



# Inter-American Development Bank

1987

ANNUAL REPORT





## The Inter-American Development Bank

The Inter-American Development Bank is an international financial institution established in 1959 to help accelerate economic and social development in Latin America. Its headquarters are in Washington, D.C.

The Bank's original membership included 20 Western Hemisphere countries. With the subsequent entry of seven other Western Hemisphere nations and 17 from outside the region, the membership has expanded to 44 countries.

In its 28 years of operations, the Bank has become a major catalyst in mobilizing resources for the development of Latin America. It has helped to provide, secure and organize financing for projects which represent a total investment of more than \$115 billion. The Bank has also fostered a more equitable distribution of the benefits of development. It has done so through a pioneering role in financing development projects designed to improve the quality of life of the lower income sectors of the region's population.

The Bank's highest authority is its Board of Governors, on which each member country is represented. The Board holds an annual meeting at which the Bank's operations are reviewed and major policy decisions are taken. It also holds special meetings when circumstances warrant.

The Board of Governors has delegated all of its powers, with the exception of those reserved to the Governors by the Bank's charter, to the Board of Executive Directors, which is responsible for the conduct of the Bank's operations. The 12 members of the Board of Executive Directors, who perform their duties on a full-time basis at the Bank's headquarters, are elected or appointed by the Governors for three-year terms. Each Executive Director, in turn, appoints an Alternate.

The President of the Bank, who is elected by the Board of Governors for a term of five years, is the Chairman of the Board of Executive Directors and formulates proposals on the general policy of the Bank for action by the Board. He is the Bank's principal executive officer, its legal representative and the chief of its staff. The President, with the assistance of the Executive Vice President, who is appointed by the Board of Directors, manages the Bank's ten Departments and Offices.

The Bank has field offices in its regional member countries, which represent the Bank in dealing with local authorities and borrowers and supervise the implementation of Bank-supported projects. It also has offices in Paris and London, which facilitate contacts with the nonregional member countries and with financial markets outside of the Western Hemisphere.

## Member countries

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



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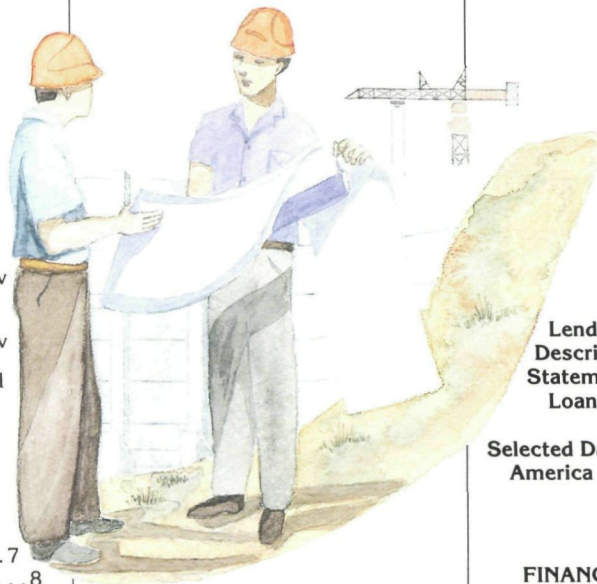
THE COVER: COMBINE PICKS, SHUCKS AND SHELLS corn in one operation on a Venezuelan farm. The corn is a high yielding white hybrid developed at the research center of the *Fondo Nacional de Investigaciones Agropecuarias* in Maracay. That farm research entity received a \$30 million loan from the Bank in 1983 to help improve agricultural technology in the country.







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**PYRAMID-LIKE HYDROELECTRIC** project rises on the Paute River in Ecuador. The first and second stages of the Paute dam and related facilities were built with the help of Bank loans totaling \$125 million. Subsequently, in 1981, the Bank approved two additional loans totaling \$140 million to double the capacity of the plant from 500,000 to 1 million kilowatts. The Paute project is a key component in Ecuador's policy of making hydroelectricity the main source of energy for the country.

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## PRESIDENT'S LETTER OF TRANSMITTAL

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### INTER-AMERICAN DEVELOPMENT BANK

Washington, D.C.

February 10, 1988

Mr. Chairman:

Pursuant to Section 2 of the By-Laws of the Inter-American Development Bank, I transmit to you the Annual Report of the Bank for 1987, which the Board of Executive Directors submits to the Board of Governors.

The Report contains a brief summary of development trends in Latin America, a review of the Bank's activities in 1987 and a sectoral analysis of the Bank's operations.

In addition, the Report contains a description on a country-by-country basis and a regional basis of the Bank's various operations—loans, financings for small projects and technical cooperation—on behalf of Latin America's development, as well as progress highlights on project execution; a summary statement of the loans approved in 1987; a series of tables of selected data on the region; the financial statements of the Bank, and its general appendices.

Complying with Article III, Section 3(a), of the Agreement Establishing the Bank, the Report contains separate audited financial statements for its various sources of funds. For the ordinary capital resources, these are presented pursuant to the provisions of Article VIII, Section 6(a), of the Agreement; for the Fund for Special Operations, in accordance with the provisions of Article IV, Section 8(d), of the Agreement; for the Intermediate Financing Facility Account, complying with Section 5(d) of Resolution AG-12/83 of the Board of Governors; for the Social Progress Trust Fund, pursuant to Section 5.04 of the Agreement signed between the Government of the United States and the Bank, and for the Venezuelan Trust Fund, in accordance with Article VI, Section 24, of the Agreement signed between the Government of Venezuela and the Bank.

Sincerely yours,



Antonio Ortiz Mena

Chairman, Board of Governors  
Inter-American Development Bank



# 10 YEARS OF OPERATIONS, 1978-87

In Millions of U.S. Dollars

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
<b>TOTAL RESOURCES</b>										
Subscriptions (End of Year)										
Ordinary Capital <sup>1</sup>	11,567	11,586	15,144	15,178	19,230	21,427	24,537	26,714	34,073	34,083
Fund for Special Operations	5,906	5,907	7,669	7,671	7,673	8,211	8,305	8,362	8,420	8,476
Other Funds	1,173	1,173	1,176	1,173	1,173	1,176	1,180	1,182	1,188	1,127
<b>Total</b>	<b>18,646</b>	<b>18,666</b>	<b>23,989</b>	<b>24,022</b>	<b>28,076</b>	<b>30,814</b>	<b>34,022</b>	<b>36,258</b>	<b>43,681</b>	<b>43,686</b>
<b>BORROWINGS</b>										
Outstanding Debt (End of Year) <sup>2</sup>										
Ordinary Capital <sup>1</sup>	2,705	2,912	3,038	3,477	4,252	5,180	6,132	9,366	12,115	15,225
Gross Annual Borrowings										
Ordinary Capital <sup>1</sup>	238	409	460	787	1,296	1,408	1,763	2,333	1,911	1,115
<b>OPERATIONS</b>										
Loans Authorized (Cumulative) <sup>2,3</sup>										
Ordinary Capital <sup>1</sup>	7,147	8,307	9,473	11,119	12,770	14,930	17,511	21,056	24,772	28,658
Fund for Special Operations	5,892	6,427	7,187	7,736	8,479	8,809	8,984	9,150	9,354	9,664
Other Funds	949	1,122	1,180	1,222	1,276	1,296	1,277	1,314	1,312	1,369
<b>Total</b>	<b>13,988</b>	<b>15,856</b>	<b>17,840</b>	<b>20,077</b>	<b>22,525</b>	<b>25,035</b>	<b>27,772</b>	<b>31,520</b>	<b>35,438</b>	<b>39,691</b>
Loans Authorized (Annual)										
Ordinary Capital <sup>1</sup>	1,106	1,249	1,424	1,867	1,892	2,589	3,215	2,766	2,706	1,957
Fund for Special Operations	683	620	824	569	786	412	307	251	292	346
Other Funds	81	182	61	57	66	44	45	44	39	58
<b>Total</b>	<b>1,870</b>	<b>2,051</b>	<b>2,309</b>	<b>2,493</b>	<b>2,744</b>	<b>3,045</b>	<b>3,567</b>	<b>3,061</b>	<b>3,037</b>	<b>2,361</b>
Loan Disbursements (Annual)										
Ordinary Capital <sup>1</sup>	559	613	813	845	1,081	1,170	1,759	1,781	1,742	1,574
Fund for Special Operations	433	447	469	556	485	493	568	504	478	290
Other Funds	70	96	150	141	97	67	50	58	45	55
<b>Total</b>	<b>1,062</b>	<b>1,156</b>	<b>1,432</b>	<b>1,542</b>	<b>1,663</b>	<b>1,730</b>	<b>2,377</b>	<b>2,343</b>	<b>2,265</b>	<b>1,919</b>
Loan Repayments (Annual)										
Ordinary Capital <sup>1</sup>	139	168	271	248	248	268	335	382	519	646
Fund for Special Operations	115	126	160	142	153	163	177	187	202	205
Other Funds	39	72	51	69	80	82	78	74	60	78
<b>Total</b>	<b>293</b>	<b>366</b>	<b>482</b>	<b>459</b>	<b>481</b>	<b>513</b>	<b>590</b>	<b>643</b>	<b>781</b>	<b>929</b>
Nonreimbursable Technical Cooperation (Annual)										
Fund for Special Operations	14	18	16	20	33	31	40	35	10	36
Other Funds	43	23	16	21	16	23	8	6	10	11
<b>Total</b>	<b>57</b>	<b>41</b>	<b>32</b>	<b>41</b>	<b>49</b>	<b>54</b>	<b>48</b>	<b>41</b>	<b>20</b>	<b>47</b>
<b>FINANCIAL HIGHLIGHTS</b>										
Net Income										
Ordinary Capital <sup>1</sup>	127	170	198	239	243	219	252	271	286	282
Fund for Special Operations <sup>4</sup>	63	73	74	70	72	75	71	64	79	94
Reserves (End of Period)										
Ordinary Capital <sup>1</sup>	677	847	1,045	1,267	1,493	1,692	1,923	2,207	2,537	2,882
Fund for Special Operations	328	391	450	501	552	536	458	471	528	567
<b>Total</b>	<b>1,005</b>	<b>1,238</b>	<b>1,495</b>	<b>1,768</b>	<b>2,045</b>	<b>2,228</b>	<b>2,381</b>	<b>2,678</b>	<b>3,065</b>	<b>3,449</b>
<b>ADMINISTRATION</b>										
Administrative Expenses <sup>5</sup>										
<b>Total—All Funds</b>	<b>70</b>	<b>79</b>	<b>106</b>	<b>133</b>	<b>140</b>	<b>142</b>	<b>145</b>	<b>155</b>	<b>165</b>	<b>170</b>

<sup>1</sup> Pursuant to the merger effective Dec. 31, 1987, prior years' operations of the inter-regional capital are included with those of the ordinary capital for comparative purposes.

<sup>2</sup> After adjusting U.S. dollar equivalents of borrowed currencies to year-end exchange rates.

<sup>3</sup> Net of cancellations.

<sup>4</sup> Income before technical cooperation expense.

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







## DEVELOPMENT TRENDS

Following three years (1984–86) of moderate economic growth, averaging 3.8 percent yearly, Latin America's growth rate declined in 1987. The region's real Gross Domestic Product (GDP) expanded by slightly more than 2 percent in 1987. As a result, the per capita income remained approximately constant. Individual country growth rates varied almost as widely as they had in 1986. In that year, Brazil and Peru grew by more than 8 percent while Guyana and Trinidad and Tobago fell by more than 6 percent.

