





**THE COVER: ENGINEERS FROM CANADA AND ECUADOR PORE** over plans for cement plant being built with Bank support in Otavalo, Ecuador. Project is being carried out with help of \$12.6 million loan from Bank-administered Venezuelan Trust Fund; \$27 million from the Export Development Corporation of Canada and private Canadian banks, and \$16.4 million from Ecuadoran resources. Shown above are Clement Harrington (white helmet), the Canadian resident engineer, and Rodolfo Solis (red helmet), an Ecuadoran engineer.

#### Member Countries

Argentina  
Austria  
Bahamas  
Barbados  
Belgium  
Bolivia  
Brazil  
Canada  
Chile  
Colombia  
Costa Rica  
Denmark  
Dominican Republic  
Ecuador  
El Salvador  
Finland  
France  
Germany  
Guatemala  
Guyana  
Haiti  
Honduras  
Israel  
Italy  
Jamaica  
Japan  
Mexico  
Netherlands  
Nicaragua  
Panama  
Paraguay  
Peru  
Spain  
Sweden  
Switzerland  
Trinidad and Tobago  
United Kingdom  
United States  
Uruguay  
Venezuela  
Yugoslavia

# **Inter-American Development Bank**

## ***annual report 1977***

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# **PRESIDENT'S LETTER OF TRANSMITTAL**

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## **Inter-American Development Bank**

Washington, D.C. 20577

February 23, 1978

Mr. Chairman:

Pursuant to Section 2 of the By-Laws of the Inter-American Development Bank, I transmit to you the Annual Report of the Bank for 1977, which the Board of Executive Directors submits to the Board of Governors.

The Report contains a review of the Bank's activities in 1977, including a brief summary of development trends and a sectoral analysis; a description on a country-by-country basis of the Bank's loans, technical cooperation and progress highlights; a series of tables of selected data on the region, and the financial statements of the Bank.

Complying with Article III, Section 3(a), of the Agreement Establishing the Bank, the Report contains separate audited financial statements for its various sources of funds. For the ordinary capital resources and the inter-regional capital, these are presented pursuant to the provisions of Article VIII, Section 6(a), of the Agreement; for the Fund for Special Operations, in accordance with the provisions of Article IV, Section 8(d), of the Agreement; for the Social Progress Trust Fund, pursuant to Section 5.04 of the Agreement signed between the Government of the United States and the Bank, and for the Venezuelan Trust Fund, in accordance with Article VI, Section 24, of the Agreement signed between the Government of Venezuela and the Bank.

Sincerely yours,



Antonio Ortiz Mena  
President

Chairman, Board of Governors  
Inter-American Development Bank

# TEN YEARS OF OPERATIONS, 1968-77

In Millions of Dollars

	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
<b>TOTAL RESOURCES</b>										
<b>Subscriptions</b> (End of Year)										
Ordinary Capital	2,260	2,282	2,763	3,466	4,373	5,710	5,954	5,965	6,906	7,861
Inter-Regional Capital									558	1,163
Fund for Special Operations	2,321	2,328	2,328	2,328	3,987	4,394	4,394	4,395	5,743	5,905
Other Funds	595	595	610	631	639	650	655	1,159	1,179	1,173
<b>Total</b>	<b>5,176</b>	<b>5,205</b>	<b>5,701</b>	<b>6,425</b>	<b>8,999</b>	<b>10,754</b>	<b>11,003</b>	<b>11,519</b>	<b>14,386</b>	<b>16,102</b>
<b>BORROWINGS</b>										
<b>Outstanding Debt</b> (End of Year) <sup>1</sup>										
Ordinary Capital	632	767	915	1,018	1,137	1,260	1,347	1,580	2,071	2,379
Inter-Regional Capital										5
<b>Gross Annual Borrowings</b>										
Ordinary Capital	177	177	187	181	141	131	105	365	550	288
Inter-Regional Capital										14
<b>OPERATIONS</b>										
<b>Loans Authorized</b> (Cumulative) <sup>1 &amp; 2</sup>										
Ordinary Capital	1,082	1,294	1,486	1,764	2,162	2,652	3,326	3,924	4,489	4,933
Inter-Regional Capital									236	890
Fund for Special Operations	1,170	1,582	2,022	2,405	2,687	3,064	3,497	4,076	4,720	5,228
Other Funds	546	554	561	576	592	593	593	685	777	894
<b>Total</b>	<b>2,798</b>	<b>3,430</b>	<b>4,069</b>	<b>4,745</b>	<b>5,441</b>	<b>6,309</b>	<b>7,416</b>	<b>8,685</b>	<b>10,222</b>	<b>11,945</b>
<b>Loans Authorized</b> (Annual)										
Ordinary Capital	194	209	195	236	443	453	636	646	536	358
Inter-Regional Capital									236	749
Fund for Special Operations	210	413	443	400	344	427	475	634	662	577
Other Funds	27	10	7	16	20	4		95	94	125
<b>Total</b>	<b>431</b>	<b>632</b>	<b>645</b>	<b>652</b>	<b>807</b>	<b>884</b>	<b>1,111</b>	<b>1,375</b>	<b>1,528</b>	<b>1,809</b>
<b>Loan Disbursements</b> (Annual)										
Ordinary Capital	113	139	150	180	186	224	291	328	364	386
Inter-Regional Capital										5
Fund for Special Operations	120	192	245	249	279	312	324	371	350	392
Other Funds	58	63	33	12	14	11	13	13	13	49
<b>Total</b>	<b>291</b>	<b>394</b>	<b>428</b>	<b>441</b>	<b>479</b>	<b>547</b>	<b>628</b>	<b>712</b>	<b>727</b>	<b>832</b>
<b>Loan Repayments</b> (Annual)										
Ordinary Capital	40	51	66	74	80	89	90	102	115	141
Fund for Special Operations	9	12	21	35	45	56	65	72	87	100
Other Funds	14	18	20	19	22	24	24	25	27	31
<b>Total</b>	<b>63</b>	<b>81</b>	<b>107</b>	<b>128</b>	<b>147</b>	<b>169</b>	<b>179</b>	<b>199</b>	<b>229</b>	<b>272</b>
<b>Nonreimbursable Technical Cooperation</b> (Annual)										
Fund for Special Operations	1	2	2	2	2	3	11	11	13	20
Other Funds	3	3	3	4	4	3	11	14	18	25
<b>Total</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>22</b>	<b>25</b>	<b>31</b>	<b>45</b>
<b>FINANCIAL HIGHLIGHTS</b>										
<b>Net Income</b> (Less Technical Cooperation Expense)										
Ordinary Capital <sup>3</sup>	19	25	39	30	27	48	66	72	74	93
Inter-Regional Capital									4	4
Fund for Special Operations	2	5	10	14	22	34	39	43	48	48
<b>Reserves</b> (End of Period)										
Ordinary Capital	60	85	124	155	186	241	307	380	453	546
Inter-Regional Capital									4	4
Fund for Special Operations	11	15	25	39	61	95	134	177	226	274
<b>Total</b>	<b>71</b>	<b>100</b>	<b>149</b>	<b>194</b>	<b>247</b>	<b>336</b>	<b>441</b>	<b>557</b>	<b>679</b>	<b>824</b>
<b>ADMINISTRATION</b>										
<b>Administrative Expenses</b> <sup>5</sup>										
<b>Total—All Funds</b>	<b>21</b>	<b>25</b>	<b>29</b>	<b>34</b>	<b>34</b>	<b>39</b>	<b>46</b>	<b>52</b>	<b>57</b>	<b>62</b>

<sup>1</sup>Including adjustments in U.S. dollar equivalent of borrowed currencies.

<sup>2</sup>Net of cancellations.

<sup>3</sup>Includes special commissions.

<sup>4</sup>Under \$500,000.

<sup>5</sup>Includes depreciation and amortization expenses relating to buildings.



# THE BANK IN 1977

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## HIGHLIGHTS

In 1977 the Inter-American Development Bank made record contributions to the economic and social development of its member countries in Latin America.

During the course of the year—the 17th of its operations—the Bank posted new highs in lending and technical cooperation to its member countries, broadly expanded its membership, and registered record earnings, disbursements and repayments on previous loans.

The leading highlights of the Bank's activities in 1977 were:

- A volume of \$1,809 million in new loan approvals. That figure was 18 per cent higher than the \$1,528 million approved in 1976 and raised the Bank's cumulative total lending volume as of Dec. 31, 1977, to \$11,945 million, net of cancellations and exchange adjustments.

- A new high mark of \$44.5 million in nonreimbursable or contingent repayment technical cooperation. That figure was 44 per cent higher than the \$30.9 million authorized in 1976 and increased the Bank's cumulative nonreimbursable and contingent repayment cooperation to \$171 million as of Dec. 31, 1977, net of cancellations and exchange adjustments.

- Continued emphasis in the Bank's lending and technical cooperation programs on assistance to the Bank's less developed member countries and projects serving basic human needs. Fully 72 per cent of the loans made in convertible currencies during the year from the Bank's concessionary Fund for Special Operations went to those countries. The figure rises to 93 per cent if the countries of limited market are added.

- The entry into the Bank of seven new member countries: six nonregional—Austria, Finland, France, Italy, the Netherlands and Sweden—and one regional—the Bahamas. At year end the Bank's total membership stood at 41.

- The borrowing of \$302 million in the world's capital markets for Latin America's development

and the raising of \$115 million in complementary loans from private commercial banks.

- Record disbursements of \$832 million, compared with \$727 million in 1976; earnings from the Bank's resources of \$145 million compared with \$122 million in 1976, and repayments on loans of \$272 million compared with \$229 million in 1976.

## DEVELOPMENT TRENDS

The Bank's record support for Latin America's development took place in a year in which the region continued the economic improvement trend noted in the 1976 Report and in which there was a constant recovery from the effects of the severe international recession experienced by the industrial countries and world trade in 1974 and 1975.

Latin America's aggregate product, which expanded by 4.8 per cent in real terms in 1976, appears to have grown in excess of 5 per cent in 1977. These figures compare with annual average growth rates of 5.2 per cent in the 1961-65 period, 5.9 per cent in the 1966-70 period, and 7.5 per cent in the 1971-74 period—periods of growth which were followed by a decline in 1975 to 3 per cent, a rate barely sufficient to avoid an absolute drop in per capita income.

Overall, the countries of the region weathered the economic crisis of 1974-75, but they did so with diminished capacity to recover if a new recession occurs in the industrialized world. Given the interdependence of the Latin American economies with those of the member countries of the Organization for Economic Cooperation and Development (OECD), an early return to the higher levels of economic growth attained in the first part of the 1970s by the Latin American countries is difficult to anticipate without a vigorous expansion in the economies of the industrialized countries.

Measured in constant dollars of 1976, the aggregate gross domestic product of Latin America rose from \$130 billion in 1960 to \$225 billion in 1970 and to about \$340 billion in 1977. However, per capita income increased by only 60 per cent between 1960 and 1977.

In terms of individual country growth rate performance, the downturn of 1975 affected 19 of the 23 countries; the upturn of 1976 was shared by 15 countries. Approximately half of the countries, it appears, did better in 1977 than in 1976.

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***ELECTRIC SPOTLIGHTS CAST BRILLIANT illumination some 730 feet below ground level for workers operating pneumatic drill at iron ore mining complex now virtually complete at Sierra Grande in Southern Argentina. New complex, built with help of 1972 Bank loan, will provide material for Argentina's steel industry.***

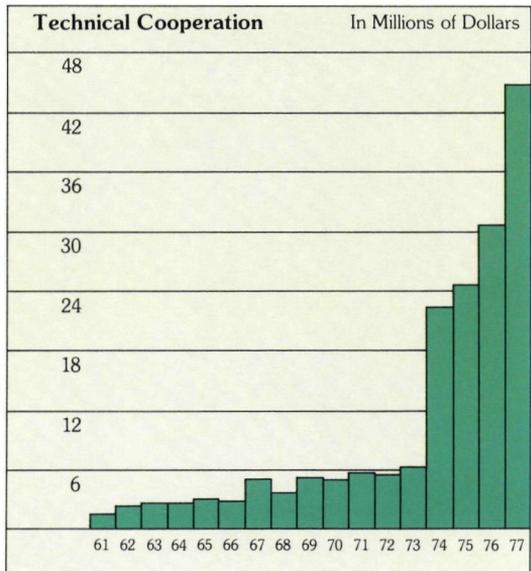
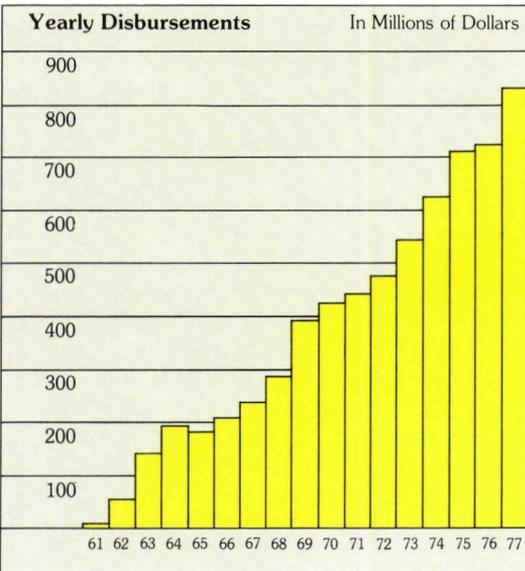
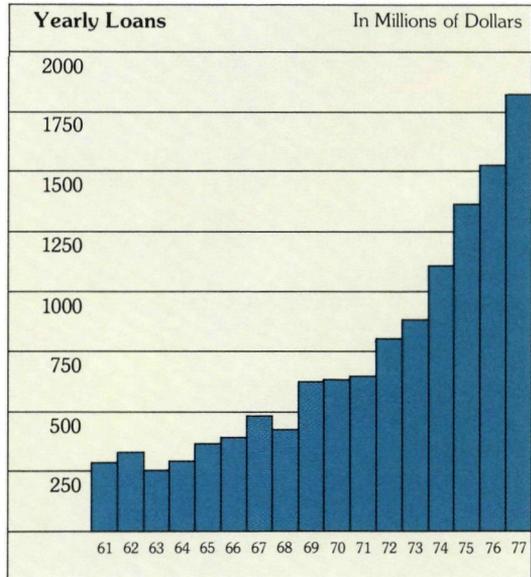
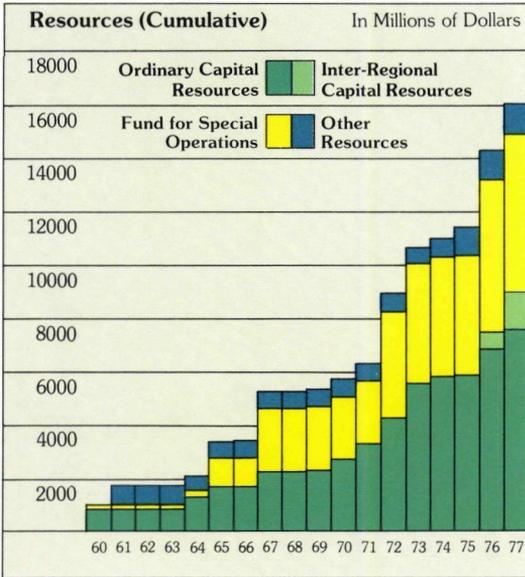
# GROWTH INDICATORS

The financial resources of the Inter-American Development Bank exceed \$16 billion.

Bank loans of \$1.8 billion approved in 1977 raised cumulative lending total to nearly \$12 billion.

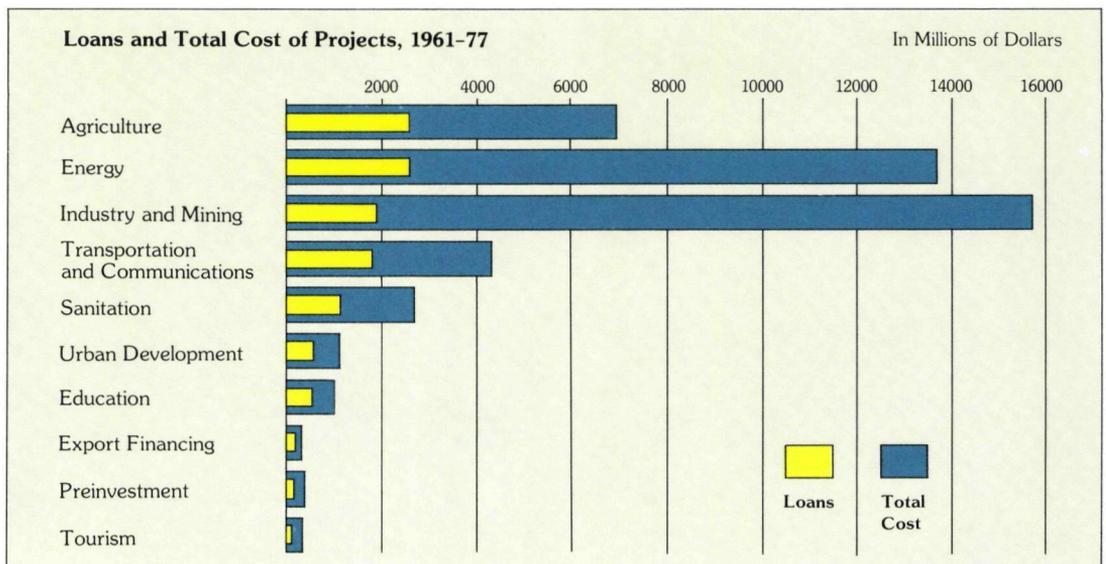
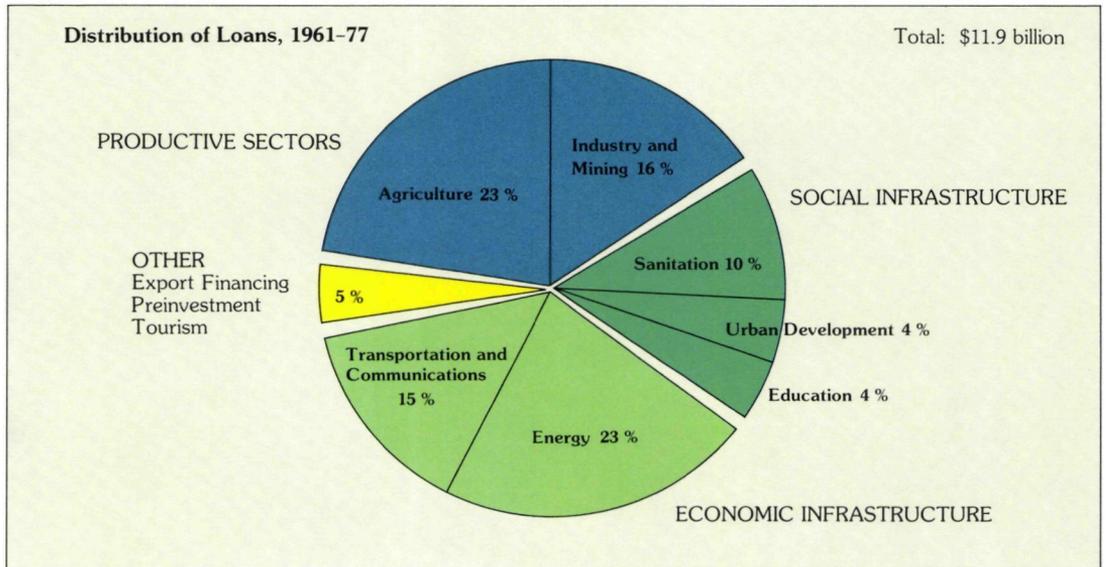
Year's disbursements of \$832 million increased cumulative total to \$6.7 billion.

Technical cooperation of Bank increased notably in the 1974-77 four-year period, reaching \$44.5 million in 1977.



Directly productive sectors, chief of which is agriculture, account for 39 per cent of Bank's lending, economic infrastructure for 38 per cent, social infrastructure for 18 per cent and other sectors for 5 per cent.

Bank loans of nearly \$12 billion support matching Latin American funds of \$34 billion in carrying out projects costing more than \$46 billion.



The improvement since 1975 in the balance of payments of the Latin American countries is reflected in the combined current account deficit, which, after climbing from \$6.8 billion in 1974 to \$13.9 billion in 1975, declined to \$9.7 billion in 1976. Excluding Venezuela, the totals were \$12.5 billion, \$16.1 billion and \$11.2 billion, respectively. Preliminary data indicate a further improvement in 1977, as adjustment trends initiated in most countries in 1974 or 1975 continued.

The growth of economic activity in the OECD countries during 1977 remained relatively slow. Real GNP growth in those countries was estimated at 3.5 per cent during the year, compared with 5.2 per cent in 1976. Among OECD countries, only the United States and Japan exceeded a growth rate of 5 per cent.

Meanwhile, inflation continued to affect most of the industrial countries; nevertheless, some of these countries had reduced their rates of inflation to between 6 and 9 per cent towards the end of 1977 and price increases in Germany and Switzerland were well below that range.

The combined deficit in the current account of the industrial countries rose from \$6.5 billion in 1975 to \$26.5 billion in 1976 and to an estimated \$32 billion in 1977. The overall balance of payments results in 1976 and 1977 followed the same broad pattern of imbalances that emerged after the 1973 oil price increases.

The cumulative current account surplus of the member countries of the Organization of Petroleum Exporting Countries (OPEC) was estimated by the OECD at \$175 billion in the 1974-77 period. Meanwhile, the OECD countries had a corresponding deficit of \$98 billion, with five countries—Canada, France, Italy, Sweden and the United Kingdom—accounting for nearly 65 per cent of that amount. In the same period, the non-oil developing countries registered a combined cumulative deficit in current account of \$113 billion, with Latin America (Venezuela excluded) accounting for about 43 per cent of that amount.

Stimulated mainly by recovery in the industrial countries, world trade experienced rapid growth in 1976. The value of exports expanded by 13.6 per cent in 1976 compared with 3 per cent in 1975. Towards the end of 1976, however, the sharp trade recovery in the industrial countries began losing momentum. The volume of OECD import growth declined from 14 per cent in 1976 to an estimated 5 per cent in 1977 and export growth dropped from 10.5 per cent in 1976 to 4.7 per cent in 1977. Imports from non-OECD countries dropped from a growth rate of 17 per cent in 1976 to an estimated 7.5 per cent in 1977.

Latin American exports, which had dropped in 1975, rebounded in 1976, surpassing the 1974 level, and appear to have expanded further in 1977. Although exports of manufactures have grown rapidly in recent years, they represent only about one-fifth of the total. Thirteen primary commodities account for about half of total earnings. Generally the markets for these primary commodities showed signs of recovery after a downturn between 1974 and mid-1975.

Demand improvement was the most pervasive factor in stimulating the early recovery in most products. At the same time, market prices for several commodities rose sharply due to shortages arising from crop failures, natural disasters or lagged responses to increased demand. Among these products were coffee, cocoa, fishmeal and cotton. The price surge of coffee was notable for both the strength of the rise and the extensive impact it had on the export earnings of a large number of countries in Latin America. However, most of the countries that export coffee also export sugar and the market for that product was critically depressed during 1976. Thus, increased coffee earnings helped to offset the severe decline in sugar earnings for those countries during 1976.

In the latter part of 1977, however, a number of markets for those commodities began to weaken. The principal source of the decline of most commodity prices has been excessive production, aggravated in some cases by high inventory accumulation. Recently, improvements in current and prospective supplies of coffee, soybeans, cotton and cocoa have emerged, while severe surplus problems have beset the sugar, copper and maize markets for a fairly long time.

As primary commodity markets have declined, the desire of Third World countries to achieve substantive progress in the implementation of the UNCTAD Integrated Programme for Commodities intensified, as part of their demand for a new international economic order.

At issue have been the negotiation of international agreements for 18 commodities and the establishment of a common fund to provide financial support for buffer stocks in ten of these commodities, which are considered to be core to the program. After a considerable period during which progress was hindered by disagreement over the form of the individual commodity agreements and the function of the common fund, the first major breakthrough in the negotiations took place Oct. 17, 1977, with the establishment of a new International Sugar Agreement. Although, the adoption in principle of a common fund was agreed upon at the Conference on International



Cooperation in Paris during May–June 1977, no consensus emerged on its fundamental aspects during another round of negotiations in November of the same year. It was agreed, however, that renewed efforts would be made to reach a compromise at a third negotiating conference on the common fund in the Spring of 1978.

An important component of the ongoing diversification of Latin American exports, both in terms of geographic destination and product composition, has been the growth in intra-regional commerce, aided by existing economic integration schemes (the Latin American Free Trade Association, the Central American Common Market, the Andean Group and the Caribbean Community), which have eased barriers to mutual trade, particularly in manufactures. The region itself has come to absorb 16 per cent of Latin American exports, with a value in 1976 of \$6.2 billion, which was 3.5 times the level of 1970.

The subregional and regional cooperation network is also becoming important in financial cooperation and in binational and multinational undertakings in transportation and energy infrastructure. Recent examples of such collaboration are the major hydroelectric projects on the Paraná River of Itaipú between Brazil and Paraguay

**WOMAN'S SLIGHT GRIMACE ANTICIPATES tetanus shot being given by nurse at hospital in Les Cayes, Haiti. With help of 1975 loan designed to improve and expand rural health services in the nation, this hospital gets additional diagnostic and treatment wing.**

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and of Yacyretá between Argentina and Paraguay and the Salto Grande project between Argentina and Uruguay.

The significant improvement in the region's rate of economic expansion, especially in the late 1960s and early 1970s—specifically in the 1968–74 period—was made possible by a rise in investment coefficients based on a greater internal savings effort and the availability of external capital inflows from both public and private sources.

Between 1960 and 1976, national savings nearly tripled in real terms, going from \$23,919 million in terms of 1976 dollars to \$70,340 million. As a per cent of gross domestic product, it went from 18.4 per cent to 21.7 per cent. This is clear evidence that the countries of the region have indeed made a substantial effort in mobilizing their domestic resources for investment and that external capital has been properly channeled to expand the investment coefficient.

The net transfer of external resources represented a rising proportion of gross domestic investment, averaging 2.7 per cent in 1961–65, 7.4 per cent in 1966–70 and 13.5 per cent in 1971–74. This proportion rose further in 1975, but declined somewhat in 1976. In the two latter years, the resources obtained abroad by the Latin American countries performed a compensating function for a reduced import capacity, which resulted from the recession in the industrialized countries and the worsening of the terms of trade, thus helping to prevent a collapse in production and internal consumption. In hindsight, it can be said that the ready availability of external financing made possible a smoother adjustment than would have been the case otherwise by the countries of the region to the new international situation stemming from generalized inflation, recession and the oil crisis.

The relative importance of the share of external capital as a proportion of investment differed widely within the region. In recent years, it has exceeded 30 per cent in almost half of the countries and has gone well over 50 per cent in a few, usually the least developed.

As to the size and composition of external financing, some very important changes have taken place since the early 1960s. The most important change in the composition of external financing has been the rising proportion of private capital. Between 1961 and 1966, net external financing from public sources—both bilateral and multilateral—exceeded private flows. Between 1967 and 1971 private capital—mainly direct investment and bank credits—grew much faster than official capital. Excluding Venezuela, the net inflow of official capital increased from \$1.4 billion in 1972 to \$4.4 billion in 1975 and to \$4.9 billion in 1976; the net inflow of long-term private capital rose from \$3.7 billion in 1972 to \$9.3 billion in 1975 but dropped to \$8.4 billion in 1976.

The increase in external financing is mirrored in the region's public external debt (excluding that of Venezuela), which rose from \$20.2 billion in 1970 to \$34.1 billion in 1973 and to \$65.3 billion in 1976. The disbursed portion of that debt was \$15.3 billion, \$25.0 billion and \$51.6 billion, respectively. The high point in the expansion of the debt was in 1974 when it increased by 27.5 per cent over the level of 1973.

Within the framework of external development financing for Latin America, the Bank has represented an important component in financing stemming from official sources. The Bank accounted for 19.4 per cent in 1961–65, 25.2 per cent in 1966–70 and 26 per cent in 1971–75 of all

loans authorized by multilateral and national agencies of the OECD and the Socialist countries. The share appeared to have remained at about one-fourth in 1976–77.

In terms of net disbursements as a proportion of the net official flow (bilateral and multilateral) of external resources for development to Latin America, the Bank represented 13 per cent in 1961–65, 21 per cent in 1966–70 and 25 per cent in 1971–75. Within the combined total of net external financing, from both private and official sources, the Bank raised its share from 7.3 per cent to 9.9 per cent between 1961–65 and 1966–70, but dropped in the early 1970s to 6.5 per cent, a reflection of the extraordinary rise of private bank credits. However, given trends in 1976 and 1977, it may be anticipated that the share of these bank credits in total external financing will have risen again.

## THE YEAR'S LENDING

As indicated at the start of this Report, the Bank's lending in 1977 increased by 18 per cent over the 1976 figure. In 1977 the Bank approved 81 loans, along with increases in previously approved export financing credits for a total of \$1,809 million, compared with 81 for \$1,528 million in 1976. The 1977 figure brought the Bank's cumulative lending as of Dec. 31, 1977, to \$11,945 million, net of cancellations and exchange adjustments.

The Bank's lending in 1977 included \$1,107 million, or 61 per cent, from its capital resources (the ordinary capital and the inter-regional capital); \$577 million, or 32 per cent, from the Fund for Special Operations, and \$125 million, or 7 per cent, from other funds which the Bank administers.

By funds, the loans authorized by the Bank in 1977, as well as cumulative totals, were:

*Capital Resources (including ordinary and inter-regional):* 33 loans (plus increases in previously authorized export financing credits— for \$1,107 million. This brought the net cumulative total of such loans to 349 for \$5,823 million as of Dec. 31, 1977.

*Fund for Special Operations:* 41 loans totaling \$577 million, bringing the net cumulative total to 527 loans for \$5,228 million at year end.

*Other Funds:* 7 loans amounting to \$125 million, including 6 loans for \$123 million from the Venezuelan Trust Fund and 1 loan for \$2 million from the Social Progress Trust Fund. These loans brought the cumulative total extended from the various funds which the Bank administers to 170

loans for \$894 million, including 121 for \$554 million from the Social Progress Trust Fund, 19 for \$221 million from the Venezuelan Trust Fund, and 30 for \$119 million from the other funds which the Bank administers for Argentina, Norway, Sweden, Switzerland, the United Kingdom and the Vatican.

The Bank's cumulative lending, net of cancellations and exchange adjustments, is shown on a country-by-country basis in the accompanying table.

### Technical Cooperation

During 1977 the Bank's nonreimbursable and contingent repayment technical cooperation amounted to \$44.5 million, exceeding by 44 per cent the \$30.9 million authorized in 1976.

The year's nonreimbursable and contingent repayment cooperation brought the cumulative total as of Dec. 31, 1977, to \$171 million, net of cancellations. Some of \$154 million of that amount was extended on a nonreimbursable basis and \$17 million was authorized on a contingent repayment basis. Contingent repayment cooperation is subject to repayment only if, as a result of the cooperation, a loan is extended

subsequently by the Bank or another external financial institution for the execution of a project or program.

A total of \$19.7 million of the year's technical cooperation was extended from the net income of the Bank's Fund for Special Operations, \$23.1 million from the resources of the Social Progress Trust Fund which the Bank administers for the United States Government (of which \$1.3 million was chargeable to the Fund's Special Program for Project Preparation), and \$1.7 million from the Project Preparation Fund which the Bank administers for the Government of Canada.

In addition to its grant and contingent repayment cooperation, the Bank also extends loans for technical cooperation purposes, primarily for preinvestment funds or studies, and devotes portions of many of its other loans—particularly those made to its least developed member countries—to technical cooperation designed to insure the optimum execution of a project.

During 1977 a total of \$27.6 million was extended in loans or portions of loans for technical cooperation. That figure brought the cumulative total of such lending authorizations to \$313.5 million, as of Dec. 31, 1977.

### The Bank's Lending\* (Net of Cancellations and Exchange Adjustments)

In Millions of Dollars

Country	TOTAL Volume	DETAIL BY FUNDS			
		Ordinary Capital	Inter- Regional Capital	Fund for Special Operations	Funds in Administration
Argentina	\$ 1,499.6	\$ 861.6	\$225.9	\$ 360.3	\$ 51.8
Barbados	33.1	10.9	—	22.2	—
Bolivia	416.6	70.6	29.0	268.3	48.7
Brazil	2,570.8	1,493.4	231.7	750.6	95.1
Chile	571.4	283.7	—	242.4	45.3
Colombia	911.7	362.6	70.0	411.3	67.8
Costa Rica	300.7	74.7	11.0	199.7	15.3
Dominican Republic	239.9	7.3	—	216.8	15.8
Ecuador	455.5	128.4	—	257.1	70.0
El Salvador	296.3	22.1	—	202.0	72.2
Guatemala	384.3	35.9	—	279.1	69.3
Guyana	49.5	—	—	49.5	—
Haiti	107.4	—	—	107.4	—
Honduras	297.5	1.0	—	260.9	35.6
Jamaica	106.8	13.7	8.0	84.3	0.8
Mexico	1,593.3	946.1	161.5	445.7	40.0
Nicaragua	212.3	20.8	—	178.5	13.0
Panama	304.4	49.6	68.0	143.9	42.9
Paraguay	216.7	6.6	—	197.0	13.1
Peru	497.5	115.0	55.4	264.0	63.1
Trinidad and Tobago	25.3	0.8	—	24.5	—
Uruguay	218.5	95.1	29.7	60.9	32.8
Venezuela	312.9	138.2	—	101.8	72.9
Regional	322.6	194.5	—	99.4	28.7
<b>TOTAL</b>	<b>\$11,944.6</b>	<b>\$4,932.6</b>	<b>\$890.2</b>	<b>\$5,227.6</b>	<b>\$894.2</b>

\*Adjusted for revaluations consisting of increases of \$162.0 million in the ordinary capital and \$1.4 million in the United Kingdom Funds in 1977.

## Total Cost of the Projects

The Bank's loans cover only a small part, about one-quarter, of the cost of the development projects being carried out by its Latin American member countries with the Bank's support. Thus the \$11.9 billion in loans which the Bank had approved through the end of 1977 are helping to finance development projects whose total cost exceeds \$46 billion. In other words, the Latin American borrowers, with the support of moderate sums provided by other international sources of capital, are providing more than \$34 billion for the execution of development programs being financed by the Bank.

A country-by-country breakdown of how Bank projects are financed is shown in the accompanying table.

## Disbursements

The Bank's disbursements on authorized loans, excluding adjustments to the U.S. dollar equivalents of other currencies, amounted to a record \$832 million in 1977, compared with \$727 million the previous year, which up to then had been the previous highest total.

As of Dec. 31, 1977, total disbursements had risen to \$6,777 million, an amount which represents some 57 per cent of the loans authorized by the Bank up to that date. The disbursements for 1977, as well as cumulative totals, are shown below by sources of funds:

*Capital Resources (including ordinary and inter-regional):* \$391 million, bringing the cumulative total to \$3,117 million, as of Dec. 31, 1977.

*Fund for Special Operations:* \$392 million, bringing the cumulative total to \$3,027 million, as of Dec. 31, 1977.

*Other Funds:* \$49 million, bringing the cumulative total from funds administered by the Bank to \$633 million, as of Dec. 31, 1977.

The Bank's cumulative disbursements are shown on a country-by-country basis in the table on the next page.

## Repayments

Repayments on loans, which are an increasingly important element in the Bank's lending program, were greater in 1977 than in any previous year, amounting to \$272 million, compared with \$229 million in 1976. This brought cumulative repayments, as of Dec. 31, 1977, to \$1,705 million.

The repayments received by the Bank during the year are given below by funds:

*Capital Resources (including ordinary and inter-regional):* \$141 million, bringing the cumulative total to \$940 million, as of Dec. 31, 1977.

## How Bank Projects are Financed

(Loans Net of Cancellations and Exchange Adjustments)

In Millions of Dollars

Country	Total Cost	The Bank's Loans	Latin America's Contributions
Argentina	\$ 5,465.7	\$ 1,499.6	\$ 3,966.1
Barbados	49.9	33.1	16.8
Bolivia	724.2	416.6	307.6
Brazil	21,462.7	2,570.8	18,891.9
Chile	1,632.0	571.4	1,060.6
Colombia	2,420.0	911.7	1,508.3
Costa Rica	565.5	300.7	264.8
Dominican Republic	394.3	239.9	154.4
Ecuador	1,263.5	455.5	808.0
El Salvador	606.9	296.3	310.6
Guatemala	788.0	384.3	403.7
Guyana	72.6	49.5	23.1
Haiti	129.8	107.4	22.4
Honduras	483.5	297.5	186.0
Jamaica	199.6	106.8	92.8
Mexico	4,760.6	1,593.3	3,167.3
Nicaragua	340.7	212.3	128.4
Panama	731.5	304.4	427.1
Paraguay	376.4	216.7	159.7
Peru	1,174.0	497.5	676.5
Trinidad and Tobago	67.1	25.3	41.8
Uruguay	495.3	218.5	276.8
Venezuela	1,048.0	312.9	735.1
Regional	1,272.6	322.6	950.0
<b>TOTAL</b>	<b>\$46,524.4</b>	<b>\$11,944.6</b>	<b>\$34,579.8</b>

*Fund for Special Operations:* \$100 million, making the cumulative total \$517 million, as of Dec. 31, 1977.

*Other Funds:* \$31 million, bringing the cumulative total to \$248 million, as of Dec. 31, 1977.

## Lending Emphasis

In recent years the lending policy of the Inter-American Development Bank has been oriented towards the least developed countries and regions in Latin America, and toward the most disadvantaged segments of the region's society. Under this policy the Bank gives conscious preferential treatment to the group of countries which it has classified as being the least developed in the region, or to those of limited market. The Bank also places special stress on providing support for underdeveloped regions and for disadvantaged sectors in the more developed countries.

In giving preferential support to its member countries classified as economically least developed or those which suffer from limited markets, the Bank has been carrying out instructions imparted by its Board of Governors in 1971.

## The Bank's Disbursements

In Millions of Dollars

Country	TOTAL	DETAIL BY FUNDS			
	Amount	Ordinary Capital	Inter-Regional Capital	Fund for Special Operations	Funds in Administration*
Argentina	\$ 811.3	\$ 555.4	—	\$ 199.7	\$ 56.2
Barbados	9.9	6.8	—	3.1	—
Bolivia	196.8	55.5	—	125.1	16.2
Brazil	1,521.1	885.6	\$3.5	541.6	90.4
Chile	384.0	165.4	—	174.6	44.0
Colombia	529.4	261.8	—	199.8	67.8
Costa Rica	129.1	52.0	—	65.2	11.9
Dominican Republic	114.9	7.3	—	91.8	15.8
Ecuador	223.5	36.5	—	140.7	46.3
El Salvador	130.3	7.1	—	89.5	33.7
Guatemala	142.5	27.0	—	92.1	23.4
Haiti	59.5	—	—	59.5	—
Honduras	111.6	0.5	—	102.8	8.3
Jamaica	45.7	8.9	0.1	35.9	0.8
Mexico	1,132.7	689.9	—	407.8	35.0
Nicaragua	130.2	20.5	—	96.7	13.0
Panama	114.3	4.3	—	97.1	12.9
Paraguay	160.9	6.6	—	141.9	12.4
Peru	272.5	60.4	1.4	156.9	53.8
Trinidad and Tobago	15.8	0.2	—	15.6	—
Uruguay	99.5	50.1	—	37.9	11.5
Venezuela	292.7	132.2	—	87.6	72.9
Regional	148.9	78.0	—	64.6	6.3
<b>TOTAL</b>	<b>\$6,777.1</b>	<b>\$3,112.0</b>	<b>\$5.0</b>	<b>\$3,027.5</b>	<b>\$632.6</b>

\*Social Progress Trust Fund, \$507.5 million; Argentine Fund, \$1.7 million; Canadian Fund, \$67.4 million; Populorum Progressio Fund, \$1.0 million; Swedish Fund, \$4.9 million; United Kingdom Funds, \$13.4 million; Venezuelan Fund, \$36.0 million, and Norwegian Fund, \$0.7 million.

During 1977 those two groups of countries—ten classified as least developed and six classified as having limited markets—received a total of \$714 million in loans from the Bank. Of that amount, \$457 million went to the group of least developed countries and \$257 million went to those of limited market. The comparable figure for the least developed countries in 1976 was \$431 million and for the limited market countries it was \$121 million.

Of more significance for their development was the fact that the least developed countries and those of limited market received 71 per cent of all of the Bank's concessional lending—\$414 million out of \$579 million. The ten least developed countries obtained \$322 million of that amount; the six of limited market, \$92 million. That group of countries also received 93 per cent of the \$381 million concessional lending extended by the Bank in freely convertible currencies. The ten least developed countries accounted for 72 per cent of that amount.

### SECTORAL TRENDS

In its 1977 lending, the Bank placed particular stress on support for agriculture and industry and

for the economic infrastructure sectors of energy and transportation. The Bank sought not only to increase the means of livelihood of the low-income urban and rural dwellers, but also to enhance the quality of their lives. A large share of the loans financed by the Bank in such sectors as electric power, transportation, water and sewage, education and urban development went to help the lower-income classes meet their basic human needs.

On a sectoral basis, the Bank's lending included \$802 million, or 44 per cent, for the sectors of agriculture, and industry and mining (agriculture, \$356 million, or 20 per cent, and industry and mining, \$446 million, or 24 per cent); \$575 million, or 31 per cent for economic infrastructure (energy \$422 million, or 23 per cent, and transportation and communications, \$153 million, or 8 per cent), and \$349 million, or 20 per cent for social infrastructure (sanitation, \$234 million, or 13 per cent; urban development, \$31 million, or 2 per cent, and education, \$85 million, or 5 per cent). The remaining \$83 million, or 5 per cent, was accounted for by other sectors (tourism \$30 million, or 2 per cent; export financing \$31 million, or 2 per cent, and preinvestment \$21 million, or 1 per cent).

A sectoral distribution of the Bank's loans is given in the accompanying table.

Distribution of Loans		In Millions of Dollars			
Sector	1977	%	1961-77	%	
Directly Productive					
Agriculture	\$ 356	20	\$ 2,746	23	
Industry and Mining	446	24	1,939	16	
Economic Infrastructure					
Energy	422	23	2,730	23	
Transportation and Communications	153	8	1,768	15	
Social Infrastructure					
Sanitation	234	13	1,180	10	
Urban Development	31	2	538	4	
Education	85	5	527	4	
Other					
Export Financing	31	2	202	2	
Preinvestment	21	1	190	2	
Tourism	30	2	125	1	
<b>TOTAL</b>	<b>\$1,809</b>	<b>100</b>	<b>\$11,945</b>	<b>100</b>	

In the sectoral distribution of its loans, the Bank sought to emphasize the long-term development priorities of its own members. A brief dis-

cussion of developments in these sectors over the recent past, as well as the Bank's support for them, follows.

### Agriculture and Rural Development

For Latin America as a whole, the year 1976 was the second in a row of sluggish performance in the agricultural sector. The value added by the agricultural sector increased less than total population in 1975 and 1976. But a moderate upturn appears to have taken place in 1977, according to preliminary indications. The low growth rate in regional agriculture in 1976 occurred even though better than average performances took place in two of the region's largest countries—Argentina and Brazil. Argentina's output grew by 3.5 per cent, Brazil's by 4.2 per cent. Mexico's output contracted by 3.8 per cent.

Overall, agriculture accounted for 11.3 per cent of the region's gross domestic product in 1974-76, down from the 16.2 per cent average which prevailed in the early 1960s. In 1974-76, the country with the lowest per capita income—Haiti—had the highest proportion of GDP originating in agriculture; and the two countries which registered some of the highest per capita in-

### Value Added by the Agricultural Sector: Regional Distribution, Share of GDP and Growth Rate<sup>a</sup> In Per Cent

Country	Regional Distribution		Share of GDP		Average Annual Variation			Annual Variation			
	1960-62	1974-76	1960-62	1974-76	1961-65	1966-70	1971-75	1973	1974	1975	1976
Argentina	18.0	15.4	16.1	12.3	3.7	1.2	1.2	16.8	5.9	-3.5	3.5
Barbados	0.3	0.2	32.8	19.1	3.9	1.0	-2.6	2.0	-7.9	0.3	5.1
Bolivia	0.9	1.0	22.6	16.6	3.4	2.9	5.1	4.6	4.3	5.8	4.1
Brazil	23.5	25.5	13.5	8.2	5.8	0.8	6.2	3.5	8.5	3.4	4.2
Chile	4.1	3.4	10.7	9.3	1.9	2.9	1.7	-14.6	16.7	3.8	2.6
Colombia	8.7	9.7	30.3	24.7	2.8	4.4	5.2	3.3	6.2	5.9	1.7
Costa Rica	1.0	1.1	25.8	19.8	2.5	6.4	4.0	6.7	4.3	8.8	3.3
Dominican Republic	2.1	2.0	30.2	18.8	-1.3	5.9	3.0	8.1	0.3	-2.7	9.4
Ecuador	2.2	2.5	34.9	22.6	3.8	4.9	5.1	9.2	4.4	6.5	6.5
El Salvador	1.6	1.6	31.9	24.8	4.3	4.0	4.7	1.8	10.2	6.5	-2.7
Guatemala	2.9	3.8	29.8	27.7	4.3	4.8	6.2	5.3	6.4	2.5	4.9
Guyana	0.6	0.5	37.8	32.6	1.8	3.4	-0.2	-0.3	9.1	-5.0	2.7
Haiti	1.4	1.1	47.5	42.5	1.7	0.8	1.2	1.6	0.9	0.2	2.0
Honduras	1.2	1.1	35.8	30.6	7.2	2.1	0.3	1.8	-8.1	-5.5	4.1
Jamaica	0.8	0.6	10.2	7.6	2.8	-0.4	2.3	-5.9	2.1	1.8	2.7
Mexico	17.1	16.3	15.6	9.5	4.8	2.7	1.7	2.2	2.8	0.9	-3.8
Nicaragua	0.8	1.2	24.8	23.0	11.8	1.2	5.5	6.5	9.8	3.1	6.3
Panama	0.9	1.0	22.5	15.9	6.7	4.1	2.7	3.4	-1.5	4.8	-0.5
Paraguay	1.1	1.2	37.9	34.5	7.2	1.8	5.4	8.7	9.2	3.9	5.0
Peru	5.0	4.6	19.3	13.7	3.9	4.9	-0.1	0.5	4.2	-0.2	4.3
Trinidad and Tobago	0.3	0.2	8.2	4.5	-1.2	0.2	-1.1	-20.8	-17.5	10.9	14.1
Uruguay	2.0	1.5	14.6	15.3	4.3	3.3	0.7	3.9	0.3	3.3	3.6
Venezuela	3.4	4.2	7.1	6.4	6.4	4.5	4.0	5.3	6.1	7.0	-3.8
<b>Latin America</b>	<b>100.0</b>	<b>100.0</b>	<b>16.2</b>	<b>11.3</b>	<b>4.3</b>	<b>2.4</b>	<b>3.4</b>	<b>4.5</b>	<b>5.9</b>	<b>2.3</b>	<b>2.2</b>

<sup>a</sup>At constant market prices converted to United States dollars of 1976 purchasing power.

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



come—Trinidad and Tobago and Venezuela—had the lowest proportion of agricultural output.

World food supplies have improved greatly since the early 1970s. As a partial consequence, the world price of grains has been favorable to those countries that have had to rely on imports to meet their basic food needs. Nonetheless, the long-term trends of population growth and the rising domestic demand for food and other farm products are not favorable to the future balance-of-payments position of those countries. Where this is economically viable, Latin American countries that are net food importers need to make a greater effort in the food production field. Fortunately, most of the countries of Latin America enjoy a favorable natural resource base which enhances their potential for expanding agricultural production, thereby contributing to the alleviation of hunger and to increasing nutritional levels in the region and elsewhere.

The agricultural sector in Latin America must also supply the requirements of the rapidly rising urban population and provide products for the external markets to help pay for imports of capital goods needed by the region to support its long-

***SEVEN-FOLD INCREASE IN CASSAVA yield is possible with this variety held by smiling Colombian researcher. Research on the tuber, one of the world's tropical food staples, is being carried out with Bank support at the International Center for Tropical Agriculture near Cali, Colombia.***

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term growth. To accomplish these objectives, the agricultural sector needs to expand its production for domestic as well as external markets. To this end, farm credit needs to be provided, and marketing and irrigation infrastructure expanded. The rural population of Latin America—which is still increasing in numbers although its total share of the population continues to drop—cannot, however, be expected to continue merely to contribute expanding agricultural supplies at low prices to urban dwellers, who have doubled in number between 1960 and 1977, without a change in its own condition of life. Governments are aware that without deliberate policies and investment programs to improve the quality of life in rural areas, city growth is likely to be exacerbated and farm output will be insufficient to avoid large food imports or a reduction in exports.

The lending and technical cooperation pro-

grams of the Inter-American Development Bank seek to address these fundamental issues in agricultural and rural development. Major priority areas in the Bank's continuing support for agriculture include farm research and development through support for international, national and regional research efforts. Special emphasis was placed on the latter two in 1977. The Bank's traditional financial support for farm credit programs, irrigation and other rural infrastructure is being supplemented by a variety of programs initiated by member countries for rural areas, particularly in the fields of health, basic sanitation, education, rural electrification, communications and local road construction. In 1977, the Bank approved \$250 million in loans for such rural development activities as the construction of roads, potable water supplies, electrification, agricultural education, health and housing. Examples of these include:

- In Bolivia, the Bank provided a loan of \$8.5 million to enable Bolivia to carry out research in cereals and other crops, and to build or expand several experiment stations. In addition, 33 new agencies in 25 regions of the country will be created to expand extension services, increase the number or organized groups of producers, and train personnel. The project seeks to broaden farmer coverage, increase production and productivity, and promote rational utilization of labor and natural resources.

- Among the six Southernmost countries of South America—Argentina, Bolivia, Brazil, Chile, Paraguay and Uruguay—the Bank is financing a cooperative agricultural research effort with a technical cooperation grant of \$3.5 million. The program's activities include inter-country technical assistance through the exchange of national specialists, regional meetings, and the sharing of research facilities and scientific materials. To enhance the effectiveness of the program, research will be limited to three crops—wheat, corn and soybeans—and to beef livestock. The program will be carried out over a three-year period under the management of the Inter-American Institute for Agricultural Sciences and the national research institutes in each country.

- In Haiti, the Bank authorized a \$9.6 million loan for an innovative integrated rural education project. The project embodies the concept of providing educational preparation for all rural inhabitants—school age children as well as adults—who have not had access to education previously. Besides being given training in basic education skills, students will receive vocational training, aimed especially for agricultural employ-

ment. Under the program, six integrated education centers for rural development will be established initially in selected regions of high population density where specific agricultural development projects are either underway or will soon be initiated. The centers will serve as nuclei for educational activities in each region. Each center will handle up to 500 students a day and assist four organized community groups. Below these centers will be farm schools, each of which will provide vocational training to 300 pupils in grades 1 to 4, and 200 students in grades 5 and 6. At the lowest level, community schools will provide training to some 300 students per day. At all levels, basic adult literacy and vocational training will be an integral part of school activities.

- In its telecommunications policy, the Bank is increasingly seeking to provide service to rural areas. A 1977 loan of \$12.2 million to Costa Rica will help provide telephone links from rural areas and small regional development centers to the rest of the country. The program is a continuation of the efforts of the Costa Rican Government to assist in the development of rural areas through the installation of public telephones.

- In Guyana, the Bank lent \$49.5 million to help carry out a project to manage the water resources of the Mahaicony-Abary region through the construction of flood control, irrigation and drainage infrastructure works. In addition, farm research and extension facilities will be expanded. In its first stage, the project will encompass about 115,000 acres. The completed project will earn foreign exchange, principally from rice exports to the members of the Caribbean Community, and will provide milk and vegetable oil to replace present imports.

- The Bank approved two loans for fishery development in Honduras and El Salvador designed to benefit small producing units. A \$1,580,000 loan to the Government of Honduras, the first undertaken jointly with the European Economic Community, seeks to contribute to increased production of small fishery cooperatives. A \$5.3 million loan to El Salvador will also benefit fishermen's cooperatives and help to increase the production of fish for domestic consumption. Moreover, the Bank in 1977 approved two technical cooperation projects for a fishery resource survey and feasibility studies in Haiti and in the Dominican Republic.

## Industry

During the 1960s and early 1970s, Latin American industry expanded and diversified impressively. However, a significant slowdown began in



**ARID LAND GROWS PRODUCTIVE** in Mexico with help of Bank loans for irrigation. Here, at San Pedro Apostol ejido in Zacatecas State, water is pumped to main canal and then trickles down to newly planted guava fruit trees. On another farm—El Mexiquito—fruit is being harvested and shipped to market.

1974 when, for the first time in many years, value added by manufacturing increased less than the overall gross product. This happened again in 1975. A return to the previous growth trend appears to have taken place in 1976 and 1977.

The rate of increase in manufacturing value added rose from 1.5 per cent in 1975 to 5.4 per cent in 1976, reflecting considerable improvement in general economic activity and the revival of growth in international trade. However, this rate was lower than the rates for the developing countries as a whole, on the one hand, and for the industrialized countries, on the other hand.

International economic recovery, which began in the United States during the third quarter of 1975 and in the other developed countries in the fourth, augured well for Latin America, and the region's manufacturing production responded promptly to a more buoyant domestic and external demand.

