 1972, the United States dollar was officially devalued by approximately 8.57%. As a result of this action and similar

INTER-AMERICAN DEVELOPMENT BANK — FUND FOR SPECIAL OPERATIONS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1972 AND 1971
(continued)

actions by other member countries the Bank has recorded the obligations of the member countries to pay the equivalent of $208,347,000 to maintain the value of their respective currencies held by the Bank (Fund for Special Operations) at May 8, 1972.

Payments by member countries on account of maintenance of value adjustments may be made in the form of cash or non-negotiable, non-interest-bearing demand obligations. Amounts still due from members at December 31, 1972 are reflected in the accompanying balance sheet as "amounts required to maintain value of currency holdings".

Note C—Restrictions on Currencies and United States Contributions

In accordance with the provisions of Article V, Section 1 of the Agreement, the use of these currencies by the Bank or any recipient from the Bank has been restricted by the members to making payments for goods and services produced in their territories.

Pursuant to the provisions of the same Section, approximately $2,750,000,000 (in terms of current United States dollars) of the contributions of the United States to the Fund for Special Operations have been or are restricted to making payments for the acquisition of goods or services from the United States, for the acquisition of goods or services of local origin in the country in which the project is located, or for the acquisition of goods or services produced in other countries which are members of the Bank if in the judgment of the Bank such transaction would be advantageous to the borrower.

Note D—Funds Held in Trust

Funds held in trust at December 31, 1972 and 1971 include the undisbursed amounts of direct contributions by member countries, and contributions of the Fund for Special Operations and the Social Progress Trust Fund for the purpose of financing preinvestment studies in member countries and the activities of the Institute for Latin American Integration, which is a dependency of the Bank. Also included in funds held in trust is a fund established by the United Nations Development Programme, which is administered by the Bank.

Note E—Fund for Special Supervision and Inspection of Loans

The following is a summary of the transactions in the "Fund for Special Supervision and Inspection of Loans" for 1972 and 1971:

	(in thousands) 1972		1971	
Balance beginning of period		$2,369		$2,178
Charges against loans		3,229		3,213
Less expenses:				
Salaries of specialists and related benefits	$1,306		$1,286	
Other	1,553	2,859	1,736	3,022
Balance end of period		$2,739		$2,369

Note F—Technical Assistance

Under the provisions of Article VI of the Agreement the Bank may, at the request of any member or members or of private firms that may obtain loans from it, provide technical advice and assistance. At December 31, 1972 the amount approved by the Bank for non-reimbursable technical assistance projects which had not yet been disbursed at that date was $3,422,000. Pursuant to resolutions of the Board of Executive Directors, all non-reimbursable technical assistance expenditures incurred during 1972 and 1971 were charged to the net income of the Fund for Special Operations.

The accumulated technical assistance expenditures made by the Fund as of December 31, 1972 include $720,000 which may be reimbursed to the Fund if loans are granted as a result of the respective technical assistance projects.

Note G—Subsequent Event

On February 12, 1973, the United States dollar was devalued by approximately 11.1%, subject to legislative approval of the United States Congress. The ultimate effect on the Bank of this pending action and the actions that other member countries may be considering which relate to the maintenance of value provisions described in Note B cannot be determined at this time.

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UNIVERSITY, VOCATIONAL AND TECHNICAL education institutions—more than 600 of them—are being expanded with Bank help. 1. Students peer through microscope at College of Medicine and Pharmacy in Haiti. 2. Students chat in front of new building of University of Costa Rica in San José. 3. Campus of Andrés Bello Catholic University looms on horizon of Caracas. 4. Students study in library of private University of Concepción in Chile.

social progress trust fund PART 3

(Administered by the Inter-American Development Bank as Administrator under the Social Progress Trust Fund Agreement executed between the United States Government and the Bank June 19, 1961)

SOCIAL PROGRESS TRUST FUND

Financial Highlights

The *income* of the Social Progress Trust Fund in 1972 amounted to $12,-068,000, in excess of administrative expenses, before deducting charges for technical assistance costs amounting to $2,486,000 and exchange adjustments of $1,445,000. These figures compared with $11,700,000 in income and $2,630,000 in technical assistance expenses, $3,941,000 in exchange adjustments and $86,000 of loan supervision and inspection expenses in 1971.

Gross income for the year was $12,-740,000, compared with $12,552,000 in 1971. The 1972 gross income included $6,728,000 derived from interest on loans, $2,912,000 from service charges on loans, $2,981,000 from income received from participations taken in loans from the Fund for Special Operations and $119,000 from investments and other sources.

Administrative expenses chargeable to the Trust Fund in 1972 amounted to $672,000 compared with $852,000 in 1971.

Repayments by borrowers on loans during 1972 amounted to $21,399,000 compared with $19,274,000 in 1971, and brought total repayments as of Dec. 31, 1972 to $117,246,000.

During 1972 the Bank authorized the use of $26,368,000 in dollars and member currencies from repayments on previous Trust Fund loans to purchase participations in loans authorized from the Fund for Special Operations. These purchases brought the cumulative total as of Dec. 31, 1972, to $128,834,000, net of repayments and provision for unrealized exchange adjustments.

The audited financial statements of the Social Progress Trust Fund are contained in the following pages.

social
progress
trust fund

REPORT OF INDEPENDENT ACCOUNTANTS

Inter-American Development Bank
Administrator of the Social Progress Trust Fund

In our opinion, the accompanying financial statements set forth in the index below (Appendices III-1 to III-5) present fairly, in terms of United States currency, the financial position of the Social Progress Trust Fund, which is administered by the Inter-American Development Bank, at December 31, 1972 and 1971, the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co

PRICE WATERHOUSE & CO.

