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INTER-AMERICAN
DEVELOPMENT
BANK
1971
annual report



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BANK
1971
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DOMINICAN REPUBLIC

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PRESIDENT

INTER-AMERICAN DEVELOPMENT BANK

WASHINGTON, D. C. 20577

CABLE ADDRESS
INTAMBANC

March 31, 1972

Mr. Chairman:

Pursuant to Section 2 of the By-Laws of the Bank, the Board of Executive Directors has authorized me to submit the Annual Report of the Bank for 1971 to the Board of Governors.

The Report contains a section on economic development trends in Latin America, a review of the Bank's overall activities in 1971 and a description, on a country-by-country basis, of the loans and technical assistance authorized during the year.

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

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

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

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

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

Sincerely yours,

Antonio Ortiz Mena
President

Chairman, Board of Governors
Inter-American Development Bank



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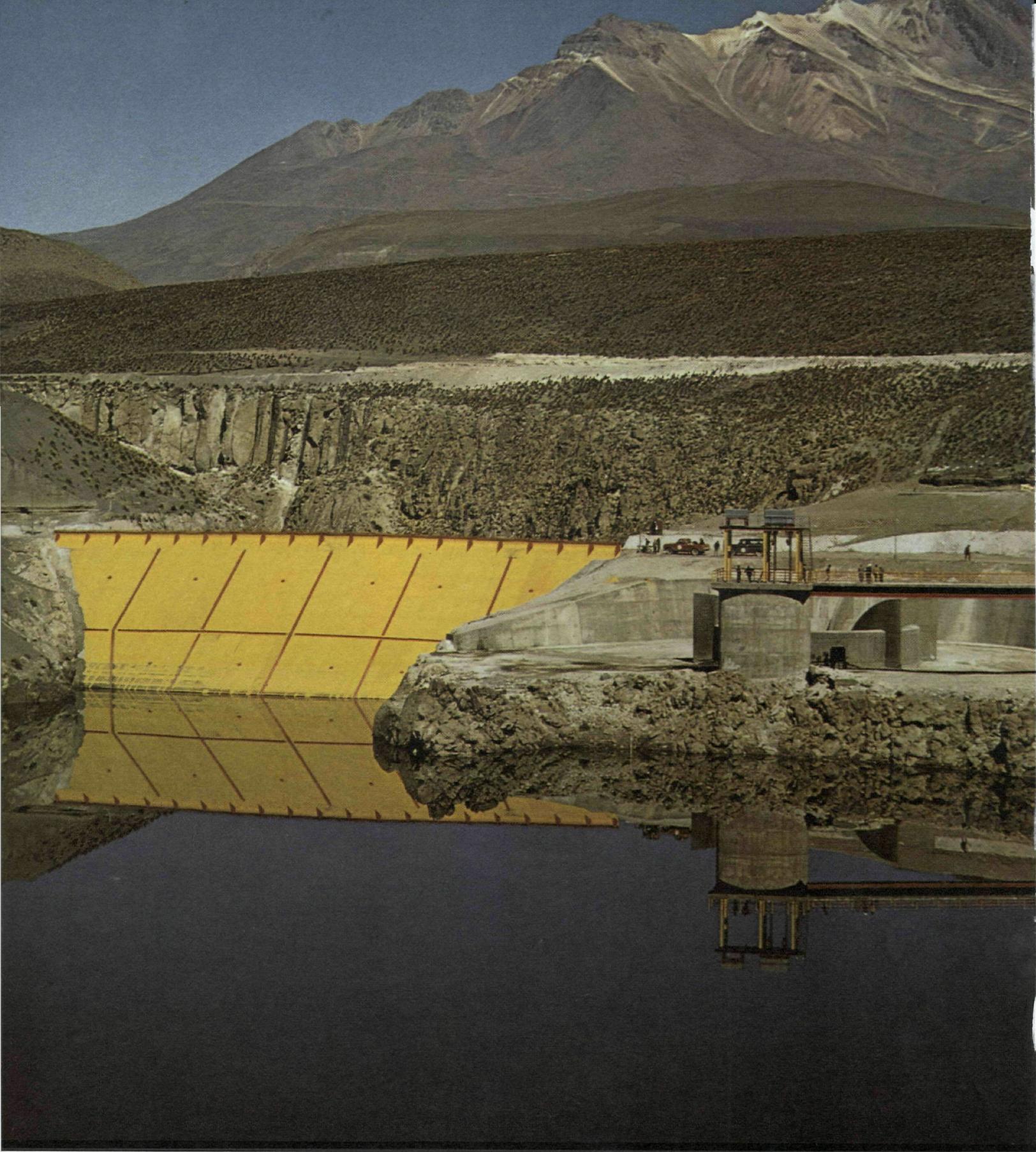
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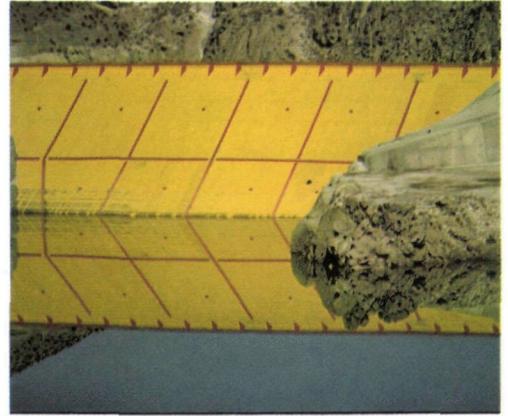
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MIRROR REFLECTION DISTORTS yellow-painted dam of reservoir for irrigation project at Aguada Blanca, 20 miles from Arequipa, Peru. Construction of the dam, partially financed by the Bank, has made possible the irrigation of 17,000 acres of land in the region.

ECONOMIC DEVELOPMENT TRENDS

ECONOMIC DEVELOPMENT TRENDS

A substantial number of countries in Latin America experienced rapid economic growth during 1971. This trend represented a continuation of the higher rate of development which has prevailed for the region as a whole since 1968.

Preliminary data indicates that the region's gross domestic product increased in 1971 by about the same 6.6 per cent yearly growth rate registered during the 1968-70 period. This result was achieved within a framework of strengthened investment and savings coefficients and improved fiscal finances and balance of payments situations.

This growth rate considerably exceeds expectations prevailing at the beginning of the 60s, when the economic growth goals of the Alliance for Progress for the inter-American system and of the first United Nations Development Decade were established. It appears less favorable, however, when the rapid increase in the population of Latin America is taken into account. In per capita terms the product

increase was 3.8 per cent a year in 1968-70, and only 2.7 per cent for the broader 1961-70 period. This compares with a rate of 3.7 per cent a year in the latter period for developed countries with market economies.

Industrial production continued to grow at high rates in most of the countries in the region and its relative share of total production increased. The electric power, construction, transportation and communications sectors also expanded rapidly in recent years. In contrast, output in the agricultural sector rose at levels barely above population growth, and, consequently, its relative participation in the region's economy continued to decline. Mining also grew at a relatively slow pace.

Despite significant gains registered in exports in recent years, the region's traditional foreign trade surplus continued to decline, at the same time that the deficit in the services account continued to rise. Nonetheless, the region's net long-term capital inflows, especially from private

sources, offset this deficit and helped achieve a substantial increase in the region's international monetary reserves as well. Intra-regional trade continued to be a dynamic factor in total regional exports, especially in 1968 and 1969, but the general process of regional economic integration made no significant progress. Both the Latin American Free Trade Association (LAFTA) and the Central American Common Market (CACM) encountered obstacles that restricted gains in this process.

The evolution of Latin America's economy in recent years has been characterized by certain weaknesses, which represent limitations for its future development. These include slow growth in agricultural production, parallel with a nutritional deficit in most countries; a lagging export sector, which continues to lose ground in world trade, and — closely related to the latter — a steady expansion in external indebtedness and its service.

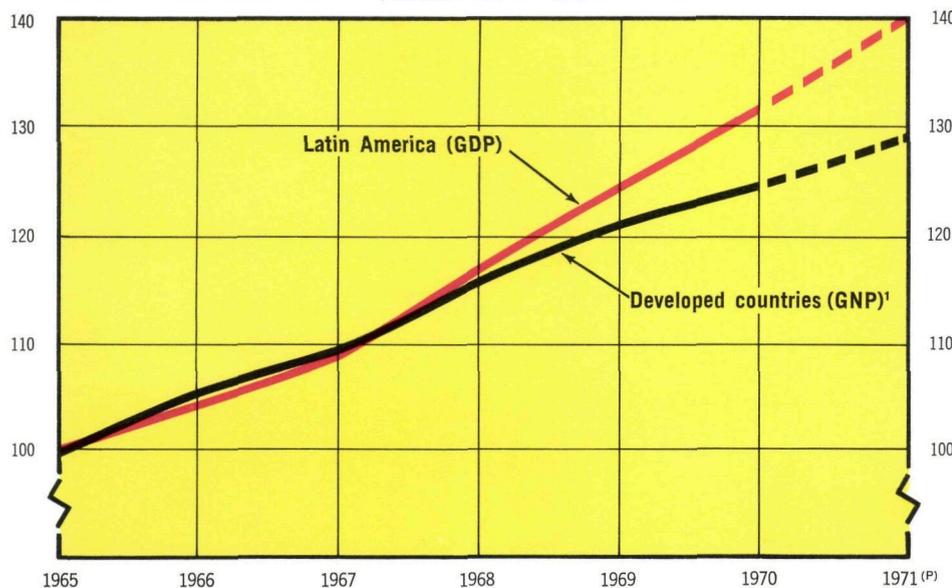
GROSS DOMESTIC PRODUCT

As indicated, the growth rate for the region's gross domestic product in 1968-70 was 6.6 per cent. Preliminary data at the time this report was prepared indicates that the rise in 1971 was approximately 6.6 per cent, with a possible variation of from 6.3 to 6.9 per cent.

These indices compare favorably with those recorded in 1966-67, when the real rate of growth for the Latin American economy as a whole averaged 4.5 per cent a year, and with the 1961-65 five-year period, when the average was 5.3 per cent a year. In the world context, Latin America's growth in recent years was well above that registered by the group of developed countries with market economies; in 1968-69 average growth for these countries was 4.5 per cent a year, a figure which declined to 2.7 per cent in 1970. Preliminary data for 1971 indicates a growth of 3.2 per cent.

The growth in Brazil's economy has been a particularly outstanding factor in the region's economic expansion in recent

**ECONOMIC GROWTH IN LATIN AMERICA
AND IN THE DEVELOPED COUNTRIES, 1965-71**
(Indexes: 1965=100)



NOTES: ¹ With market economies.

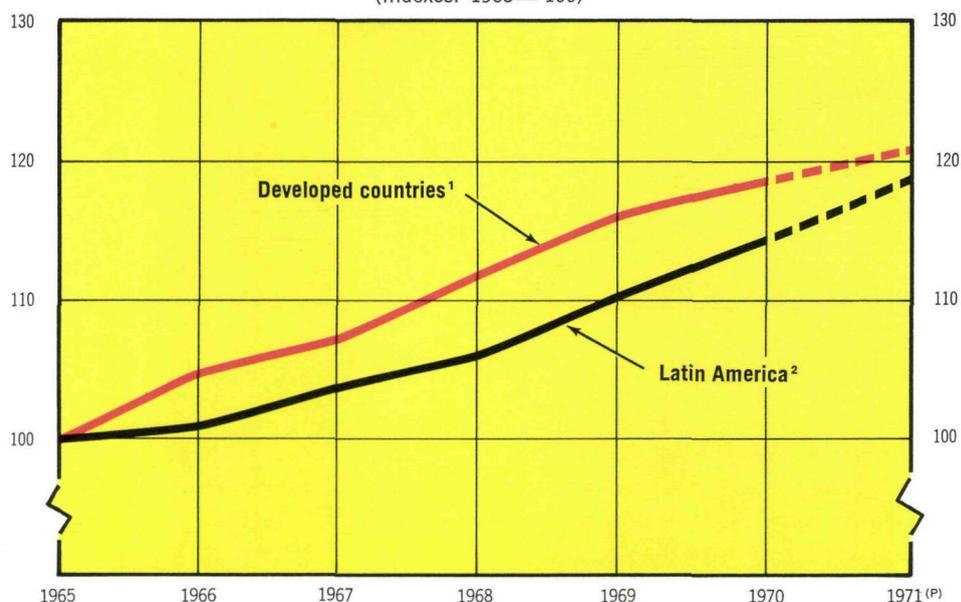
^(P) Preliminary

SOURCES: Developed countries, AID; Latin America, Inter-American Bank based on official statistics of member countries.

years. That growth was 9.3 per cent a year during the 1968-70 period. Other countries which recorded a more rapid growth rate during the period than in earlier years were Costa Rica (6.8 per cent), Barbados (6.5 per cent), Colombia (6.4 per cent), Ecuador (6 per cent) and Argentina (5.8 per cent). High economic growth rates were maintained at the same time in Panama (7.9 per cent), Mexico (7.4 per cent), Guatemala (5.4 per cent), the Dominican Republic (5.4 per cent) and Paraguay (5 per cent). In short, acceleration of the economic growth rate in Latin America over the past few years has been fairly widespread, since it has embraced 12 countries which account for two-thirds of the region's total population.

Indications are that in 1971 Brazil continued to maintain a high rate of economic growth (between 11 and 11.5 per cent) and at least another 11 countries — Chile, Colombia, the Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama and Peru — recorded rates of 5 per cent or more. The remaining ten countries—Argentina, Barbados, Bolivia, Costa Rica, El Salvador, Mexico, Paraguay, Trinidad and Tobago, Uruguay and Venezuela — grew at rates lower than 5 per cent.

ECONOMIC GROWTH PER CAPITA IN LATIN AMERICA AND IN THE DEVELOPED COUNTRIES, 1965-71 (Indexes: 1965 = 100)



1. With market economies, GNP per capita.

2. GDP per capita.

(P) Preliminary.

SOURCES: Developed countries, AID; Latin America, Inter-American Bank based on official statistics of member countries.

GROSS DOMESTIC PRODUCT ANNUAL GROWTH RATES, 1961-70 (In Per Cent)

Country	1961-70	1961-65	1966-70	1968-70	1968	1969	1970
Argentina	4.2	4.4	4.1	5.8	4.6	7.9	4.8
Barbados	5.1	4.0	6.3	6.5	6.5	4.7	8.3
Bolivia	5.5	5.1	5.8	5.3	7.2	4.8	4.0
Brazil	6.0	4.5	7.5	9.3	9.4	9.0	9.4
Chile	4.3	5.0	3.6	2.9	2.9	3.1	2.5
Colombia	5.2	4.7	5.8	6.4	6.1	6.4	6.8
Costa Rica	5.9	4.9	6.9	6.8	5.8	8.8	5.7
Dominican Republic	3.6	1.0	6.4	5.4	3.1	7.0	6.3
Ecuador	4.5	3.7	5.4	6.0	4.0	5.3	8.7
El Salvador	5.9	6.9	5.1	4.2	3.2	3.5	6.0
Guatemala	5.2	5.3	5.2	5.4	5.6	5.6	5.1
Haiti	1.7	0.9	2.5	3.0	2.0	3.3	3.8
Honduras	5.1	4.7	5.6	4.6	7.0	3.1	3.8
Jamaica	4.1	4.7	3.5	3.6	6.1	4.5	0.4
Mexico	7.1	7.2	7.1	7.4	8.1	6.3	7.7
Nicaragua	7.3	10.2	4.4	4.1	1.5	5.7	5.1
Panama	8.1	8.2	7.9	7.9	7.0	8.4	8.2
Paraguay	4.7	4.9	4.6	5.0	4.7	4.3	6.1
Peru	4.8	6.4	3.3	2.1	0.5	1.2	6.7
Trinidad and Tobago	3.8	4.2	3.5	2.7	3.3	2.8	2.0
Uruguay	1.2	0.9	1.4	3.7	1.2	5.3	4.5
Venezuela	5.6	7.3	3.9	4.5	5.3	3.5	4.6
Latin America	5.5	5.3	5.7	6.6	6.5	6.6	6.8

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

ECONOMIC DEVELOPMENT TRENDS

STRUCTURE AND GROWTH OF LATIN AMERICA'S GROSS DOMESTIC PRODUCT, 1960-70 (In Per Cent)

	Structure (Average)		Growth Rate		
	1960-61	1969-70	1961-70	1961-65	1966-70
Primary Sector	23.7	19.5	3.1	3.8	2.5
Agriculture	19.3	15.7	3.1	3.8	2.4
Mining	4.4	3.8	3.5	3.7	3.2
Secondary Sector	25.6	28.8	6.9	5.9	7.8
Manufacturing	22.1	25.1	7.0	6.3	7.7
Construction	3.5	3.7	6.0	3.4	8.7
Tertiary Sector	50.7	51.7	5.9	5.7	6.0
Electricity and Transportation	7.0	7.2	6.2	5.7	6.6
Commerce, Government and Others	43.7	44.5	5.8	5.7	5.9
TOTAL	100.0	100.0	5.5	5.3	5.7

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

cent for agriculture. The share of industry in total output ranges from less than 15 per cent in Barbados, Haiti, Jamaica and Venezuela to more than 30 per cent in Argentina and Chile.

The high rates of industrial growth in Latin America in recent years were not distributed uniformly among all the countries of the region. In 1970, the average for the region was strongly influenced by notable industrial upsurge in a few countries, particularly Brazil, Mexico and Peru.

Smaller countries, such as Bolivia, the Dominican Republic, Ecuador, Nicaragua and Paraguay, also made rapid progress. In the other countries, industrial production advanced more moderately, but only in five of these — Chile, El Salvador, Jamaica, Uruguay and Venezuela — did growth come to less than 5 per cent.

It might be stressed that industries producing durable consumer goods, intermediate products and capital goods (particularly chemical products, basic metals

and machine-metal products) expanded their production over the 1969-70 period much more rapidly than did those producing such non-durable consumer goods as food, beverages and textiles.

Industrial growth in most Latin American countries has been supported by a firm import substitution policy. However, in recent years heavy emphasis has been placed on promoting exports of manufactured products. Total manufactured exports from Latin America, excluding processed basic commodities and nonferrous metals, rose from \$383 million in 1963 to \$1,082 million in 1969, or a growth rate of approximately 19 per cent a year. The latter figure compares favorably with the average 15 per cent annual rate of the developing countries as a whole and the 13 per cent for developed countries with market economies.

The recent interest shown by the Latin American countries in exporting manufactured goods is based mainly on their need to increase export earnings and reduce the vulnerability of their economies to price fluctuations in basic commodities, but there is another reason. Dynamic industrial growth in Latin America in recent years has been restricted by the limited size of national and even regional markets, while market conditions at the national level have prevented the development of competition and efficiency. The goal currently sought through export programs is to revitalize industry in Latin America through selective orientation toward the external sector and its integration with the international economy.

Another interesting aspect of recent industrialization in Latin America is the significant growth of the regional market. Intraregional exports of manufactured goods rose during 1964-69 by an annual rate of 25 per cent, a figure substantially exceeding the growth of exports to other regions. By 1969, the regional market was absorbing 46 per cent of total exports of manufactured products from Latin America.

MANUFACTURING SECTOR VALUE ADDED GROWTH RATES, 1966-70 (In Per Cent)

	1966-70	1968-70	1968	1969	1970
Argentina	5.2	8.0	7.1	11.1	6.0
Barbados	5.7	6.7	5.4	9.0	6.2
Bolivia	8.4	8.9	6.5	8.9	11.2
Brazil	10.9	11.9	14.4	11.2	10.3
Chile	6.0	6.1	13.7	3.8	0.8
Colombia	6.3	7.2	6.1	7.5	7.9
Costa Rica	11.4	12.2	21.5	6.6	8.5
Dominican Republic	8.9	5.6	-3.1	9.0	10.9
Ecuador	5.8	6.4	3.3	5.9	10.0
El Salvador	7.0	4.8	5.9	3.5	4.9
Guatemala	8.8	8.6	9.1	8.9	7.7
Haiti	4.1	4.5	2.0	5.5	6.1
Honduras	8.1	6.5	9.0	5.6	5.0
Jamaica	2.3	1.9	9.0	-0.3	-3.0
Mexico	8.9	9.2	10.3	8.0	9.3
Nicaragua	12.3	11.9	9.5	14.8	11.5
Panama	9.7	8.9	9.5	11.0	6.3
Paraguay	6.3	7.0	6.0	5.6	9.3
Peru	5.7	4.9	4.1	1.7	8.8
Trinidad and Tobago	7.2	7.3	10.5	5.8	5.5
Uruguay	2.7	4.9	5.1	4.8	4.9
Venezuela	3.9	4.5	5.3	4.3	3.8
Latin America	7.7	8.8	9.7	8.9	7.9

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



WORKER WELDS WATER TANKS for industry at this small factory in Bogotá, Colombia, which was built with Bank financing provided through the nation's Institute for Industrial Development.

THE AGRICULTURAL SECTOR

In 1970 the volume of Latin American farm production rose by 3.3 per cent. Thus the sluggish growth trend which has characterized the region's agricultural sector in recent decades continued. In food production, especially, results were far from satisfactory. Indices of the United Nations Food and Agriculture Organization (FAO) show that Latin America's 1970 output was only 5 per cent higher than the annual average for the 1952-56 period. Preliminary figures reveal that in 1971 total food production remained at virtually the same level as in 1970, which would indicate a significant reduction in per capita output. In the face of the nutritional deficiency affecting a high percentage of the Latin American population,

the foregoing figures unquestionably indicate the weakness of this sector of the Latin American economy.

While food production expanded in 1970, coffee and cotton output declined. The 1970 coffee harvest was 24 per cent less than that of 1969 and cotton production fell by 10 per cent. Wheat production during 1970 dropped by 16 per cent, owing to a sharp 40 per cent decrease in the Argentine crop. In contrast, sugar output, which rose in nearly every producing country in the region, gained an aggregate 4 per cent. The same was true for banana production, which rose by 11 per cent.

Geographically speaking, the subregions developed along different lines. Most of the Central American countries increased per capita food production in

the past decade; output in the Caribbean countries and several South American nations either contracted or remained constant. This situation prevented improvement in nutritional indices and led to the maintenance of high levels of food imports or even to an increase in such imports. Brazil and Mexico, on the other hand, steadily expanded per capita food output through incentive policies and heavy investments in the farm sector. While Argentina has high nutritional levels, its agricultural production, which is an important source of its exports, has not increased.

As a result of these trends, the participation of the agricultural sector in the region's total production has continued to decline in recent years. In 1970, this ratio was 15.5 per cent, compared to 16.2 per cent in 1968 and 19.6 per cent in 1960. In some countries of the region, however, farm output still accounts for a large share of total production; for example, in Haiti, Honduras, Ecuador and Paraguay this ratio is more than 30 per cent.

The lack of dynamism in the agricultural sector looms even more seriously because it currently employs more than 40 per cent of the labor force of Latin America as a whole and an even higher proportion in some countries. The strong population increase in rural areas has continued to contribute to rising unemployment in those areas and to migration to urban centers, where job opportunities are not expanding rapidly enough either.

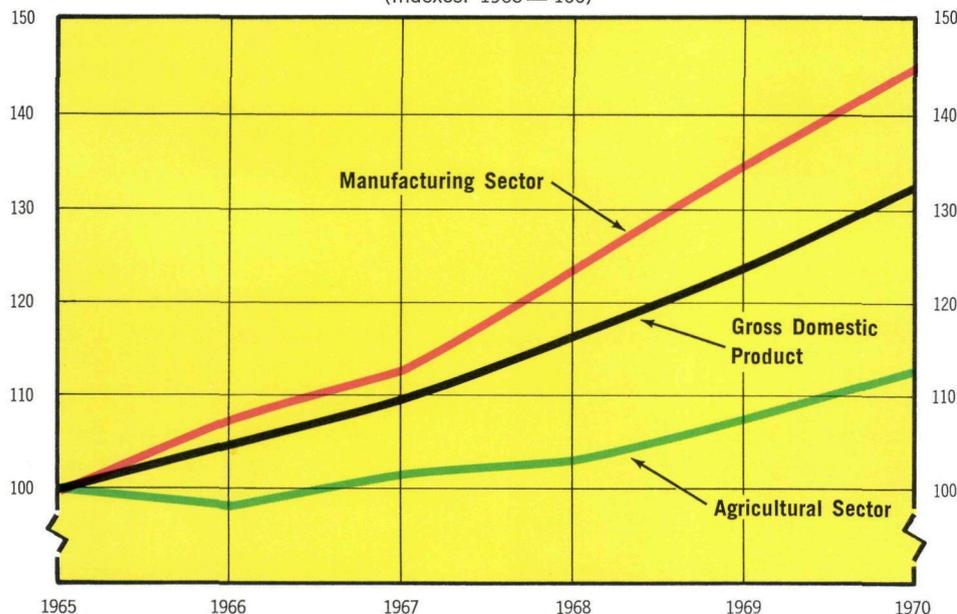
BALANCE OF PAYMENTS

The general development of Latin America's balance of payments in 1968-70 was favorable, with positive basic balances being registered in each of the three years. Based on an additional increase of \$855 million¹ in international monetary reserves, the region's balance of payments appears to have maintained its encouraging trend in 1971 as well.

¹ This figure includes \$273.8 million in Special Drawing Rights allocated by the International Monetary Fund early in 1971.

ECONOMIC DEVELOPMENT TRENDS

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



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

The traditional surplus in the merchandise account of the region decreased from \$1,480 million in 1967 to \$775 million in 1970. This decline, accompanied by a steady rise in the deficit on the services account, led to a growing deficit in the balance of payments current account.

However, net receipts of long-term capital offset this deficit and also made possible an increase in the region's international monetary reserves.

Over the 1968-70 period, the value of exports rose by 8.6 per cent a year. Countries where exports were particularly dy-

namic included: Brazil (17 per cent), Costa Rica (16 per cent), Colombia (12 per cent), the Dominican Republic (10 per cent), Guatemala (13 per cent) and Peru and Uruguay (11 per cent each). Imports of goods, however, rose even more rapidly — 11.6 per cent a year — than exports. Countries whose imports rose more rapidly included: Colombia (21 per cent); Brazil (19 per cent); Costa Rica (18 per cent); Argentina, Barbados, Ecuador and the Dominican Republic (15 per cent each); Jamaica (13 per cent), and Panama (12 per cent).

Some 55 per cent of the increase in the value of Latin American exports during the period was generated by better prices for such principal export products as coffee, copper, meat and cacao. In terms of volume, exports rose by only 4 per cent a year. Furthermore, the 8.6 per cent annual growth in Latin America's exports over the 1968-70 period compares unfavorably with the world average of 13.7 per cent a year. Within this average the developed countries with market economies expanded their exports by 14.7 per cent a year, and the developing nations increased theirs by 11 per cent a year. Viewed within this framework, the recent trend in Latin American exports, while more favorable than in earlier periods, still points up the weak structure of the region's external sector.

It is interesting to note that the growth rate for manufactured and semimanufactured exports has consistently exceeded that of primary products. For example, in 1968 exports of basic products rose by 3.7 per cent, while manufactures increased by 20.1 per cent; in 1969, the growth rates were 8.3 per cent and 10.2 per cent. Nevertheless, manufactures still account for only 16.8 per cent of the value of total exports.

During 1968-70, service transactions showed a growing deficit in absolute terms, although service receipts rose more rapidly than expenditures. In the total deficit in this account, the negative net balances

BALANCE OF PAYMENTS SUMMARY, 1967-70
(In millions of dollars)

	1967	1968	1969	1970
I. Goods, Services and Private Transfers				
1. Merchandise				
Exports, f.o.b.	11,380	11,994	13,358	14,558
Imports, f.o.b. ¹	9,900	10,963	12,002	13,783
Trade Balance	1,480	1,031	1,356	775
2. Services (net)	-3,241	-3,507	-3,732	-3,809
3. Net Private Transfers	60	19	44	64
4. Deficit (-) on Current Account	-1,701	-2,457	-2,332	-2,970
II. Capital Accounts and Public Transfers				
1. Net Flows of Long-Term Capital	1,557	2,518	3,379	2,777
2. Net Public Transfers	137	125	141	149
Basic Balance	-7	186	1,184	44
3. Net Monetary Flows	138	-210	73	576
Increase (-) in Monetary Reserves	-272	-600	-534	-1,166
III. Errors and Omissions	141	624	-723	546

¹ Since the f.o.b. values for imports by Argentina, Barbados, Chile, Mexico and Trinidad and Tobago are not available, these have been estimated at 87.5 per cent of registered c.i.f. values.

SOURCE: International Monetary Fund.

stemming from interest and dividends on foreign capital and on freight and insurance were the most significant.

Although the basic balance of payments of the region¹ was favorable throughout 1968-70, it fluctuated sharply during the period, going from \$186 million in 1968 to \$1,184 million in 1969, and then to \$44 million in 1970. The relatively high level of 1969 was derived largely from increased net receipts of long-term private capital.

The international monetary reserves of the region expanded during the three-year period by \$2,208 million, from a level of \$3,430 million at the end of 1967 to \$5,638 million at the end of 1970. In 1971, they increased by \$855 million. A key factor in this increase was the extraordinary upswing in Brazil's reserves, which rose from \$257 million at the end of 1967 to \$1,577 million at the close of 1971. Venezuela's reserves increased from \$922 million to \$1,521 million and Mexico's from \$657 million to \$922 million.² Toward the

end of 1971, the monetary reserves of Brazil and Venezuela accounted for 48 per cent of the reserves of the region. The ratio of Latin America's international monetary reserves to imports of goods expanded from 30.9 per cent in 1967 to 37.5 per cent in 1970.

ECONOMIC INTEGRATION

In contrast to earlier periods, the economic integration movement in Latin America in recent years has registered only limited progress in intraregional trade, and in other aspects has faced extremely difficult problems.

In the Latin American Free Trade Association (LAFTA), intrazonal trade made significant advances in 1968 and 1969, exceeding the level of \$1 billion in 1969 for the first time. But while growth in those two years amounted to 17.4 per cent and 17.8 per cent, respectively, in 1970 it came only to 3.9 per cent. During the entire period, the ratio—9 to 10 per cent—of intrazonal exports to total ex-

ports remained comparatively stable in LAFTA countries. Brazil, Colombia and Mexico are among the countries which achieved the most dynamic gains in intrazonal exports, and Chile, Ecuador, Mexico and Uruguay had the most rapid growth in intrazonal imports.

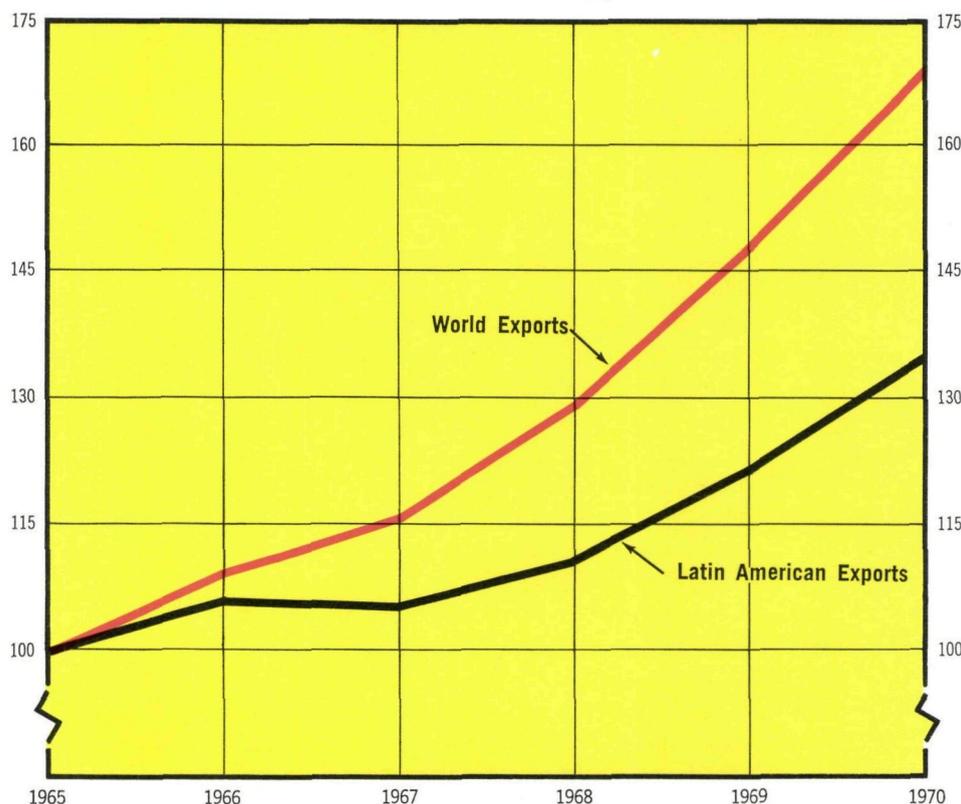
Although the foregoing shows a generally positive trend toward economic integration within the LAFTA countries, it should be noted that in recent years the Association has faced serious difficulties in fulfilling the commitments initially undertaken in the Treaty of Montevideo regarding liberation of trade. Problems connected with approval of the second part of the Common List and fulfillment of the annual target for the removal of tariffs established in the Treaty of Montevideo led to the adoption of the Protocol of Caracas. The Protocol extends from 1973 to 1980 the term for completing the free trade area, but at the same time it draws up a plan of action, including studies, which will enable the contracting parties to adopt new decisions in the fulfillment of their objectives.

The development of intrazonal trade within the Central American Common Market (CACM) has been irregular in recent years. Following a 20.7 per cent growth in 1968, intrazonal trade declined by 3.6 per cent in 1969, expanding again by 20.2 per cent in 1970. Although the level of intra-Central American trade in 1970 was nine times that recorded in 1960, the conflict between El Salvador and Honduras in July 1969, linked with subsequent events, slowed the strong upward trend toward integration in the Central American countries.

During 1970 and 1971, repeated attempts were made to re-establish conditions for normal growth in the integra-

GROWTH OF WORLD AND LATIN AMERICAN EXPORTS, 1965-70

(Indexes: 1965 = 100)



SOURCE: International Monetary Fund.

¹ The sum of net balances on merchandise and on services accounts, plus movement of long-term capital flows.

² From 1970 on, total reserves include the value of holdings of the Special Drawing Rights distributed by the International Monetary Fund.

ECONOMIC DEVELOPMENT TRENDS



TRANS-ANDEAN HIGHWAY SNAKES 17 times here on way from Valparaiso, Chile, to Mendoza, Argentina. The route—the most important land link between the two countries—has been completed with the help of an Inter-American Bank loan.

tion process within CACM, but without fruitful results. While the conflict between El Salvador and Honduras was the immediate factor contributing to the CACM crisis, other circumstances had emerged in recent years that had already begun to weaken the process of integration. The asymmetry in the economic impact and the resulting imbalances recorded in some countries of the group in terms of fiscal receipts and balance of payments have constituted an increasingly serious problem.

The Andean Common Market was created with the specific aim of stepping up the process of integration among the small and medium LAFTA countries. The

Agreement of Cartagena, signed in May 1969 by Bolivia, Chile, Colombia, Ecuador and Peru, established a more rapid liberation of intrazonal trade and included important elements for the joint programming of the development of the member countries.

These aims were much more ambitious than those established within the framework of LAFTA, and significant steps have already been taken within the program. Among these are the total removal of tariffs on products included in the first section of the LAFTA Common List and the fact that, beginning in 1972, a start will be made toward achieving a Common Minimum External Tariff, which is ex-

pected to be reached by the end of 1975. This represents the first stage in arriving at a Common External Tariff in 1980. Furthermore, the list of products to be included in industrial programming was prepared on the basis of a detailed study of industrial production conditions in the Andean subregion.

The Caribbean Free Trade Association (CARIFTA), comprising Barbados, Guyana, Jamaica, Trinidad and Tobago, and other smaller territories, was established in April 1968 through the Treaty of St. John. CARIFTA members have complied with commitments for the liberation of trade and this liberation has already led to significant expansion and diversifica-

tion of intrazonal trade. Since the end of 1967, CARIFTA members have expanded their intrazonal trade by an average of 27 per cent a year, compared to a growth of 11.7 per cent a year in their total exports. In absolute terms, Trinidad and Tobago is the major exporting country of the region, while Barbados and Guyana account for the largest share of the regional market in relation to their total exports. From the standpoint of intrazonal imports, Guyana is the principal importing country.

DOMESTIC FINANCING

Motivated by the need for achieving higher levels of economic growth, most of the Latin American countries have substantially increased their investment and savings coefficients in recent years, and prospects are that this trend will continue in the future.

The share of the gross domestic product devoted to investment rose from 17.6 per cent in 1967 to 19 per cent in 1970, representing an annual increment of 9.4 per cent. While domestic savings failed to expand at the same pace as investment, they followed a favorable trend. Their share in the gross domestic product rose from 16 per cent in 1967 to 16.9 per cent in 1970—that is, by 8.8 per cent a year. In the same period the gross domestic product was registering a 6.6 per cent a year growth rate.

In 1970, investment expanded by 7.1 per cent and savings by 5.6 per cent. In both cases the level was lower than in 1969, but still higher than the average for the 60s.

Taking 1969 as a base—the last year for which final data is available—Latin America's investment coefficient (that is, the ratio of gross investment to gross product), while higher than that for the developing countries of Africa and South Asia, was lower than that for the developing countries as a whole.

The Latin American position is more favorable with respect to the savings coefficient. While the region's coefficient—

COMPARISON OF INVESTMENT AND SAVINGS COEFFICIENTS, 1969

	In Per Cent of Gross National Product		Savings Investment Ratio
	Gross Investment	Domestic Savings	
Southern Europe	24.6	20.9	85
Middle East	20.8	15.0	72
East Asia	20.6	17.1	83
Latin America	19.4	17.5	90
Africa	18.1	16.4	91
Developing Countries	19.9	17.3	87
Industrial Countries	22.3	22.8	102

SOURCE: World Bank and Inter-American Bank.

17.5 per cent—was lower than that for the developing countries of Southern Europe—20.9 per cent—it compares favorably with those of other developing regions.

Furthermore, the 1969 savings-investment coefficient for Latin America—that is, the ratio of investment financed with domestic resources—was higher than that for other regions of the developing world except Africa. Thus Latin America has one of the highest rates among developing regions in terms of the domestic financing devoted to its own growth.

On the average, in the 1967-70 period, the six Latin American countries with the highest investment coefficient—20 per cent or more—were Colombia, Costa Rica, Jamaica, Panama, Trinidad and Tobago and Venezuela. The six countries with the highest savings coefficient—18 per cent or more—were Argentina, Colombia, Costa Rica, Jamaica, Panama and Venezuela. Argentina, Brazil, Uruguay and Venezuela had the highest percentages of domestic financing of investment. In contrast, another eight countries had a comparatively heavy dependence on external

RELATIONSHIP BETWEEN INVESTMENT AND SAVINGS, 1967-70 (Per Cent of Gross Domestic Product)

	Gross Investment	Domestic Savings	Savings Investment Ratio	Net External Resources Contribution
Argentina	18.9	18.8	99	1
Barbados	n.a.	n.a.	n.a.	n.a.
Bolivia	15.0	9.2	61	39
Brazil	16.8	15.5	92	8
Chile	16.4	14.0	85	15
Colombia	20.7	18.0	87	13
Costa Rica	25.1	18.0	72	28
Dominican Republic	16.5	10.5	64	36
Ecuador	14.1	8.2	58	42
El Salvador	12.7	11.0	87	13
Guatemala	14.4	12.6	88	12
Haiti	5.0	4.2	84	16
Honduras	19.7	14.0	71	29
Jamaica	27.0	18.5	69	31
Mexico	19.6	16.9	86	14
Nicaragua	18.4	12.0	65	35
Panama	22.8	18.2	80	20
Paraguay	15.6	10.5	67	33
Peru	15.0	13.4	89	11
Trinidad and Tobago	20.1	16.6	83	17
Uruguay	12.2	11.7	96	4
Venezuela	22.5	21.6	96	4
Latin America	18.5	16.6	90	10

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

ECONOMIC DEVELOPMENT TRENDS

resources: Bolivia, Costa Rica, the Dominican Republic, Ecuador, Honduras, Jamaica, Nicaragua and Paraguay.

The contribution of Latin American central governments to regional development in terms of investment and savings expanded considerably from 1967 to 1970. In most countries, the improvement in the fiscal position was reflected in favorable trends in government revenues, spending and savings. This permitted a comparative reduction in the total deficit for the Latin American governments as a whole.

The growth rate of central government receipts amounted to 8.3 per cent a year, expenditures rose by 7.1 per cent a year and savings expanded 13.8 per cent yearly. At the same time, real gross investment rose 7.6 per cent and financial investments and transfers 5.7 per cent a year. Tax collections, which represented 87 per cent of total receipts, increased by 9.7 per cent a year, with income tax revenues rising by 10.7 per cent.

EXTERNAL FINANCING

The net flow of external financing¹ received by Latin America was more than \$3 billion in 1970, a figure which was 5.8 per cent more than the 1969 figure, and which marked a new high in the upward trend begun in 1967. Most of the increase recorded in the capital flow in recent years stemmed from private sources. Meanwhile, financing from official bilateral (particularly) and multilateral sources during the same period expanded slowly.

Among private resources, credits from suppliers and private banks were increasingly important in the 1968-70 period, climbing from \$361 million in 1968 to \$952 million in 1970. In contrast such funds averaged a net flow of \$229 million a year over the 1961-65 five-year period. One of the factors responsible for this

increase was the stability of interest rates for suppliers' credits, compared with the cost of the resources obtained in the world's capital markets in recent years.

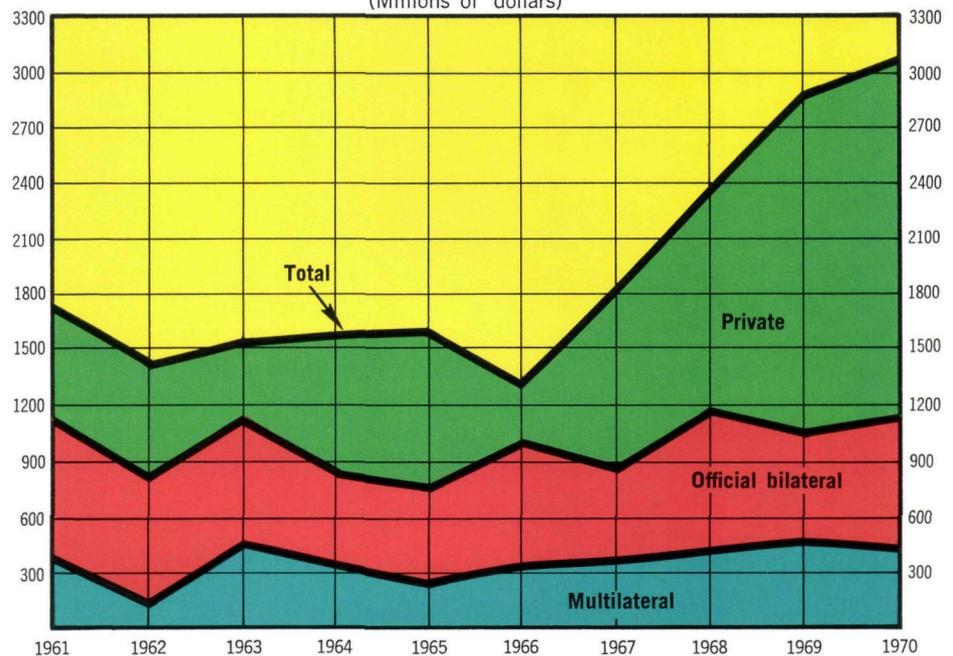
The value of direct private investment (including reinvested earnings) also developed favorably, although the greatest increases in absolute terms were concentrated in Venezuela, Mexico and Jamaica. The net inflow of funds under this heading was estimated at \$990 million in 1970, compared with an average \$765 million a year over the 1966-70 period and \$390 million a year in the 1961-65 period. In 1970, direct investments accounted for 33 per cent of all external financing received by Latin America.

Taken as a whole, suppliers' credits, direct investments and other private resources made up 54 per cent of the total flow of financing received by the region in 1966-70, compared with 40 per cent in the 1961-65 period.

Financial resources contributed by official bilateral and multilateral sources to Latin America reached a level of \$1,121 million in 1970. This represented an increase of 5.2 per cent over the previous year, but was lower than the \$1,157 million level recorded in 1968. In the 1966-70 five-year period, total official resources averaged \$1,044 million a year, compared to an average \$939 million yearly in the preceding five-year period.

An increasingly important factor in the official financing received by the region were the funds provided by the multilateral institutions, whose participation in total official financing increased from 47 per cent in 1961-65 to 62 per cent in 1966-70. The Inter-American Bank, whose net disbursements during the 1961-65 period accounted for 12 per cent of total official resources, increased its participation to 24 per cent during the 1966-70 period.

LATIN AMERICA: NET FLOW OF EXTERNAL FINANCING, 1961-70
(Millions of dollars)



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

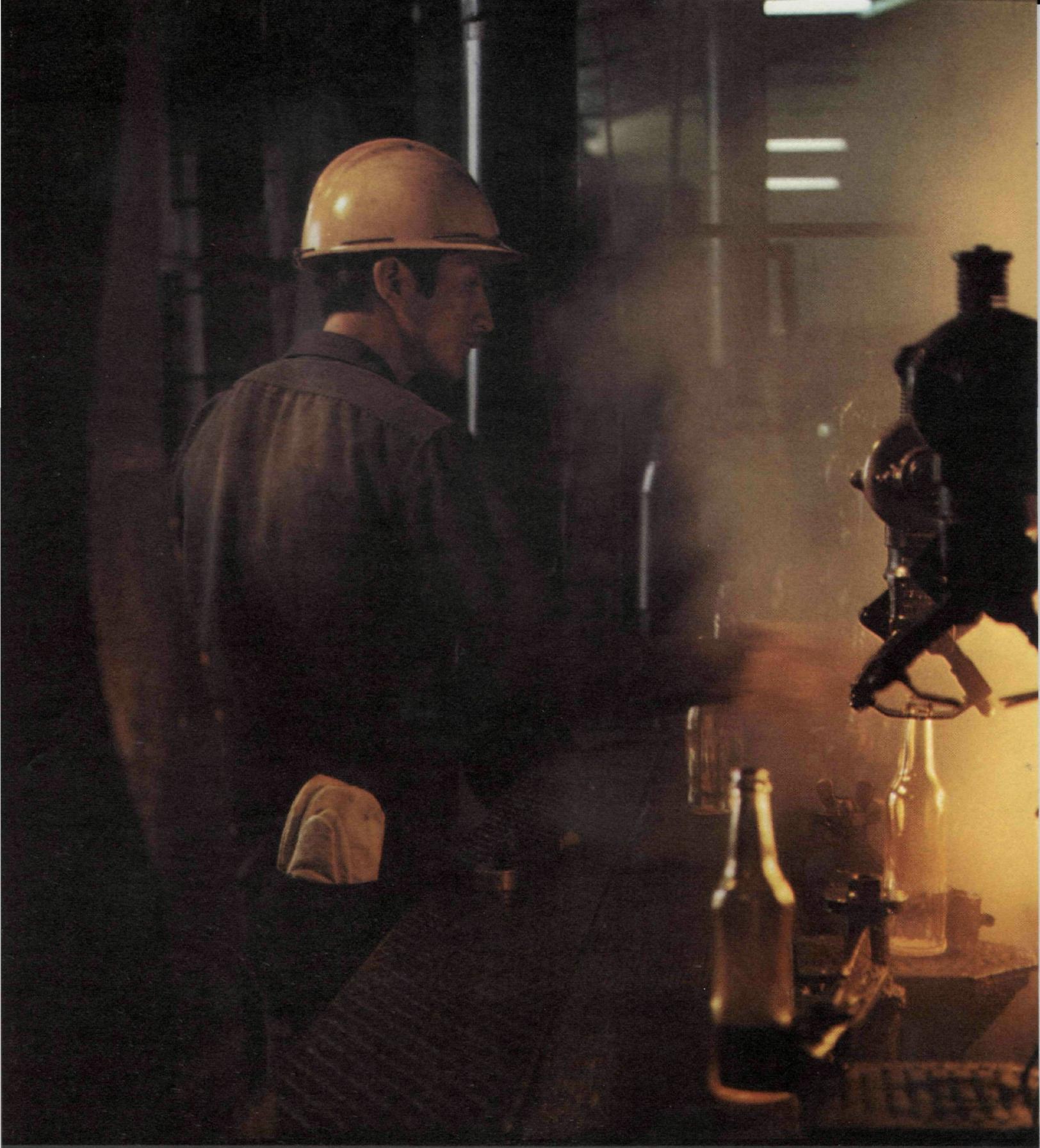
¹ Includes net official loan and grant disbursements, direct investments and other private capital.