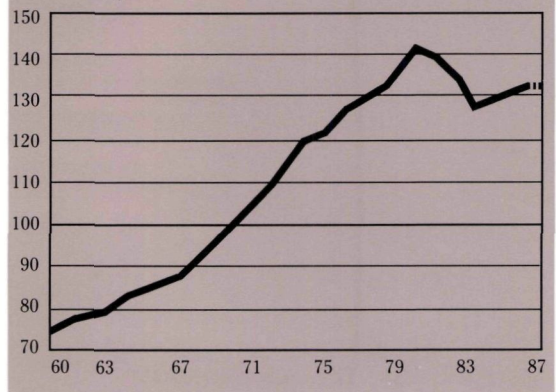
In 1987, none of the big four—Argentina, Brazil, Mexico and Venezuela—attained a growth rate of 4 percent, according to preliminary estimates. Only one-third of the 25 regional developing member countries of the Bank achieved a growth of more than 4 percent. The Dominican Republic and Peru registered the highest expansion. The others in the group were Chile, Colombia, Honduras, Jamaica, Paraguay and Uruguay.

Overall, half of the countries of the Latin American region fared better in 1987 than in 1986.

**APPREHENSIVE NINE-MONTH-OLD BABY** receives medical attention at Glebe Polyclinic in Barbados. The clinic was built with the help of two loans totaling \$11.7 million made by the Bank in 1985. The loans were designed to improve health services in the country by expanding the Queen Elizabeth Hospital in Bridgetown and by building the Glebe Polyclinic in Barbados. The polyclinic opened in 1987 and is serving a population of 22,000. During its first six months of operation, the clinic cared for an average of 90 persons per day.

**ROAD CREW PUTS FINISHING TOUCHES** on surface of highway leading to Montevideo, Uruguay. In 1979, the Bank approved a \$35.5 million loan to enable the *Ministerio de Transporte y Obras Públicas* to build new access roads to the city. The roads are designed to expedite the flow of automotive traffic between Montevideo and its port and interior points. This highway, known as the *Pasaje Humboldt*, leads from the interior to the Artigas Boulevard at the juncture of Routes 1 and 5, two of the principal highways in Uruguay.

LATIN AMERICA: REAL GDP PER CAPITA, 1960-87  
(1970 = 100)



In per capita terms, 1987 was yet another year in which the GDP was lower in absolute terms than a year earlier in about one-half of the countries of the region.

The international economic and financial climate was not altogether favorable for Latin America in 1987. The steady decline in interest rates which had taken place for several years was interrupted in late 1986. Interest rates increased sharply in 1987 until the stock market plunge of October. That development led to small reductions in the interest rates. The reductions were insufficient to restore the lower levels prevailing earlier in the year. Latin America's interest payments to its external creditors in 1987 appear to have been higher than in 1986. Because the net flow of private and official external capital to the Latin American countries was higher than in 1986,<sup>1</sup> the net transfer of financial resources from the region was lower but still negative for a fifth consecutive year.

Economic growth in the countries of the Organization for Economic Cooperation and Develop-

<sup>1</sup>The UN Economic Commission for Latin America and the Caribbean (ECLAC) estimates the net capital inflow in 1987 at \$14.4 billion. *Balance Preliminar de la Economía Latinoamericana*, 1987, Santiago, December 1987.

## Gross Domestic Product, by Country, 1960–86

(In Percent)

Country	Proportion of Regional GDP			Real Growth Rates					
	Averages			Averages <sup>1</sup>		Annual			
	1960–69	1970–79	1980–86	1961–70	1971–80	1983	1984	1985	1986
Argentina	14.9	11.7	9.1	4.1	2.6	2.8	2.6	-4.5	6.5
Bahamas	0.4	0.3	0.3	3.6	4.3	1.5	3.0	3.5	2.0
Barbados	0.2	0.1	0.1	6.2	1.6	0.5	2.2	0.3	4.7
Bolivia	1.1	1.0	0.8	5.0	4.5	-6.6	-0.9	-1.6	-2.6
Brazil	28.4	34.8	38.3	6.1	8.7	-2.5	5.7	8.3	8.2
Chile	5.4	3.8	3.4	4.2	2.5	-0.7	6.3	2.4	5.7
Colombia	4.6	4.4	4.5	5.2	5.5	1.6	3.4	3.1	5.1
Costa Rica	0.6	0.6	0.6	5.9	5.6	2.9	8.0	1.0	4.2
Dominican Republic	0.9	1.0	1.1	5.1	6.9	3.9	0.4	-2.2	1.0
Ecuador	1.2	1.4	1.5	4.9	8.9	-2.8	4.2	4.5	2.8
El Salvador	0.8	0.8	0.5	5.6	3.2	0.8	2.3	2.0	0.6
Guatemala	1.5	1.5	1.4	5.5	5.7	-2.6	0.5	-1.0	0.0
Guyana	0.2	0.1	0.1	3.4	1.7	-7.3	0.9	0.9	-7.0
Haiti	0.4	0.3	0.2	0.8	4.7	0.8	0.3	1.1	-0.2
Honduras	0.5	0.4	0.4	5.5	5.5	-0.2	2.8	3.2	2.7
Jamaica	1.0	0.8	0.6	5.4	-0.8	2.3	-0.9	-4.5	2.1
Mexico	21.2	22.3	24.3	7.0	6.6	-5.3	3.7	2.6	-4.0
Nicaragua	0.7	0.6	0.4	6.9	0.3	4.6	-1.6	-4.1	-0.4
Panama	0.6	0.6	0.7	7.9	5.5	0.4	-0.4	4.7	2.9
Paraguay	0.7	0.7	0.8	4.7	8.8	-3.0	3.1	4.0	0.0
Peru	4.2	3.6	3.0	5.2	3.5	-12.0	4.7	2.0	8.5
Suriname	0.2	0.2	0.1	5.1	4.0	-3.9	-0.1	1.1	0.1
Trinidad and Tobago	0.6	0.5	0.4	3.6	5.3	-9.2	-10.6	-5.6	-6.4
Uruguay	1.8	1.2	1.0	1.5	3.0	-5.9	-1.5	0.0	6.4
Venezuela	8.0	7.4	6.3	6.1	4.1	-5.6	-1.2	0.0	5.4
<b>Latin America</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>5.6</b>	<b>6.1</b>	<b>-2.9</b>	<b>3.8</b>	<b>3.7</b>	<b>3.9</b>

<sup>1</sup> Cumulative.

Source: IDB, based on official statistics of member countries.

ment (OECD)—the key markets for Latin America's basic products and manufactures—continued to be relatively slow. The 1987 growth rate is estimated at 2.75 percent, compared with 2.8 percent in 1986. A somewhat lower figure is expected in 1988.<sup>2</sup> Preliminary statistics indicate that the volume of world trade in 1987 increased by a figure close to the 3.5 percent achieved in 1986.<sup>3</sup> In U.S. dollar terms, there was a much greater increase in the value of world merchandise trade. Part of the increase can be attributed to the devaluation of the dollar.

The exports of most countries in Latin America rebounded from the sharp decline of 1986, thanks to increases in the price of oil and various other commodities. However, coffee exporting

countries suffered from a large drop from the price levels which prevailed in 1986.

In order to compensate for sharply reduced external financing since 1982, all of the Latin American countries have sought to make their economies more competitive internationally in order to increase the foreign exchange earnings needed to import essential goods and services and still service their external debt. For most countries, this has entailed sharp real devaluations and substantial export diversification in an effort to get away from the traditional dependency on one or two basic products. As a result, reliance on traditional basic commodities to obtain foreign exchange has decreased. Over the past two decades, the proportion of such basic commodities in total export earnings dropped. During 1970–72, the 10 main primary commodity exports, excluding fuels—bananas, beef, cocoa, coffee, copper, cotton, iron ore, maize, soybeans and sugar—accounted for 39.7 percent of

<sup>2</sup>OECD, *Economic Outlook*, Paris, December 1987.

<sup>3</sup>General Agreement on Tariffs and Trade (GATT), Chapter I of *International Trade 1986/87*, Geneva, September 1987.





**HALF DOZEN CRANES** loom over monumental Yacyreta hydroelectric power project being built jointly by Argentina and Paraguay on the Paraná River. The 2.7-million-kilowatt project is being partially financed by a \$210 million loan extended by the Bank in 1978 to the *Entidad Binacional Yacyretá*, the joint agency building the project. The multipurpose project will not only increase the region's electricity, but will also provide irrigation and improve navigability.

the total exports of Latin America. By 1983–85, due to stepped up diversification, as well as lower international prices for nearly all commodities in recent years, the 10 products had dropped to represent only 23.1 percent of total export earnings. In just a dozen years the percentage of these 10 products in total Latin American exports was cut nearly in half.

The growth of industrial exports during the 1980s has been the most dynamic development in Latin America's trade. In this regard, two countries in the region—Brazil and Mexico—have made notable strides. Both are among the top five performers in terms of annual growth rates of manufactures' exports among developing countries, according to GATT.<sup>4</sup> In 1987, the value of Mexico's exports of manufactured goods was expected to exceed that of

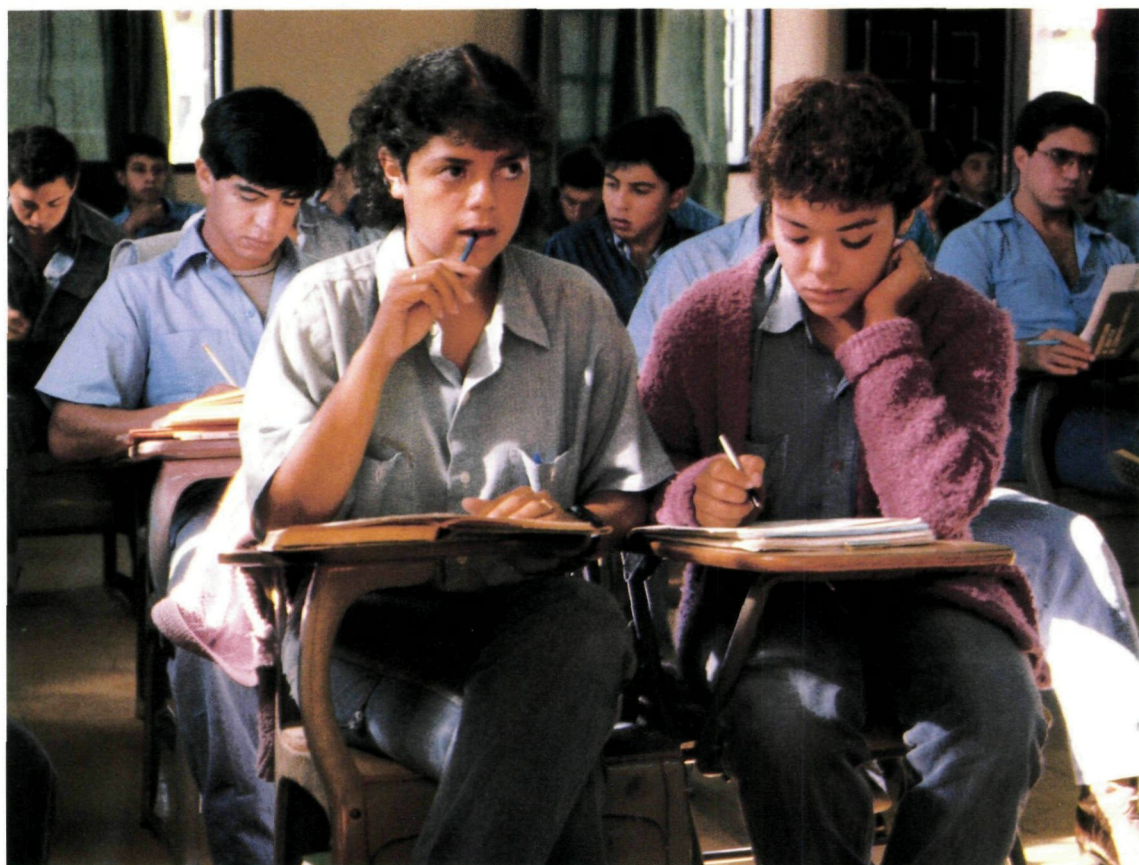
petroleum, even taking into account the partial oil price recovery which took place after the disastrous drop of 1986. Brazil's industrial export push began much earlier than Mexico's. Nothing illustrates its achievements in diversification better than the fact that Brazil's exports of vehicles and parts in 1987 exceeded the value of its coffee shipments (including soluble coffee), even though Brazil remains the world's foremost coffee exporter.