Washington, D.C.
February 20, 1973

FINANCIAL STATEMENTS — APPENDIX

SOCIAL PROGRESS TRUST FUND

ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEETS

DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix III-5

ASSETS	1972		1971	
Due from banks				
United States dollars	$ 295		$ 113	
Currencies other than United States dollars	24,534	$ 24,829	19,780	$ 19,893
Investments				
United States Government obligations, at amortized cost (face amount 1972—$3,600; 1971—$1,300)		3,561		1,281
Loans outstanding (Appendix III-4)				
Total loans approved since inception, less cancellations	494,191		494,191	
Less principal repayments	117,246	376,945	95,847	398,344
Participations in loans made from Fund for Special Operations, less provision for unrealized exchange adjustments; 1972—$6,000; 1971—$4,500 (Appendix III-4) (Note C)		128,834		106,160
Accrued charges on loans and participations		3,105		3,161
Available from United States Government		18,130		18,130
Other assets		48		267
Total assets		$555,452		$547,236
LIABILITIES AND FUND BALANCE				
Liabilities				
Accrued expenses and accounts payable		$ 853		$ 774
Fund balance				
Fund established by United States Government (Note B)	$525,000		$525,000	
Cumulative excess of income at beginning of year	21,462		16,419	
Excess of income over expenses during the year (Appendix III-2)	8,137	554,599	5,043	546,462
Total liabilities and fund balance		$555,452		$547,236

STATEMENTS OF INCOME AND EXPENSES

YEARS ENDED DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix III-5

	1972		1971	
Income				
From loans				
Interest	**$ 6,728**		$ 7,063	
Service charges	**2,912**	**$ 9,640**	3,056	$10,119
From participations (Note C)		**2,981**		2,398
From investments and other		**119**		35
Gross income		**12,740**		12,552
Administrative expenses (Note B)				
Staff salaries	**195**		220	
Other	**44**		138	
Indirect and overhead expenses (Note B)				
Paid or payable to Bank—Ordinary Capital (Appendix I-2)	**173**		198	
Paid or payable to Bank—Fund for Special Operations (Appendix II-2)	**260**		296	
Total administrative expenses		**672**		852
Excess of income over administrative expenses		**12,068**		11,700
Technical assistance and special charges				
Technical assistance (Note D)	**2,486**		2,630	
Adjustments in United States dollar equivalents of Latin American currencies of the Trust Fund (Note A)	**1,445**		3,941	
Loan supervision and inspection expenses	**—**	**3,931**	86	6,657
Excess of income over expenses		**$ 8,137**		$ 5,043

ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK

STATEMENTS OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix III-5

	1972	1971
Source of funds		
Provided from operations		
Excess of income over expenses (Appendix III-2)	**$ 8,137**	$ 5,043
Add expenses not requiring cash funds	**1,635**	4,389
Cash funds provided from operations	**9,772**	9,432
Loan repayments	**21,399**	19,274
Reduction in amount available from the United States Government		700
Repayments of participations in loans of the Fund for Special Operations	**2,194**	1,213
Other	**219**	—
Total source of funds	**33,584**	30,619
Application of funds		
Loan disbursements	—	1,483
Participations in loans of the Fund for Special Operations	**26,368**	21,762
Other	—	165
Total application of funds	**26,368**	23,410
Increase in cash funds	**$ 7,216**	$ 7,209
Analysis of increase in cash funds		
Due from banks	**$ 4,936**	$ 5,928
Investments	**2,280**	1,281
	$ 7,216	$ 7,209

SUMMARY STATEMENTS OF LOANS AND PARTICIPATIONS

DECEMBER 31, 1972 AND 1971

Expressed in thousands of United States Dollars — See Notes to Financial Statements — Appendix III-5

Countries in which loans and participations in loans have been made (1)	Total loans approved since inception, less cancellations	Loans Outstanding held by the Trust Fund (2)		Participations in loans of the Fund for Special Operations (Note C)	
		December 31, 1972	December 31, 1971	December 31, 1972	December 31, 1971
Argentina	$ 43,500	$ 32,835	$ 34,775	$ 9,980	$ 7,690
Bolivia	14,548	11,505	12,050	2,960	2,280
Brazil	61,510	50,663	52,809	29,323	25,616
Chile	34,352	25,940	27,690	13,244	10,358
Colombia	49,008	37,695	39,655	14,376	11,644
Costa Rica	11,700	9,391	9,930	2,863	2,321
Dominican Republic	8,407	6,596	6,903	2,680	1,840
Ecuador	27,448	22,698	23,585	1,000	500
El Salvador	21,952	18,771	19,378	1,450	700
Guatemala	14,320	11,915	12,379	2,460	2,110
Honduras	7,602	5,930	6,246	2,882	2,563
Mexico	34,927	26,670	27,940	7,727	6,549
Nicaragua	13,035	10,034	10,641	7,062	6,495
Panama	12,862	10,258	10,747	8,270	7,670
Paraguay	7,799	6,582	6,930	650	350
Peru	45,108	35,000	37,692	15,453	13,449
Uruguay	10,350	9,080	9,613	935	935
Venezuela	72,861	43,856	47,677	11,519	7,590
Central American Countries—Five Universities	2,902	1,526	1,704		
Total	$494,191	$376,945	$398,344	$134,834	$110,660
Less: Provision for unrealized exchange adjustments (Note A)				(6,000)	(4,500)
				$128,834	$106,160

(1) Loans from the resources of the Trust Fund are made to member countries of the *Inter-American Development Bank, agencies or political subdivisions thereof or to* private enterprises located in the territories of such members. For loans to borrowers other than members and central banks, the Bank as Administrator has received in most instances the member's guarantee.