Latin America's external public debt, outstanding at the end of 1970, amounted to \$19,345 million, of which \$4,093 million represented the undisbursed portion of authorized loans. The 5.6 per cent increase recorded in 1970, along with the 7.4 per cent increase of 1969, are the smallest relative gains reported over the last 10 years, and compare with an average cumulative increase of 11.5 per cent in the 1961-68 period.

Total service on the region's external public debt, consisting of annual payments for amortization and interest, totaled \$2,650 million in 1970, or 14.1 per cent of regional exports of goods and services in that year. Although this ratio is a reasonable one for the region as a whole, in some countries it has tended to create serious balance of payments problems.



OVERHEAD CAMERA CATCHES SWIRL of activity around modern market built by Municipality of San Salvador with the support of Bank financing. The project is the first stage in a nationwide effort to improve marketing facilities.





HELMETED WORKMAN oversees bottle production at glass factory built in Guayaquil, Ecuador, in 1968 with Bank financing. Plant, already operating 24 hours a day, provides jobs for 140 workers and produces 10,000 tons of bottles a year.

THE BANK IN 1971

THE BANK IN 1971

The Inter-American Development Bank completed its twelfth year of operations in 1971 on a note of record accomplishment and renovation. Under the presidency of Antonio Ortiz Mena of Mexico, who took office March 1, 1971, the Bank posted new records in lending, disbursements, technical assistance and other indicators of progress.

At the same time, the Bank received significant support for its efforts to replenish and renew its resources. Not only did the Bank's own member countries move to add to their contributions to its resources, but for the first time in its history, the groundwork was laid to expand its resources by incorporating additional capital-providing nations into membership.

Thus in 1971 the Bank not only exerted a major impact on Latin America's development during the year, but also set the stage for even greater support for the region in the years to come.

THE YEAR'S LENDING

During 1971 the Bank authorized 59

loans amounting to a new record total of \$652 million. Thus over the past three years the lending of the Bank has surpassed the \$600 million mark, yearly.

The 1971 figures brought the Bank's cumulative lending total, as of Dec. 31, 1971, to 679 loans amounting to \$4,745 million, net of cancellations and exchange adjustments.

More than one-third—36 per cent—of the Bank's lending in 1971 was extended from the Bank's ordinary capital resources, which are used to make loans on conventional banking terms, and slightly less than two-thirds—61 per cent—from the Bank's Fund for Special Operations, which is used for making loans on concessional terms, including longer repayment periods, lower interest rates and possible repayment in local currency. Finally, about 3 per cent was made from the resources which the Bank administers for Argentina, Canada and the United Kingdom.

A summary of the loans authorized by the Bank in 1971, as well as cumulative

totals, is shown below by sources of funds:

- **ORDINARY CAPITAL RESOURCES:** 18 loans (plus increases in previously authorized export financing credits) amounting to \$236 million. This brought the net cumulative total of ordinary capital loans to 223 for \$1,764 million as of Dec. 31, 1971.

- **FUND FOR SPECIAL OPERATIONS:** 37 loans totaling \$400 million, bringing the net cumulative total to 314 for \$2,405 million at year end.

- **OTHER RESOURCES:** 4 loans amounting to \$16 million. This brought the net cumulative total extended by the Bank from the resources which it administers for various countries, including Argentina, Canada, Sweden, the United Kingdom and the Vatican, to 26 loans amounting to \$82 million as of Dec. 31, 1971.

* In this report dollar figures used may include, as appropriate, the U.S. dollar equivalent of amounts in other currencies in values of Dec. 31, 1971. Figures in the narrative portion of the report have been rounded out.

THE BANK'S LENDING, 1961-71
(In thousands of dollars)

Country	TOTAL		DETAIL BY FUNDS							
	Number of Loans	Amount	Number of Loans	Ordinary Capital Resources	Number of Loans	Fund for Special Operations	Number of Loans	Social Progress Trust Fund	Number of Loans	Other Resources
Argentina	65	\$ 633,573	35	\$ 314,616	25	\$ 274,708	4	\$ 43,500	1	\$ 749
Barbados	1	1,000	—	—	1	1,000	—	—	—	—
Bolivia	30	124,143	1	19,879	20	82,010	6	14,548	3	7,706
Brazil	85	1,031,411	42	482,894	30	471,941	10	61,510	3	15,066
Chile	59	312,111	17	105,039	25	163,235	14	34,350	3	9,487
Colombia	59	461,340	23	192,707	24	200,981	9	49,008	3	18,644
Costa Rica	24	65,110	6	15,372	12	38,039	6	11,699	—	—
Dominican Republic	14	62,455	1	6,152	9	47,895	4	8,407	—	—
Ecuador	32	140,175	4	14,036	16	85,862	9	27,449	3	12,828
El Salvador	19	57,141	4	7,018	7	22,983	6	21,952	2	5,188
Guatemala	20	79,116	5	11,292	11	53,504	4	14,320	—	—
Haiti	6	13,437	—	—	6	13,437	—	—	—	—
Honduras	21	76,405	2	460	14	68,342	5	7,603	—	—
Jamaica	5	19,960	1	2,060	4	17,900	—	—	—	—
Mexico	58	598,407	29	302,914	20	260,031	8	34,927	1	535
Nicaragua	22	77,795	7	18,410	11	46,350	4	13,035	—	—
Panama	18	65,939	1	1,504	14	51,573	3	12,862	—	—
Paraguay	27	143,045	4	6,110	17	122,562	3	7,800	3	6,573
Peru	40	248,943	14	44,513	14	157,855	10	45,108	2	1,468
Trinidad and Tobago	7	16,500	1	1,300	6	15,200	—	—	—	—
Uruguay	24	99,726	10	48,929	11	39,247	2	10,350	1	1,200
Venezuela	33	342,123	14	149,762	11	119,500	8	72,861	—	—
Regional	10	74,875	2	18,485	6	50,704	1	2,902	1	2,784
TOTAL	679	\$4,744,730	223	\$1,763,452	314	\$2,404,859	116	\$ 494,191	26	\$ 82,228

• **SOCIAL PROGRESS TRUST FUND:** The Bank's cumulative loan portfolio also includes 116 loans amounting to \$494 million authorized from the Social Progress Trust Fund, the special fund which the Bank has administered for the United States Government since 1961. By the end of 1965, all of the original resources of the Fund, with the exception of minor amounts reserved for technical assistance, had been committed in loans and by the end of 1971 all of these funds had been disbursed. Repayments on Trust Fund loans are being rechanneled into new social development projects through the purchase of participations in appropriate Fund for Special Operations loans. The Bank's cumulative lending on a country-by-country basis and on a fund-by-fund basis is shown in the table on the opposite page.

On a cumulative basis, as indicated in the following table, 37 per cent of the Bank's lending has come from the Bank's hard loan window, the ordinary capital resources, and 63 per cent from the concessional funds, including 51 per cent from the Fund for Special Operations, 9 per cent from the Social Progress Trust Fund and 3 per cent from the Other Resources which the Bank administers.

LOAN DISTRIBUTION BY FUNDS
(In millions of dollars)

Fund	1971	1961-71	%
Ordinary Capital Resources	\$236	\$1,764	37
Fund for Special Operations	400	2,405	51
Social Progress Trust Fund	—	494	9
Other Resources	16	82	3
TOTAL	\$652	\$4,745	100

Counterpart Funds

The Bank's loans, other multilateral and bilateral assistance, as well as foreign private investment, account for only a minor share of Latin America's total investment effort. Current statistics indicate, in fact, that total external financing, both public and private, represents only 9 per cent of the region's total investments.

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

HOW BANK PROJECTS ARE FINANCED
(In thousands of dollars)

Country	The Bank's Loans	Latin America's Counterpart	Total Cost
Argentina	\$ 633,573	\$1,306,436	\$ 1,940,009
Barbados	1,000	700	1,700
Bolivia	124,143	143,662	267,805
Brazil	1,031,411	3,478,697	4,510,108
Chile	312,111	645,958	958,069
Colombia	461,340	632,369	1,093,709
Costa Rica	65,110	74,332	139,442
Dominican Republic	62,455	70,795	133,250
Ecuador	140,175	166,770	306,945
El Salvador	57,141	53,671	110,812
Guatemala	79,116	69,763	148,879
Haiti	13,437	5,116	18,553
Honduras	76,405	64,087	140,492
Jamaica	19,960	17,535	37,495
Mexico	598,407	827,724	1,426,131
Nicaragua	77,795	81,255	159,050
Panama	65,939	52,087	118,026
Paraguay	143,045	88,456	231,501
Peru	248,943	257,133	506,077
Trinidad and Tobago	16,500	18,934	35,434
Uruguay	99,726	108,654	208,380
Venezuela	342,123	593,000	935,123
Regional	74,875	93,531	168,406
TOTAL	\$4,744,730	\$8,850,666	\$13,595,396

In the case of projects in which the Inter-American Bank itself is involved, Bank loans account for only about one-third of the total. This means that the Bank's Latin American member countries have provided nearly two dollars for every dollar stemming from the Bank's resources in executing these projects. Thus the \$4,745 million in loans provided by the Bank through 1971 were matched by \$8,851 million in counterpart funds supplied primarily by the Latin American countries themselves in financing development projects whose total cost amounts to \$13,596 million.

THE YEAR'S DISBURSEMENTS

The Bank's disbursements on approved loans in 1971 were greater than those of any previous year, amounting to \$462 million.¹ As of Dec. 31, 1971, total disbursements had risen to \$2,616 million, an amount which is 55 per cent of the

loan volume authorized by the Bank through Dec. 31, 1971.

A summary of the disbursements made in 1971 as well as cumulative totals is shown below by sources of funds:

• **ORDINARY CAPITAL RESOURCES:** \$201 million, bringing the cumulative total to \$1,094 million at year end.

• **FUND FOR SPECIAL OPERATIONS:** \$248 million, bringing the cumulative total to \$1,001 million as of Dec. 31, 1971.

• **SOCIAL PROGRESS TRUST FUND:** \$1 million, bringing the cumulative total to \$494 million at the end of 1971. This represents the complete disbursement of all authorized loans from this Fund.

• **OTHER RESOURCES:** \$11 million, bringing the total to \$27 million at year end.

The Bank's cumulative disbursements are shown on a country-by-country basis and on a fund-by-fund basis in the table on page 18.

MOBILIZATION OF RESOURCES

The Bank has increased its lending steadily since it began operations thanks to the timely support received from its own member countries in incrementing its hard and soft resources. Another important factor has been that its own members, as well as capital-exporting countries outside its membership, have permitted the Bank to borrow funds in their markets on a regular basis.

In this regard 1971 proved fruitful because member countries at year end put into effect an increase in the Bank's ordinary capital resources. Results were not as encouraging with regard to the proposed increase in the Fund for Special Operations since requirements to put it into effect were not completed during the year.

Both increases—\$2 billion in the ordinary capital resources and \$1.5 billion

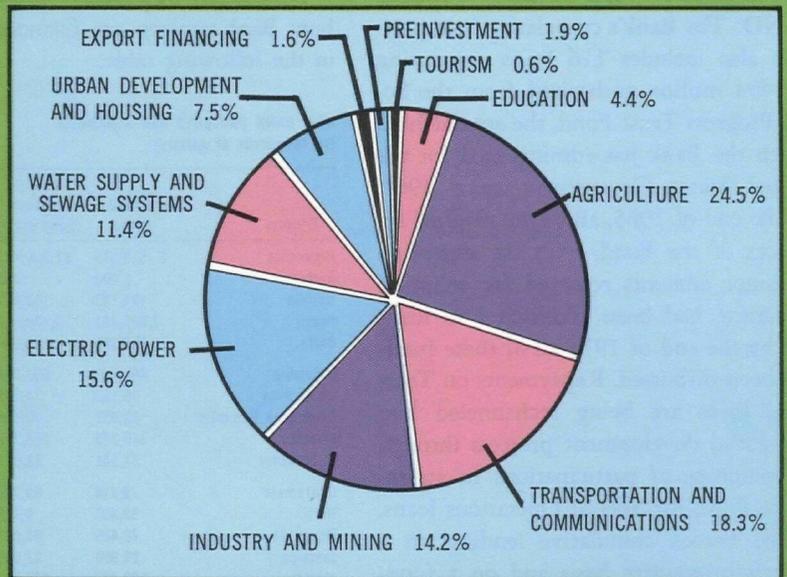
¹ Includes \$18 million due to the revaluation of non-member currencies.

PRODUCTIVE SECTORS OF AGRICULTURE AND INDUSTRY AND ECONOMIC INFRASTRUCTURE SECTORS OF TRANSPORTATION AND ELECTRIC POWER ACCOUNT FOR MORE THAN TWO-THIRDS OF THE BANK'S TOTAL LENDING; SOCIAL INFRASTRUCTURE AND OTHERS ACCOUNT FOR OTHER THIRD.

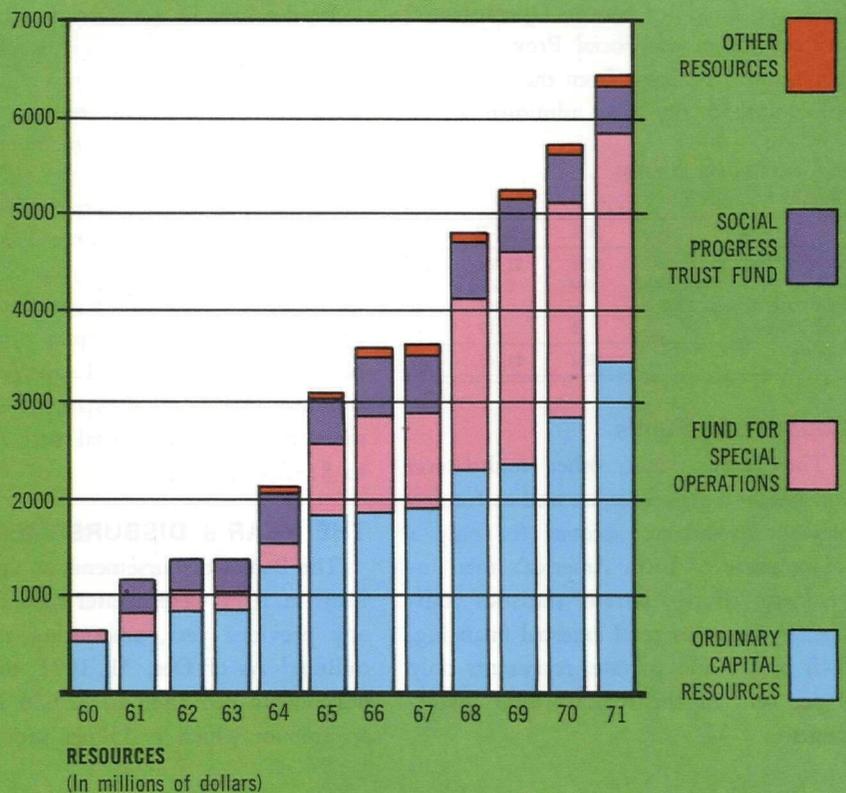
IN CARRYING OUT PROJECTS, LATIN AMERICA PROVIDES TWO DOLLARS FOR EVERY DOLLAR LOANED BY THE BANK.

THE BANK'S ANNUAL LENDING HAS TOPPED THE \$600-MILLION MARK FOR THE PAST THREE YEARS.

RESOURCES OF THE BANK NOW EXCEED \$6 BILLION AND MEMBER COUNTRIES ARE IN THE PROCESS OF INCREASING THIS FIGURE TO NEARLY \$10 BILLION.

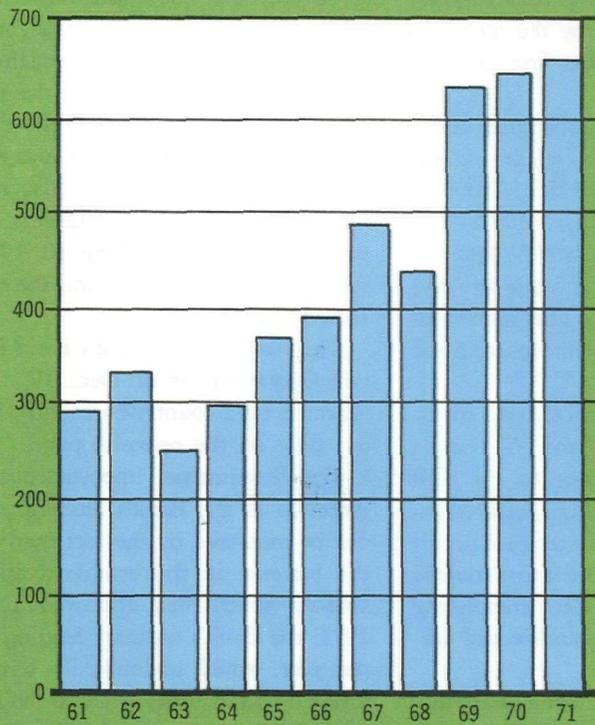
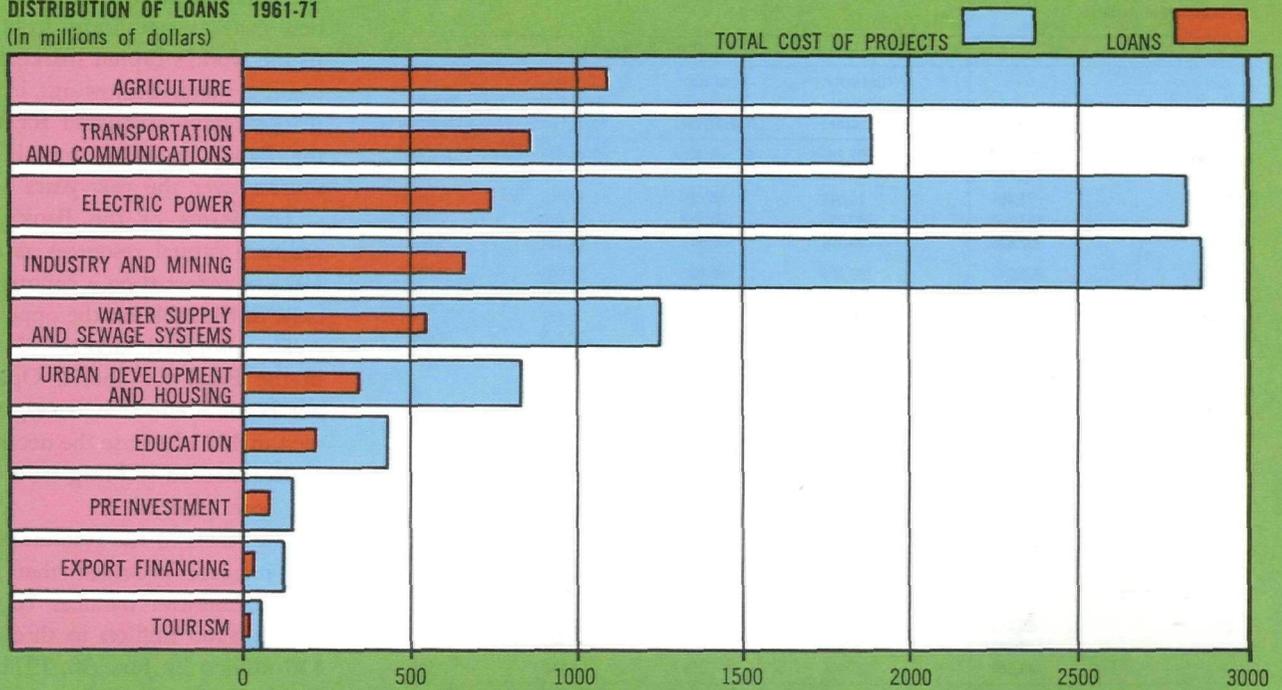


DISTRIBUTION OF LOANS

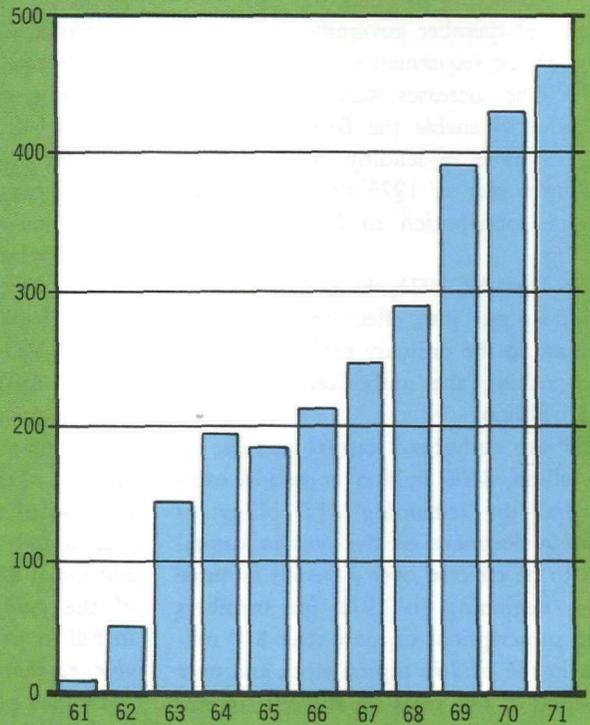


DISTRIBUTION OF LOANS 1961-71

(In millions of dollars)



LOANS APPROVED, BY YEAR
(In millions of dollars)



DISBURSEMENTS, BY YEAR
(In millions of dollars)

THE BANK IN 1971

THE BANK'S DISBURSEMENTS, 1961-71
(In thousands of dollars)

TOTAL		DETAIL BY FUNDS			
Country	Amount	Ordinary Capital Resources	Fund for Special Operations	Social Progress Trust Fund	Other Resources
Argentina	\$ 299,807	\$ 202,086	\$ 53,472	\$ 43,500	\$ 749
Barbados	—	—	—	—	—
Bolivia	74,407	13,049	46,810	14,548	—
Brazil	587,334	283,283	235,482	61,510	7,059
Chile	232,639	95,754	97,911	34,352	4,622
Colombia	253,247	108,836	88,026	49,008	7,377
Costa Rica	39,822	13,735	14,387	11,700	—
Dominican Republic	43,982	6,152	29,423	8,407	—
Ecuador	63,006	11,976	21,458	27,449	2,123
El Salvador	35,739	7,018	3,264	21,952	3,505
Guatemala	46,566	10,477	21,769	14,320	—
Haiti	6,345	—	6,345	—	—
Honduras	46,432	460	38,370	7,602	—
Jamaica	4,243	27	4,216	—	—
Mexico	353,383	181,439	136,914	34,927	103
Nicaragua	52,206	14,154	25,017	13,035	—
Panama	47,256	1,504	32,890	12,862	—
Paraguay	59,197	6,110	44,497	7,798	792
Peru	135,498	40,436	49,404	45,108	550
Trinidad and Tobago	2,872	—	2,872	—	—
Uruguay	39,470	22,900	6,220	10,350	—
Venezuela	148,883	59,615	16,407	72,861	—
Regional	43,501	15,118	25,356	2,902	125
TOTAL	\$2,615,835	\$1,094,129	\$1,000,510	\$494,191	\$27,005

in the Fund for Special Operations—were recommended in April 1970 by the Bank's Board of Governors at its Eleventh Annual Meeting in Punta del Este, Uruguay, and member governments formally adopted the recommendation on Dec. 31, 1970. The increases were recommended in order to enable the Bank to achieve targeted rates of lending of about \$900 million a year by 1973 and thus make a greater contribution to Latin America's growth.

On Dec. 30, 1971, the Bank's member countries put into effect the authorized increase in the ordinary capital resources, thus raising the authorized capital to \$5.15 billion.

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

Fifty per cent of each installment of the *paid-in* capital is payable in gold and/or dollars and 50 per cent in the currency of the member nation. The *callable* capital was to be subscribed by the members in two equal *tranches*, the first in 1971 and the second in 1973.

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

Subsequent to the period covered by this report, Argentina and Venezuela paid in their subscriptions to the first *tranches* of their *paid-in* and *callable* increases and the United States paid in an additional \$11,760,000 to the first *tranche* of the *paid-in* capital, thus completing in full its payment, both *paid-in* and *callable*, of that *tranche*.

Besides providing the Bank with modest sums of additional *paid-in* capital,

the increase gives the Bank substantial new guarantee authority to borrow funds in the world's capital markets during the coming years. Borrowings in the capital markets have accounted for the bulk of the Bank's ordinary capital lending resources over the past years.

The status of the Bank's authorized ordinary capital resources as of Dec. 31, 1971, is reflected on a country-by-country basis in the table on the opposite page.

The proposed increase of \$1.5 billion in the Fund for Special Operations did not become effective as originally scheduled in 1971 because the necessary \$1,350 million needed to bring it into effect had not been pledged.

The terms of the resolution calling for the increase provided that the Bank's Latin American member countries contribute \$500 million in three *tranches*—\$50 million by June 30, 1971, \$225 million by June 30, 1972, and \$225 million by June 30, 1973. The United States was to contribute \$1 billion in three *tranches*—\$100 million, \$450 million and \$450 million—by the same respective dates.

On Dec. 30, 1971, the Board of Executive Directors recommended, and the Board of Governors subsequently approved, a postponement in the date by which the increase in the Fund for Special Operations should enter into effect to June 30, 1972. The Board also rescheduled the payment dates. The first *tranche* would be payable by June 30, 1972, the second by Oct. 31, 1972, and the third by Dec. 31, 1973.

The status of the Bank's Fund for Special Operations as of Dec. 31, 1971, is reflected on a country-by-country basis in the table on the opposite page.

The fundamental importance of these increases to the Bank's lending program can be measured by the fact that without the increase in the ordinary capital resources which was approved Dec. 30, 1971, the Bank's ordinary lending during the year would undoubtedly have been lower. The same will apply to the lending from the Fund for Special Operations in

AUTHORIZED ORDINARY CAPITAL RESOURCES 1
(In dollars)

COUNTRY	SUBSCRIBED AS OF DEC. 31, 1971			INCREASE DUE			Grand Total After Increase
	Paid-In	Callable	Total	Paid-In	Callable	Total	
Argentina	\$ 51,570,000	\$ 294,250,000	\$ 345,820,000	\$ 51,570,000	\$191,110,000	\$ 242,680,000	\$ 588,500,000
Barbados	2,070,000	3,520,000	5,590,000	—	1,450,000	1,450,000	7,040,000
Bolivia	4,968,000	31,290,000	36,258,000	3,312,000	7,670,000	10,982,000	47,240,000
Brazil	68,760,000	389,805,000	458,565,000	34,380,000	95,555,000	129,935,000	588,500,000
Chile	18,880,000	107,040,000	125,920,000	9,440,000	26,240,000	35,680,000	161,600,000
Colombia	18,866,000	106,945,000	125,811,000	9,434,000	26,215,000	35,649,000	161,460,000
Costa Rica	2,484,000	15,645,000	18,129,000	1,656,000	3,835,000	5,491,000	23,620,000
Dominican Republic	3,312,000	20,880,000	24,192,000	2,208,000	5,120,000	7,328,000	31,520,000
Ecuador	3,312,000	20,880,000	24,192,000	2,208,000	5,120,000	7,328,000	31,520,000
El Salvador	2,484,000	15,645,000	18,129,000	1,656,000	3,835,000	5,491,000	23,620,000
Guatemala	3,312,000	20,880,000	24,192,000	2,208,000	5,120,000	7,328,000	31,520,000
Haiti	2,484,000	15,645,000	18,129,000	1,656,000	3,835,000	5,491,000	23,620,000
Honduras	2,484,000	15,645,000	18,129,000	1,656,000	3,835,000	5,491,000	23,620,000
Jamaica	3,312,000	20,880,000	24,192,000	2,208,000	5,120,000	7,328,000	31,520,000
Mexico	44,200,000	250,575,000	294,775,000	22,100,000	61,425,000	83,525,000	378,300,000
Nicaragua	2,484,000	15,645,000	18,129,000	1,656,000	3,835,000	5,491,000	23,620,000
Panama	2,484,000	15,645,000	18,129,000	1,656,000	3,835,000	5,491,000	23,620,000
Paraguay	2,484,000	15,645,000	18,129,000	1,656,000	3,835,000	5,491,000	23,620,000
Peru	8,292,000	52,235,000	60,527,000	5,528,000	12,805,000	18,333,000	78,860,000
Trinidad and Tobago	2,484,000	15,645,000	18,129,000	1,656,000	3,835,000	5,491,000	23,620,000
United States	188,240,000	1,360,280,000	1,548,520,000	111,760,000	336,760,000	448,520,000	1,997,040,000
Uruguay	5,530,000	31,550,000	37,080,000	5,530,000	20,490,000	26,020,000	63,100,000
Venezuela	27,630,000	157,650,000	185,280,000	27,630,000	102,390,000	130,020,000	315,300,000
Subtotal	472,126,000	2,993,820,000	3,465,946,000	302,764,000	933,270,000	1,236,034,000	4,701,980,000
Unassigned	—	—	100,110,000	—	—	347,910,000	448,020,000
TOTAL	\$472,126,000	\$2,993,820,000	\$3,566,056,000	\$302,764,000	\$933,270,000	\$1,583,944,000	\$5,150,000,000

1. As of March 31, 1972, Argentina, the United States and Venezuela had completed their subscriptions to the first tranche of the increase in the ordinary capital resources. Argentina subscribed \$17,190,000 to the paid-in capital and \$95,555,000 to the callable

capital; the United States subscribed an additional \$11,760,000 to the paid-in capital, and Venezuela subscribed \$9,210,000 to the paid-in and \$51,195,000 to the callable capital.

1972, unless action is taken during the year to replenish that Fund's resources.

Borrowings in 1971

Without recurring to the capital market of the United States, the Bank in 1971 raised more than \$181 million in the world's capital markets. That figure compares with \$87 million borrowed in non-U.S. markets in 1970. The heavy borrowings outside the United States reflected the Bank's continuing concern with attracting substantial additional resources for Latin America's development from the capital markets of Europe, Canada and elsewhere, as well as from the central banks of the Latin American member nations themselves. In 1971 also the Bank for the first time borrowed funds through a syndicate of banks in the Japanese market.

The 1971 borrowings raised the Bank's total, as of Dec. 31, 1971, to a net figure of \$1,018 million. This was composed of \$458 million owed in the United States,

FUND FOR SPECIAL OPERATIONS
(In thousands of dollars)

Country	Dec. 31, 1971	Proposed Increase	Total After Increase
Argentina	\$ 115,086	\$ 108,981	\$ 224,067
Barbados	414	392	806
Bolivia	9,240	8,750	17,990
Brazil	115,086	108,981	224,067
Chile	31,599	29,923	61,522
Colombia	31,578	29,903	61,481
Costa Rica	4,620	4,374	8,994
Dominican Republic	6,159	5,834	11,993
Ecuador	6,159	5,834	11,993
El Salvador	4,620	4,374	8,994
Guatemala	6,159	5,834	11,993
Haiti	4,620	4,374	8,994
Honduras	4,620	4,374	8,994
Jamaica	6,159	5,834	11,993
Mexico	73,989	70,064	144,053
Nicaragua	4,620	4,374	8,994
Panama	4,620	4,374	8,994
Paraguay	4,620	4,374	8,994
Peru	15,414	14,596	30,010
Trinidad and Tobago	4,620	4,374	8,994
United States	1,800,000	1,000,000	2,800,000
Uruguay	12,342	11,687	24,029
Venezuela	61,665	58,395	120,060
TOTAL	\$2,328,009	\$1,500,000	\$3,828,009

THE BANK IN 1971

\$481 million in non-member countries and \$79 million in Latin America. These borrowings are summarized on a country-by-country basis in the accompanying table.

BORROWINGS AS OF DEC. 31, 1971
(In dollars)

	Outstanding Issues	Outstanding Amount
Austria	3	\$ 19,045,794
Belgium	2	15,619,457
Finland	2	1,248,617
France	1	19,547,667
Germany	6	169,311,716
Israel	1	2,500,000
Italy	3	76,277,902
Japan	5	51,993,507
Latin America	2	79,100,000
Netherlands	2	20,340,863
Norway	1	4,000,000
Spain	1	9,375,000
South Africa	1	2,500,000
Sweden	2	10,388,747
Switzerland	4	59,895,833
United Kingdom	4	18,791,214
United States	7	457,836,000
Total	47	\$1,017,772,317

The 1971 borrowings included a record \$56.6 million arranged in Japan, \$31.2 million borrowed in Switzerland, \$19.5 million in France, \$11.1 million in the Netherlands, \$8.9 million in Belgium and \$6.4 million in Austria. The remaining \$47.3 million represented a short-term bond issue placed by the Bank in its Latin American member countries.

The new borrowings negotiated by the Bank in 1971 included:

JAPAN: \$56.6 million.

• 7.2 billion convertible yen (equivalent to \$23.3 million) in a loan from the Export-Import Bank of Japan arranged Sept. 7, 1971. The loan, the fourth the Bank has arranged with the Export-Import Bank of Japan, is being made available in two *tranches*—the first for 3.6 billion yen to be drawn down by July 31, 1972, and the second for the same amount to be drawn down by July 31, 1973. The loan is being extended for a term of 14 years, including a 2½-year grace period, at an interest rate of 7 per cent annually on amounts drawn down.

The first *tranche* will be repaid in 24 semiannual installments, beginning March 20, 1974, and ending Sept. 20, 1985. The second *tranche* will also be repaid in 24 semiannual installments, beginning March 20, 1975, and ending Sept. 20, 1986.

• 7.2 billion convertible yen (equivalent to \$23.3 million) in a financial arrangement entered into Nov. 5, 1971, with a syndicate of 39 Japanese banks, under the leadership of the Bank of Tokyo, Ltd.; the Industrial Bank of Japan, and Mitsui Bank. Credits from the syndicate are being extended for an average term of 5½ years at 7⅞ per cent interest. The loan will be repaid in six semiannual installments beginning March 31, 1976, and ending Sept. 30, 1978.

• \$10 million in participations by the Bank of Tokyo, Ltd., in the Bank's ordinary capital loan portfolio. The participations have an average life of five years and were made available to the Bank in dollars in four equal *tranches* on the 15th of each of the last four months of 1971 at an interest rate of 7⅜ per cent annually. Repayments will be made in four annual installments beginning June 15, 1975, and ending June 15, 1978.

SWITZERLAND: \$31.2 million.

• 60 million Swiss francs (equivalent to \$15.6 million), representing the third long-term bond issue sold by the Bank in Switzerland. The public offering was made by a group of Swiss banks headed by the Union Bank of Switzerland, Swiss Bank Corporation and Swiss Credit Bank. The 6¾ per cent, 15-year bonds, were priced at 100 per cent. Dated Feb. 25, 1971, the bonds will have a final maturity date of Feb. 25, 1986. In each of the years 1981 through 1985, up to 10 million Swiss francs of the nominal amount of the bonds are scheduled to be repurchased at or below par during the 60-day period preceding the coupon date. The Bank will have the right to redeem all of the bonds at par on Feb. 25, 1981, or on any subsequent interest payment date. In May 1970 the Swiss National

Bank had loaned the Bank 50 million Swiss francs for a period of three months, renewable quarterly for a maximum term of one year. With this issue that short-term arrangement was converted into a long-term borrowing, with the addition of 10 million Swiss francs.

• 60 million Swiss francs (equivalent to \$15.6 million) in a bond issue offered to the public by a Swiss banking syndicate headed by Swiss Bank Corporation, Swiss Credit Bank and Union Bank of Switzerland. The 6¼ per cent, 15-year bonds were priced at 100 per cent. Dated Dec. 15, 1971, the bonds will have a final maturity on Dec. 15, 1986. In each of the years 1981 through 1985, up to 10 million Swiss francs nominal amount of the bonds are scheduled to be repurchased at or below par during the 60-day period preceding the coupon date. The Inter-American Bank will have the right to redeem all of the bonds at par on Dec. 15, 1981, or on any subsequent interest payment date.

FRANCE: \$19.5 million.

• A 100 million French franc (equivalent to \$19.5 million) public bond issue sold in France. The issue represented the first time the Bank had entered the French capital market. The public bond issue was placed on the market at par by a banking syndicate managed by *Lazard Frères & Cie.*, and including *Banque de Paris et des Pays-Bas*, *Crédit Lyonnais* and *Banque Nationale de Paris*. Given first category status, the issue carried 8½ per cent interest and a maturity of 18 years with a two-year grace period. Dated Feb. 22, 1971, the bonds will have a final maturity date of Feb. 22, 1989. The Bank will redeem the issue in 16 annual installments beginning Feb. 22, 1974, and ending Feb. 22, 1989.

THE NETHERLANDS: \$11.1 million.

• A 36 million Dutch guilder (equivalent to \$11.1 million) public bond issue placed on the market by a syndicate of Dutch banking institutions headed by *Algemene Bank Nederland N.V.* and in-

cluding the *Amsterdam-Rotterdam Bank N.V.*; *Bank Mees & Hope N.V.*; *Hollandsche Bank-Unie N.V.*; *Pierson Heldring & Pierson*, and *Banque de Paris et des Pays-Bas S.A.* The 8 per cent, 15-year bonds were priced at 100 per cent. Dated May 1, 1971, the bonds will have a final maturity on May 1, 1986, and will be retired at par in ten annual equal installments of 3.6 million guilders each, beginning May 1, 1977.

BELGIUM: \$8.9 million.

- A 400 million Belgian franc (equivalent to \$8.9 million) bond issue offered to the public by a group of Belgian banks, which included *Société Générale de Banque*, *Banque Lambert*, *Banque de Bruxelles*, *Kredietbank* and *Banque Italo-Belge*. The 7½ per cent, 15-year bond issue was priced at 98½ per cent. Dated Oct. 27, 1971, the bonds will have a final maturity on Oct. 27, 1986. The issue will be redeemed at par in ten annual installments of 40 million Belgian francs each on Oct. 27 of each of the years 1977 through 1986. The Bank will have the right to redeem all or part of the bonds at par on Oct. 27, 1977, or on any subsequent interest payment date.

AUSTRIA: \$6.4 million.

- A 150 million Austrian schilling (equivalent to \$6.4 million) bond issue offered to the public by a group of Austrian banks headed by the *Creditanstalt-Bankverein* and the *Osterreichische Länderbank Aktiengesellschaft*. The 7 per cent, 12-year bonds were priced at 97 per cent. Dated June 3, 1971, the bonds will have a final maturity on June 3, 1983. The Bank will redeem the bond issue in nine annual installments, commencing June 3, 1975, so that the entire issue will be completely repaid by June 3, 1983. The Bank will have the right to redeem all of the bonds on June 3, 1975, or on any subsequent interest payment date.

LATIN AMERICA: \$47.3 million.

- On April 15, 1971, the Bank sold its sixth short-term bond issue—\$47.3 million—at par to Central Banks and other

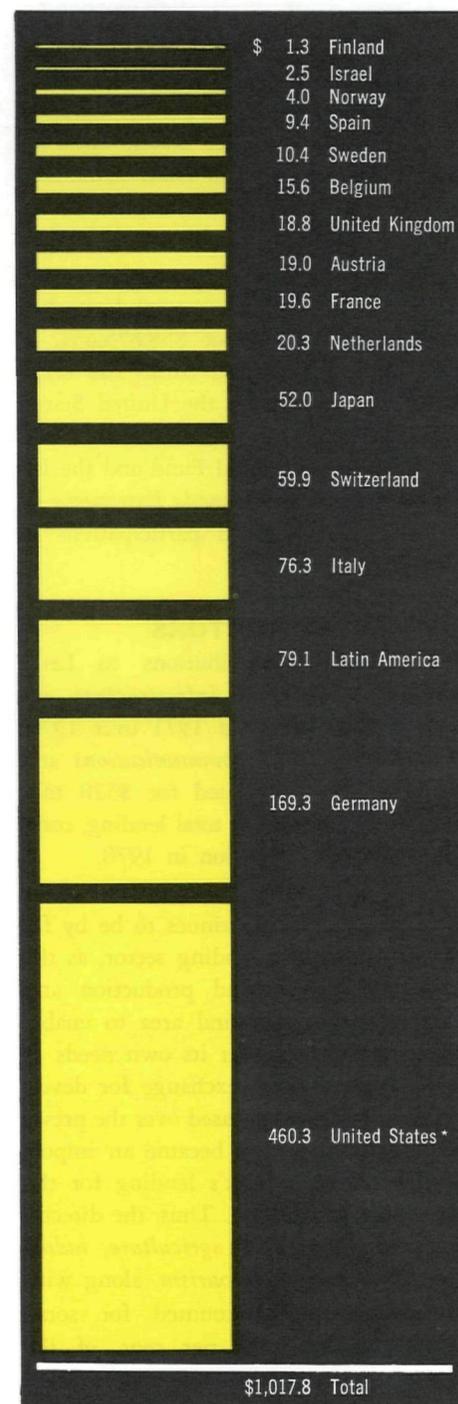
governmental agencies in 15 of its Latin American member countries. The bonds, which will mature April 15, 1973, carry an interest rate of 5¼ per cent per annum. The proceeds of the issue were used for the most part to refund \$32,350,000 of two-year bonds issued in 1969 and \$11 million of five-year bonds issued in 1966, all of which matured April 15, 1971. The remaining \$4 million represents a net increase in participations in the new issue. The member countries which participated in the 1971 issue were: Argentina, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, Trinidad and Tobago and Venezuela.

In 1971 the Bank also obtained new concessional funds in administration from non-member countries to channel towards Latin America's development. The Government of Canada provided an additional 14 million Canadian dollars through the Bank (\$13.9 million) to finance economic, technical and educational projects in Latin America. The new contribution raised the funds which the Inter-American Bank is administering for Canada to a total of 74 million Canadian dollars (\$73.3 million).

On June 1, 1971, the Bank also entered into an agreement to administer a United Kingdom Development Fund for Latin America amounting to 2 million pounds sterling (equivalent to \$5.2 million). The fund is being used to provide concessional loans to assist in financing projects which promote economic and social development in the Bank's Latin American member countries.

During the course of the year, the Government of Argentina also provided additional financing for the development of its neighboring countries through the Inter-American Bank. The financing extended in this way is additional to the financing provided by Argentina to the Bank's resources and is designed to provide counterpart funds for the execution of projects in those countries. In 1971

The Bank's outstanding borrowings in the world's capital markets total \$1,018 million.
(In millions of dollars)



* Includes \$2.5 million sold in South Africa.

THE BANK IN 1971

Argentina provided an additional \$570,000 in the form of a loan to Paraguay for agricultural development.

In 1971 the Bank raised \$8,874,859 for Latin America's development by selling participations without its guarantee in its ordinary capital loans to private commercial banks in the United States. These included participations in loans authorized in 1971 and sales from the portfolio of the Inter-American Bank.

As of Dec. 31, 1971, cumulative participations in ordinary capital loans had reached a net figure of \$58,875,431. A total of 72 commercial banks and other private institutions in the United States, Canada, Europe and Japan, as well as the United Nations Special Fund and the *Instituto Español de Moneda Extranjera* of Spain, have purchased participations in such loans.

LENDING BY SECTORS

The Bank's contributions to Latin America's *economic infrastructure* increased significantly in 1971 over 1970. *Transportation and communications* and *electric power* accounted for \$320 million, or 49 per cent of total lending, compared with \$265 million in 1970.

On a cumulative basis, however, the *agricultural* sector continues to be by far the Bank's leading lending sector, as the Bank seeks to expand production and productivity in the rural area to enable Latin America to meet its own needs as well as earn foreign exchange for development. *Industry* increased over the previous year and *tourism* became an important part of the Bank's lending for the first time during 1971. Thus, the directly productive sectors of *agriculture, industry and mining* and *tourism*, along with *export financing*, accounted for some \$190 million, or 29 per cent, of the Bank's total lending during the year.

In the *social infrastructure* field, the Bank's lending for *education* was significantly higher than it had been in any previous year. This helped to boost the

total for social sectors—*education, water and sanitation systems and urban development*—to about \$127 million or 19 per cent of the total lending. Finally, *preinvestment* accounted for another \$15 million, or 3 per cent of the total.

The distribution of the Bank's loans in 1971, as well as on a cumulative basis, is shown in the accompanying table.

DISTRIBUTION OF LOANS
(In millions of dollars)

Sector	1971	1961-71	%
Agriculture	\$ 93	\$1,162	24
Transportation and Communications	172	866	18
Electric Power	148	741	16
Industry and Mining	48	674	14
Water and Sewage Systems	52	539	11
Urban Development	8	358	8
Education	67	208	4
Preinvestment	15	91	2
Export Financing	24	77	2
Tourism	25	29	1
TOTAL	\$652	\$4,745	100

Agriculture

The bulk of the Bank's \$93 million in lending for *agriculture* in 1971 was devoted to two of its continuing missions: helping the small- and medium-scale farmer at the grass roots level by providing him with credit facilities to increase his production and productivity and providing additional support for the campaigns of member countries which it has supported since 1968 to control and eventually eradicate foot-and-mouth disease in cattle from the South American continent. In addition the Bank provided a loan to Honduras to finance farm research and extension services.

A loan for \$750,000 is providing credit facilities to small- and medium-scale farmers in Haiti, where agriculture is the most important economic activity. A \$3 million loan is helping Jamaica to finance the second stage of a program initiated in 1970, also with the help of a Bank loan, to create viable farm units throughout the country by providing supervised farm credits and working capital facilities to farm owners.

A \$32 million loan extended to Mexico

will provide credit facilities for some 47,000 low-income land owners and farmers, particularly in the south-central and southern regions of the country, which are among the least developed areas in Mexico.

Paraguay benefited from two loans totaling \$15,370,000—almost as much as the Bank had provided for the farm sector in

Paraguay in the previous decade—for a broad-scale agricultural development project being carried out throughout the country. The program includes the provision of credit facilities; the modernization of farms and ranches; the expansion of farm education facilities, and the improvement of marketing facilities.

In Peru, a \$12 million loan from the Bank is helping to support the nation's agrarian reform program by providing credit facilities to 10,000 farm families in 70 farm groups.

In addition to providing support for the nation's fight against foot-and-mouth disease, a \$19.8 million loan extended to Colombia is financing farm extension and research services. A \$7.5 million loan made to Venezuela is being devoted exclusively to the nation's fight against foot-and-mouth disease and brucellosis. In prior years the Bank had given credit to combat foot-and-mouth disease in Argentina, Brazil, Chile and Paraguay. Finally, the Bank supported a project in Honduras to modernize and expand its agricultural research and farm extension services with a loan of \$2.8 million.

Industry and Mining

One of the principal objectives of the Inter-American Bank has been that of enlisting the Bank's participation in, and when appropriate, acting as catalytic agent for the execution of development projects of such large scale that the Bank would be unable with its own limited resources to finance. In this framework, the bulk of the Bank's lending for industry in 1971—a loan for \$43 million—was extended to Brazil to provide support for a major expansion of that nation's steel industry being carried out at a total cost of \$1.28 billion. Major financing for the project is being provided by the World Bank, the Export-Import Bank and industrial suppliers from within and outside the Bank's membership. In addition to this loan the Bank is considering additional financing for two other steel mills being expanded under the same program.