The region's diversification has not been confined just to industrial products, however. Chile, for example, has reduced its reliance on mineral exports, particularly copper. This trend began in the 1970s and increased vigorously in the 1980s. Forest-based products, fresh fruits and fishery products have become important foreign exchange earners for the country. As a result, they rival copper as a main source of foreign exchange.

Other countries have diversified through tourism. In the Dominican Republic, sugar has his-

<sup>4</sup>GATT, *op.cit.* Table I.6. The other three countries are Indonesia, Malaysia and Turkey.





**THOUGHTFUL STUDENTS STUDY FARM ECONOMICS** at the El Zamorano Pan American Agricultural School in Honduras. Founded in 1942, the school offers a three-year course of intensive, practical education in agriculture and carries out applied farm research. The school has graduated nearly 2,500 students from throughout Latin America. In 1981, the Bank extended a \$1.7 million technical cooperation grant to provide three-year scholarships for 70 low-income Latin American students and for other purposes.

torically been the principal source of foreign exchange. However, tourism has expanded so rapidly in recent years that foreign exchange earned by that sector has been greater than the income from sugar exports every year since 1983.

With few exceptions, the high levels of unemployment and underemployment which have prevailed in the Latin American labor markets in the 1980s show no signs of diminishing. To prevent unemployment from rising, production must normally increase at a higher rate than the labor force, since labor productivity rises also. In 1986, only 10 countries had an increase in the GDP greater than the growth in the labor force. That is a disquieting

development. The preliminary evidence for 1987 indicates a similar picture. Unless productive capacity—fixed investment—expands to generate higher levels of production, the outlook for reducing the existing labor underutilization is clearly unfavorable.

This phenomenon needs to be seen in the context of some quite clear labor force trends in Latin America during the past two to three decades.<sup>5</sup> These are:

- A massive sectoral redistribution of the labor force which has coincided with rapid urbanization of the population. The share of the labor force in agriculture has declined, that of industry has risen and that of the services sector has increased even more.
- An explosive growth in the female labor force. That force more than doubled between 1970 and 1980 in two countries—Mexico and Venezuela.

<sup>5</sup>Inter-American Development Bank, *Economic and Social Progress in Latin America, 1987 Report*. See the Special Section of Labor Force and Employment.



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- A significant improvement in the educational attainment of the labor force. This has resulted from extraordinary enrollment growth at all levels, especially in the 1960s and 1970s, and a movement to parity in enrollment between men and women. Such parity has been reached at the secondary level and has nearly been achieved at the university level.

- A slowdown in the rate of expansion of the labor force. In more than half the countries of Latin America peak rates of labor force growth were reached in the 1970s (or earlier), and in several others in the 1980s. This slowdown is the result of a reduction in birth rates. For the region as a whole, the annual increase in the number of children under 10 years of age fell from 3.5 percent during 1950–60 to 1.6 percent during 1970–80. Furthermore, it is expected to fall in the 1980s and 1990s to less than 1 percent.

Reduced job opportunities in the private and public formal sectors in countries where social security protection for the unemployed is nonexistent or incipient have led to increased economic vigor in the informal sector. Many governments recognize the importance of these activities and their contribution to national output. In addition, the informal sector provides important sources of income to families whose members lack formal employment opportunities.

These trends imply that the challenge facing the countries of Latin America will be the creation of productive employment, predominantly in urban areas, for men and women who are now much more educated than their predecessors. The slower labor force growth will result in lower pressure on labor markets from new entrants when the problem of the accumulation of labor underutilization of the 1980s is solved.

The economic integration movement in Latin America received additional support in 1987. At their meeting in Acapulco on Nov. 29, 1987, the Chiefs of State of eight Latin American countries reiterated their support for economic integration. The meeting took place against a background of renewed efforts to spur integration and economic cooperation among various countries.

This was evidenced in 1987 in the development of the integration agreements entered into in the previous two years by Argentina and Brazil; by Uruguay with Argentina, Brazil and Mexico; in the signing of the protocol modifying the Cartagena Agreement; in the meeting of Central American Presidents in Esquipulas, and in the meeting of the Heads of Governments of the member countries of the Caribbean Community which took place in Guyana.

At the Acapulco meeting, the Chiefs of State decided, among other measures, to stimulate Central American intra-regional trade and the extension of facilities for the entry of exports from the Central American region to the countries of the eight participating Chiefs of State. The initiative strengthened measures to give preferential trade treatment to the countries of Central America. The measures were initiated a number of years ago by Argentina, Colombia, Mexico and Venezuela.







## PART I:

# THE BANK IN 1987

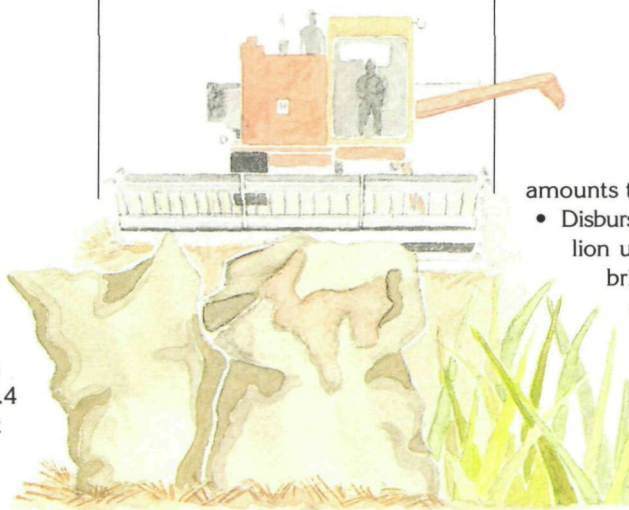
## OPERATIONS

### HIGHLIGHTS

During 1987, the Inter-American Development Bank provided nearly \$2.4 billion in lending support to foster Latin America's economic and social development.

The Bank's lending level in 1987 continued to reflect the consequences of the economic recession that has affected the region since the beginning of the 1980s. That lending also re-

**FARM WORKERS GATHER** around combine harvesting rice on 400-acre farm in the Abary River basin in northeastern Guyana. The farm is one of many benefiting from a vast irrigation and drainage works program being carried out by Guyana. The first stage of the project, now complete, was financed with a \$49.5 million loan approved by the Bank in 1977. Work on the second stage, financed with a \$40.7 million loan approved in 1984, is well advanced. This phase of the project is designed to bring about 15,000 hectares of rice lands into full production. It includes the construction of secondary irrigation canals, drainage works, roads and other facilities.



flected the fact that no agreement was reached during the year on a Seventh General Increase of the Bank's Resources.

The Bank's lending in 1987 provided substantial additional support for the region's energy and transportation infrastructures and for the development of its agricultural sector. The Bank also continued to emphasize Latin America's social sectors, particularly environmental and public health.

Highlights of the Bank's activities in 1987 include:

- The approval of \$2,361 million in loans, which brought the Bank's cumulative lending as of Dec. 31, 1987, to \$39.7 billion, including exchange adjustments. The total estimated investment in the projects being financed with the help of these loans

amounts to \$115 billion.

- Disbursements of \$1,919 million under approved loans, bringing cumulative disbursements, after exchange adjustments to \$28,358 million.

- The merger of the Bank's ordinary capital and its inter-regional capital, thus consolidating the Bank's capital and simplifying its financial presentations.

- Borrowings of \$1,115 million in the world's capital markets. As of Dec. 31, 1987, the Bank's total outstanding borrowings had risen to \$15,225 million.

- The approval of \$46.8 million in grant and contingent repayment technical cooperation. That amount raised the cumulative total of such assistance to \$608.3 million.

- The approval of \$8.5 million under the Bank's program for the Financing of Small Projects, raising the total approved under the program, to \$72.3 million.

- Net earnings of \$336 million in 1987, increasing the Bank's total reserves to \$3,449 million as of Dec. 31, 1987.



## AN OVERVIEW OF THE YEAR

The nearly \$2.4 billion in loans approved by the Bank during 1987 will continue to stimulate investments in projects advancing Latin America's economic and social development and help promote sustained, long-term growth in the Hemisphere.

To this end, for example, loans authorized by the Bank in 1987 will result in the extension of nearly \$500 million in credits to farmers, increase the electric power generating capacity by 107,000 additional kilowatts, construct 3,700 kilometers of electric transmission and distribution lines, and help build over 4,000 kilometers of main roads and 3,500 kilometers of secondary roads.

In the social sector, 3.3 million more persons will be able to enjoy clean water and 100,000 persons will have access to new sewage treatment facilities.

A total of 20 municipalities will benefit from improved municipal works and services, and 45,000 new shelter solutions will be provided for low-income persons. A total of 48,000 students will benefit from the construction of 10 educational and vocational schools and higher education institutions.

A detailed analysis of the impact of the Bank's lending throughout its 28 years of activity appears in the section on Progress Indicators, beginning on page 19.

On Dec. 17, 1987, Antonio Ortiz Mena, who served as President of the Bank for 17 years, announced his resignation effective Feb. 29, 1988, (subsequently made effective March 15), and his intention to return to his native Mexico.

### THE YEAR'S LENDING

The Bank's lending in 1987 consisted of 43 loans (for 32 projects) totaling \$2,361 million (including increases and rollovers in previously approved export financing credits). This compared with 63 loans (for 56 projects) totaling \$3,037 million in 1986. As of Dec. 31, 1987, the Bank's cumulative loans amounted to 1,733 and totaled \$39,691 million, net of cancellations and exchange adjustments.

The loans authorized by the Bank in 1987 came from the following sources:

*Ordinary Capital Resources:* 28 loans (plus increases in previously approved export financing credits) for \$1,957 million. This brought the net cumulative total of such loans to 737 for \$28,658 million as of Dec. 31, 1987.

*Fund for Special Operations:* 12 loans totaling \$346 million; bringing the net cumulative total to 798 loans for \$9,664 million at year end.

*Other Funds:* Two loans for \$6.4 million from the Social Progress Trust Fund and 1 loan and increases in previously authorized export financing credits of \$51.2 million from the Venezuelan Trust Fund.

These loans brought the cumulative total extended from the various funds which the Bank administers to 198 loans for \$1,369 million, including 123 for \$538 million from the U.S. Social Progress Trust Fund, 42 for \$725 million (including increases in previously authorized export financing credits) from the Venezuelan Trust Fund, and 33 for \$106 million from other funds which the Bank administers for Argentina, Canada, Norway, Sweden, Switzerland and the United Kingdom.