Within the region, 16 countries recorded higher manufacturing growth rates in 1976 than they had the previous year. Only seven posted lower rates. All major manufacturing categories registered higher rates of growth, with wood products, chemicals, paper, metal products, machinery and appliances, and basic metals leading the way. Food, beverages and tobacco, non-metallic minerals and apparel, leather and footwear, recorded the lowest rates.

The contribution of manufacturing value added to the GDP amounted to 26.5 per cent in the 1974-76 period, compared with 22.9 per cent in the 1960-62 period. All countries, except Chile, recorded a higher share. Those in which manufacturing contributed more than 20 per cent to the

GDP in 1976 were Argentina, Brazil, Costa Rica, Chile, Mexico, Nicaragua, Peru and Uruguay. On the other hand, the share of manufactures in the GDP was 15 to 20 per cent in Colombia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Panama, Paraguay and Venezuela.

In 1976, Argentina, Brazil and Mexico accounted for 78 per cent of the regional manufacturing value added, while Venezuela, Peru, Chile and Colombia contributed 14.9 per cent and the remaining countries 7 per cent.

The achievements of Latin American industry are giving it an increasingly significant position in the international community. During the period since 1970 as a whole, manufacturing in the region attained a rate of growth higher than that of the mature industrial nations and was among the highest in the developing regions of the world. Latin America's productive capabilities now extend to many activities regarded beyond the reach of the region a decade ago. In addition, Latin American manufacturing production has become increasingly competitive in the world market, leading to an expanding array of exports and gains for the Latin American consumer. After experiencing very high rates of export growth, manufacturing now accounts for one-fifth of the region's total export earnings.

A further sign of industrial maturity can be seen in the assimilation of past experience. There is now an increasing emphasis on industrial specialization, as well as on the establishment of facilities capable of achieving minimum cost levels. This has involved foreign investment on some occasions, and sometimes funding from the re-

**Manufacturing Sector: Distribution and Growth of Value Added<sup>a</sup>**  
In Per Cent

Country	Regional Distribution		Share of GDP		Average Annual Variation						
	1960-62	1974-76	1960-62	1974-76	1961-65	1966-70	1971-75	1973	1974	1975	1976
Argentina	24.8	19.9	31.3	37.3	6.6	5.2	5.0	6.4	6.1	-2.8	-4.5
Barbados	b	b	6.6	10.6	6.1	10.3	5.8	4.5	-6.6	11.6	15.8
Bolivia	0.4	0.3	12.7	14.7	9.5	7.8	6.8	5.0	11.3	6.1	6.9
Brazil	30.9	38.0	25.1	28.7	4.2	10.2	11.8	16.1	8.4	4.5	10.5
Chile	6.2	3.3	22.7	21.0	7.3	3.6	-3.6	-6.5	-0.9	-27.4	6.1
Colombia	3.6	3.2	17.5	19.4	5.5	6.3	7.0	8.9	5.6	2.8	6.1
Costa Rica	0.4	0.5	14.1	20.3	8.3	9.3	8.5	10.0	14.2	2.8	3.0
Dominican Republic	0.7	0.8	15.4	17.3	1.8	14.7	10.0	11.2	9.6	5.9	6.2
Ecuador	0.7	0.8	15.7	16.3	6.2	7.6	9.5	14.2	6.8	15.1	9.6
El Salvador	0.5	0.5	15.0	18.7	10.7	5.7	5.2	7.2	5.8	2.5	7.8
Guatemala	0.9	0.9	13.1	15.4	7.1	8.2	4.8	8.1	4.6	-1.5	10.4
Guyana	0.1	0.1	12.7	13.8	3.0	1.9	6.2	-16.3	30.4	5.0	11.6
Haiti	0.2	0.1	10.4	11.2	1.7	0.3	6.7	4.2	9.8	5.1	5.3
Honduras	0.3	0.2	13.9	16.0	2.7	5.1	7.3	11.3	6.5	6.6	8.0
Jamaica	0.8	0.6	15.4	17.7	7.7	4.1	3.7	0.9	-4.2	6.4	-6.7
Mexico	17.8	20.4	22.9	27.9	9.3	8.8	6.1	7.9	7.1	4.3	3.9
Nicaragua	0.4	0.5	16.2	23.4	14.3	8.1	5.9	4.7	13.1	2.4	7.0
Panama	0.4	0.4	14.0	15.4	12.6	9.4	2.7	4.2	-4.4	-0.9	-1.7
Paraguay	0.3	0.2	15.8	15.4	2.9	5.6	5.4	7.5	8.9	-2.0	5.5
Peru	3.9	3.7	20.2	25.7	8.9	5.9	7.1	7.4	7.5	4.7	4.2
Trinidad and Tobago	0.1	0.2	4.1	11.0	13.4	14.3	3.8	-1.0	0.4	3.6	12.8
Uruguay	2.1	1.0	22.5	23.9	0.7	2.4	2.3	-0.2	3.6	6.7	4.0
Venezuela	4.9	4.8	14.5	17.0	9.9	5.3	5.6	7.4	6.2	4.6	11.1
<b>Latin America</b>	<b>100.0<sup>c</sup></b>	<b>100.0<sup>c</sup></b>	<b>22.9</b>	<b>26.5</b>	<b>6.4</b>	<b>7.4</b>	<b>7.2</b>	<b>9.4</b>	<b>6.8</b>	<b>1.5</b>	<b>5.4</b>

<sup>a</sup>At constant market prices converted to United States dollars of 1976 purchasing power.

<sup>b</sup>Less than 0.1 per cent.

<sup>c</sup>Totals may not be equal to 100 per cent because of rounding.

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

gion, on others—including, at times, binational efforts. More effective bargaining for foreign technology is becoming common, as is concern for the local adaptation of technology.

Local processing of the region's natural resources and other industrial exports, which have been given attention following an over-emphasis on import-substitution, can be fostered at lower costs than registered to date through the use of better criteria to determine product lines eligible for government aid and a concomitant cost-benefit approach to the choice of export promotion mechanisms.

Since unemployment and underemployment, even in countries with high economic growth rates, have reached high levels, expansion of industry has become pivotal in any strategy aimed at preventing the situation from getting worse. Potential workers are entering the labor market in Latin America at the rate of 2.8 per cent per year—a rate sufficient to double the labor force in countries as diverse as Costa Rica, Guyana and Venezuela in 20 years. In terms of actual jobs needed, the numbers are staggering: Brazil needs to create 1 million and Mexico 600,000 new jobs

annually to keep unemployment from rising. For Latin America as a whole, approximately three million persons enter the labor market each year.

The problem of high labor force expansion is embedded in the demographic structure and, except in the long run, very little can be done about it. The only effective response rests in the creation of as many jobs as possible in productive activities.

Since it is illusory to believe that without providing gainful employment basic human needs can be satisfied, particularly in urban areas, and since manufacturing is a key sector for the generation of direct and indirect employment, especially when production relies on local inputs, Latin American industry must continue to develop rapidly to supply national, regional and nonregional markets.

In its lending policy for industry, the Bank has sought to support activities which utilize local resources, have the potential to generate employment, and show promise of being competitive internationally or, if import substituting, provide clear expectation of economic efficiency.

Continued support of small- and medium-sized industrial projects was provided by the Inter-American Development Bank in 1977 in Barbados, Haiti, Bolivia, Peru and Northeast Brazil. In addition, the Bank increased its contribution to the Olancho forestry and industrial project in Honduras with a second stage loan of \$25 million. The Bank loan, the first of this type, was extended from the Venezuelan Trust Fund and will be used to acquire shares in the *Corporación Forestal Industrial de Olancho (CORFINO)*, a mixed public-private entity. *CORFINO*, now the largest industrial enterprise in Central America, will sell up to 49 per cent of its shares to foreign private capital (primarily Latin American) to help underwrite further expansion to include two more sawmills and a pulp and paper mill, as part of an overall expenditure of half a billion dollars. The project involves carefully planned exploitation and subsequent reforestation of the largest undeveloped pine forest in Latin America.

In Argentina, two Bank loans totaling \$105 million will aid in the development of a large petrochemical complex near Bahía Blanca, a developing center of growth 435 miles southwest of Buenos Aires. These loans will cover approximately a third of the cost of a major expansion in the production of ethylene, polyethylene, monomer vinyl chloride and polyvinyl chloride, and will be based on the use of local supplies of natural gas. The new plants will replace production dependent on obsolete processes and uneconomic scales of output with internationally competitive facilities.

A Bank loan of \$20 million to Mexico will help meet that country's future needs of senior level scientists and technicians. The National Council on Science and Technology estimates a need for 35,000 such specialists annually by 1982. In recent years, only 3,300 professionals in these fields were being graduated by the education system. With the help of the Bank loan, over 4,000 credits to students at the post-graduate and doctoral levels will be made, primarily in the areas of the exact and natural sciences, engineering, agriculturally related sciences, and the social sciences.

The Bank also approved a \$20 million loan to help Brazil acquire the technology and technical and engineering services related to the development of a petrochemical industrial complex in Porto Alegre. This is the third such complex in the nation for the production of ethylene-based products for industrial and domestic use. A basic objective of the loan is to provide needed petrochemical technology for the project. Employees will be trained in the technical aspects of produc-



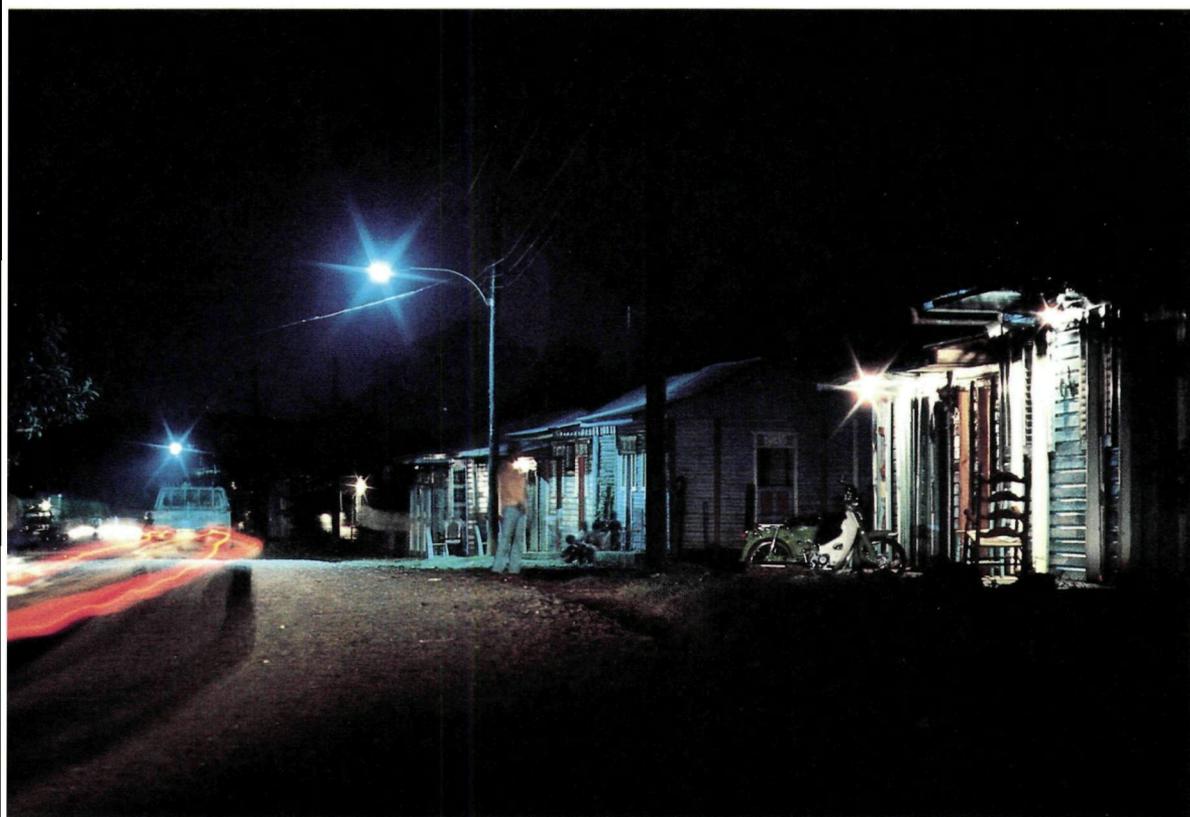
**PETROCHEMICAL COMPLEX RISES** in Brazil's developing Northeast state of Bahia. Facility, along with others in Minas Gerais and Rio de Janeiro, benefited from loan of \$40 million approved by the Bank in 1973.

tion, maintenance and research. With this transfer of technology completed, Brazil expects to be in a position to design and put into operation additional petrochemical plants in the country.

In its concern to develop programs that can effectively benefit the lower income groups in its member countries, the Bank in 1977 authorized a grant of \$650,000 to the Central American Institute for Technological and Industrial Research for a project related to the application of intermediate and light-capital technologies. The funds will support the development and dissemination of simple industrial techniques requiring modest investments and directed to the special problems, resources and capacities of the rural areas of Central America.

## Energy

While the situation varies considerably from country to country, Latin America is highly dependent on liquid fuels for its energy. More than 60 per cent of the region's total energy consumption comes from liquid fuels, with many countries exhibiting dependency levels in excess of 90 per



cent. With few exceptions, the Latin American countries rely on imported fuels to satisfy their energy requirements.

Given the high rates of population growth, dramatic urban expansion, the quick rise in levels of income, rapid industrialization, and related transportation requirements, it is not surprising that the income elasticity of demand for energy in Latin America has been quite high, especially in comparison with the developed countries. Growth of commercial energy consumption since 1960 has been greater than in either the developed countries or the world as a whole. Consequently, because of the rapid rise in energy costs since 1973, the vulnerability of the region's economic development has substantially increased.

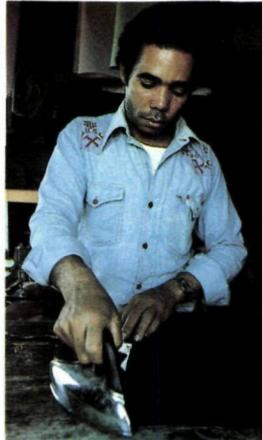
Four countries—Argentina, Brazil, Mexico and Venezuela—consume 80 per cent of the region's total energy. Those four countries plus Trinidad and Tobago, represent almost 90 per cent of known energy reserves and production.

Electrification coefficients in Latin America, while significantly lower than those of the developed countries, have been growing rapidly since 1960. Nonetheless, it is estimated that only 50 per cent of the region's population is presently supplied with electric energy. On a sectoral basis, 40

per cent of the total fossil fuels consumption is accounted for by the industrial sector, 35 per cent by transportation, 10 per cent by residential users, and the remaining 15 per cent in the generation of electricity. Consequently, due to the pattern of end use of energy, oil substitution policies become very difficult.

Due to low levels of exploration in the past, information about real reserves is neither accurate nor readily available. It is estimated, however, that known petroleum reserves in the region may last about 24 years at present levels of extraction. Half of the known reserves—more than 18 billion barrels—are in Venezuela. Recent discoveries suggest oil reserves of at least 14 billion barrels in Mexico. Argentina with 2.4 billion barrels, and Ecuador with 1.5 billion follow those two.

With respect to other energy sources, gas reserves are expected to last for some 40 years at present extraction rates. Coal is not found in any particular abundance or purity except in Colombia, and uranium deposits are located principally in Argentina, Brazil and Mexico. Hydroelectricity remains the most widely distributed energy source, and in some countries the potential is enormous, although at increasing costs since the cheaper and more conveniently located sites have



**TIME EXPOSURE DRAMATIZES** benefits of electricity in this rural village—La Laguna de Nisibón—in the Dominican Republic. Power was brought to this and 159 other localities with help of Canadian loan administered by the Bank. Other photos show how electricity has changed the way people live, work and learn. Clockwise, tailor uses electric iron, housewife keeps food fresh in her new refrigerator, electricity powers concrete block machine and children learn to read and write at night school.

been utilized or are targeted for early construction.

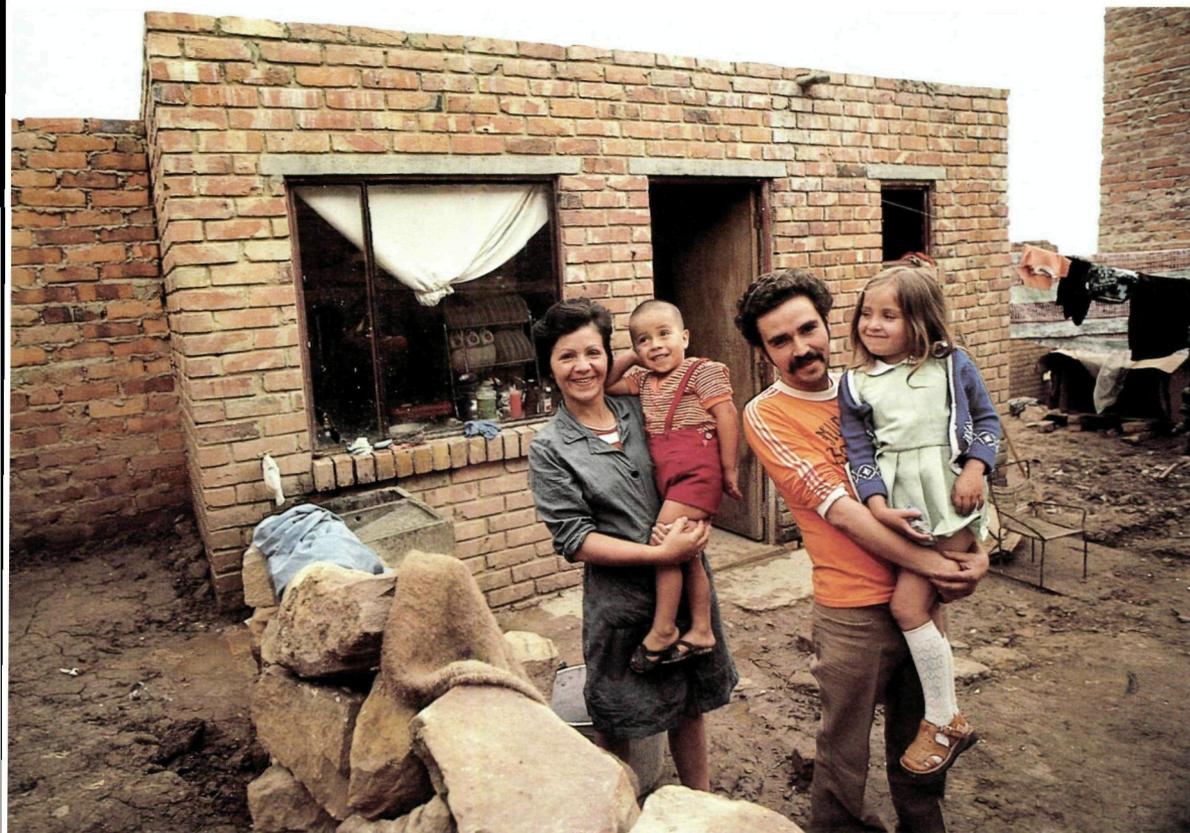
For the vast majority of the countries of the region the rise in oil prices since 1973 has had noticeable effects. These are reflected both in the increase in current account deficits and in the percentage of total export earnings required to pay the oil import bill. The latter has increased from an average of 8 per cent in 1972 and 22 per cent in 1974 to an annual average of 23 per cent in the 1975-76 period.

The problem is of such magnitude that countries will have to explore a wide spectrum of possibilities in order to cope with it. On the supply side, these include a more intensive search for fossil fuels; higher utilization of the region's significant hydroelectric potential; greater role for nuclear power in generating electricity; utilization of the region's geothermal possibilities, and a search for early development and application of other non-conventional sources of energy. On the demand side, a more rational use of energy supplies, and higher levels of energy conservation are indicated. The latter would include changing the product mix in order to check the growth of energy-intensive activities and to promote the utilization of less energy-intensive technologies.

Particularly necessary is the adoption of pricing and tariff policies consistent with the energy profiles and endowments of each country so as to permit the interaction of energy supplies and demands at levels compatible with the region's future economic growth.

An extraordinary effort to mobilize both internal and external financial and technical resources will be required to meet anticipated high levels of energy requirements and lessen, through diversification, present reliance on scarce fossil fuels. In effect, the new energy situation in the world has forced a change in perceptions about the urgency of adopting appropriate investment and financing policies for ensuring energy availabilities indispensable for the region's continued economic expansion. The role of external financing needs to be re-evaluated and adapted, so as to increase the flow of foreign resources for traditional types of projects and for new projects necessary for the implementation of policies undertaken by the governments of the Latin American countries to cope with their energy problem.

Within the energy sector, loans and technical cooperation extended by the Inter-American Development Bank have been directed toward the diversification of the region's energy supply struc-



**SMILING HOME OWNERS** Silvia and Ismael Vaquero and two children stand before home they are buying in Guacamayas section of Bogotá, Colombia. House is one of 1,200 low-cost units built in neighborhood under integrated urban development program being financed by Bank.

ture through the development of projects using renewable resources for electric generation. In addition, in compliance with its policies of fostering regional integration, such assistance has been oriented towards specific investment programs benefiting two or more countries of the region. At the same time, the Bank has fostered several inter-connection projects at national and regional levels in order to enable the countries concerned to expand electric power systems and take full advantage of economies of scale through the elimination of small isolated petroleum-based power stations.

Loans approved in 1977 are also being used to investigate and drill deep wells in a large geothermal field in Costa Rica in order to determine the feasibility of constructing electric generating facilities on that site; and to build the Fortuna Project in Panama, the San Lorenzo Project in El Salvador, the Emborcação Project in Brazil and the

San Carlos Project in Colombia—all involving large hydroelectric generating plants which will help those countries to continue their economic development by using their natural water resources instead of importing costly fossil fuels. The Bank also provided continued support for the expansion of Argentina's gas pipeline infrastructure through a loan for the construction of the Southern Gas Pipeline to transport gas resources belonging to Argentina, as well as Chile. A Central American Isthmus Electrical Interconnected System is being studied with the help of technical cooperation provided to the Central American Bank for Economic Integration. At the same time, the feasibility of increasing the generation of electricity in two existing hydroelectric plants in Nicaragua by increasing the volume of usable water in the reservoir through inter-basin transfers, is under study with the support of the Bank's technical cooperation resources.

A major consideration of Bank policy in financing projects is to insure that the benefits reach the low-income segments of the population. A technical cooperation grant to Panama for the preparation of a nationwide five-year rural electrification master plan, loans to Brazil for a second large rural electrification program and

resources provided to Jamaica to help bring electric service to rural areas will all contribute to this objective.

Closely related to the exploitation of hydroelectric resources is the growing interest in Latin America in development programs of a regional scope which take into account the interdependence of different economic sectors and activities. These regional programs are often based on an area's natural resources such as a river basin or mineral deposits. An example is the Sinú River Basin in Northwest Colombia. With the support of a technical cooperation grant from the Inter-American Development Bank, an integral regional development project will be undertaken which, in addition to energy development, includes irrigation, fishing, transportation, urban improvements, and other activities.

### **Transportation**

Demands placed on the transportation sector in Latin America reflect not only overall growth but also the structural patterns of past development efforts in each country. Among the many factors that have a bearing upon transportation, the region's demographic profile is of fundamental importance, as are the differing levels of economic development. The trends toward regional integration also condition present and future transportation requirements.

One overriding consideration in the assistance furnished by the Bank to the sector has been the need to increase agricultural productivity and production. Aware that the lack of adequate transportation infrastructure and services will constrain future farm growth, the Bank has stepped up the provision of financing and technical cooperation for rural areas and farm-to-market transportation projects.

The Bank's loan and technical cooperation programs in the transportation sector also take into account the requirements of other sectors and future sectoral growth pattern. Within this context, approximately 87 per cent of the Bank's total loans to the transportation sector in 1977 were channeled to the construction of rural roads, while the remaining 13 per cent were keyed to the development of other facilities.

In terms of the technical cooperation granted by the Bank to the transportation sector, 75 per cent has been for the design of labor intensive techniques in the construction of farm-to-market roads in Guatemala and the remaining 25 per cent for the overall Central American Integrated Transportation Study. The former project incorporates an economic evaluation of labor intensive

construction techniques, an estimate of the equipment and input costs necessary to implement the program, a detailed analysis of seasonal worker migration patterns and the feasibility of using underemployed labor in the design of rural feeder roads.

### **Social Development**

The Bank's principal activities in recent years in support of social development have been in education and health, including basic sanitation, oriented to both urban and rural regions and designed to benefit low- and middle-income groups. The Bank pioneered in providing external financing for water supply and sewage projects and, in recent years, has continued to place increasing emphasis on providing potable water to Latin America's rural sector.

The United Nations World Water Conference held in Mar del Plata, Argentina, in March 1977, agreed that the single most important health measure that could be taken to reduce disease and improve life, particularly among women and children, was the provision of potable water to rural areas. In this regard Latin America has made encouraging progress. According to the Pan American Health Organization (PAHO), the proportion of the Latin American rural population with access to potable water has climbed from 7 per cent in 1960 to 34 per cent in 1976. The Bank remains by far the most important source of external financing in support of such programs. A 1977 example is a \$4.7 million loan to El Salvador to help finance the second stage of a rural water supply program for 125 rural towns with a total population of 100,000. The Canadian International Development Association (CIDA) is participating in financing that project. Construction costs will be reduced by the contribution of local communities in building simple infrastructure works. The simplified project design will facilitate the participation of the local communities, produce a cost-effective program, and provide local employment opportunities.

Education continued to receive high priority in 1977. In its programs the Bank gave explicit recognition to the different stages of development and the individual priorities of its member countries. Whereas the more developed among them have focused on projects in science and technology, the less developed demonstrated particular concern with the needs of basic education, especially in rural areas. In both groups of countries, the Bank continued to support technical and vocational education projects designed to provide the skills required by the region's increasing

development. A \$9.7 million loan made to Bolivia, for example, will help to expand its technical education system and train middle-level technicians in such needed areas as agriculture, horticulture, soils' management, automotive repair and carpentry. Students will be recruited in the country's rural areas, and a significant number of the technical training schools to be established will be located there.

Since the early 1960s, educational expenditures in Latin America have grown faster than the GDP as enrollments have expanded broadly at all levels, particularly in the universities. Latin American governments have shown an increasing concern with the problem of financing education, given the claims of other pressing needs, while questioning the implications for social equity of the present systems. In recognition of this problem, a meeting of experts was held at Bank headquarters in November 1976 preparatory to a high level seminar on the financing of education which is to take place in 1978 in Mexico.

## ECONOMIC INTEGRATION

During 1977 the Bank continued supporting the physical and economic integration of Latin America through many of its loans and technical cooperation grants. Total Bank lending for programs having an integration content amounted to \$142 million. This brought the net cumulative lending of that nature through Dec. 31, 1977, to \$1,519 million.

### Support for Economic Integration, 1960-77

In Millions of Dollars

	Bank Support	Total Cost of Projects
<b>Export Financing</b>	\$ 202.7	\$ 290.5
<b>Regional Projects</b>		
Transportation	506.6	940.7
Energy	259.5	761.0
Telecommunications	83.7	158.3
Industry	224.5	388.8
Agriculture	77.4	228.1
Education	4.9	18.9
Housing	15.0	30.0
Tourism	28.0	48.8
<b>Studies and Preinvestment</b>		
Sectoral and General	39.9	93.7
Transportation	5.6	8.7
Energy	4.1	6.9
Telecommunications	1.3	4.6
Industry	3.6	5.3
Agriculture	29.8	89.3
Border and Multinational Areas	1.1	3.8
<b>Training and Research</b>	26.5	68.0
<b>Institutional Support</b>	4.3	17.1
<b>TOTAL</b>	<b>\$1,518.5</b>	<b>\$3,162.5</b>

An innovative loan of particular importance to the economic integration of Central America was the previously mentioned \$25 million loan extended by the Bank from the Venezuelan Trust Fund to enable Honduras to capitalize an industrial corporation which will build a pulp and paper mill exploiting the Olancho pine forest reserve. The Bank also provided lending and technical cooperation support to enable the Caribbean Development Bank to finance preinvestment studies benefiting all its members.

A very substantial part of the Bank's technical cooperation during 1977 was also devoted to projects which have a broad impact on the economic integration of the region. These are described in detail in a later section of this Report.

The Bank's cumulative support for economic integration is detailed in the accompanying table.

## PROGRESS ACHIEVED: A Sectoral Profile

During 1977 the Bank completed its share in the execution of 60 additional loan projects. The Bank's lending investment in these projects amounted to a net total of \$744 million. Projects completed during the year brought the total carried out with the assistance of Bank loans to 655 representing Bank lending of \$4,339 million. This accounts for 36 per cent of the 1,046 loans for \$11,945 million extended by the Bank since its establishment.

Each year the Inter-American Development Bank conducts a survey to quantify the progress achieved in the execution of projects financed with its help. A sectoral profile of progress achieved at the end of 1977 appears below.

*Agriculture:* 234 loans amounting to \$2,746 million are helping to finance agricultural projects whose total cost is \$6,989 million. As of Dec. 31, 1977, work carried out on these projects had improved or brought into production 29.8 million acres of land, including 4 million acres of land brought under irrigation. With financing channeled through development financing institutions, the Bank has helped provide some 1.2 million individual credits to farmers totaling nearly \$2.1 billion.

*Industry and Mining:* 177 loans amounting to \$1,939 million are helping to finance industrial and mining projects costing \$15,649 million. These loans are helping to build, improve or expand 92 industrial plants directly, and thousands more indirectly through the region's development finance institutions. Of the former, 61 industrial plants have been put into operation and 31 are under construction. Under the latter pro-

gram, 7,089 credits have been extended to small- and medium-scale industries to build or expand their facilities with Bank funds channeled through intermediate development banks.

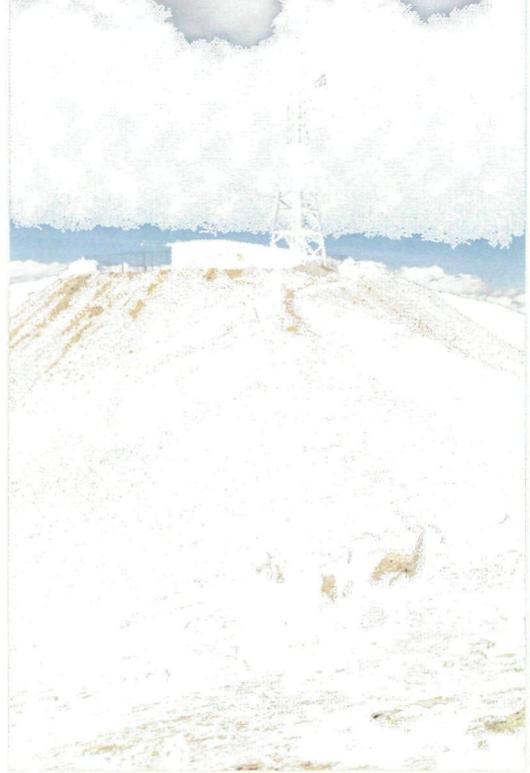
*Energy:* 106 loans for \$2,730 million are helping to finance projects in the energy sector being carried out at a total cost of \$13,670 million. These loans are helping to increase Latin America's generating capacity by some 20 million kilowatts, to add 104,700 miles of primary transmission and distribution lines to the region's network, and to improve distribution systems in 2,670 communities. As of Dec. 31, 1977, generating units with a total of 7.6 million kilowatts have been completed; 50,700 miles of transmission and distribution lines have been laid, and improved power service has been brought to 1,193 communities.

Bank financing is assisting in the construction of 2,094 miles of main gas lines and 318 miles of gas distribution lines, of which 1,505 miles of main lines and 318 lines of distribution lines have been completed. In addition, a Bank loan is helping to build one port petroleum terminal.

*Transportation and Communications:* 110 loans for \$1,768 million are helping to finance transportation and communications projects whose total cost is \$4,268 million. This lending is helping to build or improve 31,638 miles of roads, including 9,989 miles of main highways and 21,649 miles of secondary or farm-to-market roads. As of Dec. 31, 1977, some 25,144 miles have been completed, including 6,726 miles of main highways and 18,418 miles of secondary or farm-to-market roads. Bank financing is helping to build four major highway bridges and 553 lesser ones, of which four large ones and 388 small ones have been completed.

Bank loans are also helping to finance the improvement of 13 port facilities in Latin America; building seven grain elevator facilities; improving one ship canal; financing five road maintenance programs, and helping to build 12 telecommunications systems in the region. As of Dec. 31, 1977, ten port projects and five grain elevators have been completed.

*Sanitation:* 141 loans amounting to \$1,180 million are contributing to the execution of water supply and sanitation projects whose total cost amounts to \$2,724 million. These loans are helping to build or improve 5,618 pure water systems and 321 sewage systems which are benefiting 5,934 communities with a total population of some 65.2 million persons. As of Dec. 31, 1977, some 4,383 water systems and 287 sewage systems in 4,538 communities have been completed.



**OLD AND NEW MEET** in highlands of Bolivia. Microwave repeating station at Copacabana, Bolivia, helps modernize national communications as shepherd below tends flock of llamas. Station was built with help of loan extended in 1972 to improve Bolivia's telecommunications system.

*Urban Development:* 58 loans amounting to \$538 million are helping to finance urban development projects whose total cost is \$1,167 million. These loans are helping to build 371,570 housing units along with urban and community facilities and municipal markets, as well as sites and services for urbanization projects and industrial parks. As of Dec. 31, 1977, 358,161 units have been completed.

*Education:* 88 loans amounting to \$527 million are financing education projects whose total cost is \$1,130 million. These loans are helping to modernize, expand or improve 780 learning centers, of which 71 are universities, 80 are schools or faculties of universities, 33 are research centers, 549 are vocational or technical schools, and 6 are primary or secondary schools. These loans are benefiting a student body of some 1,018,000.

*Preinvestment:* 88 loans amounting to \$190 million are helping to finance preinvestment programs whose total cost is \$344 million. As of Dec. 31, 1977, some 1,555 preinvestment studies have been completed—381 carried out with direct loans and 1,271 with credits extended through various preinvestment funds to which the Bank contributes.

*Export Financing:* 34 credits amounting to



**COTTAGE INDUSTRY THRIVES** near Otavalo with help of small credits provided by Ecuador's National Development Bank from resources of Inter-American Development Bank loan. Shown is Lorenzo Alarcón who knits cloth for blouses on machine purchased with one such credit.

\$202 million are helping to finance capital goods exports from the Latin American member countries of the Bank with an invoice value of \$290 million.

*Tourism:* 10 loans, as well as portions of others, amounting to \$125 million are helping to finance tourism projects whose total cost is \$294 million. In addition, some 293 credits for small-scale tourist projects have been channeled from Inter-American Development Bank funds through loans extended to development banks in Latin America.

## EXPANSION OF MEMBERSHIP

During 1977 the Bank broadened its financial resource base by incorporating additional capital contributing countries from outside its own region into membership in the Bank.

As indicated in last year's Report, the expansion was initiated in 1976 when nine developed countries—Belgium, Denmark, Germany, Israel, Japan, Spain, Switzerland, the United Kingdom and Yugoslavia—became members of the Bank. During 1977 six more nonregional countries joined the Bank. They were Austria, Finland, France, the Netherlands, Italy and Sweden.

The membership of Austria, France and the

Netherlands became effective Jan. 10, 1977; Italy, May 26, 1977; Finland, June 30, 1977, and Sweden, Sept. 19, 1977.

In addition on Dec. 15, 1977, another developing nation from within the region—the Bahamas—joined the Bank. At the end of the year, the Bank's membership stood at 41—26 regional and 15 nonregional. The regional members include:

Argentina	Guyana
Bahamas	Haiti
Barbados	Honduras
Bolivia	Jamaica
Brazil	Mexico
Canada	Nicaragua
Chile	Panama
Colombia	Paraguay
Costa Rica	Peru
Dominican Republic	Trinidad and Tobago
Ecuador	United States
El Salvador	Uruguay
Guatemala	Venezuela

The nonregional countries are:

Austria	Japan
Belgium	Netherlands
Denmark	Spain
Finland	Sweden
France	Switzerland
Germany	United Kingdom
Israel	Yugoslavia
Italy	

The entry into the Bank of countries from outside the region originated with the Bank's Board of Governors at its Eleventh Annual Meeting in Punta del Este, Uruguay, in April 1970. At that meeting, the Governors decided to begin action to bring additional capital contributing countries into membership in the Bank as a means of broadening its financial structure and strengthening its mission of fostering Latin America's development. Subsequently, after detailed study of alternatives carried out by a Special Committee of Governors, the Board adopted a set of principles at its Fourteenth Annual Meeting in Jamaica in May 1973 outlining conditions for the admission of nonregional countries.

After a period of negotiations, 12 nonregional countries undertook, in the Declaration of Madrid, signed Dec. 17, 1974, to seek membership in the Inter-American Development Bank in accordance with the principles adopted by the Board. At the same time the Bank agreed to seek amendments in the Agreement Establishing the Bank in order to permit the entry of nonregional countries into membership, since such membership had

previously been limited to countries from within the region. The amendments to the Agreement were subsequently submitted for approval to the regional member countries and entered into effect June 1, 1976.

The amendments included provision for the creation of an inter-regional capital, separate from the ordinary capital resources, to which the nonregional member countries are subscribing in the form of both *paid-in* and *callable* shares. The *callable* inter-regional capital serves as backing to enable the Bank to borrow funds in the world's capital markets over and above the amount it could borrow with the backing of the *callable* capital in its ordinary resources.

The inter-regional capital resources are held, obligated and otherwise disposed of entirely separate from those of the Bank's ordinary capital resources and its Fund for Special Operations. The 15 nonregional member countries which joined the Bank through the end of 1977 are subscribing a total of \$450,291,743 (made up of \$74,274,555 in *paid-in* and \$376,017,188 in *callable* capital) to the inter-regional capital stock. These countries have also agreed to contribute \$450,291,743 to the Fund for Special Operations.

The entry of the nonregional countries into the Bank as contributing members has not affected the regional nature of the Bank because under the amended charter, the member countries in the Western Hemisphere must have at least 92 per cent of the Bank's total voting power. Of that voting power, not less than 53.5 per cent must be retained by the Latin American member countries, not less than 34.5 per cent by the United States and not less than 4 per cent by Canada, leaving up to 8 per cent for the nonregional countries as a group.

As are the regional member countries, each nonregional member is represented on the Board of Governors of the Bank by one Governor and one Alternate Governor. In addition, as a group, the nonregional members elect two Executive Directors, who in turn name two Alternate Executive Directors to the Bank's Board of Executive Directors.

## MOBILIZATION OF RESOURCES

Since the Bank began operations in 1960 it has been able to maintain a steadily rising volume of loans to support the growth of its developing member countries in Latin America, thanks to the periodic replenishment by its member countries of its capital resources and Fund for Special Operations.

As indicated in last year's Annual Report, the Bank in 1976 put into effect its fourth major replenishment. It consisted of:

- An increase of \$4 billion in the authorized capital stock of the Bank, which is being implemented in the 1976-78 period. Of that amount, \$344 million is *paid-in* capital and \$3,656 million represents *callable* capital.
- An increase of \$1,045,300,000 in the resources of the Fund for Special Operations, to be contributed in the 1976-78 period.
- Under the terms of the resolution adopted by the Board of Governors June 1, 1976, the payment of the *paid-in* capital stock was to be effected in three equal annual installments, by Sept. 30, 1976; June 30, 1977, and June 30, 1978, respectively, or on such later dates as the Board of Executive Directors might determine. Fifty per cent of each installment is payable in gold and/or dollars and 50 per cent in the currency of the member country. However, Canada and Venezuela may pay their installments entirely in their own currencies, which would be freely convertible into the currencies of other countries eligible for procurement.

The *callable* capital was to be subscribed in three equal installments, on or before Sept. 30, 1976, Dec. 31, 1976, and Dec. 31, 1977, respectively, or at such later dates as the Board of Executive Directors might determine.

The United States was to subscribe \$1.2 billion of the total increase—\$120 million in *paid-in* capital and \$1.08 billion in *callable* capital. The other regional member countries were to subscribe \$2.7 billion—\$210 million in *paid-in* capital and \$2.5 billion in *callable* capital, with the remaining \$127 million being available for future subscription by member countries.

The Bank's regional member countries have the option of contributing all or part of their increases in the Bank's capital to the newly created inter-regional capital. Taking advantage of this option, Canada and Venezuela are contributing all of their increased subscriptions and the United States one-half of its increased subscriptions to the inter-regional capital.

As of Dec. 31, 1977, the first two quotas to the increase in the *paid-in* and *callable* capital had been received. On Dec. 15, 1977, the Board of Executive Directors approved a resolution postponing until April 20, 1978, the date when the third installment of the *callable* capital is due.

The payments of *paid-in* capital and the subscriptions to *callable* capital as of Dec. 31, 1977, as well as commitments due in future years (not including the just mentioned \$1.3 billion increase),

## CAPITAL OF THE BANK

In Thousands of Dollars

Country	Ordinary Capital Resources						Total
	As of Dec. 31, 1977			Future Commitments			
	Paid-in	Callable	Sub-Total	Paid-in	Callable	Sub-Total	
Argentina	\$ 151,203	\$ 918,003	\$1,069,206	\$13,391	\$166,234	\$179,625	\$1,248,831
Austria							
Bahamas		16,889	16,889	7,238		7,238	24,127
Barbados	2,787	10,001	12,788	145	2,002	2,147	14,935
Belgium							
Bolivia	12,160	73,671	85,831	1,086	13,330	14,416	100,247
Brazil	151,203	918,003	1,069,206	13,391	166,234	179,625	1,248,831
Canada	48,254	244,502	292,756				292,756
Chile	41,498	252,102	293,600	3,667	45,648	49,315	342,915
Colombia	41,474	251,872	293,346	3,667	45,613	49,280	342,626
Costa Rica	6,056	36,842	42,898	530	6,683	7,213	50,111
Denmark							
Dominican Republic	8,107	49,171	57,278	724	8,902	9,626	66,904
Ecuador	8,107	49,171	57,278	724	8,902	9,626	66,904
El Salvador	6,056	36,842	42,898	530	6,683	7,213	50,111
Finland							
France							
Germany							
Guatemala	8,107	49,171	57,278	724	8,902	9,626	66,904
Guyana	2,968	14,114	17,082	1,496		1,496	18,578
Haiti	6,056	36,842	42,898	530	6,683	7,213	50,111
Honduras	6,056	36,842	42,898	530	6,683	7,213	50,111
Israel							
Italy							
Jamaica	8,107	49,171	57,278	724	8,902	9,626	66,904
Japan							
Mexico	97,207	590,095	687,302	8,613	106,858	115,471	802,773
Netherlands							
Nicaragua	6,056	36,842	42,898	530	6,683	7,213	50,111
Panama	6,056	36,842	42,898	530	6,683	7,213	50,111
Paraguay	6,056	36,842	42,898	530	6,683	7,213	50,111
Peru	20,243	123,047	143,290	1,785	22,269	24,054	167,344
Spain							
Sweden							
Switzerland							
Trinidad and Tobago	6,056	36,842	42,898	530	6,683	7,213	50,111
United Kingdom							
United States	361,903	2,447,212	2,809,115		200,000	200,000	3,009,115
Uruguay	16,189	98,462	114,651	1,423	17,830	19,253	133,904
Venezuela	66,663	313,697	380,360				380,360
Yugoslavia							
<b>TOTAL</b>	<b>\$1,094,628</b>	<b>\$6,763,090</b>	<b>\$7,857,718</b>	<b>\$63,038</b>	<b>\$875,090</b>	<b>\$938,128</b>	<b>\$8,795,846</b>

**Inter-Regional Capital**

As of Dec. 31, 1977			Future Commitments			Total	Grand Total	Country
Paid-in	Callable	Sub-Total	Paid-in	Callable	Sub-Total			
							\$ 1,248,831	Argentina
\$ 277	\$ 1,399	\$ 1,676	\$ 555	\$ 2,824	\$ 3,379	\$ 5,055	5,055	Austria
							24,127	Bahamas
							14,935	Barbados
1,375	6,949	8,324	688	3,486	4,174	12,498	12,498	Belgium
							100,247	Bolivia
							1,248,831	Brazil
13,077	117,474	130,551	6,538	58,724	65,262	195,813	488,569	Canada
							342,915	Chile
							342,626	Colombia
							50,111	Costa Rica
591	3,004	3,595	302	1,495	1,797	5,392	5,392	Denmark
								Dominican Republic
							66,904	Ecuador
							66,904	El Salvador
							50,111	
277	1,411	1,688	555	2,812	3,367	5,055	5,055	Finland
3,378	17,154	20,532	6,779	34,285	41,064	61,596	61,596	France
6,938	35,129	42,067	3,473	17,552	21,025	63,092	63,092	Germany
							66,904	Guatemala
							18,578	Guyana
							50,111	Haiti
							50,111	Honduras
328	2,775	3,103	492	1,399	1,891	4,994	4,994	Israel
3,378	17,154	20,532	6,779	34,285	41,064	61,596	61,596	Italy
							66,904	Jamaica
7,552	38,265	45,817	3,788	19,120	22,908	68,725	68,725	Japan
							802,773	Mexico
507	2,606	3,113	1,037	5,211	6,248	9,361	9,361	Netherlands
							50,111	Nicaragua
							50,111	Panama
							50,111	Paraguay
							167,344	Peru
6,768	34,296	41,064	3,389	17,143	20,532	61,596	61,596	Spain
603	3,040	3,643	1,206	6,080	7,286	10,929	10,929	Sweden
1,508	7,660	9,168	760	3,824	4,584	13,752	13,752	Switzerland
								Trinidad and Tobago
							50,111	
6,768	34,296	41,064	3,389	17,143	20,532	61,596	61,596	United Kingdom
80,004	319,995	399,999	40,004	159,996	200,000	599,999	3,609,114	United States
							133,904	Uruguay
19,253	173,231	192,484	9,627	86,615	96,242	288,726	669,086	Venezuela
555	2,811	3,366	277	1,412	1,689	5,055	5,055	Yugoslavia

**\$153,137 \$818,649 \$971,786 \$89,638 \$473,406 \$563,044 \$1,534,830 \$10,330,676**



**VIEWGRAPH MAGNIFIES TRIANGLE** as Chilean geometry professor at the Catholic University of Chile in Santiago, gives instruction to engineering students. Bank loan of \$7 million approved in 1971 helped improve and expand the university.

are shown on a country-by-country basis for both the regional and the nonregional countries in the table on the previous two pages.

The increase in the Fund for Special Operations was to be contributed by the member countries in three equal installments on Dec. 31 of each of the years 1976, 1977 and 1978. The payments are being made by each country in its own national currency or in United States dollars. However, Canada, Trinidad and Tobago, the United States and Venezuela are making their entire contributions freely convertible into the currencies of other countries eligible for procurement, and Argentina, Brazil and Mexico are doing the same with respect to 25 per cent of their respective contributions. The United States pledged to contribute \$600 million of the total amount; the remainder is being contributed by the other regional member countries. As of Dec. 31, 1977, the first installment amounting to \$348 million had been contributed.

On Dec. 15, 1977, the Bank's Board of Executive Directors postponed the date for the payment of the second installment to April 20, 1978.

When the Bank's member countries approved the previously mentioned increases in the Bank's capital resources and its Fund for Special Operations, they also recommended an additional increase of \$1.3 billion in the *callable* capital stock to meet loan program needs beginning in 1978. The United States pledged, subject to appropriations, to subscribe \$450 million of that amount,

with the remaining \$850 million available for subscription by other member countries.

On Dec. 15, 1977, the Bank's Board of Executive Directors approved a resolution setting Feb. 28, 1978, as the date on which the Bank's member countries shall have voted on the resolution providing for the \$1.3 billion additional increase in the capital stock of the Bank. The individual country subscriptions to that additional stock are shown in the following tables for the regional and nonregional members.

The Bank's regional member countries would contribute \$1,231,965,967 of this increase as follows:

Argentina	\$ 155,714,785
Bahamas	3,003,795
Barbados	1,857,769
Bolivia	12,497,716
Brazil	155,714,785
Canada	60,920,334
Chile	42,752,804
Colombia	42,716,614
Costa Rica	6,248,858
Dominican Republic	8,347,895
Ecuador	8,347,895
El Salvador	6,248,858
Guatemala	8,347,895
Guyana	2,316,179
Haiti	6,248,858
Honduras	6,248,858
Jamaica	8,347,895
Mexico	100,090,298
Nicaragua	6,248,858
Panama	6,248,858
Paraguay	6,248,858
Peru	20,869,738
Trinidad and Tobago	6,248,858
United States	450,002,218
Uruguay	16,695,790
Venezuela	83,430,698
<b>Total</b>	<b>\$1,231,965,967</b>

The Bank's nonregional member countries would contribute \$56,155,279 as follows:

Austria	\$ 627,298
Belgium	1,556,183
Denmark	675,552
Finland	627,298
France	7,684,407
Germany	7,865,358
Israel	627,298
Italy	7,684,407
Japan	8,565,037
Netherlands	1,170,153
Spain	7,684,407
Switzerland	1,713,008
Sweden	1,363,168
United Kingdom	7,684,407
Yugoslavia	627,298
<b>Total</b>	<b>\$ 56,155,279</b>
<b>Unallocated</b>	<b>\$ 14,729,451</b>
<b>Grand Total</b>	<b>\$1,302,850,697</b>

In a similar fashion, the cumulative total contributions received as of Dec. 31, 1977, and commitments due in future years to the Fund for Special Operations are shown for both regional and nonregional countries in the following table.

### Contributions to the Fund for Special Operations

In Thousands of Dollars

Country	Received as of Dec. 31, 1977	Future Commitments	Total
Argentina	\$ 273,903	\$ 55,168	\$ 329,071
Austria	1,685	3,370	5,055
Bahamas	—	6,600	6,600
Barbados	936	198	1,134
Belgium	8,332	4,166	12,498
Bolivia	24,899	4,430	29,329
Brazil	281,557	55,168	336,725
Canada	93,766	33,334	127,100
Chile	78,641	15,145	93,786
Colombia	77,290	15,136	92,426
Costa Rica	11,331	2,214	13,545
Denmark	3,595	1,797	5,392
Dominican Republic	15,219	2,952	18,171
Ecuador	14,848	2,952	17,800
El Salvador	11,018	2,214	13,232
Finland	1,685	3,370	5,055
France	20,532	41,064	61,596
Germany	42,061	21,031	63,092
Guatemala	15,073	2,952	18,025
Guyana	3,520	1,760	5,280
Haiti	12,266	2,214	14,480
Honduras	12,102	2,214	14,316
Israel	1,997	2,997	4,994
Italy	20,532	41,064	61,596
Jamaica	14,669	2,952	17,621
Japan	45,817	22,908	68,725
Mexico	176,826	35,464	212,290
Netherlands	3,120	6,241	9,361
Nicaragua	11,877	2,214	14,091
Panama	11,486	2,214	13,700
Paraguay	18,605	2,214	20,819
Peru	37,917	7,388	45,305
Spain	41,064	20,532	61,596
Sweden	3,643	7,286	10,929
Switzerland	9,168	4,584	13,752
Trinidad and Tobago	10,997	2,214	13,211
United Kingdom	41,064	20,532	61,596
United States	3,240,356	400,000	3,640,356
Uruguay	29,496	5,916	35,412
Venezuela	152,169	40,000	192,169
Yugoslavia	3,370	1,685	5,055
Unallocated	—	118,340	118,340
<b>TOTAL</b>	<b>\$4,878,432</b>	<b>\$1,026,194</b>	<b>\$5,904,626</b>

The Amended Agreement Establishing the Bank provides for the eventual merger of the ordinary capital and the inter-regional capital. In the meantime, as indicated earlier, the two sources of funds are held entirely separate from

each other. For illustrative purposes, the following balance sheet and statement of income are shown.

### Illustrative Combined Ordinary Capital and Inter-Regional Capital Balance Sheet as of Dec. 31, 1977

In Millions of Dollars

<b>Assets</b>			
Cash			\$ 119
Investments			1,417
Loans Outstanding			2,097
Due from Members			411
Special Reserve Assets			118
Other			113
			<u>\$4,275</u>
<b>Liabilities and Capital</b>			
Funded Debt			\$2,376
Other Liabilities			67
<b>Capital</b>			
Capital Stock (Paid-in)	\$1,282		
General Reserve	432		
Special Reserve	118		
			<u>1,832</u>
			<u>\$4,275</u>

### Illustrative Combined Ordinary Capital and Inter-Regional Capital Statement of Income for the Year Ended Dec. 31, 1977

In Millions of Dollars

<b>Income</b>		
From loans		\$171
From Investments and Other		105
		<u>\$276</u>
<b>Expenses</b>		
Funded Debt		\$160
Administrative		21
Exchange Adjustments		(2)
		<u>\$179</u>
<b>Net Income</b>		<u>\$ 97</u>

### Capital Market Borrowings

During 1977, the Bank borrowed a total of \$302 million expressed in exchange rates prevailing at the time of the transactions on the world's capital markets. That sum included \$288 million of ordinary capital borrowings and \$14 million representing the Bank's first borrowing on the inter-regional capital. A total of \$228 million represented long-term borrowings and \$74 million short-term borrowings. The new issues brought the total of Bank outstanding borrowings in both funds as of Dec. 31, 1977, to \$2,384 million, expressed in exchange rates prevailing on that date. The Bank's 1977 long-term borrowings included \$100 million in the United States, \$56.2 million in Japan, \$32.7 million in Switzerland, \$15 million in Italy, \$13.9 million in Germany and \$10.4 million in Trinidad and Tobago. During the same year, the Bank made a short-term borrowing

amounting to \$74 million in its Latin American member countries.