During 1971 the Bank also continued to provide seed capital for the development of small- and medium-scale industry in three of its less developed member countries. These included \$3.6 million extended for industrial growth in Jamaica; \$1.05 million to finance industries producing products for export and domestic consumption in Haiti, and \$350,000 to support new or expanded industrial enterprises in Barbados.

Tourism

After careful consideration of the broad development role which the tourist industry plays in certain Latin American countries and its unexploited possibilities in others, the Bank in 1969 began on a tentative basis to support tourist projects, particularly those providing significant contributions to a nation's balance-of-payments.

In this exploratory period the Bank extended support through intermediate credit institutions for the construction of modest hotel and motel facilities in Ecuador, Paraguay and Uruguay and began laying the bases for broader scale projects, particularly those involving tourist



infrastructure facilities, communications and public services. In 1971 the Bank provided financing to intermediate credit institutions which included \$650,000 in Barbados and \$2.4 million in Jamaica for sub-loans for small-scale hotel facilities.

In addition, the Bank participated for the first time in the development of a major new tourist complex in the hemisphere by providing a loan of \$22 mil-

HARVEST OF GREEN FODDER is gathered to feed cattle on this farm near Latacunga, Ecuador. Owner received credits in 1969 and 1971 totaling \$20,000 from Bank loan channeled through nation's National Development Bank.

lion for the construction of an airport and other infrastructure facilities for the development of the Cancún resort area off Mexico's Yucatán Peninsula.

THE BANK IN 1971

Export Financing

In 1963 the Bank initiated, also on a modest scale, an *export financing* program designed to support the growth of the region's capital goods industry and lead to greater intra-Latin American trade. Since then the Bank has progressively sought to improve the program and increase its development impact on the region.

In 1971 the Bank provided \$23.6 million in support for this sector, by far the largest annual total ever authorized. Among the 1971 transactions were a \$1 million line of credit added to an original \$3 million line extended to Argentina in 1965; another for \$4.5 million to Brazil; three for specific exports of Brazilian goods (\$1,320,000 for a paper manufacturing plant shipped to Argentina, \$3,040,000 for a sugar mill exported to Venezuela and \$3 million to export Brazilian telephone equipment to Argentina); a \$1,963,000 credit which enabled Mexico to provide the goods and services required in the construction of a wharf at Puerto Limón, Costa Rica, and a \$252,000 credit which helped Peru to export a fishing vessel to Ecuador.

In addition, previous revolving lines of credit were augmented through repayments by a total of \$8,566,000. These increased previous lines of credit for Argentina by \$688,000, for Brazil by \$5,770,000, for Mexico by \$1,707,000 and for Venezuela by \$401,000.

Physical Infrastructure

A rapidly growing priority in the Bank's lending operations is that of supporting the *physical integration* of the Latin American region, since one of the leading deterrents to its development has been that lack. Development in Latin America has traditionally been outward looking; the Bank is seeking opportunities to spread it inward. In doing so the Bank contributes to unifying nations as well as unifying regions within nations, which have previously remained isolated from each other or which do not yet en-

joy interconnected electric power, gas and communications networks.

Transportation and Communications

Along these lines in the *transportation and communications* sector the Bank in 1971 made loans totaling \$47.3 million to Brazil to build sections of four major highways linking Rio Grande do Sul in southern Brazil with Uruguay and Argentina. Another for \$11.8 million is helping build a 75-mile highway in the Department of Cajamarca in Peru which will open up that potentially rich agricultural region to development and provide a road link to neighboring Ecuador.

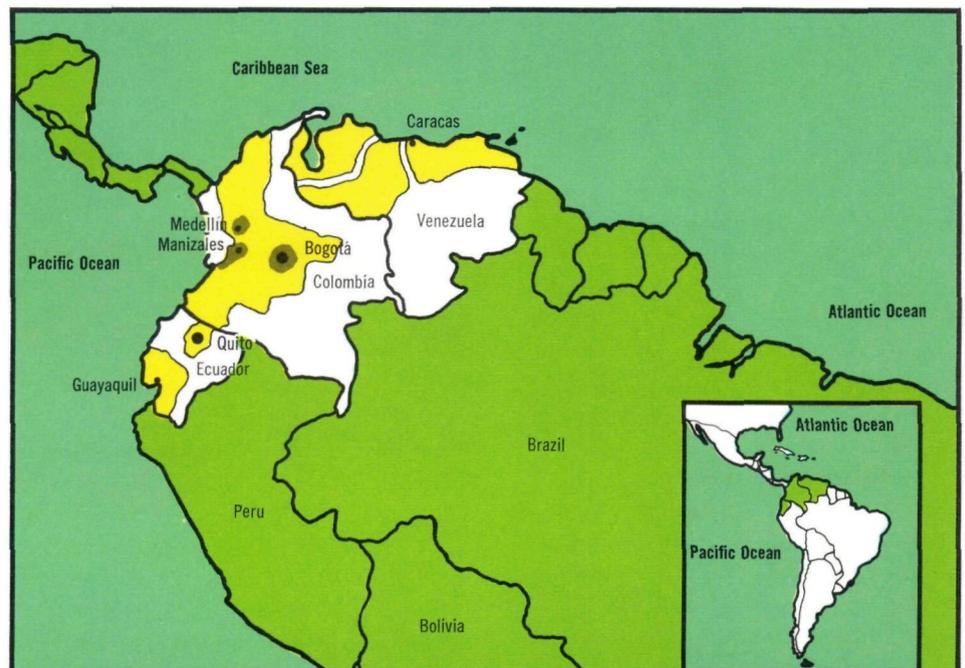
A 12½ mile expressway being built east of Caracas with the help of a \$30 million loan will provide a rapid outlet to the eastern region of the country as well as open up a new suburban area capable of absorbing some of the capital city's rapidly growing population.

Road construction or maintenance programs were supported with loans of \$10 million in El Salvador, \$6.6 million in Guatemala, \$6.3 million in Honduras, \$3.5 million in Nicaragua and \$16 million in Panama.

A \$20 million loan extended to Argentina will help build a 448-mile gas pipeline interconnecting fields in lower Patagonia with the main pipeline serving consumer centers in the Buenos Aires metropolitan area. In previous years the Bank had extended two other loans for other segments of the nation's main gas network. Another—\$19.9 million extended to Bolivia—is building a 300-mile pipeline from gas fields in Colpa and Rio Grande in Santa Cruz to Yacuiba on the border of Argentina, thus providing additional gas for Argentina's consumers.

Electric Power

In the *electric power* field the Bank provided significant support during 1971 for the efforts of three neighboring countries in northern South America—Venezuela, Colombia and Ecuador—to expand their electric power output as well as to integrate their power grids. The Bank also gave additional financing for the Stage II in the development of the Acaray hydroelectric power project in Paraguay. That project has revolutionized the nation's power outlook and is providing electricity for neighboring areas in Brazil and Argentina.



ELECTRIC POWER GRIDS financed by the Bank in 1971 will supply integrated energy to major areas in Ecuador, Colombia and Venezuela.

The 1971 power loans included two totaling \$33.1 million extended to Venezuela to help to reduce the electric power gap existing between the nation's countryside and its highly urbanized areas. The financing is providing new transmission facilities for 643 communities with a population of 500,000 persons and improving power services for another 110 communities with a population of 1.2 million persons.

In Colombia, the Bank is helping to finance two major projects designed to bring about a more rational power system. A loan amounting to \$35.3 million is helping to build a 500,000-kilowatt plant to provide coordinated power service to main consuming areas around the nation's three principal cities—Bogotá, Medellín and Cali—and two other loans for \$25.2 million are improving power distribution and subtransmission systems in 14 of Colombia's 22 departments.

In Ecuador, two loans amounting to \$25 million will help provide the area surrounding the capital city, Quito, in northern Ecuador with an integrated electric power system through the construction of a 150,000-kilowatt plant. In addition a preinvestment loan made at the same time will be used for a feasibility study of a similar project to provide power to southern Ecuador, including Guayaquil.

Finally, two loans totaling \$29.4 million will help Paraguay's national electricity agency to install two additional 45,000-kilowatt generators at its Acaray plant, thus raising the plant's total capacity to 180,000 kilowatts. The plant was built with previous Bank loans totaling \$29,225,000.

Social Infrastructure

While providing financing for Latin America's directly productive economic sectors and to the region's infrastructure, the Bank also constantly seeks opportunities *pari passu* to provide financing for Latin America's social development needs.



In this regard, the Bank in 1971 provided more financing for the region's education sector than it had in any previous year, gave substantial support to the efforts of Latin America to provide its population with pure water and sanitation services and continued its policy of refining and improving its urban development programs.

Education

The Bank's lending in the *educational* field supported a variety of projects in Argentina, Chile, Costa Rica, the Dominican Republic, Ecuador, Honduras and Panama.

A \$40 million loan is helping to modernize and expand efforts of nine of the ten national universities of Argentina. The ten universities account for approximately 87 per cent of the nation's higher education enrollment.

In Chile, the Bank supported the expansion programs of two private universities. The Catholic University of Chile, which ranks third in enrollment among

STUDENTS PEER THROUGH MICROSCOPE in this modern laboratory at the University of Honduras built and equipped with Inter-American Bank financing extended in 1969.

Chile's eight universities, received a loan for \$7 million. In 1964 the University had received another Bank loan for improvement of its College of Physical Sciences and Mathematics. The *Universidad Austral*, a private university located in Valdivia, ranks seventh in enrollment, but is particularly vital to the nation's development because its influence extends to seven of the less developed provinces. A \$4.6 million loan will support its expansion efforts.

In Costa Rica, a Bank loan for \$3.5 million is helping to increase that nation's level of technical education, particularly in industry, arts and crafts, trade, education and agriculture. A loan for \$3.4 million is supporting the expansion efforts of the *Universidad Católica Madre y Maestra*, which is located in Santiago de los Caballeros in the Dominican Republic.

THE BANK IN 1971

lic in an area which is particularly vital to the nation's agricultural and industrial development.

A \$2.6 million loan in Ecuador is helping to improve the *Escuela Superior Politécnica del Litoral* in Guayaquil, Ecuador. Although the school is relatively small, it trains one-third of the nation's professionals in certain engineering specialties vital to the country's current development.

A \$4.8 million loan will enable the Republic of Honduras to build a hospital school which will help increase the nation's health facilities and improve its medical training program. Finally a \$1.4 million loan extended to Panama is providing credit facilities to help qualified students carry out and complete university studies in Panama as well as abroad. The Bank had extended a loan for the same purpose in 1966.

Water Supply

The Bank provided financing in 1971 for *water supply or sanitation* projects being carried out in Argentina, Brazil, Guatemala and Trinidad and Tobago.

A \$12 million loan is helping Argentina carry out the second stage in a program initiated with the support of the Bank in 1967 to provide water to rural communities throughout the nation. The first phase supplied water to some 190,000 persons in 270 rural communities; the second will benefit 260,000 persons in 250 communities.

In Brazil, a \$30 million loan is financing a project to supply water and sewage services to the nation's growing urban population. The project will benefit some 5.5 million persons in 50 cities.

A \$2.6 million loan was extended to Guatemala to support the second phase of a program initiated in 1966 with Bank support to provide water to the nation's 3,000 rural communities. Under the first phase, 90,000 persons in 100 communities were benefited. This loan will provide facilities for 95,000 more persons in 123 rural communities.



Finally, two loans amounting to \$7.6 million are enabling Trinidad and Tobago to expand its water system to meet the nation's need through 1985.

Urban Development

In the *urban development* field, the Bank, through a loan for \$7.5 million to Honduras, is supporting a broad integrated program to provide housing for

AWARD-WINNING BRIDGE spans Capata Gorge near Pallatanga in Ecuador. Structure won design honors in contest sponsored in 1971. It is a link in road complex being built jointly by the Bank, the World Bank, the International Development Association and the U.S. Agency for International Development.

18,000 persons, along with needed roads, urban infrastructure and technical assistance.

Preinvestment

Continuing its concern with financing the sound preparation of development projects, the Inter-American Bank, in addition to having extended a variety of individual technical assistance allotments, made three loans in 1971 in the *preinvestment* field.

In Bolivia, a \$1.7 million loan will help finance studies for the construction of highways and access roads in the northern part of the nation; in Ecuador, a \$2.7 million loan will help prepare the final studies and engineering designs for the first stage of a 1,260,000-kilowatt hydroelectric power project which will provide electricity to the southern part of the nation, including the port of Guayaquil. Finally, in Brazil the Bank extended a loan for \$11 million to enable Brazil's national preinvestment agency to finance the preparation of an additional flow of preinvestment studies needed to carry out the nation's development goals.

As a consequence of the devastating earthquake which struck Chile on July 8, 1971, the Bank also reprogrammed the use, for reconstruction and rehabilitation purposes, of \$16.1 million from undistributed balances of previous loans made to Chile.

PROGRESS ACHIEVED

The approval of new loans is a key part of the Bank's activities and often the part which attracts the most public attention. The Bank, however, is constantly concerned with the proper execution of the projects it helps to finance and increasingly devotes more and more of its resources and the skills of its professional staff, both at its headquarters and in the field, to ensuring that such projects make the maximum possible contribution to the economic and social development of its member countries.

Since the Bank began operations, it has also sought to quantify the results of its activities, thus giving a more adequate accounting of the contributions made to the region's development process.

In this light the Bank in 1971 completed its share in the execution of 58 projects. The Bank's lending investment in these projects amounts to a net \$289 million and their total cost to \$872 million.

The projects completed in 1971 brought the number carried out with the assistance of Bank loans as of Dec. 31, 1971, to 343 for \$1,493 million out of the Bank's overall total of 679 loans for \$4,745 million. Some typical examples of the projects completed in 1971 were:

- The first phase in a broad expansion program being carried out by Brazil's largest iron ore producer and exporter—the *Companhia Vale do Rio Doce*. The Bank provided a loan of \$29,228,611 in 1964 to finance the project which was carried out at a total cost of \$129 million. The project helped the company expand ore production from 7.6 million to more than 12.4 million tons. A second loan for \$11 million in 1968 is financing a further stage to boost production to 21.8 million tons at a total cost of \$170 million.

- An electric power expansion program for the city of Cúcuta, Colombia, on the Venezuelan border, which was carried out with the help of a \$3.2 million loan extended in 1964, was one of the first economic integration projects in the field of infrastructure carried out by the Bank, since it provides for an interconnection of the power systems of the two countries. The project involved the installation of a 12,000-kilowatt gas turbine generator and other facilities.

- The construction of a 68-mile segment of the Pan American Highway in Peru providing a key link in the physical integration of the hemisphere. The section between Montalvo and Puente Fiscal on the Chilean border was the last remaining unpaved portion of the highway in that country. A Bank loan of \$4 million authorized in 1965 helped finance the project.

- The execution of a project within Mexico's continuing efforts to provide credit to enable small- and medium-scale

farmers and *ejidatarios* to increase their production and productivity. The Bank provided a loan of \$20 million in 1967 for the project which met the credit requirements of more than 25,000 farmers. In 1971 the Bank authorized an additional loan for the same purpose.

- A farm settlement project made possible through the construction of farm penetration roads and other facilities which have opened up 398,000 acres to colonization in the Valley of Upano in Central Ecuador. The construction was partially financed by a Bank loan of \$3 million authorized in 1965. Approximately 5,000 farm families are settling in the area, or 2,450 more than projected when the loan was made.

- An expansion program for the National University of Asunción in Paraguay carried out with the help of a \$1,498,582 loan authorized in 1965. As a result of the execution of the program, student enrollment rose from 4,124 when the project began to 5,993 when it was completed; the number of graduates rose from 380 a year to 580; full-time professors increased from 7 to 30, and part-time professors from 577 to 672.

- A program to build a new university campus for the *Universidad de Antioquia* of Medellín. The university is the second largest in the nation. As a result of the execution of the program, partially financed with a \$5.3 million loan authorized in 1966, enrollment has risen from 2,419 in 1964 to 7,174 today and the number of full-time professors has gone from 212 to 546.

- The conclusion of a broad three-stage program carried out by the Bank, the U.S. Agency for International Development, the Government of the Federal Republic of Germany, with cooperation of the Republic of Argentina in the first stage, to rehabilitate Bolivia's national tin mines. The Bank extended three loans totaling \$9.4 million for the execution of the project. As a result of the execution of the program, the average production increased and costs went down.

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- A broad-scale program financed with a Bank loan of \$15 million extended in 1965 to improve the pure water supply of the city of Salvador, State of Bahia, in Brazil's underdeveloped Northeast, as well as for 91 communities located throughout Brazil. In Salvador alone the project has benefited 560,000 persons and in the other communities a total of 745,000 persons are being provided with pure water.

- A program to provide water supply systems to 88 rural communities in Costa Rica. A total of 81 systems have been built under the program, which is benefiting 67,000 persons. A Bank loan of \$1.3 million extended in 1965 financed the program.

- A project carried out with the help of a \$3.6 million loan authorized in 1964 to provide homes for some 20,000 members of modest-income families in Costa

Rica. Under the project some 4,200 homes have been built.

- The execution of a major urbanization project, known as Parque Almirante Brown, in Buenos Aires. The project, financed with two loans totaling \$19.2 million authorized in 1966, is providing homes and necessary community facilities for some 35,000 persons. During 1971 work carried out with one of the loans—\$7 million—to provide sanitation and other urban facilities for the project was completed.

- A project to support the growth of small private industrial enterprises in El Salvador with credit facilities of \$6 million, half of which was provided by a Bank loan of \$3 million. The original goals of the project were far exceeded, thanks to greatly increased counterpart funds provided by El Salvador. Thus the Bank's lending helped finance projects

GLITTERING PARQUE ALMIRANTE BROWN housing project in Buenos Aires nears completion. Loan for infrastructure facilities was completely disbursed in 1971. Work continues on buildings with help of another Bank loan.

whose total cost amounted to \$16 million.

- The execution with a Canadian loan equivalent to \$1,167,000 of a preinvestment study of the economic development opportunities in the Guayas River Basin in Ecuador. As a result of the successful execution of the project a further loan was made in 1970 to carry out two specific feasibility studies—one for an irrigation project north of Guayaquil and another for flood control, irrigation and power.

A summary of the real accomplishments which the Bank's total lending through Dec. 31, 1971, is bringing about, or has already brought about, is given below:

In Agriculture

A total of 149 loans amounting to \$1,162 million are helping to finance *agricultural* projects whose total cost amounts to \$3,125 million. When completed, these projects are expected to improve or bring into production 9,136,095 acres of land. As of Dec. 31, 1971, some 6,875,373 acres had already been improved or brought into production. This figure includes 1,334,477 acres brought into production through irrigation projects. In addition, the Bank's lending has helped to provide farmers with some 916,378 agricultural credits amounting to \$860,784,301, and more than 100 farm cooperatives and 8 food markets have benefited from Bank lending.

In Transportation and Communications

A total of 67 loans for \$866 million are helping to finance *transportation and communications* projects whose total cost is \$1,894 million. This lending is designed to build or improve 25,673 miles in Latin America's road network, including 6,636 miles of main highways and 19,038 miles of access or farm-to-market roads. As of Dec. 31, 1971, some 10,710 miles had been completed, including 2,483 miles of main highways and 8,227 miles of farm-to-market roads.

Bank financing in this field is also being devoted to the construction of 1,506 miles of main gas lines and 239 miles of gas distribution systems, of which 689 miles of main lines and 68 miles of distribution lines have been completed.

Bank loans are helping to finance the improvement of eight major ports in Latin America, are providing new or improved grain elevator facilities in six other ports and are building four major telecommunications systems in the region.

In Electric Power

A total of 53 Bank loans for \$741 million are helping to finance projects in the *electric power* sector at a total cost of

\$2,829 million. These loans are helping to increase Latin America's generating capacity by 7.8 million kilowatts, to add 52,992 miles of primary transmission and distribution lines to the region's power grid and to build or improve distribution systems in 989 communities. As of Dec. 31, 1971, generating units with a total of 2,072,000 kilowatts were in operation, 10,629 miles of transmission and distribution lines had been laid and improved power services had been brought to 209 communities.

In Industry and Mining

Some 127 loans amounting to \$674 million are helping to finance *industrial and mining* projects at a total cost of \$2,889 million. These loans are helping to build or improve 96 industrial plants directly and thousands more indirectly through credits channeled to small- and medium-sized entrepreneurs in Latin America through the region's development banks.

Of these, 56 industrial plants are already in operation, another 40 are under construction and 4,957 additional private industrial enterprises, primarily small and medium, have been built or expanded through the Bank's loans to development financing agencies.

In Water and Sanitation

A total of 90 Bank loans amounting to \$539 million are helping to finance *water supply and sanitation* projects whose total cost amounts to \$1,268 million. The loans are helping to build or improve 4,254 pure water systems, 326 sewage systems and two city rain drainage systems. These systems are benefiting a total population in Latin America's cities and countryside of 53 million persons. As of Dec. 31, 1971, some 3,343 pure water systems and 297 sewage systems had been completed.

In Urban Development

A total of 48 Bank loans amounting to \$358 million are helping to finance *urban development* projects whose total cost is

\$824 million. These loans are helping to build some 362,813 housing units, along with community facilities, as well as six municipal markets. As of Dec. 31, 1971, 308,935 of these units had been completed.

In Education

The Bank has made a total of 57 loans for \$208 million for *education* projects whose total cost is \$441 million. These loans are helping to modernize, expand or improve 592 learning centers, of which 108 are universities and 484 are vocational or technical schools, with a total of 880,000 students.

Special emphasis is being placed in these programs on improving a variety of disciplines essential to Latin America's current development plans. A total of 29 per cent of the loan funds are being applied to institutional development, 18 per cent to engineering, 18 per cent to the natural sciences, 12 per cent to the agricultural sciences, 11 per cent to technical and vocational education, 5 per cent to the social sciences, 6 per cent to the health field, and 1 per cent to other educational projects. Forty-five per cent of the project funds are being devoted to the purchase of laboratory equipment and library material, 39 per cent to the construction of buildings, 10 per cent to improving teaching or providing scholarships and 6 per cent to other items.

In Export Financing

Bank loans totaling \$77 million are helping to finance capital goods exports with an invoice value of \$101 million among the Latin American member countries of the Bank. The primary exporters, in order, are Brazil, which accounts for 48 per cent, Mexico for 38 per cent and Argentina for 11 per cent.

The primary importers under the program are Argentina, Colombia, Chile, Uruguay, Peru, Brazil and Mexico.

In Preinvestment

Sixty-five Bank loans amounting to \$91

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million are helping to finance *preinvestment* projects and programs whose total cost is \$152 million. These loans were extended directly to Latin American planning institutions for the establishment of revolving preinvestment funds or were made directly for studies of specific development projects. As of Dec. 31, 1971, some 236 preinvestment studies had been carried out with direct loans and 308 studies had been made with credits extended to the various planning institutions. Thus Bank loans have so far helped to carry out a total of 544 preinvestment studies.

TECHNICAL ASSISTANCE

The Bank's technical assistance in 1971 sought to focus ever more sharply on Latin America's development needs. For example, a substantial number of the Bank's loans contained technical assistance allocations designed to ensure the optimum execution of the project and the Bank provides a wide gamut of grant assistance with the income derived from its Fund for Special Operations and the Social Progress Trust Fund, which it administers for the United States, to help its member countries draft well-conceived development projects for subsequent transmission to international financing organizations, to train the development cadres required by the region's development process and to support key regional institutions engaged in fostering the economic integration of the region, improving its economic and social procedures, training the technicians needed for the fight against animal disease and other development aspects.

In financing the preparation of development projects by its member countries, the Bank sought to favor its lesser developed member countries, as those countries are unable to apply on equal terms with more developed countries for project loans due to a lack of well-prepared studies.

Thus during 1971, several of the Bank's technical assistance allocations

were made to bring about the identification or the preparation of agricultural development projects in the relatively less developed countries of Bolivia, Costa Rica, the Dominican Republic, Ecuador, Guatemala, Honduras, Paraguay, Trinidad and Tobago and Uruguay.

Bank assistance provided support for efforts of Barbados, Ecuador and Guatemala to prepare pure water or sewage disposal projects; to develop fishery industries in Costa Rica and Guatemala; for brucellosis control in Honduras, and to expand educational facilities in Barbados, Jamaica and Trinidad and Tobago. It also supported planning or helped improve governmental development institutions in such countries as Costa Rica, El Salvador, Guatemala, Haiti, Honduras and Paraguay.

Among the more developed countries, the Bank provided assistance for a fisheries study in Mexico and supported improvements in Venezuela's national planning agency. It also provided assistance for planning studies related to irrigation farming being carried out in Argentina, Brazil, Chile, El Salvador and Peru and for farm diversification studies in Colombia.

Bank assistance helped train university graduates in development skills carried out at the University of São Paulo and American University and improved public management expertise in Colombia, Paraguay, Peru and Venezuela. It supported seminars on specific aspects of development carried out in Argentina on project preparation and evaluation; in Mexico and Peru on aspects of investment; in Venezuela on achievement motivation for entrepreneurs; on agricultural integration in the Caribbean, and on project auditing in various countries.

Bank technical assistance supported the activities of key regional institutes engaged in fostering Latin America's economic and social development and, as narrated later, it boosted Latin America's economic integration.

During 1971 the Bank allocated more

technical assistance to Latin America's development than it had in any previous year of its operations. In all the Bank authorized a total of \$30 million in technical assistance during the year, compared with \$21 million in 1970. The 1971 authorizations included \$24 million in reimbursable assistance—either as a loan or as a portion of a loan—and \$6 million in nonreimbursable assistance.

These brought the Bank's cumulative net technical assistance, as of Dec. 31, 1971, to \$182 million, of which \$143 million was authorized on a reimbursable basis and \$39 million on a nonreimbursable basis.

ECONOMIC INTEGRATION

The Bank's contributions to Latin America's economic integration were also greater in 1971 than in any previous year of the Bank's history. In its lending, as indicated previously, the Bank particularly stressed the physical integration of the continent through highway loans linking Brazil-Uruguay and Peru-Ecuador; through a power project in Paraguay providing service in the joint Paraguay-Argentina-Brazil frontier; linking gas supply areas in Bolivia with consuming centers in Argentina; aiding the continent-wide fight on foot-and-mouth disease with loans in Colombia and Venezuela; and fostering intra-regional trade under the Bank's export financing program. In addition, much of the Bank's technical assistance during the year was devoted to financing the hemisphere's regional integration.

Of particular note in the physical integration of the continent was the conclusion of the feasibility preinvestment studies for the requirements of installing international connections to interlink the domestic telecommunications systems of individual Latin American countries with each other and the rest of the world. The Bank initiated the study in 1969 in cooperation with the United Nations Development Programme, for which the Bank acted as executing agent, and in as-

sociation with the International Telecommunications Union.

A total of 16 interconnections and five complementary studies were completed. Of these 15 were found technically and economically feasible with a total potential requirement for investment of about \$86 million and four others are in operation or under construction. The projects found technically feasible included interconnections involving Colombia-Ecuador, Ecuador-Peru, Bolivia-Peru, Chile-Peru, Bolivia-Argentina, Bolivia-Paraguay, Bolivia-Chile, Argentina-Chile, Argentina-Paraguay, Argentina-Uruguay, Uruguay-Brazil, Brazil-Paraguay and complementary studies in the Dominican Republic, Haiti and Panama. Projects already completed or under construction include links involving Trinidad and Tobago-Barbados, the Dominican Republic-Haiti and complementary studies in Argentina and Colombia. The studies were carried out at a total cost of \$1,989,703 of which \$1,133,603 was contributed by UNDP, \$275,000 by the Bank and \$581,100 by the participating governments.

In another development during the year, the Governments of Ecuador and Peru presented a joint application for technical assistance for development studies of the Pindo-Puyango River Basin. The studies will analyze the farming potential of approximately 105,000 acres of land in the southern part of El Oro Province in Ecuador and another 49,000 acres in the Tumbes Department of Peru. It also will provide an initial study of a hydroelectric project capable of generating some 100,000 kilowatts of power.

In 1966 in order to focus additional resources on Latin America's economic integration needs, the Bank set up the Preinvestment Fund for Latin American Integration, which is financed with resources provided by the United States from the Social Progress Trust Fund and voluntary contributions from the Bank's Latin American member countries.

During 1971 resources of the Fund

were used in concluding an inventory of multinational physical infrastructure projects which will prove a valuable tool in efforts to finance future integration projects. The inventory contains approximately 600 projects, 73 per cent in the transportation field, 11 per cent in electric power, 7 per cent in telecommunications and 9 per cent in the joint use of water basins. Some 80 per cent of the projects have been given cost estimates and these total more than \$10 billion.

Resources from the Preinvestment Fund were allocated in 1971 to help the Board of the Agreement of Cartagena—the Executive Secretariat of the Andean Subregional Group which includes Bolivia, Colombia, Chile, Ecuador and Peru—to carry out studies on seed oil production, industry and transportation. Another technical assistance allocation financed a study of the use of containers in freight transportation in Latin America and another financed studies designed to determine the possibilities for increasing Paraguay's exports to the markets of five of the more developed countries of the Latin American Free Trade Association: Argentina, Brazil, Chile, Mexico and Uruguay.

SUPPORT FOR ECONOMIC INTEGRATION, 1960-71
(In millions of dollars)

	Bank Support	Total Cost of Projects
EXPORT FINANCING	\$ 76.8	\$ 110.6
REGIONAL PROJECTS		
Transportation	414.1	816.9
Electric Power	63.1	114.3
Telecommunications	19.8	42.2
Industry	22.7	36.3
Agriculture	52.1	182.4
Education	4.9	18.9
STUDIES AND PREINVESTMENT		
Sectoral	6.4	9.2
General	0.4	0.4
Transportation	4.1	5.9
Communications	1.2	2.4
Electric Power	2.7	4.6
Industry	1.5	3.3
Agriculture	2.8	7.3
Border and Multinational	0.9	3.5
Training and Research	5.7	14.1
Institutional Support	2.5	8.1
TOTAL	\$681.7	\$1,380.4

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

NEW DIRECTIONS

Innovation in the Bank's activities in 1971 revolved around the Bank's continuing efforts to broaden its resources by attracting substantial additional financing from countries outside its traditional membership and on its efforts to favor its less developed member countries in its lending and technical assistance.

A seven-man committee of the Board of Governors and upper management devoted substantial efforts throughout the year to a search for formulas to attract financial support from non-members. A highlight in this connection was the decision of the Government of Canada, communicated to the President of the Bank by Mitchell Sharp, Canadian Secretary of State for External Affairs, in a letter dated July 29, 1971, to initiate discussions to enter into full membership in the Bank.

As a result, the Committee on Oct. 1, 1971, recommended that the Board of Governors adopt a resolution calling on member countries to amend the Agreement Establishing the Bank, so that Canada, which is not a member of the Organization of American States (OAS), might join the Bank and providing for the admission to the Bank of other developed countries outside the Western Hemisphere, on conditions to be determined by the Bank's Board of Governors. The Board of Executive Directors transmitted the resolution to the Board of Governors on Oct. 7, 1971, and the Governors adopted it on Nov. 8, 1971. At year end it was being implemented by the Bank's member countries through the necessary legislative or executive action.

Under the original terms of the Agreement, membership was open only to member countries of the OAS. Under the proposed amendment, Subsection (b), Section 1 of Article II of the Agreement would read:

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

The Governors also recommended adoption of amendments in the Agreement under which Canada and other countries that might be admitted in the future would contribute to the Fund for Special Operations with such quotas and under such terms as might be determined by the Bank and which would entitle Canada, as a non-borrowing member of the Bank, to appoint an Executive Director and an Alternate Executive Director, to the Bank's Board of Executive Directors.

In April 1970, the Board of Governors had, at its Eleventh Annual Meeting in Punta del Este, Uruguay, adopted a resolution establishing a seven-member committee composed of the Governors of Argentina, Brazil, Mexico, Nicaragua, the United States, Uruguay and Venezuela to examine various alternatives designed to assure an increased flow of resources to the Bank from developed countries not presently members of the institution "including particularly the matter of such countries within the hemisphere." Under the chairmanship of the Governor of Mexico, the committee met on five separate occasions prior to the end of 1971 in Mexico, Caracas, Buenos Aires, Lima and Washington.

It was at the Washington meeting held Oct. 1, 1971, that the committee considered Canada's interest in joining

the Bank and recommended that the Board of Governors amend the Agreement Establishing the Bank to make possible the membership of Canada and the admission of non-regional developed countries.

Subsequent to the period covered by this Annual Report, the seven-nation committee met again in Brasilia, the capital of Brazil, and gave further consideration to the question of the admission of non-regional developed countries.

In many respects the Bank in 1971 gave preferential assistance to its less developed member countries. Thus, the proportion of the Bank's own financing as a percentage of the total cost of the projects of 15 less developed member countries rose by some 10 per cent. As of Dec. 31, 1970, the Bank had financed something like 50.4 per cent of the total cost of the projects carried out by these countries with Bank assistance. During 1971 the Bank financed 60.8 per cent of that cost. For the seven more developed member countries, Bank financing as of Dec. 31, 1970 amounted to 32.8 per cent of total cost and during 1971 it represented 33.1 per cent of that cost.

The Bank also favored the less developed countries by giving them a greater proportion of lending from its soft loan resources than it gave to the more advanced countries. Thus in 1971, 79.1 per cent of the Bank's total lending to the 15 countries came from the Fund for Special Operations. In the case of the seven other countries, that figure amounted to 54.7 per cent. On a per capita basis the Bank also favored the lesser developed nations in 1971; for the 15 countries per capita lending was \$4, while for the other seven countries it was \$2.38.

During 1971 the Bank also changed its policy with regard to the pre-commitment of its resources. Previously the Bank followed a policy of maintaining liquid assets equivalent to 100 per cent of undisbursed loans. On Dec. 16, 1971,

the Board of Executive Directors of the Bank approved a new policy on pre-commitment of resources which consists in gradually reducing the liquid assets of the Bank in hard currencies to an amount equal to 50 per cent of the undisbursed amount of the authorized loans or to the sum of the projected disbursements for two years, whichever is greater.

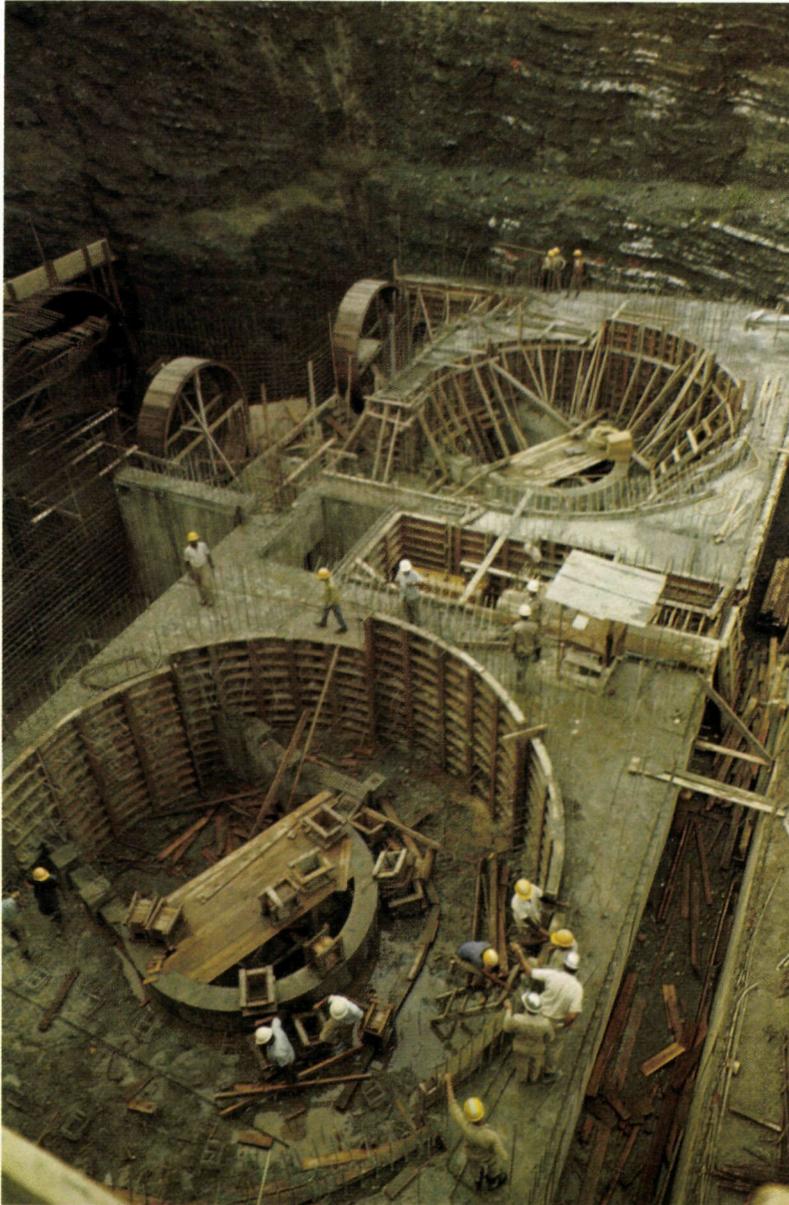
BOARD OF GOVERNORS

In seeking to favor its less developed member countries, the Bank was following guidelines of its Board of Governors. At its Twelfth Annual Meeting held in Lima, Peru, May 10-14, the Board approved a resolution noting that a group of Governors had expressed their interest in having the Bank intensify the action it has been taking in relation to a resolution approved by the Board of Governors at its Ninth Annual Meeting held in Bogotá in April 1968, which instructed the Board of Executive Directors to place greater emphasis when formulating the operating plans of the Bank on the principle of extending preferential treatment to the countries of relatively less economic development and, to the required extent, to those of limited market.

The Lima resolution also requested the Board of Executive Directors to inform the Governors of the new measures to be taken to improve and perfect the action of the Bank in favor of those countries. The Board of Executive Directors will present a report to the Board of Governors regarding this subject at the Thirteenth Annual Meeting to be held in Quito in May 1972.

Through other resolutions approved at the Lima meeting in 1971, the Governors:

- Approved the financial statements of the ordinary capital resources and the Fund for Special Operations.
- Requested that the administration of the Bank submit studies and other antecedents for the possible constitution



TWIN TURBINE STRUCTURES rise at Tavera in the north of the Dominican Republic. Hydroelectric plant will provide an initial 40,000 kilowatts of additional power for the nation. Project is being built with loans from the Bank and the Agency for International Development.

of a regional mechanism to foster the expansion of Latin American industrial enterprises to the respective governments of the member countries of the Bank, and that the Board of Executive Directors and the administration of the Bank keep in contact with member countries on this matter and serve as an informational clearing house on it. These reports were submitted to the governments Aug. 6, 1971.

- Requested the Board of Executive Directors to amend the regulations on the financing of exports of capital goods in order to include within the regional program the export of services normally financed at medium terms in international trade and to permit the refinancing of up to 100 per cent of export credits financed by the exporting country when it has assumed the political risks of export credit and as a consequence of paying claims for this type of risk, is not able to continue financing exports eligible under the regional program at a normal rate. The Governors also requested the Board of Executive Directors to study aspects of the export financing program relating to eligible goods and to geographic distribution and to present to the next Annual Meeting of the Board of Governors any recommendations on specific measures relating to exports of all categories of manufactures and non-traditional products to an area wider than Latin America.

- Recommended that the member countries take such action as may be necessary to amend the provisions of the Agreement Establishing the Bank with respect to the election of Executive Directors. Under the suggested amendment those provisions would be deleted from the Agreement and incorporated into special regulations that would be adopted by a two-thirds majority of the total number of Governors representing not less than three-fourths of the total voting power of the member countries. This change is expected to provide greater flexibility for meeting the different sit-

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uations which can arise in the electoral process and which affect the decisions of the countries regarding their representation in the governing bodies of the Bank.

- Expressed its satisfaction with the activities carried out by the Institute for Latin American Integration during its second period of operations and recommended that the Board of Executive Directors study and evaluate the activities of the Institute and adopt appropriate measures with respect to its future.

- Agreed to hold the Thirteenth Annual Meeting of the Board of Governors of the Bank in Quito, Ecuador. The date of the meeting was subsequently set as May 8-12, 1972.

At the Lima meeting the Bank also carried out a round table discussion regarding the "Mobilization of Domestic Resources in Latin America."

MANAGEMENT CHANGES

As indicated in the 1970 Annual Report, Antonio Ortiz Mena was elected President of the Bank for a five-year term by the Board of Governors at a special meeting held at the Bank's headquarters in Washington, Nov. 27, 1970. Subsequently he took office March 1, 1971, at a special meeting of the Board of Governors held in Buenos Aires.

Mr. Ortiz Mena, former Secretary of Finance and Public Credit of Mexico, was elected to the post following the resignation of Felipe Herrera, the Bank's first president, who resigned to return to his native Chile.

Before serving as Secretary of Finance and Public Credit from 1958 to 1970, Mr. Ortiz Mena was Director General of Mexico's Institute of Social Security from 1952 to 1958. He was Manager of the National Mortgage and Public Works Bank of Mexico from 1947 to 1952 and served as Director General of Professions in Mexico's Department of Education from 1945 to 1946.

During 1971 various changes took place in the composition of the Bank's

Board of Executive Directors and in its management:

- Jesús Rodríguez y Rodríguez of Mexico was elected Executive Director Feb. 26, 1971, by Barbados, the Dominican Republic, Jamaica, Mexico and Panama to succeed José Juan de Olloqui, also of Mexico.

- Guido Valle Antelo of Bolivia was elected Executive Director for Bolivia, Paraguay and Uruguay July 1, 1971. Mr. Valle, who had previously been the Alternate Executive Director for those countries, succeeded Julio C. Gutiérrez in that capacity.

- César Charlone of Uruguay was designated July 1, 1971, as Alternate Executive Director for Bolivia, Paraguay and Uruguay.

- Aníbal Fernández de Soto of Colombia was designated Alternate Executive Director for Chile, Colombia, Trinidad and Tobago and Venezuela on Oct. 16, 1971, succeeding Enrique Peñalosa, also of Colombia.

On Dec. 2, 1971, the Board of Executive Directors, on the recommendation of the President of the Bank, elected Henry J. Costanzo of the United States as Executive Vice President of the Bank, effective Jan. 1, 1972. Mr. Costanzo succeeded T. Graydon Upton who had resigned effective Dec. 31, 1971, after having served as Executive Vice President since Jan. 1, 1961.

Mr. Costanzo had been the United States Executive Director on the Bank's Board of Executive Directors since November 1969. Previously he had served in a variety of posts in the field of international finance and development at the United States Department of the Treasury, at the International Monetary Fund and at the United States Agency for International Development.

On Oct. 1, 1971, Arnold H. Weiss of the United States was named the General Counsel of the Bank succeeding Elting Arnold and on Oct. 20, 1971, Enrique Peñalosa of Colombia was appointed the Administrative Manager of

the Bank succeeding Alfonso Grados. In addition, there were a number of changes in other key positions at the Bank and among the Bank's representatives in the field.

THE BANK'S INCOME

In accordance with the requirements of its Establishing Agreement, the Bank maintains a careful separation between its ordinary capital resources and its Fund for Special Operations, as well as the various resources which it administers for other countries, including the Social Progress Trust Fund. Each one of these funds is held, used, obligated, invested and otherwise disposed of entirely separate from the others.

In order to give a total concept of the broad scope of its operations, however, the Bank in this Annual Report is providing consolidated figures not only of its loans and technical assistance and other activities but also of its income and expenses.

The Bank's *gross income* in 1971 from its three main sources of funds—the ordinary capital resources, the Fund for Special Operations and the Social Progress Trust Fund—amounted to \$148 million compared with \$135 million in 1970. The *net income* was \$45 million in 1971, compared with \$52 million in 1970. The latter result is attributable principally to the lower income received by the Bank in 1971 on its short-term investments of liquid assets of the ordinary capital resources due to the drop in short-term interest rates on the world's financial markets.

These earnings brought about a substantial increase in the Bank's *general reserves*, as well as the cumulative excess of income of the Social Progress Trust Fund. As of Dec. 31, 1971, these had risen to \$183 million, compared with \$140 million in 1970.

ADMINISTRATION

The Bank placed strong emphasis in 1971 on improving its administrative



PORT OF MONTEVIDEO is being modernized with the support of Bank loan extended in 1968. Docks are being improved, the entrance channel is being deepened and new equipment is being acquired.

procedures. In doing so, it sought to streamline its management systems, simplify its procedures, standardize personnel policies, improve employee recruitment and staff development programs, computerize its operations and economize on administrative expenses.

On Aug. 13, 1971, a well-known consulting firm submitted a report on the survey of organization and operations of the Bank conducted in accordance with terms of reference approved by the Board of Executive Directors in January 1971. The report made a series of recommendations designed to improve the Bank's organizational and administrative structure. At year end, the Board of Execu-

tive Directors had the report under active consideration.

The total administrative expenses of the Bank in 1971 amounted to \$29.3 million, compared with \$25.6 million in 1970. Increases in 1971 reflected larger staff requirements due to the growing operations of the Bank, a salary adjustment granted to the Bank staff and other higher costs incurred for office occupancy, furniture and equipment and contractual services.

While increasing its lending levels and improving the efficiency of its operations, the Bank in 1971 also sought to keep its administrative costs down. Thus, while administrative expenses had in-

creased at an average rate of 15 per cent yearly over the previous three years, for 1972 the Bank's Management proposed, and the Board of Executive Directors approved, an administrative budget virtually the same as that for 1971.

The Bank's total staff at the end of 1971 at its headquarters amounted to 1,031 persons, including 525 professional staff members and 506 non-professional staff. This represented an increase of 34 in the professional staff and 1 in the administrative staff over the 1970 total figure of 996.

In 1971 employees in the Bank's field offices remained approximately the same as in 1970. The total employees (perma-

THE BANK IN 1971

nent and temporary) working in the field as of Dec. 31, 1971, numbered 348, compared with 364 at the end of 1970. These included 59 regular international employees, compared with 62 in 1970; 90 temporary international employees hired as project specialists, compared with 97 in 1970, and 229 local professional and non-professional employees, compared with 205 in 1970. (Project specialists are contracted with the resources of the Bank's Fund for Inspection and Supervision.)

On Oct. 26, 1971, the President of the Bank established a Management-Employee Relations Committee designed essentially to be a vehicle for considering employee complaints and making recommendations to the President. The Committee, which is made up of representatives of the staff, the Legal Department and the Administrative Department, initiated its activities by year end

and has taken up 11 cases, of which four were ruled in favor of the Bank, five in favor of the employee, one was in consideration and the final one was ruled outside the jurisdiction of the Committee.

The Bank's consolidated administrative expenses (including those of the ordinary capital resources, Fund for Special Operations and Social Progress Trust Fund) for 1971 and its administrative budget for 1972 are shown in the accompanying table.

TIES WITH OTHER ENTITIES

In its cooperative relations with other international and bilateral organizations the Bank sought in 1971 to focus its efforts more finely on the achievement of practical results fostering Latin America's economic and social growth.

In this connection the Bank strengthened its cooperative ties with the World Bank and its affiliates and with the International Monetary Fund. It joined, for example, with the World Bank, the Export-Import Bank of the United States, and other bilateral sources in Europe in financing Brazil's billion-dollar steel expansion program. This example points to future action along similar lines on Latin American development projects of great magnitude requiring large investments.

In 1971 the Bank sponsored a second meeting with the Asian and African Development Banks in which the World Bank also participated. At the meeting, held Sept. 26, 1971, at the Bank's headquarters during the Annual Meeting of the World Bank, the development banks exchanged information and analyzed their efforts to attract financing in the world's capital markets for the development of their respective member countries. They also requested that the advanced nations continue to give the regional banks and the World Bank preferred borrowing status in their capital markets.