(2) Loan disbursements have been made in United States dollars except for certain loans for which disbursements have been made in the national currencies of the borrowers. In accordance with the provisions of practically all loan agreements, repayments may be made in the national currency of the borrower at the approximate market rate of exchange existing at the date of repayment or in United States dollars at the election of the borrower.

ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1972 AND 1971

Note A—Summary of Accounting Policies

This summary of accounting policies is presented to assist the reader in evaluating the accompanying financial statements. The Bank as Administrator of the Social Progress Trust Fund has consistently followed these policies which conform to generally accepted accounting principles.

Basis of Accounting

The accounting records of the Social Progress Trust Fund are maintained on the accrual basis of accounting.

Translation of Accounts

Amounts due from banks in currencies other than United States dollars, participations in loans and accrued charges on loans and participations have been translated into United States dollars at the approximate market rates of exchange existing at December 31, 1972 and 1971. Exchange gains or losses in the United States dollar equivalents of Latin American currencies held by the Trust Fund are credited to income or charged to expense as incurred. Loans made in the national currencies of the borrowers have been translated into United States dollar equivalents at the rates at which the amounts were loaned. Loans are repayable in terms of their original United States dollar equivalents based upon market rates of exchange existing at the time of collection or in United States dollars. No representation is made that any currency held by the Fund is convertible into any other currency at any rate or rates.

Investments

Investments in Government obligations are stated at cost adjusted for the amortization of discount.

Provision for Unrealized Exchange Adjustments

The Trust Fund follows a policy of providing for unrealized exchange adjustments to the principal amounts of participations in loans of the Fund for Special Operations which are denominated in local currencies. The purpose of this policy is to cover potential exchange rate differences between the Trust Fund and the Fund for Special Operations which may exist at the time of repayment of the participations. The amount of the provision at December 31, 1972 and 1971 is based on exchange rate differences between the two funds at those dates. Additions to the provision during 1972 and 1971 have been charged to expense.

Note B—Social Progress Trust Fund

In 1961 the Government of the United States of America and the Inter-American Development Bank entered into an Agreement whereby the Bank became Administrator of the Social Progress Trust Fund. Pursuant to the Agreement, the Bank charges the Trust Fund for salary costs of certain of its professional staff, other direct expenses and the Fund's share of allowable overhead expenses. At December 31, 1972, the Government of the United States and the Bank have agreed on final overhead rates for all years through 1971 and to continue to use the most recent agreed upon rate of $2.25 per $1.00 of salary cost on a provisional basis for 1972 and later years, until such time as further overhead rate studies are completed.

Note C—Participations in Loans made from Fund for Special Operations

The Board of Executive Directors has authorized the use of the resources of the Social Progress Trust Fund to participate in the dollar or local currency portions of loans made from the Fund for Special Operations provided that, with respect to such loans, the provisions of the Social Progress Trust Fund Agreement have in substance been complied with as fully as though the loans had been made initially from the Trust Fund. Through the purchase of participations in the local currency component of loans made from the Fund for Special Operations, the value of which must be maintained by the respective borrowers, it has been possible to substantially maintain the value of the Trust Fund resources so invested. Participations in the dollar portions of loans made from the Fund for Special Operations have not been made since March 1970.

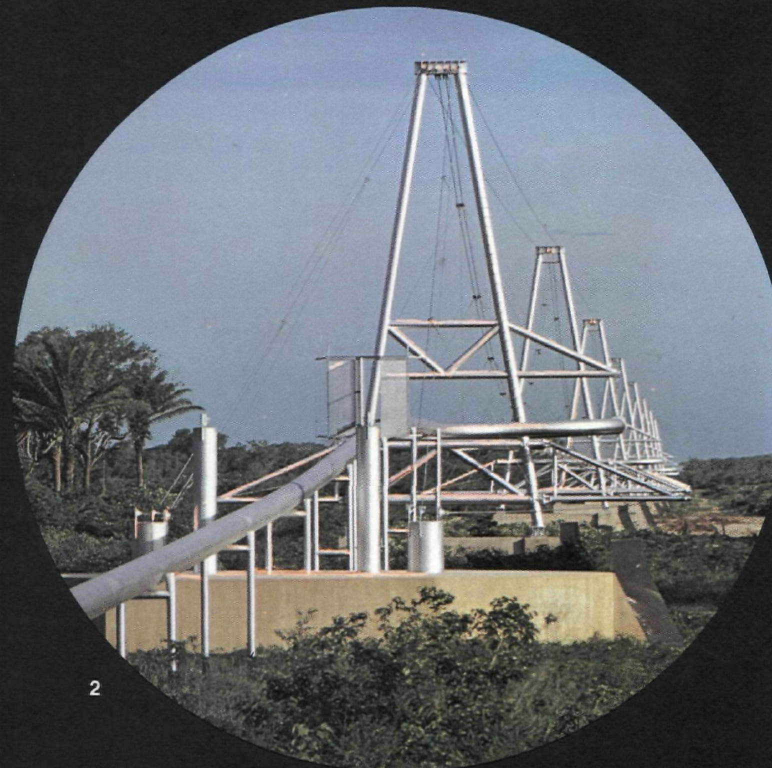
Note D—Technical Assistance

Under the provisions of the Agreement the Bank as Administrator may provide technical advice and assistance to Latin American member countries and their nationals. At December 31, 1972 the amount approved by the Bank as Administrator for technical assistance projects which had not yet been disbursed at that date was $6,877,000. The accumulated technical assistance expenditures made by the Bank as Administrator as of December 31, 1972 include $875,000 which may be reimbursed to the Bank as Administrator if loans are granted as a result of technical assistance projects.

