

INTER-AMERICAN DEVELOPMENT BANK

Second Annual Report • 1961

CONTENTS

iii	PRESIDENT'S LETTER OF TRANSMITTAL
1	INTRODUCTION
	I ANNUAL REPORT OF THE BANK
7	1 ORDINARY CAPITAL RESOURCES
7	Resources
10	Loans
12	Loan Policy
14	Relations with Other Organizations
15	Board of Governors
16	Administration
17	Financial Operations
19	2 DESCRIPTION OF LOANS
35	3 TECHNICAL ASSISTANCE
39	4 FINANCIAL STATEMENTS
49	5 GENERAL APPENDICES
	II FUND FOR SPECIAL OPERATIONS
71	Resources
73	Loans
74	Loan Policy
75	Financial Operations
77	Description of Loans
85	Financial Statements
96	Appendix—Statement of Loans
	III SOCIAL PROGRESS TRUST FUND
103	Antecedents and Resources
105	Fields of Activity and Basic Criteria
108	Loans
109	Administration
109	Financial Operations
111	Description of Loans
120	Technical Assistance
121	Financial Statements
127	Appendix—Statement of Loans

Lending Activities • 1961

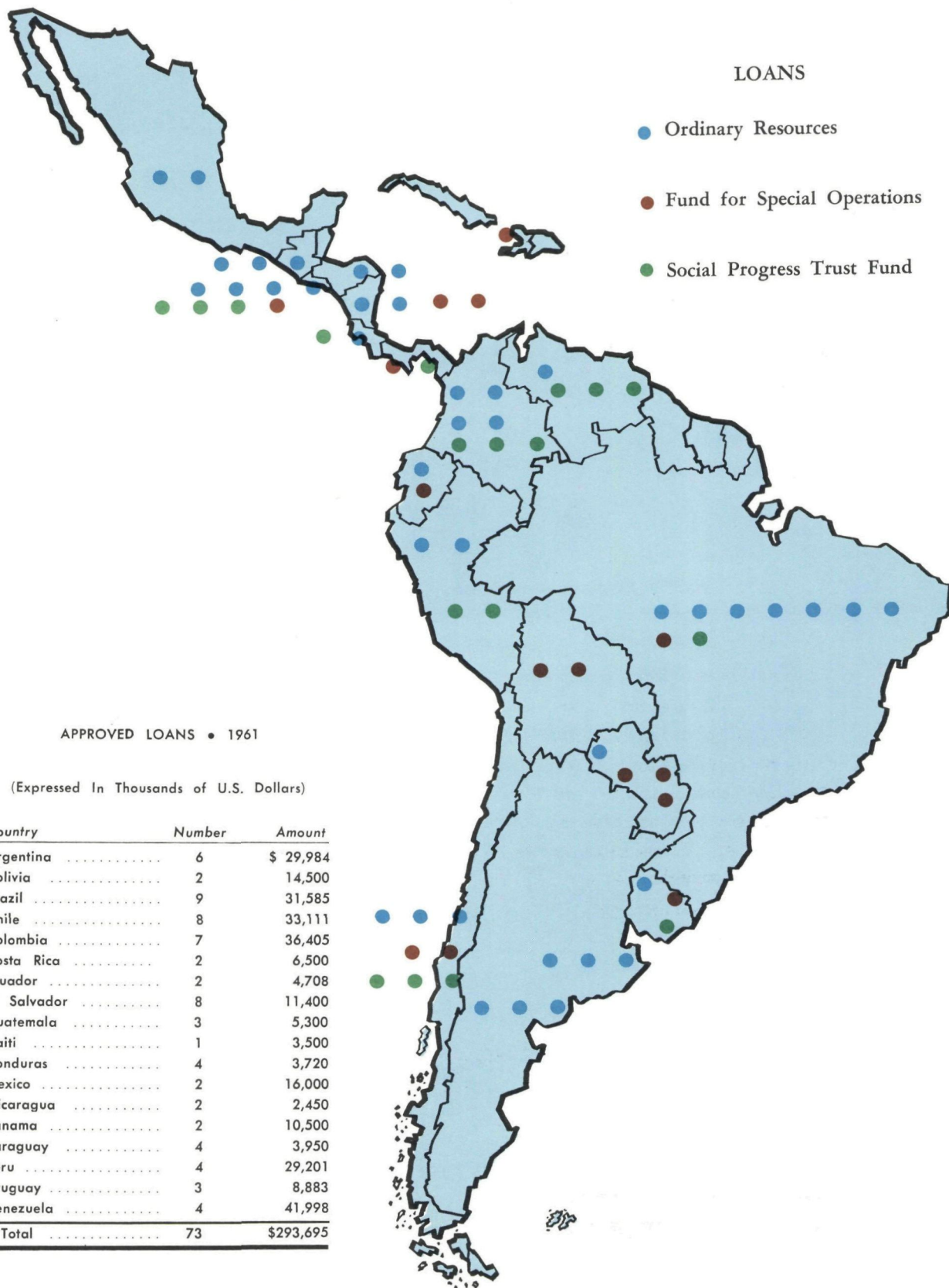
LOANS

- Ordinary Resources
- Fund for Special Operations
- Social Progress Trust Fund

APPROVED LOANS • 1961

(Expressed In Thousands of U.S. Dollars)

Country	Number	Amount
Argentina	6	\$ 29,984
Bolivia	2	14,500
Brazil	9	31,585
Chile	8	33,111
Colombia	7	36,405
Costa Rica	2	6,500
Ecuador	2	4,708
El Salvador	8	11,400
Guatemala	3	5,300
Haiti	1	3,500
Honduras	4	3,720
Mexico	2	16,000
Nicaragua	2	2,450
Panama	2	10,500
Paraguay	4	3,950
Peru	4	29,201
Uruguay	3	8,883
Venezuela	4	41,998
Total	73	\$293,695



INTER-AMERICAN DEVELOPMENT BANK
WASHINGTON, D. C.

February 26, 1962

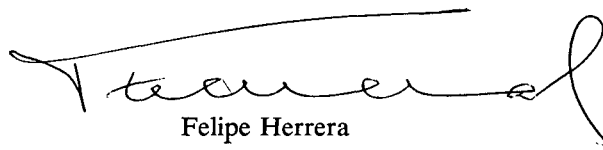
Mr. Chairman:

Pursuant to Section 2 of the By-laws of the Bank, the Board of Executive Directors has authorized me to submit to the Board of Governors the Annual Report of the Bank for 1961, which will be found on pages 5 to 67, inclusive, of this document (Part I).

In accordance with the provisions of Article IV, Section 8 (d), of the Agreement Establishing the Bank and those of the section of the By-laws cited above, a separate report and financial statement of the Fund for Special Operations are included in pages 69 to 99, inclusive, of this document (Part II).

In a like manner, pursuant to Section 5.04 of the Social Progress Trust Fund Agreement signed by the United States Government and the Bank on June 19, 1961, a separate report and financial statement of the Fund, including a review of its background and the activities in which the Bank has engaged as Administrator of the Fund from that date to December 31, are included in pages 101 to 130, inclusive, of this document (Part III).

For convenience, a short Introduction, which relates these three Parts together, is included in pages 1 to 4 of this document preceding the three separate Parts as referred to above.



Felipe Herrera
President

Chairman, Board of Governors
Inter-American Development Bank

INTRODUCTION

The activities of the Inter-American Development Bank during 1961 are described in this document in three separate Reports. The first Report deals with operations pertaining to the ordinary capital resources of the Bank; the second with those pertaining to resources of the Fund for Special Operations, and the third with operations relating to resources of the Social Progress Trust Fund, which the Bank holds and administers under a trust agreement.

The Agreement Establishing the Inter-American Development Bank, hereinafter called the "Agreement," became effective on December 30, 1959, when the requisite number of countries had signed it and deposited their respective instruments of acceptance or ratification. All member countries of the Organization of American States are members of the Bank, with the exception of Cuba.¹

¹ The background of the Bank is described in Appendix I-16, Page 67.

The Second Meeting of the Board of Governors of the Bank took place in Rio de Janeiro in April 1961. With the task of basic organization over, and with a number of loans already authorized, the Bank rendered to the Governments of the member countries an accounting of activities carried out during the previous year and charted its course for the future.

The Bank officially began operations in October 1960. After the necessary study and general evaluation of the economic situation of the member countries and the examination of the loan applications received, the first loan was authorized in February 1961. Simultaneously with its loan operations, the Bank initiated its technical assistance activities.

In accordance with the Agreement, the Bank utilizes its ordinary capital resources and the resources of the Fund for Special Operations to contribute to accelerating the economic development of the member countries. In June 1961 it added a new sphere of operations when it became Administrator of the resources of the Social Prog-

ress Trust Fund, dedicated to accelerating social development in Latin America.

The authorized ordinary capital resources of the Bank are \$813,160,000. This amount consists of \$381,580,000 in paid-in capital and \$431,580,000 in callable capital. The callable capital serves as security for obligations the Bank may sell on private capital markets and for such guarantees as the Bank may extend. As of October 31, 1961, the member countries had paid the first and second installments of paid-in capital subscriptions for a total of \$227,297,520, corresponding to 60 per cent of the total authorized paid-in capital and 99.3 per cent of installments then due. The third and final installment falls due by October 31, 1962.

The initial authorized resources of the Fund for Special Operations are \$146,316,000. The contributions to the Fund were made by the member countries in two equal installments, the second of which came due on October 31, 1961. As of that date, 99.6 per cent of contributions then due had been received for a total of \$145,764,552.

In addition, as Administrator of the Social Progress Trust Fund, the Bank is empowered to enter into commitments up to a total of \$394 million. Resources of the Social Progress Trust Fund may be increased by joint agreement with the United States Government. All funds received in repayment of loans from the Social Progress Trust Fund, or from interest or other charges thereon, are held by the Bank as part of the resources of the Fund and are available for use in accordance with the Social Progress Trust Fund Agreement.

These three resources are held, utilized and accounted for separately from one another. However, the same Bank personnel are charged with management of these three separate types of re-

sources, subject to the approval of the Bank's Executive Directors.

During the year ending on December 31, 1961, a combined total of 73 loans amounting to the equivalent of \$293,695,118¹ was authorized from these three separate "windows."

In its ordinary operations the Bank makes to private enterprises and public bodies economic development loans which are in keeping with sound banking practices and are repayable in the currency in which the loan is made. In 1961 the Bank approved 40 loans from ordinary capital resources for a total of \$129,996,783 (See Part I).

Resources of the Fund for Special Operations are used by the Bank to make basically sound loans on terms and conditions, including repayment in the currency of the borrower, adapted to special circumstances arising in specific countries or with respect to specific projects. In 1961 the Bank approved 15 loans from these resources for a total of \$48,063,335 (See Part II).

The resources of the Social Progress Trust Fund, which the Bank holds and administers in trust under an agreement signed between the United States Government and the Bank on June 19, 1961, are dedicated to loans and technical assistance for social development. From August to the close of the year, the Bank, as Administrator, approved 18 loans from these resources for a total of \$115,635,000 (See Part III).

All these lending activities are shown in the table on the opposite page.

In the first years of an institution's lending, disbursements fail to keep pace with loan authorizations. Borrowers need time to prepare plans and specifications as a basis for obtaining

¹ For convenience in presentation, throughout the rest of this document dollar figures, unless otherwise noted, will include both dollars and the dollar equivalent of such amounts in other currencies as may be involved.

APPROVED LOANS, BY SOURCE OF FUNDS, 1961

(Expressed in thousands of U.S. Dollars)

Country	Ordinary Capital		Fund for Special Operations		Social Progress Trust Fund		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Argentina	6	\$ 29,984					6	\$ 29,984
Bolivia			2	\$14,500			2	14,500
Brazil	7	17,465	1	10,000	1	\$ 4,120	9	31,585
Chile	3	12,050	2	7,323	3	13,738	8	33,111
Colombia	4	13,568			3	22,837	7	36,405
Costa Rica	1	3,000			1	3,500	2	6,500
Ecuador	1	2,343	1	2,365			2	4,708
El Salvador	4	5,635	1	225	3	5,540	8	11,400
Guatemala	3	5,300					3	5,300
Haiti			1	3,500			1	3,500
Honduras	2	510	2	3,210			4	3,720
Mexico	2	16,000					2	16,000
Nicaragua	2	2,450					2	2,450
Panama			1	2,900	1	7,600	2	10,500
Paraguay	1	550	3	3,400			4	3,950
Peru	2	5,401			2	23,800	4	29,201
Uruguay	1	5,743	1	640	1	2,500	3	8,883
Venezuela	1	9,998			3	32,000	4	41,998
Total	40	\$129,997	15	\$48,063	18	\$115,635	73	\$293,695

loan disbursements. In the case of development loans for relending, it is of course necessary for the relending institution to obtain and examine loan applications from many borrowers. Furthermore, about a quarter of the Bank's ordinary resource loans were authorized during the last three months of the year. By the year's end agreements had been negotiated and signed for 46 of the 73 loans authorized from the three sources, but in many cases the final steps prerequisite to disbursement could not be fulfilled within the year. Total disbursements, on account of the loans made from the three different "windows," amounted during the year to \$6,606,297, including \$850,000 from banking participants in the respective loans.

During the year the Bank undertook also to manage external resources, other than the resources mentioned above, for economic and social development in Latin America. For example, resources from the Fund for Special Operations were used in a multilateral credit opera-

tion in Bolivia, in which the Governments of the United States, the Federal Republic of Germany and Argentina participated, for the rehabilitation of Bolivia's nationalized mining industry. The Bank also agreed to serve as financial agent for the Intergovernmental Committee for European Migration in connection with a loan made by that agency to the "Cooperativa de Imigração e Colonização Holambra," in the State of São Paulo, Brazil.

Of great significance in the work of the Bank is the authority granted to it by its own Agreement and by the Social Progress Trust Fund Agreement to furnish technical assistance to the member governments and to public agencies and private enterprises. Such assistance may be furnished without charge or with reimbursement of costs, as determined by agreement with the recipient.

During the year the Bank furnished technical assistance a) in the form of advisory services in specific fields and in preparing specific projects;

b) in making surveys and studies of particular aspects of development, and c) in training, through seminars and other means of instruction, personnel specializing in preparing and carrying out development plans and projects.

The Special Meeting of the Inter-American Economic and Social Council at the Ministerial Level, held at Punta del Este, Uruguay, in August, approved a program of action "to carry out a great cooperative effort which would accelerate the economic and social development of the Latin American countries." At that meeting the Governments agreed to constitute an Alliance for Progress for the Hemisphere, and to give new impetus to the preparation of national economic and social development plans. The preparation of these plans will help the Bank to develop its credit policies in harmony with the needs of each of the member countries.

The representatives of the member countries at this meeting established procedures under which the Bank may act as the financial agent of governments which so desire to promote and direct the flow of capital from beyond the Hemisphere for their national development programs. They also envisaged the possibility that the Bank might organize consortiums of credit institutions and governments prepared to contribute to the continued and systematic financing of particular programs.

In the course of the year the Bank rounded out a flexible organizational pattern which permits cooperation between, and at the same time pre-

serves the independence of its three "windows." The work of internal organization of the Bank ran parallel to and simultaneous with the operations described in this document.

The administrative budget for 1961 amounted to \$4,395,714 for the Bank's ordinary capital resources and the Fund for Special Operations. Expenditures of the Bank during the fiscal year were covered by the Bank's receipts of interest on short-term investments in United States Government obligations, on negotiable certificates of deposit in commercial banks in the United States, and on loans made by it. The administrative budget for 1961 for the Social Progress Trust Fund totaled \$602,736.

The net operating earnings in 1961 of the ordinary capital of the Bank were \$439,208, and of the Fund for Special Operations, before deducting technical assistance expenses, were \$117,629.¹

The operating expenses of the Social Progress Trust Fund for 1961, before deducting technical assistance expenses, exceeded the Fund's operating receipt by \$578,508.

The administrative budget for 1962 amounts to \$5,168,659 for the Bank's ordinary capital resources and the Fund for Special Operations. The administrative budget for the Social Progress Trust Fund amounts to \$1,704,041.

¹ Article VI Section 3 (b) of the Agreement stipulates that "the expenses of providing technical assistance not paid by the recipients shall be met from the net income of the Bank or of the Fund. However, during the first three years of the Bank's operations, up to three per cent, in total, of the initial resources of the Fund may be used to meet such expenses."

PART I

ANNUAL REPORT OF THE BANK

1. ORDINARY CAPITAL RESOURCES

Operations • Fiscal Year 1961¹

RESOURCES

The authorized ordinary capital of the Bank consists of \$813,160,000 of which \$381,580,000 is paid-in capital and \$431,580,000 is callable capital.

The Agreement stipulates that 50 per cent of the payments to the paid-in capital of the Bank shall be made in gold or United States dollars and 50 per cent in the currency of the member country. The Bank shall accept a tender of promissory notes issued by the government of a member country in lieu of any portion of installments paid to it in national currency, provided that such currency is not required for the Bank's operations. Such notes shall be non-negotiable and non-interest-bearing and shall be payable to the Bank at par on demand.

Under the Agreement each member is obliged to maintain, in terms of United States dollars of the weight and fineness in effect on January 1, 1959, the value of all its currency constituting

part of the ordinary capital resources of the Bank. Currencies derived from borrowings by the Bank are excluded from this provision. Under this provision of the Agreement the Bank during the year was able to bring about satisfactory readjustments in the subscriptions in the national currencies of six member countries in which the exchange rate quotations varied by more than 5 per cent from the rate at which the subscriptions had been paid.

The Agreement provides that the paid-in capital subscriptions should be paid in three installments. The first, for 20 per cent, was payable in 1960; the second, for 40 per cent, was payable in 1961, and the third, for 40 per cent, will be due on or before October 31, 1962. As of October 31, 1961, a total of 99.3 per cent of the first and second installments had been paid.

¹ The Bank's fiscal year coincides with the calendar year.

PAYMENTS RECEIVED
(Expressed in United States Dollars)

<i>Country</i>	<i>First Installment (In US\$ and national currency)</i>	<i>Second Installment (In US\$ and national currency)</i>	<i>Total</i>
Argentina	\$10,314,000	\$ 20,628,000	\$ 30,942,000
Bolivia	828,000	1,656,000	2,484,000
Brazil	10,314,000	20,628,000	30,942,000
Chile	2,832,000	5,664,000	8,496,000
Colombia	2,830,000	5,660,000	8,490,000
Costa Rica	414,000	828,000	1,242,000
Dominican Republic	5,520		5,520
Ecuador	552,000	1,104,000	1,656,000
El Salvador	414,000	828,000	1,242,000
Guatemala	552,000	1,104,000	1,656,000
Haiti	414,000	828,000	1,242,000
Honduras	414,000	828,000	1,242,000
Mexico	6,630,000	13,260,000	19,890,000
Nicaragua	414,000	828,000	1,242,000
Panama	414,000	828,000	1,242,000
Paraguay	414,000	828,000	1,242,000
Peru	1,382,000	2,764,000	4,146,000
United States	30,000,000	60,000,000	90,000,000
Uruguay	1,106,000	2,212,000	3,318,000
Venezuela	5,526,000	11,052,000	16,578,000
Total	\$75,769,520	\$151,528,000	\$227,297,520

The third and final subscription installment, due by October 31, 1962, amounts to \$152,632,000.

The presently authorized callable capital, all of which has been subscribed, is subject to call only when required to meet liabilities arising out of borrowings of the Bank or out of guarantees which it may issue. This capital amounts to a total of \$431,580,000, as shown on the opposite page.

The Agreement specifically stipulates three procedures for increasing the ordinary capital resources. These are: a) through the sale of Bank obligations on the basis of the existing callable capital; b) through increasing the callable capital and selling additional Bank obligations on the basis of such increase, and c) through increasing the original authorized capital.

The Agreement contemplates that the Bank should assist in financing the development of the member countries through the use of funds which it might raise in financial markets through the sale of its obligations.

In the United States the enactment of necessary legislative measures was obtained in several leading financial states which would permit the purchase of the Bank's obligations by various classes of investors, such as trustees, savings banks and insurance companies. The states which already have adopted such legislation are California, Connecticut, Massachusetts, New York, Pennsylvania and Wisconsin. The Bank is continuing its discussions to obtain the necessary legislative modifications in other states. No change in legislation is required in such financially important states as Delaware and Michigan, because existing legislation already authorizes this type of investment.

The basic legislation which authorized the United States to become a member of the Bank permits banks organized under U. S. Federal Law (which hold some 50 per cent of the total assets of all banks in the United States) to acquire obli-

**CALLABLE PORTION OF SUBSCRIBED
CAPITAL**

<i>Country</i>	<i>(Expressed in U.S. Dollars)</i>
Argentina	\$ 51,570,000
Bolivia	4,140,000
Brazil	51,570,000
Chile	14,160,000
Colombia	14,150,000
Costa Rica	2,070,000
Dominican Republic	2,760,000
Ecuador	2,760,000
El Salvador	2,070,000
Guatemala	2,760,000
Haiti	2,070,000
Honduras	2,070,000
Mexico	33,150,000
Nicaragua	2,070,000
Panama	2,070,000
Paraguay	2,070,000
Peru	6,910,000
United States	200,000,000
Uruguay	5,530,000
Venezuela	27,630,000
Total	\$ 431,580,000

gations of the Bank subject to a favorable ruling of the U. S. Comptroller of the Currency.

The United States Treasury Department, in addition, has issued an administrative order authorizing the use of obligations of the Bank as a subsidiary security by banks serving as depositories for U.S. Government funds.

The Bank expects to have made a sound and substantial portfolio of loans from its ordinary resources before seeking to sell its obligations. Nevertheless, the Bank has taken preliminary steps to prepare for such future activity in the capital markets.

During 1961 the Bank designated three New York banking firms, Lazard Frères & Co., Lehman Brothers and Blyth & Co., Inc., to act as its financial agents in connection with bonds which it might issue in the United States in the future.

During 1961, the President, several Executive Directors and high officers of the Bank carried on discussions to acquaint United States capital markets with the aims, functioning and activities of the Bank. In June and July of that year an exploratory mission headed by the President of the Bank visited Italy, Switzerland, France, Belgium, Holland, England and West Germany to discuss possibilities for future bond issues of the Bank in these capital markets. The Executive Vice President later made a trip for similar purposes, visiting Austria, Germany, France, Italy and Switzerland. The Bank has appointed a representative in Europe to maintain necessary contact with the sources that provide financing and technical assistance on that continent.

L O A N S

During 1961, the first year of lending operations, the Bank authorized 40 loans totaling \$129,996,783 from its ordinary capital resources as follows:

LOANS • ORDINARY CAPITAL

<i>Country</i>	<i>Number</i>	<i>Amount</i>
Argentina	6	\$ 29,984,037
Brazil	7	17,465,000
Chile	3	12,050,000
Colombia	4	13,567,493
Costa Rica	1	3,000,000
Ecuador	1	2,343,000
El Salvador	4	5,635,000
Guatemala	3	5,300,000
Honduras	2	510,000
Mexico	2	16,000,000
Nicaragua	2	2,450,000
Paraguay	1	550,000
Peru	2	5,400,752
Uruguay	1	5,743,000
Venezuela	1	9,998,501
Total	40	\$129,996,783

Of these, ten loans for a total of \$49.9 million were extended to development institutions for relending to small and medium-sized private enterprises. Such loans were authorized in Argentina to finance investments in agricultural, industrial and mining development in the outlying provinces; in Costa Rica, to help finance a program of livestock development; in Chile, to finance industrial, mining and fisheries development projects which would stimulate development especially in the northern part of the country; in Colombia, to help develop small and medium-sized industries; in Ecuador, to finance the importation of pure breeding stock for development of the sheep and wool industries; in El Salvador, to finance private projects in industry, handicrafts and agriculture; in Guatemala, to provide credits to private enterprise through local banks for industrial, agricultural and cattle raising projects; in Mexico, to make credits available to small and medium-sized private enterprises and thus help to decentralize industry outside the Mexico City area; in Nicaragua, for private industrial development projects, and in Venezuela, to finance projects in the food, textile, construction materials, wood cellulose, paper and refrigeration industries.

Sixteen loans totaling \$23.1 million were authorized for private enterprise projects, as follows: in Argentina, for industries manufacturing automobile parts and prefabricated housing components and for an agricultural project; in Brazil, to manufacture pulp and paper, automobile parts and drilling equipment parts for the petroleum industry; in El Salvador and Nicaragua, to process food products; in Guatemala, for a water supply system and to manufacture bags from natural fibers; in Honduras, for a plant to produce chemical products and another to produce corn meal; in Paraguay, to develop the tobacco and vegetable oil industries; and in Peru, to expand a cement plant. Finally, one of the loans was extended in Chile to a public institution for an integrated fishing enterprise, the stock of which, as soon as feasible, would be sold to private investors.

Six loans for a total of \$24 million were made to improve and expand public water supply systems in Concepción and Talcahuano, Chile; Medellín and Cartagena, Colombia; Arequipa, Peru; Montevideo, Uruguay, and five cities in El Salvador.

Four loans totaling \$17.2 million were extended to expand the generation and distribution of electric power in the states of São Paulo

and Minas Gerais in Brazil, and in Rosario, Argentina. Two loans for \$14.7 million were extended for irrigation projects in El Salvador and Mexico. Finally, two loans for a total of \$1.1 million were authorized for reimbursable technical assistance for the Governments of Argentina and Colombia.

The dollar portion of the 40 loans approved during 1961 from ordinary capital resources amounted to \$96,149,000. Thirty-one commercial banks in the United States and Western Europe participated in the early maturities of 20 of these loans for a total amount of \$4,483,647, without the guarantee of the Inter-American Development Bank. The total number of participations was 73.

Of the 31 participating banks one participated in eight loans, another in seven, another in six, and three in four. Two banks participated in three loans, eleven in two, and twelve in one.

It is of interest to note that four European banks—two German, one Swiss and one Italian—participated in one of these loans. Their participation reflects not only the interest of the Bank in attracting private capital investment to Latin America from beyond the Western Hemisphere, but also the growing interest of European financial circles in participating in the development of the Latin American countries.

LOAN POLICY

The lending policies described below derive from the Bank's application and interpretation of the Agreement in meeting the economic development needs of the member countries.

The Bank has always kept in mind the need to determine the sectors of each member country's economy in which adequate and timely financial assistance could contribute most effectively to economic development.

In view of the authorized lendable resources of the Bank in relation to Latin America's need for economic acceleration, the Bank has focussed on a larger number of small to middle-size loans rather than on a smaller number of large loans.

Loans were approved only after due consideration had been given to the ability of borrowers to obtain credits on reasonable terms from private sources of financing. To avoid duplication of effort, the Bank's activities were coordinated with those of other sources of external financing. The principle was observed that the Bank is a complementary source of financing and not a substitute for other sources, thereby permitting the member countries greater access to outside sources of development capital and a fuller utilization of their own resources.

The Bank's role of supplementary financing was reflected in its special attention to loans to development and credit institutions, public, private or "mixed," serving as channels for relending to small and medium-sized private enterprises. Another aspect of its complementary role was to be found in various credits for financing basic works of water supply and sanitation, a type of financing hitherto generally neglected or inadequately served by other sources of external credit.

To encourage greater mobilization of public and private capital for economic development, the Bank will normally lend not more than 50 per cent of the total cost of the project to be financed.