The Bank continued to lend its cooperation and assistance in one form

or another to other regional development institutions which have emerged in recent years to strengthen development financing availabilities in specific regions of Latin America. These include the Central American Bank for Economic Integration, the Andean Development Corporation and the Caribbean Development Bank.

Likewise, the Bank joined forces and supported the efforts of the regional inter-American agencies concerned with supporting Latin America's economic integration, when such efforts coincided with the Bank's policies. These included the Latin American Free Trade Association, the Board of the Agreement of Cartagena, the Organization of Central American States and the Permanent Secretariat of the General Treaty of Central American Economic Integration.

On Aug. 10, 1971, the President of the Inter-American Bank and the Secretary General of the Organization of American States held a meeting to examine methods of improving the cooperative endeavors of the two organizations and the affiliated agencies of the OAS. As a result, an agreement was reached to strengthen to the maximum extent possible the coordination existing between the two entities in joint programs embracing a wide variety of fields designed to foster Latin America's economic and social development needs.

The Bank continued its close ties in 1971 on development matters with the Inter-American Economic and Social Council (IAECOSOC), the Inter-American Committee on the Alliance for Progress (CIAP), and the Pan American Health Organization. The Bank acts as technical advisor to CIAP in the yearly evaluations carried out by CIAP on the development plans and financial needs of its member countries.

The Bank also took part in the Seventh Annual Meeting of the Inter-American Economic and Social Council held in Panama, in September 1971. That meeting examined certain aspects of Latin

CONSOLIDATED ADMINISTRATIVE EXPENSES¹ (In thousands of dollars)

	Actual 1971	Budgeted 1972
BOARD OF GOVERNORS		
Annual Meeting	\$ 304	\$ 235
Other Expenses	147 ²	7
BOARD OF EXECUTIVE DIRECTORS		
Salaries	553	614
Other Compensation and Benefits	133	160
Travel	149	152
Review and Evaluation Group	262	318
STAFF		
Salaries	12,963	13,667
Other Compensation and Benefits	4,561	5,024
Travel	1,613	1,670
OTHER ADMINISTRATIVE EXPENSES		
Communications	748	742
Office Occupancy	1,971	2,076
Publications and Printing	376	446
Supplies and Equipment	898	821
Contractual Services	1,222	998
Miscellaneous	247	293
FIELD OFFICES		
Salaries	984	1,078
Other	2,205	2,379
CONTINGENCIES		
	—	310
TOTAL	\$29,336	\$30,990

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

2. Expenses for an extraordinary meeting of the Board of Governors and for a meeting of the Special Committee of the Board of Governors.

America's development experience and inter-American cooperation over the previous decade.

Of special relevance to the work of the Bank was the implementation by the United States of a pledge made at the Eighth Special Meeting of IAECOSOC held in Caracas Feb. 3-6, 1970, to contribute to a fund which would be administered by the Inter-American Bank, with the cooperation of *CIAP* in establishing priorities, to finance the preparation of development projects.

In August 1971, the Bank was authorized by the United States to use up to \$15 million of the resources of the Social Progress Trust Fund to finance a special inter-American project preparation effort. The aim of the effort is to increase the number of well-prepared development projects available to public and private international financial institutions for their consideration. The resources would be made available in the form of grants or on a reimbursable basis to public and private institutions in the Bank's member countries for the preparation of development projects that have major requirements for foreign exchange. The resources would be administered in a fashion to give preferential access to the lesser developed member countries of the Bank.

During the course of the year the Bank also laid stress on strengthening

the coordination of its activities on behalf of Latin America's economic development with the United Nations agencies which have responsibilities connected with Latin America's development. These include the United Nations Development Programme (UNDP), for which the Bank is acting increasingly as an executing agency for development studies in Latin America; the United Nations Economic Commission for Latin America, with which the Bank has traditionally maintained close ties; the United Nations Food and Agriculture Organization; the United Nations Educational, Scientific and Cultural Organization (UNESCO), and other key United Nations agencies.

In this regard, the Bank on Oct. 28, 1971, entered into an agreement with the United Nations Industrial Development Organization (UNIDO) to coordinate its activities with that agency in the identification of development projects in Latin America, particularly in industrial and technological fields related to Latin America's economic integration movement.

Finally the Bank cultivated close ties with the multilateral organizations of Europe, particularly the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) and the European Economic Community (EEC).





TANGLE OF CRANES BUILDS largest hydroelectric power plant in Latin America at Ilha Solteira on the Parana River 375 miles west of São Paulo. The plant, built with partial Bank financing, will ultimately provide 2,560,000 kilowatts of electricity to Brazil's industrial south central triangle.

LOANS AND TECHNICAL ASSISTANCE

THE BANK IN 1971

LOANS AND TECHNICAL ASSISTANCE

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

On ordinary capital loans the Bank's basic interest rate continued at 8 per cent per annum throughout 1971. In 1971 the Bank also charged a service commission of $\frac{1}{2}$ of 1 per cent on those portions of ordinary capital loans extended from funds borrowed from non-member countries. Interest rates charged

included, in all cases, the 1 per cent special commission allocated to the Bank's special reserve. Loans authorized in 1971 from the ordinary capital resources were extended for terms ranging from 15 to 20 years. The rates of interest charged in 1971 on loans extended from the Fund for Special Operations continued at $2\frac{1}{4}$ per cent and $3\frac{1}{4}$ per cent per annum, depending on the nature of the project. In addition, a service charge of $\frac{3}{4}$ of 1 per cent payable in U.S. dollars was applied to such loans. Loans from the Fund were granted for terms ranging from 15 to 30 years.

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

COMPARATIVE YEARLY LENDING, 1969-71
(In thousands of dollars)

Country	1969		1970		1971	
	Number of loans	Total	Number of loans	Total	Number of loans	Total
Argentina	9	\$116,923	6	\$ 79,171	4	\$ 73,688
Barbados	—	—	—	—	1	1,000
Bolivia	3	14,952	1	530	2	21,579
Brazil	8	143,443	7	161,068	9	148,929
Chile	7	62,465	1	3,000	2	11,600
Colombia	7	55,477	3	23,100	4	80,275
Costa Rica	2	10,000	4	15,600	1	3,500
Dominican Republic	1	7,000	1	4,100	1	3,400
Ecuador	6	17,200	4	32,480	4	30,300
El Salvador	2	10,300	2	3,980	1	10,000
Guatemala	4	34,000	—	—	2	9,200
Haiti	—	—	1	5,100	2	1,800
Honduras	1	7,700	—	—	4	21,400
Jamaica	—	—	2	10,900	3	9,060
Mexico	9	94,750	7	91,022	3	57,699
Nicaragua	2	7,395	1	12,400	1	3,500
Panama	3	9,800	1	1,700	2	17,400
Paraguay	2	30,400	—	—	4	44,782
Peru	1	9,000	3	58,590	3	24,052
Trinidad and Tobago	—	—	2	3,600	2	7,600
Uruguay	—	—	7	28,700	—	—
Venezuela	—	201 *	4	87,402	4	71,001
Regional	—	—	2	22,000	—	—
TOTAL	67	\$631,506	59	\$644,443	59	\$651,765

* Increase in export financing line of credit.

ARGENTINA

LOANS

Gas Pipeline

Ordinary Capital Resources
\$20 million 20-year 8% loan of Dec. 28, 1971
(\$18 million and \$2 million in Argentine pesos)

Borrower: **Gas Del Estado**

Argentina is the only Latin American nation which has a highly developed integrated system to transmit natural gas from producing areas to consuming centers. It also makes the greatest use of its natural gas resources, consuming more than 80 per cent of its total production. Total proven gas reserves in the nation were estimated at the end of 1960 at 180 billion cubic meters, or 20 times the volume extracted each year.

The Argentine Government agency in charge of supplying and selling gas fuels, *Gas del Estado*, is in the midst of a ten-year (1969-78) expansion program designed to meet the nation's needs for gas over the next decade. *Gas del Estado* serves 70 cities with a total population of 15 million, or 63 per cent of the nation's population, through a 2,795-mile-long network of trunk pipelines which have a capacity to transport 18 million cubic meters a day.

The Bank has cooperated with *Gas del Estado's* program with three loans — one for \$20 million extended in 1969 which helped build the 354-mile gas pipeline from the Province of Neuquén to the city of Bahía Blanca; another for \$15 million made in 1970 to help the entity expand its supply network in rural and urban areas throughout the country through the execution of four subprojects, and this loan which is enabling *Gas del Estado* to build a 448-mile gas pipeline interconnecting fields in lower Patagonia with the main pipeline serving consuming centers in the Buenos Aires metropolitan area.

In addition to these loans, the Bank this year authorized a \$19 million loan to help Bolivia build a pipeline linking its natural



CURVING BACKBONE PIPELINE carries natural gas to consuming centers in Buenos Aires and surrounding areas from producing fields in lower Patagonia and in Bolivia.

gas fields in the Province of Santa Cruz to the city of Yacuiba on the border to provide additional gas for Argentina's main consuming centers.

The total cost of this project is estimated at \$65,330,000, of which sum the Bank's loan will cover 30.6 per cent, contractor credits will provide 39 per cent, a line of credit from the Export-Import

Bank 15.3 per cent, and its own resources 15.1 per cent.

The loan is guaranteed by the Republic of Argentina.

PARTICIPATIONS — The following banks are participating in the loan for a total of \$150,000: Central National Bank of Cleveland and First Wisconsin National Bank of Milwaukee.

THE BANK IN 1971

Rural Water Systems

Fund for Special Operations
\$12 million 25-year 2¼% loan of July 28, 1971
(\$5.4 million and \$6.6 million in Argentine pesos)
Borrower: Republic of Argentina

Water supply service is in seriously short supply in rural areas in Argentina, particularly in cities with fewer than 10,000 inhabitants. Of the nation's 24 million inhabitants approximately 3.4 million live in such communities and of that number only 6.7 per cent enjoyed household water connections in 1964.

In that year, Argentina embarked on a nation-wide program to supply water services to rural towns. In 1967 the Inter-American Bank extended a loan for \$5 million from the Social Progress Trust Fund to support this effort. As a result drinking water service was made available to approximately 190,000 persons in 217 rural communities throughout the country.

The new loan will enable the *Servicio Nacional de Agua Potable y Saneamiento Rural (SNAP)*, the nation's rural water and sanitation service, to carry out a second stage in that plan. The program consists of the construction of 250 projects benefiting approximately 260,000 persons living in communities of under 10,000 inhabitants.

The project involves the development of small water collection and distribution systems, the construction of treatment facilities and the installation of pumping equipment and household connections.

The total cost of the program is estimated at \$25 million. The Bank's loan will cover 48 per cent of this cost, the Argentine Government 20 per cent, the provincial governments 21 per cent and benefited communities 11 per cent. Up to \$150,000 of the loan will be devoted to technical assistance designed to improve the administration and accounting structure of *SNAP*.

Expansion of Universities

Fund for Special Operations
\$40 million 25-year 2¼% loan of Jan. 7, 1971
(\$24.4 million and \$15.6 million in Argentine pesos)
Borrower: Republic of Argentine

Approximately 250,000 university students are enrolled in Argentine institutions of higher learning. Of this number 87 per cent are enrolled in 10 national universities; 10 per cent in 13 private schools, and 3 per cent in 4 provincial universities.

The various schools of the national universities are widely scattered, a factor which has entailed a duplication of efforts, proliferation of services and communications difficulties between the various sectors of a single institution. Despite these handicaps, the Argentine university system is progressing satisfactorily and directors and university leaders favor the adoption of reforms, including a re-orientation of university studies towards fields more directly related to the socio-economic development of the country.

As a contribution to this effort, this loan will enable Argentina to expand and improve nine of the 10 national universities (all except the University of Buenos Aires). The universities are those of Córdoba, Cuyo, La Plata, Litoral, Nordeste, Rosario, Sur, Tecnológica and Tucumán.

The project is being carried out at a total cost of \$71 million. The Bank's loan will provide 56.3 per cent of the cost; the remainder will come from Federal Government allocations to the universities.

The project provides for the construction of classroom and laboratory buildings for teaching and research in such priority fields as the basic sciences, agronomy, engineering and socio-economic studies; the construction of infrastructure facilities; the purchase and installation of instructional material and equipment, and the provision of financial aid to students.

In addition, up to \$3,220,000 of the Bank's loan will be used for technical assistance to hire professors and researchers to strengthen instruction in these fields and to help finance scholarships for advanced training.

Export of Capital Goods

Ordinary Capital Resources
\$1 million 6½% line of credit of Nov. 3, 1971
Borrower: Banco Central de la República Argentina

In 1964 the Inter-American Bank extended a revolving line of credit amounting to \$3 million to the *Banco Central de la República Argentina* to help finance the export of Argentine capital goods to other Latin American member countries of the Bank.

As of December 31, 1971, some \$6 million had been disbursed under that line of credit. The new line, which will be added to that one, will enable the *Banco Central* to continue to finance the export of eligible goods and services.

TECHNICAL ASSISTANCE

Training in Project Preparation and Evaluation

Fund for Special Operations
\$23,650 nonreimbursable assistance of
Aug. 12, 1971
Social Progress Trust Fund
\$23,650 nonreimbursable assistance of
Aug. 12, 1971

This technical assistance was devoted to financing two 12-week seminars, one carried out in 1971 and the other to be carried out in 1972, each designed to train approximately 25 university level professionals in the preparation and evaluation of social and economic projects.

The courses are held under the auspices of the *Secretaría de Planeamiento y Acción del Gobierno*, of which the *Consejo Nacional de Desarrollo (CONADE)* is now a part. Participants include personnel of various government entities with responsibilities for investment project formulation and evaluation.

BARBADOS

LOAN

Tourist and Industrial Development

Fund for Special Operations
\$1 million 18-year 3¼% loan of Nov. 18, 1971
Borrower: Barbados Development Bank

The economy of Barbados is greatly dependent on agriculture. Normally, sugar exports account for more than 60 per cent



BLUE SKY, SAILBOAT AND SEAWATER at Georgetown, the nation's capital, beckon tourists to Barbados. In 1971 the Bank extended financing to the Barbados Development Bank for the construction of modest tourist facilities in the nation.

of the nation's total exports. In recent years, however, tourism and industry have grown in importance, while agriculture has tended to decline.

This loan, the first made to Barbados since it joined the Bank in 1969, will enable the Barbados Development Bank (BDB) to provide medium- and long-term credit facilities to establish new or expand existing small-sized tourist facilities and industrial enterprises.

About 62 per cent of the program's resources will be devoted to such tourist projects as hotels, guest houses, cottages and related services, and 33 per cent will be devoted to such industrial projects as small manufacturing plants, agro-industrial projects, fish processing or freezing plants and other concerns which will exert a favorable impact on the nation's balance of payments.

The total cost of the program is estimated at \$1.7 million. The Bank loan will finance 58.8 per cent of this sum, the BDB will provide 23.5 per cent and the beneficiaries will supply the remaining 17.7 per cent.

The loan is guaranteed by Barbados.

TECHNICAL ASSISTANCE

Sewage System Study

Fund for Special Operations
\$149,000 contingent repayment assistance of
April 29, 1971

This technical assistance will enable the Ministry of Health and Social Welfare to prepare a master plan for the sewage disposal system for Bridgetown, the capital of Barbados, and various surrounding areas, to draft the engineering designs for the system in central Bridgetown, and to carry out a study of the disposal situation around the city's principal source of drinking water, the Belle Water Pumping Station.

BOLIVIA

LOANS

Construction of Gas Pipeline

Ordinary Capital Resources
\$19,879,058 20-year 8% loan of June 30, 1971
(\$11.4 million and 27,512,000 Netherlands guilders)
Borrower: **Compañía Yacibol Bogoc Transportadores**

Yacimientos Petroliferos Fiscales Bolivianos (YPFB), Bolivia's national petroleum agency, owns substantial gas and oil fields at Colpa and Río Grande in the Department of Santa Cruz. The fields contain proved and recoverable reserves of 62.4 billion cubic meters of gas. While Bolivia's own gas needs are small, neighboring Argentina needs increasingly large amounts for industrial and residential use.

In order to meet these needs, Argentina is relying on its own gas fields in South Central Argentina as well as on Bolivian fields. *Gas del Estado*, Argentina's fuel agency, has contracted to buy 31.5 billion cubic meters over the next 20 years for use in the Buenos Aires area.

This loan will help the *Compañía Yacibol Bogoc Transportadores (YABOG)*, a subsidiary of YPFB created to transport gas, to build a pipeline to carry the gas from the Bolivian fields to the city of Yacuiba on the border of Argentina. From there Argentine pipelines will carry it to Buenos Aires Province.

The pipeline will cross the Departments of Santa Cruz, Chuquisaca and Tarija on a route parallel to the Santa Cruz-Yacuiba railroad. It will have a maximum capacity of delivering 5.6 million cubic meters of gas per day at a pressure of 700 pounds per square inch.

The project consists of the construction of 300 miles of 24-inch high-pressure underground pipe, four suspension bridges and supplementary facilities along the pipeline route.

The total cost of the project is estimated at \$57,129,000. The Bank's loan is contributing 34.8 per cent of that sum, a World Bank loan of \$23,250,000 is financing 40.7 per cent, and a New York State Common Retirement Fund loan of

\$14 million is providing the remaining 24.5 per cent.

The loan is guaranteed by the Republic of Bolivia.

Highway Feasibility Studies

Canadian Funds
\$1.7 million 50-year interest-free loan of June 24, 1971
(1,717,000 Canadian dollars)
Borrower: **Republic of Bolivia**

Even though 60 per cent of the nation's freight is carried by highway and 23 per cent by railway and 92 per cent of the nation's passenger traffic moves by highway, Bolivia, with an area of about 424,000 miles and a population of 4.9 million, lacks an adequate surface transportation system.

The present surface system consists of 2,300 miles of railroads and 11,350 miles of various types of roads. The system is primarily concentrated in the southern half of the country.

In order to improve this situation, the Bolivian Government has prepared a national highway plan for the 1970 decade which contemplates new constructions as well as maintenance and improvement programs for existing roads. Approximately 1,250 miles of new roads are contemplated under the plan, many of them in the northern part of the country.

This loan will help finance studies for the construction of highways and access roads in that part of the nation. The roads to be studied are located in the jungle region along the upper Beni River north of La Paz, the capital city, and in the adjacent Andean region near the town of Apolo.

Specifically, this project calls for the preparation of studies for the construction of a 130-mile highway between Sapecho and Puerto Salinas; engineering studies for branch access roads from the Sapecho-Puerto Salinas route to the towns of San Borja, Reyes and Rurrenabaque; final engineering studies for a highway crossing of the Beni River, and a viability study for the construction of a road between the national highway system north of La Paz and the town of Apolo.

The total cost of the project is estimated at \$2,040,000. The Canadian loan will provide 83.3 per cent of this amount and the executing agency, the *Servicio Nacional de Caminos*, Bolivia's highway agency, will contribute the remaining 16.7 per cent.

BRAZIL

LOANS

Highway Construction

Ordinary Capital Resources
\$17,298,712 20-year 8% loan of July 28, 1971
(\$7.2 million, \$5 million in cruzeiros and 118,800,000 Austrian schillings)

Fund for Special Operations
\$30 million 20-year 3¼% loan of July 28, 1971
(\$16.5 million and \$13.5 million in cruzeiros)
Borrower: **Departamento Nacional de Estradas de Rodagem**

The State of Rio Grande do Sul, which lies at the southern tip of Brazil next to Uruguay and Argentina, is a rich agricultural region. The region's scant industrial activities basically involve the processing of farm and livestock products. However, the lack of an adequate land transportation system in the area has been a seriously limiting factor to its socioeconomic growth. Production of farm crops in the area far exceeds local needs and large surpluses are available for export. Lack of economic activity has also led to extensive migration from the countryside.

These loans, extended to the *Departamento Nacional de Estradas de Rodagem (DNER)*, Brazil's highway agency, will help to overcome these handicaps and speed up economic development in the region. The loans will be used to build and improve four major land routes in Rio Grande do Sul connecting with roads in Uruguay. The roads include:

- BR-116 between Pelotas and Jaguarão. The project calls for the grading and paving of the last 89 miles of this major coastal highway which runs some 2,700 miles from Fortaleza in Northern Brazil to the Uruguayan border town of Rio Branco.

- BR-153 between Jeribá, Bagé and Aceguá. This highway — most of which is still in the planning stage — will be another major longitudinal route through Brazil, running approximately 2,300 miles from the State of Pará to the Uruguayan border. The Bank project provides for the construction of the southernmost 132 miles of the road, starting near Jeribá, which is on the axis road between Porto Alegre, Brazil, and the Argentine border, and ending at Aceguá on the Uruguayan border.

- BR-158 between Rosario do Sul and Livramento. The project involves paving approximately 62 miles of dirt roads between Rosario do Sul and Livramento on the Uruguayan border.

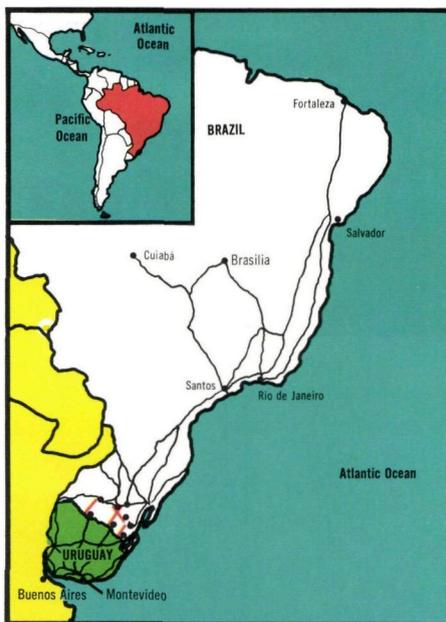
- BR-392 between São Sepé and Canguçu. The project will replace the existing dirt road between these cities with a first-class paved highway 106 miles long. This will open the Atlantic port of Rio Grande to agricultural shipments from a vast portion of the interior of the State of Rio Grande do Sul.

The highways will provide a fast and economic outlet for farm products to consumer centers in Brazil and Uruguay and will make a substantial contribution to the region's physical integration by increasing the flow of trade and tourist traffic between Brazil and Uruguay and then on to Argentina.

In addition to the construction, Brazil's highway maintenance program will benefit from \$5 million of the loans which will be spent to provide maintenance equipment for the above mentioned highways and others in the same State.

The total cost of the program is estimated at \$83,749,000. The Bank loans will provide 56.4 per cent of this amount, 27.7 per cent will be provided by DNER, and 15.9 per cent will be furnished by the *Departamento Autonomo de Estradas de Rodagem*, Rio Grande do Sul's highway department, which will carry out the São Sepé-Canguçu section of BR-392.

Both loans are guaranteed by the Federal Republic of Brazil.



NEW ROADS IN BRAZIL, financed with Bank loan, provide integration links between that nation and Uruguay and Argentina.

Steel Expansion

Ordinary Capital Resources
\$43 million 15½ years 8% loan of Dec. 28, 1971
Borrower: **Companhia Siderurgica Nacional**

The Government of Brazil is in the midst of a three-stage expansion program designed to increase the flat steel capacity of the nation's three largest steel producers—*Companhia Siderurgica Nacional (CSN)*, whose plant is located at Volta Redonda between São Paulo and Rio de Janeiro; *Usinas Siderurgicas de Minas Gerais (USIMINAS)*, located at Ipatinga; and the *Companhia Siderurgica Paulista (COSIPA)*, located near Santos.

The broad expansion program of the three mills, which are largely government-owned, is being carried out under the guidance of the *Conselho Nacional da Industria Siderurgica (CONSIDER)*, the government agency coordinating the growth of the nation's steel industry. In the first stage of the program, now well under way, annual capacity is being increased from 3.1 to 3.6 million tons by

1973; in the second, for which this loan is an initial contribution, production will rise to 7.2 million tons by 1976, and in the third, now on the drawing boards, it will go to 11 million tons by 1980.

Expansion Program
(In millions of tons of raw steel)

	Existing	Stage I	Stage II	Stage III
	1971	1973	1967	1980
CSN	1.5	1.7	2.5	4.0
USIMINAS	1.0	1.0	2.4	3.5
COSIPA	0.6	0.9	2.3	3.5
TOTAL	3.1	3.6	7.2	11.0

The total cost of the second stage is estimated at \$1,280 million and is being carried out with the assistance of the Inter-American Bank, the World Bank, bilateral agencies of the United States, European countries, Japan and domestic Brazilian resources. This loan will help finance the expansion program of CSN's plant which is being carried out at a total cost of \$423.7 million. At year's end, the Bank was studying two additional loans for *USIMINAS* and *COSIPA*.

Brazil accounts for more than 40 per cent of Latin America's steel output and CSN is the largest steel mill in the region. It produces 30 per cent of Brazil's production of cold rolled products and is the nation's sole producer and importer of galvanized sheets and tinplate.

Under the expansion project, a new 6,000-ton-a-day blast furnace will be built which will be the largest in Latin America and will be among the 12 largest in the world.

Other main items in the expansion program include mining and ore beneficiation equipment; a third sinter plant with a 5,200-ton capacity per day; ore and coal yard improvements; a third battery of 73 coke ovens with by-product recovery plant; a basic oxygen furnace steel plant (two 200-ton vessels) and an oxygen plant (600 tons per day); a continuous casting machine; alterations to the hot strip mill; roll shop equipment; foundry equipment; electrical supply and distribu-

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tion material; a continuous annealing line; third and fourth electrolytic tinning lines; rolling stock; mobile erection equipment and railroad track accessories, and supporting service facilities.

The loan is guaranteed by the Federal Republic of Brazil.

PARTICIPATIONS — The following banks are participating in the loan for a total of \$2,050,000: Chemical Bank, New York; The Riggs National Bank of Washington, D.C.; Seattle-First National Bank; Bank of America N.T. and S.A., San Francisco; Marine Midland Bank-New York; Security Pacific National Bank, Los Angeles; Central National Bank of Cleveland, and First Wisconsin National Bank of Milwaukee.

Water and Sewage Systems

Fund for Special Operations .
\$30 million 30-year 2¼% loan of May 4, 1971
(\$15 million and \$15 million in cruzeiros)
Borrower: **Banco Nacional da Habitação**

Brazil's urban population has increased rapidly over the past two decades, rising from 36 per cent of the total population in 1950 to 55 per cent in 1970. This rapid growth has not been accompanied by a comparable growth in the construction of such public services as water supply and sewage systems. In Brazil's Northeastern states, for example, only 36 per cent of the population receives potable water service and only 8 per cent has access to a sewage system. This has caused a high incidence of infant mortality and morbidity rates in the region.

To improve this situation, the Government of Brazil has initiated a 10-year plan whose goal is to provide water supply services to 80 per cent and sewage service to 50 percent of the nation's urban population by 1980.

This loan will help the *Banco Nacional de Habitação (BNH)*, a public corporation charged with financing housing and sanitation projects, to carry out the first phase of this plan. This phase will benefit an estimated 5.5 million persons in some 50 communities. In this phase, water



CEMENT MIXER POURS PAVEMENT for section of Pan American Highway near Rosario, Argentina. The highway is one of several, linking Argentina with its neighbors, which the Bank is helping to finance.

supply and sewage systems will be built in various cities having up to 500,000 inhabitants in the Northeast and with up to 300,000 inhabitants in other parts of the country.

A substantial portion of the program will be carried out in the North and Northeast of Brazil, where per capita income levels, 50 per cent below the national average, are comparable to the lowest in Latin America.

The works to be carried out under the program include the construction, expansion or improvement of such water supply and sewage services as impoundment facilities, treatment plants, distribution lines, house connections and sewage collector systems.

The total cost of the program is estimated at \$100 million, of which the Bank's loan will provide 30 per cent, the *BNH* 30 per cent, and other local sources the remaining 40 per cent.

The loan is guaranteed by the Federal Republic of Brazil.

Preinvestment Studies

Fund for Special Operations
\$11 million 15-year 3¼% loan of Dec. 23, 1971
(\$5 million and \$6 million in cruzeiros)
Borrower: **Financiadora de Estudos e Projetos S.A.**

In 1965 the Inter-American Bank extended a loan for \$5 million to help Brazil prepare studies of projects for financing by national and international sources of capital.

With the proceeds of that loan, Brazil's

national preinvestment agency — *Financiadora de Estudos e Projetos S.A. (FINEP)* — carried out some 72 studies at a total cost of \$11.3 million. Twenty-five of these have been translated into projects now being implemented. The Inter-American Bank itself has provided financing of \$70 million for three of these and has additional projects under consideration.

This new loan will enable Brazil to finance an additional flow of the preinvestment studies needed to carry out the nation's development goals. The demand for preinvestment expenditures of this nature is expected to amount to \$28 million in 1972, \$30 million in 1973 and \$33 million in 1974.

The Bank's loan will finance a program being carried out by *FINEP* at a total cost of \$19 million, of which sum the Bank's loan will provide 57.9 per cent, *FINEP* 29.1 per cent, intermediary agents 3 per cent and beneficiaries 10 per cent.

Under the program *FINEP* will grant credits directly or through financial agents to public and private entities to finance preinvestment studies of specific development projects of economic importance to the nation. Up to \$35,000 of the Bank's loan will be devoted to technical assistance designed to strengthen *FINEP's* operating capacity.

The loan is guaranteed by the Federal Republic of Brazil.

Export of Capital Goods

Ordinary Capital Resources
\$1,320,000 6½% line of credit of Feb. 11, 1971
Borrower: **Banco do Brasil S.A.**

This loan will enable the *Companhia Federal de Fundação* of Rio de Janeiro to finance the export of heavy machinery and equipment to Argentina for the construction of a paper mill in Buenos Aires.

The importing company is *Celulosa de Jujuy*. The invoice value of the goods to be exported, exclusive of interest, is \$1,940,000. The importer paid 20 per cent down. The credit granted by the exporter amounted to \$1,552,000, which will be entirely financed by the *Banco do Brasil*, with the Inter-American Bank

financing about 85 per cent of that sum with this credit. The term for the export credit is 5½ years from delivery date.

The Bank's credit was extended to the *Banco do Brasil*, which channeled the resources to the exporter through its *Carteira do Comercio Exterior*.

Export of Capital Goods

Ordinary Capital Resources
\$4.5 million 6½% line of credit of May 27, 1971
Borrower: **Banco do Brasil S.A.**

Thanks to its recent rapid economic development and its growing capital goods producing industries, Brazil has been one of the principal beneficiaries of the Inter-American Bank's export financing program.

The export financing program was launched by the Bank in 1963, in order to stimulate the growth of the capital goods industry in its member countries and to promote economic integration through increased intraregional trade.

Since then, the *Banco do Brasil S.A.*, the national agency in charge of the program in Brazil, has received revolving lines of credit, including the present one, totaling \$13 million to finance general exports of capital goods. In addition it has received some \$7.4 million in special lines of credit to finance three specific exports. This new revolving line of credit for \$4.5 million will enable Brazil to continue the program at an accelerated pace.

With repayments, under the revolving line of credit the Bank up to Dec. 31, 1971, had helped finance more than 1,100 export credits with an invoice value of \$47 million to 15 Latin American nations. These exports have included, among other things, truck chassis, bus bodies and other vehicles, packing equipment, tractors, textile machinery, highway construction and paper-making equipment, boilers and fork-lifts. A breakdown of these exports is shown in the following table:

Country of Destination	Number of Exports	Invoice Value (In thousands of U.S. dollars)
Argentina	513	\$34,076
Bolivia	62	1,508
Chile	4	297
Colombia	18	441
Costa Rica	5	31
Ecuador	12	453
El Salvador	2	56
Guatemala	5	164
Honduras	3	137
Mexico	173	2,776
Paraguay	35	640
Peru	83	1,289
Uruguay	153	4,545
Venezuela	43	565
TOTAL	1,111	\$46,978

Sugar Mill Machinery Exports

Ordinary Capital Resources
\$3,040,000 6½% line of credit of Sept. 2, 1971
Borrower: **Banco do Brasil S.A.**

This line of credit will enable two Brazilian exporters to finance the export of machinery and equipment to Venezuela for the construction of a refined sugar mill.

Banco do Brasil S.A., the borrower will channel the line of credit through its Foreign Trade Division, the *Carteira do Comercio Exterior*, to finance the export credits extended by *M. Dedini S.A.* and *Metalurgica de Acessorios para Usinas S.A.*, both of São Paulo, Brazil, to the *Central Santa Maria C.A.* of Maturín, Monagas, Venezuela, to purchase the goods and services needed to build the mill. The invoice value of the goods to be exported is \$4.2 millions. The importer will pay 15 per cent down. The term of the export credit is 10 years from the date of the contract.

The plant will have a processing capacity of 2,400 tons of sugar cane per day and could be expanded later to a 5,000-ton capacity.

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Telephone Equipment Exports

Ordinary Capital Resources
\$3 million 7% line of credit of Oct. 28, 1971
Borrower: **Banco do Brasil S.A.**

This line of credit, along with \$400,000 available from a previous line, will enable Brazilian manufacturers to finance the export of automatic telephone exchange components, with an invoice value of \$5 million, to Argentina. The Brazilian manufacturer is *Standard Elétrica S.A.* of Rio de Janeiro, a private firm which is selling components of the Crossbar-Pentaconta type to Argentina's national telecommunications enterprise, the *Empresa Nacional de Telecomunicaciones*.

Banco do Brasil S.A., the Brazilian entity which acts as the national agency in Brazil for the Bank's export financing program, is channeling the financing through its Foreign Trade Division, the *Carteira do Comercio Exterior*, to the exporter.

CHILE

LOANS

University Expansion

Fund for Special Operations
\$7 million 25-year 2¼% loan of Jan. 14, 1971
(\$4,270,000 and \$2,730,000 in escudos)
Borrower: **Universidad Católica de Chile**

The *Universidad Católica de Chile* ranks third in enrollment among Chile's eight universities, exceeded only by the *Universidad de Chile* and the *Universidad Técnica del Estado*. The University of Chile accounts for 53 per cent of the nation's student body, the Technical University for 15 per cent and Catholic University for 11 per cent.

In 1969 enrollment at the Catholic University in Santiago totaled 7,889 and an additional 864 students were enrolled in centers in Talca, Concepción and Temuco. The University has established growth targets of approximately 15,000 undergraduate and 2,000 graduate students by 1977 on the basis of an average annual increase of 9 per cent.

In order to achieve these growth targets, the University needs to expand its facilities and the Bank is cooperating with this effort. In 1964 it approved a \$1,050,000 loan to expand its College of Physical Sciences and Mathematics and in 1965 extended grant technical assistance of \$40,000 to improve its financial and administrative systems.

This new loan will be used to build and equip classrooms and library buildings, expand the teaching staff and provide financial assistance to students. In addition, up to \$450,000 of the loan will be devoted to technical assistance to hire consultants to strengthen teaching and research in various academic fields and reorganize the University's administrative systems.

The project is being carried out at a cost of \$14 million. The Bank is providing 50 per cent of this amount and the University the remainder.

The loan is guaranteed by the *Corporación de Fomento de la Producción*.

University Expansion

Fund for Special Operations
\$4.6 million 25-year 2¼% loan of Jan. 14, 1971
(\$2,640,000 and \$1,960,000 in escudos)
Borrower: **Universidad Austral**

The *Universidad Austral*, a private university located in Valdivia, ranks seventh in enrollment among Chile's eight universities and, with 1,400 students, accounts for only 2 per cent of the nation's total university enrollment. Despite this it is particularly important to Chile's economic and social development because its zone of influence extends to seven of the nation's least developed provinces — Cautín, Valdivia, Osorno, Llanquihue, Chiloé, Aisén and Magallanes. The seven, which are located in the southern part of the country, account for 15 per cent of Chile's total population, but for only 11 per cent of the nation's gross domestic product. Illiteracy in the zone is more than 20 per cent compared with 10 per cent in the rest of the country. The development of university facilities in this part of Chile

has also been much slower than in the rest of the country.

This loan will enable the University to carry out the first stage in a 1970-80 development program which calls for the construction of buildings; the purchase of laboratory and other equipment; the expansion of the academic staff, and assistance to students. In addition, \$96,000 of the Bank's loan will be used to provide technical assistance connected with administrative and curriculum reforms, the selection of laboratory equipment and institutional development.

The total cost of this project is estimated at \$8.4 million. The Bank's loan will provide 54.8 per cent and the University the remaining 45.2 per cent.

The loan is guaranteed by the *Corporación de Fomento de la Producción*.

COLOMBIA

LOANS

Animal Health and Farm Extension Services

Fund for Special Operations
\$19.8 million 20-year 2¼% loan of Aug. 12, 1971
(\$15.2 million and \$4.6 million in Colombian pesos)
Borrower: **Instituto Colombiano Agropecuario**

In 1968 the Inter-American Bank initiated a policy of providing financial assistance to its member nations to develop and step up their efforts to control and eventually eradicate foot-and-mouth disease in cattle, a malady which is endemic in South America. During 1971 the Bank approved two new loans for the campaign: this one and another amounting to \$7.5 million extended to Venezuela. Previous loans totaled \$28.6 million for similar efforts in Argentina, Brazil, Chile and Paraguay and the Bank is considering others elsewhere in South America.

This loan will be used by the *Instituto Colombiano Agropecuario (ICA)*, a governmental agency which fosters agricultural development in Colombia, to carry out agricultural projects designed to combat foot-and-mouth and brucellosis diseases in Colombia, as well as to expand the nation's farm research and extension services.

The total cost of the program is estimated at \$45.4 million. The Bank's loan will finance 43.6 per cent of that cost. The remainder will be provided by *ICA*. Up to \$15,270,000, or 33.7 per cent of the program resources, will be devoted to the animal health sub-project; another \$25,870,000, or 56.9 per cent, will finance extension and research services, and the remainder will cover other costs, including \$100,000 for technical assistance services to *ICA* connected with data processing systems and improvements in its financial administration.

Except for the northwestern part of the Department of Chocó along the Panamanian border, foot-and-mouth disease is endemic throughout Colombia. Since the disease was first detected in 1950, the problem has become increasingly serious, causing direct losses due to weight decrease, lower milk production, sterility and death, and closing many potential markets to Colombian beef because of restrictions imposed by countries free of the disease.⁷

The agricultural research and extension project will expand *ICA's* country-wide campaign to increase crop production through the distribution of modern farm techniques and methods. A total of 41 new field offices will be established and others will be improved so that *ICA* will have a total of 100 extension agencies in the field within four years.

The loan is guaranteed by the Republic of Colombia.

Electric Power Distribution

Ordinary Capital Resources
\$9,205,715 20-year 8% loan of Feb. 11, 1971
(\$3.6 million, \$3 million in Colombian pesos and
13,330,056 French francs)

Fund for Special Operations
\$16 million 20-year 3¼% loan of Feb. 11, 1971
(\$11 million and \$5 million in Colombian pesos)

Borrower: **Instituto Colombiano de Energía Eléctrica**

Over the past decade Colombia's electric power generating capacity tripled from 900,000 to 2.7 million kilowatts, largely due to rapid expansion in hydroelectric output, which provides about two-

thirds of the country's electricity. This growth has been concentrated mainly, however, on supplying Colombia's large cities and the nation's smaller communities continue to suffer serious power shortages.

These two loans will help correct this imbalance by expanding and improving electric power distribution and subtransmission systems in 14 of Colombia's 22 departments.

The loans will enable the *Instituto Colombiano de Energía Eléctrica (ICEL)*, a public power corporation operating under the Ministry of Public Works, to improve and expand the facilities of 12 of its affiliated companies serving smaller communities. The 12 affiliated companies provide service in 14 Departments: Antioquia, Atlántico, Bolívar and Sucre, Boyacá, Cauca, Córdoba, Cundinamarca and Meta, Huila, Magdalena, Nariño, Santander and Tolima. The projects are expected to improve electric power service for 160,000 current industrial, commercial and residential consumers and to bring power for the first time to an additional 109,000 new users.

Specifically, the project provides for the installation of 1,000 miles of 66, 44, 33 and 13.2 kilovolt subtransmission lines; the construction or expansion of 17 transmission substations, and the construction of new or the expansion of existing distribution systems in 127 cities and towns throughout the nation.

The total cost of the project is estimated at \$43,156,000. The two Bank loans will provide 58.4 per cent of this cost, *ICEL* will provide 26.9 per cent and the affiliated companies will provide 14.7 per cent.

The loans are guaranteed by the Republic of Colombia.

PARTICIPATIONS — The following banks are participating in the ordinary capital loan for a total of \$305,000: Franklin National Bank, New York; Chemical Bank, New York; Banco de Ponce, New York; Crocker National Bank, San Francisco; Union Bank, Los

Angeles; Bank of California National Association, San Francisco; First Wisconsin National Bank of Milwaukee; Industrial National Bank of Rhode Island, Providence, R.I.; Marine Midland Bank Western, Buffalo, New York, and Security Pacific National Bank, Los Angeles.

Hydroelectric Power Plant

Ordinary Capital Resources
\$35,269,146 20-year 8% loan of May 5, 1971
(\$17,271,389, 12,244,266 Swiss francs and
75,759,150 French francs)

Borrower: **Interconexión Eléctrica, S.A.**

The most serious restriction to the development of the electric power sector in Colombia has been a lack of comprehensive planning. Electric power in the country has been provided by a variety of small, often inefficient, agencies plagued by financial problems and serving limited markets that are poorly connected to other areas.

Aware of these handicaps, the Government of Colombia has embarked in recent years on a campaign to bring about integrated and coordinated development in this sector. As part of this effort, in 1967 Colombia's largest electric power companies established *Interconexión Eléctrica, S.A. (ISA)*, a complex designed to interconnect Colombia's major power systems and to plan, build and operate major new power generating plants in the new system.

The purpose of *ISA* is to interconnect the electric power systems of the six companies—*Corporación Autónoma Regional del Cauca, Central Hidroeléctrica del Río Anchicayá Limitada, Empresa de Energía Eléctrica de Bogotá, Empresas Públicas de Medellín, Instituto Colombiano de Energía Eléctrica* and *Central Hidroeléctrica de Caldas*. The main objective of the interconnection of the systems is the exchange of power to meet shortfalls when needed and to make better use of reserve generating capacity, as well as of excess power generated in any single unit of the system. *ISA* also seeks to establish priorities for the establishment of new

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plants and provide better programming for future expansion programs.

This loan will enable *ISA* to build a 500,000 kilowatt plant — called the Chivor Hydroelectric Power Plant — designed to provide power for the country's Central Interconnection Network, which serves the main consumer areas of Bogotá, Medellín and Cali.

The project calls for construction of a rock-fill dam on the Batá River located about 75 miles northeast of Bogotá in the Department of Boyacá; a 3.5-mile pressure tunnel; a 1.2-mile penstock to the Lengupá River, and a powerhouse containing four 125,000-kilowatt generator units. Also included is a double circuit 230-kilovolt transmission line, 97 miles long, which will connect the Chivor Plant to *ISA's* interconnection network.

The total cost of the project is estimated at \$174,419,000. The Bank's loan is providing 20.2 per cent of this amount, a World Bank loan of \$52.3 million extended in June 1970 is covering 30 per cent, and *ISA* is supplying the remaining 49.8 per cent.

The loan is guaranteed by the Republic of Colombia.

TECHNICAL ASSISTANCE

Farm Diversification

Fund for Special Operations
\$27,000 contingent repayment assistance of
Feb. 17, 1971

The economy of Colombia is highly dependent on coffee, which accounts for 35 per cent of the nation's total agricultural output and approximately 10 per cent of its internal product.

In 1964 the Bank extended a \$7 million loan to the *Fondo de Desarrollo y Diversificación de Zonas Cafeteras de Colombia* to help finance the initial stage of a five-year program to diversify the farm economy of the Department of Caldas and lessen its dependence on coffee.

This technical assistance will enable the *Federación Nacional de Cafeteros de Colombia*, Colombia's national coffee federation, to help prepare a project for the

marketing of farm products, primarily perishable, which are now being produced as a result of the diversification effort.

Training in Public Administration

Social Progress Trust Fund
\$225,000 nonreimbursable assistance of
Nov. 26, 1971

This technical assistance will enable the Republic of Colombia to carry out a program to improve the nation's general management training activities and thus upgrade public administration.

The project will be carried out over a three-year (1971-73) period through six regional centers located in Bogotá, Medellín, Cali, Bucaramanga, Cartagena and Ibagué.

The Bank's contribution will be divided into three quotas of \$75,000 to be provided in each of the years 1971, 1972 and 1973. For its part the Colombian Government will provide \$602,500 over the three-year period.

COSTA RICA

LOAN

Technical and Professional Education

Fund for Special Operations
\$3.5 million 25-year 2¼% loan of Oct. 7, 1971
(\$3.4 million and \$100,000 in Costa Rican colones)
Borrower: Republic of Costa Rica

Spurred by increased agricultural and industrial production, Costa Rica has undergone rapid economic expansion during recent years. To ensure that this expansion continues undiminished over the next few years, measures must be taken now to increase farm productivity, to raise the efficiency of industry and to prepare industries to compete in world markets. For this the nation needs more middle-level personnel than it currently has.

While Costa Rica has traditionally enjoyed a high literacy level (89 per cent in 1970), it has lagged in training such personnel. There are only 760 trained professionals among 45,500 urban workers in industry and commerce, and only 730 trained agricultural technicians among 187,000 rural workers.

This loan will help Costa Rica carry out a project designed to improve this situation by providing facilities to increase the training capacity of technicians from 4,867 to 10,232 students.

Under the program five technical industrial schools, an arts and crafts school, a commercial and women's education school and an agricultural and animal husbandry school will be built; four industrial and four agricultural schools will be expanded; an agricultural and animal husbandry school will be completed; 19 schools will be equipped with teaching and training material; new construction sites will be purchased; technical assistance designed to help bring the system up-to-date will be provided, and financial assistance will be made available to students.

The program was formulated with the assistance of \$17,388 in technical assistance extended by the Bank in 1968. This sum is now being charged to the loan. In addition up to \$250,000 of this loan may be used for technical assistance aspects of the program.

The total cost of the program is estimated at \$5.7 million. The Bank loan will provide 61.4 per cent and the Government of Costa Rica will provide the remaining 38.6 per cent.

TECHNICAL ASSISTANCE

Irrigation and Other Studies

Fund for Special Operations
\$100,000 contingent repayment assistance of
Aug. 5, 1971

The Republic of Costa Rica is carrying out significant efforts to accelerate economic development in areas outside its central plateau, the traditional development pole surrounding San José, the capital. As part of these efforts, it is engaged in a program designed to foster comprehensive development in the Tempisque River Valley in Guanacaste Province.

This technical assistance will help prepare a technical and economic feasibility study for the establishment of an irrigation and flood control system covering



NEW ROAD WENDS WAY to previously isolated farming communities in Costa Rica. Shown is one of 50 feeder roads being built in the country with Bank support in an effort to improve lot of low-income farmers.

37,000 acres in the valley; evaluate the region's potential economic and social development prospects, particularly in agriculture, and identify supplementary development projects.

Improvement in Planning Activities

Social Progress Trust Fund
\$130,000 nonreimbursable assistance of
Aug. 5, 1971

This technical assistance will help Costa Rica's planning agency, the *Oficina Nacional de Planificación*, to strengthen its operations.

The assistance will help the agency to evaluate the nation's 1969-72 development plan and formulate its 1972-75 plan, among other tasks.

DOMINICAN REPUBLIC

LOAN

University Expansion

Fund for Special Operations
\$3.4 million 25-year 2¼% loan of June 24, 1971
(\$2.5 million and \$900,000 in Dominican pesos)
Borrower: **Universidad Católica Madre y Maestra**

The Dominican Republic's economic and social development has centered in

the south, particularly in Santo Domingo — the capital — and its environs, and most of the nation's higher learning enrollment is located there. Total university enrollment in the nation is about 15,800 students in four institutions of higher learning, of whom some 77.7 per cent are enrolled in the Autonomous University of Santo Domingo, 12.5 per cent in the Pedro Enrique Zureña National University, 9.4 per cent in the *Universidad Católica Madre y Maestra (UCMM)*, and 0.4 per cent in the recently founded *Universidad Central del Este*.