Note E—Subsequent Events

The changes in exchange rates of the United States dollar and local currencies after December 31, 1972 are expected to have an insignificant effect on the financial position and results of operations of the Social Progress Trust Fund.


1


2

3

4

PIPELINES, TIRE FACTORY AND CLOTHING plant spell development. 1. Tires roll from plant in Argentina. 2. New pipeline in Bolivia carries gas 330 miles south to Argentina. 3. Pipe is lowered for 448-mile gas line being built to connect fields in lower Patagonia with the main line serving Buenos Aires. 4. Seamstresses work at clothing plant in Haiti.

other resources
PART 4

OTHER RESOURCES

As indicated in the chapter on the Bank's activities in 1972, a principal concern of the Inter-American Bank has been that of mobilizing additional resources for Latin America's development from countries which are not members of the Bank, as well as entering into special arrangements to administer funds for members. The year's activities in this regard, including the mobilization of resources and loans approved from such funds, have been detailed in that section.

To give an overall view of these activities, however, the cumulative arrangements which the Bank has entered with other countries up to Dec. 31, 1972, are briefly detailed in the following section. These include:

- Borrowings composed of bond sales and direct loans totaling $650 million in 15 countries, including Austria, Belgium, Finland, France, Germany, Israel, Italy, Japan, the Netherlands, Norway, South Africa, Spain, Sweden, Switzerland and the United Kingdom.
- Funds totaling $114 million administered by the Bank through agreements with Canada (now a member), Germany, Norway, Sweden and the United Kingdom, as well as with the Vatican and the Inter-Governmental Committee for European Migration.
- Parallel or independent financing agreements with Canada and the Netherlands totaling $54 million.
- Sale of participations in Bank loans and other similar arrangements totaling $50 million in 10 countries, including Belgium, Canada, Finland, Germany, Italy, Japan, the Netherlands, Spain, Switzerland and the United Kingdom, as well as United Nations agencies.

These arrangements are summarized in the accompanying table.

FINANCIAL ARRANGEMENTS
(In Thousands of Dollars)

TOTAL		DETAIL BY ARRANGEMENTS			
Country	Amount	Bond Issues and Loans	Parallel and Independent Financing	Participations and Others	Funds under Administration
Austria	$ 19,313	$ 19,313	$ —	$ —	$ —
Belgium	16,515	15,619	—	896	—
Canada	90,644	—	14,851	2,526	73,267
Finland	11,100	1,100	—	10,000	—
France	39,094	39,094	—	—	—
Germany	246,163	235,842	—	105	10,216
Israel	5,000	5,000	—	—	—
Italy	78,256	77,386	—	870	—
Japan	99,993	81,818	—	18,175	—
Netherlands	59,273	20,341	38,832	100	—
Norway	6,000	4,000	—	—	2,000
South Africa	2,500	2,500	—	—	—
Spain	20,000	12,500	—	7,500	—
Sweden	21,621	16,621	—	—	5,000
Switzerland	94,156	93,748	—	408	—
United Kingdom	47,169	24,959	—	1,275	20,935
Vatican	1,007	—	—	—	1,007
ICEM	1,250	—	—	—	1,250
UN Development Fund	8,197	—	—	8,197	—
TOTAL	$867,251	$649,841	$53,683	$50,052	$113,675

Bond Issues and Loans

The $650 million raised through the sale of bonds and direct borrowings in 15 nonmember countries included:

AUSTRIA—Three bond issues totaling 450 million Austrian schillings ($19,313,000), including 150 million schillings in 1968 and the same amount in each of the years 1969 and 1971.

BELGIUM—Two bond issues for a total of 700 million Belgian francs ($15,619,000), including 300 million in 1967 and 400 million in 1971.

FINLAND—A direct loan of $1.1 million obtained in 1968 from the Bank of Finland.

FRANCE—Two bond issues totaling 200 million French francs ($39,094,000), 100 million each in 1971 and 1972.

GERMANY—Six public bond issues and two privately-placed loans for 760 million Deutsche marks (equivalent to $235,842,000). These include one public bond issue of 60 million Deutsche marks in 1964 and five public bond issues of 100 million Deutsche marks each, one in 1968, 1969 and 1970 and two in 1972. In addition, two private placements of 100 million Deutsche marks each were sold in 1969.

ISRAEL—The purchase in 1966 of bonds for $3 million, subsequently increased to $5 million in 1968, in a short-term bond issue sold by the Bank primarily in Latin America.

ITALY—Three bond issues totaling 45 billion Italian lire (equivalent to $77,386,000), made up of 15 billion lire in each of the years 1962, 1966 and 1969.

JAPAN—Five borrowings totaling 25.2 billion yen (equivalent to $81,818,000). These include loans from the Export-Import Bank of Japan of 3.6 billion yen each in 1966, 1968 and 1970, and 7.2 billion yen in 1971 and a financial arrangement with a syndicate of Japanese commercial banks for another 7.2 billion yen, also in 1971.

THE NETHERLANDS—Two bond issues totaling 66 million guilders ($20,341,000), including one for 30 million guilders in 1968 and another for 36 million guilders in 1971.

NORWAY—A bond issue for $4 million in 1970.