Loans have been made only for the acquisition or expansion of capital assets and, in certain cases, of technical services, but in no case for working capital.

The Bank is aware of the need to adjust the terms of loans to the nature of the projects to be financed, and has fixed no rigid rule with respect to periods of amortization. In general, the amortization period of loans to the private sector is from eight to twelve years, while the amortiza-

tion of loans for economic infrastructure works is for periods of up to twenty years, including grace periods in both cases where justified. To assure repayment of loans made by the Bank to private corporations, some limitations usually have been placed on the payment of dividends.

The kind and scope of loan guarantees or security, where required, have been determined by the nature of individual projects.

The annual interest rate which the Bank has fixed on loans from ordinary resources has been $5\frac{3}{4}$ per cent, including the 1 per cent commission for the Bank's special reserve. This level of interest was adopted in the light of the experience of other international financial institutions and in consideration of the possible cost to the Bank of new resources for relending which it might obtain in the future from financial markets. In addition to the interest rate, a commitment fee of $\frac{3}{4}$ of 1 per cent is charged on the undisbursed portion of loans.

In the case of certain loans to closely-held enterprises, the Bank has required the borrowers to undertake action within a reasonable time to broaden local equity participation in the enterprise.

In financing private industrial enterprises which occupy a potentially monopolistic position because they operate in relatively small markets, the Bank has endeavored to establish terms that, without prejudice to or interference with national legislation, protect the interests of the consumers to the greatest extent possible.

It is of more than passing interest to note that in 1961 the Bank loaned the equivalent of more than \$33 million of the national currencies of member countries held in the ordinary capital resources. The diversity of these national currency capital resources gives the Bank considerable latitude in financing local costs in the currency of the member country. In lending local currencies, the Bank has taken care not to disturb local capital

markets or local monetary stability. Even though the Agreement specifies that the member countries are responsible for the maintenance of value of their currencies held by the Bank, except for currency deriving from Bank borrowings, the Bank has deemed it expedient to require certain borrowers, particularly private enterprises, to maintain the value of local currency loaned to finance local costs.

In certain instances, under the provision of the Agreement referring to special cases, particularly when the project gives rise indirectly to additional demands for foreign exchange, the Bank has covered part of the local costs of projects with currencies other than that of the country in which the project is located. Such financing has been limited to a reasonable percentage of total local costs.

The Bank engages in direct loan negotiations only with potential borrowers, eliminating the use of intermediaries. This policy has made possible an intimate and broad understanding of the problems which both parties must resolve during the study and negotiation of loans. The Bank frequently sends its officers to the home countries of loan applicants to study projects and facilitate negotiations.

As a general rule, the Bank requires borrowers to use international competitive bidding or competitive national and international proposals for the acquisition of goods and equipment financed with loans.

The Bank has established disbursement and control procedures to ensure compliance with the provisions of loan contracts, and especially to ensure that borrowed funds be used only for the purposes and in the manner for which the loan was authorized. A special Operations Control unit has been set up to perform this essential function.

RELATIONS WITH OTHER ORGANIZATIONS

During 1961, the Bank strengthened its relations with various inter-American and international organizations.

The Bank cooperated closely with the Organization of American States (OAS) and the UN Economic Commission for Latin America (ECLA) in the preparatory work for the Special Meeting of the Inter-American Economic and Social Council at the Ministerial Level which was held in August at Punta del Este, Uruguay, and which formally established the Alliance for Progress program. The Bank was represented at that meeting by its President, members of the Board of Directors and officers of the staff. The Charter of Punta del Este provided that a panel of nine high-level experts should be appointed to consider national development programs, as requested by interested nations. These were appointed by the Inter-American Economic and Social Council in December, on the joint nomination of the Secretary General of the OAS, the President of the Bank and the Executive Secretary of ECLA.

Earlier in the year, the Bank, the OAS and ECLA strengthened their cooperative relations through the OAS-IDB-ECLA Ad Hoc Committee on Cooperation.

This Committee, composed of the Secretary General of the OAS, the President of the Bank and the Executive Secretary of ECLA, held its first working meeting in March in Washington and agreed:

That the annual review of the economic and social situation of Latin America should be undertaken jointly by the OAS and ECLA Secretariats, with the cooperation of the Bank where pertinent;

That the technical missions carrying out over-all country studies and advising countries on development programming should also be sponsored by the two Secretariats (it was recognized that the work of these missions would be useful to member countries seeking financing from the Bank or from other sources); and,

That a Special Coordinating Committee composed of representatives of the OAS, the Bank, ECLA and Harvard University, should be organized to develop a program designed to strengthen tax systems in Latin America. (In this connection, the Bank participated in sponsoring a conference on tax administration held in Buenos Aires in October.)

The Bank was represented at the Ninth Session of ECLA held in Santiago, Chile, in May. Among the resolutions adopted was one of special interest to the Bank, which referred to the establishment of a Latin American Institute for Development and Planning.

During the year the Bank maintained particularly close relations with the organizations which are fostering the integration of the Hemisphere—the Latin American Free Trade Association, the Central American Bank for Economic Integration and the Central American Committee for Economic Cooperation.

The Inter-American Bank also maintained mutually beneficial working relations with the World Bank and its affiliates, the International Finance Corporation and the International Development Association, and with the International Monetary Fund, the Export-Import Bank and the U.S. Agency for International Development. The Bank also kept in contact with the UN Special Fund, whose pre-investment activities in the field of technical assistance in Latin America were of particular interest. The Bank was represented at meetings of the Pan American Health Organization, the UN Food and Agriculture Organization, the International Labor Office and others, including the Sixth Meeting of Central Banks of the Hemisphere.

The mission headed by the President of the Bank established contact with various international organizations during its visit to Europe. These included the European Economic Community and the European Investment Bank, in Brussels; the Organization for Economic Cooperation and Development and UNESCO, in Paris; the UN Food and Agriculture Organization, in Rome; the Bank for International Settlements, in Basel, and the International Labor Office, the General Agreement on Tariffs and Trade, and the UN Economic Commission for Europe, in Geneva. The Bank also participated as an observer in

meetings of the Development Assistance Committee, an OECD advisory organization of the capital-exporting countries which is seeking to mobilize resources for the underdeveloped areas of the world.

BOARD OF GOVERNORS

The Second Annual Meeting of the Board of Governors was held in Rio de Janeiro, Brazil, from April 10 to 14. Attending the meeting were 123 official delegates, including many Ministers of Finance, Economy and Agriculture; observers representing international and regional organizations; special guests from member countries, Europe and Japan, and representatives of the international press and publications.

The Board of Governors approved the Financial Statement of the Bank for the fiscal year ending December 31, 1960, and decided that the net income from the ordinary capital resources for the year should be allocated to a general reserve for those resources. The Board also approved the Financial Statement of the Fund for Special Operations and decided that the net income from the Fund should be allocated to a general reserve for the Fund. The Board agreed that its third regular meeting should be held in Buenos Aires, Argentina, in April 1962.

ADMINISTRATION

During 1961 the following changes occurred in the Board of Executive Directors of the Bank: Mr. Hernando Agudelo Villa of Colombia was elected Executive Director for Chile, Colombia and Venezuela to serve the remainder of the term of Mr. Ignacio Copete Lizarralde. Mr. Oscar Niemtschik of Venezuela was appointed Alternate Executive Director for Chile, Colombia and Venezuela, succeeding Mr. Carlos M. Lollet. The membership of the Board is listed on page 64.

The Bank's original administrative organization was changed during the course of the year. The divisions related to the Bank's operations were grouped under two major departments—Operations and Technical—each headed by its own manager, with a view to achieving greater coordination in the complex activities of the Bank and of making its administrative procedures more flexible and expeditious.

Mr. Ewaldo Correia Lima, former Chief of the Loan Division, was appointed Manager of the Operations Department. This Department includes the Loan, Project Analysis and Operations Control Divisions. Mr. Ignacio Copete Lizarralde, former Executive Director, was named Manager of the Technical Department, which in-

cludes the Technical Assistance, Economics and Social Development Divisions.

As of December 31, the Bank staff consisted of 141 professionals and 142 secretarial, administrative and general services employees. This was an increase of 95 persons over the number employed on the same date in 1960. The increase reflected the growth in the activities of the Bank due to the initiation of lending operations and its new responsibilities as Administrator of the Social Progress Trust Fund. In recruiting personnel, the Bank has been guided by the need to ensure maximum efficiency, competence and integrity, while giving close consideration to geographic distribution.

During the year, the Bank adopted a personnel retirement plan which became effective with respect to each employee as of the date of his employment, on the basis of an arrangement for provisional contributions established by resolution approved at the first meeting of the Board of Executive Directors. The plan offers retirement benefits to employees based on length of service and average yearly salary. It also provides illness and survivor benefits. Each person employed contributes 7 per cent of his or her salary to the plan, while the Bank contributes 14 per cent.

FINANCIAL OPERATIONS

Prior to December 31, 1961, the total ordinary capital resources of the Bank which had been paid in were \$158,651,520 in United States dollars and \$68,646,000 in the currencies of other member countries. These resources were composed of \$52,887,520 in dollars and \$22,882,000 in the currencies of other member countries from the first installment of paid-in capital received in 1960, and \$105,764,000 in dollars and \$45,764,000 in currencies of other member countries from the second installment of paid-in capital received by October 31, 1961. The total amounts received from the first and second installments of paid-in capital represented 99.3 per cent of the amount due.

During the year 40 loans totaling \$129,996,783 were authorized in 15 member countries. Of this total, \$96,149,000 was authorized in United States dollars and \$33,847,783 in currencies of other member countries. Loan disbursements in the total amount of \$3,176,374, including \$850,000 received from banking participants in the loans, were made, of which \$2,500,931 was in

United States dollars and \$675,443 was in currencies of other member countries. The Bank has sold or agreed to sell participations totaling \$4,483,647.

The United States dollar portion of the funds received in payment of installments of paid-in capital, not required for loan disbursements, has been invested in United States Government short-term obligations and in negotiable certificates of deposit in commercial banks in the United States.

The net operating earnings in 1961 for the ordinary capital of the Bank were \$439,208. Gross income for the year amounted to \$2,491,179, excluding the income from the 1 per cent placed in the special reserve. These earnings were derived from income from investments of \$1,989,583, interest on negotiable certificates of deposit of \$411,130, interest on loans (net of 1 per cent for the special reserve) of \$28,558, commitment charges on loans of \$53,750, and income from other sources of \$8,158. Total administrative expenses chargeable to the ordinary capital operations amounted to \$2,051,971.

Loans Ordinary Capital Resources

APPROVED LOANS • 1961
(Expressed in thousands of U.S. Dollars)

ORDINARY CAPITAL		
Country	Number	Amount
Argentina	6	\$ 29,984
Brazil	7	17,465
Chile	3	12,050
Colombia	4	13,568
Costa Rica	1	3,000
Ecuador	1	2,343
El Salvador	4	5,635
Guatemala	3	5,300
Honduras	2	510
Mexico	2	16,000
Nicaragua	2	2,450
Paraguay	1	550
Peru	2	5,401
Uruguay	1	5,743
Venezuela	1	9,998
Total	40	\$129,997



2. DESCRIPTION OF LOANS

Ordinary Capital Resources

This section describes the loans authorized by the Bank during 1961 from its ordinary capital resources. The loans are grouped in the following broad categories:

- A) Development Loans for Relending to Private Enterprises.
- B) Direct Private Enterprise Loans.
- C) Loans to Governments and Governmental Entities.
- D) Reimbursable Technical Assistance Loans.

The uniform interest rate of $5\frac{3}{4}$ per cent per annum includes the 1 per cent special commission which is allocated to the Bank's Special Reserve. The terms of most of the 40 loans ran between 10 and 20 years, including grace periods. In all cases, guarantees or security satisfactory to the Bank were obtained. All participations by commercial banks in the early maturities of loans were made without the guarantee of the Bank.

A. DEVELOPMENT LOANS FOR RELENDING TO PRIVATE ENTERPRISES

Ten Loans: Total \$49.9 Million

ARGENTINA

\$15 million 12-year 5¼% loan of July 13, 1961

(\$14 million and \$1 million in Argentine pesos)

BORROWERS—Banco Provincial de Santa Fe, Banco de la Provincia de Entre Ríos and Banco de la Provincia de Córdoba, as leaders of a consortium of 20 provincial banks.

The purpose of the loan is to stimulate growth in the interior of Argentina by making resources available for relending to private borrowers requiring small, medium-term credits for the purchase of capital equipment in Argentina and abroad. At least 50 per cent of the cost of any project must be financed by the borrowers.

Capital and major economic activity in Argentina has hitherto tended to concentrate in the city and province of Buenos Aires. Many regions in the interior contain abundant natural resources which, if properly explored and developed, could make a substantial contribution to the local and national economies.

The loan will be used to finance private enterprise projects in agriculture, industry and mining

in the interior. Emphasis will be placed on better utilization of inadequately developed resources, increased productivity and an increase in exports from the interior to other parts of Argentina and other countries. The program will be under the supervision of the Consejo Federal de Inversiones, an official agency which seeks to promote more balanced national development.

CHILE

\$6 million 12-year 5¼% loan of April 9, 1961

(\$4.5 million and \$1.5 million in escudos)

BORROWER—Corporación de Fomento de la Producción de Chile (CORFO).

The loan is aiding the Chilean Government to carry out part of its National Program for Economic Development, which is designed to bring about the orderly expansion of the economy. Proceeds of the loan are being lent to private borrowers for medium and small-scale industrial, mining and fishery projects. The private sector of the economy has been particularly affected by the

economic slowdown of the past decade and is facing difficult problems of re-equipment and expansion.

Chile's stabilization program sought to end a long period of economic difficulty and inflation and to permit the country to embark on a ten-year development program aimed at increasing the growth rate of the gross national product to an average of 5½ per cent a year. The program calls for substantial public and private investments. Up to the equivalent of \$2 million of the loan is for development in northern Chile, with particular emphasis on the fishing industry. The remainder is for relending to industrial and mining enterprises for the purchase of equipment abroad and, in certain cases, for local costs.

PARTICIPATIONS—Bank of America National Trust and Savings Association, San Francisco; United California Bank, Los Angeles; The Chase Manhattan Bank, Irving Trust Company, J. Henry Schroder Banking Corporation, The Marine Midland Trust Company of New York and The Meadow Brook National Bank, all of New York, are participating in the loan for a total of \$345,000.

COLOMBIA

\$1.05 million 10-year 5¾% loan of April 9, 1961
(*\$500,000 and 4 million Colombian pesos*)

BORROWER—Corporación Financiera Colombiana de Desarrollo Industrial, S. A.

The loan will help expand the productive capacity and operating efficiency of small and medium private industries. It will be relent for the acquisition of new equipment and facilities. As a means of improving Colombia's balance of payments position, preference is being given to industries producing for export or whose products reduce import needs. These include metals, chemicals and pharmaceuticals, glass and bottles, lum-

bering and allied industries and construction.

PARTICIPATION—The Marine Midland Trust Company of New York is participating in the loan for a total of \$61,500.

COSTA RICA

\$3 million 12-year 5¾% loan of November 30, 1961
(*\$2.5 million and 3,311,500 colones*)

BORROWER — Banco Nacional de Costa Rica.

The loan will encourage the development of Costa Rica's livestock industry. It will be relent to private borrowers for the improvement of meat and dairy stock, the acquisition of breeding stock, and the purchase of machinery, equipment, water installations and vehicles needed to improve livestock operations. The borrower may finance no more than 60 per cent of the cost of any project with resources of the Bank loan.

Farming and stock raising account for 90 per cent of Costa Rica's exports and 34 per cent of its gross national product. The contribution of stock raising to the gross national product has grown from 12 per cent in the 1940's to more than 20 per cent at the present time and in recent years livestock products have contributed an increasing share to the country's exports. Cattle raising offers a good opportunity for further diversification of production. This process would help to offset the unfavorable effects of the drop in the world price of coffee, the nation's most important export, and effect foreign exchange savings.

PARTICIPATION—Manufacturers Hanover Trust Company, New York, is participating in the loan for a total of \$150,000.

ECUADOR

\$2.343 million 12-year 5¾% loan of August 10, 1961
(*\$1.626 million and \$717,000 in sucres*)

BORROWER—Comisión Nacional de Valores.

The loan will help develop the nation's sheep industry in general and wool production in par-

ticular. Proceeds of the loan will be relent to sheep raisers for the importation of pure breeding stock, the acquisition of native pure-bred sheep, and technical improvements in sheep raising establishments.

Sheep herding is a widespread and traditional activity of the Ecuadorean highlands, but a lack of good breeding stock and technical deficiencies in sheep raising have retarded development of the industry. In recent years Ecuador has spent an average of \$1.5 million a year in importing wool and manufactured wool articles, with more than half of this expenditure for raw wool. The project will help to lessen the nation's dependence on imports, contribute to the diversification of the economy and increase incomes for families who now raise sheep only as a complement to other activity. The Bank's loan will finance about 75 per cent of the cost of the project.

EL SALVADOR

\$2.5 million 13-year 5¾% loan of August 10, 1961
(\$2.1 million and \$400,000 in colones)

BORROWER — Banco Central de Reserva de El Salvador.

A lack of medium and long-term credits at reasonable rates has been a chronic handicap to the expansion of private industrial, agricultural, livestock and handicraft activity in El Salvador. Proceeds of the loan will be relent to private borrowers as a step toward remedying this situation. The Banco Central de Reserva will make the contemplated credits available through local banks.

PARTICIPATION — The Philadelphia National Bank is participating in the loan for a total of \$63,000.

GUATEMALA

\$5 million 12-year 5¾% loan of August 10, 1961
(\$4.25 million and \$750,000 in quetzales)

BORROWER—Banco de Guatemala.

The loan will be used to make medium and

long-term credits available to private borrowers through local banks to finance industrial, agricultural and livestock projects. The need for such credit facilities has become more urgent lately because of progress in Central American economic integration, which requires Guatemala to improve its productive capacity so that it may benefit from the broader market offered by regional integration. Increased production of other products will also tend to lessen the country's dependence on coffee exports, now its chief source of foreign exchange. The Banco de Guatemala estimates that about \$3 million of the loan will be available for industrial relending and \$1 million each for agriculture and animal husbandry.

PARTICIPATIONS — Bank of New York, The Chase Manhattan Bank, Grace National Bank, Morgan Guaranty Trust Company and Irving Trust Company, all of New York; Girard Trust Corn Exchange Bank, Philadelphia; Continental Illinois National Bank and Trust Company of Chicago, and Crocker-Anglo National Bank and Wells Fargo Bank American Trust Company, both of San Francisco, are participating in the loan for a total of \$580,000.

MEXICO

\$3 million 10-year 5¾% loan of August 10, 1961
(\$2 million and \$1 million in Mexican pesos)

BORROWER—Nacional Financiera, S. A.

The loan will increase the resources of the Fondo de Garantía y Fomento de la Industria Mediana y Pequeña and permit it to broaden its lending operations to small and medium private industries for the acquisition of capital assets, thereby stimulating and advancing the decentralization of industry in Mexico and economic development in general. Despite a gradual increase in

the Fondo's volume of operations, it is estimated that the 1,830 enterprises aided by its loans so far constitute only six per cent of the country's small and medium industries, leaving a broad potential field of activity in stimulating economic development.

NICARAGUA

\$2 million 12-year 5¾% loan of March 31, 1961

BORROWER—Instituto de Fomento Nacional.

The loan will be relent during the next two years in medium and long-term credits to private borrowers for industrial development. The nation has a predominantly agricultural economy and 51 per cent of its gross national product and 80 per cent of its export income derive from this source. Industrial production accounts for a small percentage of the gross national product, but has been growing 8.2 per cent a year since 1945. The loan will help to accelerate this growth by making credits available for the purchase of equipment and services from abroad, and for establishing industrial projects of value to the country's development. The Bank loan will finance 50 per cent of the total cost of the two-year program.

PARTICIPATIONS—The First National City Bank of New York, Grace National Bank and Irving Trust Company, all of New York, and The First Pennsylvania Banking and Trust Co., The Philadelphia National Bank and Girard Trust Corn Exchange Bank, all of Philadelphia, are participating in the loan for a total of \$272,000.

VENEZUELA

\$9.998 million 12-year 5¾% loan of May 18, 1961

(\$7 million and 10 million bolívares)

BORROWER—Corporación Venezolana de Fomento.

This first economic development loan made directly to Venezuela by an international lending agency will help to expand and diversify industrial production. Proceeds of the loan will be relent to private borrowers. In 1960 Venezuela embarked on a broad four-year program of economic development and diversification prepared by the National Coordination and Planning Board. This loan will support part of this program. Under a system of priorities aimed at the solution of the country's most pressing economic problems, preference will be given to projects that help to replace imports, diversify and expand exports, utilize domestic resources and contribute to employment. Within this framework, high priority will be given to the food industry, which has the highest proportion of labor to capital invested, and to the textile, construction materials, paper and cellulose, lumber and meat packing industries.

PARTICIPATIONS—Bank of America National Trust and Savings Association and Wells Fargo Bank American Trust Company, both of San Francisco; The Marine Midland Trust Company of New York and the Irving Trust Company, both of New York; and The First Pennsylvania Banking and Trust Co., Girard Trust Corn Exchange Bank and The Philadelphia National Bank, all of Philadelphia, are participating in the loan for a total of \$762,500.

B. DIRECT PRIVATE ENTERPRISE LOANS

Sixteen Loans: Total \$23.1 Million

ARGENTINA

\$700,000 12-year 5¾% loan of October 5, 1961

BORROWER — Tool Research Argentina, S.A.I. y C.

The loan will finance 42 per cent of the cost of an expansion program which will enable the company to increase its production of gears and axles and later produce complete transmission gears for the automotive industry in Argentina. When the program is completed, the company is expected to produce 50,000 transmission units a year. Some 150,000 cars and trucks are being produced yearly in Argentina and production is increasing steadily. In the past about \$5.3 million a year was spent to import transmission and steering mechanisms from abroad. The project is expected to save up to \$1.65 million a year in foreign exchange. The program will be carried out in two stages. The loan will finance the purchase and installation of a steel hardening furnace for the first stage and the purchase of machine tools for the second.

PARTICIPATION — Bank of America National

Trust and Savings Association, San Francisco, is participating in the loan for a total of \$70,000.

\$631,000 12-year 5¾% loan of December 21, 1961

(\$470,000 and 13.28 million Argentine pesos)

BORROWER—Sociedad Anónima "La Merced."

The loan will help to expand, intensify and diversify the production of a large private enterprise farm property in the Province of Jujuy by financing about 40 per cent of the cost of an irrigation system and other works. The firm operates an agricultural property of some 67,000 acres, but only about 5,000 acres have been intensively cultivated so far because of a lack of resources. The loan will help make possible the intensive cultivation of some 25,000 acres and the semi-intensive cultivation of another 17,500 acres, primarily in long-fiber plants and in meat and dairy cattle raising. The uncultivated portion of the property will be used for timber operations.

PARTICIPATION — The Marine Midland Trust

Company of New York is participating in the loan for a total of \$52,222.

\$2.2 million 12-year 5¼% loan of December 14, 1961

BORROWER — Vialsa S.A., Constructora, Inmobiliaria, Comercial, Industrial, Agropecuaria y Financiera.

The loan will be used to help purchase machinery and equipment for a plant which Vialsa will build in Buenos Aires to produce prefabricated housing materials. During its first year of operation the plant will have a capacity to produce sufficient mono-blocks for 1,575 housing units. Thereafter, on two shifts a day, it will be able to produce enough materials for 3,000 housing units a year, thus helping to alleviate the nation's housing shortage. The loan will finance about 46 per cent of the cost of the project.

BRAZIL

\$4.7 million 10-year 5¼% loan of March 31, 1961

(\$2.5 million and \$2.2 million in cruzeiros)

BORROWER—Lutcher Celulose e Papel S. A.

The loan is helping to finance the construction of a cellulose pulp mill and related facilities about 60 miles southwest of Guarapuava, in the State of Paraná. The mill, which will utilize waste from existing sawmills, will produce approximately 38,000 tons of long-fiber pulp a year. This is the equivalent of about 40 per cent of the country's annual imports over recent years. It is estimated that the project will give employment to some 350 persons at the mill and to many others in transporting raw materials to the mill and pulp to the railroad terminal. Once in operation, the mill is expected to save foreign exchange of about \$4.6 million a year. The loan is financing approximately 36 per cent of the cost of the project.

\$750,000 8-year 5¼% loan of June 28, 1961

(\$570,000 and \$180,000 in cruzeiros)

BORROWER—Sifco do Brasil, S.A.

The credit will aid this São Paulo company to acquire and install facilities to maintain and expand the production of forgings for Brazil's growing automobile industry. Brazil now produces about 60,000 tons of forgings a year, of which the borrower accounts for 15,000 tons. The nation's total requirements for 1961 were placed at 90,000 tons, requiring imports of 30,000 tons to meet the deficiency. The loan will be used to purchase presses, drop hammers and milling machines abroad, and two furnaces and a circular saw in Brazil. The company will be enabled to reduce interruptions to production from breakdowns in present equipment and to increase production by about 3,000 tons a year.

PARTICIPATION — Chemical Bank New York Trust Company is participating in the loan for a total of \$122,094.

\$615,000 10-year 5¼% loan of October 19, 1961

(\$528,000 and \$87,000 in cruzeiros)

BORROWER—BRASQUIP (Indústria Brasileira de Equipamentos) S. A.

The loan will assist the borrower to purchase machinery for a plant that will produce some 13,000 cone-type bits and 2,000 tool joints yearly for the petroleum industry. Brazil currently imports 11,000 cone-type bits and 2,000 tool joints a year. Production in Brazil is expected to produce net foreign exchange savings of \$760,000 a year. The borrower is establishing a plant at Bahia, in northeastern Brazil. The credit will finance the purchase, shipping and installation of machine tools and equipment from abroad, and the acquisition of machine tools, vehicle-handling equipment and an electrical substation in Brazil. The loan will finance approximately 50 per cent of the cost of the project.

\$5 million 7-year 5¾% loan of December 14, 1961

BORROWER—Papel e Celulose Catarinense, Ltda.

The loan will finance 23 per cent of the cost of the establishment of an integrated kraft pulp and paper mill. The São Paulo firm, a subsidiary of Klabin Irmãos, parent company of a number of major Brazilian producers of paper, pulp, newsprint, corrugated board, containers and ceramics, is building the integrated mill near Lages in the State of Santa Catarina. The mill will have a capacity of some 64,000 metric tons of dried pulp a year. About 16,000 metric tons of this will be marketed and the rest will be used to manufacture some 44,000 tons of bleached and unbleached kraft paper for multi-layer bags and wrapping. The production of this and other mills should make Brazil self-sufficient in pulp and kraft paper by 1965 and should result in foreign exchange savings of \$12 million a year.

CHILE

\$5 million 12-year 5¾% loan of December 7, 1961

BORROWER—Corporación de Fomento de la Producción (CORFO).

The loan will help to finance an integrated fishing enterprise being established by the Empresa Pesquera de Tarapacá, S. A., at the port of Iquique. The loan will be used to cover the foreign exchange costs of acquiring an 18-boat fishing fleet and machinery and equipment for processing the catch. The project will include the catching, freezing and canning of fish and the manufacture of fish meal and oil. Production, chiefly of tuna, bonito, mackerel, sardines and anchovies, will be primarily for export and should in time yield estimated net foreign exchange earnings of \$6 million a year. The loan will finance 53 per cent of the cost of the project. As soon as feasible, in accordance with its usual procedures, CORFO expects to offer the bulk of the capital stock of the enterprise to private investors.