In 1987, the Bank partially defrayed up to 5 percent of the interest on four loans aggregating \$52.9 million in three countries approved in 1987 from the ordinary capital resources with funds from the intermediate financing facility created under the Sixth General Increase of Resources.

In 1987, the Bank extended \$916 million in loans to the least developed member countries and those of limited market, not counting increases in export financing credits. Of that amount, \$597 million went to countries classified as less developed and \$319 million went to countries with limited markets.

The distribution of the Bank's cumulative lending is shown in the table on the opposite page on a country-by-country basis.

### Total Cost of Projects

Overall, the loans of the Bank cover only about one-fourth of the cost of the development projects being carried out by its Latin American member countries with the Bank's support. The \$39.7 billion in loans



**The Bank's Cumulative Lending 1961-87**  
(After Cancellations and Exchange Adjustments)  
In Millions of U.S. Dollars

Country	Total Amount	DETAIL BY FUNDS		
		Ordinary Capital	Fund for Special Operations	Funds in Administration
Argentina	4,264.4	3,696.0	519.4	49.0
Bahamas	6.0	4.0	—	2.0
Barbados	147.7	86.3	43.2	18.2
Bolivia	1,261.9	556.8	651.5	53.6
Brazil	6,580.7	5,253.0	1,195.8	131.9
Chile	3,205.0	2,958.5	203.3	43.2
Colombia	3,856.4	3,150.8	642.9	62.7
Costa Rica	1,120.8	686.1	355.9	78.8
Dominican Republic	910.8	306.4	535.4	69.0
Ecuador	2,304.1	1,414.3	800.0	89.8
El Salvador	987.5	313.0	567.8	106.7
Guatemala	1,166.2	574.4	531.0	60.8
Guyana	232.9	107.6	119.3	6.0
Haiti	295.1	—	287.1	8.0
Honduras	940.2	285.4	597.6	57.2
Jamaica	599.4	345.2	178.6	75.6
Mexico	5,185.0	4,575.8	574.2	35.0
Nicaragua	472.2	100.4	317.6	54.2
Panama	881.0	561.4	283.0	36.6
Paraguay	602.7	190.6	399.4	12.7
Peru	1,747.7	1,129.7	431.7	186.3
Suriname	21.9	18.9	3.0	—
Trinidad and Tobago	82.4	55.0	25.4	2.0
Uruguay	729.2	582.7	104.7	41.8
Venezuela	1,264.3	1,090.0	101.4	72.9
Regional	825.0	615.6	194.7	14.7
<b>TOTAL</b>	<b>39,690.5</b>	<b>28,657.9</b>	<b>9,663.9</b>	<b>1,368.7</b>

**How Bank Projects are Financed (1961-87)**  
(Loans After Cancellations and Exchange Adjustments)  
In Millions of U.S. Dollars

Country	Total Cost	The Bank's Loans	Latin America's Contributions
Argentina	\$ 12,334.3	\$ 4,264.4	\$ 8,069.9
Bahamas	7.2	6.0	1.2
Barbados	257.3	147.7	109.6
Bolivia	2,080.4	1,261.9	818.5
Brazil	35,331.3	6,580.7	28,750.6
Chile	7,134.2	3,205.0	3,929.2
Colombia	9,608.8	3,856.4	5,752.4
Costa Rica	1,894.4	1,120.8	773.6
Dominican Republic	1,389.2	910.8	478.4
Ecuador	4,371.6	2,304.1	2,067.5
El Salvador	1,498.8	987.5	511.3
Guatemala	2,169.7	1,166.2	1,003.5
Guyana	318.2	232.9	85.3
Haiti	421.8	295.1	126.7
Honduras	2,093.3	940.2	1,153.1
Jamaica	948.4	599.4	349.0
Mexico	12,384.8	5,185.0	7,199.8
Nicaragua	837.5	472.2	365.3
Panama	1,647.4	881.0	766.4
Paraguay	907.6	602.7	304.9
Peru	3,979.3	1,747.7	2,231.6
Suriname	29.7	21.9	7.8
Trinidad and Tobago	157.1	82.4	74.7
Uruguay	1,402.5	729.2	673.3
Venezuela	4,541.3	1,264.3	3,277.0
Regional	7,425.4	825.0	6,600.4
<b>TOTAL</b>	<b>115,171.4</b>	<b>39,690.5</b>	<b>75,480.9</b>

which the Bank had approved through the end of 1987 are helping to finance development projects which involve a total investment of about \$115 billion. The balance over and above the Bank's contribution generally comes from the Latin American borrowers themselves, but in some cases, part of the financing comes from other sources of capital.

A country-by-country breakdown of this relationship is shown in the next column.

### Disbursements

The Bank's disbursements on previously authorized loans amounted to \$1,919 million in 1987, compared with \$2,265 million in 1986.

As of Dec. 31, 1987, cumulative disbursements totaled \$28,358 million, including exchange adjustments, an amount which represents 71 per-

cent of the loans authorized by the Bank up to that date. The disbursements in 1987, as well as cumulative totals by sources of funds, include:

*Ordinary Capital Resources:* \$1,574 million, bringing the cumulative total to \$19,263 million as of Dec. 31, 1987.

*Fund for Special Operations:* \$290 million bringing the cumulative total to \$7,752 million as of Dec. 31, 1987.

*Other Funds:* \$55 million, bringing the cumulative total from funds administered by the Bank to \$1,343 million as of Dec. 31, 1987.

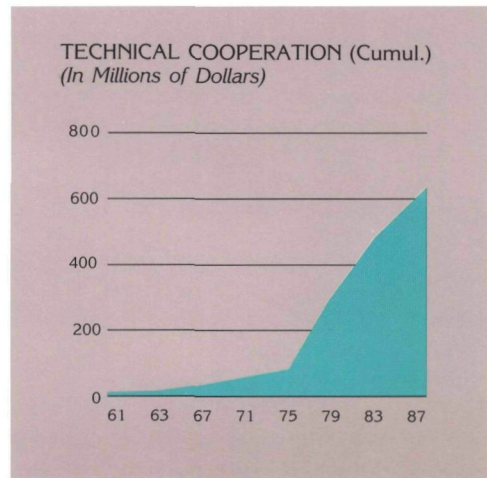
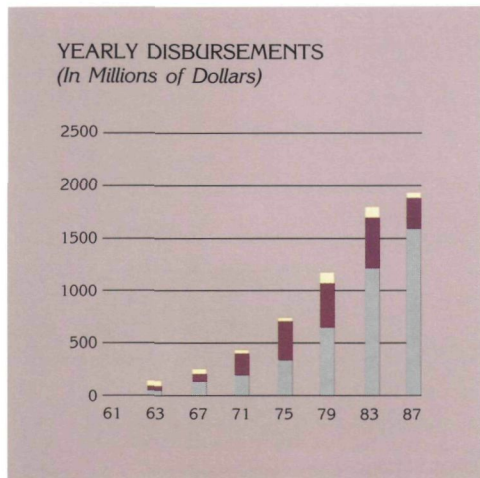
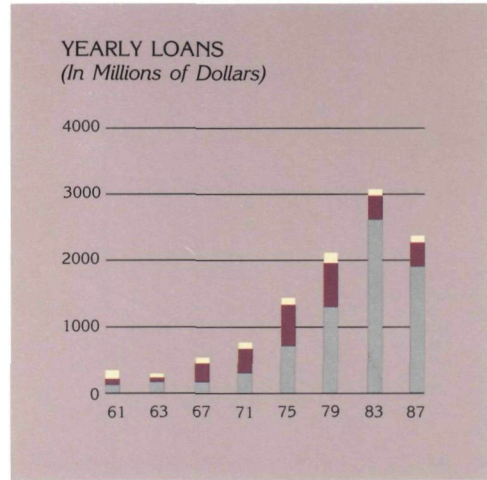
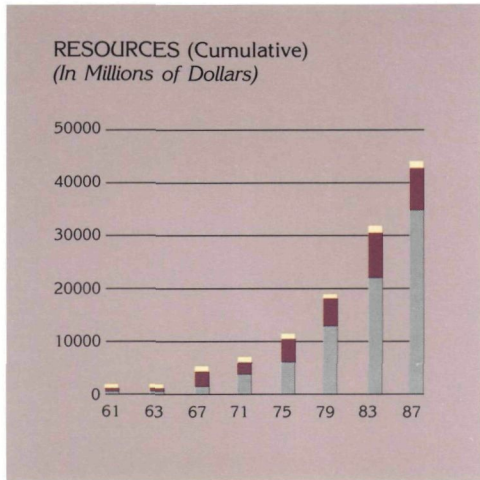
The distribution of cumulative disbursements by country appears in the table on page 12.

### Repayments

Loan repayments amounted to \$929 million in



# BANK GROWTH INDICATORS





Resources of the Inter-American Development Bank amount to nearly \$44 billion.

Bank's loans were approximately \$2.4 billion in 1987, reaching a cumulative total of nearly \$40 billion.

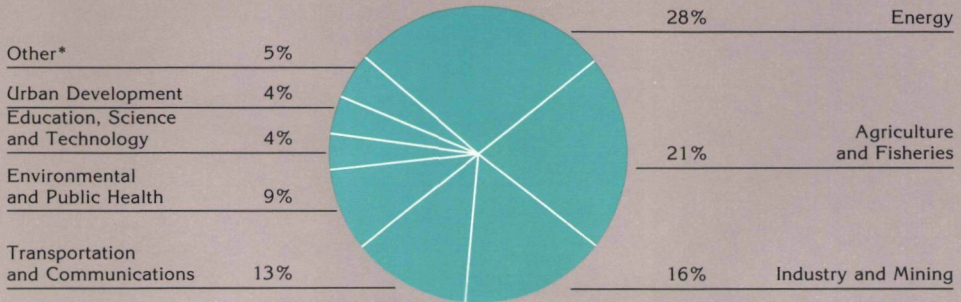
Disbursements of \$1.9 billion in 1987 raised cumulative total to more than \$28 billion.

Technical Cooperation approvals—

both grant and contingent recovery—which amounted to nearly \$47 million in 1987 raise such assistance on a cumulative basis to more than \$608 million.

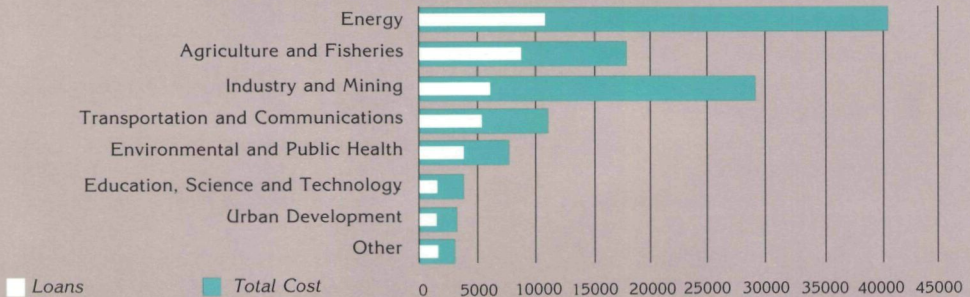
Bank's cumulative lending of nearly \$40 billion supports matching funds of about \$75 billion in carrying out projects whose total cost amounts to more than \$115 billion.

DISTRIBUTION OF LOANS, 1961-87



\*Includes Export Financing, Preinvestment and Tourism.