The following table, shows the Bank's outstanding borrowings as of Dec. 31, 1977.

### Outstanding Borrowings as of Dec. 31, 1977

	Ordinary Capital	Inter- Regional Capital
Austria	\$ 44,346,128	—
Belgium	14,888,533	—
Finland	1,623,498	—
France	38,853,830	—
Germany	356,253,810	\$4,761,905
Israel	1,500,000	—
Italy	101,524,686	—
Japan	231,783,333	—
Latin America	109,850,000	—
Netherlands	27,610,619	—
Norway	2,400,000	—
Spain	9,876,543	—
Trinidad and Tobago	34,583,334	—
Sweden	16,830,835	—
Switzerland	412,500,000	—
United Kingdom	6,352,299	—
United States	946,569,000	—
Venezuela	22,093,023	—
<b>TOTAL</b>	<b>\$2,379,439,471</b>	<b>\$4,761,905</b>

In more detail the Bank's borrowings in 1977 included:

#### United States: \$100 million

- \$100 million in a 25-year bond issue of June 1, 1977 placed by a nationwide underwriting group managed by Lehman Brothers Incorporated, Lazard Frères & Co., Goldman, Sachs & Co., and Merrill Lynch, Pierce, Fenner & Smith Incorporated. The 8-3/8 per cent bonds were priced at 100 per cent plus accrued interest from June 1, 1977. The bonds are due June 1, 2002. They are not redeemable prior to Dec. 1, 1989. On or after that date the bonds will be redeemable at the option of the Bank at prices beginning at 103.15 per cent and declining annually to par after June 1, 1997, plus accrued interest. The Bank will redeem, as a mandatory sinking fund, \$6.4 million of the bonds on or within 90 days before June 1, in each of the years 1990 through 1995, and \$8.8 million in each of the years 1996 through 2002. The sinking fund is calculated to retire 91 per cent of the issue prior to maturity. As has been the case with previous U.S. borrowings, the 1977 issue was accorded the highest credit rating given by the major U.S. firms which rate debt issues.

#### Japan: \$56.2 million

- 15 billion yen (equivalent to \$56.2 million) representing the first public offering made by the

Bank in Japan. Dated Sept. 29, 1977, and known as "Japanese Yen Bonds of 1977-First Series," the bonds will mature Sept. 29, 1989, and will bear interest at the rate of 6.8 per cent annually. The bonds were priced at 99.5 per cent. They will be redeemed in annual installments beginning in 1983 and will be fully redeemed after 12 years, on Sept. 29, 1989. The offering was underwritten by a syndicate led by The Nomura Securities Co. Ltd. and including Daiwa Securities Co. Ltd., The Nikko Securities Co. Ltd., and Yamaichi Securities Co. Ltd. The group of commissioned banks formed for the issue was led by The Bank of Tokyo Ltd., and included the Industrial Bank of Japan Limited, The Long-Term Credit Bank of Japan Limited and The Dai-Ichi Kangyo Bank Limited.

#### Switzerland: \$32.7 million

- 80 million Swiss francs (equivalent to \$32.7 million) in a public offering placed on the Swiss capital market by an underwriting group headed by Union Bank of Switzerland, the Swiss Bank Corporation and the Swiss Credit Bank. Priced at 99.5 per cent, the 5-3/4 per cent 15-year bonds were dated July 1, 1977, and will mature in 1992.

#### Italy: \$15 million

- On Jan. 5, 1977, the Bank sold a single note for \$15 million to the *Ufficio Italiano dei Cambi*, the official Italian foreign exchange office. The United States dollar note bears an interest rate of 7-3/4 per cent per annum and a 10-year straight maturity.

#### Germany: \$13.9 million

- 30 million Deutsche marks (equivalent to \$13.9 million) representing the Bank's first borrowing for the inter-regional capital. The borrowing represented a direct loan made to the Bank by the *Deutsche Girozentrale-Deutsche Kommunalbank*, the central institution of the German savings banks. The loan, which was to be drawn down over a period of six months to a year, is repayable 11 years from the date of the agreement on Aug. 19, 1988. The interest rate was to be determined at each drawdown.

#### Trinidad and Tobago: \$10.4 million

- On Sept. 13, 1977, the Bank made an offering of 25 million Trinidad and Tobago dollars (equivalent to \$10.4 million) of its medium- and long-term bonds through a syndicate of commercial banks and stockbrokers in Trinidad and Tobago. The offering was the first public issue ever made by the Bank in that country and thus helped foster the development of its domestic capital market. The issue, known as "IDB Trinidad and Tobago Dollar Bonds of 1977," was divided into TT\$5 million with a five-year maturity,

priced at 100 per cent, bearing interest of 6.65 per cent and maturing in 1982; TT\$10 million with a 10-year maturity, priced at 98 per cent, bearing interest of 7.375 per cent and maturing in 1987, and TT\$10 million with a 25-year maturity, priced at 96.25 per cent, having an interest rate of 7.75 per cent and maturing in 2002. The 5- and 10-year bonds will be fully payable at maturity and the 25-year bonds will be repayable in 13 installments, beginning in 1990 so that 91 per cent of the bonds will be retired prior to final maturity. The group of commercial banks and brokerage houses which underwrote the issue included the National Commercial Bank of Trinidad and Tobago, as leader; Barclays Bank of Trinidad and Tobago Limited; The Royal Bank of Trinidad and Tobago Limited; The Bank of Nova Scotia Trinidad and Tobago Limited; Chase Manhattan Bank NA; Trinidad and Tobago Stocks and Shares Limited; West Indies Stockbrokers Limited, and Citibank, NA.

*Latin America: \$73.9 million*

• On April 15, 1977, the Bank sold its 12th short-term bond issue for \$73,950,000 at par to central banks and other governmental institutions in 21 of the member countries of the Bank. The issue has a two-year maturity due April 15, 1979, and will bear an interest rate of 6-1/2 per cent per annum. The proceeds of the issue were used for the most part to refund \$54.1 million of two-year bonds issued in 1975. The remaining \$19,850,000 represented a net increase in such borrowings. The member countries which participated in the issue were Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela.

### **Interest Rate**

The interest rate charged by the Bank on its ordinary and inter-regional capital during 1977 declined steadily thanks to the favorable rates which it obtained in the world's capital markets for its own borrowings and the returns it made on its paid-in capital and accumulated reserves.

As indicated in last year's Report, the Bank in 1976 adopted a policy of setting its interest rates on ordinary and inter-regional capital loans on the basis of recent borrowing costs plus a spread estimated to cover other costs. The rate is subject to adjustment at least once a year on July 1 on the basis of the borrowing costs prevailing during the previous 12-month period and more frequently, on Jan. 1, if borrowing costs should change in excess of a specified minimum. In accordance

with this formula, the Bank's interest rate on such loans was set at 8.35 per cent for loans approved after Jan. 1, 1977. Subsequently, on the basis of borrowing costs which prevailed during the period covered in this Report, the Bank reduced that rate to 8 per cent, effective July 1, 1977 and to 7-1/2 per cent effective Jan. 1, 1978.

Meanwhile, the Bank's interest rate on Fund for Special Operations loans continued at from 1 to 4 per cent, depending on the nature of the particular project and the stage of development of the borrowing member country.

### **Complementary Financing**

During 1977 the Bank raised some \$115 million through four complementary loans obtained for Latin America's development in the world's private capital markets. The Bank initiated the complementary financing mechanism in 1975 in order to channel additional private financial resources to Latin America. Under the program, called complementary financing, resources from private commercial banks and other financial institutions are channeled to projects in Latin America through parallel Bank loans.

Complementary loans are made on usual commercial terms and participations for the full amount of the loan are sold to interested financial institutions. Loans extended directly by the Bank are made customarily for from 15 to 30 years at fixed rates which may vary from 1 to 4 per cent on concessionary resources to the prevailing rate on conventional resource loans which in the second half of 1977 was 8 per cent.

The complementary loans are made for maturities based on prevailing conditions in the credit markets, which in the operations included in 1977 ranged from 7- to 8-year maturities, with adjustable interest rates determined by a fixed spread over a reference rate such as the London Inter-Bank Offered Rate (LIBOR). Since the lending is part of an Inter-American Development Bank loan package, the commercial terms are generally more favorable to the borrower than they would be if secured independently.

Participating financial institutions benefit from the fact that the Bank has thoroughly analyzed the project, that it disburses the loan and collects payments on it and that it assumes the responsibility for supervising the completion of the project and administering the loan until it has been completely repaid. In addition, the participating financial institutions have a greater measure of assurance than if they made the loan directly, even though the complementary loan is made without recourse to the Bank. Virtually all Bank

loans are made to governments or governmental entities or carry a governmental guarantee and the Bank has never had a default on a loan made to or guaranteed by a government or governmental entity.

## FINANCIAL HIGHLIGHTS

During 1977, the Bank's gross income from its own resources—the ordinary capital, the inter-regional capital and the Fund for Special Operations—amounted to \$371 million, compared with \$318 million the previous year.

The net earnings from the three funds amounted to \$145 million, compared with \$122 million in 1976.

These earnings brought about an increase in the Bank's total reserves. As of Dec. 31, 1977, these had risen to \$824 million, compared with \$679 million in 1976.

The highlights of the earnings of the Bank's own resources are shown below:

*Capital Resources (including ordinary and inter-regional):* Gross income: \$276 million compared with \$235 million in 1976. Net income: \$97 million compared with \$74 million in 1976. Total reserves: \$550 million as of Dec. 31, 1977, compared with \$453 million at the end of 1976.

*Fund for Special Operations:* Gross income: \$95 million compared with \$83 million in 1976. Net income: \$48 million compared with \$49 million in 1976. Total reserves: \$274 million as of Dec. 31, 1977, compared with \$225 million at the end of 1976.

In addition to its own resources, the Bank administers separate funds for member and non-member countries. Among these are the \$525 million Social Progress Trust Fund established by the United States in the early 1960s and the \$500 million Venezuelan Trust Fund established in 1975 by the *Fondo de Inversiones de Venezuela*. The Bank maintains all of these funds completely separate from each other and accounting on the funds is given to the interested parties.

The audited financial statements of the ordinary capital resources, the inter-regional capital resources and the Fund for Special Operations, as well as those of the Social Progress Trust Fund and the Venezuelan Trust Fund, are contained on pages 93 to 131.

## BOARD OF GOVERNORS

During 1977 the Board of Governors of the Bank took action to broaden the Bank's sphere of activities in support of the development of the

Caribbean region. The Board did so on Jan. 27, 1977, by amending the Agreement Establishing the Bank so as to enable the Bank to extend loans to the Caribbean Development Bank for relending to any of its members whether or not they belong to the Inter-American Development Bank.

Efforts to amend the Agreement were initiated by the Governors at the Bank's Fifteenth Annual Meeting in Santiago, Chile, in 1974.

The Caribbean Development Bank was established in 1969 and has its headquarters in Barbados. Members eligible to borrow from that Bank are Antigua, Bahamas, Barbados, Belize, the British Virgin Islands, Cayman Islands, Montserrat, Turks and Caicos Islands, Dominica, Grenada, Guyana, Jamaica, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent and Trinidad and Tobago. Contributing members include Canada, Colombia, the United Kingdom and Venezuela. The main objective of the Caribbean Bank is to contribute to the harmonious economic growth and development of its members in the Caribbean and to promote economic cooperation and integration among them, with special emphasis on the less developed members.

In another action affecting the Caribbean region, the Board of Governors at its Eighteenth Annual Meeting, held in Guatemala City, May 30 to June 1, 1977, adopted a resolution asking the Committee of the Board of Governors to study a proposal submitted by the Governors for Barbados, Guyana, Jamaica and Trinidad and Tobago seeking to be represented jointly on the Bank's Board of Executive Directors. As a result of this directive, the Committee of the Board of Governors at a meeting held in Washington, D.C., Sept. 30, 1977, voted to recommend the establishment of an additional post on its Board of Executive Directors.

Subsequently, the full Board adopted a resolution amending the regulations for the election of executive directors so that those countries and others that might wish to associate themselves with the integrated Caribbean regional group might be jointly represented on the Board. The action, which will enter into effect with the next regular election of executive directors scheduled to take place at the Bank's Nineteenth Annual Meeting, will increase the number of executive directors from 11 to 12.

In other actions taken in 1977, the Board of Governors adopted separate resolutions providing for the admission of the Bahamas, Finland, and Sweden into membership in the Bank and at the Guatemala City meeting approved the financial statements of the ordinary capital resources,



the inter-regional capital resources and the Fund for Special Operations.

## BOARD OF EXECUTIVE DIRECTORS

A number of changes took place in the composition of the Board of Executive Directors of the Bank during 1977. These changes include the following:

- Ralph A. Dungan was appointed executive director for the United States effective May 13, 1977, succeeding John M. Porges, who had resigned effective Jan. 13, 1977. Mr. Dungan appointed E. Jay Finkel as his alternate effective May 18, 1977. Mr. Finkel succeeded Yan M. Ross who had resigned effective April 11, 1977.

- John D. Blackwood was elected executive director for Canada effective Sept. 1, 1977, succeeding David B. Laughton, who had resigned effective Aug. 31, 1977.

- Carlos Schroeder, of Uruguay, former alternate executive director for Bolivia, Paraguay and Uruguay, was elected executive director by those three countries effective July 1, 1977, in place of Edmundo Valencia Ibáñez, of Bolivia, who had resigned effective June 30. Mr. Schroeder named Desiderio Enciso, of Paraguay, as his alternate

**WATER INTAKE AND CONDUCTION** works get finishing touches at Lake Arenal hydroelectric project in Costa Rica. Financed with \$50.5 million loan approved by the Bank in 1974, the project will provide 135,000 kilowatts of additional power to Costa Rica.

effective July 1, 1977.

- Guillermo Zubarán, of Argentina, was elected executive director for Argentina and Chile effective Sept. 1, 1977, succeeding Hernán Aldabe, of Argentina, who had resigned effective Aug. 31, 1977.

In addition, Jesús Rodríguez y Rodríguez, the executive director for the Dominican Republic, Jamaica, Mexico and Panama, named Manuel R. Aristy, of the Dominican Republic, as his alternate effective July 1, 1977, in place of Dorel M. Calender, of Jamaica, who had resigned effective June 30, 1977.

On Dec. 31, 1977, Augusto Ramírez Ocampo, of Colombia, resigned his position as alternate executive director for Colombia and Peru. Effective the next day, Armando Prugue, executive director for Colombia and Peru, named Luis Prieto Ocampo, also of Colombia, to the post.

During 1977 the Board of Executive Directors received four evaluation reports from its Group of Controllers, a staff unit of the Board, which

prepares review and evaluation reports on selected Bank operations.

The four major reports prepared by the Group in 1977 covered the Bank's system for appraising loan applications; monitoring of compliance with loan contracts; an overview of the Bank's technical cooperation activities, and the Bank's processing of loan approvals.

In addition to these basic studies, the Group completed a number of brief papers for the consideration of the Board, including one on the transfer of technology. Late in 1977, the Group also completed a study on the Bank's bidding and procurement policies.

During the course of the year the Board of Executive Directors reviewed and requested the Bank's management to take action on three Group reports. Two of these—training activities and consulting and contractual services—had been submitted to the Board in 1976. The other was the previously mentioned loan application appraisal report. In addition to evaluating Bank activities subject to review, each report contained recommendations for strengthening the effectiveness and efficiency of the Bank.

## ADMINISTRATION

The Bank maintained strict control over its administrative expenses during 1977, while, at the same time, strengthening the administrative measures that have enabled it to continually increase its lending and technical cooperation activities without comparable growth in the number of staff positions or in the administrative budget.

In 1977 the Bank devoted special attention to the administration of its manpower planning program in order to improve utilization of its human resources and correlate them to its operating goals and budgetary execution. In effect, a new budget format for 1978 facilitated the establishment of a clear relationship between the Bank's operating programs, the use of its human resources and the cost of its various activities.

The administrative expenses of the Bank totaled \$61.9 million in 1977, which represents an increase of 8.8 per cent over the \$56.9 million expended in 1976. Taking into consideration the price increases that occurred in 1977 both at headquarters and in the field, that increase is actually only equivalent to 3.6 per cent in real terms. The accompanying table shows a comparison of the consolidated administrative expenses of the Bank.

During the year maximum use was made of the master plan for data processing, which was

introduced in 1974. The Bank's project, financial and administrative management information systems have now been automated, thus assuring greater speed and accuracy.

Although the master plan for data processing is a long range one, management will continue to assign top priority to the mechanization of information systems in as many areas as possible in the near future. In order to accomplish this, a considerable number of employees have been assigned to the task of mechanization and also to staff training programs in the field of mechanization.

The Administrative Budget approved for 1978 totals \$68.4 million, which represents, in real terms, a decrease of 0.3 per cent from the administrative budget for 1977. In order to carry out its 1978 work programs with less funds in real terms than were available in 1977, the Bank will have to apply strict austerity measures and continue its efforts to achieve maximum utilization of its human resources.

### Consolidated Administrative Expenses\*

In Thousands of Dollars

	1976	1977	Budgeted 1978
<b>BOARD OF GOVERNORS</b>			
Annual Meeting	\$ 576.4	\$ 415.4	\$ 522.0
Other Expenses	15.1	15.6	14.0
<b>BOARD OF EXECUTIVE DIRECTORS</b>			
Personnel Costs	1,711.1	2,005.9	2,292.0
Other Expenses	208.3	227.3	258.8
Review and Evaluation Group	535.6	621.2	689.4
<b>STAFF</b>			
Personnel Costs	31,228.6	33,799.9	36,050.2
Other Expenses	2,759.5	3,127.4	3,645.7
<b>GENERAL ADMINISTRATIVE COSTS</b>			
	7,632.8	8,239.9	9,078.2
<b>FIELD OFFICES</b>			
Personnel Costs	9,188.3	10,158.7	11,422.5
Other Expenses	3,016.0	3,275.7	3,387.2
Institute for Latin American Integration (INTAL)	**	**	350.0
<b>CONTINGENCIES</b>			
	—	—	684.7
<b>TOTAL</b>	<b>\$56,871.7</b>	<b>\$61,887.0</b>	<b>\$68,394.7</b>

\*Ordinary capital resources, inter-regional capital, Fund for Special Operations, Social Progress Trust Fund and Venezuelan Trust Fund.

\*\*Financed with Technical Cooperation Resources.

As of Dec. 31, 1977, the permanent staff at headquarters numbered 1,149, of whom 629 were executive and professional personnel and 520 administrative personnel. Staff in the offices of the member countries totaled 461—142 of them permanent international employees, 47 temporary international staff (sectoral specialists) and 272 local professional and administrative personnel.

## COOPERATION WITH OTHER ENTITIES

During 1977 the Bank closely cooperated with other international and inter-American organizations in programs designed to augment the flow of resources to the region, particularly those which are less economically developed. For example, the Bank joined with the World Bank, the International Monetary Fund and the Caribbean Development Bank in a program designed to increase the flow of additional financial resources and technical cooperation to accelerate the orderly growth of the Caribbean region.

Participating in the program, which was initiated at a meeting held at the World Bank Dec. 14 and 15, 1977, were a variety of countries interested in contributing to the effort, as well as representatives of the region itself. In general the representatives of the industrial countries committed themselves to increase the flow of their contributions to the development of the region. As a result, a decision was taken at the meeting to create a Caribbean Group for Economic Cooperation, with the four previously mentioned institutions as coordinators, under the leadership of the World Bank.

Participants from the Caribbean region included representatives of Antigua, the Bahamas, Barbados, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, the Netherlands Antilles, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent, Surinam and Trinidad and Tobago.

Other countries represented were Argentina, Brazil, Canada, Colombia, Costa Rica, France, Germany, Israel, Japan, Mexico, the Netherlands, Spain, the United Kingdom, the United States and Venezuela.

Organizations represented at the meeting, in addition to the four previously mentioned coordinating institutions, were the Caribbean Community Secretariat, the Commonwealth Secretariat, the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development, the Eastern Caribbean Common Market Secretariat, the UN Economic Commission for Latin America (ECLA), the European



**FARMER CAREFULLY SPRAYS** his vegetable crop in Jamaica. Four Bank loans extended to that country since 1970 have provided credit facilities under a Self-Supporting Farmers Development Program. Some 5,300 farmers like this one were helped in program's first three stages. New loan of \$6 million was authorized in 1977.

Economic Community, the International Finance Corporation, the Organization of American States (OAS), the Special Fund of the Organization of Petroleum Exporting Countries, the Latin American Economic System (SELA), and the United Nations Development Programme.

With the European Economic Community in Brussels, the Bank broadened its cooperative action during 1977 on behalf of the development of its member countries in Latin America. It did so by launching a program to exchange information on specific Bank projects to which the EEC might wish to contribute with financing from the fund which it has established to cooperate in development programs with Third World nations. As a result of the initiation of the program, the EEC is jointly cooperating with the Bank in financing a fishery project in Honduras. At year end other projects were under consideration.

The Bank maintained close working relations with the subregional Banks in the region—the Central American Bank for Economic Integration, the Andean Development Corporation and the Caribbean Development Bank. In 1977 the Bank signed a General Cooperation Agreement with the Caribbean Development Bank as it had done previously with the two other Banks.

On the occasion of the Annual Meetings of the



**CULVERT PIPE FRAMES** *Marco A. Salazar, manager of a Panamanian enterprise which manufactures concrete products, as he talks to worker. These pipes will be used in the construction of Darien Gap Highway being built with Bank financing. Salazar himself obtained a Bank-financed educational credit which enabled him to study industrial chemical engineering in Brazil.*

International Monetary Fund and the World Bank, the Presidents of the African, the Asian and the Inter-American Development Banks and the Senior Vice President of the World Bank held their regular annual meeting at the headquarters of the Inter-American Development Bank. For the first time, they were joined by four other international institutions: the Arab Fund for Economic and Social Development, the Special Fund of the Organization of Petroleum Exporting Countries, the European Investment Bank and the European Development Fund. At the meeting the representatives of the institutions discussed some of the major financial and economic issues facing the developing world.

During 1977 the Bank established a working relationship with the OPEC Special Fund. As a result, that Fund approved supplementary financing for a project in the Dominican Republic to which the Bank had previously extended a loan. Joint financing for other projects elsewhere was also under consideration at year's end. During the year the International Fund for Agricultural Development was established in Rome. The Bank entered into close relations with this organization

and several projects are being submitted to it for consideration and possible joint financing.

During the course of the year the Inter-American Development Bank also worked closely with the Joint Ministerial Committee of the World Bank and the International Monetary Fund on the Transfer of Real Resources to the Developing Countries and maintained close working relations with other institutions in the Hemisphere: the OAS, ECLA and PAHO.

## OTHER FUNDS

Since its earliest days, the Inter-American Bank has sought to expand its lending funds by searching out financial resources over and above its original ordinary capital resources and Fund for Special Operations.

In this regard, as early as 1961 it accepted the administration of the Social Progress Trust Fund to which the United States Government contributed a total of \$525 million through 1964. The Fund was specifically designed to provide resources for Latin America's social development and to help the lowest income sectors of the region's society.

Subsequently, the Bank began accepting funds in administration from countries which were not then members of the institution, beginning with Canada in 1964. More recently in 1975 the Bank accepted the administration of a \$500 million fund provided by the Government of Venezuela.

As of Dec. 31, 1977, the Bank had accepted the administration of 11 funds, in addition to the Social Progress Trust Fund and the Venezuelan Trust Fund. These amounted to a total of \$148 million. Most of these latter funds have been completely committed in loans. Repayments on the Canadian Trust Fund are now being channeled to the Fund for Special Operations as contributions by Canada to that Fund.

The Bank has also borrowed substantial resources in the private and public capital markets of the world. The borrowings effected in 1977 are detailed in the chapter on Mobilization of Resources. However, in order to give an overall view of the extent of the resources mobilized by the Bank in addition to subscriptions to its own ordinary capital resources and its inter-regional capital and contributions to its Fund for Special Operations, this section briefly summarizes the various arrangements through which the Bank has raised resources.

The arrangements include borrowings, which are made up of bond sales and direct loans totaling a gross amount of \$3,201 million; funds

administered by the Bank totaling \$1,173 million; participations in loans amounting to \$255 million, and parallel or independent financing arrangements totaling \$71 million.

The trust funds from which loans or technical cooperation were extended during 1977 were those administered for Venezuela, the United States and Canada. A brief description of each follows:

### **Venezuelan Trust Fund**

On Feb. 27, 1975, the Government of Venezuela entered into an agreement with the Bank for it to administer a \$500 million trust fund (\$400 million and 430,000,000 bolivars) designed to contribute to the acceleration of the development process in the countries of Latin America, thus enabling the Bank to extend its assistance to new areas of regional economic development, giving first priority to the joint efforts of member countries and projects strengthening the integration process.

The Fund is used to contribute to the financing of projects and programs which lead to the utilization of natural resources, especially those which are nonrenewable, as well as to the development of industry and agroindustry in the region. It is also being devoted to a significant broadening of the Bank's export financing program to permit the export of manufactured and semimanufactured goods to a much broader geographic area than that covered under the program heretofore. In addition, the Fund can be used to execute projects different from those carried out up to now, as for example:

- The subscription of shares or capital participations in the capital stock of enterprises.
- The acquisition of shares, obligations convertible to shares and medium- and long-term bonds that would be issued for the establishment or expansion of Latin American enterprises, seeking to develop projects or programs of national or multinational interest.
- Financing, directly or through financial institutions of the member countries of the Bank, working capital of enterprises for the start up of projects or programs financed with loans from the Trust Fund.

In 1977 the Bank signed a memorandum of understanding with the Venezuelan Investment Fund through which an amount of \$20 million of the Venezuelan Trust Fund established in the Bank was specifically earmarked for investments in capital shares or obligations convertible to capital shares of national or multinational Latin American companies having the characteristics set

forth in the Trust Agreement. Investments in any single enterprise may not exceed \$2 million. At year end, the Bank was studying several possible investments presented to its consideration.

During 1977 the Bank approved a total of \$123 million in loans from the Venezuelan Fund. As of Dec. 31, 1977, the cumulative total of such loans had risen to \$221 million, net of cancellations and exchange adjustments.

### **Social Progress Trust Fund**

In 1961 the United States entrusted the Bank with the administration of the Social Progress Trust Fund, intended to finance development projects in the fields of agriculture, sanitation, housing and to improve higher education. Through 1964, the United States had made available \$525 million to the Fund.

With the approval of a loan for \$15 million in dollar funds in 1976 for a credit program for cooperatives and small-scale farmers in El Salvador all of the original dollars resources had been committed by the end of 1976. However, the Bank is utilizing repayments on Trust Fund loans for additional loans being made subsequently, as well as to purchase participations in Fund for Special Operations loans made for the same purposes and is devoting another substantial portion for technical cooperation programs. Through Dec. 31, 1977, the outstanding participations in Fund for Special Operations loans totaled \$245 million.

Finally, under an agreement between the United States Government and the Bank, the Bank is making available a total of \$74 million of the resources of the Social Progress Trust Fund for channeling through the Inter-American Foundation, a U.S. Government agency, to make grants and loans to Latin American institutions and organizations fostering economic and social development.

### **Canadian Funds**

In 1964 the Bank entered into an agreement with the Government of Canada prior to that nation's entry into the Bank, under which the Canadian International Development Agency provides resources in administration to help finance projects on highly concessional terms in Latin America.

By the time Canada joined the Bank on May 3, 1972, it had contributed a total of Can\$74 million to the Fund, of which Can\$72 million has been committed in loans. In joining the Bank, Canada pledged to provide all monies received with respect to principal, interest and service charges on

loans from the Canadian Fund to the Fund for Special Operations as a Canadian contribution to that fund. As of Dec. 31, 1977, such contributions amounted to \$4.5 million.

In addition Canada made available Can\$1.5 million in 1974 and another Can\$7.5 million in 1975 for a special Canadian fund to finance the preparation of development projects in the Bank's Latin American member countries. The resources of the Can\$9 million fund are made available to assist in the formulation of development projects, including the execution of basic studies, prefeasibility, feasibility and final engineering design studies. Special priority is granted to lesser developed member countries of the Bank. Through Dec. 31, 1977, a total of Can\$4 million had been committed.

### Other Funds

Through Dec. 31, 1977, the Bank has administered funds for a number of other countries including \$23.2 million for Argentina; \$12.6 million

for Germany; \$2 million for Norway; \$5 million for Sweden; \$4.8 million for Switzerland; \$15.4 million for the United Kingdom; \$1 million for the Vatican and \$1.3 million for the Inter-Governmental Committee for European Migration.

As detailed in the accompanying table the Bank has borrowed some \$3,201 million in the world's capital markets and has entered into participation and other arrangements for a total of \$326 million.

The most active current arrangement is the Bank's complementary financing program which was launched in 1975. In that year the Bank raised some \$30 million through that mechanism; in 1977 the Bank obtained an additional \$115 million for development projects in Latin America through complementary financing. A total of 21 banks in Canada, Europe, Japan and the United States have participated in this program.

The various arrangements entered into by the Bank are detailed in the following table.

## Financial Arrangements as of Dec. 31, 1977

In Thousands of Dollars

	Amount	DETAIL BY ARRANGEMENTS			
		Bond Issues and Loans	Funds in Administration	Complementary Financing and Others	Parallel and Independent Financing
Argentina	\$ 23,170	—	\$ 23,170	—	—
Austria	59,866	\$ 59,866	—	—	—
Belgium	22,302	21,406	—	\$ 896	—
Canada	100,526	—	83,000	2,526	\$15,000
Finland	11,100	1,100	—	10,000	—
France	42,554	42,554	—	—	—
Germany	469,813	457,143	12,565	105	—
Israel	5,000	5,000	—	—	—
Italy	111,799	110,929	—	870	—
Japan	302,341	284,166	—	18,175	—
Netherlands	85,055	29,203	—	100	55,752
Norway	6,000	4,000	2,000	—	—
Spain	34,877	27,377	—	7,500	—
Sweden	27,484	22,484	5,000	—	—
Switzerland	457,723	452,500	4,815	408	—
Trinidad and Tobago	34,584	34,584	—	—	—
United Kingdom	44,208	26,040	15,393	2,775	—
United States	1,664,000	1,080,000	525,000	59,000	—
Vatican	1,007	—	1,007	—	—
Venezuela	523,256	23,256	500,000	—	—
Latin America <sup>1</sup>	519,200	519,200	—	—	—
ICEM	1,250	—	1,250	—	—
UN Agencies	8,197	—	—	8,197	—
Complementary Financing <sup>2</sup>	145,000	—	—	145,000	—
<b>TOTAL</b>	<b>\$4,700,312</b>	<b>\$3,200,808</b>	<b>\$1,173,200</b>	<b>\$255,552</b>	<b>\$70,752</b>

<sup>1</sup>Twelve short-term dollar denominated bond issues sold to Latin American central banks and other official institutions. As of Dec. 31, 1977,

\$109.9 million was outstanding.

<sup>2</sup>Arranged with banks in Canada, Japan, Europe and the United States.

# LOANS, TECHNICAL COOPERATION AND PROGRESS HIGHLIGHTS

The following section of the Annual Report contains a description of all the loans and technical cooperation authorized by the Bank in 1977 from its various sources of funds, as well as selected highlights on progress made on loans approved in prior years.

The interest rates charged by the Bank on loans made from its ordinary capital and inter-regional capital resources reflected the steady decline in costs incurred by the Bank in borrowing funds on the world's capital markets. As a result the rate charged on such loans was reduced from the 8.6 per cent which had prevailed in the last half of 1976 to 8.35 per cent during the first half of 1977 and to 8 per cent for the second half of that year. All Venezuelan Trust Fund loans were made at 8 per cent during 1977.

Loans extended from the ordinary and inter-regional capital resources during 1977 were made for terms generally ranging from 15 to 30 years. Complementary lines of credit were made for

terms ranging from 6 to 8 years at adjustable rates of interest. The export financing credits extended from the ordinary capital resources were made at 7 per cent.

The rates of interest charged on loans extended from the Fund for Special Operations varied from 2 to 4 per cent, depending on the stage of development of the country and the nature of the project, with grace periods of from 5 to 10 years. For the less developed member countries the rate of interest was 1 per cent during the first ten years and 2 per cent subsequently. The maturities on Fund for Special Operations loans varied from 20 to 40 years.

Loans not extended directly to the governments of the member countries concerned carried guarantees of the government or a governmental agency.

The accompanying table details the Banks comparative lending on a country-by-country basis over the past four years.

## COMPARATIVE YEARLY LENDING, 1974-77

In Thousands of Dollars

Country	1974	1975	1976	1977
Argentina	\$ 89,100	\$ 201,000	\$ 210,900	\$ 317,833
Barbados	9,100	9,700	6,600	3,800
Bolivia	46,200	54,100	40,200	83,300
Brazil	187,000	269,500	239,100	361,547
Chile	97,300	70,700	70,000	24,500
Colombia	—	75,800	109,000	112,700
Costa Rica	53,800	41,600	33,000	79,600
Dominican Republic	36,700	35,500	33,400	—
Ecuador	55,500	43,700	73,600	73,100
El Salvador	33,400	43,000	25,000	109,400
Guatemala	19,400	120,600	70,000	60,500
Guyana	—	—	—	49,500
Haiti	—	41,100	5,000	15,700
Honduras	35,600	28,700	114,500	32,080
Jamaica	—	21,200	17,500	21,315
Mexico	186,400	167,300	183,200	256,990
Nicaragua	10,500	16,500	49,800	20,000
Panama	14,500	42,200	27,000	122,000
Paraguay	49,000	3,200	11,600	13,800
Peru	65,500	16,000	149,000	21,000
Trinidad and Tobago	5,300	—	—	—
Uruguay	21,400	35,400	36,400	29,700
Venezuela	—	—	—	—
Regional	95,000	38,200	23,000	500
<b>TOTAL</b>	<b>\$1,110,700</b>	<b>\$1,375,000</b>	<b>\$1,527,800</b>	<b>\$1,808,865</b>

# ARGENTINA

## LOANS

**Alto Paraná Cellulose Plant:** In 1976 the Bank approved a loan for \$51 million from the ordinary capital resources to enable *Alto Paraná, S.A.*, a private industry owned by eight Argentine paper companies, to build a long-fiber cellulose plant near Puerto Piray in Misiones Province. The plant will have an annual capacity of 172,500 tons of unbleached, semibleached and bleached cellulose pulp. In 1977 the Bank authorized another loan—\$32 million in a complementary line of credit obtained in the private capital market—to complete the financing for the plant. In addition to creating 450 direct jobs in its industrial operations and 560 other jobs in forestry operations, the project will help meet domestic demand for long-fiber cellulose pulp and will generate net annual savings in foreign exchange of more than \$100 million.

**Puerto Piray Cellulose Plant:** In 1977 the Bank approved a \$53.9 million loan from the inter-regional capital resources to help build an integrated plant to produce long-fiber cellulose and paper at Puerto Piray. The plant will have a capacity of 170,000 metric tons of unbleached and chemical sulphate pulp a year, of which 136,000 metric tons will be processed into industrial paper. It will supply the nation's growing demand for industrial bags and corrugated board boxes. The unbleached chemical sulphate pulp will also be used by the other paper plants of *Celulosa Argentina, S.A.*, to produce industrial paper.

**Bahía Blanca Petrochemical Complex:** Argentina is in the process of building a major petrochemical complex at Bahía Blanca, which, when complete, will consist of 10 plants producing ethylene and ethylene derivatives for industry. In 1977 the Bank approved two loans totaling \$105 million—\$65 million from the inter-regional capital resources and \$40 million in a complementary line of credit—to expand the capacity of *Petroquímica Bahía Blanca, S.A.I.C.*, the ethylene “mother plant” from 120,000 to 202,000 tons a year. In addition, the loans will help build three other plants which will produce three petrochemical by-products of ethylene—low-density polyethylene, high-density polyethylene and polyvinyl chloride—as well as caustic soda.

**Southern Gas Pipeline:** In 1976 the Bank extended a loan of \$87 million from the ordinary capital resources to enable Argentina to build a



**MUSHROOM-LIKE TANK** provides pure water to some 2,200 persons in the rural town of Sacanta in Argentina. Tank was built in 1970 with help of Bank financing. Loans for \$83 million approved in 1977 will provide such service to an additional 1.1 million residents throughout the nation.

natural gas pipeline from new producing fields at San Sebastián in Tierra del Fuego to Cerro Redondo in the Province of Santa Cruz, where the southern terminal of the main gas line going to Buenos Aires and other consuming centers is located. In 1977 the Bank approved another loan for \$36 million from the inter-regional capital resources to enable the nation's gas fuel agency—*Gas del Estado*—to expand the carrying capacity of two sections totaling 220 miles in the existing pipeline between Cerro Redondo and Pico Truncado in the Province of Santa Cruz. Within the project, additional lines will be laid parallel to the existing pipeline, four compressor plants will be built and three others will be expanded, thus increasing the carrying capacity of the line from 10 million to 13.5 million cubic meters daily. The additional gas is equivalent to 1.1 million tons of fuel oil a year, which amounts to a saving of some \$117 million yearly in oil imports.

**Rural and Urban Water Supply:** Despite a high level of development, Argentina trails a number of countries in the continent in providing

potable water service to the public. In 1977 the Bank extended two loans for \$83 million—\$31 million from the inter-regional capital and \$52 million from the Fund for Special Operations—to help build rural and urban systems designed to improve the health of low-income segments of the population. The rural subprogram will aid some 400,000 inhabitants in 270 communities through the construction of 226 water systems. The urban subprogram will benefit about 700,000 persons in La Matanza, a low-income suburb of Buenos Aires, through the installation of some 100,000 household connections and water meters in the district. In addition, another 300,000 will be installed in other areas of the city.

**Export Financing:** During 1977 previous lines of credit extended to Argentina from the ordinary capital resources to finance exports of capital goods to other Latin American member countries of the Bank were augmented by \$5,381,500 through repayments. Similarly, a line of credit extended to Argentina from the Venezuelan Trust Fund for the medium-term financing of Argentine exports was augmented through repayments by \$2,551,000.

## PROGRESS HIGHLIGHTS

**Iron Ore Complex:** A \$125 million industrial complex being built in southern Argentina to mine and process some 3.5 million tons of iron ore per year was virtually completed during 1977. The project is being carried out at Sierra Grande 800 miles southwest of Buenos Aires in Río Negro Province by *Empresa Hierro Patagónico de Sierra Grande, S.A. (HIPASAM)*, a state-controlled corporation. With the help of a \$33.2 million Bank loan approved in 1972 the firm built an underground mine, an ore concentration plant, a transportation system to carry the ore to Puerto

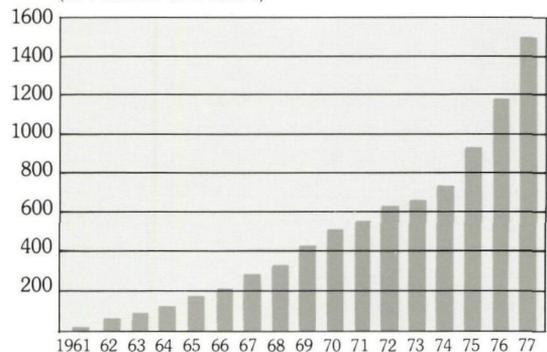
### Distribution of Loans 1961-77

In Thousands of Dollars

Sector	Amount	Total cost of the projects
Energy	\$ 408,303	\$1,398,947
Industry and Mining	404,069	2,026,309
Agriculture	332,744	1,058,912
Sanitation	128,325	365,453
Transportation and Communications	119,214	380,487
Export Financing	43,292	61,846
Urban Development	41,819	101,000
Education	17,489	61,295
Preinvestment	4,338	11,416
<b>Total</b>	<b>\$1,499,593</b>	<b>\$5,465,665</b>

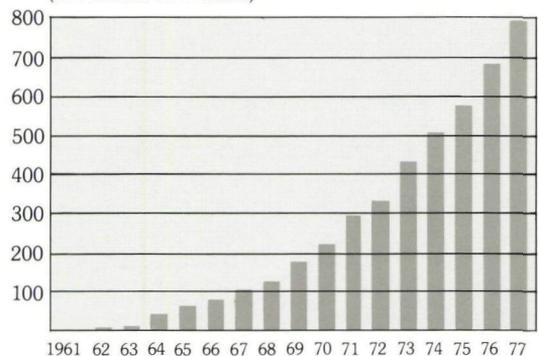
### Cumulative Lending

(In Millions of Dollars)



### Cumulative Disbursements

(In Millions of Dollars)



Colorado on the Atlantic Coast, a pelletization plant at Puerto Colorado, and wharf and loading facilities. At year end the mine installation had been completed and was operating on a test basis. The entire complex will be in operation early in 1978.

**Electric Power Expansion:** The inauguration in 1977 of the San Manuel rural electrification cooperative benefiting 370 farmers and ranchers in the Province of Buenos Aires marked the completion of one subproject in a broad program launched by Argentina with the help of a \$15 million Bank loan approved in 1968. The entire program is benefiting nearly 40,000 of the estimated 47,000 farms and ranches in the country. In another power development, the generator of the Barranqueras steam turbine plant in Corrientes in Chaco Province underwent tests in 1977 prior to its startup early in 1978. Expansion of the plant was one of several which the Bank helped finance with a \$21 million loan approved in 1970. The plant will provide additional electric power to sections of Argentina's northwest and northeast regions and to the Provinces of Entre Ríos and San Juan.

# BARBADOS

## LOANS

**Industrial and Tourism Development:** In recent years the Government of Barbados has made significant efforts to diversify the nation's productive activities to offset its heavy dependence on sugar. Supporting this effort, the Bank approved a \$1 million loan in 1971 to finance small industrial and tourism enterprises. In 1977 the Bank approved two new loans—\$1.5 million from the ordinary capital resources and \$1.5 million from the Fund for Special Operations—to enable the Barbados Development Bank to carry out a second stage of the project. Emphasis will be placed on the financing of family-owned or small and medium enterprises in the industrial and tourism sectors.

**Student Credit Program:** Approximately 400 students per year graduate from high schools in Barbados with the academic qualifications to carry out further studies. However, the number of such students going on to college or vocational schools is limited by the high cost of study and the scarcity of such facilities. In 1977 the Bank approved an \$80,000 loan from the Fund for Special Operations to enable Barbados to grant credits to students from low-income families to study in fields deemed essential to the country's development.

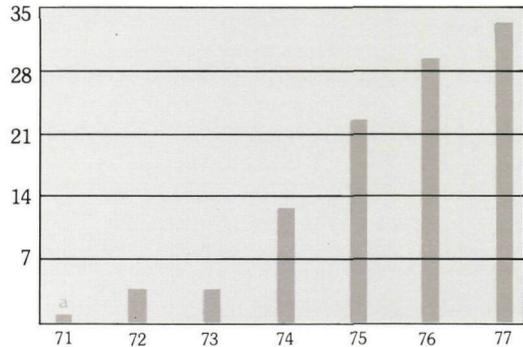
## TECHNICAL COOPERATION

**Scotland District Farm Development:** The Scotland District covers 15,800 acres, or approximately one-seventh of the total area of Barbados. The island is, however, denied the productive potential of the District because of massive soil erosion and related problems. To help remedy this situation the Bank in 1977 approved technical cooperation grants of \$258,000—\$180,000 from the Canadian Project Preparation Fund and \$78,000 from the Fund for Special Operations—to

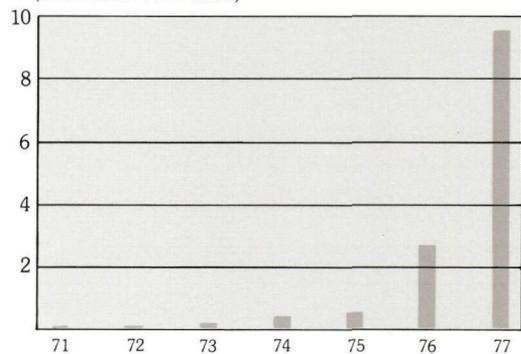
**Distribution of Loans 1961-77**  
In Thousands of Dollars

Sector	Amount	Total cost of the projects
Education	\$10,200	\$16,362
Sanitation	9,700	13,622
Transportation and Communications	9,414	13,700
Tourism	2,625	4,250
Industry and Mining	1,183	1,950
<b>Total</b>	<b>\$33,122</b>	<b>\$49,884</b>

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



<sup>a</sup>Barbados joined the Bank in 1969.

help the nation prepare a rural development program to restore the region's agricultural productivity.

## PROGRESS HIGHLIGHTS

**Barbados Community College:** A prior Bank-financed education project reached fruition in 1977 when the Barbados Community College complex was opened. Located in Bridgetown, the new campus was built with the help of a \$2.8 million loan approved by the Bank in 1972. The project enables the college to increase its student enrollment capacity to 1,500 (compared with 825 in 1972), thus helping the nation to meet the increasing demand for skilled technicians at the intermediate and advanced levels.

**Port of Bridgetown Expansion:** Significant progress was made in 1977 on a project partially financed with \$9.1 million loan approved by the Bank in 1974 to expand and improve the Port of Bridgetown. Expected to be completed by mid-1978, the project develops and expands a port plagued by congestion into a modern deep-water harbor which also provides facilities for shallow draft vessels.

# BOLIVIA

## LOANS

**Farm Research and Extension:** Some 65 per cent of Bolivia's population, most in the low-income range, live on farms of less than 12 acres. Despite a large agricultural potential, land in cultivation in the nation has expanded little in recent years due, among other things, to a lack of technology, marketing facilities and research and extension services. In 1977 the Bank approved an \$8.5 million loan from the Fund for Special Operations to help the nation's agricultural research agency carry out three programs designed to increase production and productivity of low-income farmers. Included in the program are research on nine basic crops, the improvement of extension services and the training of agricultural manpower.

**Yacuces Cement Plant:** An expansion of Bolivia's cement output is crucial if the goals of the nation's development plans, which call for substantial investments in highways, irrigation and airports, are to be met. Two loans totaling \$48 million—\$24 million from the inter-regional capital and \$24 million from the Venezuelan Trust Fund—approved by the Bank in 1977 will help build the nation's fourth cement plant, which will more than double—from 260,000 to 670,000 tons a year—the nation's production. The plant will be built at Yacuces some 360 miles from Santa Cruz. It will help create a new development axis in the sparsely settled eastern part of the country and will set the stage for eventual cement exports to the Brazilian market. In addition, a 13,320-kilowatt thermoelectric plant, access roads, housing facilities and a cement warehouse in Santa Cruz will be built.

**Credit for Industry and Tourism:** Both industry and tourism are in an incipient stage of development in Bolivia. To spur further growth, the nation is seeking to invest some \$680 million in the two sectors during the current five-year (1976-80) period. In 1977 the Bank approved two loans for \$15 million—\$10 million from the Fund for Special Operations and \$5 million from the inter-regional capital—to enable the *Banco Industrial, S.A.*, a private development Bank in La Paz, to grant medium- and long-term credits to small- and medium-scale enterprises in the two sectors. Credits made under the new program will focus on labor-intensive industries, hotels and services, preferably in the country's developing areas outside the Department of La Paz.



**ROADGRADER SMOOTHS HIGHWAY on Bolivian highlands. New 74-mile road built with help of \$10 million Bank loan approved in 1972 goes from La Paz to Lake Titicaca, world's highest navigable lake.**

**Technical Education:** In order to train skilled and semiskilled workers to meet its manpower needs and to raise the living standards of the nation's labor force, Bolivia is giving high priority in its development programs to technical education. In 1977 the Bank approved a \$9.7 million loan from the Fund for Special Operations to help finance, jointly with a \$7.9 million grant from the Canadian International Development Agency, a training program for semiskilled, skilled and middle-level technicians in agricultural, industrial and service sectors. The program includes the building, remodeling and equipping of 15 urban industrial schools and 10 agricultural technical schools—with a total enrollment capacity of 10,000 students.

**Housing for Flood Victims:** In January 1977 Trinidad, Bolivia, suffered the worst flood in its history. Water covered 60 per cent of the urban area, damaged the city's public works and destroyed 30 per cent of the houses. The sections most severely stricken were the low-income areas, where most of the residents were left homeless. Subsequently, the Bank approved a \$2.1 million loan from the Social Progress Trust Fund to enable *Mutual de Paititi*, a savings and loan association, to provide credit facilities for the construction of 800 houses for low-income families in the affected sections and to finance the construction of new access roads, water supply and drainage systems.

## TECHNICAL COOPERATION

**Flood Control Studies:** In connection with the previous loan, the Bank extended a \$20,000 technical cooperation grant from the Social Progress Trust Fund to finance a survey of means to

control the floods which periodically affect Trinidad.

### Integrated Rural Development Projects:

As part of its support for the development of the farm sector in Bolivia, the Bank authorized \$221,000 in contingent repayment cooperation from the Special Program for Project Preparation of the Social Progress Trust Fund to enable the Ministry of Rural and Agricultural Affairs to prepare integrated development projects for two rural areas, which will benefit 4,600 families. The two include the 370,000-acre Chapare region in the Department of Cochabamba and the 37,000-acre Challapata region in the Department of Oruro. A preliminary study will also be drafted for a similar project in the Department of Tarija which covers an additional 370,000 acres.

**National Irrigation Program:** Due to a lack of adequate rainfall in much of Bolivia, farming there tends to be highly seasonal, since only 5 per cent of land in cultivation is irrigated. To help improve this situation, the Bank in 1977 approved a technical cooperation grant of \$300,000 from the Special Program for Project Preparation of the Social Progress Trust Fund to enable the Ministry of Rural and Agricultural Affairs to prepare a National Irrigation Plan, which will include the identification of specific projects and priorities.

**Institutional Support:** In connection with the previously described loan of \$8.5 million for farm research and extension services, the Bank approved a \$288,000 technical cooperation grant from the Fund for Special Operations to enable the *Instituto Boliviano de Tecnología Agropecuaria* to improve its organizational, technical and administrative capacity.

**Technical Education:** The Bank approved a \$580,000 technical cooperation grant from the

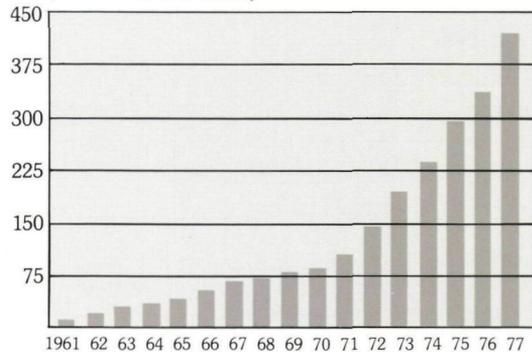
### Distribution of Loans 1961-77

In Thousands of Dollars

Sector	Amount	Total cost of the projects
Industry and Mining	\$135,828	\$251,453
Transportation and Communications	115,935	173,652
Energy	62,378	124,212
Agriculture	31,736	56,727
Sanitation	21,552	35,610
Urban Development	17,928	28,564
Education	11,985	26,233
Preinvestment	10,497	14,386
Tourism	8,601	13,025
Export Financing	194	306
<b>Total</b>	<b>\$416,634</b>	<b>\$724,168</b>

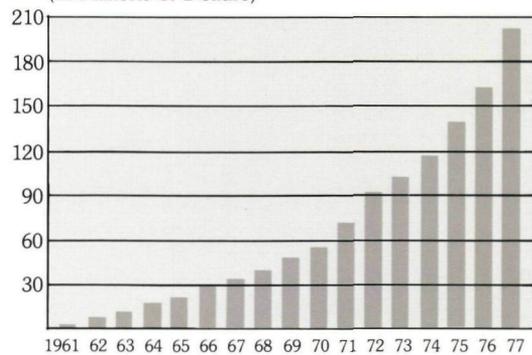
### Cumulative Lending

(In Millions of Dollars)



### Cumulative Disbursements

(In Millions of Dollars)



Fund for Special Operations to enable the Ministry of Education and Culture to secure consulting services to assist in the execution of a technical education program being financed with the previously mentioned \$9.7 million loan. The funds will also enable the Ministry to provide advanced training for its personnel in other Latin American countries.

## PROGRESS HIGHLIGHTS

**Road Construction:** During 1977 Bolivia completed construction of five paved roads within a national highway program being carried out with the help of a \$10 million loan approved by the Bank in 1973. The sections completed in 1977 were a link between the city of La Paz and Huarina on Lake Titicaca, one of Bolivia's principal tourist attractions; between Oruro and Vinto and Vinto and Machacamarca, in the Bolivian highlands, sections which provide better access to several previously isolated small mining towns; between Cochabamba and Quillacollo, part of the highway between Cochabamba and Oruro, and between Tolata and Clisa, a road section serving a farming area in the Department of Cochabamba.

# BRAZIL

## LOANS

**Rural Electricity:** At present some 5 per cent of Brazil's 3.7 million farms receive electricity from public systems. In 1969 the Government initiated a national rural electrification program with the assistance of a Bank loan of \$30.8 million. In 1977 the Bank approved two additional loans totaling \$55.7 million—\$15.7 million from the inter-regional capital and \$40 million from the Fund for Special Operations—to bring electricity to some 36,000 farmers belonging to 147 rural electricity cooperatives located in the North, Northeast and West-Central areas of Brazil. The loan resources will be used to provide long-term credit to finance up to 90 per cent of the cost of projects being carried out by state electric power distribution agencies known as concessionaries or state rural electrification companies.