PARTICIPATIONS—Bank of New York, Irving Trust Company, The Marine Midland Trust Company of New York and The Meadow Brook National Bank, all of New York; Bank of America National Trust and Savings Association and Crocker-Anglo National Bank, both of San Francisco; Girard Trust Corn Exchange Bank, Philadelphia; Union Bank, Los Angeles, and The Riggs National Bank, Washington, are participating in the loan for a total of \$250,000.

EL SALVADOR

\$200,000 6-year 5¾% loan of June 29, 1961

BORROWER—Pan Lido, S. A.

The loan will help provide the community with a more adequate supply of bakery products and thus reduce the need for imports of such products. Pan Lido, S. A., has produced bakery products since 1944. Its two plants in San Salvador, the capital city, make approximately 780 tons of such products a year, but this is no longer enough to meet local requirements. The loan will permit the company to purchase equipment for an additional plant, including an oven, refrigeration system, cutters, packing machinery and other equipment. Capacity of the new plant will be about 230 tons a year. The loan will finance approximately 75 per cent of the cost of the project.

GUATEMALA

\$125,000 6-year 5¾% loan of June 22, 1961

BORROWER—Industria y Comercio Textiles Rex, S. A.

The loan will finance approximately 55 per cent of the cost of the company's expansion program, which will help to supply Guatemala's growing need for fiber sacks. Guatemala's economy is predominantly agricultural and much of the agricultural production consists of coffee and grains, which require about 2.5 million fiber sacks each

year. The company now produces about a million sacks a year from imported European jute yarn. The loan will be used to buy and install machinery for a spinning mill to process yarn from locally grown kenaf, as well as from imported jute and sisal.

\$175,000 7-year 5¾% loan of September 28, 1961

BORROWER—Hidroeléctricas del Atlántico, S. A.

The loan will cover 66 per cent of the cost of the expansion and modernization of the water supply system of Puerto Barrios. The city has a population of some 20,000 and is gaining in importance as an industrial center due to the recent installation of two oil refineries and the proposed construction of other plants. Its present source of water is Las Escobas river, which is tapped by an eight-inch pipeline laid across the bottom of the bay. However, the line is subject to frequent breaks because of strong crosscurrents and contraction caused by chilling of the bay in winter. The loan will help to finance the purchase of twelve and eight-inch pipelines to bring water overland from the source to storage tanks. It is estimated that these improvements will increase the supply from 72,000 cubic meters a month to 240,000.

HONDURAS

\$150,000 7½-year 5¾% loan of June 15, 1961

BORROWER—Molinos de Honduras, S. de R.L.

The loan will cover 44.5 per cent of the dollar cost of a modern corn flour mill, with a capacity of 40 tons a day, at San Pedro Sula. Honduras is a predominantly agricultural nation and in 1960 farming accounted for 47 per cent of the gross national product and employed about 80 per cent of the economically active population. Some wheat flour is milled in Honduras, but even though half the agricultural land is devoted to corn, the principal crop for local consumption,

very little corn is processed by modern methods. Installation of the mill is expected to broaden the market for corn and reduce the cost of corn flour.

\$360,000 8-year 5¾% loan of July 27, 1961

BORROWER—Químicas Dinant de Centroamérica, S. A. de C. V.

This loan will finance about 50 per cent of the cost of the first two stages of the installation of a chemical plant in Honduras for the manufacture of detergents and other products. Production of cleaning products in Honduras is largely restricted to common soap, and detergents are imported at a cost of more than \$200,000 in foreign exchange annually. The proposed chemical plant will give Honduras a local supplier of detergents, soap powders, polishes, disinfectants, industrial and agricultural chemicals, plastics and a wide range of byproducts, containers and packing materials.

PARTICIPATION—American National Bank and Trust Company of Chicago is participating in the loan for a total of \$60,000.

NICARAGUA

\$450,000 5-year 5¾% loan of December 21, 1961

BORROWER—Industrias Gemina, S. A.

The loan would help to finance the foreign exchange costs of the construction of a wheat and a corn flour mill in Chinandega, Nicaragua. The wheat flour mill would have a capacity of 15,240 tons per year, and the corn mill a capacity of 10,819 tons.

PARAGUAY

\$550,000 12-year 5¾% loan of September 28, 1961
(*\$330,000 and \$220,000 in guaranies*)

BORROWER—Compañía Algodonera Paraguaya, S. A.

The loan will aid the Paraguayan firm to increase production of processed tobacco and indus-

trial oils. It will help to construct a building to process some 2,000 tons of tobacco a year, install machinery and equipment to enlarge the production of coconut oil, and purchase and install a thermoelectric plant to be fueled by coconut husks for use in the company's cotton, tobacco and oil processing plants. The loan will finance about 43 per cent of the total cost of the project.

PERU

\$1.502 million 10-year 5¾% loan of October 5, 1961
(\$1.25 million and 6.75 million soles)

BORROWER — Compañía Peruana de Cemento Portland, S. A.

The loan will help the company consolidate its facilities at Atocongo, 40 miles from Lima, and increase production to meet the nation's growing needs for cement. The quarrying, crushing and grinding of crudes and calcination, some clinker

grinding, and packing are handled at the Atocongo plant, which produces 1,300 barrels of cement a day. However, the principal clinker-grinding facilities are at Maravillas, within the city limits of Lima, with a capacity of 7,000 barrels a day. The loan will help finance the purchase of two mills and auxiliary equipment and the transfer of the Maravillas facilities to Atocongo, to give the expanded Atocongo plant an estimated annual production capacity of 3.5 million barrels of cement by 1975. The loan will finance about 64 per cent of the cost of the project.

PARTICIPATIONS — Irving Trust Company and Morgan Guaranty Trust Company, both of New York; Central National Bank of Cleveland; The First Pennsylvania Banking and Trust Co. and Girard Trust Corn Exchange Bank, both of Philadelphia, and Wells Fargo Bank American Trust Company, San Francisco, are participating in the loan for a total of \$238,125.

C. LOANS TO GOVERNMENTS AND GOVERNMENTAL ENTITIES

Twelve Loans: Total \$55.8 Million

ARGENTINA

\$10.816 million 15½-year 5¾% loan of December 21, 1961

(\$8 million and 232.4 million Argentine pesos)

BORROWER—Agua y Energía Eléctrica.

The loan will finance 27 per cent of the cost of a program to expand electric power facilities in and around Santa Fe and Rosario. A shortage of electric power is one of the principal hindrances to the growth of Argentina's economy. To help solve this shortage, Agua y Energía Eléctrica is engaged in a \$40 million program to improve and expand the facilities of its Sistema Eléctrico del Litoral, running northwest from Buenos Aires to Santa Fe along the west bank of the Paraná river. The program will increase the supply from 376,000 kilowatts at present to 470,000 kilowatts by 1965.

The program calls for the expansion of existing generating plants at Rosario and Santa Fe and the improvement of transmission, transformer and distribution facilities. The loan will finance part of construction of the Rosario sub-system, the total cost of which is estimated at \$14,953,000. It will be utilized to increase boiler capacity at the Sorrento plant in Rosario to yield 35,000 kilowatts

of additional power, install high tension transmission lines between the Sorrento facilities and the San Nicolás plant in the Province of Buenos Aires, and improve and enlarge the distribution network at Rosario.

PARTICIPATIONS—Irving Trust Company, New York; The First Pennsylvania Banking and Trust Company, Philadelphia, and Continental Illinois National Bank and Trust Company of Chicago are participating in the loan for a total of \$150,000.

BRAZIL

\$1.13 million 10-year 5¾% loan of November 9, 1961

BORROWER—Usinas Elétricas do Paranapanema (USELPA).

\$270,000 10-year 5¾% loan of November 9, 1961

BORROWER—Companhia Hidroelétrica do Rio Pardo (CHERP).

The two corporations, 99 per cent owned by the State of São Paulo, generate power by harnessing the falls of the Paranapanema, Pardo and Tietê

rivers in the State of São Paulo and sell it to private distributing companies. The loan will finance approximately 31 per cent of the cost of improving the distribution system of twelve of these companies in São Paulo and northern Paraná. The project is part of a program of the State of São Paulo to ensure an adequate supply of electric power to sustain the area's rapid economic development. USELPA and CHERP have embarked on a broad program to expand their generating capacity. Improvement of the distribution systems is necessary if this surplus capacity is to be properly utilized. USELPA and CHERP will use the loans to acquire electrolytic copper for the manufacture of conductors in Brazil, silicon steel for the manufacture of transformers, and protective, control and communications equipment.

PARTICIPATIONS — Grace National Bank and The Marine Midland Trust Company of New York, both of New York, and The National Bank of Washington are participating in the loan to USELPA for a total of \$92,000.

\$5 million 14-year 5¾% loan of December 14, 1961
(*\$3.5 million and \$1.5 million in cruzeiros*)

BORROWER—Centrais Elétricas de Minas Gerais S. A. (CEMIG).

CEMIG is carrying out a statewide electrification program which includes construction of major generating facilities and transmission and distribution systems. The expansion program will increase present capacity of 260,000 kilowatts to 760,000 kilowatts by 1965. CEMIG plans to expand transmission and distribution networks to handle the increased supply. This expansion will carry power to 140 additional localities, with 150,000 consumers, in the interior of the State of Minas Gerais within the next five years. In general, these localities have suffered from retarded economic development because of a lack of power, and can look forward to more rapid

economic growth, particularly in the mining and food processing industries, as more abundant power is made available to them.

The total cost of the five-year program is estimated at the equivalent of \$35 million. The Bank loan will finance part of the cost of construction of 1,400 miles of transmission and subtransmission lines and 42 substations with a combined capacity of 78,000 kilowatts. The loan will be used to purchase aluminum and copperweld ingots abroad for the manufacture of equipment in Brazil, and to cover part of the local costs of material, equipment and services.

CHILE

\$1.05 million 20-year 5¾% loan of November 22, 1961

BORROWER — Government of Chile.

Concepción and Talcahuano constitute an important urban center in one of the most highly industrialized regions of Chile, but health standards have been impaired and industrial and economic development retarded by the deficient water supply system. Defects in the distribution network, corroded piping and frequent interruptions because of water failure at the source and in trunk lines contribute to poor service. The loan, supplemented by a \$2.47 million loan from the Social Progress Trust Fund, will help to finance an improvement and expansion of their municipal water supply. The two credits will cover about 58 per cent of the cost of the project.

The twin cities have a combined population of 205,000, and an increase of about 150,000 is expected in the next 20 years. About 35 per cent of the inhabitants of Concepción and 42 per cent of the inhabitants of Talcahuano today lack a minimum water service. No industrial water connections have been made in recent years because of the urgent need to meet the general requirements of the population, and this has compelled industry to improvise sources of supply,

often at great expense, and has tended to discourage the growth and diversification of industry. The loan will help to remedy this situation by making resources available for the construction of filtration plants and pumping stations in Concepción and Talcahuano, and large diameter distribution lines in the latter community.

COLOMBIA

\$6.048 million 20-year 5¾% loan of April 9, 1961

(\$3.3 million and 19.95 million Colombian pesos)

BORROWER—Empresas Públicas de Medellín.

The loan will cover 58 per cent of the cost of a 74-million peso water supply expansion project initiated by the city of Medellín to meet the needs of its growing population and industry during the coming decade. The Medellín metropolitan area has a population of 774,000 and is Colombia's chief industrial center. Industrial activity consumes 25 per cent of the water supplied by Empresas Públicas.

The city's minimum daily water consumption needs are 147,000 cubic meters, but existing facilities can supply only 116,000 cubic meters a day during the dry season. The proposed expansion and improvement of these facilities will be in two stages: the first, to be completed late in 1963, will increase water supply by 40,000 cubic meters a day, and the second, scheduled for completion in late 1965, will provide another 86,000 cubic meters daily.

PARTICIPATIONS—The National Shawmut Bank of Boston and The Marine Midland Trust Company of New York are participating in the loan for a total of \$103,125.

\$5.969 million 20-year 5¾% loan of June 15, 1961

(\$2.2 million and 27.36 million Colombian pesos)

BORROWER—Empresas Públicas Municipales de Cartagena.

The loan will help to meet the present and fore-

seeable water and sewerage needs of this growing city, and thereby raise health standards and industrial productivity. It will cover 55.4 per cent of the cost of a water supply and sewerage project, estimated at 78 million Colombian pesos.

Cartagena, with a population of 225,000, is Colombia's second seaport, a popular tourist center and a growing industrial city. Its present water supply is 19,800 cubic meters a day, or 115 liters per capita, an amount inadequate to meet needs. The project envisions improvements to fill the needs of the city until 1970, and provides for future expansion up to 1985. These improvements will give the city a supply of 57,000 cubic meters daily, almost three times the present supply. Improvements will include additional trunk lines, a new treatment plant, the catchment of an additional watercourse, installation of a conduit and enlargement of the distribution system. The sewer system will be improved with main, pumping and ejector stations and an underwater offshore sewerage outfall.

PARTICIPATIONS—Manufacturers Hanover Trust Company and Bankers International Corporation, both of New York, are participating in the loan for a total of \$137,500.

EL SALVADOR

\$1.26 million 20-year 5¾% loan of August 10, 1961

BORROWER—Banco Central de Reserva de El Salvador.

The credit will assist in financing a water supply modernization and expansion program being carried out by the Government in the country's five chief cities. Poor water supply and sanitary facilities have created a serious health problem in El Salvador, contributing, among other undesirable effects, to an infant mortality rate of 84.8 per thousand during the past three years. The program, which will benefit the cities of San Salvador,

Santa Ana, San Miguel, Santa Tecla and Sonsonate, will remedy this situation and will help to stimulate general development of the communities concerned.

\$1.675 million 20-year 5¾% loan of August 10, 1961
(*\$1.05 million and \$625,000 in colones*)

BORROWER—Banco Central de Reserva de El Salvador.

The loan will help finance an irrigation and flood control program in the Zapotitán Valley of El Salvador and thereby encourage the expansion and diversification of agriculture in a potentially rich section of the country. Reclamation of cultivable land is of great importance in El Salvador, the smallest and most densely populated of the Central American countries. The Zapotitán Valley is largely a swampland today, cultivable only in the dry season. The irrigation and flood control program will permit reclamation of more than 10,000 acres of rich agricultural land, which will produce direct benefits for the area and the nearby urban centers of San Salvador, Santa Ana and Sonsonate. The program will be carried out by the Ministry of Agriculture and Animal Husbandry.

MEXICO

\$13 million 20-year 5¾% loan of September 7, 1961
(*\$8.78 million and 52.75 million Mexican pesos*)

BORROWER—Nacional Financiera, S. A.

The loan will help finance the completion of four irrigation projects located in four states — Oaxaca, Durango, Chihuahua and Baja California—in Mexico. The total investment of the Mexican Government in the program, being carried out by the Secretariat of Hydraulic Resources, is the equivalent of \$42 million. About half of this sum has already been invested in dams and related irrigation works. The other half will be financed by the Bank's loan and by a further sum equivalent

to \$7.5 million which will be provided by the Government.

Three of the projects involve large storage dams and the fourth the construction of a concrete tunnel to carry irrigation water to an area now serviced by a pumping station. The storage projects include El Marqués Dam on the Tehuantepec river in Oaxaca, El Tunal Dam on El Tunal river in Durango, and the Guadalupe Dam on the Papigochic river in Chihuahua. The tunnel will form part of the Sánchez Mejorada Siphon project on the Colorado river in Baja California. The dams, which were scheduled for completion last year, were financed entirely by the Mexican Government, and the siphon will be constructed in the coming year entirely with resources from the loan. The loan will also be employed in constructing complementary irrigation ditches and canals, small roads and bridges. The four projects will irrigate a total area of about 275,000 acres, of which some 98,000 acres will be irrigated for the first time.

PARTICIPATIONS—Banca Nazionale del Lavoro, Rome; Commerzbank, A.G., Dusseldorf; Dresdner Bank, A.G., Hamburg; Handelsfinanz, A.G., Zurich; American National Bank and Trust Company of Chicago; Girard Trust Corn Exchange Bank, Philadelphia; Irving Trust Company, New York; Union Bank, Los Angeles, and Wells Fargo Bank American Trust Company, San Francisco, are participating in the loan for a total of \$774,000.

PERU

\$3.899 million 14-year 5¾% loan of February 3, 1961
(*\$1.45 million and 66 million soles*)

BORROWER—Corporación de Saneamiento de Arequipa.

The loan will help improve and expand the water and sewerage systems of Arequipa, Peru's second largest city. Its present systems are in-

adequate and about 40 per cent of the community lacks water service or acceptable sewer facilities. This has constituted a health hazard and a deterrent to the growth of the community and the establishment of new enterprises in the city.

The project, which is expected to meet Arequipa's needs over a 15-year period and provide for future expansion, includes the construction of an intake line, water treatment plants, reservoirs, distribution lines, service connections and meters. Also planned are 130 miles of concrete sewer conduit and a sewage treatment plant. The loan will finance about 61 per cent of the cost of the project.

PARTICIPATIONS — Bank of America National Trust and Savings Association, San Francisco, and the National Bank of Washington are participating in the loan for a total of \$145,000.

URUGUAY

\$5.743 million 20-year 5¾% loan of August 3, 1961
(\$2.993 million and \$2.75 million in Uruguayan pesos)

BORROWER—Government of Uruguay.

This loan was made to improve and expand

the water supply system of Montevideo. It will finance about 40 per cent of the cost of the project, which is part of a broad program of public works begun by the nation. The city has more than a million inhabitants and is the center of virtually all the nation's industrial and commercial activity, including about 75 per cent of its foreign trade.

About 20 per cent of the city's inhabitants lack an adequate water supply, and present per capita consumption of some 52 gallons a day is considerably lower than that of most large cities in Latin America. The planned expansion, which is expected to meet the city's needs until 1980, will treble present capacity through the construction of a water intake from the Santa Lucia river, an aqueduct tunnel, pump room, purifying plant, pipe lines, and the purchase and installation of meters.

PARTICIPATION—The First National City Bank of New York is participating in the loan for a total of \$55,581.

D. REIMBURSABLE TECHNICAL ASSISTANCE LOANS

Two Loans: Total \$1.1 Million

ARGENTINA

\$637,000 5-year 5¾% loan of August 3, 1961
(\$382,000 and \$255,000 in Argentine pesos)

BORROWER—Agua y Energía Eléctrica.

The loan will finance the completion of the necessary preliminary studies to evaluate the economic feasibility of the proposed Chocón-Cerros Colorados hydroelectric power project in northern Patagonia. The project under study could improve the nation's electric power supply, irrigate approximately 2.4 million acres in northern Patagonia and provide flood control for the Río Negro valley. The proposed project, which would develop an arid but potentially rich area of more than 300,000 square miles, would utilize the waters of the Limay and Neuquén rivers in the Río Negro system.

COLOMBIA

\$500,000 5-year 5¾% loan of September 6, 1961
(\$300,000 and \$200,000 in Colombian pesos)

BORROWER—Government of Colombia.

The Colombian Government is engaged in extensive efforts to organize its national development. The loan will help the Office of Planning and Technical Services, executive secretariat of the National Council for Economic Policy and Planning, to prepare investment projects and determine their technical and economic feasibility, contract with local and foreign consultants for feasibility studies on special projects, and establish liaison between foreign credit sources and Colombian Government agencies.

3. TECHNICAL ASSISTANCE¹

The Agreement stipulates that the Bank may, at the request of any member or members, or private firms that may obtain loans from it, provide technical assistance especially for:

- “a) the preparation, financing, and execution of development plans and projects, including the consideration of priorities, and the formulation of loan proposals on specific national or regional development projects, and
- “b) the development and advanced training, through seminars and other forms of instruction, of personnel specializing in the formulation and implementation of development plans and projects.”

The Agreement also authorizes the Bank to “enter into agreements on technical assistance with other national or international institutions either public or private.”

The Bank recognizes the important role which technical assistance plays in helping to achieve the objectives of the Bank in Latin America. During the year the Bank gave assistance to potential borrowers to help them prepare economic development projects and loan applications based

thereon and to contribute to the training of specialized personnel in the preparation of development plans and specific projects.

The Agreement provides that those technical assistance costs not paid for by the beneficiaries may be covered by the net operating income of the Bank or the Fund for Special Operations. During the first three years of the Bank's operations, the Bank may use up to 3 per cent of the initial resources of the Fund to defray approved expenditures for technical assistance.

It is difficult to give a detailed breakdown of the various technical assistance activities which the Bank has given its member countries in 1961, because much of this activity has been carried out by the Bank's personnel as a part or extension of its ordinary work and the costs are charged to the Bank's regular expenses. There follows a resume of technical assistance that can be calculated in a specific manner which the Bank has made available from the ordinary capital resources and the Fund for Special Operations during the year.

¹ Technical Assistance is included in this Part of the Annual Report because it is an integral part of the Bank's activities. In 1961 all non-reimbursable technical assistance expenses were charged to the earnings, reserves and capital of the Fund for Special Operations.

I. Reimbursable Technical Assistance

a) Ordinary capital resources:

Loans to Argentina and
Colombia \$1,137,000

b) Fund for Special Operations:

Activities in Bolivia, Chile,
Honduras, Paraguay, Peru
and Venezuela 1,437,300
Total \$2,574,300

II. Non-Reimbursable Technical Assistance

a) Direct technical assistance:

Activities in countries \$1,190,650

b) Training and other activities:

Courses, scholarships and
substantive studies 151,475
Total \$1,342,125

Grand Total \$3,916,425

Technical assistance provided by the Bank during 1961 on a country basis was as follows:

ARGENTINA

At the request of the Government, the Bank sent a mission to study plans dealing with the Chocón-Cerros Colorados hydroelectric project in northern Patagonia. The mission reviewed the studies which had been made and recommended a further feasibility study, and the Bank subsequently approved a technical assistance loan of \$637,000 from its ordinary resources to make such a study (Page 34).

A regional development group, the Instituto del Valle del Viedma, obtained the Bank's advice in drawing up its statutes and regulations. Similarly, the Bank advised with respect to proposed legislation creating the Corporación de Fomento del Rio Chubut.

BOLIVIA

In late 1960 and early 1961 the Bank approved a total of \$61,500 in non-reimbursable technical assistance for a study mission, consisting

of Bank officials and members of a firm of mining consultants, to evaluate the large mines operated by the Corporación Minera de Bolivia (COMIBOL). Later, the Bank extended \$100,000 in reimbursable technical assistance for the purpose of engaging a consulting firm to carry out studies aimed at the rehabilitation of a number of the smaller mines of the Corporación.

In 1961, the Bank also made a grant of \$250,000 to the Corporación Boliviana de Fomento in connection with a \$10 million loan extended by the Bank to the Corporación for relending to private enterprises for a series of high priority development projects. The resources of this grant are being used to contract for accounting and engineering services and to engage advisors to increase the technical staff of the Corporación. The Bank has assigned a permanent representative in Bolivia.

CHILE

The Bank authorized a technical assistance loan of \$265,000 from the Fund for Special Operations for use in connection with a farm resettlement project being carried out by the Caja de Colonización Agrícola and for other related purposes. (Page 84).

COLOMBIA

The Bank authorized a technical assistance loan of \$500,000 from its ordinary resources to help the Office of Planning and Technical Services to prepare investment projects (Page 34).

At the request of the Corporación Financiera de Caldas, the Bank sent a mission, which also included an official of the UN Food and Agriculture Organization, to explore possibilities for the economic diversification of the Caldas region.

ECUADOR

The Bank engaged an expert to advise the Junta Nacional de Planificación y Coordinación Económica in Ecuador on the preparation of spe-

cific projects and credit requests, as well as the study of possible sources of financing.

The Bank also sent a mission to advise the Banco Nacional de Fomento on organizational matters.

EL SALVADOR

The Bank agreed to contract for the services of an expert to advise the Banco Central de Reserva in connection with loans authorized by the Inter-American Bank to the Banco for economic development in El Salvador.

HAITI

The Bank made a technical assistance grant of \$150,000 to the Banque Nationale de la République d'Haiti, to help in the establishment of the Institut de Développement Agricole et Industriel. The Bank also engaged a consulting firm to study the feasibility of a hydroelectric plant at the Peligre Dam and the distribution of electric power in Port-au-Prince. A joint advisory group composed of representatives of the OAS, the Bank and ECLA is now in Haiti advising on the preparation of a national economic and social development plan. The Bank has assigned a representative to Haiti who is also responsible for technical assistance activities.

HONDURAS

A technical assistance loan of \$960,000 from the Fund for Special Operations was authorized to the Government of Honduras to finance part of the cost of a highway and air survey (Page 84). The Bank granted \$250,000 in technical assistance to the Honduran Government to undertake studies connected with the country's western highway program, part of which is being financed through a \$2.25 million Bank loan (Page 83). At the request of the Banco Nacional de Fomento, the Bank made \$95,000 available for a variety of technical assistance purposes, including the cost of a Bank advisor, a review of the accounting

system and the cost of a study on personnel and operational practices.

NICARAGUA

The Bank agreed to grant technical assistance to the Banco Nacional de Nicaragua to advise on the organization of a savings department.

PANAMA

A Bank mission recommended the reorganization of the Instituto de Fomento Económico. Subsequently, \$48,000 in technical assistance was approved to aid in and supervise the reorganization of the Instituto.

PARAGUAY

The Bank approved \$70,000 in reimbursable technical assistance for the Administración de Electricidad (ANDE). The funds will be used to engage the services of a specialized engineering consulting firm to review and complement the final studies of the Rio Acaray hydroelectric project, including the installation of transmission and distribution lines in the city of Asunción.

The Bank granted \$48,000 in technical assistance to aid in the organization of the Banco Nacional de Fomento, to which the Bank has extended a \$3.5 million development loan for re-lending. The technical assistance funds will be used to establish an accounting system and a permanent auditing office and to pay the cost of an official of the Bank assigned by the Bank to advise the new agency on operations and administrative organization. A Bank advisory group, staffed also with officials of the Inter-American Institute of Agricultural Sciences and UN Food and Agriculture Organization, studied the technical and Agriculture Organization, studied the technical Paraná region and collaborated in the preparation of a loan application.

PERU

The Bank authorized \$40,000 in reimbursable

technical assistance to the Corporación Peruana de Vapores to determine the feasibility of a possible loan application.

URUGUAY

At the request of the Uruguayan Government, a preliminary joint mission representing the Bank, the OAS and ECLA was sent to Uruguay in connection with a possible study of a national development plan.

VENEZUELA

The Bank authorized technical assistance to the Corporación Venezolana de Fomento to be used in helping to prepare loan projects for industrial enterprises and to improve the accounting control systems. The Bank extended reimbursable technical assistance to *Asoprole*, a private firm, to engage an expert to advise on the proper equipment of a milk-processing plant.

Other Activities

The Bank also granted technical assistance to the following organizations:

The sum of \$100,000 to the Central American Bank for Economic Integration to cover, among other things, the costs of two Inter-American Bank missions, one of which advised on organization and the other cooperated with it in reviewing loan applications.

The Latin American Faculty of Social Sciences was aided with a grant of \$22,500 for a study and report on postgraduate courses in economics and public administration in Latin America.

The Bank contributed to a study of the best methods of improving the financing of small industries in Latin America.