SOUTH AFRICA—The purchase of $2.5 million in a 1968 bond issue sold in the United States.

SPAIN—A direct loan of $12.5 million obtained in 1965 from the *Instituto Español de Moneda Extranjera.*

SWEDEN—Three loans totaling 80 million kronor (equivalent to $16,621,000), including 32 million kronor in 1969, 18 million in 1970 and 30 million in 1972.

SWITZERLAND—Six bond issues and loans totaling 360 million Swiss francs ($93,748,000). These include a bond issue of 50 million Swiss francs in 1966, a second issue of 60 million in 1968, a loan of 50 million in 1970, two additional bond issues of 60 million each in 1971, and a bond issue of 80 million in 1972.

UNITED KINGDOM—Bond issues and direct borrowings totaling $24,960,000. These include a bond issue of 3 million pounds sterling in 1964 and loans of 20 million Deutsche marks, 1,122,000 pounds sterling, 2.5 million pounds sterling and $1.5 million in dollars, all arranged in 1969.

Parallel Financing

The Bank has entered into agreements with Canada and the Netherlands to cooperate in channeling $53.7 million in funds provided by the two countries into the development of Latin America. The parallel or independent financing arrangements include:

CANADA—Under an agreement entered into June 20, 1965, Canada's Export Development Corporation (EDC) has set aside 15 million Canadian dollars ($14,851,000) for economic development loans in Latin America in cooperation with the Bank. Through Dec. 31, 1972, loans totaling 14 million Canadian dollars had been approved under this arrangement.

THE NETHERLANDS—The Bank also cooperates with the Netherlands on a parallel or independent basis in financing economic development projects in Latin America. Under an agreement of Sept. 30, 1965, a fund of 36 million guilders ($10 million) was established. This fund has been increased periodically and now totals 126 million guilders ($38.8 million). The funds are lent by the Netherlands Investment Bank for Developing Countries (*De Nederlandse Investeringsbank voor Ontwikkelingslanden N.V.*). Loans approved under this agreement as of Dec. 31, 1972, totaled $30.9 million.

Participations and other Arrangements

The Bank has mobilized $50 million in additional resources through the sale of participations in loans made from its ordinary capital resources and its Fund for Special Operations, as well as through other arrangements with private commercial banks and other sources. These include: Belgium, $896,000; Canada, $2,526,000; Germany, $105,000; Italy, $870,000; Japan, $18 million in purchases by the Bank of Tokyo Ltd, in maturities from the Bank's ordinary capital resources portfolio and $175,000 in private bank participations; the Netherlands, $100,000; Spain, $400,000 purchased by the *Instituto Español de Moneda Extranjera* under a 1965 agreement pledging up to $7.5 million; Switzerland, $408,000, and the United Kingdom, $1,275,000. Finally, Finland pledged $10 million to be disbursed in proportion to purchases made by the Bank of Finland in connection with Bank loans through 1974. A total of $149,000 of this amount was drawn down in 1971. In addition, the United Nations Special Fund and the United Nations Development Programme purchased $8,197,000 in participations in ordinary capital and Fund for Special Operations loans from the Bank.

Funds in Administration

The funds administered by the Bank for other countries include:

ARGENTINA—The Government of Argentina entered into an agreement with the Inter-American Bank on Nov. 25, 1970, whereby it agreed to provide special funds in its own currency to help provide counterpart funds for Bank-financed development projects in its sister republics of Bolivia, Paraguay and Uruguay. As of Dec. 31, 1972, total loans approved under the arrangements amounted to $1,770,000.

CANADA—Under an agreement entered into Dec. 4, 1964, between the Bank and the Canadian International Development Agency, the Bank was authorized to administer Canadian resources to help finance economic, technical and educational assistance projects at highly concessional terms in Latin America. Originated with 10 million Canadian dollars, the fund, tied to purchases in Canada, had grown by Dec. 31, 1972, to 74 million Canadian dollars ($73,267,000). During 1972, the Bank approved a 7.4-million-Canadian-dollar loan from the Fund for the Dominican Republic for rural electrification. That loan brought the total loans extended from the Fund to 18, amounting to 69 million Canadian dollars. Under the provisions for the admission of Canada as a member of the Bank, all monies received by the Bank after May 3, 1972, as repayment or interest on loans authorized under the Agreement, will be transferred to the Fund for Special Operations as a contribution of Canada to that Fund.

GERMANY—Under an agreement signed Aug. 10, 1961, the Federal Republic of Germany has participated with the United States and the Bank in a program to finance the rehabilitation of Bolivia's tin mines. The German funds have been provided by the *Kreditanstalt für Wiederaufbau,* the agency charged with financing the country's foreign aid program. As of Dec. 31, 1972, these funds totaled $10,216,000.

NORWAY—The Inter-American Bank on June 26, 1970, signed an agreement with the Norwegian Government to administer a $2 million Norwegian Development Fund for Latin America on an untied basis at 2½ per cent interest.

SWEDEN—Under a Dec. 27, 1966, agreement with the Government of Sweden, the Bank is administering a $5 million Swedish Development Fund for

Latin America on an untied basis. The amount was entirely lent in 1968.

UNITED KINGDOM—Under the terms of an agreement signed April 18, 1966, the United Kingdom set up a trust fund of 4,143,000 pounds sterling for loans in Latin America on a tied basis. Loans amounting to 3,021,000 pounds sterling, subsequently augmented in 1972 by 1,014,000 pounds sterling, for a total of 4,035,000 pounds sterling, were authorized from this Fund. In June 1971 the United Kingdom established a second trust fund, this time untied. Through 1972, the United Kingdom had contributed 4 million pounds sterling to this Fund. As of Dec. 31, 1972, the total funds administered by the Bank for the United Kingdom totaled 8,035,000 pounds sterling, equivalent to $20.9 million, all of which have been committed in loan projects.