**Rural Feeder Roads:** Over the past ten years growth in the State of Paraná, the most heavily populated in Southern Brazil, has shifted from a one-crop economy—coffee—to diversified farming. This has highlighted the need to improve the State's road system, only 8 per cent of which is paved. In 1977 the Bank approved two loans totaling \$55 million—\$35 million from the inter-regional capital and \$20 million from the Fund for Special Operations—to help the State build and pave some 750 miles of feeder roads which will benefit approximately 1.5 million rural inhabitants. Completion of the project will insure all-weather transportation for an area in which approximately 90 per cent of agricultural land holdings are owned by farmers of modest means.

**Copper Mining Complex:** A \$63.2 million loan from the ordinary capital approved by the Bank in 1977 will help finance the construction of a major copper mining and metallurgy complex in Brazil's State of Bahia. The project includes the exploitation of the largest known copper ore deposits in Brazil, from which 6.2 million tons of ore will be extracted yearly, and the construction of an ore concentration plant and a metallurgical plant designed to produce 150,000 tons of refined copper per year. In addition, a sulphuric acid plant with a production capacity of 450,000 tons a year will be built to utilize the gases generated in the smelting and conversion process. The sulphuric acid will be used, in turn, to manufacture fertilizers.

**Petrochemical Industry:** In 1977 the Bank approved a \$20 million loan from its ordinary

capital to help finance the transfer and absorption of technology to build ethylene producing plants and engineering services required to build a raw material center for Brazil's third petrochemical complex. It will be located near Porto Alegre in the State of Rio Grande do Sul. The other two petrochemical centers are located in the States of São Paulo and Bahia. The third complex is contributing to the effort being carried out by the nation to distribute petrochemical production in various areas of Brazil and generate new employment opportunities in the Southern part of the nation.

**Industrial Credit for the Northeast:** The Northeast of Brazil is one of the priority regions of the Bank's lending and technical support. The nation's least developed region, the Northeast is still dependent in large measure on traditional agriculture of low productivity. In 1977 the Bank approved a loan of \$83.3 million from the inter-regional capital to finance a credit program designed to foster the development of private manufacturing industries in the region. The loan will help stimulate the region's economy by financing the installation, relocation, expansion, modernization or diversification of enterprises in that sector. Projects financed under the program are expected to create some 20,000 new jobs directly and to generate the production of goods and services totaling more than \$327 million yearly.

**Emborcação Hydroelectric Project:** Only 35 per cent of the 14 million inhabitants of the State of Minas Gerais are served by electric power. To improve this situation the State's power agency is building the 1-million-kilowatt Emborcação power plant on the Paranaíba River 18 miles Northeast of the city of Araguari. A \$69.8 million loan approved in 1977 from the ordinary capital will help finance the construction of the dam and hydroelectric plant. The project will supply electric power to industrial and residential consumers of the State. Improved regulation of the Paranaíba River, another facet of the project, is expected to increase the capacity of two generating plants downstream on that river and on the Parana River by some 260,000 kilowatts.

**Export Financing:** During 1977 the Bank approved an increase of \$5 million in a revolving line of credit from the Venezuelan Trust Fund originally approved in 1976 for the medium-term financing of Brazilian exports. In addition, previous lines of credit to Brazil from the ordinary capital and the Venezuelan Trust Fund for similar export credit programs were augmented through repayments by \$8,440,000 and \$1,108,000, respectively.

## TECHNICAL COOPERATION

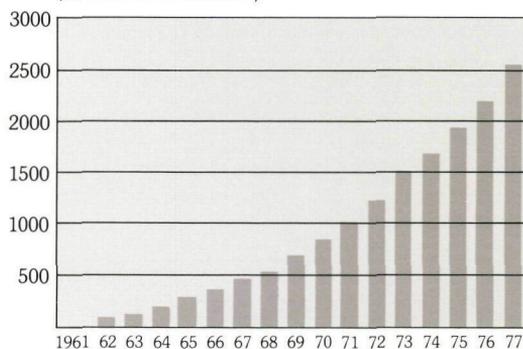
**Research and Training Programs:** In 1977 the Bank approved a special program of nonreimbursable technical cooperation to Brazil from the Social Progress Trust Fund amounting to \$13.2 million in cruzeiros. The assistance will be used in three separate projects: \$6 million for an agricultural research program in semi-arid tropical areas of Brazil's Northeast; \$5 million to enable a unit of the Executive Branch—the Secretariat for International Economic and Technical Cooperation—which has previously benefited from external technical cooperation, to pass on assistance to other Latin American countries and needy areas in Brazil, and \$2.2 million to help the *Fundação Getulio Vargas* to expand its training programs in taxation and customs, farm development and management of public enterprises.

## PROGRESS HIGHLIGHTS

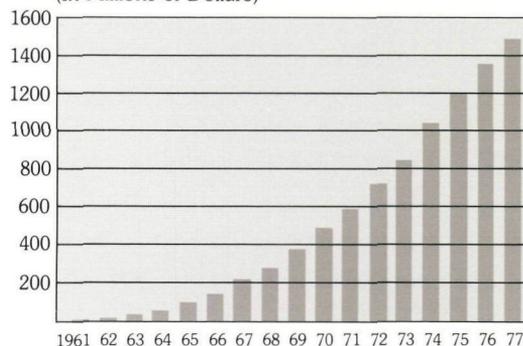
**Moxotó Hydroelectric Plant:** With the completion of the Moxotó hydroelectric project on the São Francisco River in 1977, Brazil has completed another link in its efforts to stimulate economic development in its underdeveloped Northeast. The project was financed by three Bank loans totaling \$57,220,000 approved in 1972. It resulted in the construction of the Moxotó storage dam two miles upstream from the existing Paulo Afonso power complex; the building of the 440,000-kilowatt Moxotó hydroelectric plant; more than 900 miles of transmission lines; transformer substations, and related works.

**Chemical and Petrochemical Complex:** The start-up in 1977 of operations at three chemical and petrochemical plants, located in Minas Gerais, Bahia, and Rio de Janeiro helped consolidate the development of the chemical and petrochemical sector which is accelerating the transi-

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



tion of Brazilian industry from the manufacture of consumer goods to the production of capital goods. The three plants form part of a project supported by the Bank with a \$40 million loan approved in 1973. Total investment in the three projects surpasses \$200 million and covers a wide range of chemical and petrochemical products.

**Steel Expansion:** With the support of the Inter-American Bank, Brazil's three largest steel producers are in the midst of a broad expansion program. During 1977 the second stage of the program, for which the Bank had provided loans amounting to \$128 million, was completed. As a result the production of the three—*Companhia Siderúrgica Nacional* at Volta Redonda 186 miles from São Paulo, *Usinas Siderúrgicas de Minas Gerais S.A.*, and *Companhia Siderúrgica Paulista* near Santos—rose to 6.1 million tons in 1977. Prior to the expansion, production amounted to 3.6 million tons.

### Distribution of Loans 1961-77

In Thousands of Dollars

Sector	Amount	Total cost of the projects
Energy	\$ 868,763	\$ 7,746,561
Industry and Mining	562,376	10,112,390
Transportation and Communications	336,443	1,310,545
Agriculture	265,153	745,863
Education	210,089	493,797
Sanitation	168,306	775,132
Export Financing	96,867	139,570
Preinvestment	39,548	80,755
Urban Development	23,300	58,119
<b>Total</b>	<b>\$2,570,845</b>	<b>\$21,462,732</b>

# CHILE

## LOAN

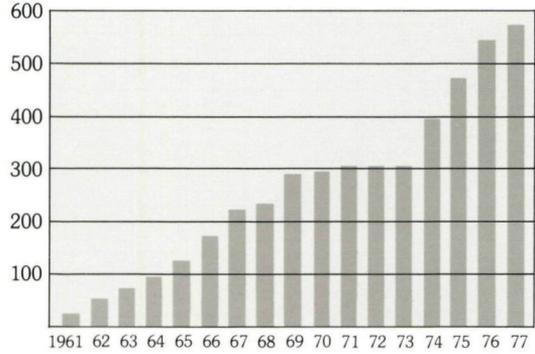
**Replacement of Road Bridges:** Chile's highway system is characterized by a principal highway which extends from the Peruvian border in the north to the Island of Chiloé in the south. From this highway, secondary roads fan out toward the sea to the west and the Andes mountains to the east. Obsolete bridges on many of these roads are breaking down under the increased weight of vehicles and heavy usage. To improve the transportation for low-income sectors, the Bank in 1977 approved a loan of \$24.5 million from the ordinary capital to build some 4,200 meters of new bridges and 35 miles of access roads. The program will be carried out in three regions of southern Chile where up to 60 per cent of the bridges need to be replaced.

## PROGRESS HIGHLIGHTS

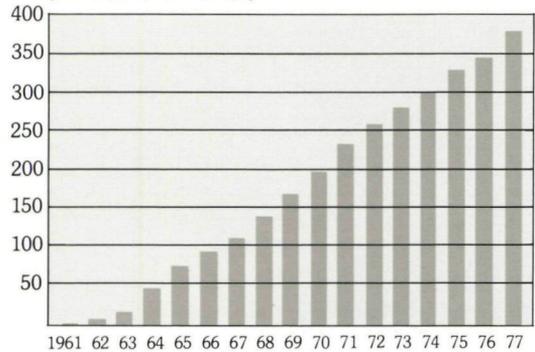
**Valparaíso Water and Sewage System:** During 1977 work was completed on a project to expand the water and sewage systems of the cities of Valparaíso and Viña del Mar. The program, partially financed by a \$3 million Bank loan approved in 1970, improved sanitary conditions for 60,000 persons living on 2,400 acres of land in surrounding hillside communities occupied mostly by low-income families.

**Feeder Road Improvements:** During 1977 work was completed on the construction of some 470 miles of feeder roads in the south of Chile built with the help of a \$6.5 million loan approved by the Bank in 1969. The roads are providing access to marketing centers for isolated farming communities along the Pacific Coast and Andean foothills of the provinces of Cautín, Llanquihue,

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



Osorno, Valdivia and Chiloé. A portion of the loan was subsequently reoriented to enable Chile to make repairs to the Pan American Highway and other roads damaged by the 1971 earthquake.

**Earth Satellite Stations:** In late 1977 an important link in the nation's telecommunications system—an additional Earth satellite station at Longovilo and a new one at Punta Arenas—was completed. The two form part of the second stage in the nation's program to improve its telecommunications system. A \$35.5 million loan approved by the Bank in 1975 is helping carry out this stage of the program. The first also had Bank support. The two new stations were built as part of a broader project designed to improve the nation's long distance telecommunications requirements through 1981. The new Longovilo station is located near Santiago at the site of the nation's central satellite station. The Punta Arenas station is the farthest south in the hemisphere.

### Distribution of Loans 1961-77

In Thousands of Dollars

Sector	Amount	Total cost of the projects
Industry and Mining	\$131,931	\$ 459,345
Agriculture	127,207	402,350
Transportation and Communications	90,656	190,375
Energy	85,088	281,700
Urban Development	60,072	122,473
Sanitation	36,896	79,863
Education	29,606	76,108
Preinvestment	6,433	14,743
Export Financing	3,500	5,001
<b>Total</b>	<b>\$571,389</b>	<b>\$1,631,958</b>

# COLOMBIA

## LOANS

**San Carlos Hydroelectric Plant:** Although Colombia's electric sector has developed rapidly in recent years, total per capita output of power is lower than that in comparable Latin American countries and 30 per cent of the population—the majority in rural areas—does not now have electric service. In 1977 the Bank approved a \$70 million loan from the inter-regional capital to improve this situation. The loan will be used to build the 620,000-kilowatt first stage of the San Carlos hydroelectric plant 95 miles from Medellín. In a future stage, the power will be expanded to 1,550,000 kilowatts. In addition to supplying more generating capacity to sustain an adequate level of economic growth in the country and increasing the number of residential consumers, many of them in rural areas, the project will help eliminate power deficits in Colombia's interconnected system during the next decade.

**Feasibility Study for Fertilizer Industry:** Colombia imports some 90 per cent of the phosphates used in its fertilizer industry, which is located in the port cities of Barranquilla and Cartagena, far distant from the nation's main agricultural regions. Colombia has 15 known but unexploited phosphate deposits containing 700 million tons of ore. Two of these—the Pesca and Sardinata deposits located in regions where 70 per cent of the nation's fertilizer is used—contain some 300 million tons of the highest grade ore. In 1977 the Bank approved a \$1.7 million loan from the Fund for Special Operations to help finance a feasibility study for the industrial development of these deposits.

**Urban Development in Buenaventura:** In contrast with other Colombian cities, physical conditions in Buenaventura, the country's principal port, have not kept pace with population expansion in recent years. Public services and housing conditions are particularly bad in the city's tidewater slums which contain nearly 3,500 housing units. Unemployment in the city is estimated at 16 per cent and underemployment at 40 per cent. In 1977 the Bank approved a loan for \$41 million from the Fund for Special Operations to carry out an integrated urban development plan designed to benefit Buenaventura's low-income families by improving basic services and redeveloping the city by razing the tidewater slums and transferring the inhabitants to new areas in the mainland portion of the city. The



**ARRAY OF BOOMS AT BUENAVENTURA, Colombia's most important port, prepare to load coffee for export. Bank financing has helped improve port facilities there. In 1977, the Bank approved a \$41 million loan to carry out urban development program designed to benefit low-income families residing in the port city's tidewater slums.**

project includes the urbanization of building lots and the construction of schools, water and sewage works, streets and other transportation works, public markets and electric power facilities.

## TECHNICAL COOPERATION

**Development of Sinú River Basin:** The Sinú River Basin in Northwest Colombia is one of the least developed regions in the country. It has the lowest per capita income in Colombia, more than 40 per cent of the population is illiterate and malnutrition is widespread. Periodic flooding of urban and rural areas takes place due to fluctuations in the river. With proper irrigation some 350,000 acres of the land would be suitable for farming. To further this objective, the Bank in 1977 approved \$1.1 million in nonreimbursable technical cooperation from the Fund for Special Opera-

tions to help finance a plan for the integral development of the Basin.

## PROGRESS HIGHLIGHTS

**Chivor Hydroelectric Power Plant:** The start-up of operations at the 500,000-kilowatt Chivor hydroelectric power plant in Central Colombia in June 1977 marked the completion of one of the largest hydroelectric projects ever undertaken in the country. Partly financed by a \$34.1 million loan approved in 1971, the project forms part of a program designed to increase power supplied to the country's Central Interconnection Network, whose main consuming centers are Bogotá, Medellín and Cali. The Chivor plant will help solve local energy shortages by bringing about a more efficient and economic use of the generating capacity of the different systems.

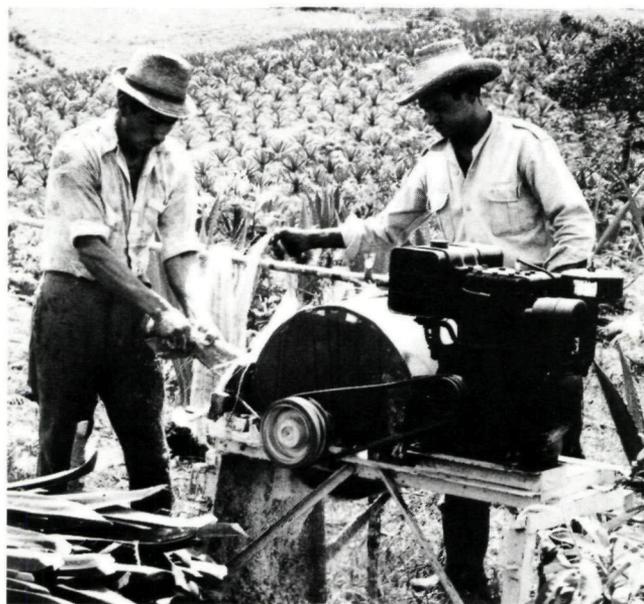
**Pilot Farm Settlement Project:** During 1977 work was completed on a pilot farm settlement project carried out in the Cauca Department in southwest Colombia with a loan extended by the Bank from the \$1 million *Populorum Progressio Fund* which the Bank has administered for the Vatican since 1968. Under the project 847 farm families were settled on about 37,000 acres in the region, literacy training was provided to 6,600 persons, and more than 2,000 persons received instruction in such fields as rural administration, livestock production, farming and small industry.

**Farm Settlement in Eastern Plains:** During 1977 a farm colonization project under which 2,200 low-income farm families settled on some 445,000 acres of land in the Eastern Plains region of Colombia, reached completion. Carried out with the help of a \$10.8 million Bank loan approved in 1968, the project included the clearing of land, and the construction of some 315 miles of roads, two training centers for 900 farmers, 10 schools, 134 rural schools, two hospitals and a health center.

### Distribution of Loans 1961-77

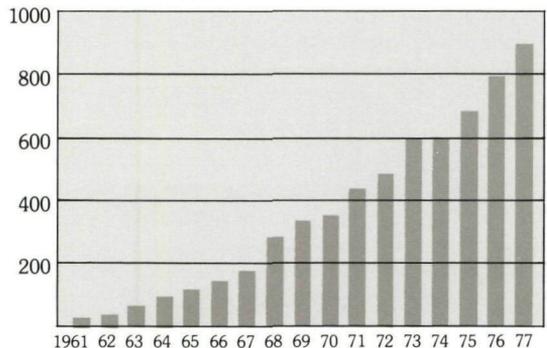
In Thousands of Dollars

Sector	Amount	Total cost of the projects
Energy	\$312,175	\$1,046,178
Transportation and Communications	155,414	357,362
Agriculture	150,440	383,861
Urban Development	119,518	247,982
Sanitation	72,895	152,000
Industry and Mining	60,334	149,841
Education	27,600	57,576
Preinvestment	13,275	25,211
<b>Total</b>	<b>\$911,651</b>	<b>\$2,420,011</b>

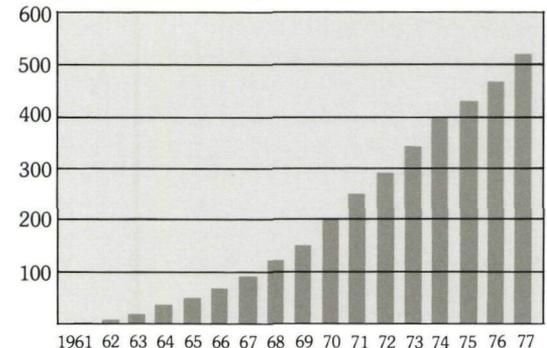


**DEVELOPMENT FOR PEOPLE:** Two farmers in Colombia depulp henequen fiber with help of Bank financing extended from the \$1 million *Populorum Progressio Fund* entrusted to the Bank in 1968 by the Vatican to improve welfare of low-income farmers in Colombia. Pilot farm project financed with fund was completed in 1977.

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



# COSTA RICA

## LOANS

**Agricultural Credit:** Since 1961 the *Banco Nacional de Costa Rica* has carried out three stages of an agricultural credit program with the help of \$14.9 million in Inter-American Bank loans. In 1977 the Bank approved an additional loan of \$10 million from the Fund for Special Operations for a fourth stage in which short-, medium- and long-term credits will be provided to approximately 1,000 small-scale farmers, including 15 cooperatives with a total of 250 members. Completion of the program is expected to increase the output of beneficiaries by 80 per cent by 1985, provide employment, raise rural income levels and increase agricultural specialization, as well as establish and improve forestry areas and prevent erosion.

**Animal Health Program:** In the past Costa Rica has increased its cattle production by expanding acreage devoted to ranching. Future hikes must come from increased productivity and the control of animal diseases such as brucellosis and tuberculosis. The incidence of brucellosis is estimated at 10 per cent; that of tuberculosis at 5 per cent. To help control these diseases, the Bank in 1977 approved a loan of \$5.3 million from the Fund for Special Operations to help carry out an animal health program which will benefit some 43,700 cattlemen, of whom 88 per cent are small-scale producers. Within the program some 90 per cent of female calves will be vaccinated against brucellosis during the first four years, thus reducing the incidence of the disease to 2 per cent in a period of eight years. In addition, tuberculin tests will be given to 100 per cent of the cattle and a pilot plan for the eradication of tuberculosis among dairy cows within one year will be carried out.

**Geothermal Energy:** In 1975 the Bank provided \$500,000 in technical cooperation to investigate the geological, geophysical and geochemical aspects for the establishment of a geothermal power plant on the slopes of the Miravalles and Rincón de la Vieja volcanoes in the Costa Rican Province of Guanacaste. The studies confirmed the possibility of developing such a project. As a result, the Bank in 1977 approved a \$4.1 million loan from the Fund for Special Operations to enable Costa Rica to bore deep holes in the geothermal field which would indicate its economic feasibility and would serve as the basis for the exploitation phase. The exploration for new sources of energy is designed to keep pace with con-

tinued growth in demand for electric power in Costa Rica, as well as to reduce the impact of the increasing cost of fuels required to operate thermal plants.

**Farm-to-Market Roads:** In order to lower transportation costs for farm products, expedite the rapid shipment of such products to market and raise living standards of rural families, Costa Rica is engaged in a national program to build local or farm-to-market roads. The Bank has helped finance two previous stages of this program. In 1977 the Bank approved two additional loans for \$32.5 million—\$21.5 million from the Fund for Special Operations and \$11 million from the inter-regional capital—to help carry out the third stage which includes the building and improving of some 197 miles of local roads in rural areas. The selected roads are located in areas off the Central Plateau, where at least 75 per cent of benefiting farmers have net annual incomes of \$7,000 or less.

**Rural Telephone Service:** To accelerate the development of the countryside, the Costa Rican Government in 1971 initiated a program to install public telephones in rural communities. As a result, 392 of those communities now enjoy access to the telephone system. However, about 700,000 persons in rural areas still lack such access. In 1977 the Bank approved a \$12.2 million loan from the Fund for Special Operations to help bring telephone service to some 245,000 of these rural residents. The project provides for the installation of small telephone exchanges in 56 communities, 500 public telephones in small localities to communicate with production centers and larger rural communities, and 800 public telephones in rural production centers such as cooperatives, small farms, hospitals and schools.

**Technical Education:** In 1976 about 24,500 students were enrolled in Costa Rica's 63 technical and vocational centers. Nonetheless, Costa Rica faces a deficit of 5,000 technicians during the final three years of its 1978-82 National Development Plan. In 1977 the Bank approved a \$10.7 million loan from the Fund for Special Operations to enable the Ministry of Education to expand such training, particularly in rural areas. Execution of the project, which provides for the construction of eight agricultural schools, the expansion of nine others and two industrial schools, the purchase of equipment and the provision of technical support and fellowships, will increase the number of students enrolled in technical training centers by 6,300.

**Student Loan Program:** In 1975 approximately 33,000 students were enrolled in higher



education centers in Costa Rica. Nearly half that number were eligible candidates to aspire to some kind of financial assistance. Hence, the Government of Costa Rica gives high priority to programs designed to aid these students of less relative means. In 1977 the Bank cooperated in this endeavor with a loan for \$4.8 million from the Fund for Special Operations to provide credit to students in fields deemed essential to Costa Rica's economic and social development and to facilitate access to higher education to a greater number of students from low-income families. The loan will benefit some 1,700 students, of whom 1,520 will carry out undergraduate studies in Costa Rica and 180 will carry out graduate studies in other Bank member countries.

## TECHNICAL COOPERATION

**Institutional Support for Education Agency:** In connection with the previously described loan for \$4.8 million, the Bank extended a technical cooperation grant of \$98,000 from the Social Progress Trust Fund to strengthen the executing agency—the *Comisión Nacional de Préstamos para la Educación (CONAPE)*. It will enable *CONAPE* to improve its technical,

**STUDENT LEARNS LATHE OPERATION** at class conducted at Technological Institute of Costa Rica in Cartago. Institute expanded with the help of 1974 loan from the Bank. In 1977, Bank lent \$10.7 million to expand technical education in rural areas and provided another \$4.8 million for a national student loan program.

administrative and accounting procedures; establish a career and job selection guidance system; improve evaluation and supervision mechanisms, and train personnel abroad.

**Institutional Support for Animal Health Agency:** In connection with the previously mentioned \$5.3 million animal health loan, the Bank authorized a technical cooperation grant of \$95,000 from the Fund for Special Operations to provide training abroad for some 15 professionals from the executing agency—the *Dirección de Sanidad Animal*.

**Study on Post-Secondary Education:** In 1977 the Bank approved a technical cooperation grant of \$200,000 from the Social Progress Trust Fund for a study of alternative methods of financing higher education in Costa Rica. The study will focus on ways to ensure optimum use of state funds for education, the relationship between the

economic benefits obtained by students and their education payments, ways to ensure that the financial status of a student or his family does not impede his access to education, and the use of available financial resources to finance education.

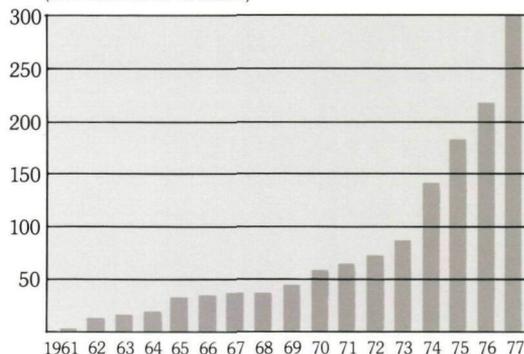
## PROGRESS HIGHLIGHTS

**Arenal Hydroelectric Project:** During 1977 two completely planned new communities in Costa Rica—Nuevo Arenal and Nuevo Tronadora—were inaugurated. The two towns replace communities which will be flooded as a result of the construction of the 135,000-kilowatt Lake Arenal hydroelectric power, which is being built with the help of a \$50.5 million loan approved by the Bank in 1974. In building the new settlements, which are expected to be models for future projects, Costa Rican authorities took special pains to improve the living conditions of the townspeople by fostering the growth of productive farming, livestock raising and small industries. In addition the new communities enjoy better housing, sanitation, health and school facilities than the old. The power project, itself, is expected to be completed in 1978.

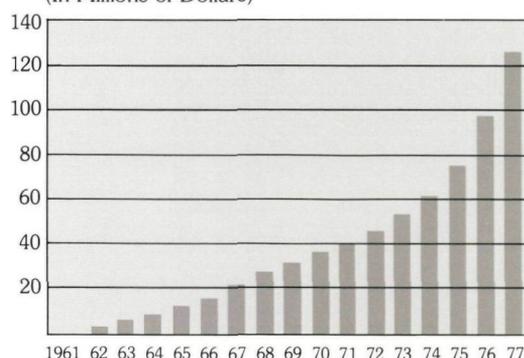
**Feeder Roads:** Work was virtually completed during 1977 on the second stage of a national feeder road program which has been carried out with the help of a \$6 million Bank loan approved in 1973. About 23 all-weather gravel roads located in rural regions, mostly outside the populous Central Valley, have been built under the program and the last one will be finished early in 1978. The rural roads will directly serve some 10 per cent of the nation and permit the development of new farming areas, thus improving living conditions for farmers.

**Technical and Professional Education:** The inauguration of the expanded La Junta de Abangares agricultural high school in Guanacaste Province in mid-1977 marked the completion of the

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



first stage of a program to expand intermediate technical and professional training in Costa Rica. The project, which was partially financed by a \$3.5 million Bank loan approved in 1971, is providing the facilities required to increase the training capacity of farm and industrial technicians from 4,867 to 10,232 through the construction, expansion and equipping of 19 schools.

### Distribution of Loans 1961-77

In Thousands of Dollars

Sector	Amount	Total cost of the projects
Energy	\$ 74,006	\$160,220
Transportation and Communications	72,200	127,166
Agriculture	46,628	85,372
Sanitation	43,037	65,477
Education	23,618	40,213
Industry and Mining	23,525	53,110
Preinvestment	10,640	16,229
Urban Development	7,100	17,745
<b>Total</b>	<b>\$300,754</b>	<b>\$565,532</b>

# DOMINICAN REPUBLIC

## TECHNICAL COOPERATION

**Fishery Development Studies:** The coastal (up to 10 miles from shore) fishery resources of the Dominican Republic are underexploited and those beyond (up to 50 miles) have scarcely been studied. The nation's current fish production is insufficient to cover its needs and it must import some \$5 million of fish yearly. In 1977 the Bank approved a technical cooperation grant for \$750,000 from the Fund for Special Operations for studies to develop the deep sea and inland water fisheries in the country. Such development would increase the nation's food supplies, as well as improve the living standards of the nation's 2,700 fishermen, most of whom are poor and ply their trade by rudimentary means.

## PROGRESS HIGHLIGHTS

**Agricultural Credit Program:** In May 1977 a farm credit subprogram carried out in the first stage of the Integrated Agricultural Production Program (*PIDAGRO*) was completed. The subprogram was partially financed by a \$24.8 million Bank loan approved in 1972. A total of 12,063 credits amounting to \$33.9 million were approved under the subprogram to enable small- and medium-scale farmers and ranchers to increase their productivity.

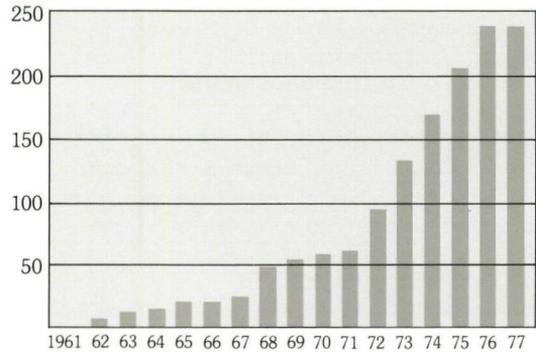
**Rural Electrification:** In October 1977 the first stage of a rural electrification project, undertaken with the support of a \$7.4 million loan extended by the Bank in 1972 from its Canadian funds, was completed. The project has resulted in the expansion of electric service to some 100,000 persons in 353 rural communities of the Dominican Republic.

### Distribution of Loans 1961-77

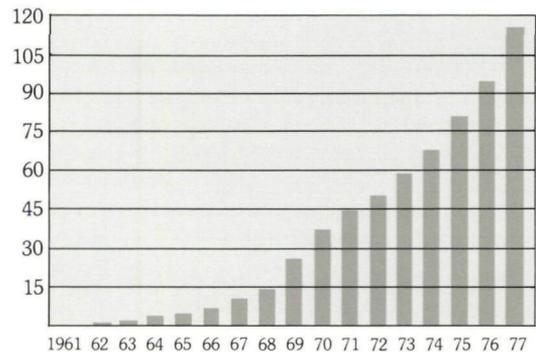
In Thousands of Dollars

Sector	Amount	Total cost of the projects
Agriculture	\$ 74,844	\$135,609
Energy	67,005	101,181
Transportation and Communications	35,500	47,780
Sanitation	28,211	40,898
Industry and Mining	20,868	45,629
Education	7,946	13,630
Urban Development	3,479	6,375
Preinvestment	2,094	3,182
<b>Total</b>	<b>\$239,947</b>	<b>\$394,284</b>

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



**Transportation Study:** In October 1977 the Dominican Republic completed a technical and economic study to strengthen the organizational and administrative structure of the nation's transportation sector. Carried out with the assistance of \$477,500 in technical cooperation approved by the Bank in 1975 from the Canadian Project Preparation Fund, the study contains recommendations for the preparation of a master plan for land, air and sea transportation.

**Rural Water Supply:** In mid-1977 the second stage of the National Rural Water Supply Plan was completed. Under this project potable water was provided to an additional 350,000 persons in 158 rural communities located in 17 provinces of the Dominican Republic. The project was supported by a \$4.1 million Bank loan approved in 1970.

# ECUADOR

## LOANS

**Agricultural Development:** Agriculture is the most important economic sector in Ecuador, accounting for 21 per cent of the gross domestic product, 33 per cent of exports and 55 per cent of the labor force. Over the past 15 years, however, the sector has been hampered by low productivity. In order to increase production, improve farm income levels, and increase rural employment the Bank in 1977 approved two loans totaling \$19.9 million. One—\$8.1 million from the Fund for Special Operations—will finance credits for small-scale producers; the other—\$11.8 million from the ordinary capital—will provide loans for medium-scale producers.

**Irrigation and Farm Development:** The districts of Latacunga, Salcedo and Ambato in the Andean region of Ecuador have a population of 34,000 persons living on small farms. Only one-fourth of the land is irrigated, farm productivity is low and underemployment is widespread. In order to improve the conditions of the area, the Government of Ecuador is carrying out an irrigation and agricultural development program with the help of an \$11.8 million loan from the Fund for Special Operations approved in 1977. The program embraces the construction of a dam, irrigation canals, tunnels, aqueducts and access roads; the clearance of land, and the provision of credit, equipment and services to farmers. The project is expected to expand the production of the area fivefold over a 10-year period, create jobs for 2,500 farmers and raise average farm family incomes from \$80 to some \$700 a year.

**Rural Water Supply:** Only 11 per cent of Ecuador's rural population has access to potable water service. In order to broaden this percentage, Ecuador is giving high priority to the execution of water and sewage systems in the countryside. In 1977 the Bank provided a \$12.2 million loan from the Fund for Special Operations to help build a rural system which will provide potable water to some 139,000 low-income residents of the communities of Machala, Pasaje, Puerto Bolívar, El Guabo and other smaller ones in El Oro Province, an increasingly productive farming region.

**Guayaquil Sewage and Storm Drainage System:** The population of Guayaquil has risen rapidly in recent years due to heavy migration from the countryside. Most of the migrants have settled in a fringe area known as the Western Suburb where some 400,000 persons live in rustic homes.



**PISAYAMBO HYDROELECTRIC PROJECT** goes on stream. Above, Canadian engineer Rejean Larocque checks instruments on first day of operation in November 1977. Project was built with help of \$27.7 million in loans from Bank funds and Canadian resources administered by Bank.

Sanitary conditions are very poor, with only 33 per cent of the residents having access to household water connections and only 16.7 per cent to sanitary sewage service. In 1977 the Bank approved a loan of \$17 million from the Fund for Special Operations to help provide sewage and storm drainage systems to some 220,000 inhabitants in this suburb.

**Quito Sewage and Water System:** In 1977 the Bank approved a \$12.2 million loan from the Fund for Special Operations to help finance the third stage of a project to expand the sewage and storm drainage system of Quito, Ecuador, and to carry out studies to improve its water systems. The sanitary system subproject will directly benefit some 250,000 persons in poor neighborhoods and indirectly benefit the entire metropolitan area. Under the water subproject studies will be carried out for a program to meet the needs of Quito through the year 1992.

## TECHNICAL COOPERATION

**Training in Project Administration:** In 1977 the Bank approved a technical cooperation grant of \$480,000 from the Social Progress Trust Fund to help Ecuador's *Fondo Nacional de Preinversión* carry out a training program designed to strengthen the National Planning and Projects System. The assistance will provide additional

Bank support to a program initiated in 1974 and will insure the continuation of training for professionals in the preparation, evaluation and administration of development projects in Ecuador.

**National Planning:** Ecuador's national planning agency—the *Junta Nacional de Planificación y Coordinación Económica (JUNAPLA)*—is engaged in drafting the nation's 1978–82 development plan. In 1977 the Bank authorized a technical cooperation grant of \$300,000 from the Fund for Special Operations to cooperate in the preparation of the plan and to enable *JUNAPLA* to improve its planning system. In addition the assistance will help incorporate regional development aspects into the national planning program, improve coordination of the national effort with those of sectoral and regional planning agencies and support a staff training program.

**Institutional Support:** In connection with the previously described loan for \$12.2 million to improve the sewage and water systems of Quito, the Bank approved a technical cooperation grant of \$95,000 from the Fund for Special Operations. The grant will be used to improve the administrative and financial services of the city's sewage agency—*Empresa Municipal de Alcantarillado*.

**Institutional Support:** Jointly with the previously described loan of \$11.8 million to help carry out an irrigation project, the Bank approved a technical cooperation grant of \$90,000 from the Fund for Special Operations to strengthen the financial and administrative structure of the executing agency—the *Instituto Ecuatoriano de Recursos Hidráulicos*.

## PROGRESS HIGHLIGHTS

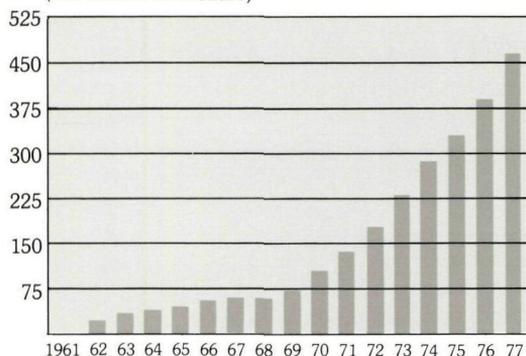
**Pita-Tambo Water System:** During 1977 a major expansion in the water system of the city of Quito, Ecuador, was inaugurated. The expansion

### Distribution of Loans 1961–77

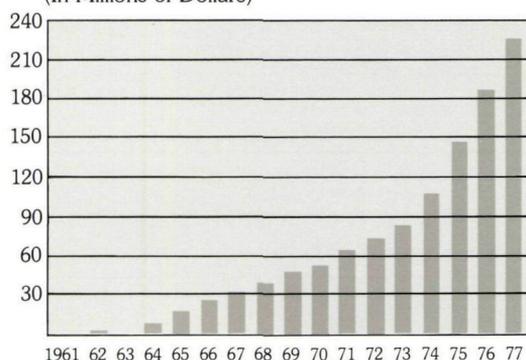
In Thousands of Dollars

Sector	Amount	Total cost of the projects
Energy	\$120,302	\$ 528,140
Agriculture	108,664	185,922
Sanitation	94,041	172,646
Industry and Mining	54,784	173,419
Transportation and Communications	31,414	126,382
Urban Development	24,900	37,488
Preinvestment	14,569	24,109
Education	4,934	8,103
Tourism	1,921	7,278
<b>Total</b>	<b>\$455,529</b>	<b>\$1,263,487</b>

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



represented the second stage in the execution of the Pita-Tambo project being carried out with the help of an \$18.6 million loan approved by the Bank in 1972. The works inaugurated in May included a water treatment plant with a 1,250-liter-per-second capacity, storage tanks and a conduction system. The project has increased the supply of the city's water to some 3,000 liters per second. Prior to the construction of the project the old system provided less than 50 per cent of the estimated demand of the population.

**Pisayambo I Hydroelectric Project:** Late in 1977 the first stage of the Pisayambo hydroelectric power project was completed. The project—by far the largest hydroelectric plant in Ecuador—will eventually generate 150,000 kilowatts of power. The first stage is providing 70,000 kilowatts of power to Northern Ecuador, including the capital, Quito. The project represents a major element in providing Ecuador with an integrated nation-wide electric power system, since it represents the first stage in the nation's general electrification program. In the second stage an 81,000-kilowatt power plant will be built at San Miguelito.

# EL SALVADOR

## LOANS

**Fishery Development:** In 1977 the Bank approved a \$5.3 million loan from the Fund for Special Operations to help increase the production and domestic consumption of fish in El Salvador. The funds will provide credit for maritime and inland fishing and for the construction of port facilities. In addition, they will be used for technical support to carry out the project and to establish fishermen's cooperatives. The project will benefit approximately 500 low-income families mainly through cooperatives or preliminary cooperatives.

**San Lorenzo Hydroelectric Plant:** A 10 per cent annual increase in the demand for electric power and increasing costs of imported petroleum have prompted El Salvador in recent years to exploit its hydroelectric and geothermal resources. As indicated later, the Bank supported these efforts with financing for the Cerrón Grande project. In 1977 it followed up with three loans totaling \$90.4 million—\$45.4 million from the Fund for Special Operations, \$30 million from the Venezuelan Trust Fund, and a \$15 million line of credit from the ordinary capital—to build the 180,000-kilowatt San Lorenzo hydroelectric plant on the Lempa River. The latter plant is essential for the nation to meet its growing energy needs in the 1982–85 period and prevent energy shortfalls. It will also enable El Salvador to expand electric service to some 70,000 low-income farmers and contribute to the electrical interconnection of the five Central American republics, an important step in the region's economic integration.

**Rural Water Supply Systems:** In 1972 the Bank approved a loan of \$1.5 million to help finance the first stage of a rural water supply program in El Salvador. In that stage 66 water systems in 102 communities were built and some 72,000 low-income inhabitants were benefited. In 1977 the Bank extended an additional loan—\$4.7 million from the Fund for Special Operations—to help carry out the second stage, which will benefit 100,000 rural inhabitants, of whom about 75,000 will have household connections. About 75 per cent of the expected beneficiaries live in the nation's poorest regions: the Eastern and Central sections.

**Private University Expansion:** The *Universidad Centroamericana José Simeón Cañas* is a private university in El Salvador which has an enrollment of 3,600 students, mainly in technical



**DOCTOR EXAMINES BABY** at health center in town of Coatepeque in El Salvador. Center was one of nearly 100 built and equipped with \$15 million loan approved by Bank in 1974. Centers provide care to an estimated 1.8 million rural and urban inhabitants in the country. Shown is Dr. Omar Acosta.

fields. In 1970 the Bank extended a \$2 million loan to enable it to carry out the first stage of an expansion program. In 1977 the Bank approved another loan—\$9 million from the Fund for Special Operations—to enable the university to carry out the second stage of the expansion program. Geared to providing El Salvador with trained professionals in fields related to economic and social development, the program will help upgrade the quality of teaching; diversify the UCA curriculum, particularly in engineering and economics; strengthen its research capabilities, and expand its social service role. Measures will be taken to double—to 30 per cent of the student body—the number of enrolled students from low-income sectors.

## TECHNICAL COOPERATION

**Technical Support for Cooperatives:** In 1976 the Bank extended a loan for \$15 million from the Social Progress Trust Fund to enable El Salva-

dor's farm credit Bank—the *Banco de Fomento Agropecuario*—to finance a credit program for small-scale farmers growing basic grains. At that time it was expected that some 26 per cent of the proceeds would go to cooperatives, which had risen from 16 with 942 members in 1973 to 86 with 12,000 members in 1976. That goal was exceeded and *BFA* is expected to broaden its lending services to cooperatives in the future. In 1977 the Bank approved a technical cooperation grant of \$49,000 from the Social Progress Trust Fund to help *BFA* draft a plan of action designed to strengthen cooperatives and train employees in its cooperative credit section.

**Livestock Marketing Study:** In 1977 the Bank approved \$148,000 in technical cooperation on a contingent repayment basis from the Canadian Project Preparation Fund to help prepare a project to market and process livestock products in El Salvador. The funds will be used to carry out feasibility studies on the marketing of cattle on the hoof and on marketing and processing meat and milk and their by-products.

## PROGRESS HIGHLIGHTS

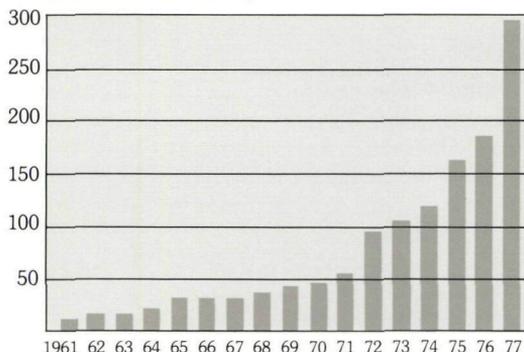
**Hydroelectric Plant:** In March 1976 the first of two 67,500-kilowatt generators at the Cerrón Grande hydroelectric plant on the Lempa River went on stream. The new generator produced a saving during its first four months of operation of some 150,000 barrels of petroleum. Completion of the second unit will raise the plant's total installed generating capacity to 135,000 kilowatts. The project, which is being financed with the help of a \$38.1 million Bank loan approved in 1972, forms part of an expansion program being carried out by El Salvador's power agency—the *Comisión Ejecutiva Hidroeléctrica del Río Lempa (CEL)*—to increase the system's total installed generating capacity from 166,000 kilowatts in 1971 to 631,000 kilowatts in 1984.

### Distribution of Loans 1961-77

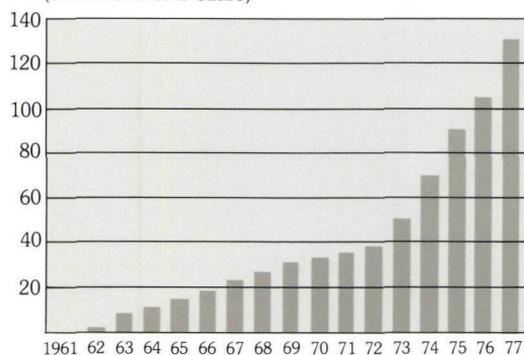
In Thousands of Dollars

Sector	Amount	Total cost of the projects
Energy	\$128,683	\$305,901
Sanitation	60,394	94,437
Agriculture	34,300	64,474
Urban Development	31,224	59,255
Transportation and Communications	25,240	47,776
Education	11,000	15,344
Industry and Mining	5,376	19,593
Preinvestment	80	80
<b>Total</b>	<b>\$296,297</b>	<b>\$606,860</b>

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



**Health Services:** In 1977 13 health units and 49 health posts were completed under a comprehensive health service program being carried out by El Salvador with the help of a \$15 million loan approved by the Bank in 1974. As a result, the number of outpatient visits recorded by the country's Health Service during the 12-month period ending in June 1977 increased by 271,310—or 12 per cent—over the previous one-year period. In all, the projects contemplate the construction and equipping of 1 regional hospital, 11 health centers, 37 health units and 55 health posts to provide comprehensive care, both preventive and curative, to an estimated 1.8 million persons in rural and urban communities.

# GUATEMALA

## LOANS

**Road Reconstruction:** On Feb. 4, 1976, Guatemala was struck by a devastating earthquake which killed some 23,000 persons, injured 77,000 and left 1 million homeless. During the course of that year the Bank approved two loans and various technical cooperation grants to help the nation recover. At the same time the Bank oriented the use of resources of previous loans to give preferential attention to zones affected by the earthquake. The resources of one of these enabled Guatemala to finance the reconstruction of the Atlantic highway from Guatemala City to the Atlantic Coast. Early in 1977 the Bank approved an additional loan—\$25 million from the Fund for Special Operations—to rebuild roads damaged by the earthquake and to build additional roads in rural areas, including some which had not been carried out due to the use of the funds in the Atlantic highway. The project provides for improving the San Lucas-Antigua and the San Lucas-Chimaltenango highway, the construction of local roads in the highlands and the Pacific Coast area, and the construction of rural roads designed to open up promising farming regions and give the towns of San Martín, Jilotepeque, Magdalena and Barcenas access to municipal capitals.

**Guatemala City Water and Sewage Project:** Guatemala City, with more than 1 million inhabitants, accounts for a fifth of Guatemala's total population. By the year 2000 the city is expected to have 2.8 million inhabitants. At present only half of the city's population has potable water connections in their homes. The majority of the others must haul their water supply in pails from public fountains or taps. An even lesser percentage of the population has sewage service. The Bank has helped Guatemala to improve the

### Distribution of Loans 1961-77

In Thousands of Dollars

Sector	Amount	Total cost of the projects
Sanitation	\$121,313	\$177,970
Energy	108,158	345,999
Transportation and Communications	57,820	101,756
Agriculture	37,285	65,977
Urban Development	29,937	51,339
Education	17,900	22,300
Industry and Mining	8,892	18,698
Tourism	2,800	3,600
Preinvestment	205	319
<b>Total</b>	<b>\$384,310</b>	<b>\$787,958</b>



*GUATEMALA CITY WATER and sewage system has been expanded and improved over past few years with help of Bank financing. In 1977 Bank approved additional \$35.5 million loan for new expansion program.*

system with previous loans amounting to \$25 million which are helping to build the Xayá-Pixcayá aqueduct which provides water to the city and with \$10 million to improve the sewage system. In 1977 the Bank approved a new loan of \$35.5 million from the Fund for Special Operations to improve the water and sewage system of the city. Execution of the water subproject will bring about an improved distribution, particularly in low-income neighborhoods, of the drinking water received by the city from different sources, especially the Xayá-Pixcayá aqueduct; increase water pressure; provide continuous service; reduce contamination, and give increased protection to the city against fire. The sewage subproject provides for the construction of an integrated sewer system, including both sanitary and storm sewers, in the Northern sector of the city, under which all waste waters will empty into the Las Vacas River at one isolated spot.

## TECHNICAL COOPERATION

**Guatemala City Water Survey:** In connection with the above loan the Bank approved a technical cooperation grant of \$500,000 from the Fund for Special Operations to enable Guatemala City's municipal water agency to carry out an inventory of the water resources available to the city in the future.

**Rural Road Building:** In 1977 the Bank approved a technical cooperation grant of \$86,000

# GUYANA

## LOAN

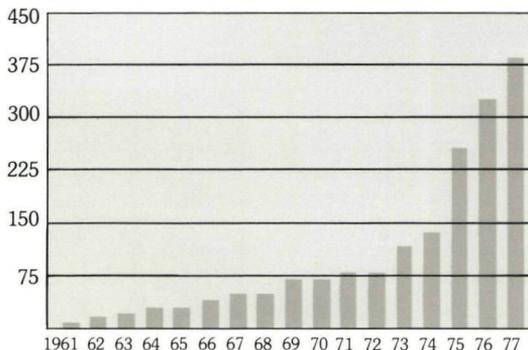
**Flood Control and Irrigation:** Agriculture constitutes the largest productive sector in the economy of Guyana. The Abary River Basin in the Mahaica-Mahaicony-Abary region in Northeast Guyana plays an important role in that sector. Although its 432,000 acres account for only 2 per cent of the potentially arable land of the country, it produces about 20 per cent of the value of the nation's farm output (42, 34 and 8 per cent of rice, cattle and sugar, respectively). Furthermore, it has good transportation access to the nation's major population centers and its soils are rich. While water supply is plentiful in the rainy season, irrigation is needed in the dry season. As its very first loan to Guyana since that nation became a member in 1976, the Bank in 1977 lent \$49.5 million from the Fund for Special Operations to help carry out a flood control, irrigation and drainage project in the Basin. The loan will assist Guyana to build the first section of a 35-mile long conservation dam, a 29-mile main canal, 19 distribution systems, 30 miles of roads and a drainage system for approximately 56,000 acres of land. The project will benefit some 3,800 low-income farmers and create about 1,600 additional jobs in an area where unemployment runs as high as 27 per cent.

## TECHNICAL COOPERATION

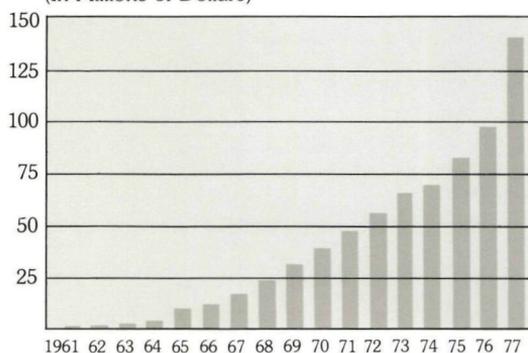
**Advice on Agricultural Development:** In addition to the loan described above, the Bank simultaneously approved a technical cooperation grant of \$840,000 from the Fund for Special Operations to provide advice on matters related to the agricultural development of the Abary River Basin, including land tenure, resettlement, farm research and extension services, soil and water administration and the establishment of a mechanism of coordination among the various agencies which have responsibilities in the field of agriculture.

**Executing Agency for Agricultural Project:** Another technical cooperation grant of \$37,500 from the Fund for Special Operations approved earlier in 1977 had been devoted to research connected with the drafting of legislation for the creation of the agricultural agency carrying out the Abary River Basin project.

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



from the Fund for Special Operations to enable the nation's highway agency to carry out a study to develop labor-intensive methods for building rural roads in Guatemala. The study will seek to identify ways to reduce acute unemployment and underemployment among the rural population.

## PROGRESS HIGHLIGHT

**Feeder Roads:** A total of 31 miles of feeder roads included in the second stage of a national feeder road program were completed during the year with the help of a \$17.5 million loan approved by the Bank in 1973. In addition, work was proceeding on construction of another 88 miles of roads, of which 38 miles were feeder roads and 50 miles were part of Guatemala's Atlantic Highway which connects Guatemala City with the Atlantic Coast ports of Matías de Gálvez and Puerto Barrios and which was severely damaged in the 1976 earthquake. Due to the importance of the Atlantic Highway to Guatemala's foreign commerce, the Bank in 1976 reformulated its 1973 loan to release funds for reconstruction of the road from the outskirts of Guatemala City to El Rancho, a distance of some 50 miles.