The Bank obligated \$300,000 in technical assistance from the Fund for Special Operations, supplementing an obligation of \$700,000 for the same purpose from the Social Progress Trust Fund and a much larger grant from the United Nations, to contract for the services of the Latin American Institute for Development Planning in the training of experts in development programming, in advising member governments, at their request, on the planning of national development programs, and in other ways. This obligation will be disbursed to the Institute within the five-year period 1962-1966.

The Bank entered into an agreement with the Center for Latin American Monetary Studies (CEMLA) whereby it contributed \$50,000 to defray part of the costs of a training program for development bank officials, jointly sponsored by it and CEMLA. It also assigned \$37,500 to create 25 scholarships for participants in the training program.

In addition, the Bank contributed \$13,500 to finance five scholarships for participants in a course on economic development sponsored by the Economic Commission for Latin America of the United Nations.

4. FINANCIAL STATEMENTS
Ordinary Capital Resources

OPINION OF INDEPENDENT AUDITOR
Ordinary Capital

1710 H Street, N.W.
Washington 6, D.C.
February 21, 1962

To: Inter-American Development Bank
Washington, D.C.

In our opinion, the accompanying financial statements present fairly, in terms of United States currency, the financial position of Inter-American Development Bank—Ordinary Capital at December 31, 1961, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was 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.

PRICE WATERHOUSE & CO.

Price Waterhouse & Co.

FINANCIAL STATEMENTS—ORDINARY CAPITAL

	Appendix
Balance Sheet	I-1
Statement of Income and Expenses	I-2
Investments in United States Treasury Obligations	I-3
Summary Statement of Loans	I-4
Statement of Subscriptions to Capital Stock and Voting Power	I-5
Statement of Currencies and Demand Notes Held by the Bank	I-6
Notes to Financial Statements	I-7

APPENDIX I-1

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL BALANCE SHEET—DECEMBER 31, 1961 SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX I-7 EXPRESSED IN UNITED STATES DOLLARS

ASSETS

Due from Banks (Appendix I-6) (Note B)

Unrestricted

United States dollars	\$ 623,307	
Currencies other than United States dollars	29,108,957	\$ 29,732,264

Restricted (Note C)

Currencies other than United States dollars	9,942,182	\$ 39,674,446
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Investments

Government obligations (at cost or amortized cost)

United States (face amount \$129,905,000) (Appendix I-3)	130,351,218	
Time deposits maturing within six months	25,500,000	
Accrued interest	939,580	156,790,798

Loans outstanding held by Bank (Appendix I-4)

Total loans approved by Bank	129,996,783	
Less loans sold or agreed to be sold	4,483,647	
Approved loans held by Bank	125,513,136	
Less undisbursed balance of approved loans held by Bank	123,186,762	2,326,374

Accrued charges on loans held by Bank

34,847

Due from members (Appendix I-5)

Capital subscriptions receivable (Notes D and E)		
Gold or United States dollars	107,138,480	
Member currencies, other than United States dollars	47,144,000	154,282,480
Non-negotiable, non-interest-bearing demand notes denominated in members' currencies (Appendix I-6)	28,861,400	183,143,880

150,428

Other assets

Special Reserve Fund (Note G)

Due from banks	4,468	
Accrued loan commissions	1,544	6,012

Staff Retirement Plan Assets

(Segregated and held in trust)		590,411
Total assets		<u>\$382,717,196</u>

LIABILITIES, RESERVES AND CAPITAL

Liabilities

Accrued expenses and accounts payable	\$ 61,508
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Special Reserve (Note G)

6,012

Staff Retirement Plan Reserve

590,411

Capital

Capital Stock (Appendix I-5) (Notes D and E)

Authorized 85,000 shares of \$10,000 par value each		
Subscribed 81,316 shares—includes \$154,282,480 receivable in the future)	\$813,160,000	
Less—Callable portion	431,580,000	\$381,580,000

General reserve for losses (Note F)	40,057
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Excess of income over expenses January 1 to December 31, 1961 (Appendix I-2)	439,208	382,059,265
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Total liabilities, reserves, and capital		<u>\$382,717,196</u>
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APPENDIX I-2

**INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL
STATEMENT OF INCOME AND EXPENSES
JANUARY 1 TO DECEMBER 31, 1961
SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX I-7
EXPRESSED IN UNITED STATES DOLLARS**

Income

From loans			
Interest	\$ 28,558		
Commitment charges	53,750		
Commissions	6,012	\$ 88,320	
From investments		2,400,713	
From other sources		8,158	
Gross income			\$2,497,191
Deduct commission allocated to Special Reserve (Note G)			6,012
Gross income less reserve deduction			<u>2,491,179</u>

Expenses

Administrative expenses			
Board of Governors			
Annual Meeting	73,176		
Other	1,384	74,560	
Board of Executive Directors			
Salaries	111,084		
Other compensation and benefits	28,319		
Travel	14,126	153,529	
Staff			
Salaries	941,912		
Other compensation and benefits	355,083		
Travel	119,086	1,416,081	
Other administrative expenses			
Communications	52,000		
Office occupancy	282,580		
Publications and printing	53,401		
Supplies and equipment	119,485		
Miscellaneous expenses	79,555	587,021	
		<u>2,231,191</u>	
Less amounts charged to Social Progress Trust Fund for indirect and overhead expenses by Bank as Administrator (See Appendix III-4, Note A)		179,220	
Total administrative expenses			<u>2,051,971</u>
Excess of income over expenses January 1 to December 31, 1961			<u>\$ 439,208</u>

APPENDIX I-3

**INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL
INVESTMENTS IN UNITED STATES TREASURY OBLIGATIONS
DECEMBER 31, 1961**

<u>Maturity date</u>	<u>Face value</u>
May 15, 1962	\$ 3,000,000
August 15, 1962	12,400,000
November 15, 1962	10,511,000
February 15, 1963	10,512,000
May 15, 1963	76,105,000
November 15, 1963	17,377,000
	<u>\$129,905,000</u>
Cost or amortized cost	<u>\$130,351,218</u>

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL
SUMMARY STATEMENT OF LOANS—DECEMBER 31, 1961
SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX I-7
EXPRESSED IN UNITED STATES DOLLARS

	<i>Member in whose terri- tory loans have been made (1)</i>	<i>Total loans approved by Bank (2)</i>	<i>Loans sold or agreed to be sold</i>	<i>Approved loans held by Bank</i>			<i>Currencies in which disbursed portion of approved loans held by Bank is repayable</i>	
				<i>Total</i>	<i>Undisbursed</i>	<i>Disbursed</i>	<i>United States dollars</i>	<i>Member's currency</i>
	Argentina	\$ 29,984,037	\$ 272,222	\$ 29,711,815	\$ 29,529,023	\$ 182,792	\$ 109,675	\$ 73,117
	Brazil	17,465,000	214,094	17,250,906	15,849,090	1,401,816	1,396,256	5,560
	Chile	12,050,000	595,000	11,455,000	11,169,013	285,987		285,987
	Colombia	13,567,493	302,125	13,265,368	13,173,887	91,481		91,481
	Costa Rica	3,000,000	150,000	2,850,000	2,850,000			
	Ecuador	2,343,000		2,343,000	2,343,000			
44	El Salvador	5,635,000	63,000	5,572,000	5,572,000			
	Guatemala	5,300,000	580,000	4,720,000	4,645,000	75,000	75,000	
	Honduras	510,000	60,000	450,000	380,000	70,000	70,000	
	Mexico	16,000,000	774,000	15,226,000	15,226,000			
	Nicaragua	2,450,000	272,000	2,178,000	2,178,000			
	Paraguay	550,000		550,000	550,000			
	Peru	5,400,752	383,125	5,017,627	5,017,627			
	Uruguay	5,743,000	55,581	5,687,419	5,687,419			
	Venezuela	9,998,501	762,500	9,236,001	9,016,703	219,298		219,298
	Total	\$129,996,783	\$4,483,647	\$125,513,136	\$123,186,762	\$2,326,374	\$1,650,931	\$675,443

(1) The Bank makes loans to its members or political subdivisions of its members or to private enterprises located in the territory of its members. For loans to borrowers other than members, the Bank in many instances has received either the member's guarantee or other security deemed appropriate by the Bank.

(2) All of the loans have been approved by the Bank, but certain loans have not become effective and disbursements thereunder will not begin until the borrower and guarantor, if any, take certain action and furnish certain documents to the Bank.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL
STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER
DECEMBER 31, 1961
SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX I-7
EXPRESSED IN UNITED STATES DOLLARS

<i>Member</i>	<i>Shares</i>	<i>Percent of total</i>	<i>Total subscribed capital</i>	<i>Amount received</i>		<i>Non-negotiable, non - interest- bearing de- mand notes</i>	<i>Portion of "paid-in" capital receivable in future</i>	<i>Callable portion of subscribed capital</i>	<i>Number of votes</i>	<i>Percent of total</i>
				<i>United States dollars</i>	<i>Member currency</i>					
Argentina	10,314	12.68	\$103,140,000	\$ 15,471,000	\$ 127,000	\$15,344,000	\$ 20,628,000	\$ 51,570,000	10,449	12.44
Bolivia	828	1.02	8,280,000	1,242,000	14,140	1,227,860	1,656,000	4,140,000	963	1.15
Brazil	10,314	12.68	103,140,000	15,471,000	15,471,000		20,628,000	51,570,000	10,449	12.44
Chile	2,832	3.48	28,320,000	4,248,000	4,248,000		5,664,000	14,160,000	2,967	3.53
Colombia	2,830	3.48	28,300,000	4,245,000	4,245,000		5,660,000	14,150,000	2,965	3.53
Costa Rica ..	414	.51	4,140,000	621,000	621,000		828,000	2,070,000	549	.65
Dominican Republic ..	552	.68	5,520,000	5,520			2,754,480	2,760,000	687	.82
Ecuador	552	.68	5,520,000	828,000	828,000		1,104,000	2,760,000	687	.82
El Salvador ..	414	.51	4,140,000	621,000	621,000		828,000	2,070,000	549	.65
Guatemala	552	.68	5,520,000	828,000	828,000		1,104,000	2,760,000	687	.82
Haiti	414	.51	4,140,000	621,000	621,000		828,000	2,070,000	549	.65
Honduras	414	.51	4,140,000	621,000	621,000		828,000	2,070,000	549	.65
Mexico	6,630	8.15	66,300,000	9,945,000	9,945,000		13,260,000	33,150,000	6,765	8.05
Nicaragua	414	.51	4,140,000	621,000	621,000		828,000	2,070,000	549	.65
Panama	414	.51	4,140,000	621,000	6,210	614,790	828,000	2,070,000	549	.65
Paraguay	414	.51	4,140,000	621,000	621,000		828,000	2,070,000	549	.65
Peru	1,382	1.70	13,820,000	2,073,000	25,730	2,047,270	2,764,000	6,910,000	1,517	1.81
United States	35,000	43.04	350,000,000	90,000,000			60,000,000	200,000,000	35,135	41.82
Uruguay	1,106	1.36	11,060,000	1,659,000	16,590	1,642,410	2,212,000	5,530,000	1,241	1.48
Venezuela	5,526	6.80	55,260,000	8,289,000	303,930	7,985,070	11,052,000	27,630,000	5,661	6.74
Total ...	81,316	100.00	\$813,160,000	\$158,651,520	\$39,784,600	\$28,861,400	\$154,282,480	\$431,580,000	84,016	100.00

**INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL
STATEMENT OF CURRENCIES AND DEMAND NOTES HELD BY THE BANK**

DECEMBER 31, 1961

SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX I-7

<i>Member</i>	<i>Unit of currency</i>	<i>Exchange rate (1)</i>	<i>Due from banks</i>		<i>Non-negotiable, non-interest-bearing demand notes</i>		<i>Total</i>	
			<i>Amount in member currency</i>	<i>Expressed in United States dollars</i>	<i>Amount in member currency</i>	<i>Expressed in United States dollars</i>	<i>Amount in member currency</i>	<i>Expressed in United States dollars</i>
Argentina	Peso	82.525	4,153,861	\$ 50,335	1,266,263,600	\$15,344,000	1,270,417,461	\$15,394,335
Bolivia	Boliviano	11,875.00	142,012,944	11,959	14,580,837,500	1,227,860	14,722,850,444	1,239,819
Brazil	Cruzeiro	18.50	285,334,112	15,423,466			285,334,112	15,423,466
Brazil No. 2	Cruzeiro	266.798	1,495,249	5,604			1,495,249	5,604
Chile	Escudo	1.049	4,152,272	3,958,314			4,152,272	3,958,314
Colombia	Peso	2.50	10,371,300	4,148,519			10,371,300	4,148,519
Colombia No. 2	Peso	7.26	27,755	3,823			27,755	3,823
Colombia No. 3	Peso	8.8567	24,596	2,777			24,596	2,777
Costa Rica	Colon	6.62	4,112,316	620,884			4,112,316	620,884
Ecuador	Sucre	18.00	14,898,600	827,700			14,898,600	827,700
El Salvador	Colon	2.50	1,549,222	619,689			1,549,222	619,689
Guatemala	Quetzal	1.00	827,410	827,410			827,410	827,410
Haiti	Gourde	5.00	3,083,950	616,790			3,083,950	616,790
Honduras	Lempira	2.00	1,239,814	619,907			1,239,814	619,907
Mexico (Note C)	Peso	12.50	124,277,269	9,942,182			124,277,269	9,942,182
Nicaragua	Cordoba	7.00	4,346,249	620,893			4,346,249	620,893
Panama	Balboa	1.00	5,612	5,612	614,790	614,790	620,402	620,402
Paraguay	Guarani	122.00	75,761,751	620,998			75,761,751	620,998
Peru	Sol	26.87	624,858	23,255	54,982,382	2,047,270	55,607,240	2,070,525
United States	Dollar	1.00	623,307	623,307			623,307	623,307
Uruguay	Peso	11.025	182,905	16,590	18,107,570	1,642,410	18,290,475	1,659,000
Venezuela	Bolivar	3.335	14,033	4,207	26,630,209	7,985,070	26,644,242	7,989,277
Venezuela No. 2	Bolivar	4.56	365,824	80,225			365,824	80,225
Total expressed in United States dollars				\$39,674,446		\$28,861,400		\$68,535,846

(1) See Appendix I-7, Notes A, B and D.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1961

Note A

Amounts in currencies other than United States dollars have been translated into United States dollars at the rates at which the amounts were received or loaned by the Bank. No representation is made that any of such currencies is convertible into any other of such currencies at any rate or rates.

Note B

In accordance with Article V, Section 3, of the Agreement each member is required, if the par value of its currency is reduced or if the foreign exchange value of its currency depreciates to a significant extent, to pay to the Bank (Ordinary Capital) an additional amount of its own currency sufficient to maintain the value of all the currency of the member held by the Bank, excepting currency derived from borrowings by the Bank; likewise the Bank (Ordinary Capital) is required, if the par value of a member's currency is increased or the foreign exchange value of such member's currency has appreciated to a significant extent, to pay to such member an amount of its currency equal to the increase in value of such member's currency which is held by the Bank, excepting currency derived from borrowings by the Bank. The standard of value for these purposes shall be the United States dollar of the weight and fineness in effect on January 1, 1959.

Note C

In accordance with the provisions of Article V, Section 1, the use of these funds by the Bank or any recipient from the Bank has been restricted by the member to making payments for goods and services produced in its territory.

Note D

The authorized ordinary capital of the Bank is \$850,000,000 in terms of United States dollars of weight and fineness in effect on January 1, 1959. Of the total authorized capital, \$400,000,000 is "paid-in" capital and \$450,000,000 is "callable" capital. The subscribed "paid-in" capital has been or is to be paid in accordance with the following schedule: 20% not later than September 30, 1960; 40% not later than October 31, 1961; and 40% not later than October 31, 1962. Each of the three installments has been or is to be paid 50% in gold and/or United States dollars and 50% in the currency of the respective member. However, the Bank shall accept non-negotiable, non-interest-bearing demand notes in lieu of payment required to be made in the member's currency provided such currency is not required by the Bank for the conduct of its operations. Such notes have been received from some members. The "callable" portion of the authorized ordinary capital shall be called only when required to meet the obligations of the Bank created by borrowing or guaranteeing loans with respect to the ordinary capital and is payable at the option of the member either in gold, United States dollars or the currency required to discharge the obligation of the Bank for the purpose for which the call is made.

Note E

At December 31, 1961, the Dominican Republic had not met the full requirements of Article II, Section 4, for the payments of its subscription to the capital stock of the Bank which were due not later than September 30, 1960 and October 31, 1961.

Note F

Pursuant to action of the Board of Governors the net income from the ordinary capital resources of the Bank for the fiscal year ended December 31, 1960 was allocated to a general reserve for possible future losses.

Note G

The amount of commissions received by the Bank on loans made out of or by commitment of the ordinary capital resources is required under Article III, Section 13, to be set aside as a special reserve to be kept available for meeting the Bank's obligations created by borrowing or guaranteeing loans. On all loans granted to date the effective rate of commission is 1% per annum.

Note H

In accordance with Article III, Section 3 (b), expenses pertaining directly to ordinary operations are charged to the Inter-American Development Bank—Ordinary Capital and expenses pertaining directly to special operations are charged to Inter-American Development Bank—Fund for Special Operations. Expenses not identifiable as pertaining directly to either the Ordinary Capital or the Fund for Special Operations are distributed pursuant to the decisions of the Board of Executive Directors as follows: For the period January 1 through October 31, 1961, in the same proportion as existed on September 30, 1960, between the amounts due on or before that date from member countries for the "paid-in" capital of the Bank and for contributions to the Fund for Special Operations; for the period November 1 to December 31, 1961, in the same proportion as existed on October 31, 1961, between the amounts received from member countries for the "paid-in" capital of the Bank and for contributions to the Fund for Special Operations.

5. GENERAL APPENDICES
Ordinary Capital Resources

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

Statement of Approved Loans
December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest %^{1,4}</i>	<i>Repayment Terms Principal Installments²</i>
ARGENTINA							
Banco de la Provincia de Entre Ríos Banco Provincial de Santa Fe Banco de la Provincia de Córdoba Pesos ³	Development of agri- cultural, industrial and mining projects*	7/13/61 contract signed 8/18/61	1,000,000	1,000,000		5.75	16 s.a. beginning Jan- uary 1, 1966
U.S. Dollars			14,000,000	14,000,000			
Total expressed in U.S. Dollars			15,000,000	15,000,000			
Agua y Energía Eléctrica, Empresa del Estado de Argentina (Republic of Argentina)	Technical assistance report on Chocón- Cerro Colorado project	8/3/61 contract signed 8/28/61				5.75	7 s.a. beginning Au- gust 28, 1963
Pesos ³			255,000	181,883	73,117		
U.S. Dollars			382,000	272,325	109,675		
Total expressed in U.S. Dollars			637,000	454,208	182,792		
Tool Research Argentina Sociedad Anónima Industrial y Comercial (Banco Provincial de Santa Fe)	Financing expansion of production of gears and axles*	10/5/61 contract signed 12/13/61				5.75	20 s.a. beginning June 1, 1964
U.S. Dollars			700,000	700,000			
Less: Taken by participant			70,000	70,000			
Net total expressed in U.S. Dollars			630,000	630,000			
Vialsa S.A.	Financing of machin- ery and equipment to manufacture prefabri- cated housing*	12/14/61 contract signed 12/15/61				5.75	20 s.a. beginning June 15, 1964
U.S. Dollars			2,200,000	2,200,000			
Sociedad Anónima "La Merced" (Garovaglio y Zorraquin, S.A.)	To assist in the financ- ing of irrigation canal and development of farm property*	12/21/61				5.75	18 s.a. beginning 42 months after date of contract
Pesos			13,280,000	13,280,000			
U.S. Dollars			470,000	470,000			
Less: Taken by participants			52,222	52,222			
Net total expressed in U.S. Dollars			417,778	417,778			
			578,699	578,699			

* Loans extended directly or indirectly for private enterprises.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

Statement of Approved Loans
December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest %^{1,4}</i>	<i>Repayment Terms Principal Installments²</i>
ARGENTINA (Cont'd.)							
Agua y Energía Eléctrica Empresa del Estado de Argentina (Republic of Argentina)	To assist in the financing of an electrical expansion program	12/21/61				5.75	24 s.a. beginning 48 months after date of contract
Pesos			232,400,000	232,400,000			
U.S. Dollars			8,000,000	8,000,000			
Less: Taken by participants			150,000	150,000			
			<u>\$ 7,850,000</u>	<u>\$ 7,850,000</u>			
Net total expressed in U.S. Dollars			<u>10,666,116</u>	<u>10,666,116</u>			
Total loans to Argentina expressed in U.S. Dollars			29,984,037	29,801,245	182,792		
Less: Taken by participants			272,222	272,222			
Net total of loans to Argentina expressed in U.S. Dollars			<u>29,711,815</u>	<u>29,529,023</u>	<u>182,792</u>		
BRAZIL							
Lutcher S.A. Celulose e Papel	Construction of cellulose pulp mill and related facilities*	3/31/61 contract signed 6/14/61				5.75	16 s.a. beginning December 15, 1963
Cruzeiros ³			2,200,000	2,194,440	5,560		
U.S. Dollars			2,500,000	1,253,744	1,246,256		
Total expressed in U.S. Dollars			<u>4,700,000</u>	<u>3,448,184</u>	<u>1,251,816</u>		
Sifco do Brasil, S.A.	Purchase of machinery to expand production of forgings for automotive industry*	6/28/61 contract signed 11/21/61				5.75	14 s.a. beginning April 1, 1963
Cruzeiros ³			180,000	180,000			
U.S. Dollars			570,000	420,000	150,000		
Less: Taken by participants			122,094	122,094			
			<u>447,906</u>	<u>297,906</u>	<u>150,000</u>		
Net total expressed in U.S. Dollars			<u>627,906</u>	<u>477,906</u>	<u>150,000</u>		
Industria Brasileira de Equipamentos S.A. (a Brazilian Commercial Bank)	Financing of machinery for the production of bits and joints*	10/19/61				5.75	16 s.a. beginning 30 months after date of contract
Cruzeiros ³			87,000	87,000			
U.S. Dollars			528,000	528,000			
Total expressed in U.S. Dollars			<u>615,000</u>	<u>615,000</u>			

* Loans extended directly or indirectly for private enterprises.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

Statement of Approved Loans
December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest %^{1, 2}</i>	<i>Repayment Terms Principal Installments²</i>
BRAZIL (Cont'd.)							
Usinas Elétricas do Paranapanema (Banco do Estado de São Paulo)	Purchase of electrical distribution equipment	11/9/61				5.75	17 s.a. beginning 24 months after date of contract
U.S. Dollars			1,130,000	1,130,000			
Less: Taken by participants			92,000	92,000			
Net total expressed in U.S. Dollars			<u>1,038,000</u>	<u>1,038,000</u>			
Companhia Hidroelétrica do Rio Pardo (Banco do Estado de São Paulo)	Purchase of electrical distribution equipment	11/9/61				5.75	17 s.a. beginning 24 months after date of contract
U.S. Dollars			<u>270,000</u>	<u>270,000</u>			
Papel e Celulose Catarinense Ltda. (Klabin Irmãos & Cía.)	Construction of a kraft pulp and paper mill ²	12/14/61				5.75	9 s.a. beginning 36 months after date of contract
U.S. Dollars			<u>5,000,000</u>	<u>5,000,000</u>			
Centrais Elétricas de Minas Gerais S.A. (Banco Nacional do Desenvolvi- mento Econômico)	To finance the expan- sion of electrical transmission and dis- tribution facilities	12/14/61				5.75	20 s.a. beginning 54 months after date of contract
Cruzeiros ²			<u>1,500,000</u>	<u>1,500,000</u>			
U.S. Dollars			<u>3,500,000</u>	<u>3,500,000</u>			
Total expressed in U.S. Dollars			<u>5,000,000</u>	<u>5,000,000</u>			
Total loans to Brazil expressed in U.S. Dollars			17,465,000	16,063,184	\$ 1,401,816		
Less: Taken by participants			<u>214,094</u>	<u>214,094</u>			
Net total of loans to Brazil expressed in U.S. Dollars			<u>17,250,906</u>	<u>15,849,090</u>	<u>\$ 1,401,816</u>		
CHILE							
Corporación de Fomento de la Producción de Chile	Development of in- dustrial, mining and fishery projects ²	4/9/61 contract signed 6/19/61				5.75	20 s.a. beginning De- cember 15, 1963
Escudos ²			<u>1,500,000</u>	<u>1,214,013</u>	<u>285,987</u>		
U.S. Dollars			<u>4,500,000</u>	<u>4,400,000</u>	<u>100,000</u>		
Less: Taken by participants			<u>345,000</u>	<u>245,000</u>	<u>100,000</u>		
Net total expressed in U.S. Dollars			<u>4,155,000</u>	<u>4,155,000</u>			
			<u>5,655,000</u>	<u>5,369,013</u>	<u>285,987</u>		

* Loans extended directly or indirectly for private enterprises.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

Statement of Approved Loans

December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest %^{1, 4}</i>	<i>Repayment Terms Principal Installments²</i>
CHILE (Cont'd.)							
Government of the Republic of Chile	Expansion of potable water supply systems	11/22/61				5.75	32 s.a. beginning 54 months after date of contract
U.S. Dollars			1,050,000	1,050,000			
Corporación de Fomento de la Producción de Chile	To assist in the financing of a fishing enterprise*	12/7/61				5.75	18 s.a. beginning 42 months after date of contract
U.S. Dollars			5,000,000	5,000,000			
Less: Taken by participants			250,000	250,000			
Net total expressed in U.S. Dollars			4,750,000	4,750,000			
Total loans to Chile expressed in U.S. Dollars			12,050,000	11,664,013	385,987		
Less: Taken by participants			595,000	495,000	100,000		
Net total of loans to Chile expressed in U.S. Dollars			11,455,000	11,169,013	285,987		
COLOMBIA							
Corporación Financiera Colombiana de Desarrollo Industrial	Development of small and medium size industries*	4/9/61 contract signed 9/8/61				5.75	16 s.a. beginning March 15, 1964
Pesos			4,000,000	3,200,000	800,000		
U.S. Dollars			500,000	500,000			
Less: Taken by participants			61,500	61,500			
			438,500	438,500			
Net total expressed in U.S. Dollars			989,464	897,983	91,481		
Empresas Públicas de Medellín (Republic of Colombia)	Improvement and expansion of water supply	4/9/61 contract signed 6/3/61				5.75	32 s.a. beginning December 1, 1965
Pesos			19,950,000	19,950,000			
U.S. Dollars			3,300,000	3,300,000			
Less: Taken by participants			103,125	103,125			
			3,196,875	3,196,875			
Net total expressed in U.S. Dollars			5,944,809	5,944,809			

* Loans extended directly or indirectly for private enterprises.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