LOANS AND TOTAL COST OF PROJECTS, 1961-87  
(In Millions of Dollars)





## The Bank's Cumulative Disbursements 1961-87

In Millions of U.S. Dollars

Country	Total Amount	DETAIL BY FUNDS		
		Ordinary Capital	Fund for Special Operations	Funds in Administration <sup>1</sup>
Argentina	2,887.8	2,428.7	412.5	46.6
Bahamas	5.9	3.9	—	2.0
Barbados	94.4	41.3	36.7	16.4
Bolivia	806.7	230.4	531.7	44.6
Brazil	5,259.8	4,061.7	1,066.2	131.9
Chile	2,212.5	1,966.0	203.3	43.2
Colombia	2,405.8	1,752.7	590.4	62.7
Costa Rica	698.9	313.0	307.1	78.8
Dominican Republic	669.8	139.8	463.1	66.9
Ecuador	1,220.1	656.1	475.8	88.2
El Salvador	728.6	286.9	337.1	104.6
Guatemala	712.0	320.2	332.0	59.8
Guyana	158.6	59.1	93.5	6.0
Haiti	176.7	—	168.7	8.0
Honduras	710.9	223.8	432.2	54.9
Jamaica	438.4	223.4	140.4	74.6
Mexico	4,456.0	3,902.3	518.7	35.0
Nicaragua	457.6	85.9	317.5	54.2
Panama	726.0	426.2	264.2	35.6
Paraguay	462.2	140.6	308.9	12.7
Peru	1,466.1	879.5	401.3	185.3
Suriname	1.0	0.9	0.1	—
Trinidad and Tobago	21.0	0.6	18.5	1.9
Uruguay	369.6	264.6	63.2	41.8
Venezuela	442.0	267.7	101.4	72.9
Regional	769.1	587.2	167.2	14.7
<b>TOTAL<sup>2</sup></b>	<b>28,357.5</b>	<b>19,262.5</b>	<b>7,751.7</b>	<b>1,343.3</b>

<sup>1</sup> Social Progress Trust Fund \$531.5 million; Venezuelan Trust Fund \$707.1 million; Argentine Fund \$23.1 million; Canadian Fund \$56.3 million; Norwegian Fund \$2.5 million; Swedish Fund \$4.9 million; Swiss Fund \$3.5 million, and United Kingdom Funds \$14.4 million.

<sup>2</sup> Excludes exchange adjustments.

1987, compared with \$781 million in 1986. This brought cumulative repayments as of Dec. 31, 1987, to \$6,309 million.

Repayments received by the Bank during the year, identified by sources of loan funds, were:

*Ordinary Capital Resources:* \$646 million, bringing the cumulative total to \$3,373 million as of Dec. 31, 1987.

*Fund for Special Operations:* \$205 million making the cumulative total \$2,026 million as of Dec. 31, 1987.

*Other Funds:* \$78 million, bringing the cumulative total to \$910 million as of Dec. 31, 1987.

## TECHNICAL COOPERATION

Along with its lending, the Bank extends grant and contingent recovery technical cooperation to its regional developing member countries. In 1987, this assistance amounted to \$46.8 million compared with \$20.3 million in 1986.

Along with its regular technical cooperation program, the Bank in 1987 put special emphasis on support for Latin America's agricultural and its environmental and public health sectors and on programs fostering Latin America's integration. In addition, the Bank stressed efforts to promote the identification, preparation and execution of projects.

During 1987, the Bank approved \$1.3 million to carry out 50 short-term technical cooperation missions. That amount compared with \$1.2 million for 53 short-term missions approved in 1986. The main purpose of these missions is to advise borrowers, identify investment opportunities and provide assistance in the preparation of the terms of reference for projects.

A total of \$436,300 in grant technical cooperation was approved under the Bank's intra-regional technical cooperation program which finances transfers of technical assistance among the countries of the region. In addition, \$1,756,800 in technical cooperation was provided in conjunction with the Bank's Small Projects Program.

The year's grant and contingent repayment cooperation brought the cumulative total as of Dec. 31, 1987, to \$608.3 million. Contingent recovery technical cooperation is subject to repayment only if, as a result of the cooperation, a loan is subsequently extended by the Bank or another external financial institution for the execution of the project or program.

A total of \$35.5 million of the year's technical cooperation was extended from the net income of the Bank's Fund for Special Operations, \$10.6 million from the resources of the Social Progress Trust Fund which the Bank administers for the United States Government, \$395,000 from the Canadian Project Preparation Fund and \$296,000 from the Technical Cooperation and Small Projects Swiss Fund administered by the Bank for Switzerland.

In addition to its grant and contingent repayment cooperation, the Bank extends loans for technical cooperation purposes, primarily for preinvestment funds or studies, and allocates portions of other loans to technical cooperation designed to ensure the optimum execution of a project.

During 1987, a total of \$6 million in loans or portions of loans was extended for technical coop-



## Distribution of Technical Cooperation

In Thousands of U.S. Dollars

Country	1987	1961-87
Argentina	\$ 3,170	\$ 18,978
Bahamas	30	2,607
Barbados	71	11,698
Bolivia	2,826	18,929
Brazil	85	57,675
Chile	18	1,407
Colombia	174	17,386
Costa Rica	1,024	12,124
Dominican Republic	735	20,903
Ecuador	493	21,004
El Salvador	7,590	17,649
Guatemala	442	14,255
Guyana	1,524	13,557
Haiti	58	22,809
Honduras	737	20,208
Jamaica	1,179	8,423
Mexico	39	999
Nicaragua	104	14,536
Panama	1,223	17,013
Paraguay	240	16,090
Peru	39	29,845
Suriname	3,431	4,904
Trinidad and Tobago	—	3,306
Uruguay	95	3,748
Venezuela	389	1,528
Regional <sup>1</sup>	21,120	236,711
<b>TOTAL</b>	<b>\$46,836</b>	<b>\$608,292</b>

<sup>1</sup> Includes in 1987, \$940,000 for the Caribbean Subregion, \$2,039,000 for the Central American Subregion and \$18,141,182 for general regional; for 1961-87, it includes \$11,955,850 for the Caribbean Subregion; \$21,177,465 for the Central American Subregion, \$8,949,070 for the Andean subregion and \$194,629,115 for general regional.

eration and preinvestment activities. This amount brought the cumulative total of such lending to \$758.5 million as of Dec. 31, 1987.

## FINANCING FOR SMALL PROJECTS

During 1987, the Bank approved 19 financings totaling \$8.5 million within its Small Projects Program. This program was launched by the Bank in 1978 to make credit facilities available to individuals in groups who, due to their financial conditions and lack of credit experience, fail to meet local criteria governing credit eligibility and thus have no access to conventional sources of public and commercial credit. Such groups engage in productive enterprises of increasing economic importance in enhancing their welfare and productivity.

The program which was initiated with an allocation of \$5 million from the Fund for Special Operations and the Social Progress Trust Fund, is now completing a decade of increasingly successful ex-

perience. It also now benefits from the resources of the Technical Cooperation and Small Projects Swiss Fund and the Norwegian Development Fund for Latin America.

The 19 authorizations in 1987 compared with 10 financings for \$4.5 million approved in 1986 and brought the cumulative total of approvals under this program through Dec. 31, 1987, to 168 for a total of \$72.3 million since the program began in 1978.

The Small Projects Program has directly benefited approximately 90,000 low-income farmers, small-scale entrepreneurs, craftspeople and other members of the region's labor force.

The 1987 approvals included 13 financings for \$5.75 million from the Fund for Special Operations, three for \$1.5 million from the Social Progress Trust Fund and three for \$1.25 million from the Technical Cooperation and Small Projects Swiss Fund.

Under the program, which has supported projects in virtually all the Bank's developing member countries, the Bank finances small productive projects carried out through nonprofit private intermediary institutions such as cooperatives, foundations or producers' associations, as well as through some public development agencies. These institutions, in turn, channel the credits or provide other services to the low-income beneficiaries. The financings, carry a 1 percent fee, are repayable over a term of up to 40 years and have grace periods of up to 10-1/2 years.

Along with the credit, beneficiaries receive technical cooperation in planning and improving their production and in marketing their products. The financings in 1987 were accompanied with a total of \$1,756,800 of such technical cooperation grants. With such activities, the beneficiaries are able to generate new employment and production opportunities, and enter into the mainstream of economic life in their countries.

## SUPPORT FOR LOW-INCOME GROUPS

The documents on the Fifth Replenishment of Resources, which covered the 1979-82 period and the Sixth General Increase of Resources for the 1983-86 period, contained directives related to the distributive impact of the Bank's lending. These directed that about 50 percent of the lending in each period should be oriented directly to benefiting low-income groups. An analysis of the distributive impact of the Bank's loans for 1987, shows that about 41 percent of the benefits of loans from the Bank's own resources which were subject to distributive analysis went to such low-income groups. Overall, during the whole 1983-87 period, just over 38 percent of the benefits of loans from the Bank's own resources went to low-income groups.



## Support for Economic Integration, 1960–87

In Millions of U.S. Dollars

	1987		1960–87	
	Bank Support	Total Cost of Projects	Bank Support	Total Cost of Projects
<b>Loans</b>	<b>\$10.5</b>	<b>\$ 10.5</b>	<b>\$1,993.4</b>	<b>\$8,901.4</b>
Agriculture	—	—	110.7	271.5
Industry	—	—	247.2	425.1
Energy	—	—	552.9	6,486.5
Transportation	—	—	581.1	1,050.5
Telecommunications	—	—	83.7	158.3
Education	—	—	9.9	25.4
Tourism	—	—	29.2	50.7
Housing	—	—	15.0	30.0
Export Financing <sup>a</sup>	10.5	10.5	296.2	310.7
Other	—	—	67.5	92.7
<b>Technical Cooperation</b>	<b>\$21.6</b>	<b>\$116.2</b>	<b>\$ 265.9</b>	<b>\$ 972.4</b>
Agriculture	11.5	62.6	138.8	704.2
Industry	—	—	4.7	6.4
Energy	—	—	2.7	4.0
Transportation	—	—	2.7	8.4
Public Health	5.7	47.7	9.0	53.9
Urban Development	—	—	3.9	7.9
Education	—	—	10.7	21.6
Tourism	—	—	1.3	1.3
Planning	0.6	0.8	6.1	20.9
Multisector	3.1	4.3	58.6	102.6
Development Banks	0.5	0.6	9.8	14.4
Other	0.2	0.2	17.6	26.8
<b>TOTAL</b>	<b>\$32.1</b>	<b>\$126.7</b>	<b>\$2,259.3</b>	<b>\$9,873.8</b>

<sup>a</sup> Excluding recoveries on prior loans. Includes \$15 million for COLAC.

During the economic downturn of the 1980s, there was a drop in socially-oriented projects—those that benefit the low-income groups the most—as the Bank's member countries concentrated on projects that emphasized growth of the Gross Domestic Product.

### SUPPORT FOR ECONOMIC INTEGRATION

Since it was established, the Inter-American Development Bank has sought as a priority concern to support Latin America's economic integration as a key to spurring its growth and development. The Bank has carried out this support through its lending and technical cooperation activities as well as through the activities of the Institute for Latin American Integration.

During 1987, the Bank approved one new line of credit and additions to four previous lines of

credit to finance Latin American exports. In addition, the use of previous lines of credit extended under the Bank's export financing program was increased by \$69 million through repayments. The new credit amounted to \$5 million and was extended to Bolivia. The additions to existing credits included \$3 million to Costa Rica, \$1.5 million to Jamaica and \$1 million to Mexico.