THE VATICAN—On March 26, 1969, the Bank entered into an agreement with the Vatican to administer a $1 million development fund designed to benefit low-income groups in Latin America. Known as the *Populorum Progressio* Fund, it was lent interest-free on highly concessional terms in 1970 to finance an agrarian reform program in Colombia.

institute for latin american integration

INSTITUTE FOR LATIN AMERICAN INTEGRATION

Through its Institute for Latin American Integration (*INTAL*), which is based in Buenos Aires, Argentina, the Bank carried out throughout 1972 a variety of programs involving training, research, advisory and informational activities, on the region's economic integration process.

Training

In the training field, *INTAL* carried out a series of courses and programs on various facets of integration, often in conjunction with other institutions, and collaborated with Latin American universities in sponsoring conferences, seminars and study groups on integration themes. These included:

- *A Seminar on Commercial Policy Problems Related to Integration.* Conducted in Buenos Aires and Montevideo, this course, which examined the main aspects of integration related to national trade policies, was attended by 21 officials of government agencies in 10 of the Latin American Free Trade Association (LAFTA) nations.
- *A Symposium on Uruguay's Role in LAFTA.* Conducted in Montevideo with the help of the Uruguayan delegation to LAFTA, this symposium analyzed the advantages to the Uruguayan economy of membership in the hemisphere integration movement.
- *Sixth Course on Tax Policy and Administration.* Forming part of the program developed jointly by *INTAL* and the Inter-American School of Public Administration (*EIAP*) of the Getulio Vargas Foundation, this course was held in Rio de Janeiro and was attended by 27 participants from 12 countries.
- *Seventh Course on Customs Policy and Administration.* A part of the joint *INTAL-EIAP* program, this course was conducted in Rio de Janeiro and was attended by 33 customs officials from 13 countries.
- *Courses on Customs Value.* Started in 1970 in collaboration with *EIAP,* these courses train officials in the application of regulations pertaining to customs value as outlined by the Customs Cooperation Council of Brussels. During the year two courses were conducted—one in Montevideo, attended by 48 officials from nine countries, and one in La Paz, attended by 45 officials from four countries.
- *Course on Customs Problems in the Central American Republics.* Organized jointly by the Central American Institute of Public Administration (*ICAP*), *INTAL* and other regional agencies, this course provided an analysis of customs problems within the Central American Common Market (CACM) area and Panama. A total of 30 officials from the five Central American republics and Panama attended the course which was held in San José, Costa Rica.
- *Subregional Course on Customs Organization.* Sponsored jointly by *INTAL* and *ICAP,* this course was held in San José, Costa Rica, and was attended by 30 officials of the five Central American republics and Panama. Major emphasis was placed on ways to adapt to short-term changes in customs organization, nomenclature, structure and policy.
- *Seminar on Multinational Companies and "Leasing" and "Trading Company" Contracts.* In response to a request from the Brazilian Lawyers Association, *INTAL* offered this course on the legal aspects of business contracts. The meeting was held in Rio de Janeiro and was attended by 70 lawyers and business executives.
- *Collaboration with Latin American Universities.* During 1972 *INTAL* participated in a number of integration activities with universities. Among them were a seminar on the legal aspects of Andean integration, organized by the Faculty of Law of the National University of Córdoba, Argentina; the Second Economic Integration Seminar, sponsored by the Law and Social Sciences Faculty of the National University of La Plata, Argentina; a seminar on integration and social and economic development of Ecuador and of the countries of the Andean group, sponsored by the Faculty of Economic Sciences of the Central University of Ecuador; a course on economics and regional planning at the National University of the South, at Bahía Blanca, Argentina; a seminar on legal aspects of economic integration, organized by the *Colegio Mayor de Nuestra Señora del Rosario* in Bogotá, Colombia, and a course on the general administration of regional development, sponsored by the Inter-American Center for Training in Public Administration (*CICAP*) in Salta, Argentina.
- *Support for the Labor Sector. INTAL* participated in several seminars, meetings and courses designed to strengthen the role of organized labor in the Latin American integration process. These included the promotion of a labor forum on "Subregional Integration of the River Plate Basin," organized by *ORIT-CIOSL* in Buenos Aires; the Nineteenth Course on the Formation of Labor Leaders, sponsored by *ORIT* in Cuernavaca, Mexico, and the Fourth Conference of Labor Ministers, conducted in Buenos Aires.

Research

Projects undertaken by *INTAL* in the research field included:

- *Study of the Development of Multinational Areas.* The first part of this study, designed to define the concept of multinational areas and to establish their socio-economic characteristics, was completed during the year.
- *Study of the Trends and Structures of Foreign Trade Among LAFTA Countries.* Through this study an effort was made to evaluate the effects of the external sector on the development process of the LAFTA nations.
- *Study of the Purchasing Power of the Public Sector in Latin America.* In this study *INTAL* sought to analyze the influence of the purchasing power of public sectors in the individual Latin American countries on the establishment of multinational companies which pro-

mote substitution of extra-regional imports, as well as on intra-regional exports. It also attempted to determine the effect of a more rational distribution of industry throughout the zone.

• *Study of the Benefits and Costs of the Integration Process.* A study of the effects of economic integration on the participating nations as a whole and of the problems arising from the distribution of benefits which have accrued from integration.