Statement of Approved Loans

December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest % ^{1, 4}</i>	<i>Repayment Terms Principal Installments ²</i>
COLOMBIA (Cont'd.)							
Empresas Públicas Municipales de Cartagena	Improvement and ex- pansion of water and sewerage system	6/15/61 contract signed 10/17/61				5.75	32 s.a. beginning April 17, 1966
Pesos			27,360,000	27,360,000			
U.S. Dollars			2,200,000	2,200,000			
Less: Taken by participants			137,500	137,500			
			2,062,500	2,062,500			
Net total expressed in U.S. Dollars			5,831.095	5,831.095			
Government of Colombia	Technical assistance to establish specific projects	9/6/61 contract signed 10/14/61				5.75	6 s.a. beginning April 1, 1964
Pesos ¹			200,000	200,000			
U.S. Dollars			300,000	300,000			
Total expressed in U.S. Dollars			500,000	500,000			
Total loans to Colombia expressed in U.S. Dollars			13,567,493	13,476,012	91,481		
Less: Taken by participants			302,125	302,125			
Net total of loans to Colombia ex- pressed in U.S. Dollars			13,265,368	13,173,887	91,481		
COSTA RICA							
Banco Nacional de Costa Rica	Development of live- stock raising industry*	11/30/61				5.75	20 s.a. beginning 30 months after date of contract
Colones			3,311,500	3,311,500			
U.S. Dollars			2,500,000	2,500,000			
Less: Taken by participants			150,000	150,000			
			2,350,000	2,350,000			
Net total of loans to Costa Rica ex- pressed in U.S. Dollars			2,850,000	2,850,000			

* Loans extended directly or indirectly for private enterprises.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

Statement of Approved Loans

December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest %^{1, 4}</i>	<i>Repayment Terms Principal Installments²</i>
ECUADOR							
Comisión Nacional de Valores (Republic of Ecuador)	Development of sheep raising*	8/10/61 contract signed 10/31/61				5.75	20 s.a. beginning June 15, 1963
Sucres ^a			717,000	717,000			
U.S. Dollars			1,626,000	1,626,000			
Total loans to Ecuador expressed in U.S. Dollars			2,343,000	2,343,000			
EL SALVADOR							
Pan Lido, S.A.	Purchase of machin- ery to expand produc- tion of bakery prod- ucts*	6/29/61 contract signed 7/12/61				5.75	10 s.a. beginning Jan- uary 15, 1963
U.S. Dollars			200,000	200,000			
Banco Central de Reserva (Republic of El Salvador)	Development of in- dustry and agricul- ture*	8/10/61 contract signed 10/25/61				5.75	20 s.a. beginning April 25, 1965
Colones ^a			400,000	400,000			
U.S. Dollars			2,100,000	2,100,000			
Less: Taken by participants			63,000	63,000			
			2,037,000	2,037,000			
Net total expressed in U.S. Dollars			2,437,000	2,437,000			
Banco Central de Reserva (Republic of El Salvador)	Irrigation and flood control in Zapotitán Valley	8/10/61 contract signed 11/17/61				5.75	32 s.a. beginning May 17, 1966
Colones ^a			625,000	625,000			
U.S. Dollars			1,050,000	1,050,000			
Total expressed in U.S. Dollars			1,675,000	1,675,000			
Banco Central de Reserva (Republic of El Salvador)	Improvement and ex- pansion of municipal water supply systems	8/10/61 contract signed 11/17/61				5.75	32 s.a. beginning May 17, 1966
U.S. Dollars			1,260,000	1,260,000			

* Loans extended directly or indirectly for private enterprises.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

Statement of Approved Loans

December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest %^{1,4}</i>	<i>Repayment Terms Principal Installments²</i>
EL SALVADOR (Cont'd.)							
Total loans to El Salvador expressed in U.S. Dollars			5,635,000	5,635,000			
Less: Taken by participants			63,000	63,000			
Net total of loans to El Salvador expressed in U.S. Dollars			5,572,000	5,572,000			
GUATEMALA							
Industria y Comercio Textiles Rex, S.A.	Machinery for textile mill*	6/22/61 contract signed 8/10/61				5.75	10 s.a. beginning February 10, 1963
U.S. Dollars			125,000	50,000	75,000		
Banco de Guatemala	Financing of projects in industrial agricultural and livestock fields*	8/10/61 contract signed 9/6/61				5.75	10 annual beginning September 6, 1964
Quetzales ³			750,000	750,000			
U.S. Dollars			4,250,000	4,250,000			
Less: Taken by participants			580,000	580,000			
Net total expressed in U.S. Dollars			3,670,000	3,670,000			
Hidroeléctricas del Atlántico, S.A.	Improvement and expansion of water supply system of Puerto Barrios *	9/28/61				5.75	10 s.a. beginning 30 months after date of contract
U.S. Dollars			175,000	175,000			
Total loans to Guatemala expressed in U.S. Dollars			5,300,000	5,225,000	75,000		
Less: Taken by participants			580,000	580,000			
Net total of loans of Guatemala expressed in U.S. Dollars			4,720,000	4,645,000	75,000		
HONDURAS							
Molinos de Honduras (Jacobo D. Kattan Industrial, S.A.)	Purchase and installation of corn-flour mill*	6/15/61 contract signed 7/27/61				5.75	10 s.a. beginning July 15, 1964
U.S. Dollars			150,000	80,000	70,000		

* Loans extended directly or indirectly for private enterprises.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

Statement of Approved Loans
December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest %^{1,4}</i>	<i>Repayment Terms Principal Installments²</i>
HONDURAS (Cont'd.)							
Químicas Dinant de Centro- américa, S.A. de C.V.	Machinery and equip- ment for chemical plant *	7/27/61 contract signed 8/8/61				5.75	12 s.a. beginning Feb- ruary 10, 1964
U.S. Dollars			360,000	360,000			
Less: Taken by participants			60,000	60,000			
Net total expressed in U.S. Dollars			300,000	300,000			
Total loans to Honduras expressed in U.S. Dollars			510,000	440,000	70,000		
Less: Taken by participants			60,000	60,000			
Net total of loans to Honduras ex- pressed in U.S. Dollars			450,000	380,000	70,000		
MEXICO							
Nacional Financiera S.A.	Expansion of small and medium size in- dustries*	8/10/61 contract signed 10/19/61				5.75	12 s.a. beginning April 20, 1966
Pesos ³			1,000,000	1,000,000			
U.S. Dollars			2,000,000	2,000,000			
Total expressed in U.S. Dollars			3,000,000	3,000,000			
Nacional Financiera S.A. (Government of Mexico)	Four irrigation projects	9/7/61 contract signed 11/14/61				5.75	34 s.a. beginning May 14, 1965
Pesos			52,750,000	52,750,000			
U.S. Dollars			8,780,000	8,780,000			
Less: Taken by partici- pants			774,000	774,000			
Net total expressed in U.S. Dollars			12,226,000	12,226,000			
Total loans to Mexico expressed in U.S. Dollars			16,000,000	16,000,000			
Less: Taken by participants			774,000	774,000			
Net total of loans to Mexico ex- pressed in U.S. Dollars			15,226,000	15,226,000			

* Loans extended directly or indirectly for private enterprises.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL
Statement of Approved Loans
December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest %^{1,4}</i>	<i>Repayment Terms Principal Installments²</i>
NICARAGUA							
Instituto de Fomento Nacional de Nicaragua (Republic of Nicaragua)	Industrial develop- ment*	3/31/61 contract signed 7/11/61				5.75	20 s.a. beginning July 15, 1963
U.S. Dollars			2,000,000	1,850,000	150,000		
Less: Taken by partici- pants			272,000	122,000	150,000		
Net total expressed in U.S. Dollars			1,728,000	1,728,000	—		
Industrias Gemina, S.A.	To assist in financing the construction of wheat and corn flour mills*	12/21/61				5.75	8 s.a. beginning 18 months after date of contract
U.S. Dollars			450,000	450,000			
Total loans to Nicaragua expressed in U.S. Dollars			2,450,000	2,300,000	150,000		
Less: Taken by participants			272,000	122,000	150,000		
Net total of loans to Nicaragua ex- pressed in U.S. Dollars			2,178,000	2,178,000	—		
PARAGUAY							
Compañía Algodonera Paraguaya, S.A. (Consorcio Coplata, S.A. de Panamá) Guaraníes ³	Equipment for proc- essing cotton, tobacco and industrial oils*	9/28/61 contract signed 10/31/61				5.75	20 s.a. beginning May 1, 1964
U.S. Dollars			220,000	220,000			
Total loans to Paraguay expressed in U.S. Dollars			330,000	330,000			
			550,000	550,000			
PERU							
Corporación de Saneamiento de Arequipa, Perú (Republic of Perú)	Improvement and ex- pansion of potable water and sewerage system	2/3/61 contract signed 6/2/61				5.75	20 s.a. beginning De- cember 1, 1965
Soles			66,000,000	66,000,000			
U.S. Dollars			1,450,000	1,450,000			
Less: Taken by partici- pants			145,000	145,000			
Net total expressed in U.S. Dollars			1,305,000	1,305,000			
			3,753,980	3,753,980			
Compañía Peruana de Cemento Portland, S.A. (Banco Popular del Perú)	Financing the central- ization of cement pro- duction installations*	10/5/61 contract signed 12/15/61				57.5	16 s.a. beginning June 1, 1964

* Loans extended directly or indirectly for private enterprises.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL
Statement of Approved Loans
December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest %^{1, 4}</i>	<i>Repayment Terms Principal Installments²</i>
PERU (Cont'd.)							
Soles			6,750,000	6,750,000			
U.S. Dollars							
Less: Taken by participants			1,250,000	1,250,000			
			238,125	238,125			
			1,011,875	1,011,875			
Net total expressed in U.S. Dollars			1,263,647	1,263,647			
Total loans to Perú expressed in U.S. Dollars			5,400,752	5,400,752			
Less: Taken by participants			383,125	383,125			
Net total of loans to Perú expressed in U.S. Dollars			5,017,627	5,017,627			
URUGUAY							
Government of the Republic of Uruguay	Expansion of water supply system of Montevideo	8/3/61 contract signed 10/9/61				5.75	33 s.a. beginning October 10, 1965
Pesos ³			2,750,000	2,750,000			
U.S. Dollars			2,993,000	2,993,000			
Less: Taken by participants			55,581	55,581			
			2,937,419	2,937,419			
Net total of loans to Uruguay expressed in U.S. Dollars			5,687,419	5,687,419			
VENEZUELA							
Corporación Venezolana de Fomento	Development of industrial projects*	5/18/61 contract signed 8/11/61				5.75	20 s.a. beginning February 15, 1964
Bolivares			10,000,000	9,000,000	1,000,000		
U.S. Dollars			7,000,000	6,400,000	600,000		
Less: Taken by participants			762,500	162,500	600,000		
			6,237,500	6,237,500	—		
Net total of loans to Venezuela expressed in U.S. Dollars			9,236,001	9,016,703	219,298		
Grand total expressed in U.S. Dollars			129,996,783	126,820,409	3,176,374		
Less: Total taken by participants			4,483,647	3,633,647	850,000		
Net total expressed in U.S. Dollars			125,513,136	123,186,762	2,326,374		

¹ Including the special commission of 1% required by Article III Section 12 of the Agreement

² Interest and amortizations shall be payable in the currencies loaned

³ Expressed in U.S. dollar equivalent

⁴ In addition to the interest rate shown, all loans have a commitment fee of 0.75% on the undisbursed balance of the loan.

* Loans extended directly or indirectly for private enterprises.

APPENDIX I-9

ORDINARY CAPITAL

Payment Schedule for Third and Final Installment

(Due by October 31, 1962)

Country	In US\$	Other Currencies ¹	Total
Argentina	\$ 10,314,000	\$10,314,000	\$ 20,628,000
Bolivia	828,000	828,000	1,656,000
Brazil	10,314,000	10,314,000	20,628,000
Chile	2,832,000	2,832,000	5,664,000
Colombia	2,830,000	2,830,000	5,660,000
Costa Rica	414,000	414,000	828,000
Dominican Republic	552,000	552,000	1,104,000
Ecuador	552,000	552,000	1,104,000
El Salvador	414,000	414,000	828,000
Guatemala	552,000	552,000	1,104,000
Haiti	414,000	414,000	828,000
Honduras	414,000	414,000	828,000
Mexico	6,630,000	6,630,000	13,260,000
Nicaragua	414,000	414,000	828,000
Panama	414,000	414,000	828,000
Paraguay	414,000	414,000	828,000
Peru	1,382,000	1,382,000	2,764,000
United States	60,000,000		60,000,000
Uruguay	1,106,000	1,106,000	2,212,000
Venezuela	5,526,000	5,526,000	11,052,000
Total	\$106,316,000	\$46,316,000	\$152,632,000

¹ U. S. dollar equivalent.

APPENDIX I-10

ADMINISTRATIVE BUDGET FOR 1961 ORDINARY CAPITAL AND FUND FOR SPECIAL OPERATIONS ¹

I. Board of Governors	\$ 154,000
II. Board of Executive Directors	326,850
III. Staff	2,862,954
IV. Other Administrative Expenses	991,910
V. Contingencies	60,000
Total	<u>\$4,395,714</u>

ADMINISTRATIVE BUDGET FOR 1961 SOCIAL PROGRESS TRUST FUND ²

I. Board of Governors	—
II. Board of Executive Directors	—
III. Staff	\$435,046
IV. Other Administrative Expenses	127,690
V. Contingencies	40,000
Total	<u>\$602,736</u>

¹ Budget revised July 28, 1961. For convenience, the expenses chargeable to the Bank's ordinary capital resources and the Fund for Special Operations are grouped together in this Budget. This budget has been adjusted to exclude those portions of the items for Staff, Other Administrative Expenses, and Contingencies estimated to be reimbursed by the Social Progress Trust Fund in the respective amounts shown in the above Social Progress Trust Fund Budget of 1961.

² Budget approved July 28, 1961. It includes the period of the fiscal year between June 19, 1961, when the Social Progress Trust Fund Agreement was signed, and December 31, 1961.

APPENDIX I-11

ADMINISTRATIVE BUDGET FOR 1962
ORDINARY CAPITAL AND FUND FOR SPECIAL OPERATIONS ¹

I. Board of Governors	\$ 225,000
II. Board of Executive Directors	372,400
III. Staff	3,486,401
IV. Other Administrative Expenses	984,858
V. Contingencies	100,000
Total	<u>\$5,168,659</u>

ADMINISTRATIVE BUDGET FOR 1962
SOCIAL PROGRESS TRUST FUND

I. Board of Governors	—
II. Board of Executive Directors	\$ 16,000 ²
III. Staff	1,349,399
IV. Other Administrative Expenses	288,642
V. Contingencies	50,000
Total	<u>\$1,704,041</u>

¹ For convenience, the expenses chargeable to the Bank's ordinary capital resources and the Fund for Special Operations are grouped together in this Budget.

² To cover possible travel costs of Executive Directors in connection with Social Progress Trust Fund operations.

GOVERNORS AND ALTERNATE GOVERNORS

<u>Country</u>	<u>Governor</u>	<u>Alternate</u>
Argentina	Eustaquio A. Mendez Delfino	Luis María Otero Monsegur
Bolivia	Alfonso Gumucio Reyes	Guillermo Bedregal G.
Brazil	Clemente Mariani Bittencourt	Octavio Gouvêa de Bulhões
Chile	Eduardo Figueroa	Luis Mackenna
Colombia	Emilio Toro	Antonio José Gutiérrez
Costa Rica	Max Gurdíán R.	Alvaro Castro Jenkins
Dominican Republic	Silvestre Alba de Moya	Lydia Pichardo Lapeyretta
Ecuador	Teodoro Alvarado Olea	Enrique Arízaga Toral
El Salvador		Catalino Herrera
Guatemala	Gustavo Herrera Orellana ¹	Julio Lorenzo Alvarez
Haiti	Marcel Daumec	
Honduras	Jorge Bueso Arias	Roberto Ramírez
Mexico	Antonio Ortiz Mena	Rodrigo Gómez
Nicaragua	Juan José Lugo Marengo	Francisco Laínez M.
Panama	Gilberto Arias G.	Miguel A. Corro
Paraguay	César Barrientos	César Romeo Acosta
Peru	Hipólito Larrabure Price	Juan Ramírez Valdeavellano
United States	C. Douglas Dillon	George W. Ball
Uruguay	Carlos A. Clulow	Walter Lusiardo Aznárez
Venezuela	Carlos Miguel Lollett	

¹ Appointed as of February 6, 1962

EXECUTIVE DIRECTORS AND ALTERNATES

<u>Executive Directors and Alternates</u>			<u>Voting Power</u>	
			<u>No. of Votes</u>	<u>Percentage</u>
Hernando Agudelo Villa (Colombia)	Elected by:	Chile	2,967	3.53
Oscar Niemtschik (Alternate) (Venezuela)		Colombia	2,965	3.53
		Venezuela	5,661	6.74
			<u>11,593</u>	<u>13.80</u>
Robert Cutler (United States)	Appointed by:	United States	35,135	41.82
Alexander M. Rosenson (Alternate) (United States)				
Lucien Hibbert (Haiti)	Elected by:	Haiti	549	.65
Julio Heurtematte (Alternate) (Panama)		Panama	549	.65
			<u>1,098</u>	<u>1.30</u>
Cleantho de Paiva Leite (Brazil)	Elected by:	Bolivia	963	1.15
Federico Intriago Arrata (Alternate) (Ecuador)		Brazil	10,449	12.44
		Ecuador	687	.82
			<u>12,099</u>	<u>14.41</u>
Raúl Martínez Ostos (Mexico)	Elected by:	Costa Rica	549	.65
Max Jiménez Pinto (Alternate) (Guatemala)		Dominican Republic	687	.82
		Guatemala	687	.82
		Mexico	6,765	8.05
		Nicaragua	549	.65
		Paraguay	549	.65
		Uruguay	1,241	1.48
			<u>11,027</u>	<u>13.12</u>
Mario Oscar Mendivil (Argentina)	Elected by:	Argentina	10,449	12.44
Emilio Ortiz de Zavallos (Alternate) (Peru)		Peru	1,517	1.81
			<u>11,966</u>	<u>14.25</u>
Alfonso Rochac (El Salvador)	Elected by:	El Salvador	549	.65
Juan Angel Núñez Aguilar (Alternate) (Honduras)		Honduras	549	.65
			<u>1,098</u>	<u>1.30</u>
		TOTAL	<u>84,016</u>	<u>100.00</u>

PRINCIPAL OFFICERS OF THE BANK ¹

President	Felipe Herrera
Executive Vice President	T. Graydon Upton
Operations Department—Manager	Ewaldo Correia Lima
Loan Division—Director	G. Lincoln Sandelin
Project Analysis Division—Director	Alfredo E. Hernández
Operations Control—Comptroller	Hawthorne Arey
Technical Department—Manager	Ignacio Copete Lizarralde
Technical Assistance Division—Acting Director	Lester D. Mallory
Economics Division—Director	José C. Cárdenas
Social Development Division—Director	Alfred C. Wolf
Office of Legal Affairs—General Counsel	Elting Arnold
Office of Financial Affairs—Financial Advisor	Robert B. Menapace
Office of the Treasurer—Treasurer	Carlos A. Paz
Office of the Secretary—Secretary	Pedro Irañeta
Office of Administration—Director	Jorge Hazera
Office of Information—Director	Joaquín E. Meyer
Representative in Europe	Julio González del Solar

¹ As of January 31, 1962

**CHANNELS OF COMMUNICATION AND DEPOSITORIES
OF THE MEMBER COUNTRIES**

<u>Member Country</u>	<u>Channel of Communication</u>	<u>Depository</u>
Argentina	Banco Central de la República Argentina	Banco Central de la República Argentina
Bolivia	Banco Central de Bolivia	Banco Central de Bolivia
Brazil	Superintendência da Moeda e do Crédito	Superintendência da Moeda e do Crédito
Chile	Ministerio de Hacienda	Banco Central de Chile
Colombia	Banco de la República	Banco de la República
Costa Rica	Banco Central de Costa Rica	Banco Central de Costa Rica
Dominican Republic	Banco Central de la República Dominicana	Banco Central de la República Dominicana
Ecuador	Banco Central del Ecuador	Banco Central del Ecuador
El Salvador	Banco Central de Reserva de El Salvador	Banco Central de Reserva de El Salvador
Guatemala	Banco de Guatemala	Banco de Guatemala
Haiti	Banque Nationale de la République d'Haiti	Banque Nationale de la République d'Haiti
Honduras	Ministerio de Economía y Hacienda	Banco Central de Honduras
Mexico	Banco de México, S.A.	Banco de México, S.A.
Nicaragua	Banco Central de Nicaragua	Banco Central de Nicaragua
Panama	Ministerio de Hacienda y Tesoro	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
United States	National Advisory Council on International Monetary and Financial Problems, Treasury Department	Federal Reserve Bank of New York
Uruguay	Ministerio de Hacienda	Banco de la República Oriental del Uruguay
Venezuela	Ministerio de Hacienda	Banco Central de Venezuela

BACKGROUND OF THE BANK

The idea of a special financial institution for the American Republics had been evolving for several decades and in various forms. It was only a few years ago, however, that concrete measures were taken to implement this proposal. In August and September 1957, the Economic Conference of the Organization of American States, meeting in Buenos Aires, recommended that the Inter-American Economic and Social Council continue to seek to find formulas that would permit the expansion of the economic development of Latin America, especially through proposals for establishment of an inter-American bank for economic development. The Conference further recommended that the Economic and Social Council convoke a specialized meeting of governmental representatives to carry out such studies.

At a special meeting of the Inter-American Economic and Social Council held August 12, 1958, the Government of the United States announced its willingness to consider establishment of such a bank. A month later, in Washington, the Ministers of Foreign Affairs of the 21 American Republics concluded that it was time to take practical steps toward the creation of the Bank. To this end, the Ministers recommended that the Inter-American Economic and Social Council call a meeting of a specialized committee of governmental representatives to negotiate and draft the instrument of organization of an inter-American financial institution.

The meeting was convoked on October 9, 1958, and the committee, composed of representatives of all the American countries, met at the Pan Amer-

ican Union in Washington from January 8 to April 8, 1959. During this period, the committee drafted the Agreement Establishing the Inter-American Development Bank.

This Agreement was to enter into force when it had been signed and instruments of acceptance or ratification had been deposited by representatives of countries whose subscriptions comprised not less than 85 per cent of the total subscription of capital. By December 30, 1959, this requirement had been complied with by all signatory countries except Cuba, Uruguay and Venezuela. The latter two countries deposited their instruments of ratification in February 1960, thus becoming original members of the Bank.

The Specialized Committee also established a Preparatory Committee whose principal responsibility was to make arrangements for the First Meeting of the Board of Governors. The Preparatory Committee held its first meeting in Washington from September 15 to November 9, 1959; its second meeting, also in Washington, from December 7 to 18, 1959, and its third meeting in San Salvador from January 29 to February 2, 1960.

The First Meeting of the Board of Governors (San Salvador, from February 3 to 16, 1960) approved the Regulations of the Board of Governors and the By-laws of the Bank and adopted various resolutions on organization and operations of the Institution. The Meeting elected the President of the Bank, and Executive Directors were elected by groups of Latin American countries. Pursuant to the Agreement, the Government of the United States appointed its Executive Director.

PART II

FUND FOR SPECIAL OPERATIONS

FUND FOR SPECIAL OPERATIONS

Operations • Fiscal Year 1961 ¹

RESOURCES

The Fund for Special Operations, established in accordance with Article IV of the Agreement, is completely separate from the Bank's ordinary capital resources. The Agreement stipulates that in the operations of the Fund the financial liability of the Bank shall be limited to the resources and reserves of the Fund. The Agreement also requires that resources of the Fund shall be held, used, obligated, invested or otherwise disposed of in a manner completely separate from ordinary capital resources. By these provisions, a basic principle of separation between the two type of resources is established.

The payment of contributions to the Fund has been made by member countries in two equal installments, the second of which was paid by October 31, 1961. As of that date 99.6 per cent of the total amount of the contributions then due had been paid, half in gold or U.S. dollars and half in national currency, as shown on the following page.

¹ According to Article IV Section 8 (d) of the Agreement, "the Bank shall publish a separate annual report showing the results of the Fund's financial operations, including profits or losses."

PAYMENTS RECEIVED
(Expressed in United States Dollars)

<i>Country</i>	<i>First Installment (In US\$ and national currency)</i>	<i>Final Installment (In US\$ and national currency)</i>	<i>Total</i>
Argentina	\$ 5,157,000	\$ 5,157,000	\$ 10,314,000
Bolivia	414,000	414,000	828,000
Brazil	5,157,000	5,157,000	10,314,000
Chile	1,416,000	1,416,000	2,832,000
Colombia	1,415,000	1,415,000	2,830,000
Costa Rica	207,000	207,000	414,000
Dominican Republic	552		552
Ecuador	276,000	276,000	552,000
El Salvador	207,000	207,000	414,000
Guatemala	276,000	276,000	552,000
Haiti	207,000	207,000	414,000
Honduras	207,000	207,000	414,000
Mexico	3,315,000	3,315,000	6,630,000
Nicaragua	207,000	207,000	414,000
Panama	207,000	207,000	414,000
Paraguay	207,000	207,000	414,000
Peru	691,000	691,000	1,382,000
United States	50,000,000	50,000,000	100,000,000
Uruguay	553,000	553,000	1,106,000
Venezuela	2,763,000	2,763,000	5,526,000
Total	\$ 72,882,552	\$ 72,882,000	\$145,764,552

LOANS

During 1961 the Bank authorized 15 loans for a total of \$48,063,335 from the Fund for Special Operations. They were distributed as follows:

LOANS • FUNDS FOR SPECIAL OPERATIONS

<i>Country</i>	<i>Number</i>	<i>Amount</i>
Bolivia	2	\$14,500,000
Brazil	1	10,000,000
Chile	2	7,323,335
Ecuador	1	2,365,000
El Salvador	1	225,000
Haiti	1	3,500,000
Honduras	2	3,210,000
Panama	1	2,900,000
Paraguay	3	3,400,000
Uruguay	1	640,000
Total	15	\$48,063,335

Of these, six loans for \$31.8 million were extended to development institutions in Bolivia, Brazil (Northeast), Ecuador, Haiti, Panama and Paraguay for relending to finance industrial, agricultural and mining development and various electric power and irrigation projects; three for \$5.3

million were authorized for mining and industry in Bolivia, Paraguay and Uruguay; two for \$7.3 million for resettlement and agricultural improvement in Chile and Paraguay; two for \$2.5 million for highways in Honduras and electric power in El Salvador, and two for \$1.2 million for technical assistance in Chile and Honduras.

It is of interest to note that in Bolivia resources of the Fund are helping to rehabilitate the nationalized mining industry through a joint operation in which the Governments of the United States, the Federal Republic of Germany and Argentina are participating. The basis for this joint endeavor was laid down in an agreement signed by representatives of the United States, West Germany and the Bank on June 9, 1961, in Washington. The West German Government has also designated the Bank as its financial agent in regard to the loan it extended for the rehabilitation plan. In Honduras, a highway construction program is being financed jointly with the International Development Association, an affiliate of the World Bank.

LOAN POLICY

In passing on the economic and technical merits of projects to be financed from the Fund for Special Operations, the Bank management employs the same criteria and procedures as it does in the case of loans from the Bank's ordinary capital resources. However, in accordance with the section of the Agreement which provides that loans made from the Fund for Special Operations shall be extended "on terms and conditions appropriate for dealing with special circumstances arising in specific countries or with respect to specific projects," the terms of repayment on Fund loans generally have been more flexible than on ordinary loans. Thus, the amortization periods have usually been longer, the interest rates somewhat lower and, in most cases, the loans have been repayable in the currency of the borrower.