The Bank extended \$21.6 million to foster Latin America's economic integration through its technical cooperation program. The priority sectors of this technical cooperation program were agriculture and environmental and public health and most of the funds were devoted to research and training activities.

These approvals brought the cumulative lending volume authorized by the Bank for integration-related or regional projects as of Dec. 31, 1987, to \$2,259.3 million. Cumulative grant and contingent recovery technical cooperation amounted to



\$265.9 million as of the same date.

The technical cooperation approved by the Bank during 1987 for integration related activities included \$10,530,000 to support the basic programs of the three international agricultural research centers located in Latin America during 1987. The three include the International Center for Maize and Wheat (*CIMMYT*) in Mexico, the International Center for Tropical Agriculture (*CIAT*) in Colombia and the International Potato Center (*CIP*) in Peru. In addition, \$250,000 of that assistance is being devoted to the execution of a study on prospects for additional sources of financing for the centers.

The Bank supported the expanded polio virus immunization program in Latin America being carried out by the Pan American Health Organization with a technical cooperation grant of \$5.5 million. The Bank provided a \$185,000 grant to carry out a consultative meeting at its headquarters with public institutions responsible for the environmental protection of natural resources in Latin America and the Caribbean.

The Bank extended a \$1,540,000 technical cooperation grant to help the *Instituto Centroamericano de Administración de Empresas (INCAE)* to train master's level professionals and industrial extension agents. A \$952,000 grant will enable the *Organización de Preinversión de América Latina y del Caribe (OPALC)* to carry out a training and advisory program on the project and preinvestment cycle for participants from the Bank's Latin American member countries. A total of \$615,000 was allocated to enable four of its member countries—Colombia, the Dominican Republic, Panama and Venezuela—to carry out account price studies. Such prices are essential in the economic appraisal of projects.

### **Institute for Latin American Integration**

During 1987, the Institute for Latin American Integration (*INTAL*), one of the basic instruments through which the Bank promotes the economic integration of the region, carried out a variety of activities related to integration and economic cooperation in Latin America. Among the more important activities of the Institute, which is headquartered in Buenos Aires, were the following:

*Basic Studies.* *INTAL* carried out an analysis of trade barriers for exports from Uruguay to Argentina and Brazil within the framework of the economic complementation agreements existing among them.

In the transportation sector, *INTAL* analyzed the participation of Argentine and Brazilian shipping lines in the movement of freight and the reduction of transportation costs. This was one of the ac-

tivities provided for in Protocol 14 of the integration agreement between Argentina and Brazil. *INTAL* made a preliminary analysis of methodology suitable for the establishment of relations to hike production, increase trade, develop technical cooperation and solve transportation problems between Argentina and Peru.

Transportation costs of the less developed countries of the Latin American Integration Association were analyzed in a number of studies. These dealt with cost components involved in trade between Bolivia and Paraguay, an inventory of projects and actions that might be taken to reduce transportation costs in those countries, and measures that might be taken in the transportation and trade field to help spur exports of Ecuador to certain South American countries.

Other studies were executed on safeguard clauses in the General Agreement on Tariffs and Trade (GATT) and in the integration agreements of *ALADI*; the Andean group; the Central American market, and the Caribbean Community. *INTAL* carried out studies on the role of multinational components in the international trade of manufactures in Argentina, Brazil, Colombia and Mexico.

*Training.* Among the training activities carried out by *INTAL* in 1987 was the 19th Regional Course on Latin American Integration and Cooperation, which was carried out at the headquarters of *INTAL*. Forty-four participants from 20 countries attended the course.

*Meetings and Seminars.* Among the meetings and seminars carried out by *INTAL* in 1987 was a seminar co-sponsored by *ALADI*, which evaluated the support systems for the relatively less developed countries in the Association.

A number of prominent persons presented papers at a seminar on Latin America within the context of the world economy. The seminar was held in honor of the late Dr. Raúl Prebisch in cooperation with the International Diplomatic Academy of France. *INTAL* also carried out a colloquium regarding new avenues of economic cooperation between the European Economic Community and Latin America.

Participating in the 23rd Latin American Congress of Industrialists and the Trade Negotiating Round, *INTAL* organized a negotiating round in which industrialists from 14 countries in the region were contacted in order to broaden trade and cooperation.

*Publications.* In 1987, among other publications, *INTAL* published 11 issues of its monthly journal, *Latin American Integration*. It continued the publication of its bi-monthly bulletin on Latin



American projects, as well as other publications containing indicators of economic activity, prices, the external sector and trade. In addition, it published its yearly report on the Latin American integration movement, which dealt with developments in regional integration and cooperation during the year. It also published a study on *Cooperation and Latin American Integration in the Services Sectors*.

## ENVIRONMENTAL ASPECTS

During 1987, the Bank approved a number of loan and technical cooperation projects designed to protect and enhance the environment in Latin America and the Caribbean. The Bank also strengthened its own institutional programs and provided assistance to help its member countries to increase their effectiveness in dealing with environmental issues associated with Bank-financed projects.

A number of the loans and technical cooperation activities approved by the Bank in 1987 were designed specifically to improve the environment. Others provided for the examination of any direct or indirect adverse impact that a project might have on the environment and recommended measures to minimize that impact.

The environment has been a constantly growing concern of the Bank since 1979. In that year, the Bank adopted an Environmental Management Policy to guide its activities in analyzing projects. Subsequently in 1983, the Bank set up an Environmental Management Committee, a permanent body composed of department managers, to strengthen project compliance with environmental policies. That Committee has assumed a major role in reviewing environmentally sensitive projects.

In 1987, the Committee examined 16 projects classified as having significant environmental impact. The reviews focused on a wide range of issues, including deforestation, erosion and soil management, salinization, the effects of large dams and waterborne disease, the use of pesticides, wildlife protection, protection of watersheds and natural parks, wastewater treatment, protection of Indian groups, land titling, air and water pollution, and the environmental management capability of the agencies carrying out projects.

The Committee promoted other initiatives, including updating operational manuals to reflect the importance of the environment in project execution, and also met several times with external groups and organizations concerned with environmental issues.

One of the highlights of the Bank's activities in the environmental field in 1987 was its sponsor-

ship of a conference May 13-15 at its headquarters with public officials responsible for environmental matters and planning from throughout the Hemisphere. Non-governmental organizations from both the borrowing and non-borrowing countries also participated in the meeting. The conference focused on measures to incorporate environmental aspects into the project cycle at the earliest stage.

During 1987, the Environmental Committee also developed a nine-point work program for 1987-88 designed to improve the Bank's efforts to protect and enhance the environment. The program involves continued training of Bank staff in environmental matters, the incorporation of environmental aspects into the programming process and institutional support to strengthen environmental agencies in Latin America and the Caribbean.

In 1987, the Bank approved a number of projects with a significant environmental component. They include:

- A \$12.2 million loan extended to Costa Rica to help carry out a pilot forestry development project which will reforest 10,000 hectares of private land. The program also includes research designed to ensure the survival and productivity of replantings, a seed bank, and research on the selection of plant species in special test areas and the application of technologies suitable for different ecological zones.

- A \$6.3 million loan to Ecuador will help to plant some 23 million seedlings on 18,000 hectares of denuded and eroded land in Ecuador's Central Sierra. In addition, 6.7 kilometers of windbreaks will be planted, and applied research will be carried out on such subjects as stand density, fertilizer use and mechanization in soil preparation.

- A \$166 million loan to El Salvador will help provide drinking water and sewage service to a majority of the inhabitants of the San Salvador metropolitan area. The capacity of the primary sewage network will be expanded by eliminating breakdowns. Discharged waters will be sent to two discharge points on the city's outskirts towards treatment plants which will be built in a second phase of the project.

- An \$80.7 million loan extended to Bolivia to rehabilitate sections of the Cochabamba-Santa Cruz Highway includes a \$3.7 million sub-program to help protect natural resources and indigenous communities. The sub-program includes measures to protect the Amboró National Park, and to manage watersheds and forests in the area. In addition, a wildlife sanctuary will be created. Along with the loan, the Bank approved a \$900,000 technical cooperation grant to strengthen the Office of Environ-



mental Affairs of the *Ministerio de Agricultura y Asuntos Campesinos*.

- A \$1.2 million technical cooperation grant will enable Suriname to study ways to rehabilitate a drainage and irrigation system and to carry out hydrological and environmental studies. The environmental study will seek to detect the possible presence of agrottoxins and their effects on riverine and estuarine resources and the fish and wildlife populations of the project area.

The Bank co-sponsored a seminar with the Pan American Health Organization on the impact of development projects on human health. The Bank also signed an agreement with the Organization of American States to jointly finance feasibility studies of watershed areas associated with hydroelectric projects. These studies, to be undertaken in the near future, could lead to watershed protection programs for a number of the Bank's borrowing countries.

## SUPPORT FOR WOMEN IN DEVELOPMENT

The enhancement of the role of women in the development of Latin America has been an increasing concern of the Bank in recent years. Many of the projects financed through the Bank's lending, Small Projects Program, and technical cooperation are strengthening the role of women as both agents and beneficiaries of the development process.

Through its Small Projects Program, for example, the Bank extends credit to women in both rural areas and the cities. Most of the 168 small projects approved through the end of 1987, include women as direct users of credit and 20 of these were specifically targeted at women.

Women also make up the overwhelming majority of users and employees of Bank-financed health projects. A recent study of six rural health projects, for example, found that 83 percent of the users are women and children.

As a further step in reinforcing its support for women's active participation and access to benefits, the Bank in 1987 adopted a new policy on women in development. The policy recognizes the increasing economic responsibilities of women in the region and outlines a number of objectives to raise their productivity and improve their access to training, income generating activities and credit. Under the policy, the Bank also seeks to strengthen institutions which foster the social and economic participation of women.

In accordance with the new policy, within Bank-financed operations in key sectors where

women play crucial roles, the Bank will support the following:

- Programs which take into account the demands placed on women by family and household duties. For example, the Bank might help finance employment training programs having flexible schedules and/or day care centers or other project-related arrangements to address their varied responsibilities.

- Programs designed to provide training to technical personnel on women's needs and to increase the number of women extension agents.

- Measures to facilitate women's access to credit. Included would be financial extension services; support for intermediary credit institutions and associations where women are predominantly involved; and efforts to inform women of the availability of credit programs.

- Technical assistance programs to improve the administrative, managerial and entrepreneurial skills of women beneficiaries and to strengthen institutions which address the needs of women. The Bank will also seek to improve the gathering of statistical data on women in development.

## RECIPROCAL BENEFITS

Participation in the Inter-American Development Bank affords a variety of reciprocal benefits, both tangible and intangible, to all of its member countries. On the one hand, loans, technical cooperation, and small-scale financings represent an important flow of new resources for the borrowing countries. On the other hand, the non-borrowing member countries benefit from the procurement derived from the execution of Bank-financed projects.

Many of the development projects financed by the Bank require a wide range of capital goods and technological inputs which may not be found in the borrowing member countries. Even in the case of projects which are largely financed with the borrowing country's own resources, a demand for additional imports frequently results. Within Latin America's existing trading patterns, this demand tends to be met in large part by the non-borrowing member countries.