• *Studies of the Legal Aspects of Multinational Companies in Latin America.* In a continuation of two studies started in 1971, *INTAL* is seeking to adjust the diverse hypotheses concerning international companies with legislation now in effect in each country and to analyze Latin American "joint ventures" in the light of legal problems and growth factors.

• *Comparative Study of the Laws Regulating Latin American Public Entities.* In this new study, *INTAL* is compiling a comparison of the laws governing public entities in Latin America which, in its final phase, will analyze the legal problems faced by these entities in several critical areas.

• *Study of the Progress, Problems and Perspective of the Integration Process in Latin America.* In its third report on the progress of Latin American integration, to be published soon, *INTAL* will present a detailed and systematic listing of the major steps toward integration taken by the different integration groups—LAFTA, CACM, the Andean Group and the Caribbean Free Trade Association (CARIFTA)—within the period of the study. The two former studies were published in 1968 and 1971.

Advisory

INTAL provided advisory services to several integration agencies and carried out related activities. These included:

• *The Cartagena Group Agreement.* Continuing a program launched in 1970, *INTAL* helped to establish a jurisdictional agency within the Andean Group and to draw up the statutes governing the management of international companies in the Andean region.

• *The Central American Common Market.* Under an advisory program started in 1971, *INTAL* completed for the Permanent Secretariat of the Central American Common Market (*SIECA*) the second stage of a study on the solution of integration disputes. This stage includes a comparison of CACM procedures with those of GATT, the CEE and the EFTA, as well as a study of legal safeguards within the integration movement. *INTAL* also helped *SIECA* to prepare a study on trade restrictions, unrestricted competition and "dumping."

• *Latin American Free Trade Association.* In addition to its participation in the symposium on "Uruguay and LAFTA," *INTAL* helped LAFTA prepare two studies—one on margins of preference and another on multinational companies. The institute also began preparation of three additional studies within LAFTA which it will complete in 1973.

• *Preinvestment Activity. INTAL* helped the Bank evaluate integration projects financed by the Bank in border areas, including those of Colombia and Venezuela, Colombia and Ecuador, Argentina and Chile and others. It is working with the Andean Development Corporation on a study of possible complementation agreements in border areas within the Andean subregion. It participated in two advisory missions of the Bank—one in Bolivia to help prepare an economic action program and the other to study the structure of the Central American Common Market.

Information

During the year *INTAL* edited and published the following works: "The Process of Integration in Latin America, 1968-71," "The Experience of Two EFTA Countries in the Economic Integration Process: The Cases of Portugal and Austria," "Comparative Legislation of the Countries of the CACM as it Pertains to the Multinational Association of Capital and Intrazonal Investments," "Comparative Study of de Facto Procedures Used in Settling Disputes Arising from the Application of the Rules of Free Trade in the CACM and LAFTA."

In addition, throughout the year *INTAL* published its monthly publication, *Boletín de la Integración,* and its two biannual publications, *Revista de la Integración* and *Derecho de la Integración.*

COUNTRY	GOVERNOR	ALTERNATE
ARGENTINA	Jorge Wehbe	Marcelo Gowland Acosta
BARBADOS	P. M. Greaves	Valerie T. McComie
BOLIVIA	Luis Bedregal Rodo	Jorge Salazar Mostajo
BRAZIL	Antonio Delfim Netto	Ernane Galvêas
CANADA	John Turner	Paul Gérin-Lajoie
CHILE	Américo Zorrilla	Javier Urrutia
COLOMBIA	Rodrigo Llorente	Germán Botero de los Ríos
COSTA RICA	Claudio Alpízar V.	Claudio A. Volio
DOMINICAN REPUBLIC	Diógenes H. Fernández	Luis María Guerrero Gómez
ECUADOR	Enrique Salas Castillo	Gustavo Jarrín Ampudia
EL SALVADOR	Salvador Sánchez Aguillón	Guillermo Hidalgo Qüehl
GUATEMALA	Jorge Lamport Rodil	Augusto Contreras Godoy
HAITI	Edouard Francisque	Antonio André
HONDURAS	José Abraham Bennaton	Alberto Galeano Madrid
JAMAICA	David H. Coore	G. Arthur Brown
MEXICO	Hugo B. Margáin	Ernesto Fernández Hurtado
NICARAGUA	Juan José Martínez L.	Roberto Incer Barquero
PANAMA	Nicolás Ardito Barletta	Miquel A. Sanchíz
PARAGUAY	César Barrientos	César Romeo Acosta
PERU	Francisco Morales Bermúdez	José Luis Brousset Escobar
TRINIDAD AND TOBAGO	George M. Chambers	Eugenio Moore
UNITED STATES	George P. Shultz	John N. Irwin, II
URUGUAY	Juan Pedro Amestoy	Jorge Seré del Campo
VENEZUELA	Luis Enrique Oberto	Carlos Emmanuelli Llamozas