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UCMM, with a total enrollment of 1,537 students, is located in Santiago de los Caballeros, the nation's second largest city, and serves an area of 13 provinces in the nation's northern region. This area accounts for 49 per cent of the nation's population and offers the best prospects for future agricultural and industrial development.

This loan will help to stimulate that growth by helping to improve and expand UCMM, which is a private university. With the help of this loan enrollment is expected to reach 5,000 students by 1980.

The project calls for the construction of seven new buildings and the remodeling of three existing ones. Once completed, it will result in the consolidation of the five colleges and two schools, which make up the University, into six broad academic departments in the fields of the natural and social sciences, education, humanities, engineering and agriculture.

Up to \$260,000 of the Bank's loan will be used to finance technical assistance services related to the program. The total cost of the program is estimated at \$5.2 million, of which the Bank will provide 65.4 per cent and the University 34.6 per cent. The loan is guaranteed by the Dominican Republic.

TECHNICAL ASSISTANCE

Agricultural Studies

Social Progress Trust Fund

\$202,600 contingent repayment assistance of Oct. 14, 1971

\$453,400 nonreimbursable assistance of Oct. 14, 1971

Agriculture is the most important economic activity of the Dominican Republic, accounting for about 25 per cent of the nation's gross domestic product, employing 60 per cent of its labor force, and generating about 95 per cent of its export earnings. Nonetheless, growth of farm output has failed to keep pace with the nation's population increase.

This technical assistance will support the Dominican Government's effort to improve that output and strengthen the

role of agriculture in the nation's overall growth. In order to accomplish these objectives, the assistance calls for the execution, jointly with the United Nations Food and Agriculture Organization (FAO), of a study on agricultural marketing; training in irrigation district services, to be carried out in cooperation with Mexico's Secretariat of Hydraulic Resources; conservation studies on the water sheds of the Yaque del Norte and Nizao Rivers to be executed jointly by individual consultants and local counterpart experts; and courses for administrators of agrarian reform projects to be conducted by the Inter-American Institute for Agricultural Science.

The assistance being provided to the nation's *Instituto de Recursos Hidráulicos* for irrigation studies is subject to repayment if the Bank subsequently extends a loan to carry out the project.

ECUADOR

LOANS

Integrated Electric Power

Fund for Special Operations

\$16.2 million 25-year 3¼% loan of Nov. 26, 1971

Canadian Funds

\$8.8 million 50-year interest free loan of

Nov. 26, 1971

(8,888,000 Canadian dollars)

Fund for Special Operations

\$2.7 million 15-year 3¼% loan of Nov. 26, 1971

Borrower: **Republic of Ecuador**

Within Latin America's indices of electrification, Ecuador's are far below the regional average, with only 40 per cent of the nation's total population having access to power services. In 1970, the per capita installed capacity was 43 watts and per capita annual generating capacity was 142 kilowatt hours, compared with a Latin American per capita average of 121 watts and 451 kilowatt hours respectively.

Traditionally, electric supply in Ecuador has been provided by the various municipalities in the country. This has resulted in the existence of a wide number of individual power generating sys-

tems of small capacity designed solely to meet the requirements of individual localities.

In 1967 the *Instituto Ecuatoriano de Electrificación (INECEL)*, Ecuador's national power agency, drew up a national electrification program designed to bring about a rational interconnected electric power system to the nation.

These three loans will help finance the first stage of the program. The first two will be used to construct the first stage, known as Pisayambo I, in a 150,000-kilowatt hydroelectric project designed to supply electricity to northern Ecuador, including Quito, the nation's capital. This stage of the project involves the construction of a dam on the Pisayambo lagoon with a capacity of 90 million cubic meters; a 2.7-meter, three-mile long, intake tunnel; a generating plant at Pucará with a capacity of 69,000 kilowatts, and two 138-kilovolt transmission lines, the first 66 miles long from Pucará to Latacunga and then to Quito and the second, 18 miles long from Pucará to San Miguelito and then to Ambato.

The third will be used to finance the preparation of the final studies and designs for the first stage, known as Paute I, in a 1,260,000-kilowatt power project, designed to provide electricity to the Southern part of Ecuador, including the port of Guayaquil.

The total cost of the initial stage is \$41.2 million. The Fund for Special Operations loans will provide 45.8 per cent of that cost, the Canadian loan will cover 21.4 per cent, and the Government of Ecuador will furnish the remaining 32.8 per cent.

Technical Education

Fund for Special Operations

\$2.6 million 25-year 2¼% loan of Oct. 14, 1971

Borrower: **Escuela Superior Politécnica del Litoral**

Due to recent economic developments, primarily the discovery of oil, Ecuador needs to step up its capacity to train professional engineers and intermediate technicians. Large petroleum reserves have

been tapped in northeastern Ecuador and the region is expected to become one of the major petroleum-producing areas of South America.

Preliminary estimates indicate that over the next decade the development of the

CURVING CONDUIT being built with help of \$12 million Bank loan will bring pure water to Quito from the Pita and Tambo Rivers near the Cotopaxi Volcano. The project is the first stage in a program to provide adequate service to the city through 1994.



area could create a demand for about 800 Ecuadoran engineers. In addition, future development of the Guayas River Basin, which accounts for 13 per cent of Ecuador's territory and 22 per cent of its population, also requires large numbers of qualified professionals.

The *Escuela Superior Politécnica del Litoral*, of Guayaquil, is playing a leading role in training technicians and engineers. While the school, which has 858 students, accounts for only 3 per cent of the nation's higher education enrollment, its enrollment represents one-third of the nation's total in the special areas of engineering which the University offers.

This loan will enable the school to expand its facilities through the construction of four new buildings, the purchase of equipment for laboratories and other facilities, the strengthening of the school's faculty, the expansion of its academic program and the improvement of its administration. Up to \$195,500 of the loan may be used to finance technical assistance aspects of the project. The project seeks the adoption of a flexible curriculum system and the establishment of the short-term intermediate fields of study most needed to improve the professional efficiency and productivity of engineering in Ecuador.

The expansion program is being carried out at a total cost of \$3.9 million. The loan is financing 66.7 per cent of the cost and the school is providing the remaining 33.3 per cent.

The loan is guaranteed by the Republic of Ecuador.

TECHNICAL ASSISTANCE **Water and Sewage System Studies**

Social Progress Trust Fund
\$48,000 nonreimbursable assistance of
July 21, 1971

Water and sewage services in Quito are provided by two different entities—the *Empresa Municipal de Agua Potable (EMAP)*, and the *Empresa Municipal de Alcantarillado*.

In 1966 the Bank extended a \$12 million loan to improve and expand the city's water system and is considering additional financing for it.

This technical assistance will make possible a study of whether it would be preferable to have the water supply and sewage facilities under the control of one

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agency or of separate entities and, if so, make recommendations for the improvement of *EMAP's* structure and organization.

EL SALVADOR

LOAN

Road Improvement and Maintenance

Fund for Special Operations
\$10 million 25-year 3¼% loan of Dec. 30, 1971
(\$8 million and \$2 million in colones)

Borrower: Republic of El Salvador

El Salvador, which has the smallest land area of any country of Central America, ranks at the top of Latin American countries in the length of its developed road system for its size. The nation presently has 5,400 miles of roads, of which 14 per cent are paved. Its road system has grown particularly rapidly over the last 17 years, a period in which the number of all-weather roads rose by 76 per cent.

However, although the Government has made substantial investments in recent years in construction, it has failed to match those with similar support for road improvement and maintenance.

This loan will help the nation to correct this imbalance. It will enable the nation's highway agency, the *Dirección General de Caminos (DGC)*, to carry out four subprojects at a total cost of \$13,695,000. The Bank will provide 73 per cent of the cost and the Government of El Salvador the remaining 27 per cent.

The Bank's loan will support the expansion of the nation's pool of machinery and equipment for road maintenance, the reconditioning of eight stretches of the nation's highways which have seriously deteriorated, the reconstruction of three stretches 49 miles long of the Pan American Highway, and will provide technical assistance amounting to \$482,700 to improve the agency's road maintenance system and its administrative and financial practices.

TECHNICAL ASSISTANCE

Improvement in Planning Activities

Social Progress Trust Fund
\$294,200 nonreimbursable assistance of
Sept. 9, 1971

This technical assistance will help El Salvador's national planning office, the *Consejo Nacional de Planificación y Co-*

ordinación Económica (CONAPLAN), to prepare the nation's 1973-77 National Plan for Economic and Social Development. In addition, it will help identify, prepare and evaluate sectoral development programs and review the current organization of the planning system for the public sector.

HOMES COVER MOUNTAIN PLATEAU over Guatemala City. Project, built with Bank help, provides housing for modest-income residents of the capital city.



GUATEMALA

LOANS

Highway Construction

Fund for Special Operations
\$6.6 million 25-year 3¼% loan of April 22, 1971
(\$5,091,000 and \$1,509,000 in quetzales)
Borrower: Republic of Guatemala

In the past decade Guatemala has made considerable progress in building roads and highways, having invested more than 30 per cent of its public funds in road-building.

However, maintenance of the national road system has not kept pace with this construction effort. Thus, while road construction has increased by 25 per cent since 1962, funds spent for maintenance during the period declined by about 20 per cent. As a result, various stretches of key trunk highways have deteriorated seriously.

In view of this situation, the Government of Guatemala has assigned top priority in its national development plans for the 1971-75 period to improvements in its road maintenance system.

This loan will contribute to the program by financing projects that include improving 93 miles of trunk highways and widening nine one-way bridges on the highway that connects Guatemala with El Salvador; placing under permanent maintenance a total of 1,865 miles of roads, or nearly a fourth of the nation's system, and providing the *Dirección General de Caminos*, the country's roads agency, with \$85,000 in technical assistance to improve its administrative and accounting services.

The total cost of the program is estimated at \$10,343,000, of which the Bank's loan will provide 63.8 per cent and local sources the remaining 36.2 per cent.

Rural Water Systems

Fund for Special Operations
\$2.6 million 30-year 2¼% loan of Dec. 23, 1971
(\$1.6 million and \$1 million in quetzales)
Borrower: Republic of Guatemala

About two-thirds of Guatemala's 5.6 million inhabitants live in more than

3,000 rural communities of between 200 and 2,000 inhabitants each. However, only 520 of these, or 13 per cent of the total rural population, have access to public water service.

The Government in 1966 initiated a program to provide potable water service to at least 50 per cent of the nation's rural population over a ten-year period, and the Inter-American Development Bank extended a loan to help finance the initial stage. In that first stage of the program water systems for 92 communities with a population of 83,000 were built.

This new loan will finance the construction of an additional 95 water systems serving 123 rural communities having a total population of 95,000. A typical water system would include catchment works; pumping equipment, where required; a conduit; a regulation and storage tank; a distribution network, household connections, and public fountains.

The total cost of this stage is estimated at \$3,920,000, of which sum the Bank's loan will cover 66.3 per cent and the Government of Guatemala will provide the remaining 33.7 per cent.

TECHNICAL ASSISTANCE Agricultural Planning Activities

Social Progress Trust Fund
\$60,000 nonreimbursable assistance of
July 8, 1971

This technical assistance will enable Guatemala's national planning agency, the *Consejo Nacional de Planificación Económica (CNPE)*, to prepare agricultural development projects identified in the nation's 1971-75 development plan.

The program relates to land tenure, drainage, dairy ranching, farm diversification and the preparation of indices for evaluating the execution of the nation's Agricultural Development Plan.

Sewage System Plans

Social Progress Trust Fund
\$103,000 contingent repayment assistance of
Dec. 16, 1971

Guatemala City is rapidly developing into a major metropolis. As a result, it

now urgently needs to build such urban infrastructure works as water, sewage and trash collection systems on an integrated basis. The older parts of the city have a deteriorating waste disposal and drainage system; certain new sections lack any service, and throughout there are a large number of independent systems with separate discharges. The city also lacks a citywide service for the collection of trash.

This technical assistance will enable the city to prepare a master plan for sewage disposal for the southern part of the city, including the preparation of the preliminary engineering and feasibility studies for the execution of the first stage of the system. It will also help prepare a solid waste collection and treatment plan, including the engineering and feasibility studies for the first stage of the plan.

Institutional Support

Fund for Special Operations
\$115,000 nonreimbursable assistance of
Aug. 5, 1971

As a key element in its 1971-75 national development plan, the Guatemalan Government has created three new institutions to channel technical and financial assistance to the agricultural and industrial sectors.

These are the *Banco Nacional de Desarrollo Agrícola (BANDESA)*, a development bank which will finance agricultural growth; the *Instituto Nacional de Comercialización Agrícola (INDECA)*, an institution which will foster the marketing of farm products, and the *Corporación Financiera Nacional (CORFINA)*, which will operate in the industrial, mining and tourist sectors.

This technical assistance will provide advisory services to the three agencies in matters connected with organization, operations and administration during the initiation of their activities.

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HAITI

LOAN

Farm and Industrial Credit

Fund for Special Operations
\$750,000 25-year 2¼% loan of Oct. 7, 1971
(\$700,000 and \$50,000 in gourdes)

Fund for Special Operations
\$1,050,000 25-year 3¼% loan of Oct. 7, 1971
(\$1 million and \$50,000 in gourdes)

Borrower: **Banque Nationale de la Republique d'Haiti**

The agricultural sector is Haiti's most important economic activity. It employs 80 per cent of the working population, generates 50 per cent of the nation's gross domestic product and produces about 60 per cent of the nation's exports. Haiti's industrial sector, which is concentrated in a very small number of enterprises, accounts for little more than 10 per cent of the nation's gross domestic product.

In its current economic and social plans, Haiti is placing high priority on the development of its agricultural sector, the production of raw material for industry and the manufacture of new export items. These two loans will help achieve these plans by financing:

- An agricultural subprogram designed to stimulate production of such domestic staples as corn, beans and rice; to increase output of meat, vegetables and fruits for local consumption and for export, and to provide industry with such raw materials as cotton, corn, sesame and sunflower seeds.

- An industrial subprogram designed mainly to finance projects manufacturing products for export and making basic consumer goods for the domestic markets.

The \$750,000 loan will provide credit facilities to small- and medium-scale farmers and the \$1,050,000 loan will make similar credit facilities available to industry.

The loans will finance the first in a two-stage program. The total cost of this stage is \$2,641,000. The Bank is providing 68.2 per cent of this cost, the *Institut de Développement Agricole et Industriel (IDAI)*, the nation's development agency,

which is executing the program, will put up 22.5 per cent, and the borrowers will provide 9.3 per cent.

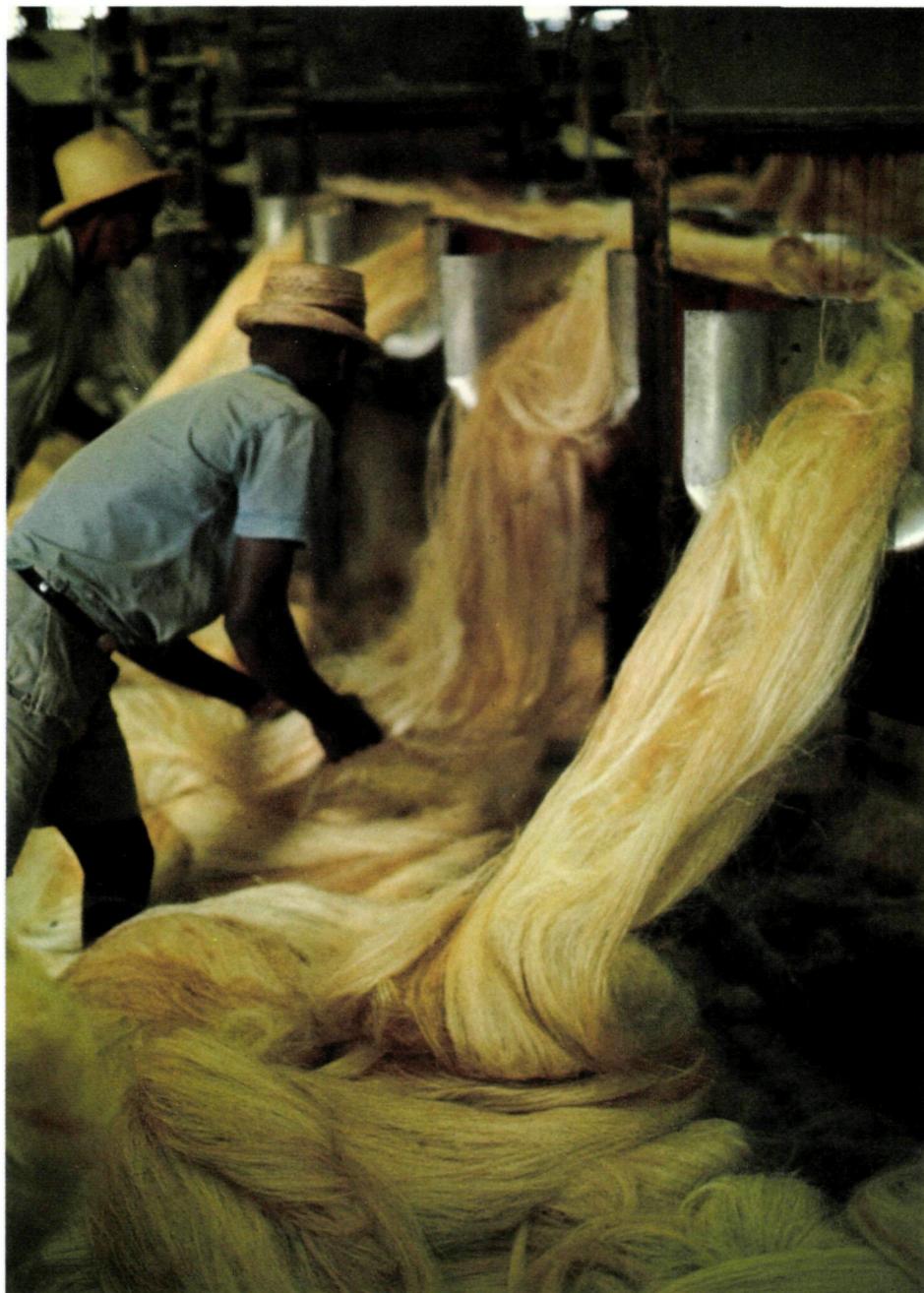
The loans are guaranteed by the Republic of Haiti.

SISAL FIBER FOR BURLAP BAGS spins down at this plant in Port-au-Prince, Haiti. Small-scale factory was modernized with the help of financing provided by the Bank to the nation's national development bank.

TECHNICAL ASSISTANCE Institutional Improvement

Social Progress Trust Fund
\$240,000 nonreimbursable assistance of
Oct. 7, 1971

In order to ensure the maximum effectiveness in the execution of the above-described project for the industrial and agricultural development of Haiti, the Bank simultaneously extended this nonre-



imbursable assistance to the *Institut de Développement Agricole et Industriel*.

The assistance will be devoted to training IDA's technical personnel and will

provide advisory services related to administrative, financial and operational aspects of project feasibility studies in the industrial field.

EVAPORATED SEA WATER LEAVES SALT harvest at this private enterprise financed with a credit from an Inter-American Bank loan channeled through the National Development Bank of Honduras. Plant is located at Jicaro on the nation's south coast.



HONDURAS

LOANS

Farm Research and Extension

Fund for Special Operations
\$2.8 million 25-year 2¼% loan of Oct. 21, 1971
(\$2.5 million and \$300,000 in lempiras)

Borrower: Republic of Honduras

Agriculture is the main economic activity of Honduras, employing approximately 64 per cent of its economically active population and accounting for 90 per cent of the nation's export products. Nevertheless, productivity in this sector lags far behind that of the industrial and services sector.

This loan will help the nation finance a project designed to correct this situation by expanding and modernizing the nation's agricultural research and extension services, thus providing farmers with improved strains of seeds, new farming techniques, more effective livestock feeding practices and better quality livestock.

The program is designed to help the nation increase the production of such priority farm products as corn, beans, sorghum, rice, citrus and other fruits, beef cattle, pasture, fodder and dairy cattle.

Under the research aspect, 1,700 tests will be conducted to seek disease-resistant crops, better use of fertilizers, improved pest and weed control, more adequate soil preparation and better livestock feeding techniques.

Under the extension part, some 10,000 small- and medium-scale farmers, who account for 131,000 acres of farmland and 460,000 acres of pasture land, will receive assistance from the nation's rural development agency, the *Dirección General de Desarrollo Rural (DESARRURAL)*. In addition, up to \$219,000 of the loan will be devoted to technical assistance aspects of the program.

The loan will finance 65.1 per cent of the \$4.3 million cost of the project. The remaining 34.9 per cent will be provided by *DESARRURAL*.

THE BANK IN 1971

Highway Construction

Fund for Special Operations
\$6.3 million 25-year 3¼% loan of April 15, 1971
(\$4,842,000 and \$1,458,000 in lempiras)
Borrower: Republic of Honduras

The Honduran highway system is the least developed in Central America both in terms of population (only 17.3 kilometers of roads per 10,000 inhabitants) and in area (only 39.1 kilometers per 1,000 square kilometers). In 1968 the nation had only 4,170 kilometers, 21 per cent of which were main highways. This scant system, particularly in farm-to-market and feeder roads, has been one of the chief factors limiting the nation's development, and future growth hinges in no small measure on road construction.

To help Honduras overcome this lack, the Inter-American Bank has concentrated much of its lending in Honduras on highway construction, having previously extended five loans amounting to \$20.2 million and granted technical assistance for \$250,000 to improve the nation's highway system.

This new loan will be used by the nation's Ministry of Construction and Public Works to carry out four additional programs. They include the construction and improvement of 70 miles of farm-to-market roads in the agriculturally important departments of Cortés, Comayagua and Yoro; the preparation of feasibility and engineering studies for 262 additional miles of feeder roads; the improvement of the nation's road maintenance system and the provision of \$60,000 in technical assistance to improve the organization of the Ministry.

The total cost of the program is estimated at \$8,212,000, of which the Bank's loan will provide 76.7 per cent and local sources the remaining 23.3 per cent.

Urban Development

Fund for Special Operations
\$7.5 million 25-year 2¼% loan of June 17, 1971
(\$4.6 million and \$2.9 million in lempiras)
Borrower: Republic of Honduras

Despite rapid economic growth over the past decade, Honduras, with an annual

per capita product of \$230, is still one of the less developed countries in Latin America. To improve this situation, Honduras needs heavy investments in physical infrastructure facilities and improvements in its public living conditions, since current standards are deficient and tend to exert a negative effect on labor productivity.

This loan will help Honduras finance a broad urban development and low-income housing program throughout the nation. It consists of four subprograms in the fields of public housing, urban roads, urban infrastructure and technical assistance.

The housing subprogram, which will benefit 18,000 persons, consists of the construction of 3,418 units serving urban families whose total monthly income does not exceed the equivalent of \$250. Approximately 90 per cent of the units will be built in Tegucigalpa and San Pedro Sula. The remaining 10 per cent will be located in La Ceiba, Puerto Cortés and other communities.

The urban roads subprogram consists of the construction of five miles of key roads in Tegucigalpa and the infrastructure subprogram provides for the extension of that city's water supply and sewage installations, and the building of such community facilities as schools, health centers and shops.

The total cost of the program is estimated at \$13,850,000, of which sum the Bank's loan will finance 54.2 per cent and Honduran sources will provide the remainder.

Up to \$860,000 of the Bank's loan will be used to provide advisory services to the executing agencies: the *Instituto de la Vivienda*, the government agency in charge of the nation's urban development; the *Dirección General de Obras Públicas y Urbanismo*, a division of the Ministry of Public Works and Communications, and the *Servicio Autónomo Nacional de Acueductos y Alcantarillado*, the nation's water and sanitary office.

Construction of a Teaching Hospital

Fund for Special Operations
\$4.8 million 25-year 2¼% loan of Nov. 18, 1971
(\$4.3 million and \$500,000 in lempiras)
Borrower: Republic of Honduras

This loan will help Honduras build, equip and organize a combination hospital and medical school in Tegucigalpa. The hospital school, which will help the nation overcome serious shortages of medical facilities, will have a capacity of approximately 381 beds and an out-patient consulting clinic capable of handling 800 daily visits. The project also provides for the purchase of equipment for laboratories and medical-surgical clinics, furniture, textbooks and publications.

The total cost of the project is estimated at \$7.3 million. The Bank loan will cover 65.8 per cent and Honduran sources will provide the remaining 34.2 per cent. Up to \$520,000 of the loan will be devoted to technical assistance to assist in the organization and initial operation of the teaching hospital and to provide advanced training for national health personnel.

The new hospital will replace facilities of the *San Felipe General Hospital* which has operated since 1921 as the most important center in the nation's hospital system. The National University of Honduras offers clinical instruction in medicine at the hospital.

The University is currently making strong efforts to improve its academic standing by adopting measures which have helped increase the student body from 2,494 students in 1966 to 4,047 in 1970 and the number of professors from 319 to 375 in the same period. More significantly within those figures, the number of full-time professors rose from 41 to 184.

TECHNICAL ASSISTANCE

Brucellosis Control

Social Progress Trust Fund
\$17,000 nonreimbursable assistance of
Aug. 12, 1971

Honduras has broad land resources suitable for the development of the live-

stock sector. However, cattle in Central America is subject to losses due to brucellosis and tuberculosis. This technical assistance will enable the Honduran Government to carry out a feasibility study for a campaign to control and prevent the two diseases as part of a general effort which would be carried out throughout Central America.

Institutional Improvement

Fund for Special Operations
\$60,000 nonreimbursable assistance of
April 15, 1971

Along with the \$60,000 in technical assistance which forms part of the previously described loan for highway maintenance, the Bank approved this additional \$60,000 in nonreimbursable assistance to the nation's Ministry of Communications and Public Works to help strengthen departments related to the transportation sector.

JAMAICA

LOANS

Agricultural Credit Program

Fund for Special Operations
\$3 million 20-year 2¼% loan of Dec. 16, 1971
(\$2.7 million and \$300,000 in Jamaican dollars)
Borrower: **Jamaica**

In 1970 the Bank extended a loan for \$6.2 million to Jamaica to finance the first stage of a program designed to benefit 3,600 existing farms and establish 320 new ones. The primary objective of the program is to create viable farm units by providing supervised farm credit and working capital credits to the owners.

As of Dec. 31, 1971, a total of \$10.9 million in credits had been committed under the program, of which amount \$5.2 million was from the proceeds of the first loan. The total number of credits extended under the program was 2,636, a figure far in excess of the goal of 540 set by the Bank for the first year of the program.

This new loan will enable the Jamaican Ministry of Rural Land Development to carry out the second stage of the program. The Ministry will use the loan to

expand the activities of the nation's Self-Supporting Farmers Development Program, which seeks to raise both the quality of life of the nation's small-scale farmers and increase agricultural output.

Eligible farms are generally those of 5 to 25 acres in size, although farms of up to 100 acres of poorer land or under 5 acres of extremely good land are also eligible.

The second stage of the program is being carried out at a total cost of \$5,735,000. The Bank's loan will provide 52.3 per cent of this amount; the Government of Jamaica 31.4 per cent, and the beneficiaries 16.3 per cent.

Industry and Tourism

Ordinary Capital Resources
\$2,059,845 18-year 8% loan of Feb. 11, 1971
(\$1.2 million and 500 million Italian lire)
Fund for Special Operations
\$4 million 18-year 3¼% loan of Feb. 11, 1971
(\$3.2 million and \$800,000 in Jamaican dollars)
Borrower: **Jamaica Development Bank**

Manufacturing has grown at an average rate of 6.8 per cent a year in Jamaica in recent years and the creation of the Caribbean Free Trade Association (CARIFTA) in 1968 has proved an important additional incentive to such development. Since then, Jamaica's exports to other members of CARIFTA have increased by 70 per cent.

Tourism, which generates some 20 per cent of the nation's foreign exchange, is also growing rapidly. In the 1965-69 period, the number of foreign visitors to the island grew by more than 50 per cent, and their expenditures rose by about 70 per cent. However, lodging capacity increased by only 38 per cent during this period.

In 1970 the Jamaica Development Bank (JDB) had an inventory of 55 industrial projects costing a total of \$10.8 million and 28 tourist projects costing approximately \$19.6 million. Approximately 65 per cent of the industrial investments would be made in Kingston and 35 per cent in other parts of the country. A total of 85 per cent of the tourist investments would be made outside Kingston.

These two loans will help the JDB to finance some of these projects. About 60 per cent of the loan resources will be devoted to industry, primarily those making or processing foodstuffs, beverages, plastics, building materials, electrical appliances, textiles, furniture and chemical products. The remaining 40 per cent will be devoted to tourism, particularly the construction or expansion of medium-sized hotels and related housing facilities for tourists.

The total cost of the project is \$11,960,000, of which the two Bank loans will provide 50.6 per cent, the JDB 26 per cent and the beneficiaries the remaining 23.4 per cent.

The Bank's ordinary capital loan will be used for medium-scale manufacturing and tourist enterprises; the loan from the Fund for Special Operations will meet needs of small-scale enterprises.

Both loans are guaranteed by Jamaica.

MEXICO

LOANS

Farm Credit Program

Fund for Special Operations
\$32 million 25-year 3% loan of May 27, 1971
(\$21.5 million and \$10.5 million in Mexican pesos)
Borrower: **Nacional Financiera, S.A.**

Agriculture is one of the most important sectors in the Mexican economy. It employs more than 49 per cent of the nation's economically active population and accounts for about 17 per cent of the gross national product and 50 per cent of the value of the nation's exports.

Nonetheless, labor productivity on the farm is low compared to that in other economic sectors, with the result that average farm incomes are much lower than those in other sectors. In recent years, the Mexican Government has pursued a vigorous policy of improving efficiency and productivity in agriculture, primarily through large-scale irrigation projects, the introduction of hybrid seed, greater use of fertilizers, improved research and educational facilities, and greater access to credit facilities.

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Throughout its 11 years of operations, the Bank has been closely associated with this effort having, through Dec. 31, 1971, contributed a total of \$331 million in loans to that sector.

This new loan will provide credit facilities to some 47,000 additional low-

income landowners and farmers, including *ejidatarios*, whose gross annual income does not exceed \$8,000. Special emphasis will be given in the nationwide program to the south central and southern regions, which are among the least developed farm areas in Mexico.

BUMPER TOMATO CROP is one end result of financing provided by the Bank for irrigation. This farm is located in Mexico's Northwest State of Sinaloa which has benefited from two irrigation loans.



The credits extended under the program will be used to finance the purchase of breeding stock, boost the production of milk and meat, purchase farm machinery and equipment, improve pastures, and construct small irrigation facilities.

The total cost of the program is estimated at \$79.6 million, of which sum the Bank's loan will finance 40.2 per cent and Mexican sources will provide the remainder.

The loan will be channeled to the farmers through the *Fondo Especial para Financiamiento Agropecuario (FEFA)*, the Special Agricultural Trust Fund which the *Banco de México* established in 1965. Participating with *FEFA* in carrying out the program will be the *Banco Nacional Agropecuario, S.A.* and its system of affiliates and 52 banks and 11 finance companies from the private sector.

The program is part of a broad Mexican Government effort, which has also been financed with loans totaling \$41.5 million from the Agency for International Development in 1962, a Fund for Special Operations loan of \$20 million extended in 1967, and two World Bank loans for \$25 million and \$65 million granted to Mexico in 1965 and 1969.

The loan is guaranteed by the United Mexican States.

Exports of Wharf Facilities

Ordinary Capital Resources
\$1,963,000 7% line of credit of Nov. 4, 1971
Borrower: *Nacional Financiera, S.A.*

Mexico has been one of the two chief beneficiaries of the Inter-American Bank's capital goods export financing program, which was established in 1963 to stimulate the growth of the capital goods industry in Latin America and encourage the region's economic integration.

Up to Dec. 31, 1971, Mexico had received two revolving lines of credit amounting to \$5 million and three specific lines, all of which financed exports to Colombia amounting to \$11,530,500: one for \$4.9 million was for the export of railroad freight car compo-

nents, another for \$4,196,000 for exports used in the construction of an oil pipeline, and a third for \$2,434,500 for a gas pipeline.

This new line of credit will enable Mexico to provide medium-term financing to pay for the export of goods and services involved in the construction by a Mexican firm of a wharf at Puerto Limón, Costa Rica.

The exporter benefiting from the line of credit is *Construcciones Protexa S.A.*, a private company which provided goods and services totaling nearly \$2.5 million to build a wharf at Puerto Limón which was completed and put into service in 1970.

Cancún Tourist Project

Ordinary Capital Resources
\$22,029,450 18-year 8% loan of Aug. 5, 1971
(\$9,660,000, \$5.4 million in Mexican pesos,
8,470,800 Netherlands guilders, 11,027,205
Swiss francs and 34,650,000 Austrian schillings)

Borrower: **Nacional Financiera, S.A.**

In 1970 Mexico ranked among the first five countries in the world in the number of tourists visiting the nation. More than 2 million tourists visited the interior of the nation. In that year, revenue from tourist travel inside the country and border transactions produced gross receipts equivalent to \$1,368 million. Thus the tourist industry has for several years been a prime factor in the nation's economic development. In addition to functioning as a net generator of foreign exchange it has also been an important source of internal employment, with some 100,000 persons engaged in activities related to the sector.

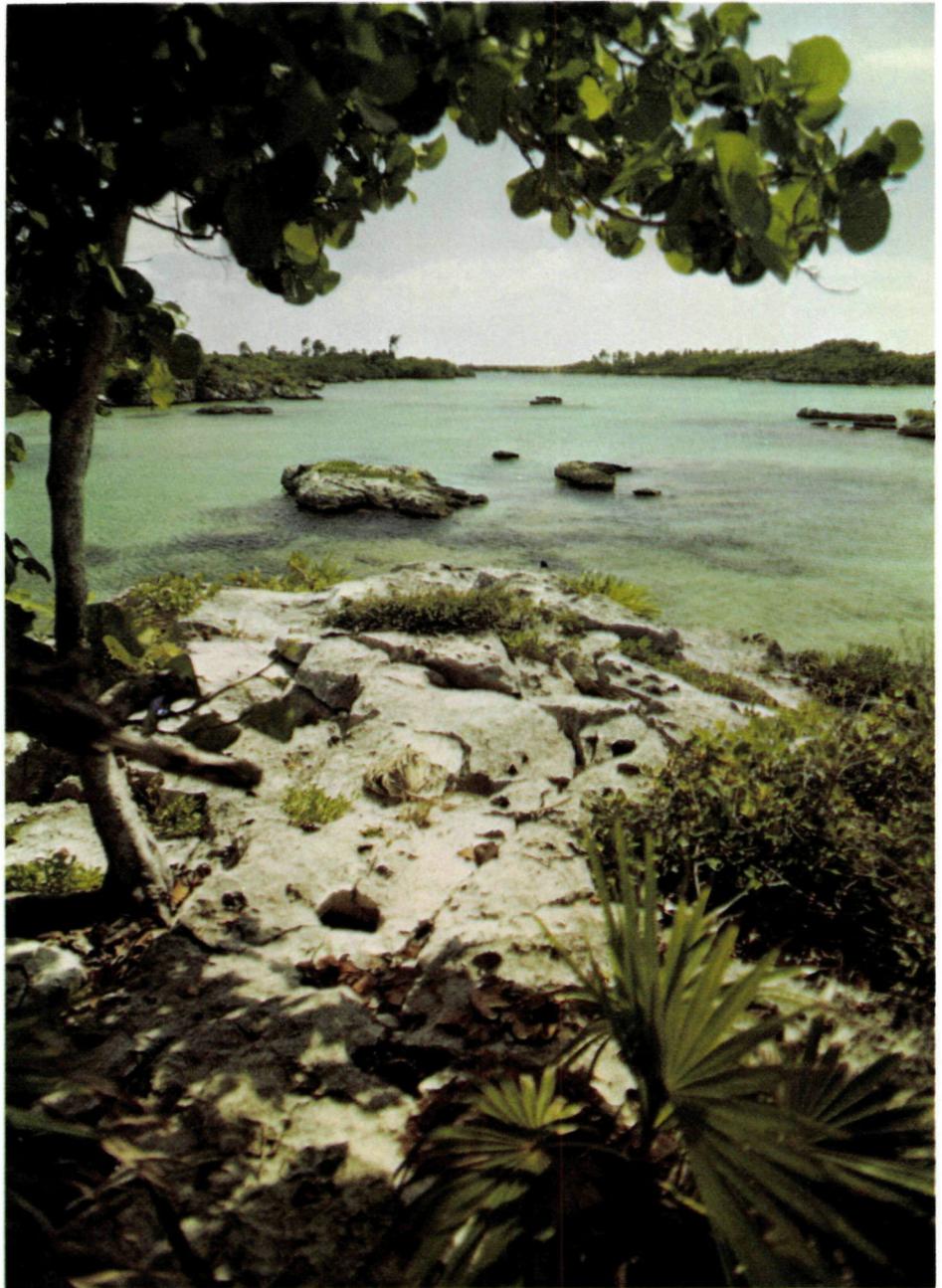
For the past two years the Inter-American Bank has given increasing recognition to the importance of tourism in the development of its Latin American member countries and has made loans which were partially utilized for tourist projects in Paraguay, Uruguay and Jamaica.

This loan, the first which the Bank has made solely for tourism, will help develop a new tourist complex on Cancún Island, off Mexico's Yucatán Peninsula. This peninsula is already one of Mexico's

most important tourist regions, with Cozumel, which is adjacent to Cancún Island, and Isla Mujeres having emerged as major centers in the past few years. In addition to having extraordinary Mayan ruins, the region enjoys an ideal resort climate and broad beaches.

The project calls for the construction of hotels, condominiums and residential zones, housing for staff, a golf course, a convention center and an international airport capable of serving Cancún and the other islands on the Quintana Roo coast. The airport will link the island

IDYLLIC CANCUN ISLAND off Mexico's Yucatán Peninsula is the site for a major new tourist center being built with Bank help for infrastructure service facilities. New resort is expected to be a major source of employment and foreign exchange income for the nation.



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with the major urban centers of the United States, from which an estimated 60 per cent of the tourists will come.

The Bank loan will help finance the airport, a bridge linking Cancún Island with the mainland, a road network, water supply and sanitation systems to meet the needs of an estimated 40,000 population, and other infrastructure projects.

The new development will provide substantial economic benefits for the region, producing an estimated 12,300 direct and another 54,000 indirect jobs by 1975, figures which would rise to 17,350 direct and 76,000 indirect jobs by 1980.

The total cost of the program is estimated at \$47,629,000, of which sum the Bank's loan will finance 46.2 per cent and Mexican sources will provide the remainder.

The loan is guaranteed by the United Mexican States.

PARTICIPATIONS — The following banks are participating in the loan for a total of \$1,196,000: National Bank of Detroit; Irving Trust Company, New York; European-American Banking Corporation, New York; Banco de Ponce, New York; The Bank of Nova Scotia, Toronto; Crocker National Bank, San Francisco; Bank of Tokyo Trust Company, New York; Bank of California National Association, San Francisco, and Union Bank, Los Angeles.

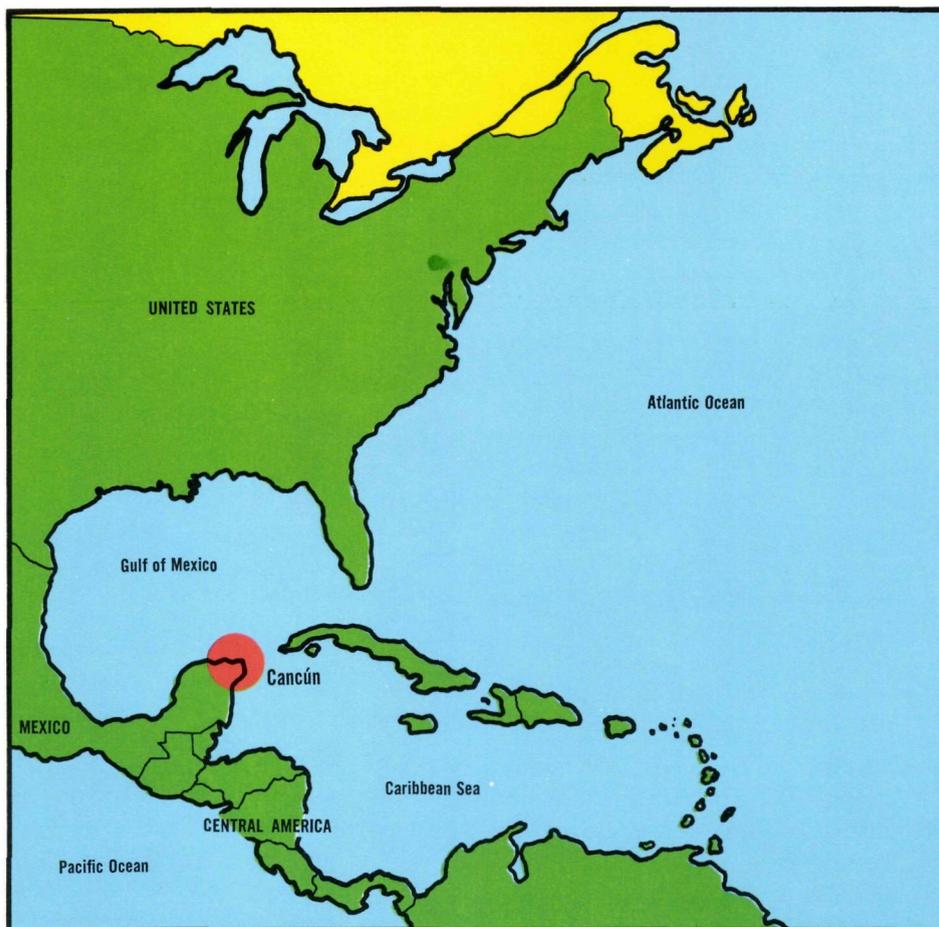
TECHNICAL ASSISTANCE

Fisheries Study

Fund for Special Operations
\$64,200 contingent repayment assistance of
July 20, 1971

Mexico is interested in increasing the utilization of fishing resources along its more than 6,000 miles of Atlantic and Pacific coastlines. Industrial fishing for domestic consumption could be developed based on the considerable fishing resources which are found off the nation's northern Pacific and east coasts.

This technical assistance, which was extended to Mexico's Secretariat of Finance and Public Credit, will enable



MAJOR NEW TOURIST RESORT, partially financed by Bank, perches atop Mexico's Yucatan Peninsula in the Caribbean within easy airline access of major hemisphere areas.

Mexico to prepare an overall program to develop its fishing industry. The studies will be carried out by a seven-man technical mission organized by the Bank in cooperation with the United Nations Food and Agriculture Organization (FAO). The mission will seek to draft an integrated project proposal to modernize Mexico's fishing fleet and port services; establish a nation-wide fish marketing network; develop fishing facilities in coastal lagoons, and establish training centers and other incentives for the fishing industry.

NICARAGUA

LOAN

Road Maintenance

Fund for Special Operations
\$3.5 million 25-year 3¼% loan of Sept. 2, 1971
(\$3,450,000 and \$50,000 in cordobas)
Borrower: Republic of Nicaragua

Nicaragua's highway system, which accounts for more than 90 per cent of all cargo transported in the country, has undergone rapid expansion over the past few years, going from 3,850 miles in 1964 to 6,956 in 1969. In the 1965-69

period, the nation invested \$51 million in road construction and in the 1969-73 period expects to invest another \$40 million in a building program which will add another 1,118 miles, primarily farm-to-market roads in the northern and eastern regions of the nation, to the highway network.

Road maintenance operations, however, have not kept pace with the increased road-building tempo; in fact, expenditures for maintenance have actually declined over recent years. The nation's maintenance equipment is largely obsolete and is devoted primarily to servicing the nation's major paved roads.

This loan will enable the nation's Department of Highways to embark on a project designed to correct this imbalance by helping it to purchase road-maintenance machinery, equipment and spare parts; to build 14 maintenance camps and shops, and to provide \$258,000 to a technical assistance program designed to improve maintenance procedures and the Department's administrative practices.

The total cost of the project, which will particularly benefit dirt and gravel roads in the countryside, is estimated at \$5,040,000. The Bank loan will cover 69.4 per cent of this cost and the Nicaraguan Government will provide the remaining 30.6 per cent.

As a result of the execution of this project the useful life of secondary road system will be considerably increased and an additional 2,186 miles of unpaved rural roads will be placed under regular maintenance.

PANAMA

LOANS

Highway Construction

Fund for Special Operations
\$16 million 20-year 3¼% loan of April 22, 1971
(\$11,218,000 and \$4,782,000 in balboas)

Borrower: Republic of Panama

Panama's highway system has grown basically around the Pan American Highway which goes from the Costa Rican border to the metropolitan area of Pan-



CHAIN OF PASTEURIZED MILK processed at this plant provides pure product for consumers in Tegucigalpa, Honduras. Plant was financed with help of Bank loan, channeled through Central American Bank for Economic Integration.

ama City. The only cross-country highway linking the Pacific and Caribbean coasts is the Inter-Isthmian Highway, which runs parallel to the Panama Canal connecting the cities of Panama and Colón. These two roads are also virtually the only paved highways in the country. The remainder—roughly 60 miles of roads for every 386 square miles of territory—are dry-weather roads. The lack of all-weather roads results in serious losses of agricultural and livestock production during the rainy season.

As part of its development strategy, the Government of Panama is seeking to improve this road situation, particularly in isolated rural areas, and the Inter-American Bank is cooperating in this endeavor. With a loan of \$3.5 million authorized in 1966, the Bank has helped Panama nearly to complete the construction of 16 feeder roads with a total length of 123 miles.

This new loan will enable the nation's Ministry of Public Works to build or improve seven new roads with a combined length of 136 miles. A total of 61 miles of the roads are located in the Province of Veraguas, 59 miles in the Province of Chiriquí and 16 miles in the Province of Coclé. The program will benefit an estimated 80,000 persons, or 12 per cent of the country's rural population.

Up to \$38,000 of the Bank's loan will be used to provide technical assistance services needed to complete economic feasibility studies for the program and to advise the Ministry of Public Works on a system of maintenance for the nation's entire road network.

The total cost of the program is estimated at \$23,264,000, of which the Bank's loan will provide 68.8 per cent and local sources the remaining 31.2 per cent.

THE BANK IN 1971

Student Loan Program

Fund for Special Operations
\$1.4 million 20-year 2¼% loan of April 22, 1971
(\$1,160,000 and \$240,000 in balboas)
Borrower: **Republic of Panama**

Panama's changing economic structure—marked by rapidly growing industrial, construction, commercial and service sectors—increasingly demands qualified professionals and skilled semi-professionals in far greater numbers than those presently being trained.

Recent studies of Panamanian manpower requirements indicate that there will be a deficit of 1,800 university-trained professionals in the 1969-75 period. Despite initial high enrollment, the nation's university system currently produces few graduates because the resources of the individual students are inadequate to meet the high costs associated with completing undergraduate studies. This lack of adequate resources also prevents many highly qualified undergraduate students from undertaking graduate studies abroad in subjects not available in Panamanian universities.

As early as 1966, the Inter-American Bank sought to help overcome these handicaps by extending a loan for \$700,000 to the Republic of Panama to provide financial assistance to enable university and technical school students to complete their studies.

Under that program, low-interest, medium-term educational credits were granted to students for training both in Panama and abroad. As a result some 354 credits had been extended to students through 1969 for study in such fields as engineering, applied sciences, medical sciences, social sciences and education.

This new loan, which will aid about 530 students during the next four years, will help Panama cover about one-third of the deficit in professionals expected by 1975.

The program is being carried out by the *Instituto para la Formación y Aprovechamiento de los Recursos Humanos (IFARHU)*, a governmental fund which

administers scholarships and other student-aid funds.