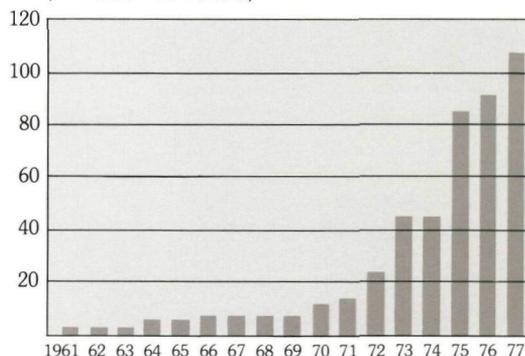
# HAITI

## LOANS

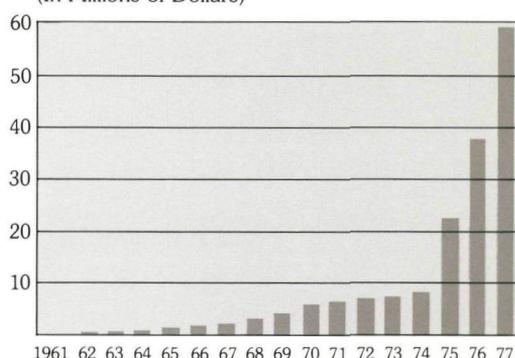
**Integrated Rural Education:** In 1977 the Bank approved a loan of \$9.6 million from the Fund for Special Operations to help Haiti carry out an innovative program designed to make the nation's rural school system more responsive to the needs of the rural population, a high per cent of whom are essentially illiterate. Under the program, six Integrated Education Centers for Rural Development will be installed in six priority agricultural regions. Heavy reliance will be placed in the centers on intensive community participation and on non-formal education programs which will better prepare young people and adults for occupations in Haiti's rural sector. The six units will meet the needs of some 45,000 to 65,000 pupils, or 10 per cent of Haiti's school-age population, through about 136 schools which will be dependent on the centers. The centers will also serve as models for other areas in the nation, teacher training will be strengthened and educational materials will be produced. Under the program an estimated 120 community groups a year will be established and out-of-school training in farm-related skills will be provided to some 1,200 small-scale farmers yearly.

**Agroindustrial Credit:** An estimated 80 per cent of Haiti's population live off the land. Most families cultivate plots averaging less than 3.5 acres and the rural yearly per capita income is estimated at \$63, one-third the national average. The country's incipient industry, virtually all in Port-au-Prince, is engaged mainly in the production of food, beverages and clothing for the domestic market. In order to boost production in both sectors Haiti since 1961 has been carrying out a credit program with Bank loans totaling \$5.3 million. In 1977 the Bank approved a new loan—\$6.1 million from the Fund for Special Operations—to carry out a credit program which is expected to benefit an additional 11,700 small-scale farmers, entrepreneurs and cooperatives. Through an industrial subprogram small- and medium-scale

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



enterprises will obtain credit, eight more buildings at the Port-au-Prince Metropolitan Industrial Park will be built for 24 new industries and expert advisory services will be secured for the identification, evaluation and administration of industrial projects in the Port-au-Prince area. Under an agricultural subprogram farmers will obtain credits for fixed investments and working capital.

## TECHNICAL COOPERATION

**Institutional Strengthening:** In connection with the previously mentioned loan for industrial credit, the Bank approved a technical cooperation grant of \$90,000 from the Fund for Special Operations to provide consulting services required to strengthen the operational structure of the *Institut de Développement Agricole et Industriel*.

**Education for Rural Development:** In connection with the previously described loan for an education program in the rural sector, the Bank approved a technical cooperation grant of \$1 million from the Fund for Special Operations to hire consultants needed to help implement the program. In addition, the cooperation will finance a fellowship program for the training of 30 teachers in other Bank member countries.

### Distribution of Loans 1961-77

In Thousands of Dollars

Sector	Amount	Total cost of the projects
Transportation and Communications	\$ 64,700	\$ 74,900
Sanitation	16,060	19,252
Education	10,900	14,500
Agriculture	8,694	11,585
Industry and Mining	7,083	9,566
<b>Total</b>	<b>\$107,437</b>	<b>\$129,803</b>

# HONDURAS

## LOANS

**Fishery Development:** In 1977 the Bank approved technical cooperation grants for \$687,000—\$480,900 from the Canadian Project Preparation Fund and \$206,100 from the Fund for Special Operations—to help finance a fishery development plan in Haiti. The assistance will be used to carry out research on the country's fish resources, the processing and marketing of fish products, the analysis of institutions and human resources, and the identification and prefeasibility study of possible investment projects.

**Telecommunications Program:** In 1977 the Bank approved technical cooperation grants of \$610,000—\$427,000 from the Canadian Project Preparation Fund and \$183,000 from the Fund for Special Operations—to help strengthen the telecommunications system of Haiti. The funds will be used by *Telecommunications d'Haiti S.A.M.* to contract the consulting services needed to strengthen its financial and administrative procedures and to prepare expansion plans to meet the nation's future telecommunications needs.

## PROGRESS HIGHLIGHTS

**Potable Water Service:** During 1977 a project was completed under which the potable water service in Port-au-Prince, Petionville and adjacent areas was expanded to meet projected needs through 1980. The works were partially financed by two Bank loans—\$5.1 million approved in 1970 and \$2.3 million extended in 1975. They consisted of expansion of the distribution network, the construction of reservoirs, and the installation of repumping stations, public fountains, hydrants, household connections and meters.

**Storm-Sewer System and Rural Education:** Two projects carried out with a total of \$402,000 in nonreimbursable Bank technical cooperation—one to draft a storm-sewer project for Port-au-Prince and the other to prepare a rural education project—were completed during the year. The storm-sewer project, financed with a \$252,000 technical cooperation grant approved in 1974, consisted of the contracting of consultants to advise on dredging and cleaning the city's storm-sewer facilities and on the institutional structure required to carry out a first-stage expansion of the existing system. The grant also served as the basis for the preparation of a loan project request for a storm sewer system for Port-au-Prince. The education study, financed with \$150,000 approved in 1975, resulted in the preparation of the previously described rural education project which served to support an application for the \$9.6 million loan approved by the Bank in 1977.

**Olancho Forest Industry:** The establishment of the \$500 million Venezuelan Trust Fund under the Bank's administration in 1975 helped the Bank to finance projects different from those executed previously, including loans enabling Latin American public and private investors to acquire shares in enterprises carrying out eligible development projects. In 1977 the Bank approved its first such transaction—a \$25 million loan to the Republic of Honduras to capitalize the *Corporación Forestal Industrial de Olancho (CORFINO)*, a new Honduran forestry development enterprise which will carry out the second stage of the \$500 million program to develop the vast forestry reserve of Olancho. Although *CORFINO* will be created as a mixed company, initially it will be almost wholly owned by the Honduran Government. Later the participation of Honduran and foreign private capital—mainly Latin American—will be increased to up to 49 per cent of the stock. In 1976 the Bank extended a \$59.5 million loan to help finance the first stage of the Olancho project consisting of the construction of some 156 miles of roads to connect the port of La Castilla on the north coast with sawmills and a pulp and paper plant to be built in later stages of the program. The proceeds of the Venezuelan Trust Fund loan will help the new company build a main sawmill in Bonito Oriental in the Department of Colón which will produce an estimated 213,600 cubic meters of sawed pine lumber per year and 250,000 cubic meters of chips for export mainly to the European market.

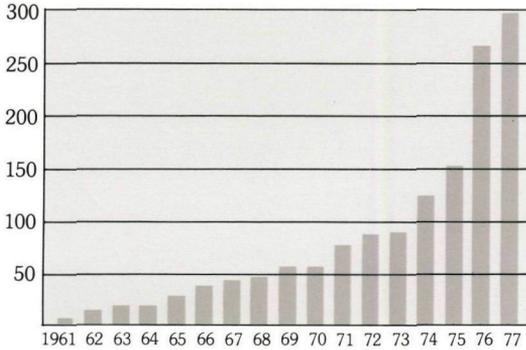
**Fishery Development:** The fishing sector in Honduras, which accounts for less than 1 per cent of the country's gross domestic product, consists largely of industrial fishing for lobster and shrimp for export. Fishing for the domestic market is

## Distribution of Loans 1961-77

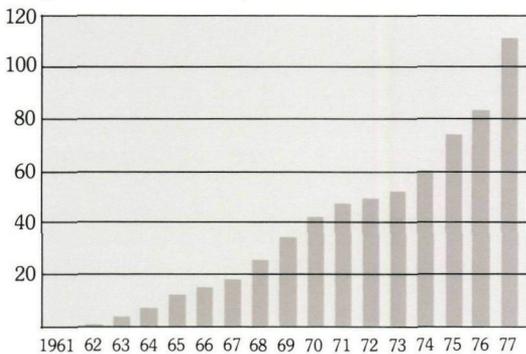
In Thousands of Dollars

Sector	Amount	Total cost of the projects
Industry and Mining	\$ 87,885	\$140,154
Agriculture	77,957	125,485
Transportation and Communications	60,567	114,730
Sanitation	38,222	46,936
Education	17,350	28,796
Urban Development	13,495	24,291
Export Financing	1,000	1,428
Preinvestment	960	1,660
<b>Total</b>	<b>\$297,436</b>	<b>\$483,480</b>

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



carried out by individual fishermen along the Atlantic Coast and the Gulf of Fonseca on the Pacific Coast. As Honduras has no wholesale markets, these fishermen, who earn less than \$40 a month, sell their catch to middlemen who supply the main urban markets. In 1977 the Bank approved a \$1,580,000 loan from the Fund for Special Operations to help finance a joint project with the European Economic Community which will enable these fishermen through cooperatives to increase their production and thus lead to greater consumption of fish in Honduras. The Bank's resources will help provide short-, medium- and long-term credits to cooperatives for the purchase of some 20 fully-equipped fishing vessels and equipment and the construction of port, storage and marketing facilities. In addition the resources will be used to provide technical cooperation to assure the success of the project. The EEC is contributing the equivalent of \$1,120,000 to the execution of the project for the purchase of fishing vessels and services.

**Tegucigalpa Water System:** The flow of unskilled workers to Tegucigalpa, the capital of Honduras, has created an acute housing and unemployment problem in the city, mainly in the

poorer sections. Continued heavy migration from rural areas is expected to increase the present city population of 300,000 to 1 million by the year 2000. In 1977 the Bank approved a \$4.5 million loan from the Fund for Special Operations to help improve the city's water system in the two poorest sections of Tegucigalpa and to study the city's expected water needs up to the year 1990. The project calls for the replacement of 16 miles of deteriorated water mains in the two sections—the *Zona Baja* and the *Zona Media*—which contain approximately 140,000 inhabitants, or some 46 per cent of the city's total population, and where two-thirds of the families have an average annual income of \$176.

**Export Financing:** During 1977 the Bank established two revolving lines of credit to finance exports of Honduran goods to other countries. The first—\$500,000 from the Venezuelan Trust Fund—was extended for the short-term financing of exports of eligible goods destined to member countries of the International Monetary Fund or to Switzerland. The other—\$500,000 from the ordinary capital resources—will help finance short-term exports of eligible goods and services to other Latin American member countries of the Bank.

## TECHNICAL COOPERATION

**Tegucigalpa Water System:** In connection with the previously mentioned loan of \$4.5 million to improve the water system of Tegucigalpa, the Bank approved a technical cooperation grant of \$1,120,000 from the Fund for Special Operations. The assistance will be used to prepare a master plan for the water supply and sanitary and storm sewage systems required to meet the needs of the city through the year 2010. The studies will embody recommendations for a plan to be executed in three 10-year stages beginning in 1980.

**Institutional Support:** In 1977 the Bank approved a technical cooperation grant of \$49,500 from the Fund for Special Operations to provide institutional support for the *Corporación Hondureña de Desarrollo Forestal*. The corporation is the parent company of *CORFINO*, the new industrial enterprise created with the support of the previously described loan to carry out the industrial development of the Olancho forestry reserve.

## PROGRESS HIGHLIGHTS

**Hospital-Medical School:** Late in 1977 the largest and best equipped hospital in Honduras was completed in Tegucigalpa. The new institution, combined with the city's maternal-child hos-

# JAMAICA

## LOANS

**Black River Drainage and Irrigation Project:** In response to the economic downturn which has affected Jamaica over the recent past, the Government, among other measures, is taking steps to raise agricultural output, reduce food imports and create additional jobs in rural areas. In 1977 the Bank approved a \$12.5 million loan from the Fund for Special Operations to support this endeavor. The loan will enable the nation to carry out a project to bring some 11,750 acres of land into production—8,750 acres through drainage and 3,000 acres through irrigation—in the Black River-Upper Morass region of Southwest Jamaica. The project will help expand the nation's food supply, create employment opportunities for 700 low-income families, boost the income of small-scale farmers and demonstrate how irrigation and drainage systems can contribute to a successful agricultural program.

**Credit for Small-Scale Farmers:** In 1970 the Bank extended a \$6.2 million loan to help Jamaica expand its Self-Supporting Farmers Development Program. Under the program supervised credit facilities are provided to small-scale farmers to increase their output and productivity. Subsequently, additional loans totaling \$10.9 million were approved in 1972 and 1973. Within the first three stages credit was extended to some 5,300 farmers whose holdings ran from 5 to 25 acres. In 1977 the Bank approved another loan—\$6 million from the Fund for Special Operations—to help carry out the fourth stage of the program. The new loan will enable 1,500 small-scale farmers, many through cooperatives, to finance plantings and acquire breeding cattle, equipment and machinery. In this stage special attention will be

### Distribution of Loans 1961-77

In Thousands of Dollars

Sector	Amount	Total cost of the projects
Agriculture	\$ 34,046	\$ 60,785
Industry and Mining	16,581	37,791
Transportation and Communications	12,920	23,500
Sanitation	12,000	20,000
Energy	11,700	17,200
Education	10,297	17,300
Tourism	5,407	16,370
Export Financing	1,315	1,878
Preinvestment	2,600	4,800
<b>Total</b>	<b>\$106,866</b>	<b>\$199,624</b>



**NEW HOSPITAL-MEDICAL SCHOOL** in Tegucigalpa shown here under construction was completed late in 1977. Built with the help of a \$4.8 million Bank loan, new facility combines complete range of hospital facilities along with training for medical and nursing professions. New complex replaces facilities built in 1921.

pital and psychiatric hospital and the medical and nursing schools, will make up the national integrated medical services center of the capital city. Partially financed by a \$4.8 million Bank loan approved in 1971, the 522-bed hospital replaces facilities of the San Felipe General Hospital which had been in operation since 1921. The National University of Honduras, which recently increased its faculty and greatly expanded its student body, will offer clinical instruction in medicine at the new hospital.

**Vocational Education:** In May 1977 the new facilities of the technical school—the *Instituto Técnico Luis Bográn*—were inaugurated in Tegucigalpa. The school, which has a one-shift capacity of 600 students, was built at a cost of \$712,838 within a program being executed with the help of a \$6.75 million Bank loan approved in 1974. Two other schools included in the program are nearing completion. They are the John F. Kennedy School of Agriculture located near the port of La Ceiba on the north coast and the *Instituto Vocacional Honduras* in Tegucigalpa. Completion of the program will enable Honduras to double—from 1,000 to 2,000—the number of students engaged in technical, industrial and agricultural studies by 1978.

given to very small-scale farmers who are eligible to lease land from the Government to enlarge their farms to economically viable sizes.

**Rural Electrification:** An estimated 54 per cent of Jamaica's approximately 2 million inhabitants live in rural areas. Of this total, only 11 per cent have connections to electric service. In 1975, the Bank approved a \$9.2 million loan to help Jamaica carry out a program to raise the standard of living of the rural population by increasing the percentage of rural families having electricity. When completed in 1978 this program will have brought power to some 12,000 families. In 1977 the Bank approved another loan—\$2.5 million from the Fund for Special Operations—to carry out a second phase of the program, under which Jamaica will build 282 miles of electric power lines and install connections in some 2,000 additional homes. Once the total program is completed in 1979, the percentage of the rural population with service connections is expected to rise to 21 per cent.

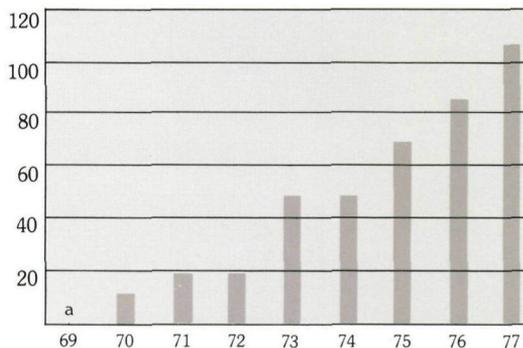
**Export Financing:** An export line of credit extended in 1976 to Jamaica from the Venezuelan Trust Fund was augmented during 1977 by \$315,400 through repayments. The line was made to Jamaica for the short-term financing of nontraditional exports of goods destined to markets in countries of Latin America and to countries outside the region which are members of the International Monetary Fund and Switzerland.

## PROGRESS HIGHLIGHTS

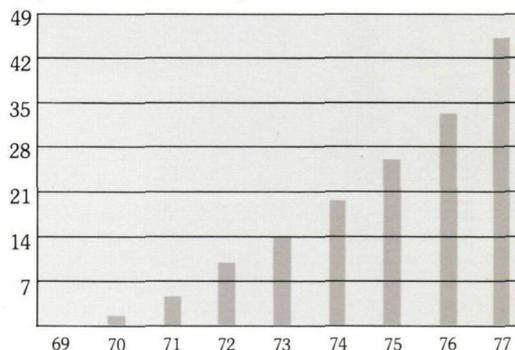
**Student Revolving Loan Fund:** Through 1977 some 3,000 students in Jamaica had benefited from credits provided from the Jamaican Government's Student Revolving Loan Fund with the help of a 1976 Bank loan. That amount represented nearly 80 per cent of the projected total of loans being extended to students of limited means under an on-going program which is being partially financed with a \$5.9 million Bank loan approved in 1976. Under the program, established in 1970, credit is extended to students from low-income families to finance study at higher or vocational schools in specialties related to the country's economic and social development. In all some 7,600 students from families whose average annual income is less than \$9,000 have benefited from the program since 1970.

**Industry and Tourism Credits:** By mid-year the Jamaican Development Bank had approved 204 subloans which are being used to finance projects with a total cost of over \$23 million under

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



<sup>a</sup>Jamaica joined the Bank in 1969.

the second stage of a program designed to expand small- and medium-sized industrial and tourism enterprises throughout the country. The second stage of the program is being financed by two Bank loans totaling \$10 million approved in 1973. Of these, a \$4 million loan from the ordinary capital resources has helped finance 36 subloans—35 industry and 1 tourism—which are carrying out projects with a total cost of some \$10.2 million, and a \$6 million loan from the Fund for Special Operations is financing 168 subloans—87 industry and 81 tourism—which are helping to execute projects with a total cost of about \$12.9 million.

# MEXICO

## LOANS

**National Plan of Irrigation Works:** As part of its efforts to incorporate the rural population into the productive economy and raise living standards, the Government of Mexico in 1967 launched a national program to build irrigation works designed to foster rural development. The Bank supported three stages of this effort—termed the National Plan of Irrigation Works for Rural Development—with 10 loans totaling more than \$200 million. In 1977 the Bank approved a new loan for \$54 million from the ordinary capital to enable the nation to carry out the fourth stage of the plan. This stage consists of the construction of some 500 works, which will help increase the production of basic foods and provide additional sources of employment in rural sectors.

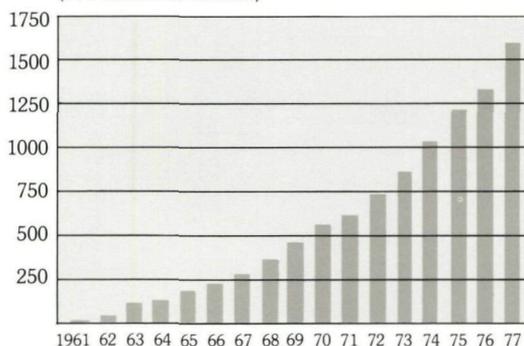
**Farm and Livestock Credit:** Although agricultural production contributes less than 10 per cent to Mexico's gross domestic product, farming provides employment for almost 40 per cent of the country's economically-active population, accounts for 40 per cent of its exports, produces much of its basic foods and supplies raw materials for industry. To stimulate agricultural growth, the Government of Mexico more than doubled the percentage of public investments in the sector in the 1970-77 period and drafted a national agricultural plan for the years 1978-81 in which the demand for credit for the purchase of agricultural equipment was estimated at \$1.6 billion. In 1977 the Bank approved a \$60 million loan from the inter-regional capital to help provide credit for 100,000 small-scale producers as part of a \$200-million credit program which will be carried out by the *Banco de México* through a trust fund—*Fondo Especial para Financiamiento Agrope-*

### Distribution of Loans 1961-77

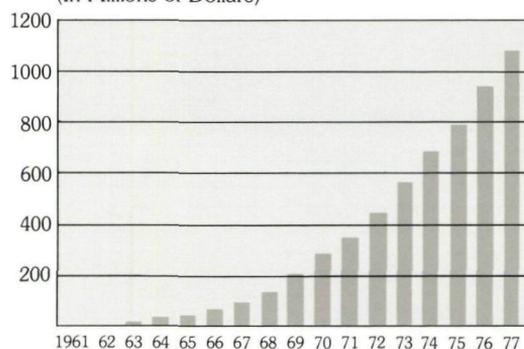
In Thousands of Dollars

Sector	Amount	Total cost of the Projects
Agriculture	\$1,036,292	\$2,718,448
Transportation and Communications	229,526	444,438
Industry and Mining	118,526	1,111,217
Tourism	47,400	122,657
Export Financing	46,587	66,982
Sanitation	45,031	91,255
Preinvestment	36,463	63,631
Education	23,562	57,810
Urban Development	10,000	84,181
<b>Total</b>	<b>\$1,593,387</b>	<b>\$4,760,619</b>

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



*cuario*. The project will benefit some 4,900 producer groups or associations in an area of approximately 4.2 million acres.

**Farm Credit in Irrigation Districts:** As part of the financial assistance extended by the Bank to Mexico to build irrigation projects benefiting small-scale farmers, the Bank in 1977 approved another loan—\$60 million from the inter-regional capital—to help carry out the second stage of the Agricultural Credit Program in Irrigation Districts and Units which will benefit 85,000 small-scale farmers. The loan will enable the *Banco Nacional de Crédito Rural (BANRURAL)*, through a trust fund, *Fideicomiso para Crédito en Areas de Riego*, to grant credits and farm extension services to farmers in some 2,300 agricultural production companies covering an area of approximately 1,650,000 acres.

**Large Irrigation Works:** The State of Guerrero, in Mexico, is characterized by a low level of development in rural areas and spiraling growth in its two great urban centers—Acapulco and Zihuatanejo. Farm output in the state is so deficient that Acapulco must purchase 95 per cent of its food out-of-state. To change this, the Govern-



**CORN FODDER POURS** from this silage maker to provide feed for cattle on ejido farm at Ixtapaluca in Mexico. Farm purchased machinery with help of Bank credit provided from resources of \$40 million Bank loan extended to Mexico in 1975.

ment of Mexico is seeking to bring about balanced development in the farm sectors of the region through irrigation and other programs. In 1977 the Bank approved a \$41.5 million loan from its ordinary capital to help finance an irrigation project in the Cocula, Nexpa and Ometepec Valleys of the State of Guerrero. The project, through which land under irrigation in the area will be expanded by 64,000 acres, benefiting some 5,900 farm families, will contribute to the economic development of one of the lowest-income regions in the country.

**Scientific and Technological Development:** The *Consejo Nacional de Ciencia y Tecnología* (CONACYT), the public agency which advises the Government of Mexico on science and technology policy, estimates that Mexico will need some 35,000 scientists and technicians by 1982. In 1970 there were only 3,300. To help Mexico attain its 1982 goal the Bank in 1977 approved a \$20 million loan from its ordinary capital to help CONACYT grant fellowships for study in Mexico and abroad. CONACYT will use the loan to extend credits to some 4,200 students—in addition to those being benefited now with its own resources—seeking a master's or doctor's degree in the natural sciences, engineering, agriculture and livestock sciences and in socioeconomic fields.

**Preinvestment Studies:** Since 1967 Mexico's Preinvestment fund—the *Fondo Nacional de Estudios de Preinversión* (FONEP)—has been carrying out a program of studies of high priority economic and social development projects in Mexico. With the help of Bank loans totaling \$15 million, FONEP has completed two stages of the program under which 180 studies have been carried out. In 1977 the Bank approved two new Bank loans totaling \$15 million—\$5 million from the ordinary capital resources and \$10 million from the Fund for Special Operations—to help FONEP carry out a third stage, in which studies for approximately \$1.2 billion worth of investment projects will be carried out.

**Export Financing:** During 1977 the Bank authorized a line of credit of \$5 million from the Venezuelan Trust Fund for the short-term financing of eligible Mexican exports to countries which are members of the International Monetary Fund and Switzerland. In addition, during the year, a previous line of credit from the ordinary capital to finance exports of capital goods and services at medium terms to other Latin American member countries of the Bank was augmented by \$1,489,000 through repayments.

## TECHNICAL COOPERATION

**Fiscal Administration:** In 1977 the Bank approved nonreimbursable technical cooperation of \$10,000 from the Fund for Special Operations to contribute jointly with the Organization of American States to the execution of a training course for fiscal administrators carried out in Guadalajara, Mexico, in August.

## PROGRESS HIGHLIGHT

**Las Truchas Steel Plant:** During 1977 the *Lázaro Cárdenas-Las Truchas, S.A.*, steel plant went on stream. Built partially with the help of a \$54 million loan approved by the Bank in 1973, the new plant, located at the mouth of the Balsas River, is enabling Mexico to meet a rising domestic demand for steel products. Constructed at a cost of almost \$650 million, the plant has an annual production capacity of 1.1 million tons, sufficient to produce 1 million tons of nonflat rolled products. The new plant is also helping Mexico create an industrial development axis 200 miles southwest of Mexico City. Drawn by new job opportunities, the population of the region has increased from 11,000 persons in 1973 to 110,000 at present.

# NICARAGUA

## LOAN

**Rural Health Services:** As a result of inadequate health facilities, poor environmental conditions and malnutrition, rural areas of Nicaragua suffer from high morbidity and mortality rates. Under its 1976-80 National Health Plan, the Government of Nicaragua is trying to change this by expanding health services, particularly in rural areas. In 1977 the Bank approved a \$20 million loan from the Fund for Special Operations to contribute to this endeavor. The loan will help Nicaragua build and equip 4 integrated health centers with a total of 157 beds, 2 regional hospitals with 102 and 206 beds, respectively, and 167 health posts in areas without health services.

## TECHNICAL COOPERATION

**Improvement of Health Services:** In connection with the previously described loan, the Bank approved a technical cooperation grant of \$520,000 from the Fund for Special Operations to enable the agency in charge of the nation's health services—the *Junta Nacional de Asistencia y Previsión Social*—to hire consultants to improve the planning of health services, to strengthen its administrative and accounting procedures and to train personnel.

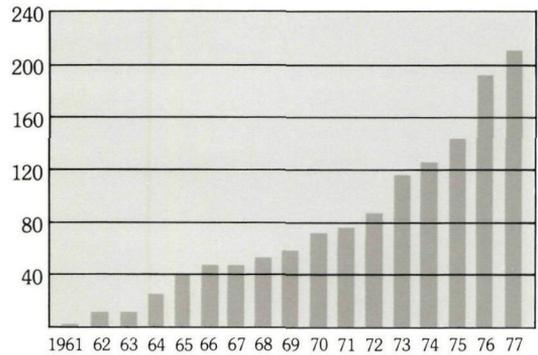
**Asturias Hydroelectric Power Study:** In 1977 the Bank approved technical cooperation amounting to \$455,000 on a contingent repayment basis from the Canadian Project Preparation Fund to help finance feasibility studies and final designs for a hydroelectric power project in Nicaragua. The assistance will enable the nation's power agency to carry out studies for the execution of the Asturias power project to increase the capacity of two hydroelectric plants in North Central Nicaragua by up to 30 per cent.

### Distribution of Loans 1961-77

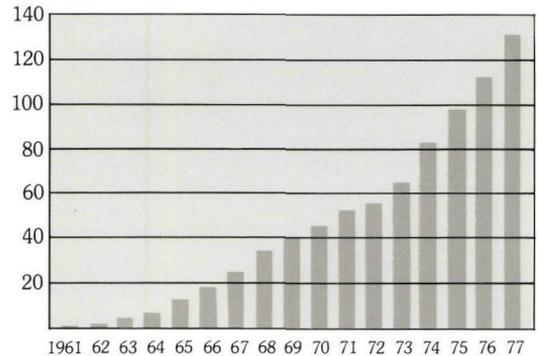
In Thousands of Dollars

Sector	Amount	Total cost of the projects
Agriculture	\$ 62,832	\$118,001
Sanitation	50,553	73,150
Transportation and Communications	35,005	48,210
Urban Development	22,514	39,496
Energy	16,500	20,850
Industry and Mining	13,980	26,938
Education	10,093	12,533
Preinvestment	883	1,506
<b>Total</b>	<b>\$212,360</b>	<b>\$340,684</b>

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



## PROGRESS HIGHLIGHTS

**Agroindustrial Credit:** During 1977 a credit program, under which financing was provided in Nicaragua for the execution of 15 agroindustrial enterprises, was completed. With the help of a \$4.2 million Bank loan approved in 1973, Nicaragua authorized a total of \$8,348,000 in development credits. The project brought about some \$24,857,000 in added annual production, as well as \$8,143,000 in exports. In addition, it generated wages of \$1,614,000 and helped create 882 new job opportunities.

**Land Settlement:** Through 1977 some 1,100 of the 1,400 low-cost housing units being built at the Rigoberto Cabezas land settlement project in the Department of Zelaya had been completed. In addition 10 of 13 schools and 44 of 54 miles of roads, along with other facilities, had been built for the project. Financed in part by an \$8.3 million Bank loan approved in 1973, the project helped convert Government-owned land on Nicaragua's Atlantic coast into an economically productive farm area for some 1,440 low-income farm family owners.

# PANAMA

## LOANS

**La Fortuna Hydroelectric Project:** In 1977 the Bank approved three loans totaling \$98 million—\$40 million from the inter-regional capital, \$30 million from the Venezuelan Trust Fund and \$28 million in a complementary line of credit—to help Panama carry out a hydroelectric power project which will double the nation's output of electricity. The loans will enable Panama to build the 255,000-kilowatt La Fortuna project near the city of David in the Province of Chiriquí. The project calls for the construction of a dam and intake, 10 miles of tunnels, an underground powerhouse, some 31 miles of access roads, a housing center and related works. In addition, construction of the complex, which will provide approximately 2,500 new jobs, will regulate the annual flow of the Chiriquí and Chico Rivers, thus controlling floods and serving as the basis for the construction of irrigation systems.

**Tourist Development:** A \$24 million loan approved by the Bank in 1977 from the ordinary capital, will enable Panama to carry out a project to restore the historic sections of Panama City and built a trade and convention center. The project, which will help promote international and domestic tourism in the city, consists of the restoration and reconstruction of 20 structures in Old Panama and 12 others in Barrio San Felipe, a deteriorated area in the old quarter of Panama City, as well as construction of the convention center. The project will create an estimated 3,300 new jobs during the construction phase and more than 500 permanent jobs in the tourism sector.

## TECHNICAL COOPERATION

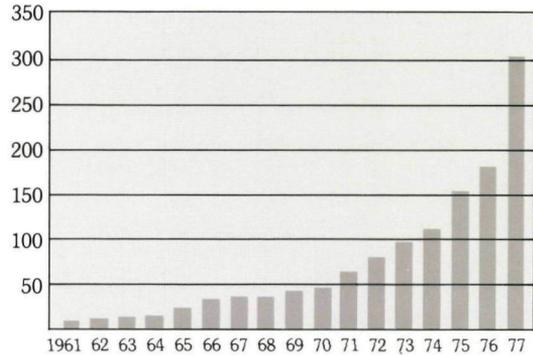
**Support for Tourism Project:** In connection with the previous loan for tourism development in

### Distribution of Loans 1961-77

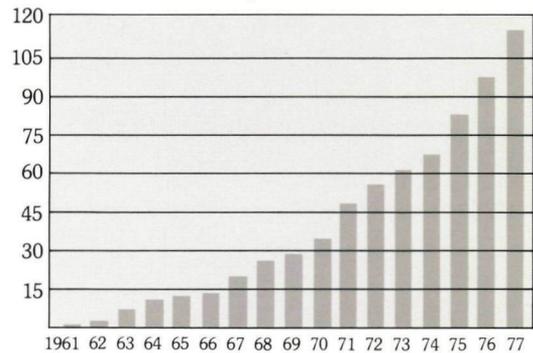
In Thousands of Dollars

Sector	Amount	Total cost of the projects
Energy	\$ 98,000	\$259,944
Transportation and Communications	86,526	252,773
Agriculture	27,440	60,790
Education	24,255	37,800
Tourism	24,000	43,800
Urban Development	16,600	27,120
Sanitation	13,712	25,166
Industry and Mining	8,999	16,987
Preinvestment	4,805	7,153
<b>Total</b>	<b>\$304,337</b>	<b>\$731,533</b>

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



Panama City, the Bank approved a technical cooperation grant of \$260,000 from its Fund for Special Operations to strengthen the executing agency of the project—the *Instituto Panameño de Turismo*—through a training program for members of its staff.

**Rural Electrification Study:** In 1977 the Bank authorized a technical cooperation grant of \$147,000 from the Fund for Special Operations to help Panama prepare a five-year master plan for the development of a rural electrification network in Panama. The study forms part of a national program to provide electric service to up to 75 per cent of the total population and up to 60 per cent of the rural population within five years. By providing electric power to rural areas, the Government of Panama is seeking to increase farm productivity, reduce unemployment, slow down rural migration to urban areas and raise rural income.

**University Decentralization:** In 1977 the Bank approved \$90,000 in contingent repayment technical cooperation from the Special Program for Project Preparation of the Social Progress Trust Fund to enable the University of Panama to

# PARAGUAY

## LOANS

**Grain Storage Facilities:** A substantial increase in Paraguay's 138,000-ton grain storage capacity is needed to adequately meet the nation's grain export needs, especially soybeans, which are expected to reach about 390,000 tons a year by 1981. In 1977 the Bank approved a \$7.6 million loan from the Fund for Special Operations to enable the nation to meet these needs by expanding the capacity of its three regional silos, building four new ones in Eastern Paraguay, and constructing a 10,000-ton-capacity terminal silo near Asunción. Execution of the project will increase the country's total grain storage capacity by some 30,600 tons and will benefit about 13,700 small-scale farmers.

**Villarrica and Coronel Oviedo Water Systems:** Only 7.3 per cent of Paraguay's 2,740,000 inhabitants have access to public potable water supply services—the lowest percentage in Latin America. In the cities and towns outside Asunción, this percentage is even lower, representing some 4 per cent of the population. In 1977 the Bank approved a \$6.2 million loan from the Fund for Special Operations to help finance potable water systems for the cities of Villarrica and Coronel Oviedo, neither of which has a water supply or sewage system. The two cities, located in Central Paraguay, have a population of 36,000, most of them low-income workers earning their living from agriculture. Under the project, household water connections will be provided to some 80 per cent of the homes of the two cities.

## TECHNICAL COOPERATION

**Asunción Water and Sewage System:** The population of Asunción has increased at an an-

### Distribution of Loans 1961-77

In Thousands of Dollars

Sector	Amount	Total cost of the projects
Energy	\$ 90,281	\$146,852
Agriculture	44,184	86,099
Sanitation	33,500	47,229
Transportation and Communications	26,400	54,000
Industry and Mining	13,527	28,049
Urban Development	3,400	6,022
Preinvestment	2,091	2,772
Tourism	1,595	3,072
Education	1,499	2,280
<b>Total</b>	<b>\$216,477</b>	<b>\$376,375</b>



**NEW WATER SYSTEMS FOR PARAGUAY** take shape on drafting board. Shown is Maria Julia Fretes de Agüero drawing plans for a pumping station for the Coronel Oviedo city water system. Project is supported by Bank technical cooperation.

prepare feasibility studies to expand regional university centers in David, Santiago, Colón, Chitré and Penonomé. In addition, the cooperation will help draft a plan to extend the activities of the Faculty of Agronomy in David into rural community development fields and into regional agricultural research programs.

## PROGRESS HIGHLIGHTS

**Feeder Roads:** The completion during 1977 of a project to build an additional 161 miles of feeder roads in the Provinces of Veraguas, Chiriquí and Coclé has integrated areas inhabited by approximately 100,000 low-income rural residents into the Panamanian economy. The project was carried out with the help of a \$16 million Bank loan approved in 1971 and represents the second stage of an ongoing national feeder road program designed to help increase agricultural and livestock production, reduce transportation costs, encourage agroindustrial activities and facilitate related rural development programs.

**Water and Sewage Systems:** The completion in 1977 of potable water systems in rural villages and towns and the installation of sewage systems in David, the third city of Panama, has increased to 437,584 the number of persons benefitting from sanitation projects carried out in Panama with Bank financing. In 1972 the Bank extended a \$7.5 million loan to help build water systems in some 60 villages with less than 2,000 inhabitants, to expand existing systems in 20 other towns, and to install a sewage system in the city of David. In all, these systems will benefit some 140,000 inhabitants of Panama.

nual average rate of 3.1 per cent since 1962, due mainly to migration from the provinces. At present, only 56 per cent of the city's population has water service and only 27 per cent has sewage connections. In 1977 the Bank approved technical cooperation of \$498,000 from the Fund for Special Operations to enable the city to draw up a master plan for the expansion of the water supply system of Asunción and neighboring municipalities through 2005. Some \$207,000 of the cooperation was extended on a grant basis to help prepare the plan and \$291,000 was approved on a contingent repayment basis to finance a feasibility study and final designs of the works to be carried out during the first stage of the master plan.

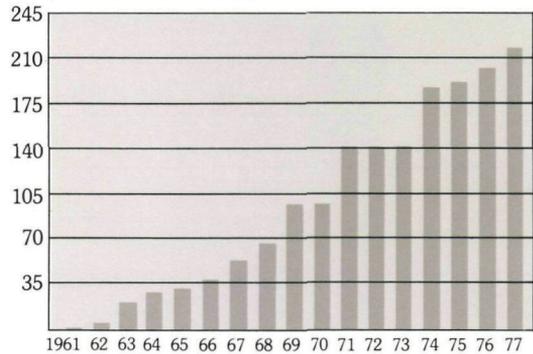
**Support for Farm Agency:** In connection with the previously mentioned loan for grain storage facilities, the Bank in 1977 approved a technical cooperation grant of \$165,000 from the Fund for Special Operations to strengthen the organization and operation of the office which supervises and coordinates the Integrated Agricultural and Livestock Development Program of the Government of Paraguay.

**Middle-Level Technical Education:** In 1977 the Bank approved a technical cooperation grant of \$120,000 from the Special Program for Project Preparation of the Social Progress Trust Fund to help prepare a project to increase the number of trained technicians and skilled workers in industry, agriculture and tourism in Paraguay. Under the project the future demand for technicians and skilled workers will be analyzed, the cost of building and operating technical and vocational training institutions will be studied, and the investments needed to introduce training programs in the country's less developed areas will be determined.

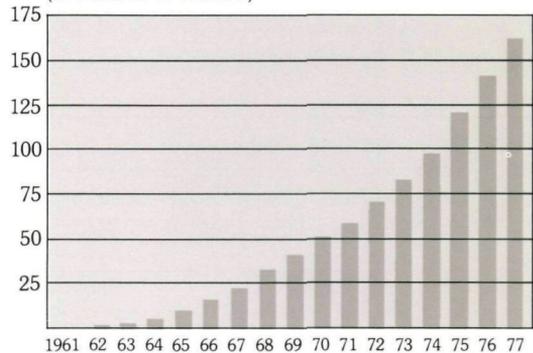
## PROGRESS HIGHLIGHTS

**Acaray Power Complex:** During 1977 a Bank-financed project to expand Paraguay's electric power generating, transmitting and distributing facilities was completed. The project, the third financed by the Bank in the Acaray power complex, was carried out with the help of a \$33.4 million loan approved in 1974. The new complex, to which the Bank has made about \$91 million in loans since 1964, has brought about substantial improvements in the quality of life in Paraguay, especially in the Eastern region. Since the initiation of the project, the country's generating capacity has increased from 40,000 kilowatts in 1961 to the present 190,000 kilowatts. The third stage included the completion of a project to raise the

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



height of the Iguazú regulating dam, upstream from the complex, from 25 to 33 meters; the construction of a second transmission line to Asunción, and the expansion of the distribution systems in Asunción and other areas of the country.

**Asunción Water and Sewage:** During 1977 a Bank-financed project to expand the water and sewage system of Asunción was completed. Financed with the help of an \$8.4 million loan approved by the Bank in 1968, the project has doubled the number of people receiving water and sewage service, so that some 275,000 persons now have water service and 200,000 have sewage service. Under the project a storm water drainage system for the downtown area of the city was also built. The lack of such a system in the past has caused serious property losses to the city during torrential rainstorms. Another loan approved by the Bank in 1976 is helping to finance a second stage of the storm drainage system.

# PERU

## LOANS

**Industrial Credit:** Over the recent past the industrial sector of Peru has experienced difficulties caused primarily by a decline in domestic demand, restriction of credit to the entrepreneurial sector and the shortage of foreign exchange. In 1977 the Bank approved a \$20 million loan from the inter-regional capital to help improve this situation by providing credit facilities to help expand, modernize or diversify manufacturing enterprises, thus broadening employment opportunities. In order to contribute to development in other regions of the country, up to 30 per cent of the resources of the loan will be devoted by the executing agency—the *Banco Industrial del Perú*—to projects located outside the Lima-Callao metropolitan area.

**Export Financing Credit:** In 1976 the Bank, among other export financing credits, approved one for \$1 million from its ordinary capital for the medium-term financing of Peruvian capital goods and services and other eligible goods to other Latin American member countries of the Bank. In 1977 this amount was increased by an additional \$1 million.

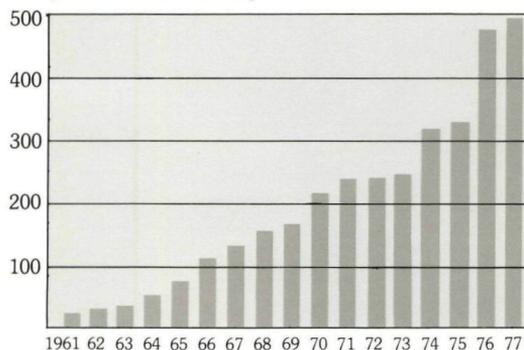
## TECHNICAL COOPERATION

**Training of Water and Sanitation Personnel:** In its efforts to increase the percentage of its people who have water and sewer services, the Government of Peru has assigned high priority to a program to train personnel from urban and rural water supply and sewage agencies. In 1977 the Bank cooperated with this endeavor by approving a special program of grant technical cooperation of \$1.3 million from the Social Progress Trust

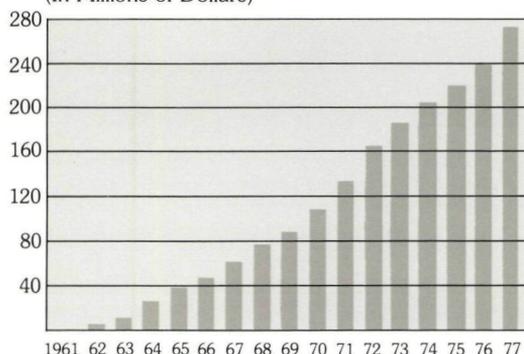
### Distribution of Loans 1961-77 In Thousands of Dollars

Sector	Amount	Total cost of the projects
Agriculture	\$106,242	\$ 234,224
Industry and Mining	98,033	337,415
Sanitation	71,040	165,033
Transportation and Communications	61,240	114,739
Urban Development	53,677	101,105
Energy	47,092	90,235
Tourism	29,758	72,400
Preinvestment	14,347	27,943
Export Financing	8,004	11,425
Education	7,985	19,491
<b>Total</b>	<b>\$497,418</b>	<b>\$1,174,010</b>

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



Fund. The funds will be used by the *Centro Panamericano de Ingeniería Sanitaria (CEPIS)*, an arm of the Pan American Health Organization, to carry out a training program at its headquarters in Lima to improve the technical, operational and maintenance skills of participants. The program will benefit 250 technicians from Peru and 150 from other Latin American countries, particularly from the Andean nations.

**Training Program:** To meet its increasing requirements for skilled manpower and improve employment opportunities for unskilled workers in small and medium industry, the Government of Peru is seeking to improve industrial training programs. In 1977 the Bank extended a technical cooperation grant of \$280,000 from the Fund for Special Operations to support this effort. The cooperation will be used by the *Servicio Nacional de Adiestramiento de Industria y Turismo (SE-NATI)*, the Government's industrial training agency, to evaluate and expand its educational programs, strengthen its operational and financial administration, and carry out a training program for the agency's staff.

**Irrigation Projects:** Middle- and small-scale irrigation projects have been given high priority in



**WORKER STACKS NYLON FISHING NET** after it has been dyed and then dried in the sun. Peruvian manufacturer of nets at Ventanilla near Lima improved facilities with help of credit provided from United Kingdom Fund administered by the Bank.

Peru's agricultural development plans. In order to expedite the preparation of specific investment projects of this nature, the Bank in 1977 approved technical cooperation for \$600,000 on a contingent repayment basis from the Special Program for Project Preparation of the Social Progress Trust Fund. The cooperation will be used by the *Dirección General Ejecutiva del Programa Nacional de Pequeñas y Medianas Irrigaciones (DGE)*, an agency of the Ministry of Agriculture, to secure the advisory services needed to study technical aspects for the selection and evaluation of projects, the in-service training of the staff of the executing agency, economic analysis and social evaluation of the projects.

## PROGRESS HIGHLIGHTS

**Road Construction:** In March 1977 the construction of the 35-mile first section of the Chamaaya-Jaén-San Ignacio highway was completed. The road project, financed with the help of an \$11.8 million loan approved by the Bank in 1971, is opening up to development a potentially rich but virtually isolated farm area in the Department of Cajamarca which borders on Ecuador. The new road section is facilitating the shipment of farm products from the Shumba Valley and the areas of Coipa and Rumipite to national markets.

The second section of the highway, 44 miles in length, which will link farm communities in the Cajamarca Valley with major consumption centers, is expected to be completed in early 1978.

**Support to Cooperatives:** A total of 71 cooperatives made up of 26,000 farm families working in an area of some 3.7 million acres in the Coastal and Sierra zones of Peru benefited from the completion in 1977 of a farm credit program carried out by the *Banco Agrario del Perú* with the help of a \$12 million Bank loan approved in 1971. Under the program, the *BAP* extended subloans totaling almost \$30 million, of which \$11 million represented resources provided by the Bank, to help farm families participating in Peru's agrarian reform program to finance such fixed capital investments as farm buildings, machinery, installations, permanent crops and livestock equipment, and to purchase breeding stock, pesticides, fertilizers and improved seed.

**Irrigation and Farm Development:** During 1977 the Bank completed disbursement of a \$13.6 million loan approved in 1970 to finance farm development throughout the country. The project helped incorporate some 54,000 acres of land into agricultural production through the construction of small- and medium-scale irrigation works, the improvement of farm facilities and the provision of credit and extension services to farmers. Approximately 40,000 rural dwellers in the inland mountain region, along Peru's arid coastal plain and in the eastern jungle area benefited from the program.

# TRINIDAD AND TOBAGO

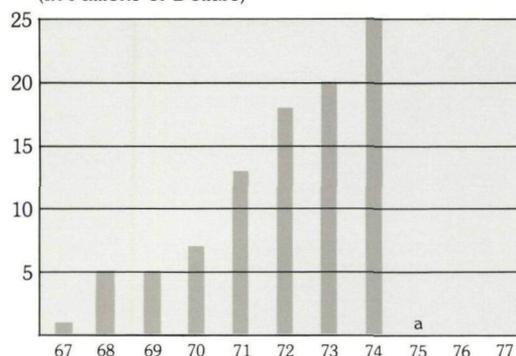
Since 1974 the Government of Trinidad and Tobago has cooperated in the development of its sister republics in Latin America by enabling the Bank to borrow funds in its capital markets. The most recent borrowing took place in 1977 and is described earlier in this Report. As detailed in the same section, Trinidad and Tobago is also making its contribution to the 1976-78 replenishment to the Fund for Special Operations freely convertible into the currencies of other countries eligible for procurement.

## PROGRESS HIGHLIGHTS

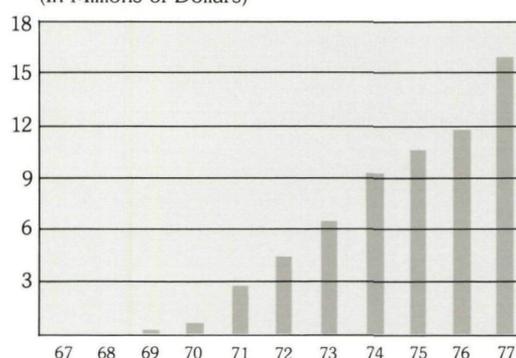
**Water Supply Project:** Late in 1977 the first stage of the Caroni River Basin water project was completed. Executed with the help of Bank loans amounting to \$7.5 million approved in 1971, the project has increased the nation's potable water supply by 17 million gallons a day. It involved the construction of a storage system based on pumping water from the Navet River and the drilling of wells in several different locations. In a second stage the nation's water supply will be increased another 33 million gallons per day. When the program is completed, it will double Trinidad and Tobago's water supply to 100 million gallons per day as well as extend direct household service to nearly 150,000 additional consumers, thus providing water service to 70 per cent of the population by 1980.

**Health Services Project:** Rapid progress was made during the year on a rural health services project in Trinidad and Tobago. Expected to be completed in 1979, the project calls for the building and equipping of 31 health centers distributed in eight of the country's nine health zones. By December construction was underway on 19 centers. Construction on the remaining 12

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



<sup>a</sup>Trinidad and Tobago, which joined the Bank in 1967, has not applied for Bank loans since 1975.

will begin in early 1978. Once completed, the project will provide health services to an estimated 228,000 low-income rural dwellers who presently lack medical care. This represents a 94 per cent increase in the nation's coverage. The project is being carried out with the help of a \$5.3 million loan approved by the Bank in 1974.

## Distribution of Loans 1961-77

In Thousands of Dollars

Sector	Amount	Total cost of the projects
Sanitation	\$11,456	\$23,100
Education	4,465	9,219
Urban Development	4,213	14,600
Transportation and Communications	2,400	14,698
Agriculture	2,107	4,398
Preinvestment	578	1,039
<b>Total</b>	<b>\$25,219</b>	<b>\$67,054</b>

# URUGUAY

## LOANS

**Improvement of Coastal Highway:** Uruguay's 31,000-mile road network accounts for 80 per cent of the country's passenger and freight traffic. Nearly 6,100 miles of this network are main highways, almost all converging on Montevideo. The improvement of these roads has high priority in Uruguay's development plans, since they have suffered serious deterioration due to heavy traffic. In 1977 the Bank approved a \$3.7 million loan from the inter-regional capital to help Uruguay rebuild and pave one such road—a 20-mile section of the main coastal highway 46 miles east of Montevideo. The highway is a link in the network joining Brazil, Uruguay and Argentina.

**Montevideo Water System:** The water supply of the city of Montevideo comes from the Santa Lucia River. In 1967 a treatment plant was built at the Aguas Corrientes dam with the help of a Bank loan. However, existing impounding facilities are insufficient at certain times of the year to provide an adequate supply of water. In periods of extreme drought, up to 6 million cubic meters of water daily has to be pumped downstream from the dam, which is about 37 miles from Montevideo. In 1977 the Bank approved a \$26 million loan from the interregional capital to help build a dam impounding 70 million cubic meters at Paso Severino, 53 miles from Montevideo, as well as other facilities designed to meet the water needs of the city and adjacent towns through the year 2000.

## PROGRESS HIGHLIGHTS

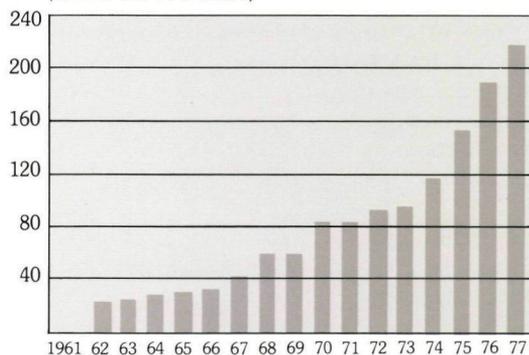
**Meat Packing Plants:** The year 1977 marked the completion of a Bank-financed project which has modernized Uruguay's meat packing industry and placed it in an international competitive

### Distribution of Loans 1961-77

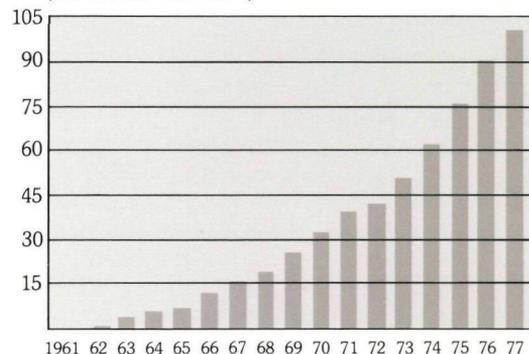
In Thousands of Dollars

Sector	Amount	Total cost of the projects
Transportation and Communications	\$ 77,002	\$152,070
Sanitation	48,940	96,413
Industry and Mining	42,024	97,669
Energy	31,882	110,769
Urban Development	7,850	15,301
Education	4,500	7,300
Agriculture	3,100	5,160
Preinvestment	1,973	3,554
Tourism	1,363	7,088
<b>Total</b>	<b>\$218,634</b>	<b>\$495,324</b>

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



position, opening up new markets for its meats. Carried out with the help of two Bank loans totaling \$13.4 million approved in 1970, the project has brought about improvements of seven plants, including one, now employing 400 workers, which was wholly built under the program. As a result, their total operating capacity was increased by some 108 per cent, cold storage capacity by 250 per cent, and slaughtering capacity by 44 per cent. The project has provided steady income for workers, thanks to the replacement of obsolete machinery which has enabled the plants to work continuously 11 months a year.