This generates export opportunities for such countries, contributing to increased employment, production and greater economic progress. Because a significant portion of procurement associated with Bank financing is carried out on a competitive basis among all member countries, Bank borrowers are assured of effective and efficient use



### Origin of Goods and Services Acquired with Convertible Currencies of the Bank\*

*In Percent*

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Latin American Member Countries	46.3	40.5	44.8	41.5	41.1	45.7	47.0	56.4	55.0	61.5	52.3
Other Member Countries	53.7	59.5	55.2	58.5	58.9	54.3	53.0	43.6	45.0	38.5	47.7
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\* Excludes revolving funds, complementary lines of credit and export financing.

of Bank-supplied resources.

Moreover, much of the technical cooperation program of the Bank is carried out by consultants and consulting firms from the non-borrowing member countries, generating a broad and fruitful interaction among individuals, enterprises, financial institutions and governments.

Reciprocal benefits are similarly derived from the Trust Funds which many countries have placed under the Bank's administration. The borrowing countries are assured that their projects are well prepared and efficiently executed. The non-borrowing member countries, in turn, benefit from greater opportunities to provide goods and services required for the development of the region.

A review of disbursements authorized by the Bank in convertible currencies during recent years

shows that the value of goods and services procured abroad with these resources has exceeded the total of cash payments, in convertible currencies, paid in or contributed by the borrowing member countries and by the non-borrowing member countries, respectively. These figures, however, reflect only the initial round of procurement traced by actual disbursements and do not measure what a subcontractor may receive or the substantial secondary and tertiary impacts of the Bank's loans.

The statistical information summarized in the above table, covering the years 1977 through 1987, shows the procurement in convertible currencies won by countries outside Latin America as well as by regional borrowing countries. The share of procurement secured by individual countries varies significantly.



## PROGRESS INDICATORS

Each year, the Inter-American Development Bank carries out a survey to quantify the progress achieved in the execution of projects financed with its help.

During 1987, the Bank completed disbursements on 85 loans amounting to a net total of \$2,456 million, bringing the cumulative total number of loans disbursed to 1,291 loans with a value of \$18.8 billion. This value accounts for 53 percent of the Bank's cumulative lending.

A sector profile of progress achieved on Bank projects on a cumulative basis through the end of 1987 appears below:

**Agriculture and Fisheries:** 431 loans amounting to \$8,476 million are helping to finance agricultural and fisheries projects whose total cost is \$18,026 million. More than 4 million persons have benefited directly from the Bank's agricultural programs. As of Sept. 30, 1987, work on these projects had improved 16,035,000 hectares of land and brought some 660,200 hectares into production, including 31,700 hectares in pastures, 67,500 hectares in perennial crops and 561,000 hectares in annual crops. In addition, 1,655,000 hectares had been incorporated into production through irrigation, 243,000 through drainage, 263,000 through flood protection, and 742,000 through soil conservation. Farm titles had been prepared for farms covering a total of 4,147,500 hectares.

With loans channeled through development financing institutions, the Bank has helped to provide 1,960,000 individual credits to farmers. In the livestock sector, some 107,000 head of cattle to improve breeds have been purchased.

Fisheries projects in execution involve an increase in the region's fish catch of about 838,000 tons, primarily for domestic consumption. A total of 4,900 new fishing boats—large, medium and small—have been built. Some 536 hectares of ponds have been prepared for shrimp farming.

In forestry, 165,000 hectares have been planted in trees under Bank-financed programs, another 1,062,000 hectares have been improved, and 126,000 cubic meters of lumber is being produced annually.

**Industry and Mining:** 261 loans amounting to \$6,187 million have been approved for industrial and mining projects costing \$29,035 million. These loans are helping to build, improve or expand 97 industrial plants directly, and thousands more indirectly through 15,674 credits extended to small- and medium-scale enterprises by the region's devel-

opment finance institutions from 148 loans extended to them by the Bank. In the mining and petroleum sector, a total of 50 major projects, 28 of which are petroleum projects and 22 mining projects have been financed.

**Energy:** 227 loans for \$10,973 million are helping to finance projects in the energy sector being carried out at a total cost of \$40,072 million. These loans are helping to increase Latin America's generating capacity by 37,870,000 kilowatts, to add 281,847 kilometers of primary transmission and distribution lines to the region's power network, and to improve distribution systems in 10,108 communities, benefiting 42 million persons. As of Sept. 30, 1987, generating units with a combined capacity of 28,588,000 kilowatts had been completed; 203,358 kilometers of transmission and distribution lines had been constructed, and improved power service had been brought to 8,477 communities.

Bank financing is assisting also in the construction of 4,900 main gas pipelines and 300 kilometers of oil pipelines. As of Sept. 30, 1987, a total of 4,700 kilometers of gas pipelines and all of the petroleum lines had been completed.

**Transportation and Communications:** 217 loans totaling \$5,141 million are financing transportation and communications projects whose combined cost is \$10,657 million. These loans are helping to build or improve 72,781 kilometers of roads, including 22,709 kilometers of main highways and 50,072 kilometers of secondary roads. As of Sept. 30, 1987, some 20,042 kilometers of main highways and 44,377 kilometers of secondary roads had been finished. In addition, Bank financing was providing for the construction of 98 large bridges and 2,024 small ones. Of these, 72 large bridges and 1,792 small ones had been completed.

Bank loans also have helped to finance the improvement of 20 port facilities in Latin America, 1 petroleum terminal, 7 grain elevator facilities, 2 ship canals, 5 road maintenance programs, and 3 urban street systems. As of Sept. 30, 1987, 12 port projects, 1 ship canal, 1 petroleum terminal, 7 grain elevators, 5 road maintenance programs and 1 urban street project had been completed.

Moreover, Bank credits have been approved for a variety of telecommunications projects, including the installation of 304 microwave routes, 2 satellite stations, 7 long distance telephone exchanges, 622 local exchanges, 20,545 telephone pairs and 5,204 public rural telephones. As of Sept.





COLORFUL HANDICRAFTS FROM PARAGUAY are displayed at this *Artesanía Kuarajhy* store in downtown Asunción. The store carries about 10,000 items of leather, fabric, clay and wood artifacts and is operated by the *Consejo Nacional de Entidades de Beneficencia*, a foundation which received a \$500,000 financing from the Bank in 1984 to provide small credits to more than 1,000 low-income artisans in Paraguay.

30, 1987, 277 microwave routes, 2 satellite stations, 7 long distance exchanges, 288 local exchanges, 16,292 telephone pairs and 2,818 rural telephones have been installed.

**Environmental and Public Health:** 224 loans amounting to \$3,739 million are contributing to the execution of water supply, sanitation and public health projects whose total cost amounts to \$7,794 million. These loans are helping to build or improve 7,053 pure water systems benefiting 8,526

communities with 140 million inhabitants and 442 sewage systems benefiting 467 communities with a total population of 60 million persons. As of Sept. 30, 1987, a total of 6,426 water systems in 7,093 communities had been completed.

In addition, these loans are helping to build or equip 2,126 public health facilities, ranging from hospitals to rural health facilities benefiting a total of 16,858,242 persons. As of Sept. 30, 1987, a total of 1,255 of these health centers benefiting 3,542,079 persons had been completed.

**Education, Science and Technology:** 140 loans amounting to \$1,695 million are financing education projects whose total cost is \$3,352 million. These loans are helping to expand and improve 3,849 learning centers, of which 156 are universities, 130 are vocational or technical schools, 357 are secondary schools, 2,984 are primary schools, 87 are technical training centers and 135 are adult education centers. As of Sept. 30, 1987, work had



been completed on 115 universities, 98 vocational and technical schools, 270 secondary schools, 2,489 primary schools and 72 technical training centers and 112 adult education centers. In addition, 24,639 student educational credits had been extended.

Through its loans for science and technology, the Bank is financing programs involving 36 research centers, 2,134 individual research projects, and 180 credits to enterprises. As of Sept. 30, 1987, the work at 13 research centers, 930 research projects and 127 credit projects had been completed.

**Urban Development:** 91 loans amounting to \$1,604 million are helping to finance urban development projects whose total cost is \$3,166 million. These loans have helped to build 408,416 housing units along with urban and community facilities. Among the latter, 108 communities with 102,057 inhabitants have benefited from improved sanitation projects; 13 bus terminals have been completed and another 7 are in construction; 205,240 persons have been provided with electricity; 45 city markets have been built; 62,206 persons have benefited from a variety of improved social services, including health, school, community centers and facilities for senior citizens; 36,544 sites and services in 139 communities have been provided for home construction; institutions have been strengthened, and personnel has been trained.

**Preinvestment:** 70 global preinvestment loans amounting to \$378 million are helping to finance programs whose total cost is \$674 million. As of Sept. 30, 1987, preinvestment loans had been extended for 2,831 studies. Of these, 2,539 studies have been completed.

**Tourism:** 18 individual loans, as well as portions of global loans, totaling \$547 million, are helping to finance tourism projects which involve a total investment of \$1,234 million. Loans for specific projects have helped to build or improve 16 hotel facilities, 60 tourist attractions, 20 tourist services and 26 transportation infrastructure projects. From global loans channeled through development banks in Latin America, 650 credits have been extended to small-scale tourist projects.

**Export Financing:** 43 credits amounting to \$788 million are helping to finance capital goods and non-traditional exports from the Latin American member countries of the Bank with an invoice value of \$968 million.

**Other:** 11 loans amounting to \$163 million are helping to finance counterpart funds and the completion of projects for a total cost of \$193 million.



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## RESOURCES

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### THE BANK'S RESOURCES

Due to periodic replenishments in the Bank's resources, the Bank until 1985 was able to sustain a generally rising trend of loan approvals for its developing member countries in Latin America. In 1986, the Bank completed the fourth year of its Sixth General Increase of Resources period (1983–86).

The Sixth General Increase of Resources which was approved in 1983 amounted to \$15.7 billion—\$15 billion in the Bank's capital resources and \$703 million in the Fund for Special Operations. Since the increase entered into effect, there have been delays in the timetable for subscriptions to the capital and contributions to the Fund for Special Operations and by the end of 1987 certain amounts were still not paid.

By the end of 1987, however, a total of \$14.5 billion of the \$15 billion subscription to the Bank's capital resources had been subscribed and \$604.8 million of the \$703 million contribution to the Fund for Special Operations had been paid in.

Looking to the Bank's future financial requirements and its role in Latin America's economic recovery efforts, the Bank's Board of Governors, through the Committee of the Board, carried out a series of negotiations during 1986 and 1987 for a Seventh General Increase of Resources.

Discussions on the matter were initiated by the Committee at a meeting in San José, Costa Rica, March 21 and 22, 1986, which took place in conjunction with the Bank's Annual Meeting. Further discussions were held in 1986 in Buenos Aires, Argentina, May 20 and 21; in Paris, France, July 17 and 18; in Washington, Sept. 25–27, and in Nassau, the Bahamas, Dec. 4 and 5. During 1987, the Committee met in Washington, Feb. 17–20; Miami, March 20 and 21; Washington, June 23 and 24; and Guatemala City, Oct. 6 and 7.

Among other matters, the discussions involved the magnitude of the Bank's lending program for the 1987–90 period, matters related to sector loans and country programming systems, decision-making mechanisms at the Board of Executive Directors and methods for speeding up the Bank's lending program. While progress was achieved in the discussions on many of these matters, no consensus was achieved in 1987 on the decision-making mechanisms at the level of the Board of Executive Directors.

The status of the ordinary capital of the Bank is shown in the table contained on the follow-

ing page. Similarly, the status of the contributions to the Fund for Special Operations is shown in the table on the ensuing page.