The Bank determines the existence of "special circumstances" on a case-by-case basis, taking into account such factors as the debt-servicing capacity of the country, the ability of the project to earn or save foreign exchange, the length of

time needed for the investment to produce results, etc.

In determining whether loans from the Fund should be repaid in local currency or in the currencies lent, the Bank takes into account the present and prospective balance of payments position of the respective country, as well as the objective of the loans. The loans to development institutions in Haiti and Paraguay, the resettlement loans in Chile and Paraguay and the loan for highway construction in Honduras are wholly repayable in the respective local currency. On the other hand, the loan for Bolivia's mining industry, the loans for the Brazilian Northeast, Panama and Ecuador, the loan for rural electrification in El Salvador, the technical assistance loan to Honduras and the industrial development loan in Uruguay are completely repayable in the currencies lent. Finally, the development loan for relending in Bolivia and the industrial loan in Paraguay may be repaid in mixed form, i.e., early repayments in local currencies and later ones in the currencies lent.

FINANCIAL OPERATIONS

Prior to December 31, 1961, the total resources of the Fund for Special Operations which had been paid in were \$122,882,552 in United States dollars and \$22,882,000 in the currencies of other member countries. These resources were composed of \$61,441,552 in dollars and \$11,441,000 in the currencies of other member countries from the first contribution received in 1960, and \$61,441,000 in dollars and \$11,441,000 in currencies of other member countries from the second contribution received by October 31, 1961. The total amounts received from the first and second contributions represented 99.6 per cent of the amount due.

During the year 15 loans totaling \$48,063,335 were authorized in ten member countries. Of this total, \$45,950,000 was authorized in United States dollars and \$2,113,335 in currencies of other member countries. Loan disbursements of

\$2,579,923, all in United States dollars, were made.

The United States dollar portion of the funds received as contributions to the Fund for Special Operations, not required for technical assistance expenses or for loan disbursements, was invested in United States Government short-term obligations and in negotiable certificates of deposit in commercial banks in the United States.

The net operating earnings in 1961 of the Fund for Special Operations, before charges for technical assistance expenses, were \$117,629. Gross income for the year amounted to \$2,186,843, consisting of income from investments of \$1,670,275, interest on negotiable certificates of deposit of \$487,760, interest on loans of \$22,078, and income from other sources of \$6,730. The total administrative expenses, not including technical assistance expenses, chargeable to the Fund for Special Operations were \$2,069,214.

Loans Fund for Special Operations

APPROVED LOANS • 1961
(Expressed in thousands of U.S. Dollars)

FUND FOR SPECIAL OPERATIONS		
Country	Number	Amount
Bolivia	2	\$ 14,500
Brazil	1	10,000
Chile	2	7,323
Ecuador	1	2,365
El Salvador	1	225
Haiti	1	3,500
Honduras	2	3,210
Panama	1	2,900
Paraguay	3	3,400
Uruguay	1	640
Total	15	\$ 48,063



DESCRIPTION OF LOANS

Fund For Special Operations

This section describes the loans authorized by the Bank from the Fund for Special Operations during 1961. The loans are grouped in the following broad categories:

- A) Development Loans for Relending to Private Enterprises
- B) Direct Private Enterprise Loans
- C) Loans to Governments and Governmental Entities
- D) Reimbursable Technical Assistance Loans

Rates of interest varied, according to circumstances, from 4 to 5¾ per cent per annum. The terms of most of the 15 loans ran between 10 and 20 years, including grace periods. In all cases, guarantees or security satisfactory to the Bank were obtained.

A. DEVELOPMENT LOANS FOR RELENDING TO PRIVATE ENTERPRISES

Six Loans: Total \$31.8 Million

BOLIVIA

\$10 million 13-year 4½ % loan of February 24, 1961

BORROWER—Corporación Boliviana de Fomento.

The loan will be relent to finance small and medium private enterprise projects in the fields of agriculture, industry, mining, electric power, irrigation and drainage that will contribute to Bolivia's economic development on a broad front, and provide vitally needed employment opportunities.

The contemplated projects include restocking and improving herds of cattle and sheep, dairy development, private farm mechanization, loans for plantations and certain other agricultural and forestry projects; credits to medium-sized mines to improve extraction, concentration and processing methods; small loans to re-equip and expand industries; credits for irrigation projects, and credits for thermoelectric power units in the cities

of Cochabamba, Potosí, Santa Cruz, Sucre and Tarija. The Bank also provided technical assistance to enable the Corporación to carry out the program.

BRAZIL

\$10 million 16-year 4½ % loan of April 9, 1961

BORROWER—Banco do Nordeste do Brasil, S. A.

The loan will help stimulate economic growth in the Northeast of Brazil by supplementing other resources available for a comprehensive regional development program prepared by the Superintendência de Desenvolvimento do Nordeste (SUDENE). Proceeds of the loan will be relent for private enterprise projects.

One of Brazil's basic problems is its uneven economic development. Northeastern Brazil, with one-third of the nation's population and one-sixth of its area, has a per capita income of less

than \$100 a year. In making resources available for the development of this region, priority will be given to projects tending toward increased employment, new industrial and agricultural investments, maximum utilization of natural resources and raw materials, and improvement in Brazil's balance of payments position.

ECUADOR

\$2.365 million 14-year 5% loan of July 13, 1961
(*\$2.089 million and \$276,000 in sucres*)

BORROWER—Comisión Nacional de Valores.

The loan will be lent to help finance African palm oil cultivation, to establish a research and technical assistance center and to maintain an additional 12,350 acres of new plantations. Population growth and higher living standards in Ecuador have led to an increased consumption of fats and oils. More than \$3 million a year in foreign exchange is spent for imports to meet the deficiency in the domestic supply. Exploitation of oil crop plants in Ecuador has been hampered in the past because of insufficient research, but a pilot project cultivating the African oil palm has demonstrated that certain parts of the country are well adapted to cultivation of this crop. The program, to be centered in northwestern Ecuador, is expected to produce an estimated 7,000 tons of pulp oil and palm kernel oil a year, with a value of approximately \$2 million.

HAITI

\$3.5 million 15-year 4% loan of April 9, 1961

BORROWER—Banque Nationale de la République d'Haiti.

The loan will contribute to Haiti's economic development by making credits available to small and medium producers hitherto lacking such facilities. Haiti has been suffering critical problems

of underdevelopment in recent years, which the loan should help to solve by partially financing a wide variety of projects that will provide employment and improve the balance of payments position of the nation. These include industrial, agricultural, transportation and fishery projects.

The loan will be administered by the new Institut de Développement Agricole et Industriel which will operate under the control and supervision of the Banque Nationale de la République d'Haiti. The Bank is providing technical assistance for the organization and administration of the Institut.

PANAMA

\$2.9 million 15-year 4% loan of December 7, 1961
(*\$2.714 million and 186,000 balboas*)

BORROWER—Instituto de Fomento Económico.

The loan is designed to help finance the first three years of a five-year agricultural and livestock development program of the Government of Panama and thereby help to raise production, reduce the country's dependence on imports and raise farm income. Agricultural, livestock, fisheries and forestry production in Panama have grown at the rate of approximately 5½ per cent annually since 1951. However, agriculture has been handicapped by the quality of the soil and the farming structure. At present, farm methods are generally primitive and only half the potentially usable land is under cultivation. The loan will make possible special farm and livestock credits and services for small and medium farmers and cooperatives. The credits will finance an increased production of rice, corn, beans, oilseeds, vegetables, fruits and cattle. Services to be provided by the Instituto will include farm mechanization, transportation and storage. The Instituto will be completely reorganized with technical assistance provided by the Bank to be able to undertake these responsibilities.

PARAGUAY

\$3 million 10-year 5¾ % loan of March 24, 1961

BORROWER—Banco Nacional de Fomento del Paraguay.

The loan is designed to help accelerate Paraguayan economic recovery by making resources available for relending to private borrowers requiring small, medium-term credits for agricultural, livestock, forestry and industrial develop-

ment. The loan is expected to make a substantial contribution to Paraguay's economic development by making credits available for importing machinery and equipment and for improving grazing lands. Priority will be given to projects that tend to promote exports or encourage the development of local production which will permit savings in foreign exchange. The Banco is being reorganized, with technical assistance provided by the Bank, to enable it to carry out the program.

B. DIRECT PRIVATE ENTERPRISE LOANS

Two Loans: Total \$790,000

PARAGUAY

\$150,000 10-year 5¾ % loan of June 29, 1961

BORROWER—Estabilizadora Paraguaya de Alimentos, S. A.

The loan is designed to finance the establishment of a modern source of milk and dairy products at the capital city of Asunción. Paraguay is a predominantly agricultural country which is potentially self-sufficient in dairy products, but a lack of modern processing and distributing facilities has discouraged the expansion and improvement of dairy herds. As a result, large amounts of dairy products must now be imported. The loan will help to remedy this situation by helping the company produce a full line of dairy products, and, particularly, a type of milk that can be kept indefinitely without refrigeration, a marked advance

tage in a country lacking widespread home refrigeration.

URUGUAY

\$640,000 8½-year 5¾ % loan of August 3, 1961

(\$450,000 and \$190,000 in Uruguayan pesos)

BORROWER—Establecimientos Frigoríficos del Cerro, S. A. (EFCSA).

The loan will finance a project to improve EFCSA's meatpacking operations. EFCSA, a cooperative owned by its workers, processes almost half the country's meat exports. The project will seek to reduce operating costs and bring about greater diversification at EFCSA's Artigas plant through improvements which include blast freezing equipment, a hydraulic press, diesel generator, fruit and vegetable canning unit, better water supply and other equipment.

C. LOANS TO GOVERNMENTS AND GOVERNMENTAL ENTITIES

Five Loans: Total \$14.3 Million

BOLIVIA

\$4.5 million 10-year 4% loan of July 14, 1961

BORROWER—Corporación Minera de Bolivia.

The loan was the Bank's first contribution to a broad program, in which the Governments of the United States, West Germany and Argentina are also participating, to rehabilitate Bolivia's mining industry and make it self-sustaining. Total cost of the program during the first year is estimated at about \$18 million. Of this sum the United States committed \$9 million, West Germany, 15 million marks (approximately \$3.75 million), and Argentina \$1.5 million. The Bank credit will finance the purchase of machinery, equipment and technical services.

Bolivia's economy is heavily dependent on mining and the rehabilitation of that industry is a prerequisite to economic recovery and development in general. Studies by the Bank indicated that the industry's problems could be solved under conditions of national cooperation and thus contribute decisively to restoring equilibrium in the balance of payments, improve the

Government's fiscal position, consolidate its monetary stabilization program, and help to sustain the Bolivian economy pending the planning and application of a broad diversification program.

CHILE

\$7.058 million 30-year 4% loan of December 21, 1961
(\$5.657 million and 1.47 million escudos)

BORROWER—Corporación de Fomento de la Producción (CORFO) and the Caja de Colonización Agrícola.

The loan, in conjunction with a \$1.268 million loan from the Social Progress Trust Fund, and a \$265,000 technical assistance loan from the Fund for Special Operations, will help finance a farm resettlement program which the Caja de Colonización Agrícola is carrying out on public lands as a means of increasing agricultural productivity and improving the economic standing of small and medium farm owners. The three loans will finance 52 per cent of the \$16,515,000 cost of the pro-

gram. The Caja de Colonización Agrícola has acquired 17 large farm properties from other government agencies and the present loan will be used to finance a part of the program involving eight of these holdings, with an area of 181,321 acres. Specifically, this loan will be used for infrastructure, construction of housing and supervised credits for the small farmers.

EL SALVADOR

\$225,000 25-year 4% loan of August 10, 1961

(\$165,000 and \$60,000 in colones)

BORROWER—Banco Central de Reserva de El Salvador.

The loan will help finance a pilot rural electrification project in eleven communities in the Olocuilta region of the Department of La Paz, which will be carried out by the Rio Lempa Hydroelectric Executive Commission (CEL), an independent agency of the Government of El Salvador. The program envisions establishment of a rural electrification agency within the CEL which would create consumer cooperatives. These cooperatives would buy shares in the CEL, and the proceeds of these sales would be used to finance similar projects elsewhere in the country.

HONDURAS

\$2.25 million 20-year 4% loan of May 11, 1961

BORROWER—Government of Honduras.

The loan will finance approximately 18.5 per cent of a \$13.5 million highway construction and improvement program that will directly benefit the northern part of the country. The loan was sup-

plemented by a technical assistance grant of \$250,000 from the Fund for Special Operations for necessary studies. The International Development Association is financing \$9 million of the cost and \$2 million is being provided by the Honduran Government.

One of the greatest deterrents to economic progress in Honduras has been inadequate and costly transportation due to a lack of roads. The existing Western Highway runs for about 106 miles between Chamelecón and Santa Rosa de Copán. The program contemplates construction of a 62-mile extension and feeder roads from Santa Rosa de Copán to the border of El Salvador. This will open up an isolated part of the country, shorten transportation between Puerto Cortés on the Atlantic coast and Salvadorean ports on the Pacific, and link the country with other Central American countries.

PARAGUAY

\$250,000 10-year 4% loan of May 26, 1961

BORROWER—Government of Paraguay.

The loan will assist the development of a pilot colonization project near the country's eastern border. The project will help relieve congestion in the farm areas surrounding the capital city of Asunción and help expand agriculture and livestock production. The colony, known as Puerto Presidente Stroessner, has been in active operation for more than two years. An area of 103,782 acres has been surveyed and plotted into 1,400 sites of 74 to 90 acres each. The loan will be used to acquire mechanized equipment to clear the land more rapidly, build feeder roads, and build a lumber mill to utilize logs now being burned.

D. REIMBURSABLE TECHNICAL ASSISTANCE LOANS

Two Loans: Total \$1.2 Million

CHILE

\$265,000 9-year 4% loan of December 21, 1961

BORROWERS—Corporación de Fomento de la Producción (CORFO) and the Caja de Colonización Agrícola.

This loan was approved, in conjunction with loans of \$7.058 million from the Fund for Special Operations and \$1.268 million from the Social Progress Trust Fund, to help finance a farm resettlement program undertaken by the Caja de Colonización Agrícola. This credit is to be used for technical assistance relating to agricultural cooperatives and small-farm production under the resettlement program, and in drafting a plan for the settlement of the 513,000-acre Hacienda Choapa.

HONDURAS

\$960,000 7-year 4% loan of November 9, 1961

BORROWER—Government of Honduras.

The loan will assist the Honduran Government in making economic, technical and financial

feasibility studies of new highways, air routes and airport services. The Government is contributing \$700,000 in lempiras to cover surveys of third-class highways and for studies, offices, laboratories, equipment and materials. Up to \$900,000 of the loan is for surveys by consulting firms of several highways with a total length of 325 miles, and the balance for a survey and evaluation of air routes and airport facilities.

These surveys are to serve as a basis for planning specific projects. Roads to be surveyed include a 135-mile sector of the Tegucigalpa-Puerto Cortés highway between Tegucigalpa and Búfalo; an 18-mile paved highway to link San Pedro Sula, the country's principal industrial center, with the towns of La Lima and El Progreso; a 40-mile section of the Atlantic coastal highway between El Progreso and Tela; local roads in the Sula Valley ranging in length from 2.2 miles to 15 miles for a total of 70 miles, and other local roads, including the Tela-La Ceiba or La Ceiba-Olancho roads, for a total of 62 miles.

FINANCIAL STATEMENTS
Fund For Special Operations

OPINION OF INDEPENDENT AUDITOR

Fund for Special Operations

1710 H Street, N.W.
Washington 6, D. C.
February 21, 1962

To: Inter-American Development Bank
Washington, D. C.

In our opinion, the accompanying financial statements present fairly, in terms of United States currency, the financial position of Inter-American Development Bank—Fund for Special Operations at December 31, 1961, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was 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.

PRICE WATERHOUSE & CO.

Price Waterhouse & Co.

FINANCIAL STATEMENTS—FUND FOR SPECIAL OPERATIONS

	Appendix
Balance Sheet	II-1
Statement of Income and Expenses	II-2
Statement of Technical Assistance	II-2a
Investments in United States Treasury Obligations	II-3
Summary Statement of Loans	II-4
Statement of Contribution Quotas	II-5
Statement of Currencies and Demand Notes Held by the Bank.....	II-6
Notes to Financial Statements	II-7

APPENDIX II-1

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS BALANCE SHEET—DECEMBER 31, 1961 SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX II-7 EXPRESSED IN UNITED STATES DOLLARS

ASSETS

Due from banks (Appendix II-6) (Note B)

Unrestricted

United States dollars	\$ 41,620	
Currencies other than United States dollars	<u>9,766,470</u>	\$ 9,808,090

Restricted (Note C)

Currencies other than United States dollars	<u>3,312,979</u>	\$ 13,121,069
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Investments

Government obligations (at cost or amortized cost)

United States (face amount \$66,931,000)		
(Appendix II-3)	67,446,831	
Time deposits maturing within six months	27,000,000	
Accrued interest	<u>646,534</u>	95,093,365

Loans outstanding held by Bank (Appendix II-4)

Total loans approved by Bank	48,063,335	
Less undisbursed balance of approved loans held		
by Bank	<u>45,483,412</u>	2,579,923

Accrued charges on loans held by Bank

13,791

Due from members (Appendix II-5)

Contribution quotas receivable (Notes D and F)

Gold or United States dollars	275,448	
Member currencies, other than United States dollars	<u>276,000</u>	551,448

Non-negotiable, non-interest-bearing demand notes denominated in members' currencies (Appendix II-6)

34,721,890 35,273,338

Other assets

19,931

Total assets

\$146,101,417

FUND BALANCE

Fund balance

Contribution quotas (Appendix II-5) (Notes D, E and F)

Total quotas subscribed	\$146,316,000	
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Deduct excess of technical assistance expense over avail- able income and general reserve for losses (Appendix II-2)

214,583 \$146,101,417

Total Fund balance

\$146,101,417

APPENDIX II-2

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS
STATEMENT OF INCOME AND ADMINISTRATIVE EXPENSES
JANUARY 1 TO DECEMBER 31, 1961
SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX II-7
EXPRESSED IN UNITED STATES DOLLARS

Income

From loans		
Interest	\$ 22,078	
From investments	2,158,035	
From other sources	6,730	
	<hr/>	
Gross income		\$2,186,843

Expenses

Administrative expenses		
Board of Governors		
Annual Meeting	\$ 69,654	
Other	1,327	70,981
	<hr/>	
Board of Executive Directors		
Salaries	98,941	
Other compensation and benefits	24,959	
Travel	13,005	136,905
	<hr/>	
Staff		
Salaries	990,115	
Other compensation and benefits	365,314	
Travel	133,319	1,488,748
	<hr/>	
Other administrative expenses		
Communications	42,587	
Office occupancy	254,777	
Publications and printing	45,903	
Supplies and equipment	107,940	
Miscellaneous expenses	69,037	520,244
	<hr/>	
		2,216,878
Less amounts charged to Social Progress Trust Fund for in-		
direct and overhead expenses by Bank as Administrator		
(See Appendix III-4, Note A)	147,664	2,069,214
	<hr/>	
Net income before deducting technical assistance expense		\$ 117,629

Summary Statement of Technical Assistance Expense Showing
Application of Available Income and General Reserve for Losses
January 1 to December 31, 1961

Net income before deducting technical assistance expense	\$117,629
Technical assistance expense (Appendix II-2a) (Note I)	458,217
	<hr/>
Excess of technical assistance expense over available income	340,588
Application of general reserve for losses (Note G)	126,005
	<hr/>
Excess of technical assistance expense over available income and general reserve for losses	\$214,583

APPENDIX II-2a

**INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS
STATEMENT OF TECHNICAL ASSISTANCE EXPENSE
JANUARY 1 TO DECEMBER 31, 1961
SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX II-7
EXPRESSED IN UNITED STATES DOLLARS**

Central American Bank for Economic Integration	\$ 5,043
Argentina	3,491
Bolivia	158,275
Colombia	1,960
Ecuador	13,063
Haiti	104,444
Honduras	16,828
Panama	5,679
Paraguay	21,164
Uruguay	1,201
Program of advanced training for officials of development institutions	45,104
Program of fellowships	46,991
Intern training in the Bank	974
Seminar for executives of development banks	10,000
Substantive studies	24,000
	<u>\$458,217</u>

**INTER-AMERICAN DEVELOPMENT BANK—
FUND FOR SPECIAL OPERATIONS
INVESTMENTS IN UNITED STATES TREASURY OBLIGATIONS
DECEMBER 31, 1961**

<u>Maturity date</u>	<u>Face value</u>
May 15, 1962	\$ 1,600,000
August 15, 1962	12,200,000
November 15, 1962	10,119,000
February 15, 1963	1,800,000
May 15, 1963	23,871,000
November 15, 1963	17,341,000
	<u>\$66,931,000</u>
Cost or amortized cost	<u>\$67,446,831</u>

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS
SUMMARY STATEMENT OF LOANS—DECEMBER 31, 1961
SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX II-7
EXPRESSED IN UNITED STATES DOLLARS

	<i>Member in whose territory loans have been made (1)</i>	<i>Approved loans held by Bank</i>			<i>Currencies in which disbursed portion of approved loans held by bank is repayable</i>	
		<i>Total (2)</i>	<i>Undisbursed</i>	<i>Disbursed</i>	<i>United States dollars</i>	<i>Member's currency</i>
16	Bolivia	\$14,500,000	\$12,170,077	\$2,329,923	\$1,959,146	\$370,777
	Brazil	10,000,000	9,750,000	250,000	250,000	
	Chile	7,323,335	7,323,335			
	Ecuador	2,365,000	2,365,000			
	El Salvador	225,000	225,000			
	Haiti	3,500,000	3,500,000			
	Honduras	3,210,000	3,210,000			
	Panama	2,900,000	2,900,000			
	Paraguay	3,400,000	3,400,000			
	Uruguay	640,000	640,000			
	Total	\$48,063,335	\$45,483,412	\$2,579,923	\$2,209,146	\$370,777

(1) The Bank makes loans to its members or political subdivisions of its members or to private enterprises located in the territory of its members. For loans to borrowers other than members, the Bank in many instances has received either the member's guarantee or other security deemed appropriate by the Bank.

(2) All of the loans have been approved by the Bank, but certain loans have not become effective and disbursements thereunder will not begin until the borrower and guarantor, if any, take certain action and furnish certain documents to the Bank.

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS
STATEMENT OF CONTRIBUTION QUOTAS
DECEMBER 31, 1961

SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX II-7
EXPRESSED IN UNITED STATES DOLLARS

<i>Member</i>	<i>Percent of total</i>	<i>Total subscribed quota</i>	<i>Contributions received</i>			<i>Amount receivable (Note F)</i>
			<i>United States dollars</i>	<i>Member currency</i>	<i>Non-negotiable, non-interest-bearing demand notes</i>	
Argentina	7.05	\$ 10,314,000	\$ 5,157,000	\$ 25,785	\$ 5,131,215	
Bolivia .....	.57	828,000	414,000	9,000	405,000	
Brazil	7.05	10,314,000	5,157,000	5,157,000		
Chile	1.94	2,832,000	1,416,000	1,416,000		
Colombia	1.93	2,830,000	1,415,000	1,415,000		
Costa Rica .....	.28	414,000	207,000	207,000		
Dominican Republic .....	.38	552,000	552			\$551,448
Ecuador .....	.38	552,000	276,000	276,000		
El Salvador .....	.28	414,000	207,000	207,000		
Guatemala .....	.38	552,000	276,000	276,000		
Haiti .....	.28	414,000	207,000	207,000		
Honduras .....	.28	414,000	207,000	207,000		
Mexico	4.53	6,630,000	3,315,000	3,315,000		
Nicaragua .....	.28	414,000	207,000	207,000		
Panama .....	.28	414,000	207,000	2,070	204,930	
Paraguay .....	.28	414,000	207,000	207,000		
Peru .....	.94	1,382,000	691,000	6,910	684,090	
United States	68.35	100,000,000	75,000,000		25,000,000	
Uruguay .....	.76	1,106,000	553,000	5,530	547,470	
Venezuela	3.78	5,526,000	2,763,000	13,815	2,749,185	
Total	100.00	\$146,316,000	\$97,882,552	\$13,160,110	\$34,721,890	\$551,448

APPENDIX II-6

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS
STATEMENT OF CURRENCIES AND DEMAND NOTES HELD BY THE BANK
DECEMBER 31, 1961
SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX II-7

<i>Member</i>	<i>Unit of currency</i>	<i>Exchange rate (1)</i>	<i>Due from banks</i>		<i>Non-negotiable, non-interest-bearing demand notes</i>		<i>Total</i>	
			<i>Amount in member currency</i>	<i>Expressed in United States dollars</i>	<i>Amount in member currency</i>	<i>Expressed in United States dollars</i>	<i>Amount in member currency</i>	<i>Expressed in United States dollars</i>
Argentina	Peso	82.525	1,864,418	\$ 22,592	423,453,518	\$ 5,131,215	425,317,936	\$ 5,153,807
Bolivia	Boliviano	11,875.00	46,865,778	3,946	4,809,375,000	405,000	4,856,240,778	408,946
Brazil	Cruzeiro	18.50	94,623,883	5,114,804			94,623,883	5,114,804
Brazil No. 2	Cruzeiro	225.00	450,000	2,000			450,000	2,000
Chile	Escudo	1.049	1,479,089	1,409,999			1,479,089	1,409,999
Colombia	Peso	2.50	3,530,000	1,412,000			3,530,000	1,412,000
Colombia No. 2	Peso	7.26	14,204	1,956			14,204	1,956
Costa Rica	Colon	6.62	1,370,643	206,890			1,370,643	206,890
Ecuador	Sucre	18.00	4,968,000	276,000			4,968,000	276,000
El Salvador	Colon	2.50	514,837	205,935			514,837	205,935
Guatemala	Quetzal	1.00	275,326	275,326			275,326	275,326
Haiti	Gourde	5.00	981,718	196,344			981,718	196,344
Honduras	Lempira	2.00	403,046	201,523			403,046	201,523
Mexico (Note C)	Peso	12.50	41,412,240	3,312,979			41,412,240	3,312,979
Nicaragua	Cordoba	7.00	1,448,281	206,897			1,448,281	206,897
Panama	Balboa	1.00	611	611	204,930	204,930	205,541	205,541
Paraguay	Guarani	122.00	25,070,761	205,498			25,070,761	205,498
Peru	Sol	26.87	132,454	4,932	18,388,339	684,090	18,520,793	689,022
United States	Dollar	1.00	41,620	41,620	25,000,000	25,000,000	25,041,620	25,041,620
Uruguay	Peso	11.025	60,968	5,530	6,035,857	547,470	6,096,825	553,000
Venezuela	Bolivar	3.335	45,647	13,687	9,168,532	2,749,185	9,214,179	2,762,872
Total expressed in United States dollars				\$13,121,069		\$34,721,890		\$47,842,959

(1) See Appendix II-7, Notes A, B and D.

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1961

Note A

Amounts in currencies other than United States dollars have been translated into United States dollars at the rates at which the amounts were received or loaned by the Bank. No representation is made that any of such currencies is convertible into any other of such currencies at any rate or rates.