**Transportation:** During 1977 the 112-mile Route 9, a two-lane paved highway linking Montevideo with the Brazilian border along the Atlantic coast, was virtually completed. Financed with part of a \$14.8 million Bank loan approved in 1968, Route 9 has exerted a strong impact on the physical integration of South America since it provides direct overland links from Brazil through Uruguay to Argentina, thus facilitating the movement of goods and services among the three countries. It is also providing more rapid shipment of food products from the Laguna Merin area—a main rice producing zone—to consuming centers.

# VENEZUELA

Since 1974 Venezuela has not borrowed funds from the Inter-American Bank, thus liberating substantial resources for use in loans to other member countries. In addition, as indicated in other sections of this Report, that nation has become a major contributor to the development of its sister republics in Latin America. At the Bank this has been manifested particularly through the \$500 million Venezuelan Trust Fund entrusted to the Bank's administration in 1975. The arrangement is detailed in the first part of this Report. In order to increase the availability of convertible currency to the borrowing member countries of the Bank, Venezuela in 1975 agreed to permit the convertibility of bolivar resources available to the Bank in the ordinary capital resources, the Fund for Special Operations and the Social Progress Trust Fund. Through arrangements with other members on the occasion of the agreement taken to replenish the resources of the Bank for the 1976-78 period, Venezuela also agreed to make its subscriptions to the capital resources of the Bank and the Fund for Special Operations freely convertible into any currency required to make purchases in the markets eligible for Bank procurement. In addition, in 1974 the Bank borrowed some \$23 million in the capital market of Venezuela.

## PROGRESS HIGHLIGHTS

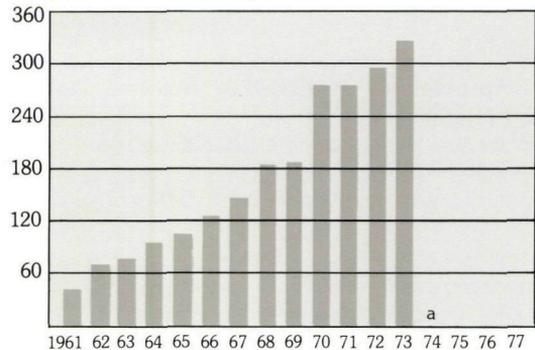
**Integrated Agricultural Development:** In May 1977 the Government of Venezuela informed the Bank that it would no longer continue to draw down on three loans totaling \$75 million which the Bank had approved in 1970 to help carry out a broad integrated agricultural development program designed to raise living standards for 63,000 persons in four regions of the nation. The decision freed some \$23 million in undisbursed funds for lending to other member countries. Bank funds

### Distribution of Loans 1961-77

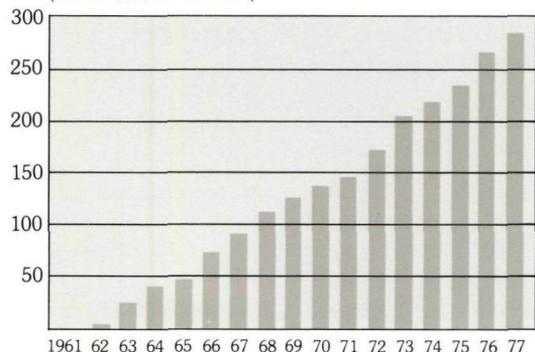
In Thousands of Dollars

Sector	Amount	Total cost of the projects
Industry and Mining	\$ 95,213	\$ 377,194
Agriculture	70,137	274,275
Sanitation	54,338	142,996
Education	35,000	72,700
Urban Development	31,871	94,450
Energy	21,981	77,700
Preinvestment	2,885	6,694
Export Financing	1,404	2,006
<b>Total</b>	<b>\$312,829</b>	<b>\$1,048,015</b>

**Cumulative Lending**  
(In Millions of Dollars)



**Cumulative Disbursements**  
(In Millions of Dollars)



<sup>a</sup>Venezuela has not applied for Bank loans since 1974.

disbursed through 1977 had helped irrigate some 15,000 acres of land; build a grain warehouse with a 20,000-ton capacity; prepare and drain land; install pumps and build roads and water wells in 116 farm communities; provide farm credit to 8,243 small-scale farmers, and establish four research centers, three agricultural stations and four experimental farms. In addition, the project provided farm extension services to 41,000 low-income farmers and training for almost 8,200 farmers.

# REGIONAL

## LOAN

**Caribbean Development Projects:** In 1977 the Agreement Establishing the Inter-American Bank was amended to enable the Bank to provide loans and technical cooperation through the Caribbean Development Bank (CDB) to benefit all its members whether or not they belong to the Inter-American Bank. Subsequently the Bank authorized a loan of \$500,000, accompanied by a \$1 million technical cooperation grant, from the Fund for Special Operations to help the CDB to finance the preparation of high priority investment projects for the region. The Bank's resources will enable CDB to carry out studies which will generate about \$50 million in future investments. Special emphasis will be placed on projects helping the neediest population groups.

## TECHNICAL COOPERATION

**Andean Group Farm Marketing Survey:** Grains and oilseeds account for a large part of the diet of the inhabitants of Bolivia, Colombia, Ecuador, Peru and Venezuela. With greater output and improved marketing the region could increase its output, and reduce imports which run to about \$700 million a year. In 1977 the Bank approved a technical cooperation grant of \$260,000 from the Fund for Special Operations to help the Andean Group carry out a study of the agricultural marketing infrastructure required to improve and expand trade in grains and oilseeds.

**Intermediate Technology in Central America:** As part of its continuing effort to spark the development of intermediate technologies, the Bank in 1977 authorized a \$650,000 technical cooperation grant from the Fund for Special Operations to the *Instituto Centroamericano de Investigación y Tecnología Industrial (ICAITI)*. Based in Guatemala, ICAITI carries out research to provide Central America with appropriate industrial technologies. ICAITI will use the cooperation to carry out studies designed to make better use of the natural resources and craft skills of Central America, thus improving the standards of living of the rural poor.

**Central American Electrical Interconnection:** A 1975 study of the United Nations Economic Commission for Latin America concluded that an interconnected electrical power system would represent savings of \$500 million a year in the 1980-99 period for the five Central American nations and Panama. In 1977 the Bank approved a

\$579,000 technical cooperation grant from its Fund for Special Operations to help the six countries carry out a follow-up study, which will determine the most efficient transmission network required for the system and outline plans for building it.

**Remote Sensor Exploration for Resources:** One of the most effective tools for surveying and exploring natural resources is the use of earth satellites. To spur such exploration in Central America, the Bank in 1977 approved a technical cooperation grant of \$368,000 from the Fund for Special Operations. With the cooperation of the Earth Resources Observation System (EROS) Data Center of South Dakota and of the Laboratory for Application of Remote Sensing (LARS) at Purdue University, Indiana, the funds will enable the region to set up a permanent system to carry out remote sensor exploration.

**Integration in Central America:** To help spur the economic integration of Central America the Bank in 1977 extended a technical cooperation grant of \$500,000 from the Fund for Special Operations to the Central American Bank for Economic Integration (CABEI) to help its five member countries identify and promote priority projects for the region and strengthen their planning procedures, especially in joint projects.

**Preparation of Tariff System in Central America:** Efforts are being made to revise Central America's tariff system so that it might stimulate economic integration in the region. In 1977 the Bank approved a technical cooperation grant of \$200,000 from the Fund for Special Operations to enable the Permanent Secretariat of the General Treaty of Central American Economic Integration (SIECA) to carry out studies which will provide negotiators of the Common External Tariff with data for making rate and legal judgments.

**International Agricultural Research Centers:** Since 1971 the Inter-American Bank has provided financial support to the three international agricultural research centers in Latin America which have been instrumental, along with centers in other parts of the world, in improving food output in the world. Through 1976 the Bank had contributed \$16.7 million to the programs of the three: the International Center for the Improvement of Maize and Wheat (CIMMYT) in Mexico; the International Center for Tropical Agriculture (CIAT) in Colombia, and the International Potato Center (CIP) in Peru. In 1977 the Bank authorized an additional \$6.2 million in

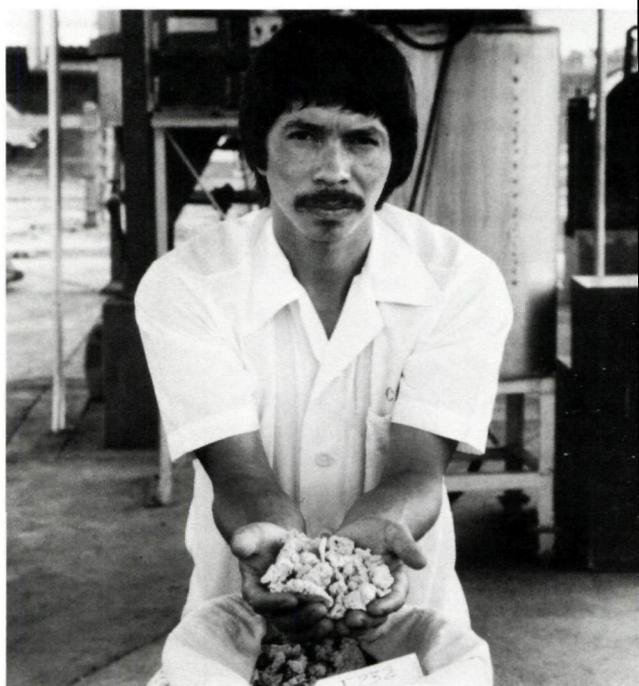
nonreimbursable technical cooperation from the Social Progress Trust Fund to support the centers during 1978. The funds included \$2,850,000 in Mexican pesos to CIMMYT; \$2,650,000 in Colombian pesos to CIAT, and \$700,000 in Peruvian soles to CIP.

**Support for Agricultural Research:** A 1977 technical cooperation grant of \$3.5 million from the Fund for Special Operations will help foster and coordinate farm research in the six southern countries of South America—Argentina, Bolivia, Brazil, Chile, Paraguay and Uruguay. The assistance will be used to exchange farm technology among countries, to strengthen national farm research centers and to spread the use of technology provided by the international research centers.

**Integrated Rural Development:** In 1977 the Bank authorized \$49,500 in grant technical cooperation from the Fund for Special Operations to sponsor, along with Israel, Mexico and the Organization of American States, a nine-month course on integrated agricultural development for up to 28 participants from Latin America. The first half of the course will be carried out at Israel's Agricultural Training Center in Rehobot; the other half in the State of Chiapas, Mexico.

**Study on Meat and Foot-and-Mouth Disease:** At the First Meeting of Consultation of the International Group for Agricultural Development in Latin America (IGAD-LA), the delegation of Argentina offered the facilities of the National Institute of Agricultural Technology at Castelar and Península Valdéz as a site for a proposed Inter-American Program on Meat and Foot-and-Mouth Disease. The program would help the countries of the hemisphere to carry out studies on meat processing and to combat the disease. In 1977 the Bank authorized grant technical cooperation for \$23,800 from the Fund for Special Operations to provide advice to formulate the program.

**Research on Low-Income Sectors:** The *Programa de Estudios Conjuntos Sobre Integración Económica Latinoamericana (ECIEL)* is a regional nonprofit institution based in Rio de Janeiro, Brazil, which carries out research on economic development and integration in Latin America. The Bank has supported its activities since its creation in 1964. In 1977 the Bank approved a \$1,389,000 technical cooperation grant from the Fund for Special Operations to enable ECIEL to carry out research on income distribution; comparisons of parity prices, purchasing power and real product; technical educa-



**HIGH PROTEIN CASSAVA MEAL** is developed at International Center for Tropical Agriculture near Cali, Colombia. Center is one of three in Latin America supported by Bank technical cooperation. Along with other world centers, its research facilities have helped improve world food output and productivity.

tion for industry, and nutrition, health and education.

**Financing Education in Latin America:** In much of Latin America, funds devoted to education are inadequate to meet needs. In 1977 the Bank authorized \$180,000 in grant technical cooperation from the Social Progress Trust Fund for a seminar to analyze the relationship of a nation's overall economic and social development and the expansion of education, its cost and financing. The seminar was scheduled to be held in Mexico City early in 1978 in cooperation with the Government of Mexico.

**Portfolio Management of Development Banks:** More than 100 development institutions in 20 Latin American countries are members of the Latin American Association of Development Finance Institutions (ALIDE) whose headquarters are in Lima, Peru. A 1977 technical cooperation grant of \$53,000 from the Fund for Special Operations will enable ALIDE to carry out research on portfolio management systems in these development institutions. The study seeks to foster uniformity in procedures and to improve lending portfolio management.

### **Inter-Bank Communications Services:**

The Latin American Federation of Banks, which has its headquarters in Bogotá, Colombia, is seeking to improve operating techniques and systems among its commercial bank members. As part of this effort, the Federation is carrying out a study on the possibility of setting up a Latin American telecommunications network for inter-bank transactions. In 1977 the Inter-American Bank approved a \$31,000 technical cooperation grant from the Fund for Special Operations to support the study.

**Training in Urban Economics:** In 1977 the Bank approved a technical cooperation grant of \$826,400 from the Fund for Special Operations to finance a program of research and specialized training in urban economics. The program is being carried out by the *Fundação Instituto de Pesquisas Econômicas* of Brazil in cooperation with the Bank. It seeks to contribute to a better knowledge of the economic problems and trends in Latin American urban areas, to provide opportunities for post-graduate training in fields of urban economics and to strengthen the institutions engaged in long-term efforts to implement research and teaching in urban economics.

**Special Training Program:** Since 1964 the Bank has sponsored six training programs on the Bank's organization, policies, programs and procedures. Participants in the courses, which are held at the Bank's headquarters, are officials of institutions in the member countries which are borrowers of the Bank or which carry out programs closely related to those of the Bank. In 1977 the Bank approved \$45,000 in grant technical cooperation from the Fund for Special Operations to finance a program during the 1977-78 period for some 30 participants.

**Intra-Regional Technical Cooperation:** In 1976 the Inter-American Bank initiated an innovative program to support the interchange of technical cooperation among its developing member countries in Latin America. Under the program the Bank provides seed capital to enable one member country to provide technical cooperation in a field of its competence to another member country. In 1977 the Bank approved \$200,000 in grant technical cooperation from the Fund for Special Operations to finance such projects.

**Short-Term Missions:** The Bank approved \$200,000 in grant technical cooperation from the Fund for Special Operations to enable it to respond quickly during 1977 to requests from its member countries for short-term advisory missions related to economic planning, the formula-

tion of development strategies, investment planning and the preparation of loan and technical cooperation requests.

### **Short-Term Help in Natural Disasters:**

Over the past few years Latin American countries have been struck by a variety of natural disasters such as earthquakes, hurricanes and floods. In response to these disasters, the Bank has reoriented its loans and approved additional assistance to help affected countries. In order to respond more expeditiously in the early stages of a disaster, the Bank in 1977 authorized the use of up to \$100,000 in grant technical cooperation from the Fund for Special Operations to enable the administration to act without delay, when so warranted.

### **Other Technical Cooperation Projects:**

Other regional technical cooperation grants approved by the Bank in 1977 included \$1 million from the Fund for Special Operations to finance the previously mentioned investment studies program of the Caribbean Development Bank; \$250,000 from the Fund to cover requirements of the Institute for Latin American Integration during its reorganization period; \$30,000 from the Fund to finance the publication and distribution of a study on Central American transportation carried out under the auspices of the Bank, the Permanent Secretariat of the General Treaty for Central American Economic Integration, and the UN Development Programme; \$35,000 from the Fund to help carry out a study of the fertilizer sector in the member countries of the Andean Group; \$12,500 from the Fund to gather data for an up-to-date compendium on mineral deposits in the region; \$10,000 from the Fund for a seminar on self-help systems in agricultural credit, production and marketing held in Nicaragua and Honduras in 1977; \$30,000 from the Fund to finance meetings held in Guadalajara, Mexico, and Washington connected with improving educational access to sectors of limited means; \$48,000 from the Social Progress Trust Fund to help finance a meeting on population and development which took place in Mexico City, and \$15,000 from the Fund for Special Operations to help finance a meeting of representatives of preinvestment funds held in Quito, Ecuador.

## SELECTED DATA ON LATIN AMERICA

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**Population in Latin America (Total, Urban and Rural; 1960, 1970 and 1977)**
**Table 1**

In Thousands of Persons

Country	Total			Urban			Rural			Average Annual Cumulative Growth Rates 1960-77 (In Per Cent)		
	1960	1970	1977	1960	1970	1977	1960	1970	1977	Total	Urban	Rural
Argentina	19,937	23,212	25,808	14,676	18,523	21,606	5,261	4,689	4,202	1.5	2.3	-1.2
Barbados	233	239	243	94	104	111	139	135	132	.2	1.0	-.3
Bolivia	3,825	4,931	5,933	1,024	1,454	1,869	2,801	3,477	4,064	2.6	3.6	2.2
Brazil	70,758	93,319	113,240	32,598	52,664	72,332	38,160	40,655	40,908	2.8	4.8	.4
Chile	7,701	9,369	10,652	5,222	7,190	8,775	2,479	2,179	1,877	1.9	3.1	-1.4
Colombia	15,397	20,545	24,762	7,420	12,705	17,284	7,977	7,840	7,478	2.8	5.1	-.4
Costa Rica	1,254	1,713	2,090	410	667	913	844	1,046	1,177	3.0	4.9	2.1
Dominican Republic	3,036	4,055	5,012	914	1,649	2,461	2,122	2,406	2,551	3.0	6.0	1.2
Ecuador	4,336	5,790	7,088	1,515	2,292	3,049	2,821	3,498	4,039	2.9	4.2	2.1
El Salvador	2,433	3,434	4,405	935	1,352	1,763	1,498	2,082	2,642	3.6	3.8	3.4
Guatemala	3,943	5,100	6,168	1,325	1,638	1,918	2,618	3,462	4,250	2.7	2.2	2.9
Guyana	572	716	847	162	259	359	410	457	488	2.3	4.8	1.1
Haiti	3,574	4,231	4,739	568	838	1,088	3,006	3,393	3,651	1.7	3.9	1.2
Honduras	1,968	2,430	2,830	449	706	964	1,519	1,724	1,866	2.2	4.6	1.2
Jamaica	1,613	1,870	2,075	381	790	1,223	1,232	1,080	852	1.5	7.1	-1.7
Mexico	34,923	50,646	64,666	17,705	29,272	40,618	17,218	21,374	24,048	3.7	5.0	2.0
Nicaragua	1,420	1,868	2,287	545	887	1,242	875	981	1,045	2.8	5.0	1.1
Panama	1,062	1,434	1,771	441	680	917	621	754	854	3.0	4.4	1.9
Paraguay	1,710	2,228	2,806	605	799	1,016	1,105	1,429	1,790	2.9	3.1	2.9
Peru	10,022	13,447	16,566	4,630	7,782	10,970	5,392	5,665	5,596	3.0	5.2	.4
Trinidad and Tobago	831	1,027	1,137	325	540	676	506	487	461	1.9	4.4	-.4
Uruguay	2,483	2,667	2,804	2,006	2,155	2,265	477	512	539	.7	.7	.7
Venezuela	7,352	10,275	12,729	4,901	7,472	9,660	2,451	2,803	3,069	3.3	4.1	1.5
<b>Latin America</b>	<b>200,383</b>	<b>264,546</b>	<b>320,658</b>	<b>98,851</b>	<b>152,418</b>	<b>203,079</b>	<b>101,532</b>	<b>112,128</b>	<b>117,579</b>	<b>2.8</b>	<b>4.3</b>	<b>0.9</b>

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

**Structure and Growth of Latin America's Gross Domestic Product,<sup>1</sup> 1961-76**  
In Per Cent

**Table 2**

Country	Agriculture and Mining			Manufacturing, Construction and Basic Services <sup>2</sup>			Services (Trade, Finance, Government and Others)			Total Product			
	Average Share of GDP 1972-76	Average Annual Variations		Average Share of GDP 1972-76	Average Annual Variations		Average Share of GDP 1972-76	Average Annual Variations		Average Annual Variations			
		1971-75	1976		1971-75	1976		1971-75	1976	1961-65	1966-70	1971-75	1976
Argentina	16.5	2.6	3.1	62.5	4.3	-4.8	21.0	4.1	-2.5	4.5	4.3	3.8	-2.9
Barbados	20.1	-2.4	4.5	24.7	1.7	12.7	55.2	3.9	1.1	2.4	7.6	2.4	4.6
Bolivia	27.5	5.0	6.2	28.2	8.2	7.7	44.3	6.3	5.7	3.9	7.1	6.1	6.4
Brazil	9.3	5.9	4.1	42.2	14.2	11.0	48.5	10.2	8.5	4.5	7.7	10.9	9.2
Chile	19.4	3.3	9.0	33.2	-1.2	3.5	47.4	-0.6	3.2	5.0	3.9	-0.3	4.5
Colombia	26.2	5.4	1.5	32.8	8.2	4.9	41.0	10.1	6.1	4.7	5.8	6.2	4.5
Costa Rica	20.0	6.0	3.3	30.9	8.0	2.4	49.1	4.5	6.0	4.6	7.4	6.1	4.3
Dominican Republic	25.2	12.4	-0.1	31.2	9.9	10.3	43.6	9.5	4.4	3.1	7.7	9.5	6.3
Ecuador	28.1	9.4	7.4	28.2	9.4	10.2	43.7	15.8	5.0	5.3	6.1	10.3	7.2
El Salvador	24.9	5.0	-2.5	29.7	5.7	2.4	45.4	4.5	7.3	6.9	4.5	5.2	4.7
Guatemala	27.9	5.9	5.0	25.3	6.3	16.2	46.8	5.1	4.7	5.3	5.8	5.6	7.6
Guyana	46.4	-2.0	0.0	26.6	2.1	9.3	27.0	7.0	1.3	3.3	4.0	1.8	2.9
Haiti	45.3	0.2	2.6	19.1	8.8	5.9	35.6	5.8	2.8	0.7	1.0	4.2	3.4
Honduras	35.1	-0.3	4.1	27.8	5.9	8.3	37.1	3.5	5.9	5.0	4.2	3.1	6.0
Jamaica	18.4	-1.3	-3.9	36.1	-0.4	-10.8	45.5	2.3	4.8	4.7	5.9	0.7	-6.9
Mexico	10.1	3.7	-3.0	38.4	7.9	3.4	51.5	5.9	2.2	7.2	6.9	5.7	2.1
Nicaragua	23.5	3.7	6.1	35.7	7.5	7.2	40.8	4.6	5.6	10.1	3.8	5.5	6.3
Panama	16.4	2.5	-0.4	33.7	3.7	-0.9	49.9	4.7	0.8	8.2	7.7	5.0	0.0
Paraguay	34.8	6.4	5.2	24.7	7.9	8.7	40.5	5.9	8.8	4.8	4.2	6.1	7.5
Peru	20.9	-0.3	5.7	37.4	7.8	2.3	41.7	6.7	2.2	6.7	4.4	5.5	3.0
Trinidad and Tobago	25.9	0.1	15.4	34.0	-3.2	1.8	40.1	2.5	3.2	4.9	3.2	1.4	5.7
Uruguay	15.4	-0.6	3.6	39.3	2.6	2.6	45.3	0.7	2.3	0.9	2.3	0.8	2.6
Venezuela	23.7	-4.2	-3.2	44.4	8.0	11.9	31.9	7.9	7.8	7.3	4.6	4.8	7.4
<b>Latin America</b>	<b>11.4</b>	<b>2.3</b>	<b>2.5</b>	<b>46.3</b>	<b>8.9</b>	<b>5.0</b>	<b>42.3</b>	<b>7.1</b>	<b>4.8</b>	<b>5.3</b>	<b>5.9</b>	<b>6.6</b>	<b>4.8</b>

<sup>1</sup>At constant market prices converted to U.S. dollars of 1976 purchasing power.

<sup>2</sup>Basic services include electricity, gas and water, and transportation and communications.

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

Latin America: Balance of Payments Summary,<sup>1</sup> 1974-76

In Millions of Dollars

Table 3

Country	1974				1975				1976			
	Balance on			Reserves & Related Items <sup>3</sup>	Balance on			Reserves & Related Items <sup>3</sup>	Balance on			Reserves & Related Items <sup>3</sup>
	Mer- chandise Trade <sup>2</sup>	Current Account	Capital Account		Mer- chandise Trade <sup>2</sup>	Current Account	Capital Account		Mer- chandise Trade <sup>2</sup>	Current Account	Capital Account	
Argentina	714.3	125.0	-70.9	-75.8	-548.9	-1,282.2	211.3	1,080.6	1,111.8	610.7	337.1	-919.0
Barbados	-117.4	-55.1	-0.2	2.3	-104.5	-20.9	10.2	-9.5	-120.8	-57.0	-26.7	18.5
Bolivia	214.1	118.7	56.3	-117.4	-52.5	-157.6	148.5	28.7	5.3	-117.6	166.6	-25.4
Brazil	-4,747.5	-7,180.1	6,281.9	962.0	-3,539.3	-6,748.5	6,108.6	1,010.2	-2,294.0	-6,210.1	8,051.6	-2,266.3
Chile	423.3	-178.0	128.7	167.1	-7.2	-564.6	361.8	210.1	665.0	42.7	290.9	-262.1
Colombia	-15.6	-349.9	275.4	91.4	321.7	-80.1	165.1	-94.7	713.5	352.2	190.5	-633.8
Costa Rica	-208.8	-266.1	165.2	50.1	-134.2	-217.7	201.7	-16.9	-107.5	-205.3	241.5	-64.8
Dominican Republic	-36.3	-242.1	281.1	-4.2	121.0	-60.4	134.8	-27.6	-47.2	-241.9	179.2	30.2
Ecuador	350.1	37.6	101.4	-109.9	6.6	-220.1	202.4	65.1	235.3	-1.4	151.9	-203.3
El Salvador	-57.7	-134.2	151.9	-12.4	-17.8	-92.9	114.5	-31.3	104.7	21.9	37.2	-84.0
Guatemala	-49.1	-103.1	87.8	15.3	-31.4	-65.7	180.4	-104.1	-110.3	-7.6	235.8	-211.5
Guyana	39.8	-9.1	48.2	-46.2	45.5	-23.4	65.2	-50.0	-58.0	-139.6	42.5	103.4
Haiti	-22.9	-19.5	18.6	10.6	-41.3	-48.1	21.1	12.6	-47.1	-14.1	23.6	-11.4
Honduras	-89.0	-105.6	90.4	17.1	-69.7	-119.7	173.1	-53.9	-23.6	-108.6	149.9	-38.9
Jamaica	-59.1	-91.8	176.8	-69.9	-161.0	-282.8	275.6	73.7	-131.8	-302.7	50.6	260.5
Mexico	-2,347.2	-2,876.4	3,290.0	-32.5	-2,836.4	-4,197.5	5,551.3	-163.9	-1,880.7	-3,401.2	4,590.4	997.5
Nicaragua	-160.6	-257.1	240.9	27.7	-107.3	-185.0	224.5	-38.0	44.1	-65.7	55.2	-22.9
Panama	-509.6	-226.6	311.0	12.3	-474.1	-151.6	240.2	22.7	-516.6	-194.9	345.4	-17.0
Paraguay	-25.4	-53.5	77.3	-21.6	-50.9	-89.5	121.3	-35.6	-48.7	-94.8	145.1	-36.4
Peru	-402.9	-725.1	1,196.5	-399.2	-1,098.8	-1,540.8	1,236.1	496.6	-738.9	-1,190.3	1,201.9	321.0
Trinidad and Tobago	463.6	270.9	20.0	-332.9	486.4	277.7	211.0	-507.7	526.6	203.9	33.5	-261.0
Uruguay	-55.6	-132.7	147.5	52.1	-111.1	-202.9	159.2	49.8	28.4	-73.8	161.3	-77.2
Venezuela	6,984.1	5,664.9	-1,070.2	-4,330.2	3,370.7	2,206.2	-55.9	-2,538.9	2,874.8	1,458.2	-2,942.9	-25.4
<b>Total</b>	<b>284.5</b>	<b>-6,788.6</b>	<b>12,006.4</b>	<b>-4,144.2</b>	<b>-5,034.6</b>	<b>-13,868.1</b>	<b>16,062.2</b>	<b>-621.9</b>	<b>184.3</b>	<b>-9,737.0</b>	<b>13,765.5</b>	<b>-3,429.3</b>

<sup>1</sup>Excluding errors and omissions.<sup>2</sup>Exports and Imports valued at f.o.b. prices.<sup>3</sup>According to conventional usage, the sign (-) means an increase.Source: International Monetary Fund, *Balance of Payments Tapes*, December 1977.

**Destination of Latin American Exports, 1961-75**  
In Per Cent

**Table 4**

Country	Average 1961-65					Average 1966-70					Average 1971-75				
	United States	European Economic Community	Japan	Latin America	Other Countries	United States	European Economic Community	Japan	Latin America	Other Countries	United States	European Economic Community	Japan	Latin America	Other Countries
Argentina	8.1	57.4	3.1	14.6	16.8	9.2	47.5	3.5	21.0	18.8	8.5	39.4	4.3	24.3	23.5
Barbados	7.7	50.8	0.0	2.1	39.4	18.6	44.5	0.0	5.5	31.4	19.8	30.4	0.1	12.4	37.3
Bolivia	34.7	57.8	2.3	4.2	1.0	35.4	50.8	4.5	7.9	1.4	29.0	31.3	5.2	27.0	7.5
Brazil	36.4	31.6	2.3	8.3	21.4	30.2	33.3	3.7	10.8	22.0	21.0	32.6	6.3	12.2	27.9
Chile	34.5	42.1	7.7	8.8	6.9	19.5	51.1	12.2	9.7	7.5	9.3	42.5	16.3	15.6	16.3
Colombia	53.7	24.9	0.7	8.1	12.6	40.6	27.1	1.8	9.7	20.8	35.8	26.1	2.8	17.0	18.3
Costa Rica	55.3	29.5	0.5	10.2	4.5	46.2	18.1	1.8	23.3	10.6	37.1	23.6	2.0	27.2	10.1
Dominican Republic	73.2	14.3	1.3	1.4	9.8	86.5	6.4	0.7	0.7	5.7	68.1	13.7	3.3	1.0	13.9
Ecuador	58.2	26.1	4.7	7.9	3.1	43.3	25.2	9.2	9.9	12.4	39.0	13.9	6.8	24.1	16.2
El Salvador	28.5	30.9	19.1	18.3	3.2	22.9	26.4	9.3	35.8	5.6	25.8	23.4	10.5	30.9	9.4
Guatemala	43.6	27.7	9.9	12.0	6.8	29.4	20.7	8.7	31.1	10.1	29.9	22.2	6.2	32.2	9.5
Guyana	18.0	27.5	0.6	13.4	40.5	24.2	25.5	1.3	10.6	38.4	23.1	33.3	2.9	16.2	24.5
Haiti	50.7	38.1	5.1	2.1	4.0	54.5	37.0	4.3	1.8	2.4	67.0	27.2	1.0	1.2	3.6
Honduras	58.9	14.3	2.0	19.5	5.3	49.4	25.8	3.4	17.6	3.8	54.7	19.3	3.0	17.7	5.3
Jamaica	36.3	29.9	0.2	1.4	32.2	41.0	24.1	0.3	2.9	31.7	42.9	21.3	0.6	5.6	29.6
Mexico	58.9	6.0	7.0	5.0	23.1	56.0	6.9	6.3	7.9	22.9	62.9	7.0	4.7	10.7	14.7
Nicaragua	36.2	26.9	23.1	6.2	7.6	29.1	21.6	23.6	18.1	7.6	29.9	19.3	14.1	25.6	11.1
Panama	69.3	8.3	1.0	4.3	17.1	70.9	11.5	1.0	3.6	13.0	49.9	26.7	0.6	8.0	14.8
Paraguay	23.3	25.4	0.2	30.0	21.1	21.5	28.9	1.1	33.1	15.4	13.0	38.9	1.2	29.1	17.8
Peru	34.2	40.0	8.0	9.6	8.2	38.5	32.1	13.6	6.5	9.3	31.3	25.7	13.3	10.7	19.0
Trinidad and Tobago	27.4	36.5	0.1	4.5	31.5	46.4	17.0	1.3	7.5	27.8	57.2	8.7	0.4	9.5	24.2
Uruguay	13.3	55.2	1.5	7.1	22.9	9.5	48.3	1.2	12.6	28.4	4.4	40.8	1.7	22.0	31.1
Venezuela	35.1	16.0	0.9	10.6	37.4	35.0	13.4	1.2	12.8	37.6	43.2	10.7	0.6	9.9	35.6
<b>Latin America</b>	<b>35.6</b>	<b>29.1</b>	<b>3.5</b>	<b>9.4</b>	<b>22.4</b>	<b>33.4</b>	<b>27.3</b>	<b>4.8</b>	<b>12.4</b>	<b>22.1</b>	<b>33.4</b>	<b>22.8</b>	<b>4.8</b>	<b>14.5</b>	<b>24.5</b>

Source: International Monetary Fund, *Direction of Trade Tapes*, July 1977.

**Origin of Latin American Imports, 1961-75**  
In Per Cent

Table 5

Country	Average 1961-65					Average 1966-70					Average 1971-75				
	United States	European Economic Community	Japan	Latin America	Other Countries	United States	European Economic Community	Japan	Latin America	Other Countries	United States	European Economic Community	Japan	Latin America	Other Countries
Argentina	25.3	36.7	3.5	16.3	18.2	23.0	30.6	3.9	23.2	19.3	19.5	30.1	10.1	21.3	19.0
Barbados	15.2	42.5	1.8	13.7	26.8	21.1	37.8	2.2	17.8	21.1	19.5	34.4	2.6	22.2	21.3
Bolivia	45.1	25.8	8.7	13.3	7.1	37.6	25.2	13.5	11.0	12.7	26.5	20.2	13.8	29.0	10.5
Brazil	32.2	23.1	3.9	18.1	22.7	33.6	25.5	4.1	13.9	22.9	26.9	27.6	8.1	8.2	29.2
Chile	38.0	28.9	2.4	20.9	9.8	37.6	26.1	2.0	23.6	10.7	24.3	24.8	4.2	27.1	19.6
Colombia	50.3	25.2	3.3	7.2	14.0	47.4	21.6	4.4	10.3	16.3	41.3	23.3	8.0	12.0	15.4
Costa Rica	45.7	25.7	7.6	10.5	10.5	37.3	20.4	8.5	26.5	7.3	34.2	16.2	10.0	30.7	8.9
Dominican Republic	49.8	25.2	6.2	3.6	15.2	51.7	19.6	16.0	5.9	6.8	53.7	14.2	9.4	6.7	16.0
Ecuador	43.6	31.6	4.2	8.7	11.9	42.2	28.3	7.5	11.0	11.0	37.4	23.4	13.7	13.8	11.7
El Salvador	35.1	27.5	7.2	24.4	5.8	30.6	21.8	8.2	34.4	5.0	30.6	18.9	9.8	34.5	6.2
Guatemala	46.0	24.2	5.6	14.4	9.8	38.6	21.0	9.2	24.2	7.0	32.5	19.2	9.5	31.7	7.1
Guyana	22.1	44.6	2.2	12.5	18.6	24.0	41.8	3.6	10.4	20.2	26.1	36.0	3.8	20.6	13.5
Haiti	57.6	22.9	1.0	2.3	16.2	52.6	22.1	6.5	1.8	17.0	46.3	22.8	7.9	3.2	19.8
Honduras	49.1	15.0	6.8	17.8	11.3	45.6	13.4	5.6	29.2	6.2	43.0	14.4	8.6	25.5	8.5
Jamaica	28.9	40.0	3.4	8.4	19.3	39.9	29.9	2.5	7.6	20.1	37.9	25.0	3.0	17.3	16.8
Mexico	68.3	18.2	2.0	1.6	9.9	63.2	19.7	3.8	2.8	10.5	62.5	17.5	4.0	5.1	10.9
Nicaragua	48.5	20.9	6.2	16.1	8.3	40.2	17.6	6.6	31.3	4.3	32.7	15.9	7.7	37.7	6.0
Panama	45.6	13.8	3.7	17.1	19.8	39.9	11.7	5.5	24.5	18.4	32.7	9.9	7.0	29.1	21.3
Paraguay	23.8	26.4	7.5	24.2	18.1	22.5	31.1	5.7	23.7	17.0	15.5	22.5	4.1	37.0	20.9
Peru	40.3	29.4	5.7	10.7	13.9	34.6	26.8	7.3	15.5	15.8	31.5	26.1	9.7	15.3	17.4
Trinidad and Tobago	14.2	24.6	1.1	29.4	30.7	15.1	19.3	1.8	40.1	23.7	17.4	14.8	3.0	9.9	54.9
Uruguay	13.4	35.8	1.4	25.0	24.4	14.3	25.6	0.8	31.7	27.6	9.5	20.8	1.6	35.9	32.2
Venezuela	52.8	27.3	4.6	2.8	12.5	49.6	27.3	6.3	3.3	13.5	45.1	28.0	8.7	5.3	12.9
<b>Latin America</b>	<b>41.6</b>	<b>26.9</b>	<b>3.8</b>	<b>12.2</b>	<b>15.5</b>	<b>40.4</b>	<b>24.6</b>	<b>4.8</b>	<b>14.6</b>	<b>15.6</b>	<b>35.1</b>	<b>23.1</b>	<b>7.5</b>	<b>13.2</b>	<b>21.1</b>

Source: International Monetary Fund, *Direction of Trade Tapes*, July 1977.

**Latin American Gross Official International Monetary Reserves, 1972-77**  
In Millions of Dollars at Year End

**Table 6**

Country	1972	1973	1974	1975	1976	1977 <sup>1</sup>
Argentina	465.0	1,318.0	1,315.0	452.0	1,608.0	2,461.0 (Aug.)
Barbados	28.0	32.4	39.2	39.6	28.0	34.0 (Oct.)
Bolivia	59.7	72.2	193.7	156.2	167.9	232.3 (Aug.)
Brazil	4,183.0	6,415.0	5,272.0	4,034.0	6,541.0	6,144.0 (July)
Chile	148.3	179.7	101.8	109.0	459.5	462.7 (Oct.)
Colombia	325.0	534.0	449.0	521.0	1,158.0	1,696.0 (Oct.)
Costa Rica	42.9	51.0	44.7	51.3	97.8	201.9 (Oct.)
Dominican Republic	58.6	87.9	90.8	116.1	127.0	88.3 (Oct.)
Ecuador	143.4	241.1	349.9	285.7	514.6	576.7 (Oct.)
El Salvador	82.4	61.8	98.4	126.9	205.2	269.7 (Oct.)
Guatemala	134.9	212.0	202.4	303.9	511.0	648.5 (Oct.)
Guyana	36.8	14.0	62.6	100.5	27.3	25.2 (Oct.)
Haiti	18.0	17.1	19.8	12.5	28.0	33.7 (Aug.)
Honduras	35.2	41.8	44.4	97.1	131.0	178.2 (Sept.)
Jamaica	159.7	127.4	190.4	125.6	32.4	57.3 (Oct.)
Mexico	1,164.0	1,355.0	1,395.0	1,533.0	1,253.0	1,599.0 (July)
Nicaragua	80.5	116.9	105.3	122.3	146.8	149.2 (Sept.)
Panama	43.9	42.7	39.4	--	--	--
Paraguay	31.5	57.1	87.2	115.1	157.6	254.9 (Oct.)
Peru	483.9	568.4	968.2	466.6	330.2	281.5 (Sept.)
Trinidad and Tobago	58.3	47.0	390.3	751.0	1,013.5	1,408.2 (Oct.)
Uruguay	203.0	240.0	232.0	218.0	315.0	353.0 (Aug.)
Venezuela	1,732.0	2,412.0	6,513.0	8,861.0	8,578.0	8,151.0 (Oct.)
<b>Total</b>	<b>9,718.0</b>	<b>14,244.5</b>	<b>18,204.5</b>	<b>18,598.4</b>	<b>23,430.8</b>	

<sup>1</sup>At the end of the month.

-- Data not available.

Source: International Monetary Fund, *International Financial Statistics*, December 1977.

**Net Inflow of External Resources and Compensatory Financing to Latin America, 1961-76<sup>1</sup>**

**Table 7**

In Millions of Dollars

	Annual Averages						
	1961-65	1966-70	1972	1973	1974	1975	1976
<b>Latin America<sup>2</sup></b>							
A. Official grants and non-compensatory capital	1,143.7	2,661.5	4,759.9	7,102.4	10,309.0	15,051.7	10,792.8
1. Official grants and long-term loans	435.6	939.2	1,481.2	2,365.4	3,945.0	4,005.5	5,532.8
2. Long-term private capital	682.9	1,406.2	3,312.1	4,942.9	6,457.8	9,655.5	7,533.6
a. Direct Investment	395.7	847.8	768.4	1,813.5	1,229.9	3,041.8	1,367.3
b. Loans and other items	287.2	558.4	2,543.7	3,129.4	5,227.9	6,613.7	6,166.3
3. Short-term private capital	25.2	316.1	-33.4	-205.9	-93.8	1,390.7	-2,273.6
B. Compensatory financing	12.4	397.8	-1,769.6	-3,714.9	-2,347.1	538.1	-376.4
1. Transactions of the monetary sector	-12.4	76.8	1,342.6	767.4	1,797.1	1,160.2	3,053.0
2. Net change in international reserves [(-) increase; (+) decrease]		<sup>3</sup> -474.6	-3,112.2	-4,482.3	-4,144.2	-621.9	-3,429.4
<b>Latin America, excluding Venezuela</b>							
A. Official grants and non-compensatory capital	1,374.5	2,840.2	4,959.7	6,996.3	11,440.5	15,037.2	13,776.0
1. Official grants and long-term loans	387.9	928.1	1,384.5	2,304.6	4,428.4	4,435.4	4,889.6
2. Long-term private capital	859.3	1,603.0	3,691.1	5,041.8	6,807.7	9,336.2	8,403.0
a) Direct investment	472.9	947.7	1,144.1	1,898.1	1,572.6	2,687.3	2,195.1
b) Loans and other items	386.4	655.3	2,547.0	3,143.7	5,235.1	6,648.9	6,207.9
3. Short-term private capital	27.3	309.1	-115.9	-350.1	204.4	1,265.6	483.4
B. Compensatory financing	28.4	-407.2	-1,499.2	-3,173.7	1,985.5	3,178.0	-330.2
1. Transactions of the monetary sector	28.4	77.0	1,412.1	703.0	1,799.5	1,261.0	3,073.8
2. Net change in international reserves [(-) increase; (+) decrease]		<sup>3</sup> -484.2	-2,911.3	-3,876.7	186.0	1,917.0	-3,404.0

<sup>1</sup>The total of items A and B plus errors and omissions is equal to the current account deficit, net of official grants.

<sup>2</sup>Member countries of the Inter-American Development Bank.

<sup>3</sup>Included under transactions of the monetary sector. Detail is not available.

Source: For 1961 through 1966: International Monetary Fund, *Balance of Payments Yearbook*. For 1967 through 1976: International Monetary Fund, *Balance of Payments Tapes*.

### External Public Debt<sup>1</sup> of Latin America, 1970-76

Outstanding Balance in Millions of Dollars at Year End

Table 8

Country	1970		1973		1974		1975		1976	
	Gross <sup>2</sup>	Net <sup>3</sup>								
Argentina	2,463	1,872	3,517	2,792	4,788	3,046	4,985	2,902	6,190	4,252
Barbados	14	11	38	27	47	27	48	28	56	29
Bolivia	549	477	768	631	889	692	1,207	778	1,576	1,000
Brazil	5,080	3,681	9,557	6,839	12,023	8,984	14,143	11,579	18,094	14,852
Chile	2,534	2,066	3,340	2,770	4,312	3,727	4,287	3,679	4,171	3,527
Colombia	1,852	1,250	2,740	1,916	2,769	2,095	3,000	2,351	3,324	2,449
Costa Rica	227	134	337	249	477	303	698	420	933	535
Dominican Republic	299	215	447	310	647	388	722	452	867	528
Ecuador	347	209	549	328	596	324	779	454	1,025	639
El Salvador	126	88	192	113	308	182	395	204	462	272
Guatemala	176	107	196	112	199	115	281	166	551	212
Guyana	123	73	254	167	343	202	381	256	407	324
Haiti	45	41	71	41	85	45	135	63	184	92
Honduras	144	90	215	134	276	171	451	264	581	335
Jamaica	167	129	469	306	650	475	816	661	1,031	855
Mexico	3,775	3,228	7,224	5,416	10,198	8,075	13,472	11,252	17,533	15,547
Nicaragua	206	146	481	319	641	446	792	598	936	642
Panama	247	163	698	457	746	564	1,086	768	1,409	1,091
Paraguay	144	98	216	131	307	149	369	174	386	222
Peru	1,196	898	2,157	1,442	3,011	2,073	3,468	2,664	4,384	3,379
Trinidad and Tobago	99	78	180	141	212	155	207	150	150	99
Uruguay	351	267	466	344	732	516	1,028	616	1,006	688
Venezuela	925	729	1,984	1,540	1,901	1,497	1,404	1,272	3,078	2,970
<b>Latin America</b>	<b>21,089</b>	<b>16,050</b>	<b>36,096</b>	<b>26,525</b>	<b>46,157</b>	<b>34,251</b>	<b>54,154</b>	<b>41,751</b>	<b>68,334</b>	<b>54,539</b>

<sup>1</sup>Debt repayable in foreign currency at more than one-year terms, contracted directly by public agencies or by private entities with government guarantee.

<sup>2</sup>Includes both the disbursed and undisbursed balances.

<sup>3</sup>Includes the disbursed balance only.

Source: Inter-American Development Bank, based on official statistics from the member countries and the World Bank.

## Structure of Latin America's External Public Debt<sup>1</sup> by Type of Creditors, 1960-76

In Per Cent, Based on Total Outstanding at Year End

Table 9

Country	Official Multilateral			Official Bilateral			Suppliers			Private Banks			Other Credits <sup>2</sup>		
	1960	1970	1976	1960	1970	1976	1960	1970	1976	1960	1970	1976	1960	1970	1976
Argentina	—	21.7	18.3	51.7	17.7	17.2	40.9	36.9	22.5	5.6	6.3	28.1	1.8	17.4	13.9
Barbados	--	—	33.9	--	21.4	30.4	--	—	1.8	--	—	28.6	—	78.6	5.3
Bolivia	—	9.8	25.3	49.7	49.7	35.7	—	10.6	8.5	—	0.4	22.9	50.3	29.5	7.6
Brazil	9.3	18.3	20.3	43.2	41.6	20.6	28.9	23.3	9.4	15.6	10.9	46.9	3.0	5.9	2.8
Chile	16.9	9.9	11.2	24.2	46.5	50.0	14.4	20.6	18.6	19.8	12.7	10.3	24.7	10.3	9.9
Colombia	36.3	38.7	38.8	28.7	41.9	34.3	10.3	11.3	7.3	9.6	3.9	17.1	15.1	4.2	2.5
Costa Rica	12.7	46.7	49.1	36.4	35.7	19.6	9.1	4.4	3.8	21.8	7.9	26.5	20.0	5.3	1.0
Dominican Republic	—	10.2	21.3	—	79.6	51.7	100.0	8.0	1.8	—	2.2	21.9	—	—	3.2
Ecuador	44.2	30.3	21.3	27.4	28.5	24.5	14.7	32.3	11.5	7.4	3.2	24.7	6.3	5.7	4.4
El Salvador	93.9	51.6	58.7	—	34.9	25.1	—	—	—	—	11.1	15.8	6.1	2.4	0.4
Guatemala	31.4	30.7	60.6	47.1	34.1	34.3	—	1.7	0.9	21.6	24.4	4.2	—	9.1	—
Guyana	--	10.6	13.0	--	77.2	45.7	--	—	4.4	--	5.7	23.4	--	6.5	13.5
Haiti	7.9	2.2	60.3	71.1	64.5	36.4	10.5	24.4	1.1	—	—	—	10.5	8.9	2.2
Honduras	78.2	70.8	64.9	13.0	26.4	26.5	4.4	2.8	3.8	4.4	—	4.8	—	—	—
Jamaica	--	27.5	17.8	--	27.5	30.8	--	—	1.8	--	10.2	38.6	--	34.8	11.0
Mexico	16.2	29.6	17.7	33.9	13.1	6.0	15.2	11.2	2.6	18.1	22.7	62.4	16.6	23.2	11.3
Nicaragua	65.8	36.4	29.4	29.3	35.9	24.8	—	4.9	1.9	4.9	21.8	32.7	--	1.0	11.2
Panama	11.9	21.1	19.5	44.1	36.5	17.5	—	28.3	3.1	—	2.4	53.8	44.0	11.7	6.1
Paraguay	9.1	31.3	36.8	77.3	44.4	42.7	9.1	22.2	9.1	4.5	0.7	11.4	—	1.4	—
Peru	26.8	18.2	12.4	16.6	25.5	28.6	26.8	28.8	10.2	—	24.7	45.3	29.8	2.8	3.5
Trinidad and Tobago	—	42.4	62.0	—	25.3	26.7	14.3	4.0	—	38.1	15.2	7.3	47.6	13.1	4.0
Uruguay	45.5	29.6	24.8	9.1	31.9	20.5	--	5.1	3.4	—	19.7	22.8	45.4	13.7	28.5
Venezuela	—	35.1	12.0	14.3	13.7	7.9	25.1	15.0	5.9	60.6	31.0	39.2	—	5.0	35.0
<b>Latin America</b>	<b>12.9</b>	<b>23.7</b>	<b>21.0</b>	<b>37.5</b>	<b>32.1</b>	<b>20.4</b>	<b>23.9</b>	<b>19.1</b>	<b>8.3</b>	<b>14.8</b>	<b>13.3</b>	<b>41.6</b>	<b>10.9</b>	<b>11.8</b>	<b>8.7</b>

<sup>1</sup>Debt repayable in foreign currency at more than one-year term, contracted by public agencies and by private entities with governmental guarantee. Includes the undisbursed balance at year end.

<sup>2</sup>Includes nationalization, bond issues and credits from private financial institutions other than commercial banks.

—Zero or not significant.

-- Data not available.

Source: Inter-American Development Bank, based on official statistics from the member countries and the World Bank.

### Structure of Latin America's Outstanding External Public Debt<sup>1</sup> by Maturities, 1966-75

In Per Cent, Based on Total Outstanding at Year End

Table 10

Country	Up to 5 years			More than 5 and up to 10 years			More than 10 and up to 15 years			More than 15 years		
	1966	1970	1975	1966	1970	1975	1966	1970	1975	1966	1970	1975
Argentina	64.5	58.0	57.2	25.2	22.9	25.7	4.7	10.4	10.8	5.6	8.7	6.3
Barbados	--	--	45.4	--	--	18.2	--	--	18.2	--	--	18.2
Bolivia	16.1	20.7	29.7	14.5	19.3	22.0	12.2	16.0	14.2	57.2	44.0	34.1
Brazil	53.5	39.6	47.8	26.4	21.1	30.8	15.3	13.0	12.6	4.8	26.3	8.8
Chile	35.8	42.5	55.7	18.2	27.2	26.8	11.0	13.4	7.6	35.0	16.9	9.9
Colombia	36.0	24.1	31.0	18.8	22.5	24.4	16.3	17.1	16.0	28.9	36.3	28.6
Costa Rica	47.7	27.9	36.4	14.5	18.8	21.3	11.9	20.3	17.0	25.9	33.0	25.3
Dominican Republic	34.9	20.6	32.3	16.3	23.1	20.8	18.0	18.8	14.1	30.2	37.5	32.8
Ecuador	29.4	42.4	40.6	25.1	26.3	20.3	16.1	11.0	13.3	29.4	20.3	25.6
El Salvador	26.1	31.1	28.8	20.3	17.7	18.1	15.6	17.6	14.9	38.0	33.6	38.2
Guatemala	63.0	40.5	19.8	19.2	14.6	20.9	10.2	12.0	21.3	7.6	32.9	38.0
Guyana	--	--	32.9	--	--	21.4	--	--	18.1	--	--	27.6
Haiti	26.1	--	14.7	29.8	--	7.0	31.6	--	14.7	12.5	--	63.6
Honduras	15.2	15.8	20.9	18.7	18.0	21.6	16.0	18.0	20.4	50.1	48.2	39.1
Jamaica	--	40.0	46.1	--	27.1	31.6	--	20.0	9.3	--	12.9	13.0
Mexico	53.5	56.5	60.7	21.4	24.6	25.2	12.1	13.1	8.6	13.0	5.8	5.5
Nicaragua	32.5	40.2	34.6	16.4	16.1	25.7	14.8	15.2	11.4	36.3	28.5	28.3
Panama	22.2	38.4	35.7	25.4	12.0	34.4	13.8	12.0	10.4	38.6	37.6	19.5
Paraguay	27.1	30.8	29.6	20.5	21.0	22.6	16.9	13.3	13.3	35.5	34.9	34.5
Peru	47.2	60.7	51.8	33.3	21.1	33.0	19.5	10.4	9.4	—	7.8	5.8
Trinidad and Tobago	--	30.6	37.1	--	32.9	31.0	--	14.1	17.8	--	22.4	14.1
Uruguay	62.9	58.5	48.9	19.8	18.6	31.1	10.3	7.9	10.2	7.0	17.0	9.8
Venezuela	32.4	50.7	63.9	26.3	26.1	26.9	25.0	17.1	7.8	16.3	6.1	1.4
<b>Latin America</b>	<b>48.2</b>	<b>45.0</b>	<b>50.1</b>	<b>23.2</b>	<b>23.0</b>	<b>27.3</b>	<b>13.2</b>	<b>13.4</b>	<b>11.1</b>	<b>15.4</b>	<b>18.6</b>	<b>11.5</b>

<sup>1</sup>Debt repayable in foreign currency at more than one-year term, contracted by public agencies and by private entities with governmental guarantee. Includes the undisbursed balance at year end.