As of April 5, 1973

EXECUTIVE DIRECTORS AND ALTERNATES

		NUMBER OF VOTES	PER-CENTAGE
Raul Barbosa	Elected by:		
BRAZIL	Brazil	47,710.5	11.75
José C. Cárdenas (Alternate)	Ecuador	2,609.4	0.64
ECUADOR		50,319.9	12.39
Aníbal Fernández de Soto	Elected by:		
COLOMBIA	Colombia	13,187.7	3.25
Armando Prugue (Alternate)	Peru	6,325.9	1.56
PERU		19,513.6	4.81
Alfredo J. Girelli	Elected by:		
ARGENTINA	Argentina	47,710.5	11.75
Danilo P. Poklepovic (Alternate)	Chile	13,199.0	3.26
CHILE		60,909.5	15.01
David B. Laughton	Elected by:		
CANADA	Canada	24,403.0	6.01
Charles T. Greenwood (Alternate)			
CANADA			
José Luis Montiel	Elected by:		
NICARAGUA	Costa Rica	1,989.3	0.49
Marco Antonio López (Alternate)	El Salvador	1,989.3	0.49
COSTA RICA	Guatemala	2,609.4	0.64
	Haiti	1,989.3	0.49
	Honduras	1,989.3	0.49
	Nicaragua	1,989.3	0.49
		12,555.9	3.09
Ildegar Pérez Segnini	Elected by:		
VENEZUELA	Barbados	694.0	0.17
Knowlson W. Gift (Alternate)	Trinidad and Tobago	1,989.3	0.49
TRINIDAD AND TOBAGO	Venezuela	25,624.5	6.31
		28,307.8	6.97
Jesús Rodríguez y Rodríguez	Elected by:		
MEXICO	Dominican Republic	2,609.4	0.64
Eduardo McCullough (Alternate)	Jamaica	2,609.4	0.64
PANAMA	Mexico	30,717.5	7.57
	Panama	1,989.3	0.49
		37,925.6	9.34
Reuben Sternfeld (Alternate)	Appointed by:		
UNITED STATES	United States	161,163.0	39.69
Guido Valle Antelo	Elected by:		
BOLIVIA	Bolivia	3,843.6	0.95
Ulysses Pereira Reverbel (Alternate)	Paraguay	1,989.3	0.49
URUGUAY	Uruguay	5,088.7	1.25
		10,921.6	2.69
TOTAL		406,019.9	100.00

As of April 5, 1973

PRINCIPAL OFFICERS OF THE BANK

President	Antonio Ortiz Mena
Executive Vice President	Henry J. Costanzo
Program Advisor	Alfred C. Wolf
Controller	H. Dennis Madden
Chief, Office of Information	Joaquín E. Meyer

OPERATIONS DEPARTMENT

Manager	João Oliveira Santos
Senior Deputy Manager	James A. Lynn
Deputy Manager, Region I	Heberto Urdaneta
Deputy Manager, Region II	Paul J. Colcaire
Deputy Manager, Region III	Luis Buitrago

FINANCIAL DEPARTMENT

Manager	Merlyn N. Trued
Deputy Manager-Treasurer	José Epstein

PROJECT ANALYSIS DEPARTMENT

Manager	Guillermo Moore
Deputy Manager	Juan Prado

ECONOMIC AND SOCIAL DEVELOPMENT DEPARTMENT

Manager	Cecilio J. Morales
Deputy Manager for Economic and Social Studies	Pedro Irañeta
Deputy Manager for Technical Cooperation	Pedro Abelardo Delgado
Deputy Manager for Integration	Néstor Vega Moreno

LEGAL DEPARTMENT

General Counsel	Arnold H. Weiss
Deputy General Counsels	José R. Chiriboga
	Freeborn G. Jewett

ADMINISTRATIVE DEPARTMENT

Manager	Enrique Peñalosa
Deputy Manager	William L. Taylor

SECRETARIAT DEPARTMENT

Secretary	Jorge Hazera
Pro-Secretary	Arturo Calventi

Representative in Europe	Enrique Pérez Cisneros
Director, Institute for Latin American Integration	Felipe Tami

As of April 5, 1973

CHANNELS OF COMMUNICATIONS AND DEPOSITORIES

MEMBER COUNTRY	CHANNEL OF COMMUNICATION	DEPOSITORY
ARGENTINA	Banco Central de la República Argentina	Banco Central de la República Argentina
BARBADOS	Ministry of Finance	East Caribbean Currency Authority
BOLIVIA	Banco Central de Bolivia	Banco Central de Bolivia
BRAZIL	Banco Central do Brasil	Banco Central do Brasil
CANADA	Department of Finance	Bank of Canada
CHILE	Banco Central de Chile	Banco Central de Chile
COLOMBIA	Banco de la República	Banco de la República
COSTA RICA	Banco Central de Costa Rica	Banco Central de Costa Rica
DOMINICAN REPUBLIC	Banco Central de la República Dominicana	Banco Central de la República Dominicana
ECUADOR	Banco Central del Ecuador	Banco Central del Ecuador
EL SALVADOR	Banco Central de Reserva de El Salvador	Banco Central de Reserva de El Salvador
GUATEMALA	Banco de Guatemala	Banco de Guatemala
HAITI	Banque Nationale de la République d'Haiti	Banque Nationale de la République d'Haiti
HONDURAS	Ministerio de Economía y Comercio	Banco Central de Honduras
JAMAICA	Ministry of Finance and Planning	Bank of Jamaica
MEXICO	Banco de México, S. A.	Banco de México, S. A.
NICARAGUA	Banco Central de Nicaragua	Banco Central de Nicaragua
PANAMA	Ministerio de Planificación y Política Económica	Banco Nacional de Panamá
PARAGUAY	Banco Central del Paraguay	Banco Central del Paraguay
PERU	Banco Central de Reserva del Perú	Banco Central de Reserva del Perú
TRINIDAD Y TOBAGO	Central Bank of Trinidad and Tobago	Central Bank of Trinidad and Tobago
UNITED STATES	Treasury Department	Federal Reserve Bank of New York
URUGUAY	Ministerio de Economía y Finanzas	Banco Central del Uruguay
VENEZUELA	Ministerio de Hacienda	Banco Central de Venezuela

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