The total cost of the program is estimated at \$2.1 million, of which sum the Bank will contribute 66.7 per cent and local sources the remaining 33.3 per cent.

Up to \$104,000 of the Bank's loan will be used to finance technical assistance services designed to strengthen *IFARHU's* program planning, personnel training and financial management activities.

PARAGUAY

LOANS

Agricultural Development

Fund for Special Operations
\$14.8 million 25-year 2¼% loan of April 29, 1971
(\$13.2 million and \$1.6 million in guaranies)
Argentine Fund
\$570,000 25-year 2¼% loan of April 29, 1971
(\$570,000 in Argentine pesos)
Borrower: **Republic of Paraguay**

The relative contribution of agriculture to Paraguay's national production declined from 39 per cent of the nation's gross domestic product in 1950 to 31 per cent in 1969. However, if farm-related transportation, trade and agro-industrial activities are counted, agriculture accounts for 70 per cent of the nation's gross domestic product.

While much of Paraguay's national development strategy over the past decade has focused on infrastructure (electric power and highways), Paraguay now feels the need to increase investments in directly productive sectors.

The two loans will help to attain this objective by enabling the Republic of Paraguay to carry out an integrated agricultural development project throughout the country.

A total of 54 per cent of the loan resources will provide credit facilities for farmers; 19 per cent will modernize farm and ranch technology; 14 per cent will expand agricultural education facilities, including five schools, and 13 per cent will improve marketing facilities.

In addition up to \$648,000 of the loan will be devoted to the technical assistance aspects of the program.

The Argentine loan will be devoted entirely to improving four of the agricultural schools. The Misereor Foundation of Germany is contributing \$460,000 to help finance the fifth agricultural school improvement.

The program is being carried out at a total cost of \$21.7 million. The Fund for Special Operations loan will provide 68 per cent, the Argentine loan 3 per cent, the Ministry of Agriculture 11 per cent, Paraguay's National Development Bank 11 per cent, the German grant 2 per cent, and the borrowers 5 per cent.

Hydroelectric Power

Fund for Special Operations
\$24.2 million 25-year 3¼% loan of Aug. 26, 1971
(\$20.8 million and \$3.4 million in guaranies)
United Kingdom Fund for Development of Latin America
\$5.2 million 25-year 3% loan of Aug. 26, 1971
(2 million pounds sterling)
Borrower: **Administración Nacional de Electricidad**

Under the impetus of five Inter-American Bank loans amounting to \$29,225,000, Paraguay has built a hydroelectric power plant on the Acaray River with a capacity of 90,000 kilowatts. The plant, whose construction was initiated in 1963, has largely solved the needs of Asunción, the capital city; has made possible the initiation of a nation-wide electrification program, and has provided surplus energy for export to neighboring Argentina and Brazil. Nonetheless, the nation still has one of the lowest levels of electrification in Latin America, amounting to barely 65 watts per capita.

To improve this situation throughout the countryside and provide for anticipated growth of demand in Asunción, as well as Argentina and Brazil, the *Administración Nacional de Electricidad (ANDE)*, has embarked on Stage II in the construction of the Acaray River Power Plant.

In this stage, which will be partially financed with these two loans, *ANDE* will build a second powerhouse at the Acaray plant and install two 45,000-kilowatt generating units, thus raising the capacity to 180,000 kilowatts.

The loans will also help build the first stage of a regulating dam on the Iguazu River, a tributary of the Acaray River; install two 15,000-kilowatt gas turbines at the San Lorenzo substation near Asunción, and expand that substation's transformer capacity; build a power substation in the center of Asunción and expand the city's subtransmission system to 66 Kv; improve public lighting services; expand the interconnection of the plant with new towns in the interior, and build an independent system designed to meet the electric power needs of the Concepción area in eastern Paraguay.

The total cost of the project is estimated at \$38,824,000. The Fund for Special Operations loan will provide 62 per cent of this cost, the United Kingdom loan 12 per cent and ANDE the remaining 26 per cent.

The loans are guaranteed by the Republic of Paraguay.

TECHNICAL ASSISTANCE **Training in Project Preparation**

Fund for Special Operations
\$183,900 nonreimbursable assistance of
Dec. 9, 1971

One of the principal drawbacks to the achievement of Paraguay's development goals is the shortage of technical personnel trained in preparing and evaluating projects. If this situation is not improved, it will become an even more serious obstacle to the nation's growth in the future.

This technical assistance will help remedy the situation by enabling a Paraguayan development study center, the *Centro Paraguayo de Estudios de Desarrollo Económico y Social (CEPADES)*, a private non-profit organization, as well as the *Secretaría Técnica de Planificación (STP)*, the nation's planning office, and other Paraguayan organizations, to train operational personnel so that the country can form a professional staff capable of meeting the nation's most urgent project planning needs.

Half of the Bank's contribution was charged to the 1971 budget and the remainder is being charged to the 1972 budget.

Institutional Improvement

Social Progress Trust Fund
\$120,000 nonreimbursable assistance of
Nov. 11, 1971

Since 1961 the Inter-American Bank, in cooperation with the Organization of American States and the United Nations Economic Commission for Latin America (ECLA), has provided technical assistance to improve Paraguay's national planning machinery. The Bank's assistance has amounted to \$579,224.

This new assistance, which is being extended to the *Oficina Nacional de Proyectos de la Secretaría Técnica de Planificación (ONP)*, will provide additional support to the agency and will help expand its activities in project preparation. During this phase, special emphasis will be placed on the development of sectoral offices within the various ministries concerned with development, the establishment of functional relations between ONP and the sectoral offices, technical assistance operations and the training of officers in preparing and evaluating projects.

Export Market Studies

Fund for Special Operations (Preinvestment Fund
for Latin American Integration)
\$128,000 nonreimbursable assistance of
Dec. 9, 1971

Within its activities supporting Latin America's economic integration, the Inter-American Bank has assigned high priority to the needs for assistance of its relatively less developed member countries.

This technical assistance will help finance a program of studies to determine the possibilities for exporting products from Paraguay to markets in five more developed countries of the Latin American Free Trade Association (LAFTA): Argentina, Brazil, Chile, Mexico and Uruguay.

Under the program, the supply of export products in Paraguay, as well as the potential markets for them in each of the five countries, will be analyzed. In addition to the contribution made by the Bank, Argentina, Brazil and Mexico will

provide \$30,000 each for market studies in their countries.

PERU

LOANS

Farm Credit

Fund for Special Operations
\$12 million 20-year 2¼% loan of Dec. 30, 1971
Borrower: **Banco de Fomento Agropecuario**

Agriculture accounts for about 17 per cent of the gross domestic product of Peru, and for the employment of 48 per cent of the nation's total available labor force. However, the nation's land tenure system is marked by either very large or extremely small holdings.

One of the principal aims of the nation's agrarian reform law is that of replacing these very large (*latifundio*) or very dwarf (*minifundio*) land holdings with viable farm units owned by small-scale farmers working together in cooperatives or farming associations. The overall objective of the reform program provides for the award of approximately 31.3 million acres of land in the coastal and sierra zones of Peru to about 332,000 farmers by 1975.

This loan, extended to the *Banco de Fomento Agropecuario (BFA)*, will contribute to that goal by helping to provide credit facilities to assist approximately 70 farm groups, which embrace about 10,000 farm families throughout Peru, participating in the agrarian reform program.

The loan resources will be channeled to the cooperative units in the form of credits to finance such fixed capital investments as farm buildings, machinery, installations, permanent crops and livestock equipment; purchases of breeding stock, and technical inputs such as pesticides, fertilizers, improved seeds and veterinary products, requiring direct or indirect imports.

In addition, up to \$65,000 of the loan will be used to provide technical assistance to *BFA* to help reorganize its data

THE BANK IN 1971



WATER SUPPLY WILL FLOW into Cuzco through pipes being laid in this project financed by the Inter-American Bank. The project is part of a program initiated in 1967 with Bank financing to help provide water to 11 major cities in the nation.

processing center and its organization and methods office and to provide training for staff members.

The project is being carried out at a total cost of \$26,500,000. The Bank's loan will cover 45.3 per cent of this amount and *BFA* will provide the remaining 54.7 per cent.

The loan is guaranteed by the Republic of Peru.

Road and Farm Development

Fund for Special Operations
\$11.8 million 20-year 3¼% loan of May 5, 1971
(\$9.5 million and \$2.3 million in soles)

Borrower: Republic of Peru

An 810-square-mile area in Northern Peru, just below the southeastern edge of Ecuador, is a potentially rich agricultural region. However, it is virtually isolated from the rest of the nation due to a lack of adequate highways and, in consequence, its per capita income is far below the national average. The region also suffers from serious food shortages because of a lack of access roads.

This loan will help correct this economic imbalance by helping to build a 75-mile highway between Jaén and San Ignacio in the Department of Cajamarca. In addition, the loan will help build 43 miles of access roads and will finance a series of works designed to improve agricultural production in the area and thus bring the 75,000 inhabitants of the region into the mainstream of Peru's economic and social life.

Through its agricultural subprojects, the Bank-supported project will enable farmers to expand their output of such foods as vegetables, potatoes, cereals, fruits and meats, thus improving nutritional levels and living standards throughout the area.

The total cost of the project, which will be carried out by the Ministry of Transportation and Communications in cooperation with the Ministry of Agriculture, is estimated at \$21.3 million. The Bank's loan will provide 55 per cent and the Peruvian Government will provide the remaining 45 per cent of this cost.

Export of Fishing Vessel

Ordinary Capital Resources
\$252,000 7% line of credit of Dec. 22, 1971
Borrower: **Banco Industrial del Peru**

In 1965 the Inter-American Bank extended a revolving line of credit for \$1 million to enable Peru's *Banco Industrial del Perú* to benefit from the Inter-American Bank's export financing program.

Banco Industrial utilized \$259,800 of that credit to finance the export of fishing vessels to Panama. The period for the disbursement of the remainder expired in 1967 and *Banco Industrial*, which was then in the process of reviewing its export financing rules, requested that in the future the Bank extend credit as needed to finance specific exports.

This line of credit will enable the manufacturer and exporter, *Maestranza y Astilleros Delta, S.A.*, located in Callao, Peru, to export a 500-ton refrigerated fishing vessel, with an invoice value of \$330,000 to Ecuador.

TECHNICAL ASSISTANCE

Strengthening Planning Agencies

Fund for Special Operations
\$120,000 nonreimbursable assistance of
Dec. 28, 1971

Social Progress Trust Fund
\$124,850 nonreimbursable assistance of
Dec. 28, 1971

This technical assistance will enable Peru's national planning institution, the *Instituto Nacional de Planificación*, to carry out a program in 1972 and 1973 designed to strengthen the Institute's Department of Investment Projects and to train specialized governmental personnel in project preparation and evaluation.

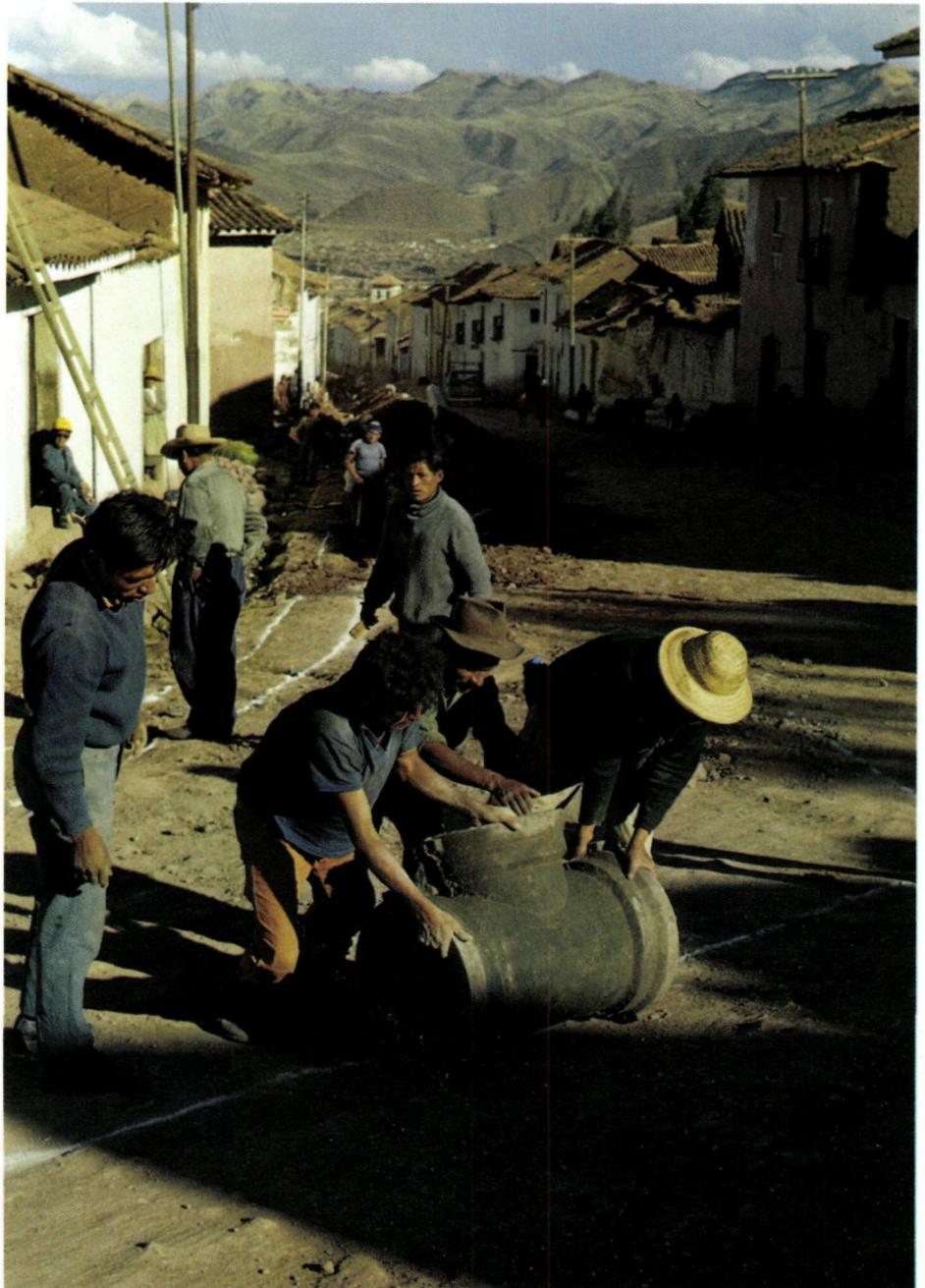
TRINIDAD AND TOBAGO

LOAN

Water Supply

Ordinary Capital Resources
\$1.3 million 20-year 8% loan of Dec. 9, 1971
Fund for Special Operations
\$6.3 million 25-year 3¼% loan of Dec. 9, 1971
Borrower: **Trinidad and Tobago**

The present capacity of the water supply system of Trinidad and Tobago is estimated at 63 million gallons per day. Of



HERE WORKMEN WRESTLE WATER PIPE connection into place for Cuzco's new system, which is being built with help of Inter-American Bank financing.

THE BANK IN 1971



ANTI-FOOT-AND-MOUTH DISEASE CAMPAIGN in South America gets support from Inter-American Bank. Bank financed projects are underway in most of the continent.

this amount 13 million gallons consist of underground sources developed by industries for their exclusive use and the remaining 50 million are distributed by the nation's Water and Sewerage Authority (WASA) to serve 931,000 consumers on the island of Trinidad, where 52 per cent of the residents are served by household connections and the remaining 48 per cent by public outlets, and 39,000 on the island of Tobago.

These loans will enable WASA to carry out the first stage of a program which will eventually double the nation's water supply to 100 million gallons a day by 1977 and meet the nation's water needs through 1985.

In this first stage, the nation's water system will be increased by some 17 million gallons per day, 10 million of which would come from the construction of a storage system based on pumping water

from the Navet River and 7 million would come from wells drilled in six different locations. Once the program is completed, direct household service would be extended to nearly 150,000 additional consumers, thus providing such service to 70 per cent of the population by 1980.

The expansion program was initiated with the help of a \$300,000 technical assistance loan extended to the nation in 1967. Up to \$570,000 of the Fund for Special Operations loan will also be devoted to technical assistance. It will be used to carry out a study of the utilization of the resources of the Caroni River Basin.

The project is being carried out at a total cost of \$13.3 million. The Bank's loans will provide 57.1 per cent of the cost and the Government will provide the remaining 42.9 per cent.

VENEZUELA

LOANS

Foot-and-Mouth Disease Campaign

Fund for Special Operations
\$7.5 million 20-year 3% loan of Oct. 21, 1971
(\$4.6 million and \$2.9 million in bolivars)

Borrower: Republic of Venezuela

The livestock industry accounts for 47 per cent of Venezuela's gross domestic agricultural product, and provides employment for 8.7 per cent of the nation's economically active population. Prospects for further livestock growth are hampered by technical and market limitations and the prevalence of foot-and-mouth disease and brucellosis.

Although the incidence of the two diseases in Venezuela declined between 1950 and 1960, it increased subsequently, especially since 1969. The diseases cause serious losses due to weight decrease, lower milk production, sterility and death.

In 1968 the Bank embarked on a campaign to seek to control and eventually eradicate foot-and-mouth disease in South America. It has already extended loans in Argentina, Brazil, Chile, Colombia and Paraguay to help achieve that objective.

This loan will enable Venezuela's Ministry of Agriculture and Livestock to carry out the first four-year stage in a project designed to eliminate foot-and-mouth disease from the country in 16 years and brucellosis in 15 years.

Under the project, a large-scale, systematic and compulsory program of foot-and-mouth vaccination of cattle more than four months old will be carried out. Approximately 80 per cent of the animals will be vaccinated during the four years of the project. In the brucellosis campaign, all young cows between three and eight months will be subject to compulsory vaccination.

Among other things, the project calls for the construction of a laboratory in Maracay to produce deactivated foot-and-mouth disease vaccine; a central diagnosis laboratory also at Maracay to identify types of viruses responsible for the two diseases; 10 regional diagnosis laboratories, and 25 inspection stations for animals in transit. In addition up to \$440,000 of the loan will be devoted to technical assistance aspects of the project.

The project is being carried out at a total cost of \$25.5 million. The Bank loan is providing 29.4 per cent and the Ministry the remaining 70.6 per cent.

Highway Construction

Ordinary Capital Resources
\$30 million 20-year 8% loan of Dec. 30, 1971
Borrower: Republic of Venezuela

Highway transportation has been particularly important to the economic and social development of Venezuela. Owing to the concentration of economic activity in North Central Venezuela and the mountainous topography found in that region, the main mode of internal transportation has been by road. With the exception of petroleum, approximately 93 per cent of all the nation's internal cargo and 88 per cent of its internal passenger traffic moved by highway in 1968.

The nation's highway system increased by 50 per cent from 1959 to 1969, and the vehicle fleet using that system more than doubled during the same period of

time. These factors explain the high priority that the nation gives to improving its highway system.

This loan will enable the nation to solve one of its major traffic bottlenecks by financing 39.7 per cent of the \$75.6 million first stage cost of building a 12½ mile expressway just east of Caracas. In this stage the earthworks and drainage facilities for the seven-lane expressway will be built, four lanes of highways will be paved, and the corresponding bridges, signals, lighting, landscaping and toll stations will be installed. The limited access toll road from Petare, which is located at the eastern edge of metropolitan Caracas, to Guarenas in a municipality further east, will replace a two-lane road originally built to handle 3,000 vehicles per day, but already taking care of about 9,000.

In addition to improving access to the eastern region of the country, the new expressway will provide a free flow of traffic to the Guarenas-Guatire Valley, an area capable of absorbing part of the population growth of Caracas.

PARTICIPATIONS—The following banks are participating in the loan for a total of \$1.1 million: Bank of America N.T. and S.A., San Francisco; Irving Trust Company, New York, and Marine Midland Bank, New York.

Power Transmission and Distribution

Ordinary Capital Resources
\$12.3 million 20-year 8% loan of Dec. 16, 1971
(\$6.9 million and \$5.4 million in bolivars)
Fund for Special Operations
\$20.8 million 20-year 4% loan of Dec. 16, 1971
(\$11.7 million and \$9.1 million in bolivars)
Borrower: C.A. de Administración y Fomento Eléctrico

Venezuela is in the forefront among the nations of Latin America in per capita installed electric power capacity. During the 1960 decade average annual power growth amounted to 12.4 per cent and by 1970 installed public power capacity was 2,614,000 kilowatts.

The percentage of the population enjoying power service grew in the same decade from 50 per cent in 1960 to 70

per cent in 1970. By the latter year more than 95 per cent of the nation's urban population and 30 per cent of its rural inhabitants received power service.

The loans will enable the nation's public power agency, *C.A. de Administración y Fomento Eléctrico (CADAFE)*, to reduce the gap existing between the countryside and the city, lower power losses in transmission systems, replace uneconomic generating plants, and place adequate electric power service within the reach of large population groups presently inadequately served.

The loans will help CADAFE to carry out a \$66.2 million expansion program in the transmission and distribution systems of three principal geographic areas in Venezuela. The program will provide new transmission facilities for 643 communities with a population of some 500,000 persons and expanded or improved services for 110 communities with a population of about 1.2 million. Of these communities, 103 are located in Eastern, 165 in Central and 485 in Western Venezuela.

The benefited areas cover 87,236 square miles, or about one-fourth of the nation's territory, where about 4.8 million persons, or nearly half of the nation's total population, lives.

The program calls for the installation of:

- 589 miles of 115 KV transmission lines and the construction of 115 KV-34.5/13.8 KV substations, with a combined transmission capacity of 267 MVA.
- 1,162 miles of 34.5 KV subtransmission lines and the construction of 34.5/13.8 KV substations, with a combined transmission capacity of 68.5 MVA.
- 2,734 miles of 13.8 KV distribution lines and communications equipment.

The Bank's loans will provide 50 per cent of the program's cost and CADAFE will put up the remaining 50 per cent.

The loans are guaranteed by the Republic of Venezuela.

THE BANK IN 1971

TECHNICAL ASSISTANCE

Training in Achievement Motivation

Fund for Special Operations
\$97,520 nonreimbursable assistance of
Nov. 11, 1971

An increasing concern of Venezuela's has been that of improving the managerial and executive capacity of small and medium industrial enterprises and thus increasing the effectiveness of their participation in the nation's economic development process.

This technical assistance, which is being extended over two years, will enable a private foundation, the *Fundación para el Desarrollo de Actividades Socioeconómicas (FUNDASE)*, to execute a program designed to improve entrepreneurial capacity and to train professionals to undertake similar programs in Venezuela and other countries in the region.

Improvement in Planning Activities

Social Progress Trust Fund
\$80,000 nonreimbursable assistance of
Nov. 11, 1971

In 1971, Venezuela's national planning agency, the *Oficina Central de Coordinación y Planificación (CORDIPLAN)*, requested technical assistance from the Inter-American Bank, the United Nations Development Programme (UNDP) and the Inter-American Committee on the Alliance for Progress (CIAP) to cooperate in a program to integrate planning, development and investment mechanisms; to identify and formulate priority projects, and to ensure the effective execution of plans and programs. The assistance was recommended by a mission of the Bank which in 1970 analyzed methods of strengthening *CORDIPLAN's* operations.

REGIONAL

TECHNICAL ASSISTANCE

Project Preparation

Fund for Special Operations
\$100,000 nonreimbursable assistance of
March 18, 1971

Social Progress Trust Fund
\$100,000 nonreimbursable assistance of
March 18, 1971

In 1965 the Bank and the United Nations Food and Agriculture Organization

(FAO) signed an agreement to coordinate their activities. Under the agreement the Bank has been able to use FAO's experience in matters related to agriculture, livestock, forestry, fisheries and farm processing and marketing activities.

This technical assistance will be used to send missions of experts contracted by FAO to identify and prepare projects for possible loan requests in fishery development in Costa Rica and Guatemala, farm and livestock marketing in Honduras and Uruguay, and forestry development in Paraguay.

Training in Development Banking

Social Progress Trust Fund
\$135,100 nonreimbursable assistance of
March 25, 1971

Development banks play a fundamental role in fostering Latin America's economic and social growth. All of the Latin American countries have one or more public or private development banks and much of the Inter-American Bank's assistance to the private sector in the region has been funneled through such development institutions. In view of their importance to the region's development, the Bank has placed particular emphasis on training programs designed to sharpen the skills of the professional personnel who have technical responsibilities in such agencies.

This technical assistance will enable the *Instituto de Pesquisas Econômicas*, the economic institute of the University of São Paulo, to carry out a pilot training program for development bank personnel in Latin America.

During the course of the two-year (1971-72) program, the Institute will provide two three-month intensive training courses and one nine-month graduate course to approximately 75 highly qualified professional bankers or development planners. The eventual aim of the program is to lead to the establishment of academic specializations in development banking at the University of São Paulo, as well as other Latin American universities.

Studies for University Expansion

Fund for Special Operations
\$90,000 nonreimbursable assistance of
March 25, 1971

The University of the West Indies is a regional Caribbean institution established in 1962 with major campuses in three of the Bank's member countries at Mona, Jamaica; St. Augustine, Trinidad, and Cave Hill, Barbados.

This technical assistance will enable the university to carry out a program of studies looking towards the expansion of its medical, engineering and agricultural facilities, the possible establishment of a tourism and hotel management program and the reformulation of a university research program in various disciplines. The objectives of the assistance would be the preparation of a project which might be eligible for international financing in the future.

Training Program

Social Progress Trust Fund
\$140,000 nonreimbursable assistance of
April 26, 1971

In 1957, the Latin American governments signed a convention in Rio de Janeiro providing for the establishment of the Latin American School for Social Sciences (FLACSO), subsequently set up in Santiago, Chile, with the cooperation of the United Nations Educational, Scientific and Cultural Organization (UNESCO). The aim of the school was to strengthen the role of the social sciences in fostering Latin American social development.

In 1964, with the financial assistance of the Inter-American Bank, FLACSO set up a Latin American School of Political Science and Public Administration. The School, which began activities in December 1966, sought to provide training in political science and public administration for Latin American university graduates, to carry out research programs on the political-administrative aspects of development in the region and to give advisory services to Latin American institutions responsible for administering national development plans.

This technical assistance, made available over a two-year transitional period (\$78,000 in 1971 and \$62,000 in 1972) will help provide full-time professors for the School and help finance a fellowship program. Other contributors include the Latin American governments, the United Nations Development Programme (UNDP), the Ford Foundation and the World Law Fund.

Training in Control of Foot-and-Mouth Disease

Social Progress Trust Fund
\$300,000 nonreimbursable assistance of
April 29, 1971

A major weakness in the current efforts being undertaken by the nations of South America to control and eventually eradicate foot-and-mouth disease in cattle is a lack of personnel adequately trained in techniques of producing and maintaining the quality of vaccines.

At the Third Inter-American Meeting of Ministers of Agriculture held in Buenos Aires in 1970, the Bank was asked to extend financial assistance to the Pan American Foot-and-Mouth Disease Center, which is operated near Rio de Janeiro by the Pan American Health Organization (PAHO), in setting up a pilot demonstration plant devoted to training personnel from member countries in those techniques.

This technical assistance is an answer to that need. It will support the Center's training program, including courses which will benefit some 117 participants.

Agricultural Seminars

Social Progress Trust Fund (Preinvestment Fund for Latin American Integration)
\$20,000 nonreimbursable assistance of
May 19, 1971

In 1971 the Association of Caribbean Universities and Research Institutes requested the Bank's assistance to carry out three seminars: one related to horticultural development at the *Universidad de Oriente* in Jusepín, Venezuela; another on plant protection and pest control at the University of the West Indies in Mona, Jamaica, and the third on pasture



SEED RESEARCH IS FOSTERED at four farm investigation stations built with help of Bank loan extended to Ecuador's National Institute of Agricultural Research in 1970. This technician works at the Boliche station near Guayaquil.

management at the University of Puerto Rico at Mayaguez, Puerto Rico.

The three seminars constituted an initial effort to bring about agricultural integration in the Caribbean area. This technical assistance was granted by the Bank to help finance the participation of 20 experts from the Bank's member countries in each of the seminars.

Inventory of Integration Projects

Social Progress Trust Fund (Preinvestment Fund for Latin American Integration)
\$130,000 nonreimbursable assistance of
June 17, 1971

A concern of the Inter-American Bank is that of fostering projects designed to unite the countries of Latin America through physical infrastructure works and through the joint development of multinational resources.

In 1969 the Board of Executive Directors resolved to intensify the role of

the Bank in "drawing up an inventory, as complete as possible, of the extremely numerous and varied projects the countries are interested in carrying out in the different sectors of the region's physical infrastructure" and therefore allocated the sum of \$196,000 to prepare the inventory. With that assistance the Bank reviewed in detail the research information available in international agencies and in its member countries.

This new assistance will provide additional resources for carrying out the final stage of the inventory, including publication of the information compiled, which includes basic data on 600 infrastructure projects, whose total cost would exceed \$10 billion. Seventy-three per cent of those projects are in transportation, 11 per cent in power, 7 per cent in telecommunications and 9 per cent in the control of water resources.

THE BANK IN 1971

Integration Studies

Contributions from Latin American Member Countries (Preinvestment Fund for Latin American Integration)
\$169,000 nonreimbursable assistance of
July 20, 1971

The Andean Subregional Group was established in 1969 to promote the development and economic integration of its five member countries—Bolivia, Chile, Colombia, Ecuador and Peru. The Bank has provided advisory services to the Group through its own officials as well as through special consultants paid with assistance contributions to the *Junta del Acuerdo de Cartagena (JUNAC)*.

This technical assistance will enable JUNAC to carry out studies on seed oil production, industry and transportation. The aim of the first study is to draft a program for an agroindustrial project to grow, market and process oleaginous products and oils. The industrial studies will identify potential development projects of an integrational nature in such sectors as steel and metallurgy, electromechanics, chemical dyes, antibiotics, pesticides, chemical products and telecommunications equipment. The transportation study is designed to enable the subregion to develop a system that will meet the growing demands of its expanding trade.

Training in Public Administration

Fund for Special Operations
\$45,000 nonreimbursable assistance of
July 21, 1971

This technical assistance is for holding six symposiums of 20-day duration on the financial and operational audit of development projects. Some of the symposiums were carried out in 1971 and others will be carried out in 1972 in several of the Bank's member countries.

The program is designed to improve the ability of governmental controlling bodies in various Latin American countries to audit and report on development projects that public sector institutions are carrying out with the assistance of Bank loans.

Traning in Public Administration

Social Progress Trust Fund
\$40,000 nonreimbursable assistance of
July 21, 1971

In 1963 the Inter-American Bank supported the creation of the Inter-American School of Public Administration by the Getulio Vargas Foundation of Rio de Janeiro and since then has provided continuing technical assistance to the school. Since 1965, when it began operations, the school has carried out 24 different courses on a variety of administrative aspects of development. A total of 671 persons took part in these courses, 328 of whom came from other Latin American countries.

This technical assistance will enable 25 persons from other Latin American countries to participate in a course on development administration (10) and in a course on project management (15).

Fiscal and Tax Administration

Social Progress Trust Fund
\$48,000 nonreimbursable assistance of
Aug. 5, 1971

One of the primary concerns of the Inter-American Bank since it was established and one to which it has given particular attention during 1971 has been that of giving preferential treatment to its less developed member countries.

This technical assistance will provide special advisory services to the governments of such countries in fiscal policy, tax administration and budget organization. The assistance will be provided by consultants specializing in these matters.

Training in Development Banking

Social Progress Trust Fund
\$45,250 nonreimbursable assistance of
Aug. 16, 1971

Since it began operations, the Inter-American Bank has sought to improve the quality of Latin American professionals dealing with investment programs, particularly in the public sector. In this effort, the Bank has offered training programs at its headquarters in Washington and in Latin America and has supported the work of other institutions in similar activities.

This technical assistance is enabling American University of Washington to offer two post-graduate training programs on development banking. One was held in the Fall of 1971 with a total of 20 students and the other will be carried out in the Fall of 1972. In the long run, the project will serve to contribute to the establishment of similar academic training programs in Latin America.

In 1970 the Bank allocated \$176,500 to finance the establishment of the courses. This additional technical assistance permitted an increase in the number of participants originally contemplated.

Training in Project Management

Fund for Special Operations
\$34,520 nonreimbursable assistance of
Aug. 18, 1971

In its lending operations in Latin America, the Inter-American Bank constantly seeks to ensure the proper implementation of projects, and consequently, to improve the capacity of Latin American personnel to carry them out.

This technical assistance will help to make possible the training of officers responsible for controlling integrated agricultural development projects in Brazil, Paraguay and Venezuela. The funds will be devoted to financing a training course, of a minimum of 100 hours of duration, on project management in Caracas, Venezuela. Approximately 25 persons are expected to participate in the course, 16 of whom will come from Brazil and Paraguay.

Container Freight Study

Social Progress Trust Fund (Preinvestment Fund for Latin American Integration)
\$20,000 nonreimbursable assistance of
Nov. 26, 1971
Contributions of Latin American Member Countries (Preinvestment Fund for Latin American Integration)
\$20,000 nonreimbursable assistance of
Nov. 26, 1971

The use of containers in freight transportation, particularly marine transportation, is becoming widespread, especially in the industrialized countries. Containeri-

zation, however, has lagged in Latin America and there is a need to determine what must be done to prepare Latin American ports for the process.

This technical assistance will enable the *Asociación Latinoamericana de Armadores (ALAMAR)*, Latin America's association of ship owners, to undertake the necessary studies.

Agricultural Sectoral Studies

Fund for Special Operations
\$180,000 nonreimbursable assistance of
Dec. 28, 1971

The Governments of Bolivia, Ecuador and Trinidad and Tobago have requested technical assistance from the Bank to help them identify priority investment and preinvestment projects in agriculture. In response the Bank authorized this assistance designed to determine short- and medium-term investment needs and to identify priority opportunities in principal subsectors and geographical zones, as well as the institutional agencies and agricultural policies needed to ensure the success of projects and programs.

This technical assistance will help each of the three countries to identify high priority investment and preinvestment projects in the agricultural field and to provide the technical means for the selection, evaluation and preparation of such projects.

The studies will be executed under the Bank's supervision in collaboration with the United Nations Food and Agriculture Organization (FAO).

Institute for Integration

Fund for Special Operations
\$270,000 nonreimbursable assistance of
Dec. 28, 1971

Social Progress Trust Fund
\$270,000 nonreimbursable assistance of
Dec. 28, 1971

As part of its support for Latin America's economic integration, the Inter-American Bank in 1964 established the Institute for Latin American Integration in Buenos Aires. It carries out its mission basically through four activities: training, research, consulting services and publica-



BIRDS FLOCK OVERHEAD as sun rises over main irrigation canal at Yurécuaro in the Lerma-Chapala-Santiago River Basin in Central Mexico. The Bank-financed project is irrigating land for some 6,000 farm families.

tions. In the 1969-71 period, 35 per cent of its funds were devoted to research, 31 per cent to training, 20 per cent to publications and 14 per cent to consulting services.

The Institute's activities are financed by three major sources: the Bank, the Argentine Government and contributions from the Bank's Latin American member countries. This technical assistance represents the Bank's contribution to the Institute's operations for 1972.

Irrigation Planning

Fund for Special Operations
\$150,000 nonreimbursable assistance of
Dec. 28, 1971

About 6 per cent of the crop land of Latin America, or 7 million hectares, is currently irrigated and the gross value of the production of irrigated lands amounts

to nearly 12 per cent of total farm output. In Chile irrigation accounts for 58 per cent of gross output, in Peru for 54 per cent and in Mexico for about 33 per cent.

Within the Bank's own lending activities, about one-third of the total devoted to agriculture has gone to irrigation and since irrigation absorbs large quantities of capital and is highly productive, the Bank attaches special importance to the careful selection and efficient planning of irrigation projects.

This technical assistance was requested by the Governments of Argentina, Brazil, Chile, El Salvador and Peru, and will help finance a study for an investment strategy and planning methodology for irrigation farming in Latin America. The Bank will act also as executing agent for the United Nations Development Pro-

THE BANK IN 1971

gramme (UNDP), which will finance a major component of the project.

Planning Activities

Fund for Special Operations
\$271,000 nonreimbursable assistance of
Dec. 28, 1971

Social Progress Trust Fund
\$166,500 nonreimbursable assistance of
Dec. 28, 1971

The Latin American Institute for Economic and Social Planning (ILPES) is a regional agency established in 1962 by the United Nations with the support of the Inter-American Bank. The Institute conducts research, training and advisory services in development planning matters.

This assistance, of which \$162,500 was charged to the Technical Assistance budget for 1971 with Bank resources, \$100,000 to the Social Progress Trust Fund budget for 1971, and \$108,500 and \$66,500 to the respective 1972 budgets, will contribute to the support of the Institute's activities during the period July 1, 1971-June 30, 1973.

Other Technical Assistance

During 1971 the Bank also authorized a variety of smaller technical assistance allocations, which totaled \$53,100. These included \$6,800 authorized for a higher education conference which examined the overall problem of environment in the hemisphere and \$10,000 authorized to sponsor the participation of Latin American urban experts in a conference on urbanization and development. Both allocations were made from the resources of the Fund for Special Operations.

From the resources of the Social Progress Trust Fund the Bank authorized \$15,000 for a seminar on agricultural integration held at the Bank's headquarters; \$5,000 for the publication of a study in Spanish on the characteristics and structure of industrial protection in developing countries; \$1,300 for costs related to the publication in English of a study on capital markets in Latin America, and \$15,000 as a contribution to a Latin American regional seminar on environmental problems.



FINISHING TOUCHES are put on major addition to São Paulo's water system. Project is being financed with loans from ordinary capital resources and Swedish fund administered by the Bank.





BRONZED WORKMAN STEADIES electrical current phase box (opposite) at petrochemical complex in Moron, Venezuela. Complex, seen from another angle above, was financed partially by Inter-American Bank.

part 1

ORDINARY CAPITAL RESOURCES

ORDINARY CAPITAL RESOURCES

FINANCIAL HIGHLIGHTS

The *net income* of the Bank's ordinary capital resources in 1971 amounted to \$23,571,310, compared with \$33,049,645 in 1970.

The *gross income* amounted to \$102,574,862 in 1971, compared with \$98,050,276 in 1970. This income included: \$37,597,392 derived from interest on loans, \$7,351,653, derived from commitment charges, \$6,875,182 derived from the 1 per cent commission charged on loans and which is allocated to the Bank's special reserve, \$46,236,023 derived from investments and \$4,514,612 from other sources.

As of Dec. 31, 1971, the total *reserves* of the ordinary capital resources, including the *general reserve* and the *special reserve*, had risen to \$154,627,941, compared with \$124,181,449 in 1970.

The *general reserve*, made up of net earnings, amounted to \$122,105,309, as

of Dec. 31, 1971, compared with \$98,533,999 in 1970. The *special reserve* had risen to \$32,522,632 at the end of 1971, compared with \$25,647,450 in 1970.

The total *administrative expenses* of the Bank chargeable to the ordinary capital resources, including depreciation, in 1971 amounted to \$11,667,663, compared with \$10,542,328 in 1970. The interest paid by the Bank on its funded debt and the amortization of debt discount and expenses in 1971 was \$60,460,737, compared with \$48,488,215 in 1970.

As of Dec. 31, 1971, the Bank's *funded debt* was \$1,017,772,317, compared with \$915,056,805 in 1970.

In 1971 borrowers *repaid* \$73,947,514 on ordinary capital loans, compared with \$66,251,896 in 1970, bringing total repayments at the end of the year to \$296,341,551.

The audited financial statements of the ordinary capital resources are contained in the following pages.

ORDINARY CAPITAL

OPINION OF INDEPENDENT ACCOUNTANTS

Board of Governors
Inter-American Development Bank

In our opinion, the accompanying financial statements set forth in the index below (Appendices I-1 to I-8) present fairly, in terms of United States currency, the financial position of Inter-American Development Bank—Ordinary Capital at December 31, 1971 and 1970, the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

PRICE WATERHOUSE & CO.

Washington, D.C.
February 18, 1972

FINANCIAL STATEMENTS

APPENDIX

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ORDINARY CAPITAL RESOURCES

APPENDIX I-1

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

BALANCE SHEETS

DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-8

ASSETS	1971		1970	
Due from banks (Appendix I-7) (Note B)				
Unrestricted				
Member currencies	\$ 53,075,256		\$ 30,251,372	
Non-member currencies	17,166,842		953,505	
Restricted				
Member currencies	11,755,037	\$ 81,997,135	7,852,870	\$ 39,057,747
Investments				
Obligations of Governments (at cost or amortized cost; face amount 1971—\$28,441,000; 1970—\$17,400,000)	28,101,908		17,044,898	
Time deposits				
United States dollars	404,470,000		407,470,000	
Non-member currencies	224,474,500	657,046,408	219,929,480	644,444,378
Loans outstanding held by Bank (Appendix I-5) (Note F)				
Total loans approved by Bank since inception, less cancellations	1,763,452,122		1,486,027,054	
Less principal repayments to Bank and loans sold or agreed to be sold	321,183,229		242,247,155	
Less undisbursed balance of approved loans held by Bank	661,544,997	780,723,896	582,272,158	661,507,741
Accrued interest and other charges				
Investments	19,161,066		23,057,098	
Loans (Note F)	15,266,296	34,427,362	11,362,132	34,419,230
Due from members (Appendix I-6)				
Capital subscriptions receivable in member currencies	7,618,000		2,346,000	
Non-negotiable, non-interest-bearing demand obligations, denomi- nated in members' currencies	47,973,105	55,591,105	10,049,783	12,395,783
Other assets				
Receivable from the sale of bonds				4,962,500
Land and building at cost—less accumulated depreciation 1971, \$1,113,228; 1970, \$966,777		8,960,169		9,047,688
Unamortized funded debt issue costs (amortized over the life of the issues)		9,726,981		8,426,961
Miscellaneous		1,799,358		1,431,541
Special reserve assets (Note D)		32,522,632		25,647,450
Total assets		<u>\$1,662,795,046</u>		<u>\$1,441,341,019</u>

BALANCE SHEETS

DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-8

LIABILITIES, RESERVE AND SPECIAL FUND AND CAPITAL	1971	1970
Liabilities		
Accrued interest on borrowings	\$ 16,606,828	\$ 12,847,386
Accrued expenses and accounts payable	1,406,795	1,199,006
Mortgage payable	3,666,623	3,831,963
Funded debt (Appendix I-4)		
Principal outstanding	\$1,017,772,317	\$ 915,056,805
Less unamortized debt discount	6,223,181	6,144,941
	<u>1,011,549,136</u>	<u>908,911,864</u>
Reserve and special fund		
Special Reserve (Note D)	32,522,632	25,647,450
Fund for Special Supervision and Inspection of loans (Note H)	2,811,723	1,889,351
Capital		
Capital Stock (Appendix I-6) (Note B)		
Authorized shares of \$10,000 par value each—1971, 515,000; 1970, 315,000		
Subscribed shares 1971—346,594-6/10; 1970—276,302	3,465,946,000	2,763,020,000
Less—Callable portion	2,993,820,000	2,374,540,000
	<u>472,126,000</u>	<u>388,480,000</u>
General reserve (Appendix I-2) (Note C)	122,105,309	98,533,999
	<u>594,231,309</u>	<u>487,013,999</u>
Commitments (Note G)		
Total liabilities, reserve and special fund and capital	<u>\$1,662,795,046</u>	<u>\$1,441,341,019</u>

ORDINARY CAPITAL RESOURCES
APPENDIX I-2

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

STATEMENTS OF INCOME AND EXPENSES AND GENERAL RESERVE

YEARS ENDED DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-8

Income	1971	1970
From loans		
Interest	\$ 37,597,392	\$ 31,429,222
Commitment charges	7,351,653	5,954,723
Commissions (Note D)	6,875,182	5,970,088
	<u>\$ 51,824,227</u>	<u>\$ 43,354,033</u>
From investments	46,236,023	50,334,220
From other sources	4,514,612	4,362,023
	<u>102,574,862</u>	<u>98,050,276</u>
Deduct commissions allocated to Special Reserve (Note D)	6,875,182	5,970,088
Gross income less reserve deduction	<u>95,699,680</u>	<u>92,080,188</u>
Expenses		
Administrative expenses (Notes E and I)		
Board of Governors		
Annual meeting	180,525	172,322
Board of Executive Directors		
Salaries	221,135	236,106
Other compensation and benefits	53,136	57,230
Travel	59,433	62,426
Review and evaluation group	96,134	70,168
Staff		
Salaries	5,116,892	4,703,039
Other compensation and benefits	1,824,275	1,632,360
Travel	638,378	545,612
Other administrative expenses		
Communications	298,871	283,570
Office occupancy	788,515	701,372
Publications and printing	117,324	127,881
Supplies and equipment	359,254	292,319
Contractual services	475,567	373,977
Miscellaneous (Note F)	315,148	263,373
Field offices		
Salaries	380,520	389,514
Other	881,749	919,794
	<u>11,806,856</u>	<u>10,831,063</u>
Depreciation	58,581	62,974
	<u>11,865,437</u>	<u>10,894,037</u>
Less amounts charged to Social Progress Trust Fund for indirect and overhead expenses by Bank as Administrator (Appendix III-2)	197,804	351,709
Total administrative expenses including depreciation	<u>11,667,633</u>	<u>10,542,328</u>
Funded debt expense	60,460,737	48,488,215
	<u>72,128,370</u>	<u>59,030,543</u>
Net income (Note C)	23,571,310	33,049,645
General reserve beginning of year	98,533,999	65,484,354
General reserve end of year (Note C)	\$122,105,309	\$ 98,533,999

STATEMENTS OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-8

Source of funds	1971	1970
Provided from operations		
Net income (Appendix I-2)	\$ 23,571,310	\$ 33,049,645
Add (deduct) expenses (income) not requiring or providing cash funds	1,755,668	(1,944,329)
Cash funds provided from operations	25,326,978	31,105,316
Proceeds from issuance of bonds and notes	137,620,568	184,751,031
Increase in funded debt resulting from currency revaluations	45,793,042	
Paid-in Capital subscribed by members	83,646,000	
Loan repayments	73,947,514	66,251,896
Proceeds from loan participations	11,277,746	3,133,693
Proceeds from delivery of bonds sold in 1970	4,962,500	
Increase in Fund for Special Supervision and Inspection of loans	922,372	633,284
Reduction in notes and receivables due from members		5,313,518
Total source of funds	<u>383,496,720</u>	<u>291,188,738</u>
Application of funds		
Loan disbursements	179,963,620	150,278,995
Increase in loans outstanding resulting from currency revaluations	18,359,835	
Retirement of funded debt	77,413,357	38,505,704
Increase in notes and receivables due from members	43,195,322	
Repayments to participants	6,117,960	4,454,690
Increase in funded debt issue costs	2,313,119	1,657,144
Reduction in mortgage payable	165,340	156,122
Additions to building	58,932	
Increase in miscellaneous assets	367,817	47,136
Total application of funds	<u>327,955,302</u>	<u>195,099,791</u>
Increase in cash funds	<u>\$ 55,541,418</u>	<u>\$ 96,088,947</u>
Analysis of increases in cash funds		
Due from banks (includes increase of \$2,252,355 in 1971 resulting from currency revaluations)	\$ 42,939,388	\$ 3,149,542
Investments (includes increase of \$24,811,491 in 1971 resulting from currency revaluations)	12,602,030	92,939,405
	<u>\$ 55,541,418</u>	<u>\$ 96,088,947</u>

ORDINARY CAPITAL RESOURCES

APPENDIX I-4

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

STATEMENTS OF FUNDED DEBT OF THE BANK

DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-8

Payable in	Face value interest rate range (4)	Due Dates	Principal Outstanding	
			1971 (1)	1970
Austrian Schillings	6¾%-7%	1980-1983	\$ 19,045,794	\$ 11,401,885
Belgian Francs	7%-7½%	1982-1986	15,619,457	6,000,000
Deutsche Marks	5½%-8½%	1976-1985	175,518,078	156,830,601
French Francs	8½%	1989	19,547,667	—
Italian Lire	5%-6%	1982-1989	76,277,902	72,000,000
Japanese Yen (2)	5%-7%	1981-1985	33,993,507	20,000,000
Netherlands Guilders	7%-8%	1986-1988	20,340,863	8,287,293
Pounds Sterling	5½%-8¾%	1975-1989	12,584,852	13,546,193
Swiss Francs	5½%-6¾%	1981-1986	59,895,833	36,588,154
Swedish Kronor	7½%-8%	1979-1980	10,388,747	9,665,179
United States Dollars	4¼%-8½%	1972-1995	574,559,617	580,737,500
			<u>1,017,772,317</u>	<u>915,056,805</u>
Less unamortized funded debt discount ..			6,223,181	6,144,941
Total			<u>\$1,011,549,136</u>	<u>\$908,911,864</u>

(1) Sinking fund requirements and funded debt maturities for each of the five years subsequent to December 31, 1971 are approximately equivalent to the following:

Period ending	Amount
December 31, 1972	\$ 59,000,000(3)
December 31, 1973	78,000,000(3)
December 31, 1974	32,000,000
December 31, 1975	48,000,000
December 31, 1976	65,000,000
Total	<u>\$282,000,000</u>

(2) In September and November, 1971 the Bank signed agreements which provide that the

Bank may borrow up to the dollar equivalent of an additional \$46,754,000 in Japanese Yen not included above.