--Zero or not significant.

-- Data not available.

Source: Inter-American Development Bank, based on official statistics from the member countries and the World Bank.

Annual Variation in the Consumer Price Index<sup>a</sup>, 1961-77 (In Per Cent)

Table 11

	1961-65		1966-70		1971-75		1974		1975		1976		1977	
<b>Countries with Price Stability (Annual Rise in Prices of Less Than 5 Per Cent)</b>	Guatemala	0.1	El Salvador	1.1			Nicaragua	3.3	Panama	2.3	Bolivia	1.8	April	
	El Salvador	0.2	Paraguay	1.3					Costa Rica	3.5	Costa Rica	4.6	August	
	Venezuela	0.4	Dominican Rep.	1.3					Bolivia	4.5	Haiti	4.8	July	
	Panama	0.9	Guatemala	1.5					Paraguay	4.5				
	Nicaragua	1.6	Panama	1.6					Barbados	4.9				
	Barbados	1.7	Venezuela	1.6					Honduras	4.9				
	Guyana	1.9	Honduras	1.7										
	Mexico	1.9	Nicaragua	1.7										
	Trin. & Tobago	2.2	Haiti	1.9										
	Costa Rica	2.3	Costa Rica	2.6										
	Honduras	2.7	Guyana	2.6										
	Dominican Rep.	2.8	Mexico	3.7										
	Jamaica	2.9	Trin. & Tobago	3.9										
	Haiti	3.8	Barbados	4.2										
	Ecuador	3.9	Ecuador	4.8										
<b>Countries with Moderate Inflation (annual Rise in Prices of Between 5 and 15 Per Cent)</b>	Bolivia	5.2	Jamaica	5.4	Venezuela	5.7	Venezuela	8.2	Panama	5.5	Haiti	7.0	Guatemala	5.6
	Paraguay	5.4	Bolivia	6.0	Honduras	6.4	Dominican Rep.	13.1	Honduras	6.3	El Salvador	7.1	Honduras	5.6
	Peru	9.4	Colombia	9.2	Panama	7.3	Honduras	13.5	Paraguay	6.7	Venezuela	7.6	Guyana	5.9
	Colombia	12.9	Peru	9.9	Guyana	7.8	Haiti	14.9	Bolivia	8.0	Dominican Rep.	7.7	Venezuela	6.0
					Guatemala	7.8			Guyana	8.0	Nicaragua	9.0	Paraguay	7.3
					El Salvador	8.9			Venezuela	10.3	Nicaragua	9.4	Trin. & Tobago	7.8
					Nicaragua	9.7			Guatemala	13.1	Jamaica	9.6	Panama	8.2
					Dominican Rep.	11.0			Dominican Rep.	14.5	Trin. & Tobago	10.4	Ecuador	9.4
					Paraguay	11.8					Ecuador	10.7	Jamaica	10.2
					Mexico	12.3					Guatemala	10.7	Dominican Rep.	10.6
					Peru	12.8							Barbados	11.5
					Trin. & Tobago	13.3							El Salvador	14.2
					Haiti	13.4								August
					Ecuador	13.6								
					Jamaica	14.1								
				Costa Rica	14.1									
<b>Countries with High Inflation (annual Rise Greater than 15 Per Cent)</b>	Argentina	23.0	Argentina	19.7	Barbados	18.9	Guatemala	16.5	Ecuador	15.3	Mexico	16.1	Mexico	17.7
	Chile	28.0	Chile	26.1	Colombia	19.2	Panama	16.8	Haiti	16.8	Colombia	17.4	Colombia	22.2
	Uruguay	30.4	Brazil	29.3	Brazil	21.2	El Salvador	16.9	Mexico	16.9	Peru	33.5	Peru	29.5
	Brazil	63.0	Uruguay	65.2	Bolivia	22.5	Peru	16.9	Trin. & Tobago	17.0	Brazil	41.5	Brazil	35.4
					Uruguay	71.2	Guyana	17.4	Costa Rica	17.4	Uruguay	50.4	Uruguay	51.4
					Argentina	71.9	Trin. & Tobago	22.1	Jamaica	17.4	Chile	211.9	Chile	62.3
					Chile	266.0	Nicaragua	22.4	El Salvador	19.2	Argentina	443.1	Argentina	104.1
							Mexico	22.5	Barbados	20.3				August
							Ecuador	23.3	Peru	23.6				
							Jamaica	24.3	Colombia	25.7				
							Colombia	24.4	Brazil	29.4				
							Paraguay	25.2	Uruguay	81.5				
							Argentina	26.9	Argentina	182.4				
							Brazil	27.2	Chile	374.7				
							Costa Rica	30.1						
						Barbados	38.9							
						Bolivia	62.7							
						Uruguay	77.3							
						Chile	504.5							

<sup>a</sup>Calculations based on the comparison of the annual averages of monthly consumer price indexes. For 1977, the comparison is for the last quarter of 1976 and the month shown for each country. Data for

Nicaragua after 1970, represent variations in the implicit deflator of the gross domestic product. Source: International Monetary Fund, *International Financial Statistics*, December 1977.

**Ratio of Latin America's External Public Debt Service<sup>1</sup>  
to Value of Exports of Goods and Services,<sup>2</sup> 1960-76**  
In Per Cent

**Table 12**

Country	Average		1972	1973	1974	1975	1976
	1960-61	1970-71					
Argentina	21.4	21.1	20.6	18.2	17.0	23.2	18.3
Barbados	--	1.0	0.8	1.3	4.2	1.8	1.4
Bolivia	25.6	11.6	17.8	15.5	11.5	16.8	16.7
Brazil	34.0	15.1	14.2	10.6	13.0	14.9	15.2
Chile	18.4	19.8	11.6	11.5	11.7	32.7	33.0
Colombia	13.5	13.0	12.6	13.4	16.7	11.8	9.5
Costa Rica	4.8	10.1	9.8	10.3	9.6	10.7	11.4
Dominican Republic	0.7	6.0	4.9	5.6	6.0	6.1	7.5
Ecuador	7.8	10.7	10.1	7.3	7.6	4.7	5.8
El Salvador	2.4	4.8	3.3	5.3	4.9	9.6	4.7
Guatemala	2.3	7.7	10.4	3.6	3.8	1.8	1.9
Guyana	--	3.2	5.5	5.7	5.1	4.8	10.4
Haiti	5.2	7.6	6.3	6.9	6.5	6.4	8.6
Honduras	3.3	3.2	3.4	4.2	3.7	4.6	6.3
Jamaica	--	3.6	5.0	5.4	6.2	7.3	11.3
Mexico	14.9	23.7	22.8	24.3	19.2	25.9	33.2
Nicaragua	4.9	12.0	10.3	17.7	10.4	11.6	12.3
Panama	1.5	8.2	10.3	16.2	17.0	8.7	8.3
Paraguay	6.4	12.4	13.3	10.0	7.7	10.0	9.0
Peru	8.6	16.6	18.5	32.3	24.4	23.0	21.6
Trinidad and Tobago	--	1.8	1.5	1.8	2.3	1.5	2.7
Uruguay	5.4	22.0	34.4	22.9	32.8	45.9	29.5
Venezuela	4.6	3.4	6.4	6.3	4.3	5.6	4.1
<b>Latin America</b>	<b>14.4</b>	<b>13.8</b>	<b>13.8</b>	<b>13.6</b>	<b>11.4</b>	<b>14.3</b>	<b>14.8</b>

<sup>1</sup>Total of interest and principal payments.

<sup>2</sup>Excludes payments on investment income.

-- Data not available.

Source: Inter-American Development Bank, based on official statistics from the member countries and the World Bank.

**Publicized Euro-Currency Credits<sup>1</sup> and Foreign and  
International Bonds Issued, 1973-76**

**Table 13**

Expressed in Millions of Dollars

Borrowing Country	1973		1974		1975		1976	
	Credits	Bonds	Credits	Bonds	Credits	Bonds	Credits	Bonds
Argentina	87.3	—	476.2	—	34.4	16.0	1,044.0	—
Bolivia	4.5	—	52.0	—	90.1	—	155.0	—
Brazil	822.1	61.0	1,604.5	25.0	2,119.8	35.0	3,308.3	193.3
Chile	—	—	—	—	—	53.4	125.0	—
Colombia	170.0	45.0	8.0	—	116.5	—	110.0	—
Costa Rica	11.0	—	10.0	—	46.0	—	—	—
Dominican Republic	—	—	20.0	—	—	—	—	—
Ecuador	8.0	—	—	—	55.0	—	17.0	—
El Salvador	—	—	50.0	—	45.0	—	7.2	—
Guatemala	—	—	—	—	—	—	15.0	—
Guyana	12.5	—	15.0	—	24.0	—	4.0	—
Honduras	—	—	—	—	—	—	10.0	—
Jamaica	35.6	14.0	95.0	—	103.0	—	15.0	—
Mexico	1,177.5	177.7	1,478.4	50.0	2,165.9	270.3	1,902.2	427.9
Nicaragua	92.0	10.0	91.4	5.0	55.0	—	—	—
Panama	191.0	—	58.0	9.0	115.0	—	151.9	13.9
Peru	628.0	—	362.0	—	434.3	—	350.0	—
Trinidad and Tobago	30.0	—	18.5	4.0	5.1	—	—	—
Uruguay	—	—	—	—	130.0	—	81.5	—
Venezuela	129.4	7.5	50.0	1.9	200.0	—	1,099.0	—
<b>Latin America</b>	<b>3,398.9</b>	<b>315.3</b>	<b>4,389.0</b>	<b>94.9</b>	<b>5,739.1</b>	<b>374.4</b>	<b>8,395.1</b>	<b>635.1</b>

90 <sup>1</sup>The amounts shown are gross commitments as announced, and do not necessarily reflect the extent to which these loans have actually been drawn down.

—Zero or not significant.

Source: World Bank.

**Latin America: Contribution of Principal Commodity Exports<sup>1</sup>  
to Total Value of Merchandise Exports, 1970-74**  
In Per Cent

**Table 14**

Country	First Product	Per Cent	Second Product	Per Cent	Third Product	Per Cent	Total	Per Cent
Argentina	Corn	13.9	Beef	13.3	—	—	Two products	27.2
Barbados	Sugar	34.7	Petroleum products	14.3	—	—	Two products	49.0
Bolivia	Tin	41.3	Crude petroleum	19.5	—	—	Two products	60.8
Brazil	Coffee	20.2	Sugar	10.6	—	—	Two products	30.8
Chile	Copper	62.3	—	—	—	—	One product	62.3
Colombia	Coffee	53.1	—	—	—	—	One product	53.1
Costa Rica	Coffee	27.9	Bananas	26.5	—	—	Two products	54.4
Dominican Republic	Sugar	48.1	—	—	—	—	One product	48.1
Ecuador	Petroleum products	40.9	Bananas	21.7	Coffee	11.0	Three products	73.6
El Salvador	Coffee	42.5	Cotton	10.3	—	—	Two products	52.8
Guatemala	Coffee	31.7	Cotton	10.6	—	—	Two products	42.3
Guyana	Bauxite	43.5	Sugar	36.1	—	—	Two products	79.6
Haiti	Coffee	38.1	—	—	—	—	One product	38.1
Honduras	Bananas	40.0	Coffee	15.5	Lumber	13.4	Three products	68.9
Jamaica	Bauxite	68.1	Sugar	11.1	—	—	Two products	79.2
Mexico	No product reaches 10.0 per cent.							
Nicaragua	Cotton	26.5	Coffee	14.5	Beef	12.6	Three products	53.6
Panama	Bananas	43.4	Petroleum products	26.5	Shellfish	10.2	Three products	80.1
Paraguay	Beef	15.1	Prepared meat	12.6	—	—	Two products	27.7
Peru	Fishmeal	20.9	Copper	18.6	—	—	Two products	39.5
Trinidad and Tobago	Petroleum products	64.1	—	—	—	—	One product	64.1
Uruguay	Beef	34.0	Wool	14.8	—	—	Two products	48.8
Venezuela	Crude petroleum	61.8	Petroleum products	24.7	—	—	Two products	86.5
<b>Latin America</b>	<b>Crude petroleum</b>	<b>15.4</b>	<b>Coffee</b>	<b>9.9</b>	<b>Petroleum products</b>	<b>8.6</b>		
	<b>Sugar</b>	<b>5.5</b>	<b>Copper</b>	<b>4.8</b>	<b>Beef</b>	<b>3.3</b>		
	<b>Cotton</b>	<b>2.5</b>	<b>Iron Ore</b>	<b>2.5</b>	<b>Soybeans</b>	<b>2.1</b>		
	<b>Corn (maize)</b>	<b>1.9</b>	<b>Bananas</b>	<b>1.8</b>	<b>Bauxite</b>	<b>1.7</b>	<b>Fourteen</b>	
	<b>Cocoa</b>	<b>1.1</b>	<b>Fishmeal</b>	<b>1.1</b>	<b>—</b>	<b>—</b>	<b>Products</b>	<b>62.2</b>

<sup>1</sup>For each country, products listed are those representing 10 per cent or more of total exports. For Latin America, the products included represent 1.0 per cent or more of total regional exports.

Source: Food and Agriculture Organization, *Trade Yearbook*; United Nations, *Yearbook of International Trade Statistics*; and official country statistics.

**Annual World Market Prices of Main Primary Commodity Exports of Latin America, in Current Values, 1965-77**

**Table 15**

	<u>Beef</u>	<u>Corn</u>	<u>Bananas</u>	<u>Sugar</u>		<u>Coffee</u>			
	Argentina (\$/Kg)	U.S. (\$/mt)	Ecuador (Cts./Kg)	F.M. (Cts./Kg)	U.S. (Cts./Kg)	Brazil	Colombia	Guatemala	Angola
								(\$/Kg)	
1965	1.85	55.00	12.1	4.6	12.8	0.89	1.07	1.00	0.70
1966	1.73	59.40	13.1	4.0	13.3	0.90	1.05	0.93	0.75
1967	1.69	49.90	12.0	4.2	13.9	0.83	0.92	0.86	0.75
1968	--	49.10	13.1	4.2	14.4	0.83	0.94	0.87	0.76
1969	1.73	53.90	12.9	7.1	14.9	0.90	0.99	0.88	0.74
1970	1.86	58.40	14.4	8.3	17.8	1.20	1.24	1.14	0.93
1971	2.23	58.40	14.0	10.0	18.8	0.99	1.09	1.00	0.94
1972	2.50	55.80	13.6	16.3	20.0	1.12	1.25	1.10	0.99
1973	3.18	95.80	14.5	20.9	22.7	1.48	1.60	1.37	1.10
1974	3.46	132.10	17.2	65.5	65.0	1.50	1.72	1.46	1.30
1975	--	119.60	22.5	45.1	49.6	1.72	1.80	1.44	1.28
1976	1.24	112.40	21.5	25.5	29.4	3.70	3.48	3.16	2.20
1977									
1st Qtr.	1.39	110.00	20.9	19.0	24.7	--	5.60	5.59	--
2nd Qtr.	1.29	100.40	21.9	19.4	24.9	--	6.63	6.45	--
3rd Qtr.	--	80.10	--	16.3	23.4	--	4.84	4.73	--
	<u>Cocoa</u>	<u>Fishmeal</u>	<u>Soybeans</u>	<u>Cotton</u>		<u>Iron Ore</u>	<u>Copper</u>	<u>Petroleum</u>	
	Ghana (\$/Kg)	Any Origin (\$/mt)	U.S. (\$/mt)	Mexico (\$/Kg)	U.S. (\$/Kg)	Brazil (\$/mt)	L.M.E. (\$/Kg)	Saudi Arabia (\$/bbl)	
1965	0.38	190.00	116.80	0.64	0.59	15.70	1.29	1.33	
1966	0.54	160.00	125.70	0.62	0.56	15.30	1.53	1.33	
1967	0.64	134.00	114.90	0.68	0.60	13.50	1.14	1.33	
1968	0.76	129.00	110.80	0.69	0.62	12.60	1.24	1.30	
1969	1.01	172.00	106.80	0.63	0.56	11.80	1.25	1.28	
1970	0.75	197.00	121.20	0.68	0.60	15.20	1.41	1.30	
1971	0.59	167.00	130.00	0.78	0.72	13.50	1.08	1.65	
1972	0.71	238.60	143.80	0.83	0.76	12.80	1.07	1.90	
1973	1.43	542.00	290.30	1.37	1.24	17.10	1.78	2.70	
1974	2.16	372.00	276.90	1.46	1.30	19.80	2.06	9.80	
1975	1.64	245.30	219.90	1.22	1.16	22.80	1.23	10.70	
1976	2.42	376.00	231.20	1.76	1.61	22.10	1.40	11.51	
1977									
1st Qtr.	4.22	453.70	302.70	1.84	1.68	21.70	1.45	12.10	
2nd Qtr.	4.30	489.00	360.30	1.76	1.66	21.50	1.37	12.10	
3rd Qtr.	4.88	412.30	229.10	1.50	1.25	21.30	1.20	12.70	

Note: \$/Kg = dollars per kilogram; Cts./Kg = cents per kilogram; \$/Mt = dollars per metric ton; and \$/bbl = dollars per barrel. F.M. = Free Market.  
 -- Data not available.  
 Source: World Bank.

# FINANCIAL STATEMENTS

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## SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

Amendments to the Agreement Establishing the Bank became effective in 1976 which created the inter-regional capital in order to provide for membership in the Bank of non-regional countries. Under these amendments, each member country shall have 135 votes plus one vote for each share of ordinary capital stock and for each share of inter-regional capital stock held by that country. The amendments also provide that no increase in the subscription of any member to either the ordinary capital stock or the inter-regional capital stock shall become effective which would have the effect of reducing the voting power of the regional

developing members below 53.5 percent, of the United States below 34.5 percent, and of Canada below 4 percent of the total voting power.

In making decisions concerning operations of the Fund for Special Operations, the number of votes and percent of total voting power for each member country are the same as determined by the provisions of the amended Agreement referred to above.

Subscriptions to shares of ordinary capital stock and of inter-regional capital stock, and the voting power of the member countries, are listed on the following page.

## STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

December 31, 1977

	Subscribed shares <sup>1</sup>			Number of votes	Percentage of total number of votes <sup>2</sup>
	Ordinary capital	Inter- regional capital	Total		
<b>Members</b>					
<b>Regional developing members</b>					
Argentina.....	88,632		88,632	88,767	11.78
Bahamas.....	1,520		1,520	1,655	.22
Barbados.....	1,060		1,060	1,195	.16
Bolivia.....	7,115		7,115	7,250	.96
Brazil.....	88,632		88,632	88,767	11.78
Chile.....	24,338		24,338	24,473	3.25
Colombia.....	24,317		24,317	24,452	3.25
Costa Rica.....	3,556		3,556	3,691	.49
Dominican Republic.....	4,748		4,748	4,883	.65
Ecuador.....	4,748		4,748	4,883	.65
El Salvador.....	3,556		3,556	3,691	.49
Guatemala.....	4,748		4,748	4,883	.65
Guyana.....	1,540		1,540	1,675	.22
Haiti.....	3,556		3,556	3,691	.49
Honduras.....	3,556		3,556	3,691	.49
Jamaica.....	4,748		4,748	4,883	.65
Mexico.....	56,974		56,974	57,109	7.58
Nicaragua.....	3,556		3,556	3,691	.49
Panama.....	3,556		3,556	3,691	.49
Paraguay.....	3,556		3,556	3,691	.49
Peru.....	11,878		11,878	12,013	1.59
Trinidad and Tobago.....	3,556		3,556	3,691	.49
Uruguay.....	9,504		9,504	9,639	1.28
Venezuela.....	31,530	15,956	47,486	47,621	6.32
Total regional developing members.....	394,480	15,956	410,436	413,676	54.90
<b>United States.....</b>	<b>232,862</b>	<b>33,158</b>	<b>266,020</b>	<b>266,155</b>	<b>35.32</b>
<b>Canada.....</b>	<b>24,268</b>	<b>10,822</b>	<b>35,090</b>	<b>35,225</b>	<b>4.67</b>
<b>Nonregional members.....</b>					
Austria.....		419	419	554	.07
Belgium.....		1,036	1,036	1,171	.16
Denmark.....		447	447	582	.08
Finland.....		140	140	275	.04
France.....		5,106	5,106	5,241	.70
Germany.....		5,230	5,230	5,365	.71
Israel.....		414	414	549	.07
Italy.....		5,106	5,106	5,241	.70
Japan.....		5,697	5,697	5,832	.77
Netherlands.....		776	776	911	.12
Spain.....		5,106	5,106	5,241	.70
Sweden.....		302	302	437	.06
Switzerland.....		1,140	1,140	1,275	.17
United Kingdom.....		5,106	5,106	5,241	.70
Yugoslavia.....		419	419	554	.07
Total nonregional members.....		36,444	36,444	38,469	5.11
<b>GRAND TOTAL.....</b>	<b>651,610</b>	<b>96,380</b>	<b>747,990</b>	<b>753,525</b>	<b>100.00</b>

<sup>1</sup> Excludes subscriptions totalling 480 shares, 279 shares and 604 shares, respectively, by the Bahamas, Finland and Sweden which have not yet become effective.

<sup>2</sup> Data are rounded to the nearest one-hundredth of one percent; detail may not add to subtotals and grand total because of rounding.

# ORDINARY CAPITAL

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors  
Inter-American Development Bank

In our opinion, the financial statements appearing on pages 96 through 105 present fairly the financial position of the Inter-American Development Bank-Ordinary Capital at December 31, 1977 and 1976, and the results of its operations and the changes in its 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 17, 1978

## FINANCIAL STATEMENTS

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Ordinary Capital  
Inter-American Development Bank

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note A

	December 31,			
	1977		1976	
<b>ASSETS</b>				
<b>Cash</b>				
Unrestricted.....	\$ 92,046		\$ 88,811	
Restricted (Note C).....	25,376	\$ 117,422	18,074	\$ 106,885
<b>Investments</b>				
Obligations issued or guaranteed by governments or issued by United States Agencies, at amortized cost (face amount \$289,252; 1976—\$206,781).....	291,594		209,342	
Time deposits.....	1,068,692	1,360,286	1,062,186	1,271,528
<b>Loans outstanding (Note D) (Appendix I-1)</b>				
Total loans approved, less cancellations.....	4,932,619		4,488,936	
Less undisbursed balance of approved loans.....	(1,768,538)		(1,877,555)	
Less principal collected and loans sold or agreed to be sold.....	(1,072,270)	2,091,811	( 880,143)	1,731,238
<b>Accrued interest and other charges</b>				
On investments.....	30,008		28,950	
On loans.....	47,429	77,437	39,206	68,156
<b>Due from members (Note G)</b>				
Capital subscriptions.....	2,943		3,063	
Non-negotiable, non-interest bearing demand obligations.....	273,906		290,247	
Amounts required to maintain value of currency holdings (Note B).....	5,777	282,626	13,425	306,735
<b>Other assets</b>				
Land, buildings and improvements, at cost less accumulated depreciation \$3,231; 1976—\$2,687.....	12,075		12,235	
Unamortized funded debt issue costs.....	18,599		17,204	
Miscellaneous, including interfund receivables.....	3,827	34,501	4,886	34,325
<b>Special Reserve assets (Note E).....</b>				
		117,669		99,130
Total assets.....		<u>\$4,081,752</u>		<u>\$3,617,997</u>

Ordinary Capital  
Inter-American Development Bank

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note A

	December 31,	
	1977	1976
<b>LIABILITIES AND CAPITAL</b>		
<b>Liabilities</b>		
Funded debt (Note F) (Appendix I-2).....	\$2,379,439	\$2,070,936
Less unamortized debt discount.....	( 8,297)	( 8,387)
	\$2,371,142	\$2,062,549
Other liabilities and credits		
Accrued interest on borrowings.....	57,392	50,370
Accounts payable and accrued expenses.....	6,851	6,551
Mortgage payable.....	2,448	2,681
Deferred credits.....	—	1,264
	66,691	60,866
<b>Capital</b>		
Capital Stock (Note G) (Appendix I-3)		
Authorized 756,678 shares of \$10,000 par value in terms of 1959 U.S. dollars		
Subscribed 651,610 shares; 1976—572,451.....	7,860,653	6,905,724
Less callable portion.....	(6,763,086)	(5,864,445)
	1,097,567	1,041,279
General Reserve (Note H).....	428,683	354,173
Special Reserve (Note E).....	117,669	99,130
	1,643,919	1,494,582
<b>Commitments (Notes D and J)</b>		
Total liabilities and capital.....	<u>\$4,081,752</u>	<u>\$3,617,997</u>

Ordinary Capital  
Inter-American Development Bank

**STATEMENT OF INCOME AND GENERAL RESERVE**

Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1977	1976
<b>Income</b>		
From loans		
Interest.....	\$124,768	\$104,818
Credit commissions.....	20,749	19,127
Special commissions.....	18,539	15,664
Supervision and inspection fees.....	5,246	4,022
	<u>\$169,302</u>	<u>\$143,631</u>
From investments.....	97,727	84,059
From other sources, including gains on purchases of funded debt (Note F).....	4,396	7,422
Gross income.....	<u>271,425</u>	<u>235,112</u>
<b>Expenses</b>		
Funded debt expenses.....	160,412	134,260
Administrative expenses		
Salaries.....	10,269	13,473
Other compensation and benefits (Note I).....	4,376	5,681
Office occupancy (Note J).....	1,628	2,159
Other.....	4,328	5,720
	<u>20,601</u>	<u>27,033</u>
Less—amounts charged to Trust Funds for indirect and overhead expenses by Bank as Administrator.....	( 753)	( 988)
Total administrative expenses.....	19,848	26,045
Exchange adjustments.....	( 1,884)	1,023
Total expenses.....	<u>178,376</u>	<u>161,328</u>
<b>Net income</b> .....	93,049	73,784
Less—special commissions allocated to Special Reserve (Note E).....	18,539	15,664
<b>Addition to General Reserve for the year</b> .....	<u>74,510</u>	<u>58,120</u>
<b>General Reserve beginning of year</b> .....	<u>354,173</u>	<u>296,053</u>
<b>General Reserve end of year</b> .....	<u>\$428,683</u>	<u>\$354,173</u>

Ordinary Capital  
Inter-American Development Bank

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1977	1976
<b>Financial resources provided by</b>		
Operations		
Net income.....	\$ 93,049	\$ 73,784
Items not requiring cash.....	2,074	11,856
Cash provided by operations.....	95,123	85,640
Loan principal collections.....	140,785	115,357
Sales of loans to participants.....	25,000	53,000
Borrowings.....	288,397	560,146
Increase in funded debt resulting from exchange rate fluctuations.....	154,894	41,930
Collection of amounts due from members.....	80,397	96,780
Other.....	1,421	2,390
Total financial resources provided.....	<u>\$786,017</u>	<u>\$955,243</u>
<b>Financial resources used for</b>		
Loan disbursements.....	\$386,151	\$364,207
Payment of loan principal collections to participants.....	7,004	6,056
Increase in loans outstanding resulting from exchange rate fluctuations.....	133,203	33,165
Retirement of funded debt.....	134,788	111,520
Allocation of special commissions to Special Reserve.....	18,539	15,664
Increase in cash and investments, including \$24,139 in 1977 and \$8,264 in 1976 resulting from exchange rate fluctuations.....	99,295	413,589
Other.....	7,037	11,042
Total financial resources used.....	<u>\$786,017</u>	<u>\$955,243</u>

## NOTES TO FINANCIAL STATEMENTS

December 31, 1977 and 1976

### NOTE A—SUMMARY OF ACCOUNTING POLICIES

#### Basis of Accounting

The Bank (ordinary capital) maintains its accounting records on the accrual basis of accounting. Furniture and equipment purchases are charged directly to expense.

#### Translation of Currencies

The accounting records are maintained and the financial statements are expressed in United States dollars. Assets and liabilities denominated in currencies other than United States dollars are translated generally at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at the approximate market rates of exchange prevailing during each month. Fluctuations of rates of exchange of currencies received from capital subscriptions do not have any effect on the United States dollar equivalents of such currencies because of the maintenance of value provisions described in Note B. Although fluctuations of market rates of exchange of borrowed currencies may result in significant adjustments to ordinary capital assets and liabilities, their effect on net income is significantly less because of the policy of lending borrowed currencies under loan contracts denominated in such currencies and making temporary investments in the same currencies prior to their disbursement under loans. Exchange gains and losses may occur when the ordinary capital has an excess of assets or liabilities denominated in borrowed currencies as a result of accumulated net operating income or loss in such currencies or by conversions of one borrowed currency into another for purposes of debt servicing. Such gains or losses are recorded as exchange adjustments when incurred. No representation is made that any currency held in the ordinary capital is convertible into any other currency at any rate or rates.

#### Investments

Investments in obligations issued or guaranteed by governments or issued by United States Agencies are stated at cost adjusted for the amortization of premium or discount, which approximates market value.

#### Land, Buildings and Improvements

Land, buildings and improvements are stated at cost. Major improvements are capitalized while routine replacements, maintenance and repairs are charged to expense. Depreciation is computed on the straight-line method over estimated useful lives of 30 to 47 years for the buildings and 10 to 12 years for the improvements.

#### Debt Issue Costs and Discount

Costs and discount relating to the issuance of the funded debt are being amortized over the life of each issue in proportion to principal amounts outstanding.

#### Administrative Expenses

Substantially all administrative expenses of the Bank are allocated among the ordinary capital, inter-regional capital and the Fund for Special Operations pursuant to an allocation

method approved by the Board of Executive Directors. During 1977, the Board approved a change in the formula used to allocate administrative expenses resulting in such expenses in 1977 being charged 33.4% to the ordinary capital, 1.3% to the inter-regional capital and 65.3% to the Fund for Special Operations. Had the old formula been used in 1977 the allocation would have been 46%, 3% and 51%, respectively. During 1976, after a charge of \$223,000 to the inter-regional capital, such expenses were charged 48% to the ordinary capital and 52% to the Fund for Special Operations.

#### Staff Retirement Plan

The Bank, as provided for by the Staff Retirement 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 expenses when incurred.

### NOTE B—MAINTENANCE OF VALUE

In accordance with the Agreement Establishing the Bank (Agreement), each member is required to maintain the value of its currency held in the ordinary capital, except for currency derived from borrowings. Likewise, the Bank (ordinary capital) is required to return to a member an amount of its currency equal to any significant increase in value of such member's currency which is held in the ordinary capital, except for currency derived from borrowings. The standard of value for these purposes is the United States dollar of the weight and fineness in effect on January 1, 1959. The Agreement 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. 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. Charges to members relating to the 1972 and 1973 official devaluations of the United States dollar and the corresponding devaluations of other currencies which are still due from members are shown in the accompanying Balance Sheet as "amounts required to maintain value of currency holdings."

### NOTE C—RESTRICTED CURRENCIES

In accordance with the provisions of the Agreement, one member has restricted the use of its currency to making payments for goods and services produced in its territory.

### NOTE D—LOANS OUTSTANDING

The Bank makes loans to its developing members, agencies or political subdivisions of such members or to private enterprises located in their territories. For loans to borrowers other than members and central banks, the Bank in almost all instances has received either the member's guarantee or other security deemed appropriate.

Under the loan contracts with the borrowers, the Bank may sell participations in the loans to commercial banks or other public or private organizations, but it reserves to itself the administration of the loans.

Ordinary Capital  
Inter-American Development Bank  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 1977 and 1976  
(continued)

Loans approved are disbursed to borrowers in accordance with the requirements of the project being financed under the loans; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank. Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse approximately \$83,295,000 at December 31, 1977 (\$37,879,000 at December 31, 1976).

During 1977 the Bank completed recovery of remaining amounts due under two loans on which default occurred in 1966.

**NOTE E—SPECIAL RESERVE**

Under a provision of the Agreement, the amount of special commissions earned by the Bank on loans made out of the ordinary capital resources is required 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.

The following is a summary of changes in the Special Reserve:

	Year ended December 31,	
	1977	1976
	(In thousands)	
Balance beginning of year.....	\$ 99,130	\$83,466
Allocation of special commissions..	18,539	15,664
Balance end of year.....	<u>\$117,669</u>	<u>\$99,130</u>

The Special Reserve assets consist of the following:

	December 31,	
	1977	1976
	(In thousands)	
Cash.....	\$ 4,243	\$ 113
Investments		
United States Government and Agencies obligations, at amor- tized cost (face amount \$10,000; 1976—\$14,000).....	10,288	14,379
Time deposits.....	91,504	74,076
Accrued loan commissions.....	5,762	4,690
Due from member countries		
Non-negotiable, non-interest bearing demand obligations...	5,872	5,872
	<u>\$117,669</u>	<u>\$99,130</u>

**NOTE F—FUNDED DEBT**

Funded debt of the Bank-ordinary capital consists of borrowings in United States dollars, including short-term borrowings principally from central banks of Latin American members, and in other regional and nonregional member currencies, at interest rates ranging from 4% to 9.2%.

Sinking fund requirements and funded debt maturities

subsequent to December 31, 1977 are approximately equivalent to the following:

Year	Amount (in thousands)
1978	\$ 119,509
1979	180,060
1980	107,468
1981	120,461
1982	134,760
1983/87	1,140,543
1988/92	307,768
1993/97	161,435
1998/2002	107,435
	<u>\$2,379,439</u>

In January 1978 the Bank issued bonds in the equivalent of approximately \$47,000,000 in German marks, not included above.

The weighted average face value interest rates on the outstanding principal of the Bank's funded debt at December 31, 1977 and 1976 approximate 7.21% and 7.14%, respectively. The weighted average effective interest rates on the outstanding principal of the funded debt, after deducting discount, approximate 7.28% and 7.24% at December 31, 1977 and 1976, respectively. The amortization of discount amounted to \$1,162,000 in 1977 and \$1,081,000 in 1976.

Gains of \$3,017,000 in 1977 (1976—\$3,329,000) on purchases of funded debt pursuant to sinking fund requirements are included under income from other sources.

**NOTE G—CAPITAL STOCK**

As provided in the Agreement, the authorized ordinary capital is expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1959. Because of the devaluations of the United States dollar mentioned in Note B, the \$10,000 par value of each share in terms of the 1959 United States dollar has increased to \$12,063 in terms of the current United States dollar. In these terms, the authorized ordinary capital at December 31, 1977 was \$9,128,134,000 (756,678 shares of \$12,063 each), comprised of \$1,230,856,000 (102,032 shares) of "paid-in" capital and \$7,897,278,000, (654,646 shares) of "callable" capital.

The subscribed "paid-in" ordinary 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 has been paid entirely in Canadian dollars; as permitted under the Agreement, non-negotiable, non-interest bearing demand obligations have been or will be accepted in lieu of part of the member's subscription to the "paid-in" capital. The subscribed "callable" portion of the authorized ordinary capital shall be called only when required to meet the obligations of the Bank created by borrowings of funds for inclusion in the Bank's ordinary capital resources or guarantees chargeable to such resources 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.

Subscriptions to ordinary capital stock by the members are as indicated in Appendix I-3.

Ordinary Capital  
Inter-American Development Bank  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 1977 and 1976  
(continued)

The following table summarizes the changes in the subscribed ordinary capital for the two years ended December 31, 1977:

	Subscribed ordinary capital			
	Shares	Amount (Thousands of United States dollars)		
		Paid-in	Callable	Total
Balance at December 31, 1975.....	494,466	\$ 983,037	\$4,981,920	\$5,964,957
Subscription by members to an increase of capital approved in 1976..	76,445	53,778	868,411	922,189
Subscription by new member—Guyana.....	1,540	4,464	14,114	18,578
Balance at December 31, 1976.....	572,451	1,041,279	5,864,445	6,905,724
Subscription by members to the increase of capital approved in 1976..	77,639	54,840	881,752	936,592
Subscription by new member—Bahamas.....	1,520	1,448	16,889	18,337
Balance at December 31, 1977.....	<u>651,610</u>	<u>\$1,097,567</u>	<u>\$6,763,086</u>	<u>\$7,860,653</u>

Final subscription installments to an increase of capital approved in 1976 are due in 1978 and consist of \$54,311,000 of "paid-in" capital and \$875,093,000 of "callable" capital. The "paid-in" capital subscription of the Bahamas is to become effective and is to be entered as subscribed capital in five equal annual installments of \$1,448,000 each to 1981; the full "callable" capital subscription of that country became effective upon its admittance to Bank membership in 1977.

**NOTE H—GENERAL RESERVE**

In accordance with resolutions of the Board of Governors the net income from the ordinary capital resources of the Bank, after allocation of special commissions to the Special Reserve (see Note E), is added to a general reserve for possible future losses.

**NOTE I—STAFF RETIREMENT PLAN**

The Bank has a Staff Retirement Plan for the benefit of its employees. Every staff member under age 62 becomes a participant as a condition of service and contributes a percentage of his remuneration to the Plan. Bank contributions to the Plan during 1977 and 1976 were \$5,349,000 and \$5,154,000,

respectively, which were charged to administrative expenses and allocated between funds as indicated in Note A. Bank contributions include the amortization over a ten year period of an unfunded liability created as a result of certain amendments to the Plan which became effective in 1975.

**NOTE J—LEASES**

The Bank rents certain of its office facilities under lease agreements which expire at various dates through 1982. The estimated annual rentals through 1982, under leases in effect at December 31, 1977 (net of minor amounts under sublease agreements), are as follows:

1978	\$2,032,000
1979	1,844,000
1980	1,639,000
1981	1,521,000
1982	1,521,000

Office rental expense (net of amounts received under subleases) was \$2,277,000 in 1977 and \$2,159,000 in 1976. Such amounts were allocated between funds as set forth in Note A.

**SUMMARY STATEMENT OF LOANS—NOTE D**

December 31, 1977 and 1976

Expressed in thousands of United States dollars—Note A

Member in whose territory loans have been made	Total loans approved, less cancellations	Principal collected	Loans sold or agreed to be sold	Currency in which outstanding portion of approved loans is collectible				
				Undisbursed	Outstanding	United States dollars	Other paid-in currencies	Other borrowed currencies
Argentina.....	\$ 861,609	\$171,429	\$ 58,669	\$ 269,138	\$ 362,373	\$ 96,757	\$ 57,698	\$ 207,918
Barbados.....	10,915	—	—	4,141	6,774	3,529	—	3,245
Bolivia.....	70,575	3,755	—	15,022	51,798	38,832	962	12,004
Brazil.....	1,493,407	235,042	47,411	607,832	603,122	278,764	51,733	272,625
Chile.....	283,740	76,930	6,437	118,344	82,029	38,443	2,393	41,193
Colombia.....	362,586	73,146	4,105	100,801	184,534	57,196	11,311	116,027
Costa Rica.....	74,709	10,667	1,521	22,726	39,795	17,473	51	22,271
Dominican Republic.....	7,302	7,102	200	—	—	—	—	—
Ecuador.....	128,382	7,338	257	91,917	28,870	17,767	329	10,774
El Salvador.....	22,135	5,312	15,251	—	1,572	1,309	72	191
Guatemala.....	35,887	7,683	15,725	8,881	3,598	3,344	—	254
Honduras.....	960	400	60	500	—	—	—	—
Jamaica.....	13,676	354	—	4,769	8,553	6,304	186	2,063
Mexico.....	946,149	141,081	24,311	256,211	524,546	149,513	35,258	339,775
Nicaragua.....	20,823	9,714	1,794	303	9,012	3,564	498	4,950
Panama.....	49,595	739	—	45,282	3,574	697	415	2,462
Paraguay.....	6,565	4,341	429	—	1,795	1,232	278	285
Peru.....	115,017	26,601	7,834	54,641	25,941	9,983	3,842	12,116
Trinidad and Tobago.....	756	12	—	524	220	45	—	175
Uruguay.....	95,132	19,815	951	44,989	29,377	18,273	1,799	9,305
Venezuela.....	138,185	70,828	5,768	6,019	55,570	17,139	6,116	32,315
Regional.....	194,514	8,258	1,000	116,498	68,758	46,469	—	22,289
Total 1977.....	<u>\$4,932,619</u>	<u>\$880,547</u>	<u>\$191,723</u>	<u>\$1,768,538</u>	<u>\$2,091,811</u>	<u>\$806,633</u>	<u>\$172,941</u>	<u>\$1,112,237</u>
Total 1976.....	<u>\$4,488,936</u>	<u>\$717,198</u>	<u>\$162,945</u>	<u>\$1,877,555</u>	<u>\$1,731,238</u>	<u>\$712,968</u>	<u>\$164,972</u>	<u>\$ 853,298</u>

The following table summarizes the borrowed currencies other than United States dollars, in which the outstanding portion of approved loans is collectible:

Currencies	1977	1976
Austrian schillings.....	\$ 25,144	\$ 23,348
Belgian francs.....	5,774	5,914
British pounds sterling.....	2,293	2,285
French francs.....	32,605	29,904
German marks.....	328,454	259,823
Italian lire.....	35,378	39,280
Japanese yen.....	207,239	121,394
Netherlands guilders.....	21,482	21,483
Spanish pesetas.....	8,158	11,225
Swedish kronor.....	22,539	26,322
Swiss francs.....	401,796	289,897
Trinidad and Tobago dollars.....	1,875	1,875
Venezuelan bolivars.....	19,500	20,548
	<u>\$1,112,237</u>	<u>\$853,298</u>

**STATEMENT OF FUNDED DEBT—NOTE F**

December 31, 1977 and 1976

Expressed in thousands of United States dollars—Note A

Payable in	Face value interest rate range	Due Dates	Principal Outstanding	
			1977	1976
Austrian schillings.....	6¾% - 8%	1980-1986	\$ 33,820	\$ 34,369
Belgian francs.....	7% - 7½%	1982-1986	14,888	16,201
British pounds sterling.....	5½% - 8¾%	1982-1989	6,352	6,762
French francs.....	8% - 8½%	1989-1992	38,854	37,892
German marks.....	5½% - 8½%	1979-1987	356,254	340,324
Italian lire.....	5% - 6%	1982-1989	42,025	43,947
Japanese yen.....	5% - 9.2%	1978-1991	229,283	152,068
Netherlands guilders.....	7% - 8%	1986-1988	27,611	27,049
Spanish pesetas.....	6%	1985	9,877	11,722
Swedish kronor.....	7½% - 8¼%	1979-1984	16,831	21,610
Swiss francs.....	5½% - 8%	1981-1992	412,500	306,122
Trinidad and Tobago dollars.....	6.65% - 8%	1982-2002	14,583	4,167
United States dollars.....	4% - 9%	1978-2002	1,154,468	1,045,447
Venezuelan bolivars.....	7%	1987	22,093	23,256
Total.....			<u>\$2,379,439</u>	<u>\$2,070,936</u>

**STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK—NOTE G**

December 31, 1977 and 1976

Expressed in thousands of United States dollars—Note A

Members	Shares	Paid-in portion of subscribed capital		Callable portion of subscribed capital	Total 1977	Total 1976
		United States dollars	Other member currencies			
Argentina.....	88,632	\$ 75,601	\$ 75,602	\$ 918,003	\$1,069,206	\$ 889,569
Bahamas.....	1,520	724	723	16,889	18,336	—
Barbados.....	1,060	1,394	1,393	10,000	12,787	10,640
Bolivia.....	7,115	6,080	6,080	73,671	85,831	71,403
Brazil.....	88,632	75,602	75,601	918,003	1,069,206	889,569
Canada.....	24,268	—	48,254	244,502	292,756	292,756
Chile.....	24,338	20,749	20,749	252,102	293,600	244,273
Colombia.....	24,317	20,737	20,737	251,872	293,346	244,068
Costa Rica.....	3,556	3,028	3,028	36,842	42,898	35,696
Dominican Republic.....	4,748	4,053	4,054	49,170	57,277	47,650
Ecuador.....	4,748	4,054	4,053	49,170	57,277	47,650
El Salvador.....	3,556	3,028	3,028	36,842	42,898	35,696
Guatemala.....	4,748	4,053	4,054	49,170	57,277	47,650
Guyana.....	1,540	2,232	2,232	14,114	18,578	18,577
Haiti.....	3,556	3,027	3,028	36,842	42,897	35,696
Honduras.....	3,556	3,028	3,027	36,842	42,897	35,696
Jamaica.....	4,748	4,053	4,053	49,171	57,277	47,650
Mexico.....	56,974	48,604	48,603	590,095	687,302	571,831
Nicaragua.....	3,556	3,028	3,028	36,842	42,898	35,696
Panama.....	3,556	3,028	3,028	36,842	42,898	35,696
Paraguay.....	3,556	3,028	3,028	36,842	42,898	28,494
Peru.....	11,878	10,121	10,121	123,047	143,289	119,211
Trinidad and Tobago.....	3,556	3,028	3,028	36,842	42,898	35,696
United States.....	232,862	361,903	—	2,447,212	2,809,115	2,609,115
Uruguay.....	9,504	8,094	8,095	98,462	114,651	95,386
Venezuela.....	31,530	33,331	33,332	313,697	380,360	380,360
Total 1977.....	<u>651,610</u>	<u>\$705,608</u>	<u>\$391,959</u>	<u>\$6,763,086</u>	<u>\$7,860,653</u>	
Total 1976.....	<u>572,451</u>	<u>\$677,464</u>	<u>\$363,815</u>	<u>\$5,864,445</u>		<u>\$6,905,724</u>



# INTER-REGIONAL CAPITAL

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors  
Inter-American Development Bank

In our opinion, the financial statements appearing on pages 108 through 112 present fairly the financial position of the Inter-American Development Bank—Inter-Regional Capital at December 31, 1977 and 1976, and the results of its operations and the changes in its financial position for the year ended December 31, 1977 and for the period from inception (June 1, 1976) to December 31, 1976, 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*   
PRICE WATERHOUSE & CO.

Washington, D.C.  
February 17, 1978

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Inter-Regional Capital  
Inter-American Development Bank

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note B

	December 31,	
	1977	1976
<b>ASSETS</b>		
Cash.....	\$ 1,215	\$ 4,059
<b>Investments</b> .....		
Obligations issued or guaranteed by governments, at amortized cost (face amount \$11,080; 1976—\$6,533).....	\$ 10,688	\$ 6,490
Time deposits.....	46,683	9,681
	<u>57,371</u>	<u>16,171</u>
<b>Loans outstanding</b> (Note D) (Appendix II-1)		
Total loans approved, less cancellations.....	890,208	236,070
Less undisbursed balance of approved loans.....	(817,143)	(236,070)
Less loans sold or agreed to be sold.....	( 68,000)	—
	<u>5,065</u>	<u>—</u>
<b>Accrued interest and other charges</b>		
On investments.....	1,005	84
On loans.....	413	—
	<u>1,418</u>	<u>84</u>
<b>Due from members</b> (Note F)		
Capital subscriptions.....	31,710	32,777
Non-negotiable, non-interest bearing demand obligations.....	96,336	32,261
	<u>128,046</u>	<u>65,038</u>
<b>Other assets</b> .....	17	—
Total assets.....	<u>\$193,132</u>	<u>\$ 85,352</u>
<b>LIABILITIES AND CAPITAL</b>		
<b>Liabilities</b>		
Funded debt (Note E).....	\$ 4,762	
Accounts payable and accrued expenses.....	57	\$ 223
<b>Capital</b> .....		
<b>Capital Stock</b> (Note F) (Appendix II-2)		
Authorized 131,903 shares of \$10,000 par value in terms of 1959 U.S. dollars		
Subscribed 96,380 shares; 1976—46,273.....	\$1,162,674	\$558,211
Less callable portion.....	(977,826)	(473,116)
	<u>184,848</u>	<u>85,095</u>
Accumulated earnings.....	3,465	34
	<u>188,313</u>	<u>85,129</u>
<b>Commitments</b> (Notes D and H)		
Total liabilities and capital.....	<u>\$193,132</u>	<u>\$85,352</u>

Inter-Regional Capital  
Inter-American Development Bank

**STATEMENT OF INCOME AND ACCUMULATED EARNINGS**

Expressed in thousands of United States dollars—Note B

	Year ended December 31, 1977	June 1 to December 31, 1976
<b>Income</b>		
From loans		
Interest.....	\$ 34	
Credit commissions.....	1,218	
Supervision and inspection fees.....	64	
	<u>\$1,316</u>	
From investments.....	2,949	\$257
From other sources.....	7	—
	<u>4,272</u>	<u>257</u>
<b>Gross income.....</b>		
		<u>257</u>
<b>Expenses</b>		
Funded debt expenses.....	70	
Administrative expenses (Note B)		
Salaries.....	400	\$112
Other compensation and benefits (Note G).....	170	47
Office occupancy (Note H).....	63	18
Other.....	163	46
	<u>796</u>	<u>223</u>
Less—amounts charged to Trust Funds for indirect and overhead expenses by Bank as Administrator.....	( 29)	—
Total administrative expenses.....	767	223
Exchange adjustments.....	4	—
Total expenses.....	<u>841</u>	<u>223</u>
<b>Net income.....</b>	<b>3,431</b>	<b>34</b>
<b>Accumulated earnings beginning of period.....</b>	<b>34</b>	<b>—</b>
<b>Accumulated earnings end of period.....</b>	<b><u>\$3,465</u></b>	<b><u>\$ 34</u></b>

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

Expressed in thousands of United States dollars—Note B

	Year ended December 31, 1977	June 1 to December 31, 1976
<b>Financial resources provided by</b>		
Operations		
Net income.....	\$ 3,431	\$ 34
Items not requiring (providing) cash.....	( 1,517)	139
Cash provided by operations.....	1,914	173
Borrowings.....	4,350	
Increase in funded debt resulting from exchange rate fluctuations...	412	
Collections of amounts due from members.....	36,745	20,057
Total financial resources provided.....	<u>\$43,421</u>	<u>\$20,230</u>
<b>Financial resources used for</b>		
Loan disbursements.....	\$ 5,027	
Increase in loans outstanding resulting from exchange rate fluctuations	38	
Increase in cash and investments, including \$373 in 1977 resulting from exchange rate fluctuations.....	38,356	\$20,230
Total financial resources used.....	<u>\$43,421</u>	<u>\$20,230</u>

## NOTES TO FINANCIAL STATEMENTS

December 31, 1977 and 1976

### NOTE A—ESTABLISHMENT OF THE INTER-REGIONAL CAPITAL

The inter-regional capital of the Inter-American Development Bank was created by certain amendments approved on June 1, 1976 to the Agreement Establishing the Bank (Agreement), in order to provide for membership in the Bank of countries located outside of the Western Hemisphere region.

### NOTE B—SUMMARY OF ACCOUNTING POLICIES

#### Basis of Accounting

The Bank (inter-regional capital) maintains its accounting records on the accrual basis of accounting. Furniture and equipment purchases are charged directly to expense.

#### Translation of Currencies

The accounting records are maintained and the financial statements are expressed in United States dollars. Assets and liabilities denominated in currencies other than United States dollars are translated generally at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at the approximate market rates of exchange prevailing during each month. Fluctuations of rates of exchange of currencies received from capital subscriptions do not have any effect on the United States dollar equivalents of such currencies because of the maintenance of value provisions described in Note C. Although fluctuations of market rates of exchange of borrowed currencies may result in significant adjustments to inter-regional capital assets and liabilities, their effect on net income is significantly less because of the policy of lending borrowed currencies under loan contracts denominated in such currencies and making temporary investments in the same currencies prior to their disbursement under loans. Exchange gains and losses may occur when the inter-regional capital has an excess of assets or liabilities denominated in borrowed currencies as a result of accumulated net operating income or loss in such currencies. Such gains or losses are recorded as exchange adjustments when incurred. No representation is made that any currency held in the inter-regional capital is convertible into any other currency at any rate or rates.

#### Investments

Investments in obligations issued or guaranteed by governments are stated at cost adjusted for the amortization of premium or discount, which approximates market value.

#### Administrative Expenses

Substantially all administrative expenses of the Bank are allocated among funds pursuant to an allocation method approved by the Board of Executive Directors. During 1977, such expenses were charged 1.3% to the inter-regional capital, 33.4% to the ordinary capital and 65.3% to the Fund for Special Operations. For 1976 the Board of Executive Directors established \$223,000 as the administrative expense charge to the inter-regional capital.

### NOTE C—MAINTENANCE OF VALUE

In accordance with the Agreement, each member is required

to maintain the value of its currency held in the inter-regional capital, except for currency derived from borrowings. Likewise, the Bank (inter-regional capital) is required to return to a member an amount of its currency equal to any significant increase in value of such member's currency which is held in the inter-regional capital, except for currency derived from borrowings. The standard of value for these purposes is the United States dollar of the weight and fineness in effect on January 1, 1959. The Agreement also provides that the 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. 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.