Note B

In accordance with Article V, Section 3, of the Agreement each member is required, if the par value of its currency is reduced or if the foreign exchange value of its currency depreciates to a significant extent, to pay to the Bank (Fund for Special Operations) an additional amount of its own currency sufficient to maintain the value of all the currency of the member held in the Fund, excepting currency derived from borrowings by the Fund; likewise the Bank (Fund for Special Operations) is required, if the par value of a member's currency is increased or the foreign exchange value of such member's currency has appreciated to a significant extent, to pay to such member an amount of its currency equal to the increase in value of such member's currency which is held in the Fund, excepting currency derived from borrowings by the Fund. The standard of value for these purposes shall be the United States dollar of the weight and fineness in effect on January 1, 1959.

Note C

In accordance with the provisions of Article V, Section 1, the use of these funds by the Fund or any recipient from the Fund has been restricted by the member to making payments for goods and services produced in its territory.

Note D

The authorized contribution quotas of the Fund total \$150,000,000 in terms of United States dollars of the weight and fineness in effect on January 1, 1959. The contribution quotas were paid 50% in gold and/or United States dollars and 50% in the currency of the respective member. In accordance with the provisions of Article V, Section 4, the Bank has accepted from some members non-negotiable, non-interest-bearing demand notes in lieu of the payment of the contribution quota to the Fund required to be made in the member's currency to the extent that such currency was not required by the Bank for the conduct of the operations of the Fund.

Note E

In making decisions concerning operations of the Fund, the number of votes and percent of total vote for each member are the same as shown on Page 45, Appendix I-5, to the financial statements of the Ordinary Capital. In general, all such decisions shall be adopted by a two-thirds majority of the total voting power.

Note F

At December 31, 1961, the Dominican Republic had not met the full requirements of Article IV, Section 3, for the payments of its quota contribution to the Fund for Special Operations which were due not later than September 30, 1960 and October 31, 1961.

Note G

Pursuant to action of the Board of Governors the net income from the Fund for Special Operations for the fiscal year ending December 31, 1960, was allocated to a general reserve for possible future losses.

Note H

In accordance with Article III, Section 3 (b), expenses pertaining directly to ordinary operations are charged to the Inter-American Development Bank—Ordinary Capital and expenses pertaining directly to special operations are charged to Inter-American Development Bank—Fund for Special Operations. Expenses not identifiable as pertaining directly to either the Ordinary Capital or the Fund for Special Operations are distributed pursuant to the decisions of the Board of Executive Directors as follows: For the period January 1 through October 31, 1961, in the same proportion as existed on September 30, 1960, between the amounts due on or before that date from member countries for the “paid-in” capital of the Bank and for contributions to the Fund for Special Operations; for the period November 1 to December 31, 1961, in the same proportion as existed on October 31, 1961, between the amounts received from member countries for the “paid-in” capital of the Bank and for contributions to the Fund for Special Operations.

Note I

Under the provisions of Article VI of the Agreement the Fund may, at the request of any member or members or of private firms that may obtain loans from it, provide technical advice and assistance.

At December 31, 1961, the amount approved by the Bank for technical assistance projects and to be charged to the Fund's resources but not yet disbursed was \$1,183,908.

The technical assistance expense of \$458,217 for the year ended December 31, 1961, includes \$59,350 which is to be reimbursed to the Fund if a loan is granted as a result of the technical assistance project.

APPENDIX—STATEMENT OF LOANS
Fund For Special Operations

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS

Statement of Approved Loans
December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest %</i>	<i>Repayment Terms Principal Installments</i>
BOLIVIA							
Corporación Boliviana de Fomento (Banco Central de Bolivia)	To finance projects for economic development*	2/24/61 contract signed 5/11/61				4.50	20 s.a. beginning November 11, 1964 (Interest first 8 years and first 10 principal payments in bolivianos the balance in dollars)
U.S. Dollars			10,000,000	9,258,446	741,554		
Corporación Minera de Bolivia (Banco Central de Bolivia)	To finance machinery, equipment and services for rehabilitation of mines	7/14/61 contract signed 8/31/61				4.00	14 s.a. beginning 42 months after date of contract (Interest and principal payable in currencies loaned)
U.S. Dollars			4,500,000	2,911,631	1,588,369		
Total of loans to Bolivia expressed in U.S. Dollars			14,500,000	12,170,077	2,329,923		
BRAZIL							
Banco do Nordeste do Brasil	Economic development program for northeastern Brazil*	4/9/61 contract signed 8/3/61				4.50	24 s.a. beginning December 15, 1965 (Interest and principal payable in dollars)
U.S. Dollars			10,000,000	9,750,000	250,000		
Total of loans to Brazil expressed in U.S. Dollars			10,000,000	9,750,000	250,000		
CHILE							
Corporación de Fomento de la Producción de Chile	Farm settlement	12/21/61				4.00	27 s.a. beginning 48 months after date of contract (Interest and principal payable in escudos)
Escudos			1,470,000	1,470,000			
U.S. Dollars			5,657,000	5,657,000			
Total expressed in U.S. Dollars			7,058,335	7,058,335			
Corporación de Fomento de la Producción de Chile	Technical assistance in connection with rural credit, farm management and colonization	12/21/61				4.00	7 annual beginning 36 months after date of contract (Interest and principal payable in escudos)
U.S. Dollars			265,000	265,000			
Total of loans to Chile expressed in U.S. Dollars			7,323,335	7,323,335			

* Loans extended directly or indirectly for private enterprises.

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS

Statement of Approved Loans

December 31, 1961

<i>County and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest %</i>	<i>Repayment Terms Principal Installments</i>
ECUADOR							
Comisión Nacional de Valores (Republic of Ecuador)	Development of African oil palm cultivation*	7/13/61 contract signed 10/31/61				5.00	24 s.a. beginning June 15, 1964 (Interest during the period of disbursement payable in Sucres and thereafter principal and interest payable in the currencies loaned)
Sucres ¹			276,000	276,000			
U.S. Dollars			2,089,000	2,089,000			
Total of loans to Ecuador expressed in U.S. Dollars			2,365,000	2,365,000			
EL SALVADOR							
Banco Central de Reserva (Republic of El Salvador)	Development of rural electrification project for municipalities	8/10/61 contract signed 11/17/61				4.00	34 s.a. beginning May 17, 1970 (Interest and principal payable in currencies loaned)
Colones ¹			60,000	60,000			
U.S. Dollars			165,000	165,000			
Total of loans to El Salvador expressed in U.S. Dollars			225,000	225,000			
HAITI							
Banque Nationale de la République d'Haiti (Republic of Haiti)	To finance projects for economic development*	4/9/61 contract signed 8/17/61				4.00	24 s.a. beginning February 17, 1965 (Interest and principal payable in gourdes)
U.S. Dollars			3,500,000	3,500,000			
Total of loans to Haiti expressed in U.S. Dollars			3,500,000	3,500,000			
HONDURAS							
Government of Honduras	Highway construction	5/11/61 contract signed 8/11/61				4.00	32 s.a. beginning January 1, 1966 (Interest payable in dollars, principal payable in lempiras)
U.S. Dollars			2,250,000	2,250,000			
Government of Honduras	Technical assistance for highway and air transport surveys	11/9/61				4.00	10 s.a. beginning 30 months after date of contract (Interest and principal payable in dollars)
U.S. Dollars			960,000	960,000			
Total of loans to Honduras expressed in U.S. Dollars			3,210,000	3,210,000			

* Loans extended directly or indirectly for private enterprises.

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS

Statement of Approved Loans

December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest %</i>	<i>Repayment Terms Principal Installments</i>
PANAMA							
Instituto de Fomento Económico (Republic of Panama)	To assist in financing agricultural develop- ment*	12/7/61				4.00	24 s.a. beginning 42 months after date of contract (Interest and principal payable in currencies loaned)
Balboas			186,000	186,000			
U.S. Dollars			2,714,000	2,714,000			
Total of loans to Panama expressed in U.S. Dollars			2,900,000	2,900,000			
PARAGUAY							
Banco Nacional de Fomento del Paraguay (Republic of Paraguay)	Development of in- dustrial, agricultural and livestock projects*	3/24/61 contract signed 7/28/61				5.75	14 s.a. beginning 12 months after first dis- bursement (Interest and principal payable in guaranies)
U.S. Dollars			3,000,000	3,000,000			
Estabilizadora Paraguaya de Alimentos, S.A. (Shareholders)	Equipment for milk sterilization plant*	6/29/61				5.75**	16 s.a. beginning 30 months after date of contract (Interest, prin- cipal and commitment fee payable in gua- ranies)
U.S. Dollars			150,000	150,000			
Government of Paraguay	Equipment for expan- sion of colonization project	5/26/61 contract signed 7/28/61				4.00	18 s.a. beginning Feb- ruary 1, 1963 (Inter- est and principal pay- able in guaranies)
U.S. Dollars			250,000	250,000			
Total of loans to Paraguay expressed in U.S. Dollars			3,400,000	3,400,000			
URUGUAY							
Establecimientos Frigoríficos del Cerro, S.A.	Improvement in meat-processing plant*	8/3/61 contract signed 11/30/61				5.75	14 s.a. beginning May 31, 1963 (Interest and principal payable in currencies loaned)
Pesos ¹			190,000	190,000			
U.S. Dollars			450,000	450,000			
Total of loans to Uruguay expressed in U.S. Dollars			640,000	640,000			
Grand total expressed in U.S. Dollars			48,063,335	45,483,412	2,579,923		

¹ Expressed in U.S. dollar equivalent

* Loans extended directly or indirectly for private enterprises.

** In addition to the interest rate shown, this loan has a commitment fee of 0.75% on the undisbursed balance of the loan.

PART III

SOCIAL PROGRESS TRUST FUND

(Administered by the Inter-American Development Bank as Administrator under the Social Progress Trust Fund Agreement executed between the United States Government and the Bank on June 19, 1961)

SOCIAL PROGRESS TRUST FUND

Operations • Fiscal Year 1961

ANTECEDENTS AND RESOURCES

The organization of the Bank in February 1960 provided the Hemisphere with a multi-lateral, cooperative financial institution focussed upon accelerating the economic development of the Latin American member countries. At the same time, the Bank's charter was sufficiently broad and flexible to permit the Institution to serve other development needs of the Hemisphere when so required. The call to further and different responsibilities began to be sounded within the next six months.

In further extension of Brazilian President Kubitschek's earlier proposal for "Operation Pan-America," the Newport Declaration of United States President Eisenhower announced in July 1960 that the United States was prepared to cooperate with the Latin American countries in practicable ways to make faster progress in meeting their needs for social as well as economic development. In September, the United States Congress authorized \$500 million toward fulfilling the goals of the Newport Declaration.

The decision of the United States Government was welcomed by the Bank's member nations at the conference of the Organization of American States in Bogotá in September 1960. The Bogotá meeting, recognizing the urgent need for accelerating social and economic progress in Latin America, pointed out that economic development programs must go hand in hand with prompt measures to meet social needs; that "the interests of the American Republics are so interrelated that sound social and economic progress in each is of importance to all," and that the success of a co-operative program "will require maximum self-help efforts on the part of the American Republics and, in many cases, the improvement of existing institutions and practices, particularly in the fields of taxation, the ownership and use of land, education and training, health and housing." The Conference recommended to the OAS Council the establishment of an Inter-American Program for Social Development.

At the Bogotá Conference, the United States Government declared its purpose to establish a Special Inter-American Fund for Social Development, with the purpose of contributing "capital resources and technical assistance on flexible terms and conditions, including repayment in local currency and the relending of repaid funds, in accordance with appropriate and selective criteria in the light of resources available, to support the efforts of the Latin American countries that are prepared to initiate or expand effective institutional improvements and to adopt measures to employ efficiently their own resources with a view to achieving greater social progress and more balanced economic growth." It was proposed by the United States that the Inter-American Development Bank be the primary mechanism to administer the Fund.

The placing of this new responsibility on the Inter-American Development Bank was welcomed by the Latin American countries. For the first time, a specific assistance fund provided by the United States was to be channeled through a multilateral, cooperative institution, representative of the nations to be assisted and the nation providing the resources, rather than on a grant or bilateral basis.

President Kennedy, of the United States, on taking office in January 1961, affirmed and further developed the actions described above. On March 13, 1961, in a White House speech to representatives of the Latin American countries, the President proposed that the nations of this Hemisphere join in an Alliance for Progress, "a vast cooperative effort, unparalleled in magnitude and nobility of purpose, to satisfy the basic needs of the American people for homes, work and land, health and schools—*techo, trabajo y tierra, salud y escuela*." In order to achieve these ends, he recommended the initiation of "a plan to transform the 1960's into an historic decade of democratic progress" that would in the future enable each American Re-

public to be the master of its own revolution of hope and progress. At the same time, he emphasized that the United States was willing to provide resources for such a plan. The fulfillment of the plan would be based on the willingness, intention and capacity of the Latin American countries to mobilize their own resources.

In June 1961, as a first step in supporting the ten-year program of the Alliance for Progress, the United States allocated \$500 million to create the Special Inter-American Fund for Social Progress. Of this sum, \$394 million was assigned to the Social Progress Trust Fund, to be administered by the Bank in providing assistance in the specific fields referred to below; \$100 million to the former International Cooperation Administration, now a part of the Agency for International Development, for grant aid or bilateral loans in the fields of education, public health and technical assistance, and \$6 million to the OAS for collaboration with the member countries in preparing national development plans. The resources of this Fund were intended to finance social development projects which, in general, do not lend themselves to financing from the Bank's regular resources, but which complement the flow of funds for economic development.

Prior to this time, the Bank had determined that under its Agreement it could respond to this call to a new and wider responsibility, and that by accepting the administration of the Social Progress Trust Fund, as trustee under an agreement worked out by it with the United States—completely separate from the administration of its own resources—the Bank would be in a position to foster greater social progress and more balanced economic growth in the Hemisphere.

On June 19, 1961, the President of the United States and the President of the Bank signed the Social Progress Trust Fund Agreement which had previously been negotiated between the United States and the Bank.

FIELDS OF ACTIVITY AND BASIC CRITERIA

In using Trust Fund resources, the Bank as Administrator may grant loans for projects or programs designed to bring about improvements in the following fields:

- a) land settlement and improved land use, including access and feeder roads, assistance to agricultural credit institutions, assistance to supervised credit and agricultural extension, and development of storage and marketing facilities, provided that the resources of the Fund shall not be used for the purchase of agricultural land;
- b) housing for low-income groups, through assistance to self-help housing and to institutions providing long-term housing finance and engaged in mobilizing domestic resources for this purpose;
- c) community water supply and sanitation facilities;
- d) such supplementary financing of facilities for advanced education and training related to economic and social development as may be agreed upon from time to time between the United States and the Administrator.

The Bank as Administrator may also use the resources of the Fund to provide technical assistance related to projects in the above fields and related to the mobilization of domestic financial resources and the strengthening of financial institutions. Such technical assistance may take the form of loans, reimbursable services, or grants.

The Agreement establishes the following General Criteria to guide the Bank in considering applications for loans and for technical assistance chargeable to the resources of the Fund:

- Assistance shall be made available to those projects or programs which are related to effective self-help measures in countries which demonstrate their determination to achieve the purposes of the Fund and to employ their own resources efficiently to the end of meeting social needs and strengthening economic development in their territory.
- Special consideration shall be given to proposals which are part of a national development program, taking into account the review and analysis of social and economic progress and problems in each country undertaken at the annual consultative meetings of the Inter-

American Economic and Social Council. Before acting favorably on a loan request, the Bank shall be satisfied that measures necessary and appropriate for the success of the particular project or program have been or will be undertaken.

- Loans shall be granted only for projects or programs in which the applicant bears an appropriate share of the total costs. They may, however, be granted to cover the total cost of a specific project, provided that such project is an integral part of an expanding program in the same field financed to an appropriate extent by the applicant.

- The Bank shall also be satisfied that the borrower or another appropriate entity is prepared to assume the cost of the continued support of the project or program, including the costs of maintenance and operation of any structure, installation and equipment connected therewith. Before committing resources of the Fund to any project or program, the Bank shall take into account whether the financial or technical assistance required can be obtained from national or international agencies or from private sources on terms which, in the opinion of the Bank, are reasonable for the recipient, considering all pertinent factors.

- Loans may be made to national governments, government institutions and agencies, to local and municipal governments and to private borrowers, including cooperatives and organizations affiliated with or sponsored by labor unions, provided the respective countries meet the mutual requirements of the Fund.

- The resources shall be loaned under such flexible terms and conditions of repayment as are considered best suited to carry out the purposes of the Fund in each country.

- Loans may be made repayable in whole or in part in the currency of the borrower, but all loans of dollars shall be denominated in dol-

lars and, to the extent that servicing is called for in a non-dollar currency, the loan contract shall oblige the borrower to make payments of interest and payments of principal in such amount, in the case of each payment, as is required by provisions in the contract deemed by the Bank to be appropriate to insure that the payment is equivalent in value to the dollar denominated amount due.

- The United States dollar funds made available under this Agreement shall be used for the purchase of goods or services from the United States or for the acquisition of goods or services of local origin in the country where the assistance is received. However, the Bank may authorize the use of such funds for the acquisition of goods or services produced in other countries which are members of the Bank, if such transactions would be advantageous to the borrower.

- Whenever any part of a loan is made repayable in the currency of the borrower, the Bank shall require that the country of the borrower agree that its currency received by the Fund may be used by the Fund or by any recipient from the Fund to make payments for goods and services produced in the territory of the country for use in furtherance of purposes of the Fund in any country eligible for assistance from the Fund.

Basic Considerations

Following consideration of the General Criteria established in the Social Progress Trust Fund Agreement, as outlined above, the Administrator's staff tentatively developed a set of Basic Considerations for use by the Administrator in

evaluating applications for social development loans and technical assistance. These Considerations were revised in the course of extended discussions in the Board of Executive Directors, and were unanimously approved by the Directors for official use of the Administrator in a memorandum dated October 19, 1961.

The memorandum's Introduction covers considerations of general applicability to all the fields of activity prescribed by the Trust Fund Agreement for the Administrator. This is followed by five Chapters, each dealing with considerations especially relating to one of such fields of activity.¹

The purpose of the Basic Considerations was to offer internal guidance, based on the provisions of the Trust Fund Agreement, toward the progressive future achievement of certain standards

¹ This memorandum has been printed as Annex to the First Annual Report of the Social Progress Trust Fund issued by the Administrator in accordance with the Trust Agreement. Copies of this print may be obtained upon request to the Administrator.

and goals in the administration of the Trust Fund, in full realization that such targets might not be readily or quickly attainable. A specific provision was included that the Considerations, as well as the respective types of projects described in each field, were not to be regarded as rigid or static but would "be subject to review by the Bank in the light of experience and practice."

An additional general consideration approved by the Executive Directors should be referred to. Because of the towering needs of the Latin American countries in the field of social development, in relation to the Trust Fund resources available to the Administrator to meet such needs, it was determined that such resources should not be committed to long-term programs, but rather to projects in which it appeared that the money loaned could be put to work in a relatively short time, generally within a period of two years or so.

LOANS

The first loan from the Social Progress Trust Fund was authorized by the Bank as Administrator on August 3. By December 31, a total of 18 loans for \$115,635,000 in nine countries had been approved. These included loans for improved land use and rural development in El Salvador and Chile; housing for low-income groups in Chile, Colombia, Costa Rica, Panama, Peru and Ven-

ezuela; and water supply and sanitation facilities in Brazil, Chile, Colombia, El Salvador, Uruguay and Venezuela.

Two loans totaling \$12,000,000 were authorized for improved land use and rural development; seven loans for a total of \$63,368,000, for housing; and nine loans for a total of \$40,267,000, for water supply and sanitation.

LOANS • SOCIAL PROGRESS TRUST FUND

<i>Country</i>	<i>Number</i>	<i>Amount</i>
Brazil	1	\$ 4,120,000
Chile	3	13,738,000
Colombia	3	22,837,000
Costa Rica	1	3,500,000
El Salvador	3	5,540,000
Panama	1	7,600,000
Peru	2	23,800,000
Uruguay	1	2,500,000
Venezuela	3	32,000,000
Total	18	\$115,635,000

ADMINISTRATION

The activities of the Bank have grown considerably as a result of new duties entrusted to it as the Administrator of the Social Progress Trust Fund. The Bank has followed the policy that all its activities should be handled by the same personnel and, for this reason, has had to increase its staff as needed to handle these new duties. To attend adequately to those matters relating to activities of the Bank as Administrator of the

Trust Fund, the Bank created the Division of Social Development, which forms part of the Technical Department of the Bank. This Division acts in the closest cooperation with the Operations Department and primarily carries out preliminary studies of loan requests for the resources of the Trust Fund, in addition to those other activities relating to the Bank's role as Administrator of the Fund.

FINANCIAL OPERATIONS

The Social Progress Trust Fund Agreement placed \$394 million at the disposition of the Bank as Administrator. This amount is to be withdrawn from the United States Treasury only as actually needed for operations of the Fund.

During the period from June 19 to December 31, 1961, the Bank, as Administrator, authorized 18 loans totaling \$115,635,000 in nine countries. As of December 31, 1961, loan disbursements had been made in the amount of \$850,000.

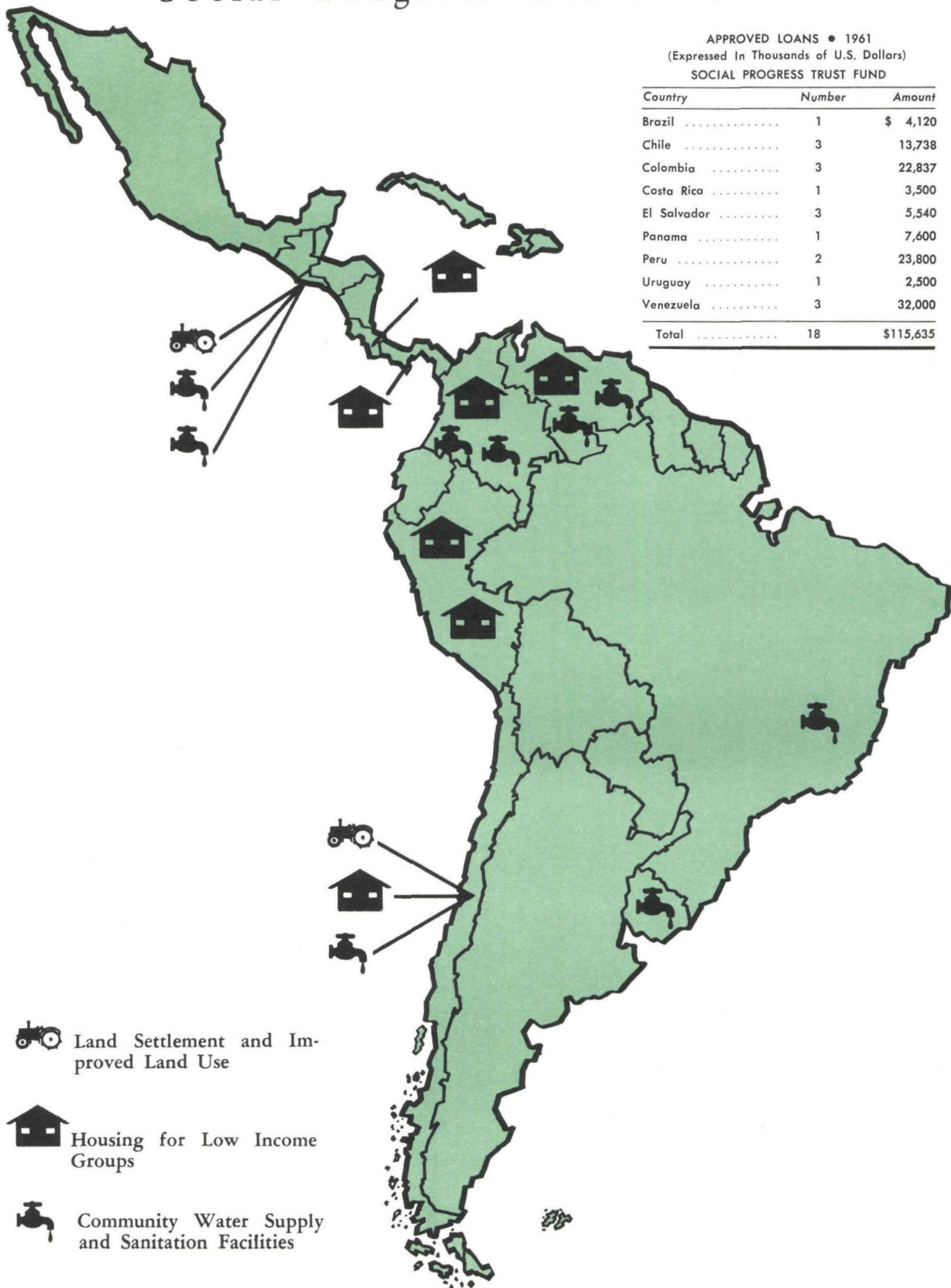
The Social Progress Trust Fund incurred expenses in excess of earnings, before technical assistance expenses, of \$578,508, because few of its loans had come into actual operation in the brief portion of the year remaining after the first loan was authorized in August. The earnings of the Social Progress Trust Fund, which are derived only from interest on loans, amounted to \$6,771. The administrative expenses amounted to \$585,279.

Loans

Social Progress Trust Fund

APPROVED LOANS • 1961
(Expressed In Thousands of U.S. Dollars)
SOCIAL PROGRESS TRUST FUND

Country	Number	Amount
Brazil	1	\$ 4,120
Chile	3	13,738
Colombia	3	22,837
Costa Rica	1	3,500
El Salvador	3	5,540
Panama	1	7,600
Peru	2	23,800
Uruguay	1	2,500
Venezuela	3	32,000
Total	18	\$115,635



DESCRIPTION OF LOANS

Social Progress Trust Fund

This section contains a description of the loans authorized from the Trust Fund grouped in the following broad categories:

- A) Land Settlement and Improved Land Use.
- B) Housing for Low Income Groups.
- C) Community Water Supply and Sanitation Facilities.

The rate of interest charged on loans from resources of the Trust Fund varied from $1\frac{1}{4}$ to $2\frac{3}{4}$ per cent per annum payable in national currency. In addition, the Bank as Administrator required an annual service charge of 0.75 per cent, payable in dollars, on principal amounts outstanding. The loan terms varied from 20 to $30\frac{1}{2}$ years, including periods of grace.

A. LAND SETTLEMENT AND IMPROVED LAND USE

Two Loans: Total \$12 Million

CHILE

\$10 million 20-year 1¼ % loan of December 21, 1961

BORROWER—Corporación de Fomento de la Producción (CORFO).

As preliminary steps towards a broad Chilean program of land reform and agricultural improvement, the Bank has authorized several loans from the Fund for Special Operations (Part II) and from the Social Progress Trust Fund (see below in this Part III). As one element in this program, this Social Progress Trust Fund loan would help to finance improved land use through a system of supervised agricultural credits in favor of small farmers and their agricultural cooperatives. These credits, for the purchase of selected seeds, fertilizers, products designed to improve livestock, etc., and for irrigation, pasturage improvement, housing improvement, etc., would be extended through the 147 branches of the Banco del Estado for one to ten year terms, in amounts from 250-750 escudos, increasing to 1,500 escudos in exceptional cases, and at an annual rate for interest and other charges of not over 6 per cent. The total over-all cost of the program would approximate \$21.77

million, of which this loan would provide 46 per cent and the Government of Chile would provide 54 per cent.

EL SALVADOR

\$2 million 20-year 2¾ % loan of August 3, 1961

BORROWER—Banco Central de Reserva de El Salvador.