(3) Includes short-term borrowings principally from central banks of Latin American members of which US\$34,250,000 matures in 1972 and US\$47,350,000 matures in 1973.

(4) The weighted average face value interest rates on the outstanding principal of the Bank's funded debt for 1971 and 1970 approximate 6.287% and 6.192%, respectively. The weighted average effective interest rates on the principal amount of the funded debt, after deducting original issue discount, approximate 6.276% for 1971 and 6.247% for 1970. The original issue discount relating to the funded debt is being amortized over the life of the issues by the "bonds outstanding method." The amortization amounted to \$636,000 in 1971 and \$596,000 in 1970.

SUMMARY STATEMENTS OF LOANS

DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-8

Member in whose territory loans have been made (1)	Total loans approved by Bank since inception, less cancellations (2)	Principal repayments to Bank	Loans sold or agreed to be sold	Approved loans held by Bank			Currency in which outstanding portion of approved loans held by Bank is repayable		
				Total	Undisbursed	Outstanding	United States dollars	Member's currency	Non-member currency
Argentina	\$ 314,615,970	\$ 50,327,874	\$ 8,043,360	\$ 256,244,736	\$111,171,157	\$145,073,579	\$ 76,131,880	\$20,028,582	\$ 48,913,117
Bolivia	19,879,058	—	—	19,879,058	6,829,839	13,049,219	10,059,728	—	2,989,491
Brazil	482,894,044	62,783,841	5,745,094	414,365,109	197,863,952	216,501,157	172,364,394	20,916,226	23,220,537
Chile	105,039,080	29,600,229	6,326,712	69,112,139	9,285,699	59,826,440	38,401,960	5,993,102	15,431,378
Colombia	192,707,469	24,145,239	4,256,884	164,305,346	83,566,520	80,738,826	50,319,442	4,129,149	26,290,235
Costa Rica	15,371,478	5,145,010	1,520,469	8,705,999	1,636,536	7,069,463	6,213,128	484,116	372,219
Dominican Republic	6,152,304	1,938,284	200,000	4,014,020	—	4,014,020	2,143,400	968,143	902,477
Ecuador	14,036,160	1,625,593	257,143	12,153,424	2,059,823	10,093,601	8,548,960	515,555	1,029,086
El Salvador	7,017,807	2,306,099	250,500	4,461,208	—	4,461,208	3,650,360	464,000	346,848
Guatemala	11,291,665	4,578,109	725,000	5,988,556	814,800	5,173,756	4,821,657	352,099	—
Honduras	460,474	400,474	60,000	—	—	—	—	—	—
Jamaica	2,059,845	—	—	2,059,845	2,032,845	27,000	27,000	—	—
Mexico	302,914,334	39,550,133	14,141,265	249,222,936	118,764,512	130,458,424	72,254,856	13,677,120	44,526,448
Nicaragua	18,409,775	2,460,141	1,994,032	13,955,602	3,915,767	10,039,835	8,669,834	116,588	1,253,413
Panama	1,504,240	151,645	—	1,352,595	—	1,352,595	833,742	447,930	70,923
Paraguay	6,110,214	2,117,875	429,286	3,563,053	—	3,563,053	2,504,399	614,000	444,654
Peru	44,512,851	8,624,604	4,644,125	31,244,122	4,076,947	27,167,175	18,589,914	2,644,233	5,933,028
Trinidad and Tobago	1,300,000	—	—	1,300,000	1,300,000	—	—	—	—
Uruguay	48,929,138	8,283,713	951,395	39,694,030	26,028,962	13,665,068	11,981,565	1,001,378	682,125
Venezuela	149,761,525	17,162,236	8,330,166	124,269,123	88,830,839	35,438,284	18,478,197	8,071,022	8,889,065
Regional	18,484,691	1,106,699	1,000,000	16,377,992	3,366,799	13,011,193	8,182,226	—	4,828,967
Total 1971	\$1,763,452,122	\$262,307,798	\$58,875,431	\$1,442,268,893	\$661,544,997(3)	\$780,723,896	\$514,176,642	\$80,423,243	\$186,124,011 (4)
Total 1970	\$1,486,027,054	\$191,796,871	\$50,450,284	\$1,243,779,899	\$582,272,158(3)	\$661,507,741	\$474,699,060	\$81,221,992	\$105,586,689 (4)

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

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

(3) Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse approximately \$25,000,000 at December 31, 1971 and \$30,500,000 at December 31, 1970.

(4) The following table summarizes at December 31, 1971 and 1970 the non-member currencies in which the outstanding portion of approved loans held by the Bank are repayable:

Non-member	Unit of Currency	Amount expressed in United States Dollars	
		1971	1970
Austria	Austrian Schilling	\$ 5,371,923	\$ 2,420,485
Belgium	Belgian Franc	3,618,419	2,416,555
England	Pound Sterling	4,322,027	4,671,026
Germany	Deutsche Mark	47,261,963	19,906,354
Italy	Italian Lira	43,350,668	34,051,370
Japan	Japanese Yen	34,283,341	19,714,872
Netherlands	Netherland Guilder	6,418,714	1,036,780
Sweden	Swedish Kronor	2,237,521	734,248
Switzerland	Swiss Franc	39,259,435	20,634,999
		\$186,124,011	\$105,586,689

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

DECEMBER 31, 1971

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-8

Member	Shares	Percent of total	Total subscribed capital (1)	Amount received		Due from members		Callable portion of subscribed capital	Number of votes	Percent of total
				United States dollars	Member currency	Non-negotiable, non-interest-bearing demand obligations	Subscribed paid-in capital to be received			
Argentina	34,582.0	9.98	\$ 345,820,000	\$ 25,785,000	\$ 25,785,000			\$ 294,250,000	34,717.0	9.93
Barbados (2)	559.0	.16	5,590,000	621,000	7,000	\$ 614,000	\$ 828,000	3,520,000	694.0	.20
Bolivia	3,625.8	1.05	36,258,000	2,070,000	414,000	1,656,000	828,000	31,290,000	3,760.8	1.07
Brazil	45,856.5	13.23	458,565,000	34,380,000	34,380,000			389,805,000	45,991.5	13.15
Chile	12,592.0	3.63	125,920,000	7,080,000	7,080,000		4,720,000	107,040,000	12,727.0	3.64
Colombia	12,581.1	3.63	125,811,000	7,075,000	9,433,000	2,358,000		106,945,000	12,716.1	3.63
Costa Rica	1,812.9	.52	18,129,000	1,035,000	1,242,000	207,000		15,645,000	1,947.9	.56
Dominican Republic	2,419.2	.70	24,192,000	1,656,000	1,656,000			20,880,000	2,554.2	.73
Ecuador	2,419.2	.70	24,192,000	1,656,000	1,656,000			20,880,000	2,554.2	.73
El Salvador	1,812.9	.52	18,129,000	1,035,000	1,035,000		414,000	15,645,000	1,947.9	.56
Guatemala	2,419.2	.70	24,192,000	1,656,000	1,656,000			20,880,000	2,554.2	.73
Haiti	1,812.9	.52	18,129,000	1,035,000	1,035,000	414,000		15,645,000	1,947.9	.56
Honduras	1,812.9	.52	18,129,000	1,242,000	1,242,000			15,645,000	1,947.9	.56
Jamaica	2,419.2	.70	24,192,000	1,656,000	26,000	1,630,000		20,880,000	2,554.2	.73
Mexico	29,477.5	8.51	294,775,000	22,100,000	22,100,000			250,575,000	29,612.5	8.46
Nicaragua	1,812.9	.52	18,129,000	1,242,000	1,242,000			15,645,000	1,947.9	.56
Panama	1,812.9	.52	18,129,000	1,035,000	1,035,000		414,000	15,645,000	1,947.9	.56
Paraguay	1,812.9	.52	18,129,000	1,035,000	1,035,000	414,000		15,645,000	1,947.9	.56
Peru	6,052.7	1.75	60,527,000	4,146,000	4,146,000			52,235,000	6,187.7	1.77
Trinidad and Tobago	1,812.9	.52	18,129,000	1,035,000	165,000	870,000	414,000	15,645,000	1,947.9	.56
United States	154,852.0	44.68	1,548,520,000	150,000,000		38,240,000		1,360,280,000	154,987.0	44.32
Uruguay	3,708.0	1.07	37,080,000	2,765,000	2,765,000			31,550,000	3,843.0	1.10
Venezuela	18,528.0	5.35	185,280,000	13,815,000	12,244,895	1,570,105		157,650,000	18,663.0	5.33
Total	346,594.6	100.00	\$3,465,946,000	\$285,155,000	\$131,379,895	\$47,973,105	\$7,618,000	\$2,993,820,000	349,699.6	100.00

(1) At December 31, 1971 the authorized Ordinary Capital of the Bank was \$5,150,000,000 (515,000 shares) in terms of United States dollars of the weight and fineness in effect on January 1, 1959. Of the authorized capital \$875,000,000 (87,500 shares) is "paid-in" capital and \$4,275,000,000 (427,500 shares) is "callable" capital.

The authorized capital includes an increase of \$400,000,000 (40,000 shares) of "paid-in" capital and \$1,600,000,000 (160,000 shares) of "callable" capital, approved in December 1970 which became effective during 1971. The subscriptions to the increase of "paid-in" capital are payable in three equal annual installments beginning in 1971, except that for members whose "paid-in" capital subscription to the increase was \$10,000,000 or less, payment is permitted in five equal annual installments beginning in 1971. The subscriptions to the increase of "callable" capital are to be made in two equal installments, the first in 1971 and the second in 1973.

At December 31, 1971 twenty member countries have completed their subscription for an increase of \$83,646,000 (8,364.6 shares) of "paid-in" capital and \$619,280,000 (61,928 shares) of "callable" capital, raising the total subscribed capital to \$472,126,000 (47,212.6 shares) of "paid-in" capital and \$2,993,820,000 (299,382 shares) of "callable" capital.

The subscribed "paid-in" capital has been or is to be paid 50% in gold and/or United States dollars and 50% in the currency of the respective member except that non-negotiable, non-interest-bearing demand obligations have been accepted or will be accepted, as permitted under the provisions of Article V, Section 4 of the Agreement, in lieu of part of the member's subscription to the "paid-in" capital.

The subscribed "callable" portion of the authorized Ordinary Capital shall be called only when required to meet the obligations of the Bank created by borrowing or by guaranteeing loans with respect to the Ordinary Capital and is payable at the option of the member either in gold, United States dollars or the currency required to discharge the obligations of the Bank for the purpose for which the call is made.

(2) Barbados became a member in March 1969 and has paid US\$621,000 and member currency equivalent to \$621,000. The balance of the "paid-in" capital subscription is to be paid in installments of US\$207,000 and member currency equivalent to \$207,000 in each of the years 1972 and 1973.

STATEMENTS OF CURRENCIES HELD BY THE BANK

DECEMBER 31, 1971 AND 1970

See Notes to Financial Statements—Appendix I-8

Member	Unit of currency	December 31, 1971		December 31, 1970	
		Amount in local currency	Expressed in United States dollars	Amount in local currency	Expressed in United States dollars
Argentina	Peso	42,087,869	\$ 9,977,586	24,961,327	\$ 6,240,332
Barbados	E. C. Dollar	11,194	5,597	13,651	6,826
Bolivia	Peso Boliviano	349,313	29,417	725,692	61,112
Brazil	Cruzeiro	99,981,733	17,853,881	37,330,556	7,728,129
Chile	Escudo	28,350,446	1,794,332	23,802,229	1,949,404
Colombia	Peso	127,115,904	6,308,797	54,806,017	3,244,568
Costa Rica	Colon	5,441,783	820,828	3,235,521	487,284
Dominican Republic	Peso	596,276	596,276	172,280	172,280
Ecuador	Sucre	20,486,795	819,477	14,592,256	585,359
El Salvador	Colon	1,276,557	510,622	1,082,104	432,841
Guatemala	Quetzal	959,642	959,642	507,007	507,007
Haiti	Gourde	4,371,468	874,294	4,562,067	912,413
Honduras	Lempira	1,903,500	951,750	1,598,495	799,247
Jamaica	Jamaican Dollar	6,798	8,157	19,304	23,165
Mexico (1)	Peso	146,937,956	11,755,037	98,160,867	7,852,870
Nicaragua	Cordoba	5,920,350	845,764	5,061,614	723,088
Panama	Balboa	336,467	336,467	392,202	392,202
Paraguay	Guarani	28,026,140	222,429	31,339,290	248,725
Peru	Sol	76,059,016	1,945,705	43,219,892	1,101,089
Trinidad and Tobago	T. T. Dollar	1,590	795	11,554	5,777
United States	Dollar	1,133,415	1,133,415	456,142	456,142
Uruguay	Peso	326,812,101	1,307,384	297,903,174	1,191,613
Venezuela	Bolivar	26,007,741	5,772,641	13,444,454	2,982,769
			<u>64,830,293</u>		<u>38,104,242</u>
Non-Member					
Belgium	Belgian Franc	815,145	18,189	69,850	1,397
England	Pound Sterling	714	1,860	1,365	3,276
France	French Franc	3,488	682		
Germany	Deutsche Mark	446,168	138,454	1,773,898	484,672
Italy	Italian Lira	5,894,119,022	10,136,060	182,054,506	291,287
Japan	Japanese Yen	70,866,369	230,086	25,451,322	70,698
Netherlands	Netherland Guilder			1,886	521
Sweden	Swedish Kronor	3,115	647	5,712	1,104
Switzerland	Swiss Franc	25,500,900	6,640,864	439,704	100,550
			<u>17,166,842</u>		<u>953,505</u>
Total expressed in United States dollars			<u>\$81,997,135</u>		<u>\$39,057,747</u>

(1) In accordance with the provisions of Article V, Section 1 of the Agreement 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.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1971 and 1970

Note A—Translation of Currencies

Amounts in member 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, except for accrued charges on certain loans denominated in member currencies other than United States dollars, which have been translated into United States dollars at the approximate market rates of exchange existing at December 31, 1971 and 1970. The non-member currencies have been translated into United States dollars at par value rates of exchange or central rates of exchange as applicable at December 31, 1971 and 1970. The revaluation of non-member currencies in relation to the United States dollar which occurred in 1971 resulted in an exchange gain of approximately \$316,000. No representation is made that any of such currencies is convertible into any other of such currencies at any rate or rates.

Note B—Maintenance of Value on Currencies Held by Bank

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

A bill has been submitted to the United States Congress which will, if adopted, have the effect of reducing the par value of the United States dollar by approximately 8.57% by changing the price of gold from \$35.00 per ounce to \$38.00 per ounce. The ultimate effect on the Bank of this pending action and

other similar actions that other member countries may be considering which relate to the maintenance of value provisions described above cannot be determined at this time.

Note C—General Reserve

Pursuant to actions of the Board of Governors the net income from the Ordinary Capital resources of the Bank has been allocated to a general reserve for possible future losses and, until further action by the Board of Governors, the net income of each year is to be allocated automatically to such reserve.

Under the provisions of Article VI of the Agreement the Bank may, at the request of any member or members or of private firms that may obtain loans from it, provide technical advice and assistance. The same article specifies that the expenses of providing technical assistance not paid by the recipients shall be met from net income of the Ordinary Capital or of the Fund for Special Operations. Pursuant to resolutions of the Board of Executive Directors all nonreimbursable technical assistance expenditures incurred during 1971 and 1970 were charged to the net income of the Fund for Special Operations. At December 31, 1971 the amount approved by the Bank for nonreimbursable technical assistance projects which had not yet been disbursed at that date was \$3,198,309.

Note D—Special Reserve

The amount of commissions received by the Bank on loans made out of the Ordinary Capital resources is required under Article III, Section 13 of the Agreement to be set aside as a special reserve to be kept available for meeting the Bank's obligations created by borrowing or by guaranteeing loans. On all loans granted to date the rate of commission is 1% per annum. The special reserve assets at December 31, 1971 and 1970 consist of the following:

	1971	1970
Due from Banks	\$ 75,125	\$ 263,036
Investments in United States Government obligations (at cost or amortized cost; face amount 1971 — \$30,396,000; 1970 — \$24,209,000)	30,225,241	23,673,183
Accrued loan commissions	2,222,266	1,711,231
Total	<u>\$32,522,632</u>	<u>\$25,647,450</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1971 and 1970

(Continued)

Note E—Allocation of Administrative and Depreciation Expenses

Article III, Section 3 (b) of the Agreement provides: "Expenses pertaining directly to ordinary operations shall be charged to the ordinary capital resources of the Bank. Expenses pertaining directly to special operations shall be charged to the resources of the Fund [for Special Operations]. Other expenses shall be charged as the Bank determines". For each of the years through 1971, expenses which have been deemed to be not identifiable as pertaining directly to either the Ordinary Capital or the Fund for Special Operations have been distributed pursuant to an allocation method approved by the Board of Executive Directors. During 1971 such expenses have been charged 40% to the income of the Ordinary Capital and 60% to the income of the Fund for Special Operations and during 1970 such expenses have been charged 43% to the income of the Ordinary Capital and 57% to the income of the Fund for Special Operations.

Note F—Loans Outstanding Held by Bank

One of the Bank's borrowers, a private enterprise in Brazil, defaulted on the interest and principal payments due June 15, 1966, on two loans. The total amount of these loans is the equivalent of US\$8,400,345, including the unpaid principal amount of US\$7,981,692 and accrued interest of US\$418,653 recorded for the period from December 15, 1965 to November 8, 1966, the date on which the Bank instituted foreclosure proceedings on the property.

The Supreme Court of Brazil has upheld the Bank's right to foreclose on the plant, equipment and forest lands which secure the Bank's claim against the borrower. As of December 31, 1971, the Bank is negotiating an arrangement for the liquidation of the indebtedness. The amounts which could

be obtained as a result of these arrangements or from the public sale of the properties cannot be determined at this time. However, in the opinion of the Bank's management, the final settlement of these loans is not expected to have any material adverse effect on the financial position of the Bank.

Costs and expenses associated with these loans are being charged to expense as incurred. In the years ended December 31, 1971 and 1970, the amounts so charged were \$216,304 and \$159,818, respectively.

Note G—Commitments

The Bank is committed to make lease payments in connection with the rental of its office facilities in the amounts of \$1,271,000, \$1,121,000, \$1,021,000, \$784,000 and \$58,000 during the years ended December 31, 1972 through 1976.

Note H—Fund for Special Supervision and Inspection of Loans

In accordance with the loan contracts borrowers have agreed to special charges to cover the costs of supervision and inspection services performed in connection with projects or programs financed under the loans. Beginning in 1966 the Bank established a special fund in each of the separate "windows" of the Bank (Ordinary Capital, Fund for Special Operations and Social Progress Trust Fund) to accumulate the amounts charged under the special provisions of the loans. Each loan is charged pursuant to the contract and the offsetting credit is accumulated in an account called "Fund for Special Supervision and Inspection of loans". Expenses associated with supervision and inspection of these projects or programs are charged to the respective accounts. There follows a summary of transactions in the Ordinary Capital account for 1971 and 1970:

	1971	1970
Balance beginning of period	\$1,889,351	\$1,256,067
Charges against loans	1,883,409	1,447,179
Less expenses:		
Salaries of specialists	\$293,895	\$283,811
Other compensation and benefits	104,199	102,000
Travel	115,181	117,394
Contractual services	247,466	149,998
Miscellaneous	200,296	160,692
	961,037	813,895
Balance end of period	<u>\$2,811,723</u>	<u>\$1,889,351</u>

ORDINARY CAPITAL RESOURCES

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1971 and 1970

(Continued)

Note I—Staff Retirement Plan

The Bank has a Staff Retirement Plan for the benefit of its employees. Every staff member under 65 becomes a participant as a condition of service. Each participant contributes a percentage of his remuneration to the Plan and the Bank as provided for by the Plan absorbs all operating expenses of the Plan and contributes that part of the actuarial cost not provided by the contributions of participants. All contributions by the Bank are charged to administrative expense. Contributions to the Plan by

the Bank during 1971 and 1970 were \$2,106,258 and \$1,726,370, respectively. Such contributions were charged to the Ordinary Capital and the Fund for Special Operations in accordance with the allocation method discussed in Note E. There was no unfunded liability as of December 31, 1970, the latest date through which actuarial computations have been made for the Plan. The assets and reserve of the Plan have previously been included in the Balance Sheets of the Bank—Ordinary Capital.





BULLDOZER CARVES THROUGH JUNGLE to build farm-to-market road in Panama. This section lies between Volcan and Sereno. Bank loan of \$16 million is supporting the nation's feeder road building effort.

part 2

FUND FOR SPECIAL OPERATIONS

FUND FOR SPECIAL OPERATIONS

FINANCIAL HIGHLIGHTS

The *net income* of the Fund for Special Operations in 1971 was \$15,925,169 before deducting charges for technical assistance expenses, which amounted to \$1,551,124. These figures compared with net income of \$11,164,092 and technical assistance expenses of \$1,423,599 in 1970.

The *gross income* from the Fund for Special Operations in 1971 amounted to \$33,102,590, compared with \$24,927,424 in 1970. The 1971 income included \$21,312,776 derived from interest on loans; \$7,483,702 from commitment changes; \$3,853,738 from commissions; \$249,005 from investments and \$203,369 from other sources.

As of Dec. 31, 1971, the *general reserve* of the Fund for Special Operations had risen to \$39,489,596, compared with \$25,115,551 at the end of 1970.

Total *administrative expenses*, including depreciation, chargeable to the Fund for Special Operations in 1971 were \$17,177,421, compared with \$13,763,332 in 1970.

Repayments on loans in 1971 amounted to \$34,533,569, compared with \$20,667,491 in 1970, bringing total repayments at the end of the year to \$91,854,267.

The audited financial statements of the Fund for Special Operations are contained in the following pages.

FUND FOR SPECIAL OPERATIONS

OPINION OF INDEPENDENT ACCOUNTANTS

Board of Governors
Inter-American Development Bank

In our opinion, the accompanying financial statements set forth in the index below (Appendices II-1 to II-7) present fairly, in terms of United States currency, the financial position of Inter-American Development Bank—Fund for Special Operations at December 31, 1971 and 1970, the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse Co.
PRICE WATERHOUSE & CO.

Washington, D.C.
February 18, 1972

FINANCIAL STATEMENTS

APPENDIX

Balance Sheets at December 31, 1971 and 1970	II-1
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FUND FOR SPECIAL OPERATIONS

APPENDIX II-1

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS

BALANCE SHEETS

DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

ASSETS	1971		1970	
Due from banks (Appendix II-6) (Note B)				
Unrestricted member currencies	\$ 184,373,882		\$ 165,608,577	
Restricted member currencies	41,344,088	\$ 225,717,970	44,722,422	\$ 210,330,999
Investments				
United States Government obligations (at amortized cost; face amount 1971—\$6,000,000; 1970—\$4,000,000)		5,920,515		3,918,737
Loans outstanding held by Bank (Appendix II-4)				
Total loans approved by Bank since inception, less cancellations	2,404,858,846		2,021,582,484	
Less principal repayments to Bank and loans sold	202,513,863		147,431,568	
Less undisbursed balance of approved loans held by Bank	1,404,348,480	797,996,503	1,270,082,173	604,068,743
Accrued charges on loans held by Bank		9,392,419		7,141,418
Due from members (Appendix II-5)				
Contribution quotas receivable in member currencies	2,629,200		4,336,200	
Non-negotiable, non-interest-bearing demand obligations denominated in members' currencies including the following restricted amounts; 1971—US\$1,122,911,000; 1970—US\$1,297,941,000 (Note C)	1,331,151,000	1,333,780,200	1,526,208,300	1,530,544,500
Advance contribution quotas (Appendix II-5, Note 1)		26,876,800		
Other assets		184,702		363,833
Total assets		<u>\$2,399,869,109</u>		<u>\$2,356,368,230</u>
 LIABILITIES, SPECIAL FUNDS AND FUND BALANCE				
Liabilities				
Accrued expenses		\$ 1,277,097		\$ 252,475
Special letters of credit		652,122		57,866
Special funds				
Advance contribution quotas (Appendix II-5, Note 1)		26,876,800		
Funds held in trust (Note G)		1,195,505		754,898
Fund for Special Supervision and Inspection of loans (Note H)		2,368,989		2,178,440
Fund balance				
Contribution quotas authorized and subscribed (Appendix II-5) (Note D)	\$2,328,009,000		\$2,328,009,000	
General reserve (Appendix II-2) (Note F)	39,489,596	2,367,498,596	25,115,551	2,353,124,551
Total liabilities, special funds and Fund balance		<u>\$2,399,869,109</u>		<u>\$2,356,368,230</u>

STATEMENTS OF INCOME AND EXPENSES

YEARS ENDED DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

	1971	1970
Income		
From loans		
Interest	\$21,312,776	\$15,795,925
Commitment charges	7,483,702	6,190,452
Commissions	<u>3,853,738</u>	<u>2,516,892</u>
From investments	249,005	253,364
From other sources	203,369	170,791
Gross income	<u>33,102,590</u>	<u>24,927,424</u>
Expenses		
Administrative expenses (Note E) (Appendix I-8, Note I)		
Board of Governors		
Annual meeting	270,787	228,426
Board of Executive Directors		
Salaries	331,702	312,978
Other compensation and benefits	79,703	75,863
Travel	89,149	82,750
Review and evaluation group	144,201	93,014
Staff		
Salaries	7,675,339	6,234,261
Other compensation and benefits	2,736,412	2,163,826
Travel	957,567	723,254
Other administrative expenses		
Communications	448,737	376,365
Office occupancy	1,182,773	929,726
Publications and printing	175,986	169,516
Supplies and equipment	538,882	387,493
Contractual services	713,350	495,737
Miscellaneous	148,266	137,270
Field offices		
Salaries	570,780	516,332
Other	1,322,623	1,219,262
	<u>17,386,257</u>	<u>14,146,073</u>
Charge equivalent to depreciation	87,870	83,477
	<u>17,474,127</u>	<u>14,229,550</u>
Less amounts charged to Social Progress Trust Fund for indirect and overhead expenses by Bank as Administrator (Appendix III-2)	296,706	466,218
Total administrative expenses including depreciation	17,177,421	13,763,332
Net income	<u>\$15,925,169</u>	<u>\$11,164,092</u>

STATEMENTS OF DISPOSITION OF NET INCOME AND CHANGES IN GENERAL RESERVE

	1971	1970
Net income	\$15,925,169	\$11,164,092
Disposition:		
Technical assistance (Note I)	1,551,124	1,423,599
Addition to general reserve (Note F)	14,374,045	9,740,493
General reserve beginning of year	25,115,551	15,375,058
General reserve end of year (Note F)	<u>\$39,489,596</u>	<u>\$25,115,551</u>

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS

STATEMENTS OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

Source of funds	1971	1970
Provided from operations		
Net income (Appendix II-2)	\$ 15,925,169	\$ 11,164,092
Deduct income not providing cash funds	(1,226,379)	(2,810,046)
Cash funds provided from operations	14,698,790	8,354,046
Reduction in notes and receivables due from members	196,764,300	177,809,794
Loan repayments	34,533,569	20,667,491
Proceeds from sales of loan participations	21,762,109	24,164,905
Increase in funds held in trust	440,607	317,599
Increase in Fund for Special Supervision and Inspection of loans	190,549	549,430
Decrease in other assets	179,131	
Total source of funds	<u>268,569,055</u>	<u>231,863,265</u>
Application of funds		
Loan disbursements	248,415,799	248,018,360
Technical assistance	1,551,124	1,423,599
Repayments to participants	1,213,383	472,594
Increase in other assets		31,738
Total application of funds	<u>251,180,306</u>	<u>249,946,291</u>
Increase (decrease) in cash funds	<u>\$ 17,388,749</u>	<u>\$ (18,083,026)</u>
Analysis of increase (decrease) in cash funds:		
Due from banks	\$ 15,386,971	\$ (18,652,846)
Investments	2,001,778	569,820
	<u>\$ 17,388,749</u>	<u>\$ (18,083,026)</u>

SUMMARY STATEMENTS OF LOANS

DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

Member in whose territory loans have been made (1)	Total loans approved by Bank since inception, less cancellations (2)	Principal repayments to Bank	Loans sold	Approved loans held by Bank			Currency in which outstanding portion of approved loans held by Bank is repayable	
				Total	Undisbursed	Outstanding	United States dollars	Member's currency
Argentina	\$ 274,708,325	\$ 2,642,612	\$ 8,265,000	\$ 263,800,713	\$ 221,236,723	\$ 42,563,990	\$ 2,479,332	\$ 40,084,658
Barbados	1,000,000	—	—	1,000,000	1,000,000	—	—	—
Bolivia	82,010,000	18,130,560	2,280,000	61,599,440	35,200,086	26,399,354	4,075,507	22,323,847
Brazil	471,941,140	18,741,866	25,798,380	427,400,894	236,459,229	190,941,665	15,513,731	175,427,934
Chile	163,235,503	8,791,726	11,083,168	143,360,609	65,324,447	78,036,162	2,148,884	75,887,278
Colombia	200,980,690	3,861,894	12,064,997	185,053,799	112,954,903	72,098,896	4,766,538	67,332,358
Costa Rica	38,038,471	1,258,937	2,495,329	34,284,205	23,651,580	10,632,625	4,860,043	5,772,582
Dominican Republic	47,894,500	960,452	1,891,481	45,042,567	18,470,910	26,571,657	4,188,636	22,383,021
Ecuador	85,861,892	4,437,833	500,000	80,924,059	64,403,705	16,520,354	3,120,000	13,400,354
El Salvador	22,982,728	15,679	700,000	22,267,049	19,718,481	2,548,568	113,179	2,435,389
Guatemala	53,504,374	667,743	2,110,000	50,726,631	31,735,191	18,991,440	—	18,991,440
Haiti	13,437,213	1,222,430	—	12,214,783	7,092,505	5,122,278	—	5,122,278
Honduras	68,341,603	4,176,689	3,397,599	60,767,315	29,971,782	30,795,533	14,978,723	15,816,810
Jamaica	17,900,000	—	—	17,900,000	13,683,925	4,216,075	—	4,216,075
Mexico	260,031,136	5,554,885	6,620,000	247,856,251	123,117,188	124,739,063	93,014,547	31,724,516
Nicaragua	46,350,000	3,047,152	6,651,000	36,651,848	21,332,972	15,318,876	10,653,815	4,665,061
Panama	51,573,290	2,880,295	7,670,000	41,022,995	18,683,112	22,339,883	1,994,464	20,345,419
Paraguay	122,562,341	5,531,581	350,000	116,680,760	78,065,597	38,615,163	2,803,715	35,811,448
Peru	157,854,713	2,271,429	13,484,286	142,098,998	108,450,183	33,648,815	127,059	33,521,756
Trinidad and Tobago	15,200,000	57,660	—	15,142,340	12,327,966	2,814,374	—	2,814,374
Uruguay	39,247,000	738,301	935,000	37,573,699	33,027,091	4,546,608	2,303,484	2,243,124
Venezuela	119,500,000	808,794	7,980,000	110,711,206	103,092,685	7,618,521	1,387,625	6,230,896
Central American Countries— Central American Bank for Economic Integration	50,703,927	2,439,105	—	48,264,822	25,348,219	22,916,603	13,015,705	9,900,898
Total 1971	\$2,404,858,846	\$88,237,623	\$114,276,240	\$2,202,344,983	\$1,404,348,480(3)	\$797,996,503	\$181,544,987	\$616,451,516
Total 1970	\$2,021,582,484	\$54,917,437	\$92,514,131	\$1,874,150,916	\$1,270,082,173(3)	\$604,068,743	\$151,235,677	\$452,833,066

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

(2) All of the loans have been approved by the Bank, but certain loans have not become

effective and disbursements thereunder will not begin until the borrower or guarantor, if any, takes certain action and furnishes certain documents to the Bank.

(3) Of the undisbursed balances the Bank has entered into irrevocable commitments to disburse approximately \$23,500,000 at December 31, 1971 and \$21,000,000 at December 31, 1970.

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS

STATEMENT OF CONTRIBUTION QUOTAS

DECEMBER 31, 1971

Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

Member	Percent of total	Total subscribed quota (1)	Amount received		Due from members	
			United States dollars	Member currency	Non-negotiable, non-interest-bearing demand obligations	Contribution quotas receivable
Argentina	4.94	\$ 115,086,000	\$ 7,735,500	\$ 27,350,500	\$ 80,000,000	
Barbados (2) .....	.02	414,000	124,200	30,400	93,800	\$ 165,600
Bolivia .....	.40	9,240,000	621,000	1,809,000	6,810,000	
Brazil	4.94	115,086,000	7,735,500	107,350,500		
Chile	1.36	31,599,000	2,124,000	29,475,000		
Colombia	1.36	31,578,000	2,122,500	29,455,500		
Costa Rica .....	.20	4,620,000	310,500	4,309,500		
Dominican Republic .....	.26	6,159,000	414,000	5,745,000		
Ecuador .....	.26	6,159,000	414,000	5,745,000		
El Salvador .....	.20	4,620,000	310,500	4,309,500		
Guatemala .....	.26	6,159,000	414,000	5,745,000		
Haiti .....	.20	4,620,000	310,500	310,500	3,999,000	
Honduras .....	.20	4,620,000	310,500	4,309,500		
Jamaica (3) .....	.26	6,159,000	248,400	29,000	3,418,000	2,463,600
Mexico	3.18	73,989,000	4,972,500	69,016,500		
Nicaragua .....	.20	4,620,000	310,500	4,309,500		
Panama .....	.20	4,620,000	310,500	3,445,500	864,000	
Paraguay .....	.20	4,620,000	310,500	757,500	3,552,000	
Peru .....	.66	15,414,000	1,036,500	6,877,500	7,500,000	
Trinidad and Tobago .....	.20	4,620,000	310,500	1,216,300	3,093,200	
United States	77.32	1,800,000,000	634,589,000	—	1,165,411,000	
Uruguay .....	.53	12,342,000	829,500	2,512,500	9,000,000	
Venezuela	2.65	61,665,000	4,144,500	10,110,500	47,410,000	
Total	100.00	\$2,328,009,000	\$670,009,100	\$324,219,700	\$1,331,151,000	\$2,629,200

(1) As of December 31, 1971 the authorized and subscribed contribution quotas of the Fund for Special Operations amounted to \$2,328,009,000. Non-negotiable, non-interest-bearing demand obligations have been accepted as permitted under the provisions of Article V, Section 4 of the Agreement in lieu of part of the payment required to be made in the member's currency.

On December 31, 1970 the Board of Governors approved a resolution providing for an increase of \$1,500,000,000 in the authorized contribution quotas of members in the Fund for Special Operations. The contributions of the member countries are to be paid in the currencies of the respective members in three installments, the first of which amounting to 10% of the authorized increase was originally due by June 30, 1971, and the balance in two equal installments in 1972 and 1973, respectively.

Subsequent to the original resolution, the Governors have approved two extensions to the due date of the first installment (until June 30, 1972) and established payment dates for the second and third installments (October 31, 1972 and December 31, 1973, respectively). In order for the additional contributions to become effective, at least 16 members whose increased contributions total not less than the equivalent of \$1,350,000,000 must deposit

with the Bank an appropriate instrument setting forth their agreement to their making the contributions to the increase.

At December 31, 1971, 13 member countries have paid \$26,876,800 as advance contribution quotas to the increase in the resources of the Fund, consisting of local currencies equivalent to \$23,959,400 and non-negotiable, non-interest-bearing obligations equivalent to \$2,917,400.

(2) Barbados became a member in March 1969 and has paid US\$124,200 and member currency equivalent to \$124,200. The balance of the contribution quota is to be paid in annual installments of US\$41,400 and member currency equivalent to \$41,400 in each of the years 1972 and 1973.

(3) Jamaica became a member in December 1969 and has paid US\$248,400 and member currency equivalent to \$3,447,000. The balance of the contribution quota is to be paid in annual installments of US\$82,800 and member currency equivalent to \$1,149,000 in each of the years 1972 and 1973.

STATEMENTS OF CURRENCIES HELD BY THE BANK

DECEMBER 31, 1971 AND 1970

See Notes to Financial Statements—Appendix II-7

Member	Unit of currency	December 31, 1971		December 31, 1970	
		Amount in local currency	Expressed in United States dollars	Amount in local currency	Expressed in United States dollars
Argentina	Peso	52,751,142	\$ 12,413,253	30,384,046	\$ 7,596,012
Barbados	E. C. Dollar	16,086	8,043	12,800	6,400
Bolivia	Peso Boliviano	136,156,072	11,465,132	115,611,673	9,735,314
Brazil	Cruzeiro	419,907,750	74,979,503	341,192,838	70,633,432
Chile	Escudo	412,445,364	26,095,028	292,392,845	23,946,998
Colombia	Peso	148,712,287	7,135,562	213,137,006	11,904,425
Costa Rica	Colon	18,837,108	2,841,414	23,917,853	3,610,036
Dominican Republic	Peso	5,991,147	5,991,147	5,624,937	5,624,937
Ecuador	Sucre	69,441,481	2,775,781	87,874,934	3,519,646
El Salvador	Colon	9,795,559	3,918,224	9,915,777	3,966,311
Guatemala	Quetzal	3,498,863	3,498,863	2,158,606	2,158,606
Guatemala (1)	Quetzal	155,375	155,375	1,090,201	1,090,201
Haiti	Gourde	9,095,353	1,819,071	7,754,761	1,550,952
Honduras	Lempira	9,136,723	4,568,361	7,806,918	3,903,459
Jamaica	Jamaican Dollar	23,163	27,868	24,167	29,000
Mexico (1)	Peso	496,394,785	39,711,583	542,042,404	43,363,392
Nicaragua	Cordoba	41,940,370	5,991,481	35,139,460	5,019,923
Panama	Balboa	1,818,966	1,818,966	1,941,691	1,941,691
Paraguay	Guarani	330,278,726	2,621,221	221,444,623	1,757,498
Peru	Sol	316,500,573	8,193,632	209,001,195	5,411,736
Trinidad and Tobago	T.T. Dollar	572,647	286,079	146,046	72,546
United States	Dollar	764,565	764,565	259,410	259,410
United States (Note C)	Dollar	1,477,130	1,477,130	268,829	268,829
Uruguay	Peso	615,189,908	2,460,760	201,648,010	806,592
Venezuela	Bolivar	21,149,678	4,699,928	9,691,440	2,153,653
Total expressed in United States dollars			<u>\$225,717,970</u>		<u>\$210,330,999</u>

(1) In accordance with the provisions of Article V, Section 1 of the Agreement 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.

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1971 and 1970

Note A—Translation of Currencies

Amounts in member 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, except for the accrued charges on certain loans denominated in member currencies other than United States dollars, which have been translated into United States dollars at the approximate market rates of exchange existing at December 31, 1971 and 1970. No representation is made that any of such currencies is convertible into any other such currencies at any rate or rates.

Note B—Maintenance of Value on Currencies Held by the Bank

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

A bill has been submitted to the United States Congress which will, if adopted, have the effect of reducing the par value of the United States dollar by approximately 8.57% by changing the price of gold from \$35.00 per ounce to \$38.00 per ounce. The ultimate effect on the Bank of this pending action and other similar actions that other member countries may be considering which relate to the maintenance of value provisions described above cannot be determined at this time.

Note C—Restrictions on United States Contributions

In accordance with the provisions of Article V, Section 1 of the Agreement the United States has specified that \$1,650,000,000 of its contributions to the Fund for Special Operations shall be restricted to making payments for the acquisition of goods or services from the United States, for the acquisition of goods or services of local origin in the country in which the project is located, or for the acquisition of goods or services produced in other countries which are members of the Bank if in the judgment of the Bank such transaction would be advantageous to the borrower.

Note D—Voting Rights

In making decisions concerning operations of the Fund, the number of votes and percent of total vote for each member are the same as shown in Appendix I-6 of the financial statements of the Ordinary Capital. All such decisions shall be adopted by at least a two-thirds majority of the total voting power.

Note E—Allocation of Administrative and Depreciation Expenses

Article III, Section 3 (b) of the Agreement provides: "Expenses pertaining directly to ordinary operations shall be charged to the ordinary capital resources of the Bank. Expenses pertaining directly to special operations shall be charged to the resources of the Fund [for Special Operations]. Other expenses shall be charged as the Bank determines". For each of the years through 1971, expenses which have been deemed to be not identifiable as pertaining directly to either the Ordinary Capital or the Fund for Special Operations have been distributed pursuant to an allocation method approved by the Board of Executive Directors. During 1971 such expenses have been charged 40% to the income of the Ordinary Capital and 60% to the income of the Fund for Special Operations and during 1970 such expenses have been charged 43% to the income of the Ordinary Capital and 57% to the income of the Fund for Special Operations.

Note F—General Reserve

Pursuant to actions of the Board of Governors the income of the Fund for Special Operations, after deduction of technical assistance expenditures, has been allocated to a general reserve for possible future losses and future net income less technical assistance expenditures is, until further action by the Board of Governors, to be allocated automatically to such reserve each year.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1971 and 1970

(Continued)

Note G—Funds Held in Trust

Funds held in trust at December 31, 1971 and 1970 include the undisbursed amounts of direct contributions by member countries, and contributions of the Fund for Special Operations and the Social Progress Trust Fund for the purpose of financing preinvestment studies in member countries and the activities of the Institute for Latin American Integration, which is a dependency of the Bank. Also included in funds held in trust is a fund established by the United Nations Development Programme, which is administered by the Bank.

Note H—Fund for Special Supervision and Inspection of Loans

In accordance with the loan contracts borrowers have agreed to special charges to cover the costs of supervision and inspection

services performed in connection with projects or programs financed under the loans. Beginning in 1966 the Bank established a special fund in each of the separate "windows" of the Bank (Ordinary Capital, Fund for Special Operations and Social Progress Trust Fund) to accumulate the amounts charged under the special provisions of the loans. Each loan is charged pursuant to the contract and the offsetting credit is accumulated in an account called "Fund for Special Supervision and Inspection of loans". Expenses associated with supervision and inspection of these projects or programs are charged to the respective accounts. There follows a summary of the transactions in the Fund for Special Operations account for 1971 and 1970:

	1971	1970
Balance beginning of period	\$2,178,440	\$1,629,010
Charges against loans	3,212,963	3,249,713
Less expenses:		
Salaries	\$964,206	\$902,803
Other compensation and benefits	322,502	309,527
Travel	317,801	341,659
Contractual services	838,882	677,792
Miscellaneous	579,023	468,502
Balance end of period	<u>\$2,368,989</u>	<u>2,700,283</u> <u>\$2,178,440</u>

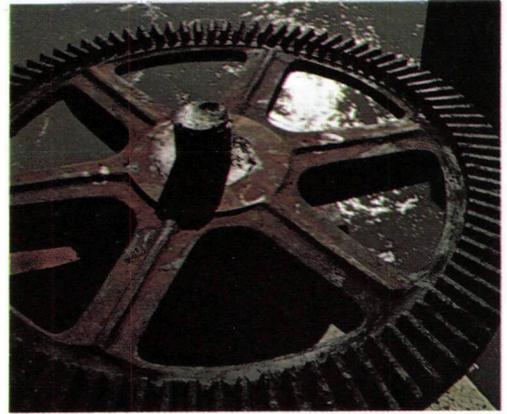
Note I—Technical Assistance

Under the provisions of Article VI of the Agreement the Bank may, at the request of any member or members or of private firms that may obtain loans from it, provide technical advice and assistance. The same Article specifies that the expenses of providing technical assistance not paid by the recipients shall be met from the net income of the Ordinary Capital or of the Fund for Special Operations. At December 31, 1971 the amount approved by the Bank for nonreimbursable technical assistance projects which had not yet been dis-

bursed at that date was \$3,198,309. Pursuant to resolutions of the Board of Executive Directors, all nonreimbursable technical assistance expenditures incurred during 1971 and 1970 were charged to the net income of the Fund for Special Operations.

The accumulated technical assistance expenditures made by the Fund as of December 31, 1971 include \$523,820 which may be reimbursed to the Fund if loans are granted as a result of the respective technical assistance projects.





CONTROLLED WATER FLOWS to irrigate additional farmland at the juncture of Mexico's Central States of Jalisco, Michoacan and Guanajuato. Project is providing irrigation for 82,000 acres of land.

part 3

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 June 19, 1961)

SOCIAL PROGRESS TRUST FUND

FINANCIAL HIGHLIGHTS

The *income* of the Social Progress Trust Fund in 1971 amounted to \$11,700,045, in excess of administrative expenses, before deducting charges for technical assistance costs amounting to \$2,630,552, exchange adjustments of \$3,940,555 and a transfer to the Fund for Special Supervision and Inspection of Loans of \$86,286. These figures compared with \$10,726,405 in income and \$2,559,718 in technical assistance expenses, \$93,037 in an exchange increase and \$225,950 in a transfer to the Special Supervision Fund in 1970.

Gross income for the year was \$12,551,547, compared with \$12,067,937 in 1970. The 1971 gross income included \$7,062,652 derived from interest on loans, \$3,056,466 from service charges on loans, \$2,397,320 from income received from participations taken in loans from the Fund for Special Operations and

\$35,109 from investments and other sources.

Administrative expenses chargeable to the Trust Fund in 1971 amounted to \$851,502, compared with \$1,341,532 in 1970.

Repayments by borrowers on loans during 1971 amounted to \$19,274,246, compared with \$19,809,327 in 1970, and brought total repayments as of Dec. 31, 1971, to \$95,846,617.

During 1971 the Bank authorized the use of \$21,762,109 in dollars and member currencies from repayments on previous Trust Fund loans to purchase participations in loans authorized from the Fund for Special Operations. These purchases brought the cumulative total as of Dec. 31, 1971, to \$106,159,596, net of repayments and provision for unrealized exchange adjustments.

The audited financial statements of the Social Progress Trust Fund are contained in the following pages.

**SOCIAL
PROGRESS
TRUST FUND**

OPINION OF INDEPENDENT ACCOUNTANTS

Inter-American Development Bank
Administrator of the Social Progress Trust Fund

In our opinion, the accompanying financial statements set forth in the index below (Appendices III-1 to III-6) present fairly, in terms of United States currency, the financial position of the Social Progress Trust Fund, which is administered by the Inter-American Development Bank, at December 31, 1971 and 1970, the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

PRICE WATERHOUSE & CO.