### NOTE D—LOANS OUTSTANDING

The Bank makes loans to its developing members, agencies or political subdivisions of such members or to private enterprises located in their territories. For loans to borrowers other than members and central banks, the Bank has received either the member's guarantee or other security deemed appropriate.

Under the loan contracts with the borrowers, the Bank may sell participations in the loans to commercial banks or other public or private organizations, but it reserves to itself the administration of the loans.

Loans approved are disbursed to borrowers in accordance with the requirements of the projects being financed under the loans; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank. Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse approximately \$783,000 at December 31, 1977.

### NOTE E—FUNDED DEBT

Funded debt of the Bank—inter-regional capital consists of drawings during 1977 under a loan agreement to borrow German Marks in a total equivalent of approximately \$14,000,000 repayable in 1988. The average interest rate relating to the amount outstanding at December 31, 1977 was 7.02%.

### NOTE F—CAPITAL STOCK

As provided in the Agreement, the authorized inter-regional capital is expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1959. The par value of each share of \$10,000 in terms of the 1959 United States dollar is equivalent to \$12,063 in terms of the current United States dollar. In these terms, the authorized inter-regional capital at December 31, 1977 was \$1,591,203,000 (131,903 shares of \$12,063 each), comprised of \$252,946,000 (20,968 shares) of "paid-in" capital and \$1,338,257,000 (110,935 shares) of "callable" capital.

Subscriptions to "paid-in" inter-regional capital have been or are to be paid entirely in the currency of the respective member. As permitted under the Agreement, non-negotiable, non-interest bearing demand obligations have been or will be accepted in lieu of part of the members' subscriptions to the "paid-in" inter-regional capital. The subscribed "callable" portion of the authorized inter-regional capital shall be called

Inter-Regional Capital  
Inter-American Development Bank

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1977 and 1976

(continued)

only when required to meet the obligations of the Bank created by borrowings of funds for inclusion in the Bank's inter-regional capital resources or guarantees chargeable to such resources and is payable at the option of the member either in the freely convertible currency of a member country or the currency required to discharge the obligations of the Bank for the purpose for which the call is made.

Pursuant to provisions of the Agreement, however, the Bank's liabilities on all borrowings of funds for inclusion in its ordinary capital resources which were outstanding at December 31, 1974 are payable out of both the ordinary capital resources and the inter-regional capital resources, provided, however, that the Bank shall use its best efforts to first discharge such liabilities out of its ordinary capital resources, which include the General and Special Reserves and the "paid-in" and "callable" ordinary capital subscriptions. At December 31, 1977 ordinary capital

borrowings referred to above were outstanding in the amount of \$1,129,230,000 and ordinary capital General and Special Reserves and "paid-in" and "callable" subscriptions totalled \$8,407,005,000.

The Agreement also provides for the merger of the inter-regional capital resources and the ordinary capital resources, but not before the Bank shall have discharged its liabilities on all its ordinary capital borrowings which were outstanding at December 31, 1974. Until such merger may take place, the inter-regional capital resources are required under the Agreement to be held, used and accounted for entirely separate from the ordinary capital resources.

Six additional nonregional countries became members of the Bank during 1977.

Subscriptions to inter-regional capital stock by members are shown in Appendix II-2.

The following table summarizes the changes in the subscribed inter-regional capital for the period since inception on June 1, 1976 to December 31, 1977:

	Subscribed inter-regional capital			
	Amount (Thousands of United States dollars)			
	Shares	Paid-in	Callable	Total
Capital subscribed in 1976				
Nonregional members.....	24,595	\$ 48,941	\$247,759	\$ 296,700
Regional members.....	21,678	36,154	225,357	261,511
Balance at December 31, 1976.....	46,273	85,095	473,116	558,211
Subscriptions in 1977				
Nonregional members.....	11,849	23,572	119,368	142,940
Regional members.....	38,258	76,181	385,342	461,523
Balance at December 31, 1977.....	<u>96,380</u>	<u>\$184,848</u>	<u>\$977,826</u>	<u>\$1,162,674</u>

The subscriptions shown above exclude the second and third installments of Finland and Sweden, which will become effective and, therefore, will be entered as subscribed capital on their due dates in 1978 and 1979 in amounts aggregating \$1,761,000 of "paid-in" capital and \$8,891,000 of "callable" capital. Such subscriptions also exclude the final installments due in 1978 from regional members under an increase of capital approved in 1976, which consist of \$56,167,000 of "paid-in" capital and \$305,338,000 of "callable" capital.

Payments of "paid-in" capital subscriptions by nonregional members excluding those of Finland and Sweden are due in amounts of \$23,806,000, \$7,740,000 and \$164,000 in 1978, 1979 and 1980, respectively; nonregional members "callable" capital subscriptions become subject to call in amounts of \$120,876,000 and \$38,301,000 in 1978 and 1979, respectively.

**NOTE G—STAFF RETIREMENT PLAN**

The Bank has a Staff Retirement Plan for the benefit of its employees. Every staff member under age 62 becomes a participant as a condition of service and contributes a percentage of his remuneration to the Plan. Bank contributions to the Plan during 1977 and 1976 were \$5,349,000 and \$5,154,000,

respectively, which were charged to administrative expenses and allocated between funds as indicated in Note B. Bank contributions include the amortization over a ten year period of an unfunded liability created as a result of certain amendments to the Plan which became effective in 1975.

**NOTE H—LEASES**

The Bank rents certain of its office facilities under lease agreements which expire at various dates through 1982. The estimated annual rentals through 1982, under leases in effect at December 31, 1977 (net of minor amounts under sublease agreements), are as follows:

1978	\$2,032,000
1979	1,844,000
1980	1,639,000
1981	1,521,000
1982	1,521,000

Office rental expense (net of amounts receivable under subleases) was \$2,277,000 in 1977 and \$2,159,000 in 1976. Such amounts were allocated between funds as set forth in Note B.

**SUMMARY STATEMENT OF LOANS—NOTE D**

December 31, 1977 and 1976

Expressed in thousands of United States dollars—Note B

Member in whose territory loans have been made	Total loans approved, less cancellations	Loans sold or agreed to be sold	Undisbursed	Outstanding	Currency in which outstanding portion of approved loans is collectible	
					Paid-in	Borrowed
Argentina.....	\$225,900	\$40,000	\$185,900			
Bolivia.....	29,000		29,000			
Brazil.....	231,681		228,170	\$3,511		\$3,511
Colombia.....	70,000		70,000			
Costa Rica.....	11,000		11,000			
Jamaica.....	8,004		7,931	73	\$ 16	57
Mexico.....	161,500		161,500			
Panama.....	68,000	28,000	40,000			
Peru.....	55,423		53,942	1,481	1,068	413
Uruguay.....	29,700		29,700			
Total 1977.....	<u>\$890,208</u>	<u>\$68,000</u>	<u>\$817,143</u>	<u>\$5,065</u>	<u>\$1,084</u>	<u>\$3,981</u>
Total 1976.....	<u>\$236,070</u>		<u>\$236,070</u>			

Appendix II-2

**STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK—NOTE F**

December 31, 1977 and 1976

Expressed in thousands of United States dollars—Note B

Members	Shares	Paid-in portion of subscribed capital	Callable portion of subscribed capital	Total 1977	Total 1976
Austria.....	419	\$ 833	\$ 4,222	\$ 5,055	
Belgium.....	1,036	2,063	10,435	12,498	\$ 12,498
Canada.....	10,822	13,077	117,474	130,551	65,275
Denmark.....	447	892	4,500	5,392	5,392
Finland.....	140	278	1,411	1,689	—
France.....	5,106	10,157	51,439	61,596	—
Germany.....	5,230	10,411	52,681	63,092	63,092
Israel.....	414	820	4,174	4,994	4,994
Italy.....	5,106	10,157	51,439	61,596	—
Japan.....	5,697	11,339	57,386	68,725	68,725
Netherlands.....	776	1,544	7,817	9,361	—
Spain.....	5,106	10,158	51,438	61,596	61,596
Sweden.....	302	603	3,040	3,643	—
Switzerland.....	1,140	2,268	11,484	13,752	13,752
United Kingdom.....	5,106	10,158	51,438	61,596	61,596
United States.....	33,158	80,004	319,995	399,999	99,994
Venezuela.....	15,956	19,253	173,231	192,484	96,242
Yugoslavia.....	419	833	4,222	5,055	5,055
Total 1977.....	<u>96,380</u>	<u>\$184,848</u>	<u>\$977,826</u>	<u>\$1,162,674</u>	
Total 1976.....	<u>46,273</u>	<u>\$ 85,095</u>	<u>\$473,116</u>		<u>\$558,211</u>

# FUND FOR SPECIAL OPERATIONS

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors  
Inter-American Development Bank

In our opinion, the financial statements appearing on pages 114 through 120 present fairly the financial position of the Inter-American Development Bank—Fund for Special Operations at December 31, 1977 and 1976, and the results of its operations and the changes in its 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 17, 1978

## FINANCIAL STATEMENTS

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Fund for Special Operations  
Inter-American Development Bank

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note A

	December 31,			
	1977		1976	
<b>ASSETS</b>				
<b>Cash</b>				
Unrestricted.....	\$ 589,558		\$ 558,195	
Restricted (Note C).....	37,458	\$ 627,016	48,720	\$ 606,915
<b>Investments</b>				
Obligations of governments and United States Agencies, at amortized cost (Face amount \$49,579; 1976—\$36,734).....	47,356		36,530	
Time deposits.....	204,669	252,025	149,542	186,072
<b>Loans outstanding (Note D) (Appendix III-1)</b>				
Total loans approved, less cancellations.....	5,227,561		4,720,297	
Less undisbursed balance of approved loans.....	(2,200,054)		(2,078,026)	
Less principal collected and loans sold or agreed to be sold.....	( 761,618)	2,265,889	( 649,675)	1,992,596
<b>Accrued interest and other charges</b>				
On investments.....	3,730		1,972	
On loans.....	22,716	26,446	20,686	22,658
<b>Due from members</b>				
Contribution quotas (Note E).....	907,853		1,156,133	
Non-negotiable, non-interest bearing demand obligations (Note E).....	1,974,668		1,815,427	
Amounts required to maintain value of currency holdings (Note B).....	134,354	3,016,875	198,814	3,170,374
<b>Other assets</b>				
Total assets.....		<u>\$6,188,732</u>		<u>\$5,979,126</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable, accrued expenses and interfund payable.....		\$ 7,752		\$ 4,593
Special letters of credit.....		2,623		5,847
<b>Fund balance</b>				
Contribution quotas authorized and subscribed (Notes B and E) (Appendix III-2).....	\$5,904,626		\$5,743,202	
General Reserve (Note F).....	273,731	6,178,357	225,484	5,968,686
<b>Commitments (Notes D, H and I)</b>				
Total liabilities and fund balance.....		<u>\$6,188,732</u>		<u>\$5,979,126</u>

Fund for Special Operations  
Inter-American Development Bank

**STATEMENT OF INCOME AND GENERAL RESERVE**

Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1977	1976
<b>Income</b>		
From loans		
Interest.....	\$55,811	\$50,772
Credit commissions.....	6,478	6,084
Service charges.....	10,865	10,558
Supervision and inspection fees.....	4,964	4,204
	<u>\$ 78,118</u>	<u>\$ 71,618</u>
From investments.....	16,981	11,039
From other sources.....	283	248
	<u>95,382</u>	<u>82,905</u>
Gross income.....		
<b>Administrative expenses</b>		
Salaries.....	20,077	14,595
Other compensation and benefits (Note G).....	8,556	6,154
Office occupancy (Note H).....	3,183	2,339
Other.....	8,161	6,008
	<u>39,977</u>	<u>29,096</u>
Less—amounts charged to Trust Funds for indirect and overhead expenses by Bank as Administrator.....	<u>( 1,472)</u>	<u>(1,070)</u>
Total administrative expenses.....	<u>38,505</u>	<u>28,026</u>
Income before technical cooperation expense.....	56,877	54,879
<b>Technical cooperation expense (Note I).....</b>	<u>8,630</u>	<u>6,377</u>
<b>Net income.....</b>	<u>48,247</u>	<u>48,502</u>
<b>General Reserve beginning of year.....</b>	<u>225,484</u>	<u>176,982</u>
<b>General Reserve end of year.....</b>	<u>\$273,731</u>	<u>\$225,484</u>

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1977	1976
<b>Financial resources provided by</b>		
Operations		
Net income.....	\$ 48,247	\$ 48,502
Items not providing cash.....	( 629)	( 3,862)
Cash provided by operations.....	47,618	44,640
Loan principal collections.....	100,287	86,951
Sales of loans to Social Progress Trust Fund.....	25,953	31,996
Collection of amounts due from members.....	314,923	355,524
Total financial resources provided.....	<u>\$488,781</u>	<u>\$519,111</u>
<b>Financial resources used for</b>		
Loan disbursements.....	\$392,107	\$349,947
Payment of loan principal collections to Social Progress Trust Fund.....	7,426	6,687
Increase in cash and investments.....	86,054	156,244
Other.....	3,194	6,233
Total financial resources used.....	<u>\$488,781</u>	<u>\$519,111</u>

## NOTES TO FINANCIAL STATEMENTS

December 31, 1977 and 1976

### NOTE A—SUMMARY OF ACCOUNTING POLICIES

#### Basis of Accounting

The Bank (Fund for Special Operations) maintains its accounting records on the accrual basis of accounting. Furniture and equipment purchases are charged directly to expense.

#### Translation of Currencies

The accounting records are maintained and the financial statements are expressed in United States dollars. Assets and liabilities denominated in member currencies other than United States dollars are translated generally at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at approximate market rates of exchange prevailing during each month. Fluctuations of such rates of exchange do not have any effect on the United States dollar equivalents of member currencies because of the maintenance of value provisions described in Note B. No representation is made that any currency held in the Fund for Special Operations is convertible into any other currency at any rate or rates.

#### Investments

Investments in obligations of governments and United States Agencies are stated at cost adjusted for the amortization of premium or discount, which approximates market value.

#### Administrative Expenses

Substantially all administrative expenses of the Bank are allocated among the Fund for Special Operations, the ordinary capital and the inter-regional capital pursuant to an allocation method approved by the Board of Executive Directors. During 1977, the Board approved a change in the formula used to allocate administrative expenses resulting in such expenses in 1977 being charged 65.3% to the Fund for Special Operations, 33.4% to the ordinary capital and 1.3% to the inter-regional capital. Had the old formula been used in 1977 the allocation would have been 51%, 46% and 3% respectively. During 1976, after a charge of \$223,000 to the inter-regional capital, such expenses were charged 52% to the Fund for Special Operations and 48% to the ordinary capital.

### NOTE B—MAINTENANCE OF VALUE

In accordance with the Agreement Establishing the Bank (Agreement), each member is required to maintain the value of its currency held in the Fund for Special Operations. Likewise, the Bank (Fund for Special Operations) is required to return to a member an amount of its currency equal to any significant increase in value of such member's currency which is held in the Fund for Special Operations. The standard of value for these purposes ranges from the United States dollar at its 1959 value to the United States dollar at its value in effect at any given time, as established by the terms for the respective contribution quotas. The Agreement also provides that the 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; however, the Board of Governors has authorized the Bank to exercise such waiver in connection with

certain contribution quotas in the event of a currency realignment involving a significant number of the Bank's members.

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. Charges to members relating to the 1972 and 1973 official devaluations of the United States dollar and the corresponding devaluations of other currencies which are still due from members are shown in the accompanying Balance Sheet as "amounts required to maintain value of currency holdings." Such amounts include at December 31, 1977 \$118,340,000 relating to outstanding loans repayable at borrowers' options either in currencies disbursed or in the borrowers' currencies, which will be allocated to individual members on the basis of the currencies received in future loan repayments.

### NOTE C—RESTRICTED CURRENCIES

In accordance with the provisions of the Agreement, two members have restricted the use of their currencies to making payments for goods and services produced in their territories.

### NOTE D—LOANS OUTSTANDING

The Bank makes loans to its developing members, agencies or political subdivisions of such members or to private enterprises located in their territories. For loans to borrowers other than members or central banks, the Bank in almost all instances has received either the member's guarantee or other security deemed appropriate.

The Board of Executive Directors has authorized participations by the Social Progress Trust Fund 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.

Loans approved are disbursed to borrowers in accordance with the requirements of the project being financed under the loans; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank. Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse approximately \$52,290,000 at December 31, 1977 (\$27,404,000 at December 31, 1976).

### NOTE E—CONTRIBUTION QUOTAS AUTHORIZED AND SUBSCRIBED

Under the provisions of the Agreement, non-negotiable, non-interest bearing demand obligations have been or will be accepted in lieu of the part of the payment of contribution quotas required to be made in the member's currency. The Canadian contribution quota is being increased by collections of principal, interest and service charges after May 3, 1972 on loans extended from the Canadian Trust Fund administered by the Bank, which was originally established in the amount of Can\$74,000,000.

Included in the authorized contribution quotas is an increase of \$1,045,300,000 of regional members' contribution quotas payable in three equal installments to 1978 in the currencies of the respective members, or in United States dollars. At

Fund for Special Operations  
Inter-American Development Bank

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1977 and 1976

(continued)

December 31, 1977 payments under installments which had come due amounted to \$348,434,000. \$325,277,000 of the \$400,000,000 future contribution installments by the United States are subject to appropriation by the U.S. Congress. Contributions by certain Latin American members amounting to \$118,000,000 are payable in freely convertible currencies.

The Bahamas became a member of the Bank in 1977 and its contribution quotas to the Fund for Special Operations are payable in five equal annual installments ending in 1981.

Six additional nonregional countries became members of the Bank during 1977 and their contribution quotas to the Fund for Special Operations are payable in three equal annual installments ending in 1979.

The following table summarizes the changes in contribution quotas subscribed for the two years ended December 31, 1977:

	Contribution quotas subscribed
Balance at December 31, 1975.....	\$4,394,674,000
Contribution by	
Regional members—1976 increase.....	1,045,300,000
Canada—Trust Fund collections.....	1,248,000
Guyana.....	5,280,000
Nonregional members.....	296,700,000
Balance at December 31, 1976.....	5,743,202,000
Contribution by	
Canada—Trust Fund collections.....	1,232,000
Nonregional members.....	153,592,000
Bahamas.....	6,600,000
Balance at December 31, 1977.....	<u>\$5,904,626,000</u>

**NOTE F—GENERAL RESERVE**

In accordance with resolutions of the Board of Governors, the net income of the Fund for Special Operations is to be allocated to a general reserve for possible future losses.

**NOTE G—STAFF RETIREMENT PLAN**

The Bank has a Staff Retirement Plan for the benefit of its employees. Every staff member under age 62 becomes a

participant as a condition of service and contributes a percentage of his remuneration to the Plan. Bank contributions to the Plan during 1977 and 1976 were \$5,349,000 and \$5,154,000 respectively, which were charged to administrative expenses and allocated between funds as indicated in Note A. Bank contributions include the amortization over a ten year period of an unfunded liability created as a result of certain amendments to the Plan which became effective in 1975.

**NOTE H—LEASES**

The Bank rents certain of its office facilities under lease agreements which expire at various dates through 1982. The estimated annual rentals through 1982, under leases in effect at December 31, 1977 (net of minor amounts under sublease agreements), are as follows:

1978	\$2,032,000
1979	1,844,000
1980	1,639,000
1981	1,521,000
1982	1,521,000

Office rental expenses (net of amounts receivable under subleases) was \$2,277,000 in 1977 and \$2,159,000 in 1976. Such amounts were allocated between funds as set forth in Note A.

**NOTE I—TECHNICAL COOPERATION**

Under the provisions 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 cooperation. At December 31, 1977 the amount approved by the Bank for non-reimbursable technical cooperation projects which had not yet been disbursed at that date was \$34,549,000. Pursuant to resolutions of the Board of Executive Directors, all non-reimbursable technical cooperation expenditures incurred are charged to the income of the Fund for Special Operations. The accumulated technical cooperation expenditures made by the Fund as of December 31, 1977 include \$4,417,000 which may be reimbursed to the Fund if loans are granted as a result of the respective technical cooperation projects.

**SUMMARY STATEMENT OF LOANS—NOTE D**

December 31, 1977 and 1976

Expressed in thousands of United States dollars—Note A

Member in whose territory loans have been made	Total loans approved, less cancellations	Principal collected	Loans sold or agreed to be sold	Undisbursed	Outstanding	Currency in which outstanding portion of approved loans is collectible	
						United States dollars	Other member currencies <sup>1</sup>
Argentina.....	\$ 360,277	\$ 32,729	\$ 26,355	\$ 160,542	\$ 140,651	\$ 11,437	\$ 129,214
Barbados.....	22,208	86	—	19,133	2,989	255	2,734
Bolivia.....	268,331	36,238	3,463	143,249	85,381	28,245	57,136
Brazil.....	750,564	121,361	50,924	208,912	369,367	48,756	320,611
Chile.....	242,353	45,606	23,654	67,771	105,322	9,265	96,057
Colombia.....	411,252	33,695	26,545	211,418	139,594	12,541	127,053
Costa Rica.....	199,745	7,651	7,436	134,517	50,141	11,265	38,876
Dominican Republic.....	216,834	11,681	10,106	125,064	69,983	17,660	52,323
Ecuador.....	257,143	13,821	12,691	116,473	114,158	31,418	82,740
El Salvador.....	201,969	1,964	6,991	112,476	80,538	23,763	56,775
Guatemala.....	279,102	8,609	7,673	186,967	75,853	14,706	61,147
Guyana.....	49,500	—	—	49,500	—	—	—
Haiti.....	107,437	3,246	1,891	47,907	54,393	36,748	17,645
Honduras.....	260,874	17,071	9,573	158,077	76,153	19,999	56,154
Jamaica.....	84,371	2,186	—	48,446	33,739	11,131	22,608
Mexico.....	445,698	54,294	6,322	37,875	347,207	210,278	136,929
Nicaragua.....	178,502	11,553	15,901	81,837	69,211	32,542	36,669
Panama.....	143,880	14,269	12,970	46,795	69,846	24,234	45,612
Paraguay.....	196,911	15,425	1,827	54,982	124,677	9,972	114,705
Peru.....	264,032	22,634	33,344	107,138	100,916	5,868	95,048
Trinidad and Tobago.....	24,464	1,576	—	8,880	14,008	631	13,377
Uruguay.....	60,906	5,357	2,672	23,043	29,834	2,934	26,900
Venezuela.....	101,785	11,421	17,649	14,161	58,554	42,845	15,709
Regional.....	99,423	11,158	—	34,891	53,374	17,439	35,935
Total 1977.....	<u>\$5,227,561</u>	<u>\$483,631</u>	<u>\$277,987</u>	<u>\$2,200,054</u>	<u>\$2,265,889</u>	<u>\$623,932</u>	<u>\$1,641,957</u>
Total 1976.....	<u>\$4,720,297</u>	<u>\$390,769</u>	<u>\$258,906</u>	<u>\$2,078,026</u>	<u>\$1,992,596</u>	<u>\$435,451</u>	<u>\$1,557,145</u>

<sup>1</sup> Includes Swiss francs equivalent of \$1,101.

**STATEMENT OF CONTRIBUTION QUOTAS—NOTES B AND E**

December 31, 1977 and 1976

Expressed in thousands of United States dollars—Note A

Members	Contribution quotas authorized and subscribed				Contribution quotas due from members 1977
	Before maintenance of value adjustments	Maintenance of value adjustments	Total 1977	Total 1976	
Argentina.....	\$ 306,819	\$ 22,252	\$ 329,071	\$ 329,071	\$ 55,168
Austria.....	5,055	—	5,055	—	3,370
Bahamas.....	6,600	—	6,600	—	6,600
Barbados.....	1,103	31	1,134	1,134	198
Belgium.....	12,498	—	12,498	12,498	4,166
Bolivia.....	24,635	4,694	29,329	29,329	4,430
Brazil.....	306,819	29,906	336,725	336,725	55,168
Canada.....	114,523	12,577	127,100	125,868	33,333
Chile.....	84,240	9,546	93,786	93,786	15,145
Colombia.....	84,185	8,241	92,426	92,426	15,136
Costa Rica.....	12,315	1,230	13,545	13,545	2,214
Denmark.....	5,392	—	5,392	5,392	1,797
Dominican Republic.....	16,421	1,750	18,171	18,171	2,952
Ecuador.....	16,421	1,379	17,800	17,800	2,952
El Salvador.....	12,315	917	13,232	13,232	2,214
Finland.....	5,055	—	5,055	—	3,370
France.....	61,596	—	61,596	—	41,064
Germany.....	63,092	—	63,092	63,092	21,031
Guatemala.....	16,421	1,604	18,025	18,025	2,952
Guyana.....	5,280	—	5,280	5,280	1,760
Haiti.....	12,315	2,165	14,480	14,480	2,214
Honduras.....	12,315	2,001	14,316	14,316	2,214
Israel.....	4,994	—	4,994	4,994	2,997
Italy.....	61,596	—	61,596	—	41,064
Jamaica.....	16,421	1,200	17,621	17,621	2,952
Japan.....	68,725	—	68,725	68,725	22,908
Mexico.....	197,249	15,041	212,290	212,290	35,464
Netherlands.....	9,361	—	9,361	—	6,241
Nicaragua.....	12,315	1,776	14,091	14,091	2,214
Panama.....	12,315	1,385	13,700	13,700	2,214
Paraguay.....	12,315	8,504	20,819	15,296	2,214
Peru.....	41,092	4,213	45,305	45,305	7,388
Spain.....	61,596	—	61,596	61,596	20,532
Sweden.....	10,929	—	10,929	—	7,286
Switzerland.....	13,752	—	13,752	13,752	4,584
Trinidad and Tobago.....	12,315	896	13,211	13,211	2,214
United Kingdom.....	61,596	—	61,596	61,596	20,532
United States.....	3,400,000	240,356	3,640,356	3,640,350	400,000
Uruguay.....	32,902	2,510	35,412	35,412	5,916
Venezuela.....	180,060	12,109	192,169	192,169	40,000
Yugoslavia.....	5,055	—	5,055	5,055	1,685
Total, before unallocated amount.....	5,400,003	386,283	5,786,286	5,619,333	907,853
Unallocated (Note B).....	—	118,340	118,340	123,869	—
Total 1977.....	<u>\$5,400,003</u>	<u>\$504,623</u>	<u>\$5,904,626</u>	<u>5,743,202</u>	<u>\$ 907,853</u>
Total 1976.....	<u>\$5,238,579</u>	<u>\$504,623</u>	<u>5,743,202</u>	<u>\$5,743,202</u>	<u>\$1,156,133</u>

# **SOCIAL PROGRESS TRUST FUND**

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

Inter-American Development Bank  
Administrator of the Social Progress Trust Fund

In our opinion, the financial statements appearing on pages 122 through 126 present fairly the financial position of the Social Progress Trust Fund, which is administered by the Inter-American Development Bank, at December 31, 1977 and 1976, and the results of its operations and the changes in its 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 17, 1978

## **FINANCIAL STATEMENTS**

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Social Progress Trust Fund  
Administered by the Inter-American Development Bank

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note B

	December 31,	
	1977	1976
<b>ASSETS</b>		
Cash.....	\$ 16,290	\$ 26,054
<b>Investments</b>		
United States Government and Agencies obligations, at amortized cost (face amount \$2,200; 1976—\$7,950).....	\$ 2,199	\$ 7,876
Time deposits.....	1,777	—
	3,976	7,876
<b>Participations in loans made from Fund for Special Operations (Note C).....</b>	<b>244,616</b>	<b>226,089</b>
<b>Loans outstanding (Note D) (Appendix IV-1)</b>		
Total loans approved, less cancellations.....	554,291	552,191
Less principal collections.....	(240,651)	(214,709)
Less undisbursed balance.....	( 46,567)	( 56,029)
	267,073	281,453
<b>Accrued interest and other charges</b>		
On investments.....	8	33
On participations.....	1,423	1,394
On loans.....	1,635	1,791
	3,066	3,218
<b>Available from the United States Government.....</b>	<b>18,130</b>	<b>18,130</b>
	<u>\$553,151</u>	<u>\$562,820</u>
Total assets.....		
	<u>\$553,151</u>	<u>\$562,820</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses.....	\$ 3,776	\$ 2,067
<b>Fund balance</b>		
Fund established by the United States Government (Note A).....	\$525,000	\$525,000
Accumulated earnings.....	24,375	35,753
	549,375	560,753
<b>Commitments (Note E)</b>		
Total liabilities and fund balance.....	<u>\$553,151</u>	<u>\$562,820</u>

Social Progress Trust Fund  
Administered by the Inter-American Development Bank

**STATEMENT OF INCOME AND ACCUMULATED EARNINGS**

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1977	1976
<b>Income</b>		
From loans		
Interest.....	\$ 4,789	\$ 5,152
Credit commissions.....	64	—
Service charges.....	1,999	2,192
Supervision and inspection fees.....	46	—
From participations (Note C).....	5,528	5,263
From investments.....	375	576
Gross income.....	12,801	13,183
<b>Administrative and other expenses</b>		
Administrative expenses (Note A)		
Staff salaries.....	491	496
Other.....	18	22
Indirect and overhead expenses charged by Administrator.....	1,106	1,116
Total administrative expenses.....	1,615	1,634
Exchange adjustments.....	1,073	1,699
Income before technical cooperation expense.....	10,113	9,850
<b>Technical cooperation expense (Note E)</b>		
Inter-American Foundation projects.....	10,867	7,111
Other projects.....	10,624	10,178
<b>Excess of expenses over income</b> .....	(11,378)	( 7,439)
<b>Accumulated earnings beginning of year</b> .....	35,753	43,192
<b>Accumulated earnings end of year</b> .....	<u>\$24,375</u>	<u>\$35,753</u>

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1977	1976
<b>Financial resources provided by</b>		
Loan principal collections.....	\$25,942	\$25,406
Collections of participations in loans of the Fund for Special Operations.....	7,426	6,687
Decrease in cash and investments.....	13,664	10,217
Other.....	—	25
Total financial resources provided.....	<u>\$47,032</u>	<u>\$42,335</u>
<b>Financial resources used for</b>		
Operations		
Excess of expenses over income.....	\$11,378	\$ 7,439
Items not providing (requiring) cash.....	( 1,861)	929
Cash used for operations.....	9,517	8,368
Loan disbursements.....	11,562	1,971
Purchases of participations in loans of the Fund for Special Operations.....	25,953	31,996
Total financial resources used.....	<u>\$47,032</u>	<u>\$42,335</u>

## NOTES TO FINANCIAL STATEMENTS

December 31, 1977 and 1976

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### NOTE A—SOCIAL PROGRESS TRUST FUND

In 1961 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, 1977, the Government of the United States and the Bank have agreed on final overhead rates for all years through 1976 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 1977 and later years, until such time as further overhead rate studies are completed.

### NOTE B—SUMMARY OF ACCOUNTING POLICIES

#### Basis of Accounting

The accounting records of the Social Progress Trust Fund are maintained on the accrual basis of accounting.

#### Translation of Currencies

The accounting records are maintained and the financial statements are expressed in United States dollars. Assets and liabilities in currencies other than United States dollars are translated at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at the approximate market rates of exchange prevailing during each month. Exchange gains or losses in the United States dollar equivalents of Latin American currencies held by the Trust Fund are recorded as exchange adjustments when incurred. 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 United States Government and Agencies obligations are stated at cost adjusted for the amortization of discount, which approximates market value.

### 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 United States 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 components 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.

### NOTE D—LOANS OUTSTANDING

Loans from the resources of the Trust Fund are made to developing members of the Inter-American Development Bank, agencies or political subdivisions of such members or to private enterprises located in their territories. For loans to borrowers other than members and central banks, the Bank as Administrator has received in almost all instances the member's guarantee. 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 market rate of exchange existing at the date of repayment or in United States dollars at the election of the borrower.

### NOTE E—TECHNICAL COOPERATION

Under the provisions of the Agreement, the Bank as Administrator may provide technical advice and cooperation to Latin American member countries and their nationals. At December 31, 1977 the amount approved by the Bank as Administrator for technical cooperation projects which had not yet been disbursed at that date was \$32,873,000. The accumulated technical cooperation expenditures made by the Bank as Administrator as of December 31, 1977 include \$5,976,000 which may be reimbursed to the Bank as Administrator if loans are granted as a result of such technical cooperation projects.

In accordance with an agreement between the Bank and the Inter-American Foundation (Foundation) which was approved by the Government of the United States, the Trust Fund will provide up to the equivalent of \$73,906,000 for financing social development projects of the Foundation during the years 1974 through 1979. Cumulative disbursements through December 31, 1977 amounted to \$28,159,000 and commitments had been made at that date to disburse \$9,107,000.

**SUMMARY STATEMENT OF LOANS—NOTE D**

December 31, 1977 and 1976

Expressed in thousands of United States dollars—Note B

Countries in which loans have been made	Loans approved, less cancellations	Principal collected	Undisbursed	Outstanding
Argentina.....	\$ 43,500	\$ 21,358	\$ —	\$ 22,142
Bolivia.....	16,648	5,938	2,100	8,610
Brazil.....	61,510	23,990	—	37,520
Chile.....	34,352	17,786	—	16,566
Colombia.....	49,008	25,143	—	23,865
Costa Rica.....	11,700	5,063	—	6,637
Dominican Republic.....	8,407	3,816	—	4,591
Ecuador.....	27,448	10,734	—	16,714
El Salvador.....	36,952	7,414	8,430	21,108
Guatemala.....	34,320	5,519	14,845	13,956
Honduras.....	7,602	3,714	—	3,888
Mexico.....	34,928	16,325	—	18,603
Nicaragua.....	13,035	6,138	—	6,897
Panama.....	12,862	5,401	—	7,461
Paraguay.....	7,798	3,134	—	4,664
Peru.....	45,108	24,566	—	20,542
Uruguay.....	10,350	3,668	—	6,682
Venezuela.....	72,861	48,718	—	24,143
Regional.....	25,902	2,226	21,192	2,484
Total 1977.....	<u>\$554,291</u>	<u>\$240,651</u>	<u>\$46,567</u>	<u>\$267,073</u>
Total 1976.....	<u>\$552,191</u>	<u>\$214,709</u>	<u>\$56,029</u>	<u>\$281,453</u>

# VENEZUELAN TRUST FUND

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## REPORT OF INDEPENDENT ACCOUNTANTS

Inter-American Development Bank  
Administrator of the Venezuelan Trust Fund

In our opinion, the financial statements appearing on pages 128 through 131 present fairly the financial position of the Venezuelan Trust Fund, which is administered by the Inter-American Development Bank, at December 31, 1977 and 1976, and the results of its operations and the changes in its 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 17, 1978

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Venezuelan Trust Fund  
Administered by the Inter-American Development Bank

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note B

	December 31,	
	1977	1976
<b>ASSETS</b>		
Cash.....	\$ 582	\$ 1
<b>Temporary investments</b>		
United States Government and Agencies obligations, at amortized cost (face amount \$49,650; 1976—\$35,100).....	\$ 49,953	\$ 35,521
Time deposits.....	168,121	105,674
	218,074	141,195
<b>Participations in loans made from Ordinary Capital</b> .....	53,000	53,000
<b>Loans outstanding (Note C) (Appendix V-1)</b>		
Total loans approved, less cancellations.....	221,174	102,700
Less undisbursed balance.....	(185,216)	(100,797)
Less principal collected.....	( 3,974)	—
	31,984	1,903
<b>Accrued interest and other charges</b>		
On temporary investments.....	3,828	2,375
On participations.....	1,038	1,379
On loans.....	1,432	543
	6,298	4,297
Total assets.....	<u>\$309,938</u>	<u>\$200,396</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable to Administrator.....	\$ 5	\$ 405
<b>Fund balance</b>		
Fund established by the Venezuelan Investment Fund (Note A)....	\$500,000	\$500,000
Less amounts not yet received (Note A).....	(210,000)	(310,000)
	290,000	190,000
Accumulated earnings.....	25,727	10,091
	315,727	200,091
Less amounts returned to the Venezuelan Investment Fund (Note A)	( 5,794)	( 100)
	309,933	199,991
Total liabilities and fund balance.....	<u>\$309,938</u>	<u>\$200,396</u>

## STATEMENT OF INCOME AND ACCUMULATED EARNINGS

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1977	1976
<b>Income</b>		
From loans.....	\$2,688	\$ 710
From participations.....	4,240	2,141
From temporary investments.....	9,860	6,575
Gross income.....	\$16,788	\$ 9,426
<b>Administrative expenses</b>		
Direct and indirect expenses (Note A).....	1,072	899
Commission on short-term placements.....	80	47
Total administrative expenses.....	1,152	946
<b>Net income</b> .....	15,636	8,480
<b>Accumulated earnings beginning of year</b> .....	10,091	1,611
<b>Accumulated earnings end of year</b> .....	\$25,727	\$10,091

## STATEMENT OF CHANGES IN FINANCIAL POSITION

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1977	1976
<b>Financial resources provided by</b>		
Operations		
Net income.....	\$ 15,636	\$ 8,480
Items not providing cash.....	( 2,401)	( 2,483)
Cash provided by operations.....	13,235	5,997
Loan principal collections.....	3,974	—
Fund principal provided by Venezuelan Investment Fund.....	100,000	100,000
Total financial resources provided.....	\$117,209	\$105,997
<b>Financial resources used for</b>		
Loan disbursements.....	\$ 34,055	\$ 1,903
Purchases of participations in loans of the Ordinary Capital.....	—	53,000
Amounts returned to the Venezuelan Investment Fund.....	5,694	100
Increase in cash and investments.....	77,460	50,994
Total financial resources used.....	\$117,209	\$105,997

## NOTES TO FINANCIAL STATEMENTS

December 31, 1977 and 1976

---

### NOTE A—VENEZUELAN TRUST FUND

In 1975 the Venezuelan Investment Fund and the Inter-American Development Bank (Bank) entered into a Trust Agreement whereby the Bank became the Administrator of the Venezuelan Trust Fund. Total resources of the Trust Fund are the equivalent of \$500,000,000 comprised of \$400,000,000 and 430,000,000 Venezuelan bolivars (Bs.) to be made available in ten semi-annual quotas of \$40,000,000 and Bs. 43,000,000 each beginning May 20 and August 20, 1975 respectively.

The purpose of the Fund is to contribute to the financing of projects and programs having a significant effect on the development of member countries of the Bank which are relatively less developed or of limited market, or of intermediate size, through better utilization of their natural resources and the promotion of their industry and agroindustry and to expand the Bank's export financing program.

In accordance with provisions of the Trust Agreement, the Bank charges the Trust Fund for direct and indirect expenses and a commission on short-term investments. The direct and indirect expense charge is determined as a percentage of the Fund's assets at the end of the year, excluding, beginning in 1977, certain assets not committed under loans. In accordance with the Trust Agreement, the Venezuelan Investment Fund has the right to the return of all sums received in repayment of loans made from the Trust Fund as well as all collections of income derived from Trust Fund resources.

### NOTE B—SUMMARY OF ACCOUNTING POLICIES

#### Basis of Accounting

The accounting records of the Venezuelan Trust Fund are maintained on the accrual basis of accounting.

#### Translation of Currencies

The accounting records are maintained and the financial statements are expressed in United States dollars. The Venezuelan bolivar, which is the only other currency of the Fund, is recorded at the market rate of exchange (Bs.4.30 to \$1) which remained unchanged during 1977.

#### Investments

Investments in United States Government and Agencies obligations are stated at cost adjusted for the amortization of premium or discount, which approximates market value.

### NOTE C—LOANS OUTSTANDING

Loans approved are disbursed to borrowers in accordance with the requirements of the project being financed under the loans; however, disbursements do not begin until the borrower and guarantor take certain actions and furnish certain documents to the Bank.

**SUMMARY STATEMENT OF LOANS—NOTE C**

December 31, 1977 and 1976

Expressed in thousands of United States dollars—Note B

Countries in which loans have been made	Total loans approved, less cancellations	Principal collected	Undisbursed	Outstanding
Argentina.....	\$ 7,551	\$2,551	\$ 1,845	\$ 3,155
Bolivia.....	24,000	—	24,000	—
Brazil.....	11,108	1,108	1,108	8,892
Chile.....	2,000	—	1,209	791
Costa Rica.....	3,600	—	3,385	215
Ecuador.....	29,600	—	22,366	7,234
El Salvador.....	30,000	—	30,000	—
Guatemala.....	35,000	—	31,101	3,899
Honduras.....	25,500	—	25,500	—
Jamaica.....	815	315	—	500
Mexico.....	5,000	—	5,000	—
Panama.....	30,000	—	30,000	—
Peru.....	17,000	—	9,702	7,298
Total 1977.....	<u>\$221,174</u>	<u>\$3,974</u>	<u>\$185,216</u>	<u>\$31,984</u>
Total 1976.....	<u>\$102,700</u>	—	<u>\$100,797</u>	<u>\$ 1,903</u>

## INSTITUTE FOR LATIN AMERICAN INTEGRATION

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Through the *Institute for Latin American Integration (INTAL)*, which is based in Buenos Aires, the Bank carried out in 1977 a wide variety of training, research, advisory and other activities related to the region's economic integration movement. Late in the year the Bank put into effect a new institutional framework for *INTAL*.

Following is a summary of the 1977 activities:

*Studies on the Integration and Cooperation Processes in Latin America.* Within this program, *INTAL* made considerable progress on a study on the integration process in Latin America and its effects on production and the interchange of products manufactured in the region. The study is expected to be completed by mid-1978.

*Training.* In this area, special emphasis was placed on diversifying *INTAL*'s activities on a geographical basis. As such, *INTAL*, in conjunction with the University of Brasilia and Brazil's School of Financial Administration, held the Regional Course on Integration and Cooperation July 4 to Aug. 5, 1977, in Brasilia, Brazil.

In Santa Cruz, Bolivia, *INTAL*, together with Santa Cruz's Committee of Public Works, Chamber of Industry and Commerce, University Gabriel René Moreno and the General Secretariat of Integration of Bolivia, organized a seminar in April 1977 on "Santa Cruz and Integration."

In cooperation with the Bank of Boston, *INTAL* held a seminar in April on "Promotion of Exports" at the headquarters of the Central Bank of Uruguay. Similarly, in conjunction with the Government of Paraguay and the Latin American Free Trade Association (LAFTA), *INTAL* organized a seminar Oct. 24-28 on "Paraguay's Role in LAFTA" in Asunción, Paraguay.

*Preinvestment Program.* Another important facet of *INTAL*'s activities in 1977 was its work in the field of preinvestment. *INTAL*, in collaboration with the Latin American Association of Ship-owners (ALAMAR), completed a study on "Infrastructure and Services in the Integration of Latin America." The study focusses on the future prospects of these sectors in the region's development. In addition, *INTAL* embarked on a study of the Western Tourist Circuit (Argentina-Bolivia-Perú), and finished a study on the transportation of Imported and Exported Products to the Department of Santa Cruz in Bolivia.

*Economic-Juridical Program on Enterprises, Technology and Investments in Latin America's Integration.* In the field of international and intra-Latin American investments, *INTAL*, together with Colombia's National Association of Industries, organized an international meeting in Medellín, Colombia, on mixed Latin American enterprises. Based on a study prepared by the Institute, the meeting examined the experiences and problems of mixed enterprises in Latin America. About 250 delegates from Latin American governments, international organizations, universities and private companies attended.

After the meeting, *INTAL* began laying the foundations for the creation of a Latin American Cooperative Enterprise Service, which will help facilitate the formation of inter-company agreements by providing the public and private sectors in Latin America with information and advisory services.

The program also included the publication of a study on "The Juridical Framework of Technological Innovation in Latin America." This study was undertaken in accordance with an *INTAL-IDB-ECLA* Agreement relating to institutional juridical infrastructure for technological development.

In addition, *INTAL* published a study on "The Legal Framework of Latin American Public Enterprises and Their International Dimensions." Comprised of several volumes, it is a comparative analysis of the legal framework of state enterprises, emphasizing norms which they use in their international operations.

*Report on Integration.* During the first quarter of the year, *INTAL* published its annual report on the integration process in Latin America in 1976. It contained a detailed summary of the evolution of various integration groups, as well as an analysis of intra-regional trade. It also focused on other cooperative mechanisms, such as the Latin American Economic System (SELA) and the River Plate Basin.

*Dissemination of Information.* As in previous year *INTAL*'s monthly publication, "*Integración Latinoamericana*," continued to disseminate information relating to the main integration events which occurred in the region.

## GOVERNORS AND ALTERNATE GOVERNORS

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Country	Governor	Alternate
ARGENTINA	José Alfredo Martínez de Hoz	Adolfo César Diz
AUSTRIA	Hannes Androsch	Walter Neudoerfer
BAHAMAS	Arthur D. Hanna	Reginald L. Wood
BARBADOS	J. M. G. M. Adams	Steve Emtage
BELGIUM	Gaston Geens	Ludovicus Meulemans
BOLIVIA	David Blanco Zabala	José Justiniano Aguilera
BRAZIL	Mario Henrique Simonsen	Paulo Hortensio Pereira Lira
CANADA	Jean Chrétien	Michel Dupuy
CHILE	Pablo Baraona Urzúa	Sergio Undurraga Saavedra
COLOMBIA	Alfonso Palacio Rudas	Germán Botero de los Ríos
COSTA RICA	Federico Vargas Peralta	Juan Arrea
DENMARK	Lise Oestergaard	Kaj Repsdorph
DOMINICAN REPUBLIC	Fernando Periche Vidal	Luis María Guerrero Gómez
ECUADOR	Santiago Sevilla Larrea	Alfonso Arcos
EL SALVADOR	Eduardo Reyes	René López Bertrand
FINLAND	Osmo Kalliala	Pekka Malinen
FRANCE	Robert Boulin	Jean-Yves Haberer
GERMANY	Marie Schlei	Manfred Lahnstein
GUATEMALA	Jorge Lamport Rodil	Manuel Méndez Escobar
GUYANA	Franklin E. Hope	W. S. Murray
HAITI	Emmanuel Bros	Antonio André
HONDURAS	Benjamín Villanueva	Guillermo Bueso
ISRAEL	Arnon Gafny	Dov Kantorowitz
ITALY	Gaetano Stamatì	Giuliano Monterastelli
JAMAICA	David H. Coore	Richard Fletcher
JAPAN	Tatsuo Murayama	Teiichiro Morinaga
MEXICO	David Ibarra Muñoz	Gustavo Romero Kolbeck
NETHERLANDS	W. F. Duisenberg	J. P. Pronk
NICARAGUA	Roger Blandón Velásquez	Roberto Incer Barquero
PANAMA	Nicolás Ardito Barletta	Ernesto Pérez Balladares
PARAGUAY	César Barrientos	César Romeo Acosta
PERU	Alcibíades Sáenz Barsallo	Dick Alcántara Butterfield
SPAIN	Juan Antonio García Díez	José María López de Letona
SWEDEN	Johan Nordenfalk	Hans Blix
SWITZERLAND	Klaus Jacobi	Hans Meyer
TRINIDAD AND TOBAGO	E. E. Williams	Frank Barsotti
UNITED KINGDOM	Judith Hart	C. R. A. Rae
UNITED STATES	W. Michael Blumenthal	Richard N. Cooper
URUGUAY	José D. Cardozo	Ernesto Rosso Falderín
VENEZUELA	Héctor Hurtado	Lorenzo Azpurúa Marturet
YUGOSLAVIA	Momčilo Cemović	Zlatko Muršec

## EXECUTIVE DIRECTORS AND ALTERNATES

		<u>Number of Votes</u>	<u>Per- centage</u>
Torao Aoki JAPAN Ignacio G. Badell (Alternate) SPAIN	<b>Elected by:</b> Austria Spain France Switzerland Israel Yugoslavia Japan	19,246	2.56
John D. Blackwood CANADA William A. Kilfoyle (Alternate) CANADA	<b>Elected by:</b> Canada	35,225	4.68
Ralph A. Dungan UNITED STATES E. Jay Finkel (Alternate) UNITED STATES	<b>Appointed by:</b> United States	266,155	35.40
José Carlos Fonseca BRAZIL Pedro Aguayo Cubillo (Alternate) ECUADOR	<b>Elected by:</b> Brazil Ecuador	93,650	12.46
Rodolfo Martínez Ferraté GUATEMALA Mario Rietti Matheu (Alternate) HONDURAS	<b>Elected by:</b> Costa Rica Haiti El Salvador Honduras Guatemala Nicaragua	23,338	3.10
Juan Pablo Pérez Castillo VENEZUELA Charles A. T. Skeete (Alternate) BARBADOS	<b>Elected by:</b> Barbados Guyana Trinidad and Tobago Venezuela	54,182	7.21
Armando Prugue PERU Luis Prieto Ocampo (Alternate) COLOMBIA	<b>Elected by:</b> Colombia Peru	36,465	4.85
Jesús Rodríguez y Rodríguez MEXICO Manuel R. Aristy (Alternate) DOMINICAN REPUBLIC	<b>Elected by:</b> Dominican Republic Jamaica Mexico Panama	70,566	9.39
Carlos Schroeder URUGUAY Desiderio Enciso (Alternate) PARAGUAY	<b>Elected by:</b> Bolivia Paraguay Uruguay	20,580	2.74
Günther Schulz GERMANY Robert Puttemans (Alternate) BELGIUM	<b>Elected by:</b> Belgium Italy Denmark Netherlands Finland Sweden Germany United Kingdom	19,233	2.56
Guillermo Zubarán ARGENTINA Benjamín Mira (Alternate) CHILE	<b>Elected by:</b> Argentina Chile	113,240	15.06

## PRINCIPAL OFFICERS OF THE BANK

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President  
Executive Vice President

Antonio Ortiz Mena  
Reuben Sternfeld

Controller  
External Relations Advisor

Ugo Sacchetti  
Marian A. Czarnecki

### Operations Department

Manager  
Senior Deputy Manager  
Deputy Manager—Region I  
Deputy Manager—Region II  
Deputy Manager—Region III

Norman Marques Jones  
James A. Lynn  
Jorge Ferraris  
Sidney Schmukler  
Pedro Abelardo Delgado

### Finance Department

Manager  
Deputy Manager—Treasurer

Henry J. Costanzo  
Pedro Irañeta

### Economic and Social Development Department

Manager  
Deputy Manager for Economic and  
Social Studies  
Deputy Manager for Technical Cooperation  
Deputy Manager for Integration

Cecilio J. Morales  
Jorge Ruiz Lara  
Maritza Izaguirre  
Joaquín González

### Project Analysis Department

Manager  
Deputy Manager

Guillermo Moore  
Juan A. Prado

### Legal Department

General Counsel  
Deputy General Counsels

Jerome I. Levinson  
Aníbal Fernández de Soto  
Freeborn G. Jewett, Jr.

### Plans and Programs Department

Manager

José D. Epstein

### Administrative Department

Manager  
Deputy Manager

Luis Fernando Jaramillo  
William L. Taylor

### Secretariat Department

Secretary  
Deputy Secretary

Jorge Hazera  
Arturo Calventi

### Special Representative in Europe

Enrique Pérez Cisneros

## CHANNELS OF COMMUNICATION AND DEPOSITORIES

Member Country	Channel of Communication	Depository
ARGENTINA	Banco Central de la República Argentina	Banco Central de la República Argentina
AUSTRIA	Federal Ministry of Finance	Oesterreichische Nationalbank
BAHAMAS	Ministry of Finance	Central Bank of The Bahamas
BARBADOS	Ministry of Finance and Planning	Central Bank of Barbados
BELGIUM	Ministère des Finances	Banque Nationale de Belgique
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
DENMARK	Danish International Development Agency	Danmarks Nationalbank
DOMINICAN REPUBLIC	Banco Central de la República Dominicana	Banco Central de la República Dominicana
ECUADOR	Ministerio de Finanzas	Banco Central del Ecuador
EL SALVADOR	Banco Central de Reserva de El Salvador	Banco Central de Reserva de El Salvador
FINLAND	Ministry of Finance	Bank of Finland
FRANCE	Ministère de l'Economie et des Finances	Banque de France
GERMANY	Federal Ministry for Economic Cooperation	Deutsche Bundesbank
GUATEMALA	Banco de Guatemala	Banco de Guatemala
GUYANA	Ministry of Finance	Bank of Guyana
HAITI	Banque Nationale de la République d'Haiti	Banque Nationale de la République d'Haiti
HONDURAS	Banco Central de Honduras	Banco Central de Honduras
ISRAEL	Bank of Israel	Bank of Israel
ITALY	Ministero del Tesoro	Banca d'Italia
JAMAICA	Ministry of Finance	Bank of Jamaica
JAPAN	Ministry of Finance	Bank of Japan
MEXICO	Banco de México, S.A.	Banco de México, S.A.
NETHERLANDS	Ministry of Finance	De Nederlandsche Bank N.V.
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
SPAIN	Ministerio de Comercio	Banco de España
SWEDEN	Ministry of Commerce	Sveriges Riksbank
SWITZERLAND	Division du commerce du Département fédéral de l'Economie publique	Banque nationale suisse
TRINIDAD AND TOBAGO	Central Bank of Trinidad and Tobago	Central Bank of Trinidad and Tobago
UNITED KINGDOM	Ministry of Overseas Development	Bank of England
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
YUGOSLAVIA	Federal Secretariat for Finance	National Bank of Yugoslavia

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---

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