Over past years, the Government of El Salvador has contributed about \$3 million in local currency to assist the Federación de Cajas de Crédito, a private enterprise established in 1942 to coordinate, supervise and help to finance 32 constituent Rural Credit Cooperatives. This Social Progress Trust Fund loan would increase the lendable resources available to the Cooperatives for making small agricultural and livestock credits, of not over \$8,000 to one borrower, on medium or long terms, at not over the existing annual interest rate of 12 per cent, to farmers with limited economic resources. Disbursement of this loan over a two-year period would be conditioned on the Government of El Salvador contributing to the Federación in each year \$400,000.

B. HOUSING FOR LOW INCOME GROUPS

Seven Loans: Total \$63.4 Million

CHILE

\$1.268 million 30-year 1¼% loan of December 21, 1961

BORROWERS—Corporación de Fomento de la Producción (CORFO) and the Caja de Colonización Agrícola.

This loan is a companion to a loan from the Fund for Special Operations for \$7,058,335 in dollars and escudos, which would together finance the settlement and improvement of eight governmentally-owned agricultural properties in different parts of Chile. The project was deemed by Chile a priority step in relation to its agrarian reform and development program. The two loans, which would be disbursed within two years, would finance 51 per cent of the total cost of the project, the balance being provided for by Chilean resources. The Social Progress Trust Fund loan here described would be used in constructing housing for over 500 farm laborers or sharecroppers and their families, now living on these properties. These *huerteros* earn very low incomes from their principal occupation, averaging about \$225 a year annually. They and their families would manually help in the construction of the houses. The

credits extended to the *huerteros* would not require down payments, as in the case of the settlers, and would be payable over 30 years at an interest rate of not over 4 per cent per annum.

COLOMBIA

\$15.2 million 20-year 2¾% loan of November 16, 1961

BORROWER—Republic of Colombia.

As part of Colombia's four-year national urban housing program, which has the highest national priority, this loan, which would be disbursed in 18 months after signing the loan contract, would help to finance the construction of 12,950 single-family and multi-family units for low-income groups, with incomes from \$300-\$1,600 a year, of which 75 per cent are under \$1,380 a year, in principal cities and smaller communities in Colombia. The cost of this project would be financed 51.8 per cent by the Bank's loan and 48.2 per cent by Colombian resources, the latter including savings deposits of, and urbanized lots owned by prospective home purchasers, owners' and neighbors' self-help, loans by private enterprise, and

governmental funds. The Instituto would not charge over 8 per cent annually on credits granted to prospective home purchasers nor more than 1 per cent annually for insurance.

COSTA RICA

\$3.5 million 25-year 2¾% loan of August 10, 1961

BORROWER—Instituto Nacional de Vivienda y Urbanismo.

In conformity with Costa Rica's national housing program which seeks, as a matter of national priority, to provide 38,000 housing units during the next 20 years, this loan would help to finance 60 per cent of the first two years of a five-year project to construct 5,275 units for low-income groups, principally families having incomes from \$100-\$120 monthly. About 40 per cent of the first two years' cost would be provided through mobilization of domestic private and public resources, including required savings deposits with the Instituto by prospective home-buyers over a period of at least six months. The annual interest on housing loans granted by the Instituto would not exceed 6 per cent. After this "pump priming" period, private savings and amortization payments and public resources should be sufficient to permit completion of the five-year project, as well as further housing construction, without additional external loans. The Bank's loan would provide about 22 per cent of the total resources for the five-year project.

PANAMA

\$7.6 million 27-year 2¾% loan of August 3, 1961

BORROWER—Instituto de Vivienda y Urbanismo.

As part of Panama's national development program, the project, to be financed in part by the Social Progress Trust Fund loan, would provide 3,000 housing units in and near Panama City for low-income families with incomes ranging from \$800-\$2,400 a year. The Bank's loan, which

would be disbursed within two years, would cover 73 per cent of the project cost, the balance being provided from Instituto resources and the home-buyers' savings and self-help labor. Credits by the Instituto to the home-buyers would be on terms extending up to 25 years and bear annual interest not exceeding 6 per cent.

PERU

\$22.8 million 20-year 1¼% loan of October 19, 1961

BORROWER—Republic of Peru.

As part of Peru's ten-year national housing program, with highest national priority, this loan would help to finance the construction in 1962 and 1963 of 35,200 housing units for low-income groups, with incomes from \$355-\$1,120 annually, in principal and smaller communities in all parts of Peru. Three-quarters of the units would incorporate self-help construction; all would be financed on long-term credits, with interest at not over 6 per cent per annum, extended by institutions which mobilize the people's savings and other domestic resources for these purposes. The Bank's loan would cover 47 per cent of the project cost, the balance being financed by Peruvian private and public resources.

\$1 million 21-year 1¼% loan of October 19, 1961

BORROWER—Cooperativa de Crédito Central del Peru.

This loan would strengthen the lending operations of the 248 non-governmental local credit cooperatives, affiliated with the National Federation of Cooperatives of Peru, which have grown out of the credit cooperative movement started in 1955 among the Peruvian Indians. In six years, these local cooperatives have mobilized through savings of members \$1.7 million in capital and have extended small credits, totaling \$5.4 million, on short terms to small borrowers with limited resources. The loan proceeds would increase the loanable assets of the Central Credit Union, from

which the locals borrow, for making such small credits for agriculture, housing, water and sewerage. The relending rate of the local credit cooperatives to the small borrower would not exceed 12 per cent per annum on outstanding balances.

VENEZUELA

\$12 million 20-year 1¼% loan of August 3, 1961

BORROWER—Banco Obrero de Venezuela.

This loan, in line with Venezuela's four-year development plan, would help to finance over a two-year period 21,000 rural housing units for

low-income families as part of a 35,000 housing unit program to be carried out in 16 states over a three-year period. All of the units would be constructed on the basis of aided self-help.

This Social Progress Trust Fund loan would provide 26 per cent of the two-year phase of this program, the balance being provided by funds of the Government of Venezuela and by the value of the self-help labor. Credits extended to purchasers of the units, whose annual incomes would range between \$550-\$800, would be amortized over a period of 20 years, at an annual interest rate of 3½ per cent.

C. COMMUNITY WATER SUPPLY AND SANITATION FACILITIES

Nine Loans: Total \$40.3 Million

BRAZIL

\$4.12 million 23-year 2¾% loan of November 30, 1961

BORROWER—Superintendência de Aguas e Esgotos do Recôncavo.

Salvador is the capital of Bahia, the largest state in the Northeast of Brazil, which is the most underdeveloped area of Brazil and where annual per capita income is less than \$100. At the present time, only 52 per cent of Salvador's 691,000 inhabitants have potable water service, supplied in limited quantity, with a resulting serious hygienic and health problem. This loan, requested by the State of Bahia and approved by the Federal Ministry of Finance and SUDENE, the national planning agency for Northeast Brazil, would finance 50.7 per cent, disbursable within two years, of a

first phase project to provide potable water to 75 per cent of Salvador's population, the balance of the funds being provided by local resources. The second phase project, to be financed wholly out of local resources, would provide potable water to 95 per cent of the city's population. The Bahia water rates structure established in 1961 should make the system self-supporting within the period of the completion of the second phase.

CHILE

\$2.47 million 20-year 2¾% loan of November 22, 1961

BORROWER—Government of Chile.

At the present time, only about 60 per cent of the inhabitants of the rapidly-growing Concepción-Talcahuano industrial and commercial complex (pop. 200,000) have potable water service and

that supply is inadequate in quantity and quality. There have resulted serious water-borne epidemic diseases in this important concentration of low-income workers.

To rectify this critical situation, the Bank, with the approval of the Government of Chile and under high priority, has authorized a loan of \$1.05 million from its ordinary resources and the companion loan here described from the Social Progress Trust Fund. These two loans would provide 58 per cent of the total cost of improving the water supply of Concepción and Talcahuano, the balance of the cost being financed from Chilean resources.

The loan here described would be disbursed within three years. As the project progresses, the water users' rates would be gradually increased to the end that, upon completion of the construction, such rates, plus the 1 per cent special property tax, should result in a self-liquidating system both as to maintenance and loan amortization.

COLOMBIA

\$2.454 million 20-year 2¾% loan of October 26, 1961

BORROWER—Establecimiento Público Empresas Municipales de Cali.

Cali, the third city in size of Colombia, with 465,000 inhabitants, and rapidly growing, is unable to provide potable water to over a quarter of its inhabitants, with resulting critical health and social tension problems. To meet this situation Cali has devised a ten-year program to provide potable water to all its inhabitants, which Colombia has approved with highest priority. This loan, which would be disbursed in approximately two years, would finance 49 per cent of the first phase of the program, the balance of this phase and of the entire ten-year program to be financed by the borrower to the extent of about 70 per cent of the total program cost. Under a new water

rates structure, the Cali system as expanded would become self-supporting in a reasonable time and the users would finance their share of the expansion's capital costs.

**\$5.183 million 24-year and 30-year 2¾% loan
of November 22, 1961**

BORROWER—Empresas Municipales de Cucuta.

Colombia has provided from its own resources during 1958-1960 over \$15 million for water and sewerage facilities. Its 1961-1964 national development plan proposes \$60 million further expenditures in this field, with 75 per cent from Colombian resources.

This loan, in line with the national plan and with government priority, would help to remedy the existing serious hygienic situation in Cucuta (pop. 115,000), under which 25 per cent of its inhabitants have no potable water service and 50 per cent of its homes are without sewerage facilities. The loan, which would be disbursed within two years, would provide 56 per cent of the cost of providing all the people of Cucuta with drinking water—95 per cent through home connections and five per cent through public taps—and with expanded sanitation facilities. Under a new water and sewerage rates structure, the Cucuta system as expanded would be self-supporting in a reasonable time and the users would finance their share of the expansion's capital costs.

EL SALVADOR

\$840,000 30½-year 2¾% loan of August 10, 1961

BORROWER—Banco Central de Reserva de El Salvador.

This loan, a companion to the Bank's ordinary resources loan of \$1.26 million for potable water

for the cities of San Salvador, Santa Tecla, Santa Ana, San Miguel and Sonsonate, with total populations of 370,000, would provide sewerage facilities, now very inadequate, to these communities. It would be disbursed during a period of two years following the signing of the contract. The Government of El Salvador considers the two projects covered by these loans and by the water-sewerage loans related to 34 smaller communities, referred to below, crucial necessities to improve critical health conditions of important segments of the people.

El Salvador intends to provide \$1.4 million during each of the four years beginning in Fiscal Year 1962 towards its share, about 33 per cent, of potable water and sewerage projects in its four-year program.

\$2.7 million 30½-year 2¾% loan of October 12, 1961

BORROWER—Banco Central de Reserva de El Salvador.

This loan is a companion to the loans referred to directly above. It would provide during a two-year period potable water and sewerage facilities, now almost wholly lacking, to 34 communities of El Salvador smaller than those covered in the preceding loan and deemed by the Government to have the next most urgent priority. The part of the cost of this project, not financed by this loan, would be met from the annual resources provided by the Government of El Salvador, described in the preceding loan. In the last two years of its four-year program, El Salvador would finance the water and sewerage needs of 41 other small communities not covered by the foregoing three loans.

URUGUAY

\$2.5 million 21-year 2¾% loan of December 7, 1961

BORROWER—Gobierno del Departamento de Montevideo.

This loan, upon which the Government of

Uruguay places a high priority, would finance a little under 20 per cent of Montevideo's comprehensive program to expand the rapidly-growing city's sanitary facilities, at a total cost of \$13 million. The loan, which would be disbursed within two years, would remedy the complete lack of sanitary facilities in the densely populated Pantanoso section of the city, now constituting a serious health and social problem to the whole community. Montevideo would contemporaneously finance a slightly larger sanitation project in another part of the city. The new sanitary services would be provided on a self-liquidating basis, and property owners would be assessed over a period of years for their proportionate share of the installation's cost.

VENEZUELA

\$10 million 20-year 2¾% loan of December 7, 1961

BORROWER—Republic of Venezuela.

Through its current national four-year development plan, Venezuela is continuing to give primary consideration to improving water supply systems in order to combat critical health and socio-economic problems caused by the inadequacy or absence of community water supply. Through its Ministry of Health and Social Welfare, the Venezuelan Government deals with such problems relating to smaller rural communities. This loan, to be disbursed in two years, would provide 50 per cent of the cost of providing potable water to 330 rural cities and hamlets having populations of under 5,000 each, totaling over 300,000 people, and, in which the most urgent water needs are evidenced. The balance of the project cost will be provided by the Venezuelan Government. The new community water rates structures should cover the costs of operation and maintenance of the systems when completed and, as feasible, some part of the service of the Bank's loan, the balance being provided by governmental sources within Venezuela.

\$10 million 20-year 2¾% loan of December 14, 1961
BORROWER—Instituto Nacional de Obras Sanitarias.

This loan, a companion to that described immediately above, intensifies the work of the Instituto Nacional de Obras Sanitarias to improve the water supply of the Venezuelan people. During the period 1943-1960, the Instituto has provided potable water, and to a lesser extent sewerage facilities, to over two million persons at a cost of some \$300 million. In line with the potable

water priority expressed under Venezuela's four-year development plan, this loan, to be disbursed in two years, would provide 48 per cent of the cost of furnishing potable water to 55 rural communities having populations of 5,000-10,000 each, totaling over 370,000 inhabitants. Fifty-two per cent of the project cost would be provided by the Venezuelan Government and the Instituto. The new community water rate structures should cover the costs of maintaining and operating the systems when completed, and of servicing the Bank's loan.

TECHNICAL ASSISTANCE

The Social Progress Trust Fund Agreement states that the purpose of the Fund shall be to provide capital resources and technical assistance to support the efforts of the Latin American countries to achieve greater social progress and more balanced economic growth. The Agreement also stipulates that the Administrator shall utilize the resources of the Fund to provide technical assistance related to the projects in the fields set forth in the Agreement and to the mobilization of domestic financial resources and the strengthening of financial institutions.

The budget for technical assistance from the Trust Fund approved in August totaled \$475,000 for 1961. Of this sum, \$418,892 had been committed by December 31.

Technical assistance activities carried out with the resources of the Social Progress Trust Fund included sending experts to Argentina, Chile, Ecuador, El Salvador, Guatemala and Uruguay to advise the respective authorities regarding programs, projects or legislation related to the housing field; sending a mission to reorganize and strengthen the official banking institutions of Guatemala and examine their financial situation, and participation of the Bank in the joint OAS-IDB-ECLA mission which was organized to advise the Government of Uruguay in the formulation of an economic and social development plan.

During 1961, the Bank authorized the following non-reimbursable technical assistance from the Social Progress Trust Fund:

- \$25,000 to the Central American University Institute of Social Sciences to aid in financing a study of the land tenure system in Central America.
- \$10,000 for the preparation of technical documents considered at the Seminar of Agricultural Credit held in Bogota, Colombia, in December.
- \$50,000 to help cover costs of a study on tax administration by the OAS and ECLA, in cooperation with Harvard University.
- \$20,000 to the Inter-American Institute of Agricultural Sciences for scholarships for students of agricultural credit.

In addition to the 1961 Technical Assistance budget, the Board of Directors authorized \$700,000, to supplement the \$300,000 authorized from the Fund for Special Operations (Part II) and the million dollar grant of the United Nations, in order to obtain contractual services of the Latin American Institute for Economic Planning in certain fields to be approved by the Administrator. The sums from the Trust Fund will be paid to the Institute during the first three and one-half years of the 1962-1966 period.

FINANCIAL STATEMENTS

Social Progress Trust Fund

OPINION OF INDEPENDENT AUDITOR
Social Progress Trust Fund

1710 H Street, N.W.
Washington 6, D.C.
February 21, 1962

To: Inter-American Development Bank
Washington, D. C.
Administrator of the Social Progress Trust Fund

In our opinion, the accompanying financial statements present fairly, in terms of United States currency, the financial position at December 31, 1961, of the Social Progress Trust Fund which is administered by the Inter-American Development Bank, and the income and expenses of the Fund for the period June 19, 1961 to December 31, 1961, in conformity with generally accepted accounting principles. Our examination of these statements was 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.

PRICE WATERHOUSE & CO.

Price Waterhouse & Co.

FINANCIAL STATEMENTS—SOCIAL PROGRESS TRUST FUND

	Appendix
Balance Sheet	III-1
Statement of Income and Expenses	III-2
Summary Statement of Loans	III-3
Notes to Financial Statements	III-4

**SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK
BALANCE SHEET—DECEMBER 31, 1961
SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX III-4
EXPRESSED IN UNITED STATES DOLLARS**

ASSETS

Due from banks		\$2,478,355
Loans outstanding (Appendix III-3)		
Total loans approved	\$115,635,000	
Undisbursed balance	<u>114,785,000</u>	850,000
Accrued charges on loans		6,771
Available from United States Government ..		
(Note A)		<u>390,000,000</u>
Total assets		<u>\$393,335,126</u>

FUND BALANCE

Fund balance		
Original balance (Note A)	\$394,000,000	
Less: Excess of total expenses over income, June 19 to December 31, 1961	<u>664,874</u>	<u>\$393,335,126</u>
Total Fund balance		<u>\$393,335,126</u>

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK
STATEMENT OF INCOME AND EXPENSES
JUNE 19 TO DECEMBER 31, 1961
SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX III-4
EXPRESSED IN UNITED STATES DOLLARS

Income from loans			
Interest		\$ 5,319	
Service charge		1,452	
		<hr/>	
Gross income			\$ 6,771
Administrative expenses			
Salaries (Note A)		181,603	
Professional services		4,878	
Travel		63,812	
Miscellaneous		8,102	
Indirect and overhead expenses (Note A)			
Paid to Bank—Ordinary Capital			
(See Appendix I-2)	\$179,220		
Paid to Bank—Fund for Special Operations			
(See Appendix II-2)	147,664	326,884	
		<hr/>	
Total administrative expenses			585,279
			<hr/>
Excess of expenses over income before deducting technical assistance expense			578,508
Technical assistance expense (Note B)			86,366
			<hr/>
Excess of total expenses over income,			
June 19 to December 31, 1961			<u>\$664,874</u>

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK
SUMMARY STATEMENT OF LOANS—DECEMBER 31, 1961
SEE NOTES TO FINANCIAL STATEMENTS—APPENDIX III-4
EXPRESSED IN UNITED STATES DOLLARS

<i>Countries in which loans have been approved (1)</i>	<i>Approved loans</i>		<i>Disbursed (Note C)</i>
	<i>Total (2)</i>	<i>Undisbursed</i>	
Brazil	\$ 4,120,000	\$ 4,120,000	
Chile	13,738,000	13,738,000	
Colombia	22,837,000	22,837,000	
Costa Rica	3,500,000	3,150,000	\$350,000
El Salvador	5,540,000	5,540,000	
Panama	7,600,000	7,100,000	500,000
Peru	23,800,000	23,800,000	
Uruguay	2,500,000	2,500,000	
Venezuela	32,000,000	32,000,000	
Total	<u>\$115,635,000</u>	<u>\$114,785,000</u>	<u>\$850,000</u>

(1) Loans from the resources of the Trust Fund are made to member countries of the Inter-American Development Bank or to political subdivisions of such members or to private enterprises located in the territory of such members. For loans to borrowers other than members of the Bank, the Bank as Administrator has received in many instances the member's guarantee.

(2) All of the loans have been approved by the Bank as Administrator of the Trust Fund, but certain loans have not become effective and disbursements thereunder will not begin until the borrower and guarantor, if any, take certain action and furnish certain documents to the Bank.

**SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1961**

Note A

On June 19, 1961, the Government of the United States of America and the Inter-American Development Bank entered into an Agreement whereby the Bank became Administrator of the Social Progress Trust Fund. The requisite funds had previously been appropriated by Congress. The resources of the Trust Fund are to be used to provide capital and technical assistance to Latin American countries on flexible terms and conditions with a view to achieving improved conditions in the fields specified in the Agreement. According to the provisions of Article III of the Agreement, the Bank is entitled to make commitments on behalf of the Trust Fund in an amount of \$394,000,000. As of December 31, 1961, \$4,000,000 had been received by the Bank from the United States. The remainder of \$390,000,000 is to be made available to the Bank by the United States from time to time as needed to meet commitments of the Trust Fund.

In accordance with the Social Progress Trust Fund Agreement, the Bank shall charge the Trust Fund for the following expenses:

- (a) salary costs of time which is spent on work for the Trust Fund by the professional staff of the Social Development Division of the Bank and by the professional staff, exclusive of division heads and assistant division heads, of the Loan, Technical Assistance, Economics, and Legal Divisions of the Bank,
- (b) all other expenses clearly identifiable as having been incurred on behalf of the Trust Fund, and
- (c) indirect and overhead expenses of the Bank at the rate of \$1.80 per \$1.00 of salary costs charged to the Trust Fund per (a) above.

Note B

Under the provisions of the Agreement the Bank as Administrator may provide technical advice and assistance to Latin American countries. At December 31, 1961, the amount approved by the Bank as Administrator for technical assistance projects but not yet disbursed was \$1,032,526.

Note C

All loan disbursements have been made in United States dollars. In accordance with the provisions of all loan agreements, repayments may be made in the national currency of the borrower at the free market rate of exchange at the date of repayment, and in accordance with the provision of certain loan agreements, repayments may be made in United States dollars at the election of the borrower.

APPENDIX—STATEMENT OF LOANS
Social Progress Trust Fund

INTER-AMERICAN DEVELOPMENT BANK—SOCIAL PROGRESS TRUST FUND

Statement of Approved Loans

December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest % ¹</i>	<i>Repayment Terms Principal Installments</i>
BRAZIL							
Superintendência de Aguas e Esgotos do Recôncavo (State of Bahia)	Financing of water system for the city of Salvador	11/30/61				2.75	23 annual beginning December 31, 1962
			\$ 4,120,000	\$ 4,120,000			
CHILE							
Republic of Chile	Financing of potable water systems for two cities	11/22/61				2.75	20 annual beginning 12 months after date of contract
			\$ 2,470,000	\$ 2,470,000			
Corporación de Fomento de la Producción de Chile	Financing construction of houses for low income farmers in settlements	12/21/61				1.25	30 annual beginning 12 months after date of contract
			1,268,000	1,268,000			
Corporación de Fomento de la Producción de Chile	Agricultural credits to small farmers and agricultural cooperatives	12/21/61				1.25	20 annual beginning 12 months after date of contract
			10,000,000	10,000,000			
Total loans to Chile			\$ 13,738,000	\$ 13,738,000			
COLOMBIA							
Establecimiento Público Empresas Municipales de Cali (Republic of Colombia)	Financing the expansion and improvement of urban potable water systems	10/26/61				2.75	39 s.a. beginning 12 months after date of contract
			\$ 2,454,000	\$ 2,454,000			
Republic of Colombia	Financing housing for low income families	11/16/61				2.75	20 annual beginning 12 months after date of contract
			15,200,000	15,200,000			
Empresas Municipales de Cúcuta (Republic of Colombia)	Financing the expansion and improvement of potable water and sewerage systems	11/22/61				2.75	60 s.a. beginning 6 months after date of contract
			5,183,000	5,183,000			
Total loans to Colombia			\$ 22,837,000	\$ 22,837,000			
COSTA RICA							
Instituto Nacional de Vivienda y Urbanismo de Costa Rica	Financing construction of houses for low income families	8/10/61 contract signed 10/31/61				2.75	25 annual beginning October 15, 1962
			\$ 3,500,000	\$ 3,150,000	\$ 350,000		

¹ In addition to the interest rate shown, all loans have a service charge of 0.75% per annum.

INTER-AMERICAN DEVELOPMENT BANK—SOCIAL PROGRESS TRUST FUND

Statement of Approved Loans

December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest %¹</i>	<i>Repayment Terms Principal Installments</i>
EL SALVADOR							
Banco Central de Reserva de El Salvador (Republic of El Salvador)	For relending to small farmers for develop- ment of agriculture and animal husbandry	8/3/61 contract signed 11/24/61				2.75	20 annual beginning December 1, 1962
			\$ 2,000,000	\$ 2,000,000			
Banco Central de Reserva de El Salvador (Republic of El Salvador)	Financing the expan- sion and improvement of sewerage systems of five cities	8/10/61 contract signed 11/17/61				2.75	60 s.a. beginning No- vember 17, 1962
			840,000	840,000			
Banco Central de Reserva de El Salvador (Republic of El Salvador)	Financing the expan- sion and improvement of potable water and sewerage systems in 34 towns	10/12/61 contract signed 11/17/61				2.75	60 s.a. beginning No- vember 17, 1962
			2,700,000	2,700,000			
Total loans to El Salvador			<u>\$ 5,540,000</u>	<u>\$ 5,540,000</u>			
PANAMA							
Instituto de Vivienda y Urbanismo (Republic of Panama)	Financing urban hous- ing for low income families	8/3/61 contract signed 8/22/61				2.75	27 annual beginning August 22, 1962
			<u>\$ 7,600,000</u>	<u>\$ 7,100,000</u>	<u>\$ 500,000</u>		
PERU							
Cooperativa de Crédito Central del Perú (Republic of Peru)	Small loans to finance housing, improved land use, and potable water and sanitation	10/19/61 contract signed 10/27/61				1.25	21 annual beginning October 27, 1962
			\$ 1,000,000	\$ 1,000,000			
Republic of Peru	Financing urban and rural housing for low income families	10/19/61 contract signed 11/24/61				1.25	20 annual beginning November 23, 1962
			22,800,000	22,800,000			
Total loans to Peru			<u>\$ 23,800,000</u>	<u>\$ 23,800,000</u>			

¹ In addition to the interest rate shown, all loans have a service charge of 0.75% per annum.

INTER-AMERICAN DEVELOPMENT BANK—SOCIAL PROGRESS TRUST FUND

Statement of Approved Loans

December 31, 1961

<i>Country and Obligor (Guarantor in Parenthesis)</i>	<i>Purpose</i>	<i>Date Approved</i>	<i>Amount Approved</i>	<i>Undisbursed Balance</i>	<i>Status of Loans Disbursed and Outstanding</i>	<i>Interest % ¹</i>	<i>Repayment Terms Principal Installments</i>
URUGUAY							
Gobierno del Departamento de Montevideo	Financing of sanitation works	12/7/61				2.75	41 s.a. beginning 12 months after date of contract
			<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>			
VENEZUELA							
Banco Obrero de Venezuela (Republic of Venezuela)	Financing of rural housing for families of low income through self-help system	8/3/61 contract signed 11/15/61				1.25	40 s.a. beginning May 15, 1962
			\$ 12,000,000	\$ 12,000,000			
Republic of Venezuela	Financing of potable water systems for 330 rural communities	12/7/61				2.75	39 s.a. beginning 12 months after date of contract
			10,000,000	10,000,000			
Instituto Nacional de Obras Sanitarias (Republic of Venezuela)	Financing of potable water systems for 55 towns	12/14/61				2.75	20 annual beginning 12 months after date of contract
			<u>10,000,000</u>	<u>10,000,000</u>			
Total loans to Venezuela			<u>\$ 32,000,000</u>	<u>\$ 32,000,000</u>			
GRAND TOTAL			<u>\$115,635,000</u>	<u>\$114,785,000</u>	<u>\$ 850,000</u>		

¹ In addition to the interest rate shown, all loans have a service charge of 0.75% per annum.