Washington, D.C.
February 18, 1972

FINANCIAL STATEMENTS

APPENDIX

Balance Sheets at December 31, 1971 and 1970	III-1
Statements of Income and Expenses for the years ended	
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December 31, 1971 and 1970	III-4
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December 31, 1971 and 1970	III-5
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SOCIAL PROGRESS TRUST FUND

APPENDIX III-1

ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEETS

DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix III-6

ASSETS	1971		1970	
Due from banks (Appendix III-5)				
United States dollars	\$ 113,152		\$ 68,175	
Currencies other than United States dollars	19,780,216	\$ 19,893,368	13,896,792	\$ 13,964,967
Investments				
United States Government obligations (at amortized cost; face amount \$1,300,000)		1,280,481		
Loans outstanding (Appendix III-4)				
Total loans approved since inception, less cancellations	494,191,038		494,731,421	
Less principal repayments	95,846,617		76,572,371	
Less undisbursed balance		398,344,421	1,954,071	416,204,979
Participations in loans made from Fund for Special Operations , less provision for unrealized exchange adjustments in 1971 — \$4,500,000 (Appendix III-4) (Note D)		106,159,596		90,110,870
Accrued charges on loans and participations		3,160,717		2,928,566
Available from United States Government		18,130,000		18,830,000
Other assets		266,928		101,870
Total assets		<u>\$547,235,511</u>		<u>\$542,141,252</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accrued expenses and accounts payable		\$ 773,346		\$ 652,713
Special letters of credit				69,026
Fund balance				
Fund established by United States Government (Note B)	\$525,000,000		\$525,000,000	
Cumulative excess of income at beginning of year	16,419,513		8,385,739	
Excess of income over expenses during the year (Appendix III-2)	5,042,652	546,462,165	8,033,774	541,419,513
Total liabilities and fund balance		<u>\$547,235,511</u>		<u>\$542,141,252</u>

STATEMENTS OF INCOME AND EXPENSES

YEARS ENDED DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix III-6

	1971	1970
Income		
From loans		
Interest	\$ 7,062,652	\$ 7,095,589
Service charges	3,056,466	3,083,905
From participations (Note D)	2,397,320	1,888,443
From investments and other	35,109	—
Gross income	<u>12,551,547</u>	<u>12,067,937</u>
Administrative expenses (Note B)		
Salaries	\$170,876	\$256,758
Professional services	30,625	37,777
Travel	17,348	25,617
Review and evaluation group	22,055	13,113
Printing	82,326	92,041
Field offices (includes salaries 1971 \$32,311 — 1970 \$95,506)	33,579	98,037
Miscellaneous	183	262
Indirect and overhead expenses		
Paid or payable to Bank — Ordinary Capital (Appendix I-2)	197,804	351,709
Paid or payable to Bank — Fund for Special Operations (Appendix II-2)	296,706	466,218
Total administrative expenses	<u>851,502</u>	<u>1,341,532</u>
Excess of income over administrative expenses	11,700,045	10,726,405
Technical assistance and special charges		
Technical assistance (Note E)	2,630,552	2,559,718
Adjustments in United States dollar equivalents of Latin American currencies of the Trust Fund (increase) decrease (Notes A and D)	3,940,555	(93,037)
Transfer to Fund for Special Supervision and Inspection of loans (Note C)	86,286	225,950
Excess of income over expenses	<u>\$ 5,042,652</u>	<u>\$ 8,033,774</u>

SOCIAL PROGRESS TRUST FUND

APPENDIX III-3

ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK

STATEMENTS OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars — See Notes to Financial Statements — Appendix III-6

	<u>1971</u>	<u>1970</u>
Source of funds		
Provided from operations		
Excess of Income over Expenses (Appendix III-2)	\$ 5,042,652	\$ 8,033,774
Add expenses not requiring cash funds	4,388,482	63,288
Cash funds provided from operations	9,431,134	8,097,062
Loan repayments	19,274,246	19,809,327
Reduction in amount available from the United States Government	700,000	21,180,000
Repayments of participations in loans of the Fund for Special Operations	1,213,383	
Decrease in other assets		234,927
Total source of funds	<u>30,618,763</u>	<u>49,321,316</u>
Application of funds		
Loan disbursements	1,482,714	23,408,877
Participations in loans of the Fund for Special Operations	21,762,109	23,692,311
Increase in other assets	165,058	
Total application of funds	<u>23,409,881</u>	<u>47,101,188</u>
Increase in cash funds	<u>\$ 7,208,882</u>	<u>\$ 2,220,128</u>
Analysis of increase in cash funds		
Due from banks	\$ 5,928,401	\$ 2,220,128
Investments	1,280,481	
	<u>\$ 7,208,882</u>	<u>\$ 2,220,128</u>

SUMMARY STATEMENTS OF LOANS AND PARTICIPATIONS

DECEMBER 31, 1971 AND 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix III-6

Countries in which loans and participations in loans have been made (1)	Total loans approved since inception, less cancellations	Loans Outstanding held by the Trust Fund (2)		Participations in loans of the Fund for Special Operations (Note D)	
		December 31, 1971	December 31, 1970	December 31, 1971	December 31, 1970
Argentina	\$ 43,500,000	\$ 34,775,364	\$ 36,744,737	\$ 7,690,000	\$ 5,555,000
Bolivia	14,547,684	12,050,466	12,554,563	2,280,000	1,930,000
Brazil	61,509,930	52,808,652	54,697,233	25,615,805	22,290,000
Chile	34,351,580	27,689,774	29,306,823	10,358,418	8,122,727
Colombia	49,008,170	39,655,045	41,581,112	11,644,030	8,883,334
Costa Rica	11,699,676	9,930,267	10,122,697	2,321,279	1,868,918
Dominican Republic	8,406,759	6,902,857	7,216,698	1,839,545	1,531,481
Ecuador	27,448,501	23,584,670	24,215,801	500,000	—
El Salvador	21,952,428	19,377,962	19,959,024	700,000	—
Guatemala	14,319,659	12,379,623	12,854,230	2,110,000	1,520,000
Honduras	7,602,153	6,245,624	6,561,355	2,562,527	2,242,222
Mexico	34,927,458	27,939,961	29,186,018	6,548,645	5,020,792
Nicaragua	13,035,000	10,641,176	11,241,453	6,495,376	5,429,118
Panama	12,862,000	10,746,940	11,121,800	7,670,000	6,970,000
Paraguay	7,798,582	6,930,052	6,520,403	350,000	200,000
Peru	45,108,006	37,692,340	39,247,058	13,448,571	11,070,000
Uruguay	10,350,283	9,612,563	9,765,805	935,000	470,000
Venezuela	72,860,722	47,676,814	51,460,056	7,590,400	7,007,278
Central American Countries —					
Five Universities	2,902,447	1,704,271	1,848,113		
Totals	<u>\$494,191,038</u>	<u>\$398,344,421</u>	<u>\$416,204,979</u>	<u>110,659,596</u>	<u>90,110,870</u>
Less: Provision for unrealized exchange adjustments in 1971				(4,500,000)	
				<u>\$106,159,596</u>	<u>\$90,110,870</u>

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

(2) Loan disbursements have been made in United States dollars except for certain loans for which disbursements have been made in the national currencies of the borrowers. In accordance with the provisions of practically all loan agreements, repayments may be made in the national currency of the borrower at the approximate market rate of exchange existing at the date of repayment or in United States dollars at the election of the borrower.

SOCIAL PROGRESS TRUST FUND
APPENDIX III-5

ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK

STATEMENTS OF CURRENCIES HELD BY THE FUND

DECEMBER 31, 1971 AND 1970

See Notes to Financial Statements—Appendix III-6

Country	Unit of currency	December 31, 1971		December 31, 1970	
		Amount in local currency	Expressed in United States dollars	Amount in local currency	Expressed in United States dollars
Argentina	Peso	2,740,791	\$ 332,217	681,118	\$ 170,281
Bolivia	Peso Boliviano	4,733,159	398,582	715,916	60,288
Brazil	Cruzeiro	416,393	73,894	205,480	41,511
Chile	Escudo	11,606,779	414,084	3,269,136	227,973
Colombia	Peso	895,549	42,769	412,629	21,570
Costa Rica	Colon	483,022	72,635	152,360	22,911
Dominican Republic	Peso	489,170	489,170	323,315	323,315
Ecuador	Sucre	2,052,906	81,024	869,199	34,768
El Salvador	Colon	7,586,626	3,034,650	6,964,324	2,785,730
Guatemala	Quetzal	22,938	22,938	18,424	18,424
Honduras	Lempira	380,215	190,106	193,535	96,768
Mexico	Peso	1,153,689	92,295	567,243	45,379
Nicaragua	Cordoba	393,825	56,261	1,630,445	232,921
Panama	Balboa	74,747	74,747	79,611	79,611
Paraguay	Guarani	10,439,548	82,857	4,116,501	27,355
Peru	Sol	12,929,616	334,099	8,383,702	193,262
United States	Dollar	113,152	113,152	68,175	68,175
Uruguay	Peso	25,513,355	102,053	72,495,385	289,981
Venezuela	Bolivar	61,097,677	13,885,835	41,511,346	9,224,744
Total expressed in United States dollars			<u>\$19,893,368</u>		<u>\$13,964,967</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1971 and 1970

Note A—Translation of Accounts

Amounts due from banks in currencies other than United States dollars, participations in loans and accrued charges on loans and participations have been translated into United States dollars at the approximate repayment rates of exchange existing at December 31, 1971 and 1970. Loans made in the national currencies of the borrowers have been translated into United States dollar equivalents at the rates at which the amounts were loaned. Loans are repayable in terms of their original United States dollar equivalents based upon repayment rates of exchange existing at the time of repayment or in United States dollars. No representation is made that any of such currencies is convertible into any other of such currencies at any rate or rates.

Note B—Social Progress Trust Fund Agreement

In 1961 the Government of the United States of America and the Inter-American Development Bank entered into an Agreement whereby the Bank became Administrator of the Social Progress Trust Fund. Pursuant to the Social Progress Trust Fund Agreement, the Bank charges the Trust Fund for salary costs of certain of its professional staff for time spent on work for the Trust Fund, other expenses clearly identifiable as having been incurred on behalf of the Trust Fund, and the Fund's share of allowable indirect and overhead expenses. A provisional rate of \$2.25 per \$1.00 of salary cost was agreed to by the Government of the United States and the Bank in 1966 for charging the Trust Fund for indirect and overhead expenses. At December 31, 1971 the Government of the United States

and the Bank have agreed on final rates for all years through 1970 and to continue to use the provisional rate of \$2.25 for 1971 and later years, until such time as further studies are completed.

Note C—Fund for Special Supervision and Inspection of Loans

In accordance with the loan contracts borrowers have agreed to special charges to cover costs of supervision and inspection services performed in connection with projects or programs financed under the loans. Beginning in 1966 the Bank established a special fund in each of the separate "windows" of the Bank (Ordinary Capital, Fund for Special Operations and Social Progress Trust Fund) to accumulate the amounts charged under the special provisions of the loans. Each loan is charged pursuant to the contract and the offsetting credit is accumulated in an account called "Fund for Special Supervision and Inspection of loans". Expenses associated with supervision and inspection of these projects or programs are charged to the respective accounts.

In 1969 it was determined that amounts charged under the special provisions of the loans would not be sufficient to cover the costs of supervision and inspection services performed in connection with projects financed under the loans. Accordingly, with the approval of the Board of Executive Directors, in the fiscal years 1971 and 1970 the amounts of \$86,286 and \$225,950, respectively, were transferred from the annual income of the Trust Fund to the Fund for Special Supervision and Inspection of loans. There follows a summary of the transactions in the Social Progress Trust Fund account for 1971 and 1970:

	1971	1970	
Balance beginning of period	—0—	—0—	
Charges against loans	—0—	\$ 34,340	
Transfer from income of Trust Fund	86,286	225,950	
	<u>86,286</u>	<u>260,290</u>	
Less expenses:			
Salaries of specialists	\$32,394	\$93,402	
Other compensation and benefits	11,729	32,802	
Travel	18,713	37,989	
Contractual services	6,608	35,211	
Miscellaneous	16,842	60,886	260,290
Balance end of period	<u>—0—</u>	<u>—0—</u>	

SOCIAL PROGRESS TRUST FUND

ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1971 and 1970

(Continued)

Note D—Participations in Loans made from Fund for Special Operations

By resolution approved in April 1967 and amended in October 1968 the Board of Executive Directors authorized the use of the resources of the Social Progress Trust Fund to participate in the dollar and/or local currency portions of loans made from the Fund for Special Operations provided that, with respect to such loans, the provisions of the Social Progress Trust Fund Agreement have in substance been complied with as fully as though the loans had been made initially from the Trust Fund. Through the medium of purchase by the Trust Fund of participations in the local currency component of loans made from the Fund for Special Operations, the value of which must be maintained by the respective borrowers, it has been possible to substantially maintain the value of the Trust Fund resources so invested. At December 31, 1971, \$4,500,000 was provided in the accounts of the Trust Fund to cover potential exchange

rate differences between the two funds which may exist at the time of future repayment to the Trust Fund of principal amounts of participations denominated in local currencies. Participations in the dollar portions of loans made from the Fund for Special Operations have not been made since March 1970.

Note E—Technical Assistance

Under the provisions of the Agreement the Bank as Administrator may provide technical advice and assistance to Latin American member countries and their nationals. At December 31, 1971 the amount approved by the Bank as Administrator for technical assistance projects which had not yet been disbursed at that date was \$5,760,631. The accumulated technical assistance expenditures made by the Bank as Administrator as of December 31, 1971 include \$552,920 which may be reimbursed to the Bank as Administrator if loans are granted as a result of technical assistance projects.





WORKMEN TUNNEL INTO MOUNTAIN at Alto Anchicaya to build structures which will house turbines producing 340,000 kilowatts of power for Colombia. Hydroelectric project, being built 31 miles west of Cali with help of loans extended from Bank's resources and Canadian fund, is largest in the nation.

part 4

OTHER RESOURCES

OTHER RESOURCES

As indicated in the chapter on the Bank's activities in 1971, a principal concern of the Inter-American Bank has been that of mobilizing additional resources for Latin America's development from countries which are currently not members of the Bank. The year's activities in this regard, including the mobilization of resources and loans approved from such funds, have been detailed in that section.

To give an overall view of the breadth of these activities, however, the cumulative arrangements which the Bank has entered into with other countries up to Dec. 31, 1971, are detailed in the following section. These include:

- Borrowings composed of bond sales and direct loans totaling \$541 million in 15 countries, including Austria, Belgium, Finland, France, Germany, Israel, Italy, Japan, the Netherlands, Norway, South Africa, Spain, Sweden, Switzerland and the United Kingdom. All of these funds have been incorporated into the Bank's ordinary capital resources.

- Funds totaling \$106 million administered by the Bank through agreements with five countries, including Canada, Germany, Norway, Sweden and the United Kingdom. Included in these figures are a fund for \$1 million administered for the Vatican, as well as a Bank-administered loan of \$1 million extended by the Inter-Governmental Committee for European Migration to a farm colonization project in Brazil.

- Parallel or independent financing agreements with Canada and the Netherlands totaling \$54 million.

Sale of participations in Bank loans and other similar arrangements totaling \$45 million in 10 countries, including Belgium, Canada, Finland, Germany, Italy, Japan, the Netherlands, Spain, Switzerland and the United Kingdom, as well as the United Nations Development Fund.

These arrangements are summarized in the accompanying table.

Details on the Bank's arrangements with non-member countries through Dec. 31, 1971, include:

Bond Issues and Loans

The \$541 million raised through the sale of bonds and direct borrowings in 15 non-member countries included:

AUSTRIA—Three bond issues totaling 450 million Austrian schillings (\$19,313,304), including 150 million schillings (\$6,437,768) in 1968, another 150 million schillings (\$6,437,768) in 1969 and a third offering of 150 million schillings (\$6,437,768) in 1971.

BELGIUM—Two bond issues for a total of 700 million Belgian francs (\$15,619,000), including 300 million Belgian francs (\$6,694,000) and 400 million Belgian francs (\$8,925,000) in 1967 and 1971, respectively.

FINLAND—A direct loan of \$1.1 million obtained in 1968 from the Bank of Finland.

FRANCE—A bond issue of 100 million French francs (\$19,547,667) in 1971.

GERMANY—Four public bond issues and two privately-placed loans equivalent

to \$173,774,000. These include one public bond issue of 60 million Deutsche marks (\$18,619,000) in 1964 and three public bond issues of 100 million Deutsche marks (\$31,031,000) each in 1968, 1969 and 1970. In addition, two private placements of 100 million Deutsche marks (\$31,031,000), each, were sold in 1969.

ISRAEL—The purchase in 1966, renewed in 1968 and 1970, of a short-term bond issue for \$5 million, the major portion of which was placed by the Bank in Latin America.

ITALY—Three bond issues totaling \$77,386,050 and made up of 15 billion lire (\$25,795,350) in each of the years 1962, 1966 and 1969.

JAPAN—Five borrowings totaling \$81,818,184. These include loans of 3.6 billion yen (\$11,688,312), each, in 1966, 1968 and 1970, a loan of 7.2 billion yen (\$23,376,624) in 1971 from the Export-Import Bank of Japan and a financial arrangement with a syndicate of Japanese banks for another 7.2 billion yen (\$23,376,624) also in 1971.

THE NETHERLANDS—Two bond issues totaling 66 million guilders (\$20,-

FINANCIAL ARRANGEMENTS WITH NON-MEMBER COUNTRIES AND OTHER SOURCES
(In thousands of dollars)

TOTAL		DETAIL BY ARRANGEMENTS			
Country	Amount	Bond Issues and Loans	Parallel and Independent Financing	Participations and Others	Funds under Administration
Austria	\$ 19,313	\$ 19,313			
Belgium	16,515	15,619		\$ 896	
Canada	90,644		\$14,851	2,526	\$ 73,267
Finland	11,100	1,100		10,000	
France	19,547	19,547			
Germany	184,095	173,774		105	10,216
Israel	5,000	5,000			
Italy	78,256	77,386		870	
Japan	99,993	81,818		18,175	
Netherlands	59,273	20,341	38,832	100	
Norway	6,000	4,000			2,000
South Africa	2,500	2,500			
Spain	20,000	12,500		7,500	
Sweden	15,388	10,388			5,000
Switzerland	73,324	72,916		408	
United Kingdom	39,316	24,959		1,275	13,082
Vatican	1,007				1,007
ICEM	1,250				1,250
UN Development Fund	3,195			3,195	
TOTAL	\$745,716	\$541,161	\$53,683	\$45,050	\$105,822

341,430), including one for 30 million guilders (\$9,246,130) in 1968 and a second for 36 million guilders (\$11,095,300) in 1971.

NORWAY—A bond issue for \$4 million sold in 1970.

SOUTH AFRICA—The purchase of \$2.5 million in a 1968 bond issue sold in the United States.

SPAIN—A direct loan of \$12.5 million obtained in 1965 from the *Instituto Español de Moneda Extranjera*.

SWEDEN—Two loans totaling 50 million Swedish kronor (\$10,388,747), including 32 million kronor (\$6,648,798) in 1969 and 18 million kronor (\$3,739,949) in 1970.

SWITZERLAND—Four bond issues totaling 230 million Swiss francs (\$59,895,883). These include a bond issue of 50 million Swiss francs (\$13,020,883) in 1966, a second issue of 60 million Swiss francs (\$15,625,000) in 1968 and two additional issues of 60 million Swiss francs (\$15,625,000), each, in 1971.

UNITED KINGDOM—Bond issues and direct borrowings totaling \$24,959,880. These include a bond issue of 3 million pounds sterling (\$7,817,130) in 1964 and loans of 20 million Deutsche marks (\$6,205,390), 1,121,800 pounds sterling (\$2,923,085), 2.5 million pounds sterling (\$6,514,275) and \$1.5 million in dollars, all arranged in 1969.

Parallel Financing

The Bank has entered into agreements with Canada and the Netherlands to cooperate in channeling \$53.7 million in funds provided by the two countries into the development of Latin America. The parallel or independent financing arrangements include:

CANADA—Under an agreement of June 20, 1965, Canada's Export Development Corporation (EDC) has set aside 15 million Canadian dollars (\$14,851,485) for economic development loans in Latin America in cooperation with the Bank. Through Dec. 31, 1971, loans to-

taling \$3.8 million had been approved under this arrangement.

THE NETHERLANDS—The Bank also cooperates with The Netherlands on a parallel or independent basis in financing economic development projects in Latin America. Under an agreement of Sept. 30, 1965, a fund of 36 million guilders (\$10 million) was established. This fund has been increased periodically at the rate of the equivalent of \$5 million per year until it now totals \$38.8 million. The funds are lent by The Netherlands Investment Bank for Developing Countries (*De Nederlandse Investeringsbank voor Ontwikkelingslanden N.V.*) Loans approved under this agreement as of Dec. 31, 1971, totaled \$30.9 million.

Participations

The Bank has mobilized \$45 million in additional resources through the sale of participations in loans made from its ordinary capital resources and its Fund for Special Operations, as well as through other arrangements with private commercial banks and other sources. These include:

BELGIUM—\$896,000 in participations by private commercial banks.

CANADA—\$2,526,000 in participations by private commercial banks.

FINLAND—\$10 million in a pledge, to be disbursed in proportion to purchases made by the Bank of Finland in connection with Bank loans through 1972.

GERMANY—\$105,000 in participations by private commercial banks.

ITALY—\$870,000 in participations by private commercial banks.

JAPAN—\$18 million in purchases by the Bank of Tokyo Ltd. in maturities from the Bank's ordinary capital resources portfolio and \$175,000 in participations from private Japanese commercial banks.

THE NETHERLANDS—\$100,000 in participations by private commercial banks.

SPAIN—\$7.5 million in an agreement by the *Instituto Español de Moneda Extranjera* to purchase participations in

Bank loans contingent upon procurements generated in Spain. Of that amount, \$400,000 has been used.

SWITZERLAND—\$408,000 in participations by private commercial banks.

UNITED KINGDOM—\$1,275,000 in participations by private commercial banks.

THE UNITED NATIONS DEVELOPMENT FUND—\$3,195,000 in participations in ordinary capital and Fund for Special Operations loans.

Funds in Administration

The funds administered by the Bank for other countries include:

ARGENTINA—The Government of Argentina entered into an agreement with the Inter-American Bank on Nov. 24, 1970, whereby it agreed to provide special funds in its own currency to help finance development projects in its sister republics of Bolivia, Paraguay and Uruguay. The agreement states that the Argentine financing thus made available will help augment the counterpart funds for Bank-financed projects in these three countries and will not be considered part of Argentina's regular contribution to the Bank as a Bank member. These additional funds will be used exclusively to supplement local contributions of borrowers when such supplementary financing is required. The financing will be used by the borrowing country for expenditures in Argentina; interest rates are comparable to those charged by the Bank. In 1971, the Argentine government authorized one loan under this agreement to help speed agricultural development in Paraguay. This brought the total loans approved from such funds to \$1,770,000.

CANADA—An agreement of Dec. 4, 1964, between the Bank and the Canadian International Development Agency has authorized the Bank to administer Canadian resources to help finance economic, technical and educational assistance projects in Latin America. Originated with 10 million Canadian dollars, the fund had grown by Dec. 31, 1971 to

OTHER RESOURCES

74 million Canadian dollars (\$73,267,327). The Canadian resources are used for making loans for periods ranging up to 50 years at concessional or non-interest rates. Proceeds from the loans are used to purchase goods and services in Canada. During 1971, the Bank approved two loans totaling \$10.5 million from the Canadian fund. This brought the total of loans extended from the fund to 17, amounting to \$61,374,902.

GERMANY—Under an agreement signed Aug. 10, 1961, and supplemented by later protocols, the Federal Republic of Germany has participated with the United States and the Bank in a program to finance the rehabilitation of Bolivia's tin mines. The German funds have been provided by the *Kreditanstalt für Wiederaufbau*, the agency charged with financing the country's foreign aid program. As of Dec. 31, 1971, these funds totaled \$10,216,000. They were lent for terms ranging up to 10 years at 4 per cent annual interest.

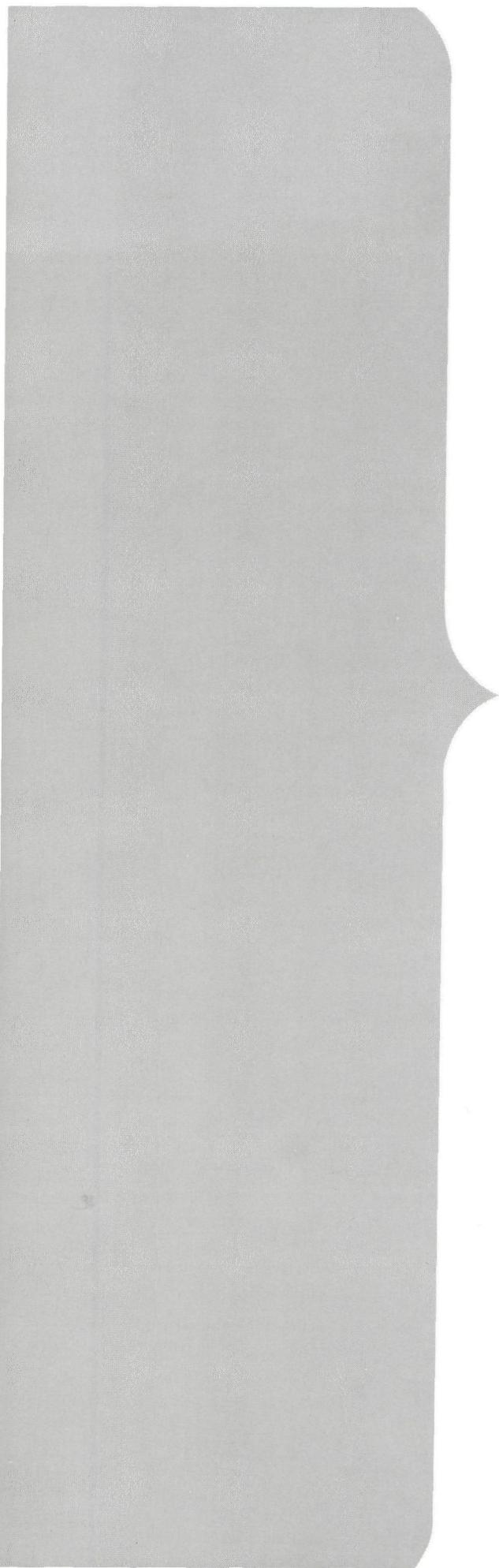
NORWAY—The Inter-American Bank on June 26, 1970, signed an agreement with the Norwegian Government to administer a \$2-million Norwegian Development Fund for Latin America. Fund resources will be used by the Bank to finance loan projects to promote the economic and social development of the Bank's Latin American members. Maturities will range up to 30 years with grace periods of up to seven years. Loans from the fund will be made on an untied basis. However, Norwegian suppliers will have an adequate opportunity to bid on goods and services supplied with the proceeds of the loan. Interest will be at 2½ per cent per year.

SWEDEN—Under a Dec. 27, 1966, agreement with the Government of Sweden, the Bank is administering a \$5 million Swedish Development Fund for Latin America. Loans from the Fund are extended in conjunction with ordinary capital resource loans and are not tied. However, Swedish suppliers are given an

opportunity to bid on goods and services purchased by loan proceeds. The entire \$5 million was lent in 1968 at 2 per cent interest for a period of 25 years to help finance a project to expand and improve the water supply system of São Paulo, Brazil.

UNITED KINGDOM—Under the terms of an agreement signed April 18, 1966, a trust fund of 4,142,800 pounds sterling was used in making loans with maturities of up to 25 years, including a grace period of up to seven years, with interest rates determined in each case. Out of this fund, which is tied to procurement in the United Kingdom, loans amounting to 3,021,000 pounds sterling were authorized; the remaining 1,121,800 pounds sterling were made available to the Bank on Dec. 10, 1969, as a direct loan. In June 1971, the Government of the United Kingdom established a second trust fund, this time untied, for an initial amount of 2 million pounds sterling to be used in loans with up to 25 years maturity, four-year grace periods and interest rates of 3 per cent a year. Thus, the funds under administration established with the Bank by the United Kingdom as of Dec. 31, 1971, aggregated the equivalent of \$13.1 million, all of which have been committed in loan projects.

THE VATICAN—The Bank entered into an agreement on March 26, 1969, with the Holy See to administer a development fund designed to benefit low-income groups in Latin America. Known as the *Populorum Progressio* Fund, it has been used to provide loan and technical assistance funds in the fields of agrarian reform and the organization of workers' groups and for general human welfare projects. The initial \$1 million of the fund was used in 1970 to finance an agrarian reform program in Colombia. The fund has been augmented by individual contributions totaling \$7,000. Loans from the fund are interest-free, with terms ranging up to 50 years and with appropriate grace periods.



**INSTITUTE FOR
LATIN AMERICAN
INTEGRATION**

INSTITUTE FOR LATIN AMERICAN INTEGRATION

During 1971 the Institute for Latin American Integration (*INTAL*), a unit of the Bank based in Buenos Aires, Argentina, concluded its second three-year Plan of Operations based on a program of training, research, advisory and informational activities.

TRAINING

During the year *INTAL* cooperated with other organizations in sponsoring a series of courses, seminars and conferences on various facets of integration. In addition, it cooperated closely with universities in Latin America in the preparation of conferences and study groups on integration themes. Among the more important were:

- *A National Course on Paraguay and Latin American Integration*, conducted jointly in Asunción with the Paraguayan Center for Economic Development and Social Studies. This course was attended by 39 persons from the public and private sectors.

- *Fifth Course on Tax Policy and Administration*. A total of 34 specialists from 11 countries attended this course, which was given in Rio de Janeiro jointly by *INTAL* and the Inter-American School of Public Administration (*EIAP*), a part of the Getulio Vargas Foundation.

- *Sixth Course on Customs Policy and Administration*. Conducted in Rio de Janeiro and sponsored jointly by *INTAL* and *EIAP*, this course was attended by 43 specialists from 13 Latin American countries.

- *Subregional Course on Customs Value*. Sponsored by the Latin American Free Trade Association (*LAFTA*), *INTAL* and *EIAP*, this course was conducted in Lima, Peru, and was attended by 46 public officials from 12 countries. Major emphasis was placed on interpretation and application of the regulations outlined by the Customs Cooperation Council of Brussels.

- *National Course on Customs Techniques in Ecuador*. Organized by *INTAL* and *EIAP*, this course was given in

Quito, Ecuador, to help train 40 Ecuadorian customs personnel.

- *Course on Customs Problems in the Central American Republics*. Organized jointly by the Central American Institute of Public Administration and *INTAL*, this course provided an analysis of customs problems within the Central American Common Market and in Panama. A total of 26 officials from the five Central American republics and Panama attended the meeting which was held in San José, Costa Rica.

In addition, *INTAL* cooperated with the Central Bank of Argentina in the presentation of a course on integration for its own personnel, and with the Economic Research Institute of the University of São Paulo, Brazil, in a similar course attended by 25 professors and students enrolled in the university's faculty of economics.

- *Collaboration with Latin American Universities*. During the year *INTAL* engaged in numerous activities organized at the university level. Among them were a National Postgraduate Course in Public Administration conducted jointly in Caracas, Venezuela, by the Inter-American Center for Public Administration Training and the Organization of American States (OAS); a Latin American seminar on comparative labor law conducted at the National University of Rosario, Argentina; a roundtable on industrial economy conducted annually by the National University of the South in Bahía Blanca, Argentina; the First Economic Integration Seminar sponsored by the Faculty of Jurisprudence and Social Sciences of the National University of La Plata, Argentina; a seminar on integration and development conducted as part of the Subregional Course of Social Sciences organized in Asunción by the Latin American School of Social Sciences (FLACSO) and the Paraguayan Center of Sociological Studies, and a conference in Santiago, Chile, on the Policy of Foreign Investments and Transference of

Technology in Latin America, sponsored by the Latin American School for Political Sciences and Public Administration (*ELACP*), FLACSO and the Latin American Social Research Institute.

RESEARCH

Economic Integration and National Development. During the year *INTAL* collaborated with two other planning groups in a study of the effects of integration and industrial specialization on Latin American countries. Cooperating in the study were the Latin American Institute of Economic and Social Planning and the Latin American Demography Center. *INTAL* also assisted the Economic Research Center of the Torcuato di Tella Institute of Buenos Aires in the publication of a special report on the effects of integration in Argentina.

Degree of Economic Integration Among Latin American Countries. In a study started on an experimental basis in 1970, *INTAL* has analyzed the degree of economic integration achieved among the *LAFTA* nations for the years 1966 to 1968.

Creation and Operation of Multinational Latin American Companies. *INTAL* is engaged in two studies in this field. One seeks to adjust the diverse hypotheses concerning international companies with legislation now in effect in each country; the other is analyzing Latin American "joint ventures" in the light of legal problems and growth factors.

Emigration and the Latin American "Brain Drain". At the request of the United Nations Institute for Training and Research (*UNITAR*), *INTAL* is assisting the Bariloche Foundation in an investigation being carried out in Argentina on the Latin American "brain drain."

Complementation of Automobile Parts. A study of the production and interchange of automobile parts as the basis for a complementation agreement between Brazil and Argentina was completed in 1971.

Regional Export of Manufactured Products. Also completed during the year was a detailed study of the impact of the regional export of selected manufactured products among the Latin American countries.

Integration Outlook. Scheduled for publication in the near future is an updated report prepared by *INTAL* in 1968 which includes a complete description of integration procedures in LAFTA, the CACM, the Andean Group and the Caribbean Free Trade Association (CARIFTA).

Labor Legislation. A comparative study of labor legislation based on studies conducted in 1970 in Argentina, Brazil, Chile and Uruguay was presented to the Latin American Seminar on Comparative Labor Law organized by the National University of Rosario in Argentina, and sponsored by *INTAL*.

ADVISORY

The Cartagena Group Agreement. Continuing a program launched in 1970, *INTAL* assisted in a study of the legal basis of the uniform code of multinational companies. It also helped the Group draw up legislation dealing with industrial property.

The Permanent Secretariat of the General Treaty for Central American Economic Integration (SIECA). *INTAL* completed three studies and started a fourth under its advisory program at *SIECA* in 1971. It published one report

analyzing the international legal experience gained by multinational companies operating in the region and a second report on the legal statutes in each of the Central American republics which apply to multinational companies. Also, a study was launched on comparative procedures used by the LAFTA and CACM to settle conflicts stemming from the application of rules governing free trade.

Labor Sector. *INTAL* participated in several labor meetings during the year. Foremost among these were the Second Seminar for Rural Labor Leaders organized by the Inter-American Regional Organization of Workers (*ORIT*) in Mexico City; the forum on worker participation in the Andean Group, organized in Lima by the Confederation of Workers of Peru and sponsored by *ORIT*; the Second Seminar on Integration for Women Labor Leaders, organized by the Inter-American Women's Commission and conducted in Santiago, Chile; and the Ninth National Course on Labor Training, held in Buenos Aires by the American Institute for Free Labor Development (AIFLD); the First Seminar and Labor Conference of the Andean Area, conducted by the Humberto Valdez Latin American Institute of Social Studies in Lima; the Fifth Conference of Labor Confederations of Central America and Panama, organized in Panama by the Confederation of Central American Workers; the Regional Labor Seminar of the La Plata River Basin, sponsored by

the Social Training Institute of the South in Buenos Aires; the National Seminar on Promotion of the Working Woman Through Training, conducted in Buenos Aires.

Industry Sector. *INTAL* participated in four seminars in the industrial sector during 1971. These included the Seminar on Businessmen and Latin American Integration, organized by the Federation of State Industries of São Paulo and *INTAL* in Brazil; the Seminar on Industrial Development and Integration in the Andean countries, organized in Bogotá by the National Association of Industrialists; the International Seminar on Industrial Collaboration and Integration, jointly organized by *INTAL* and the German Foundation for Developing Nations, of Berlin, and the First Metallurgical Congress of Andean Integration, organized by the Association of Metallurgical Industrialists of Chile in Santiago.

INFORMATION

INTAL engaged in three studies in the information field, one on legislation applicable to multinational companies in economic integration areas, another on indicators of economic fusion among LAFTA countries, and a third on the industrial corporation in the integration of Latin America.

INTAL continued to publish its monthly publication, *Boletín de la Integración*, and its two biannual publications, *Derecho de la Integración* and *Revista de la Integración*.

GOVERNORS AND ALTERNATE GOVERNORS

COUNTRY	GOVERNOR	ALTERNATE
ARGENTINA	Cayetano A. Licciardo	Jorge Wehbe
BARBADOS	P. M. Greaves	Valerie T. McComie
BOLIVIA	Edwin Rodríguez Aguirre	Luis Bedregal Rodo
BRAZIL	Antonio Delfim Netto	Ernane Galvêas
CHILE	Américo Zorrilla	Javier Urrutia
COLOMBIA	Rodrigo Llorente	Germán Botero de los Ríos
COSTA RICA	Claudio Alpízar V.	Claudio A. Volio
DOMINICAN REPUBLIC	Diógenes H. Fernández	Luis María Guerrero Gómez
ECUADOR	Néstor Vega Moreno	Gustavo Jarrín Ampudia
EL SALVADOR	Armando Interiano	Guillermo Hidalgo Qüehl
GUATEMALA	Jorge Lamport Rodil	Augusto Contreras Godoy
HAITI	Antonio André	Edouard Francisque
HONDURAS	Rubén Mondragón C.	Alberto Galeano Madrid
JAMAICA	David H. Coore	G. Arthur Brown
MEXICO	Hugo B. Margáin	Ernesto Fernández Hurtado
NICARAGUA	Juan José Martínez L.	Roberto Incer Barquero
PANAMA	José Guillermo Aizpú	Rigoberto Paredes
PARAGUAY	César Barrientos	César Romeo Acosta
PERU	Francisco Morales Bermúdez	José Luis Brousset Escobar
TRINIDAD AND TOBAGO	George M. Chambers	Dodderidge Alleyne
UNITED STATES	John B. Connally	Nathaniel Samuels
URUGUAY	Juan Pedro Amestoy	Jorge Seré del Campo
VENEZUELA	Luis Enrique Oberto	Carlos Emmanuelli Llamozas

As of March 31, 1972

EXECUTIVE DIRECTORS AND ALTERNATES

		NUMBER OF VOTES	PER- CENTAGE
Raul Barbosa	Elected by:		
BRAZIL	Brazil	45,991.5	12.49
Federico Intriago (Alternate)	Ecuador	2,554.2	.69
ECUADOR		<u>48,545.7</u>	<u>13.18</u>
Lempira E. Bonilla	Elected by:		
HONDURAS	Costa Rica	1,947.9	.53
José Luis Montiel (Alternate)	El Salvador	1,947.9	.53
NICARAGUA	Guatemala	2,554.2	.69
	Haiti	1,947.9	.53
	Honduras	1,947.9	.53
	Nicaragua	1,947.9	.53
		<u>12,293.7</u>	<u>3.34</u>
Reuben Sternfeld (Alternate)	Appointed by:		
UNITED STATES	United States	156,163.0	42.42
Enrique E. Folcini	Elected by:		
ARGENTINA	Argentina	45,991.5	12.49
Armando Prugue (Alternate)	Peru	6,187.7	1.68
PERU		<u>52,179.2</u>	<u>14.17</u>
Ildegar Pérez Segnini	Elected by:		
VENEZUELA	Chile	12,727.0	3.46
Aníbal Fernández de Soto (Alternate)	Colombia	12,716.1	3.45
COLOMBIA	Trinidad and Tobago	1,947.9	.53
	Venezuela	24,703.5	6.71
		<u>52,094.5</u>	<u>14.15</u>
Jesús Rodríguez y Rodríguez	Elected by:		
MEXICO	Barbados	694.0	.19
Eduardo McCullough (Alternate)	Dominican Republic	2,554.2	.69
PANAMA	Jamaica	2,554.2	.69
	Mexico	29,612.5	8.04
	Panama	1,947.9	.53
		<u>37,362.8</u>	<u>10.14</u>
Guido Valle Antelo	Elected by:		
BOLIVIA	Bolivia	3,760.8	1.02
César Charlone (Alternate)	Paraguay	1,947.9	.53
URUGUAY	Uruguay	3,843.0	1.05
		<u>9,551.7</u>	<u>2.60</u>
TOTAL		<u>368,190.6</u>	<u>100.00</u>

As of March 31, 1972

PRINCIPAL OFFICERS OF THE BANK

President	Antonio Ortiz Mena		
Executive Vice President	Henry J. Costanzo		
OPERATIONS DEPARTMENT			
Manager	João Oliveira Santos		
Deputy Manager for Loans	Guillermo Moore		
Division Directors	Manuel Valderrama		
	Paul J. Colcaire		
	Maxwell Obst		
		LEGAL DEPARTMENT	
		General Counsel	Arnold H. Weiss
		Deputy General Counsels	José R. Chiriboga
			Freeborn G. Jewett, Jr.
Deputy Manager for Project Analysis	James A. Lynn		
Division Directors	Ferruccio Accame		
	William A. Carter		
	Paul Ehrlich		
		ADMINISTRATIVE DEPARTMENT	
		Manager	Enrique Peñalosa
		Deputy Manager	William L. Parks
		Director, Budget and Management	
		Accounting Division	William L. Taylor
		Director, Personnel Division	José B. Villegas
		Deputy Director, Division of	
		Services Administration	Charles T. Brannan
Deputy Manager for Loan Administration	Luis Buitrago		
Division Directors	Arturo Pino Navarro		
	Jorge Sánchez Teruel		
	Simón A. Izaguirre		
		SECRETARIAT DEPARTMENT	
		Secretary of the Bank	Jorge Hazera
		Deputy Secretary	Arturo Calventi
		Director, Division of Information	Joaquín E. Meyer
FINANCIAL DEPARTMENT			
Manager	Merlyn N. Trued		
Treasurer	José Epstein		
		ADVISORS	
TECHNICAL DEPARTMENT			
Manager	Cecilio J. Morales		
Deputy Manager	Pedro Irañeta		
Director, Economic and Social			
Development Division	John S. deBeers		
Director, Division of Special Studies	Guy A. Douyon		
Director, Training Division	Mauricio Herman		
Director, Technical Assistance			
Division	Beatriz R. Harretche		
		Representative in Europe	Enrique Pérez Cisneros
		Auditor General	William C. Willard
		Director, Institute for Latin American	
		Integration	Felipe Tami

As of March 31, 1972

CHANNELS OF COMMUNICATIONS AND DEPOSITORIES

MEMBER COUNTRY	CHANNEL OF COMMUNICATION	DEPOSITORY
ARGENTINA	Banco Central de la República Argentina	Banco Central de la República Argentina
BARBADOS	Ministry of Finance	East Caribbean Currency Authority
BOLIVIA	Banco Central de Bolivia	Banco Central de Bolivia
BRAZIL	Banco Central do Brasil	Banco Central do Brasil
CHILE	Banco Central de Chile	Banco Central de Chile
COLOMBIA	Banco de la República	Banco de la República
COSTA RICA	Banco Central de Costa Rica	Banco Central de Costa Rica
DOMINICAN REPUBLIC	Banco Central de la República Dominicana	Banco Central de la República Dominicana
ECUADOR	Banco Central del Ecuador	Banco Central del Ecuador
EL SALVADOR	Banco Central de Reserva de El Salvador	Banco Central de Reserva de El Salvador
GUATEMALA	Banco de Guatemala	Banco de Guatemala
HAITI	Banque Nationale de la République d'Haiti	Banque Nationale de la République d'Haiti
HONDURAS	Ministerio de Economía y Comercio	Banco Central de Honduras
JAMAICA	Ministry of Finance and Planning	Bank of Jamaica
MEXICO	Banco de México, S.A.	Banco de México, S.A.
NICARAGUA	Banco Central de Nicaragua	Banco Central de Nicaragua
PANAMA	Ministerio de 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
TRINIDAD AND TOBAGO	Ministry of Finance	Central Bank of Trinidad and Tobago
UNITED STATES	Treasury Department	Federal Reserve Bank of New York
URUGUAY	Ministerio de Economía y Finanzas	Banco Central del Uruguay
VENEZUELA	Ministerio de Hacienda	Banco Central de Venezuela

As of March 31, 1972

FIELD OFFICES AND REPRESENTATIVES

ARGENTINA, Alfonso Grados
Cerrito 264, 3er Piso
(Casilla de Correo No. 181, Sucursal 1)
Buenos Aires

BARBADOS, Enrique Gonzáles Carrillo
P.O. Box 68
Port of Spain, Trinidad, W.I.

BOLIVIA, Francisco Albornoz
Calle Ayacucho 277, 2° Piso
(Casilla 5872)
La Paz

BRAZIL, Ewaldo Correia Lima
Rua Melvin Jones No. 5-30 Andar
(Caixa Postal No. 728 ZC-00)
Rio de Janeiro, G.B.

CHILE, Mario O. Mendivil
Bandera 52, 7° Piso
(Casilla de Correo 14315) Correo 21
Santiago

COLOMBIA, Walter J. Pitarque
Carrera 10a. No. 16-39, 10° Piso
(Apartado Aéreo 12037)
Bogotá

As of March 31, 1972

FIELD REPRESENTATIVES — Continued

COSTA RICA, Rafael Glower Valdivieso
Calle Central y Avenida Central, 5° Piso
Edificio Cosiol
(Apartado Postal 4647)
San José

DOMINICAN REPUBLIC, Pablo Linares
Edificio La Cumbre, 3er Piso
Av. Tiradentes, Ensanche Naco
(Apartado Postal No. 1386)
Santo Domingo

ECUADOR, Alberto Ibáñez
San Gregorio 120
Esquina 10 de Agosto, 5° Piso
(Apartado Postal 154-A)
Quito

EL SALVADOR, Weston A. Williams
Edificio Montecristo-Plaza de las Américas
(Apartado Postal 1991-Zona 1)
San Salvador

GUATEMALA, Julio Sanjinés Goitia
Edificio Etisa, 7° Piso
Plazuela España, Zona 9
(Apartado Postal No. 935)
Guatemala

HAITI, Henry Tenenbaum
Rue Dantès Destouches No. 30
(Boite Postale 1321)
Port-au-Prince

HONDURAS, Gildo Porto Guerra
Edificio Midence Soto, 8° Piso
(Apartado Postal C-73)
Tegucigalpa

JAMAICA, Enrique Gonzáles Carrillo
80 Independence Square N.
P.O. Box 68
Port of Spain, Trinidad, W.I.

MEXICO, Guillermo Atria
Paseo de la Reforma 379, 7° Piso
(Casilla de Correo 303)
México 5, D.F.

NICARAGUA, Ceasar Chaparro
Edificio La Protectora, 4° Piso
(Apartado Postal 2512)
Managua

PANAMA, Emilio Ortíz de Zevallos
Edificio de Diego
Avenida Balboa y Calle 40, 3er Piso
(Apartado Postal 7297)
Panamá 5

PARAGUAY, Roderic D. O'Connor
Yegros 525, 2° Piso
(Casilla de Correo No. 1209)
Asunción

PERU, Julio C. Gutiérrez
Avenida República de Chile 388, 7° Piso
(Apartado Postal 3778)
Lima

TRINIDAD AND TOBAGO, Enrique Gonzáles Carrillo
80 Independence Square N.
(P.O. Box 68)
Port of Spain
Trinidad, W.I.

URUGUAY and LAFTA, Rodolfo Korenjak
Edificio del Banco de Crédito, 5° Piso
18 de julio 1455
Montevideo

VENEZUELA, Felipe Vera La Rosa (Acting)
Torre Phelps, 23° Piso
Plaza Venezuela
(Apartado Postal 4344)
Caracas

INSTITUTE FOR LATIN AMERICAN INTEGRATION, Felipe Tami, Director
Cerrito 264 (Casilla No. 39, Sucursal 1)
Buenos Aires

EUROPE, Enrique Pérez Cisneros
17 Avenue Matignon
Paris (8me), France