### BORROWINGS

During 1987, the Bank made eight individual borrowings in the world's capital markets for a total of \$1,115 million equivalent, expressed at exchange rates prevailing on the date of the receipt of the proceeds of the transactions. These borrowings compared with \$1,911 million obtained in 1986. At the end of 1987, the Bank's outstanding borrowings amounted to \$15,225 million.

A total of \$1,041 million of the 1987 borrowings represented medium-or long-term issues and \$74.4 million were short-term borrowings from Central Banks of member countries.

A total of 24.6 percent of the Bank's 1987 borrowings was made in U.S. dollars. Of the remainder, 36 percent was in Japanese yen, 20.7 percent in Swiss francs, 10.0 percent in Deutsche marks and 8.7 percent in Netherlands guilders. The U.S. dollar accounted for \$274.4 million; Japanese yen for \$401.0 million; Swiss francs for \$230.3 million; Deutsche marks for \$112.0 million, and Netherlands guilders for \$97.5 million.

Of the short-term borrowings, \$42.4 million were raised in the Latin American member countries and \$32 million in the nonregional member countries. The table appearing on page 25 shows the Bank's outstanding borrowings by currency as of Dec. 31, 1987.

#### Medium- and Long-Term Borrowings

*Japanese yen:* \$401 million

- 30 billion Japanese yen (equivalent to \$196 million) in a syndicated loan from a consortium of Japanese financial institutions. Dated March 24, 1987, the loan consisted of two tranches: Tranche A, for 20 billion yen, for a term of 30 years, extended by a consortium headed by the Meiji Mutual Life Insurance Company. Tranche B for 10 billion yen, for 20 years, obtained from a consortium headed by The Industrial Bank of Japan, Limited. Both tranches carried an interest rate of 5.5 percent per year at a price of 100 percent and will be repaid in full at maturity on March 24, 2017 and March 24, 2007, respectively.

- 30 billion Japanese yen (equivalent to



# CAPITAL OF THE BANK

*In Thousands of U.S. Dollars*

Country	Subscriptions as of Dec. 31, 1987			Future Commitments			Grand Total
	Paid-In	Callable	Sub-Total	Paid-In	Callable	Total	
Argentina	\$ 305,736	\$ 3,655,424	\$ 3,961,160	\$ 1,689	\$ 35,913	\$ 37,602	\$ 3,998,762
Austria	2,075	24,971	27,046	12	242	254	27,300
Bahamas	10,001	66,529	76,530	36	701	737	77,267
Barbados	4,705	42,668	47,373	11	435	446	47,819
Belgium	5,079	59,014	64,093	24	591	615	64,708
Bolivia	24,549	293,443	317,992	133	2,882	3,015	321,007
Brazil	305,736	3,655,424	3,961,160	1,689	35,913	37,602	3,998,762
Canada	119,778	1,376,390	1,496,168	639	13,560	14,199	1,510,367
Chile	83,889	1,003,775	1,087,664	458	9,867	10,325	1,097,989
Colombia	83,865	1,003,002	1,086,867	459	9,855	10,314	1,097,181
Costa Rica	12,256	146,680	158,936	72	1,436	1,508	160,444
Denmark	2,232	26,576	28,808	12	265	277	29,085
Dominican Republic	16,358	195,849	212,207	97	1,918	2,015	214,222
Ecuador	16,358	195,849	212,207	97	1,918	2,015	214,222
El Salvador	12,256	146,680	158,936	72	1,436	1,508	160,444
Finland	2,075	24,971	27,046	12	242	254	27,300
France	25,502	303,830	329,332	145	2,979	3,124	332,456
Germany, Fed. Rep. of	26,093	311,200	337,293	145	3,065	3,210	340,503
Guatemala	16,358	195,849	212,207	97	1,918	2,015	214,222
Guyana	6,611	52,331	58,942	24	531	555	59,497
Haiti	12,256	146,680	158,936	72	1,436	1,508	160,444
Honduras	12,256	146,680	158,936	72	1,436	1,508	160,444
Israel	2,063	24,585	26,648	15	239	254	26,902
Italy	25,502	303,830	329,332	145	2,979	3,124	332,456
Jamaica	16,358	195,849	212,207	97	1,918	2,015	214,222
Japan	28,410	338,970	367,380	156	3,330	3,486	370,866
Mexico	196,562	2,349,728	2,546,290	1,085	23,090	24,175	2,570,465
Netherlands	3,836	46,227	50,063	24	447	471	50,534
Nicaragua	12,256	146,680	158,936	72	1,436	1,508	160,444
Norway	1,496	17,890	19,386	748	8,951	9,699	29,085
Panama	12,256	146,680	158,936	72	1,436	1,508	160,444
Paraguay	12,256	146,680	158,936	72	1,436	1,508	160,444
Peru	41,004	489,787	530,791	228	4,814	5,042	535,833
Portugal	640	8,034	8,674	11	73	84	8,758
Spain	25,502	303,830	329,332	145	2,979	3,124	332,456
Suriname	5,078	27,239	32,317	13	289	302	32,619
Sweden	4,439	51,656	56,095	25	506	531	56,626
Switzerland	5,658	67,881	73,539	36	663	699	74,238
Trinidad and Tobago	12,256	146,680	158,936	72	1,436	1,508	160,444
United Kingdom	25,502	303,830	329,332	145	2,979	3,124	332,456
United States	856,878	10,924,680	11,781,558	63,224	119,405	182,629	11,964,187
Uruguay	32,825	391,881	424,706	181	3,847	4,028	428,734
Venezuela	171,216	1,951,007	2,122,223	904	19,242	20,146	2,142,369
Yugoslavia	2,075	24,971	27,046	12	242	254	27,300
<b>TOTAL</b>	<b>\$2,600,092</b>	<b>\$31,482,410</b>	<b>\$34,082,502</b>	<b>\$73,549</b>	<b>\$330,276</b>	<b>\$403,825</b>	<b>\$34,486,327</b>



## CONTRIBUTION QUOTAS TO THE FUND FOR SPECIAL OPERATIONS

In Thousands of U.S. Dollars

Country	As of Dec. 31, 1987 <sup>b</sup>	Sixth Increase of Resources <sup>a</sup>			Grand Total
		Received	To be Received	Total	
Argentina	\$ 431,754	\$ 40,000	\$ —	\$ 40,000	\$ 471,754
Austria	10,955	1,379	616 <sup>c</sup>	1,995	12,950
Bahamas	8,800	908	—	908	9,708
Barbados	1,445	124	—	124	1,569
Belgium	27,098	4,732	—	4,732	31,830
Bolivia	41,592	3,264	—	3,264	44,856
Brazil	462,890	40,000	—	40,000	502,890
Canada	202,899	39,000	—	39,000	241,899
Chile	133,146	11,240	—	11,240	144,386
Colombia	130,712	11,240	—	11,240	141,952
Costa Rica	19,919	1,612	—	1,612	21,531
Denmark	11,692	2,126	—	2,126	13,818
Dominican Republic	28,278	2,188	—	2,188	30,466
Ecuador	25,673	2,188	—	2,188	27,861
El Salvador	17,972	1,612	—	1,612	19,584
Finland	10,955	1,983	—	1,983	12,938
France	133,396	24,314	—	24,314	157,710
Germany, Fed. Rep. of	136,692	17,221	7,680 <sup>c</sup>	24,901	161,593
Guatemala	27,447	2,188	—	2,188	29,635
Guyana	6,980	700	—	700	7,680
Haiti	18,514	1,612	—	1,612	20,126
Honduras	22,179	1,612	—	1,612	23,791
Israel	10,794	1,969	—	1,969	12,763
Italy	133,396	24,314	—	24,314	157,710
Jamaica	24,290	2,188	—	2,188	26,478
Japan	148,825	27,123	—	27,123	175,948
Mexico	274,290	28,000	—	28,000	302,290
Netherlands	20,261	3,698	—	3,698	23,959
Nicaragua	20,635	1,604	—	1,604	22,239
Norway	13,818	—	—	—	13,818
Panama	22,057	1,612	—	1,612	23,669
Paraguay	24,719	1,612	—	1,612	26,331
Peru	67,724	5,536	—	5,536	73,260
Portugal	4,994	642	—	642	5,636
Spain	133,396	24,314	—	24,314	157,710
Suriname	5,280	536	—	536	5,816
Sweden	23,729	4,139	—	4,139	27,868
Switzerland	29,752	5,429	—	5,429	35,181
Trinidad and Tobago	17,618	1,612	—	1,612	19,230
United Kingdom	133,396	24,314	—	24,314	157,710
United States	4,343,553	200,543	89,457	290,000	4,633,553
Uruguay	47,176	4,380	—	4,380	51,556
Venezuela	262,169	28,000	—	28,000	290,169
Yugoslavia	10,955	1,995	—	1,995	12,950
Unallocated	12,602	—	—	—	12,602
<b>TOTAL</b>	<b>\$7,696,417</b>	<b>\$604,803</b>	<b>\$97,753</b>	<b>\$702,556</b>	<b>\$8,398,973</b>

<sup>a</sup> Amounts Stipulated in Resolution AG-11/83. Obligations in SDRs have been adjusted to actual U.S. dollars paid.

<sup>b</sup> Excludes Sixth Replenishment allocations. Includes balances to be received from Norway and Suriname of \$4,606,000 and \$56,000 respectively.

<sup>c</sup> Corresponds to amounts restricted under the trigger mechanism.



\$205 million) in a syndicated loan obtained from a consortium of Japanese financial institutions. Dated Oct. 30, 1987, the loan was extended for 12 years at an interest rate of 5.9 percent per year. It will be repaid in full at maturity on Oct. 30, 1999. The consortium was headed by The Bank of Tokyo, Ltd. and Sumitomo Life Insurance Company.

*Swiss francs:* \$230.3 million

- 200 million Swiss francs (equivalent to \$132.2 million) in a public offering of bonds dated June 25, 1987. The bonds were priced at 100 percent and carry an interest rate of 5 percent per annum. They will be repaid in one balloon payment at maturity on June 25, 1999. The offering was underwritten by a syndicate of Swiss Banks headed by the Swiss Bank Corporation and including Credit Suisse and Union Bank of Switzerland.

- 150 million Swiss francs (equivalent to \$98.1 million) in a public offering of bonds. The issue consists of two tranches of 75 million Swiss francs each. Tranche A consists of 8-year bonds and carries an interest rate of 5.25 percent per annum. Tranche B consists of 10-year bonds at an interest rate of 5.50 percent per annum. The bonds were priced at 100 percent and were dated Oct. 30, 1987. The bonds will be paid in full at maturity on Oct. 30, 1995, and Oct. 30, 1997, respectively. The issue was underwritten by a syndicate of Swiss banks headed by Credit Suisse Bank and including the Union Bank of Switzerland and the Swiss Bank Corporation.

*U.S. dollars:* 200 million

- \$200 million in a public offering of 9.5 percent 10-year notes sold in the United States capital market on Oct. 15, 1987. The notes were priced at 99.56 percent and will mature on Oct. 15, 1997. They are subject to repayment at the option of the holder on Oct. 15, 1992, at 100 percent of the principal amount. The notes were issued by an underwriting group led by Goldman, Sachs & Co.; Kidder, Peabody & Co. Incorporated; Salomon Brothers Inc., and Merrill Lynch Capital Markets. As has been the case with previous borrowings, the securities sold in the U.S. capital market were rated Triple A, the highest credit rating given by the major U.S. rating agencies.

*Deutsche marks:* \$112.0 million

- 200 million Deutsche marks (equivalent to \$112 million) of 10-year public bonds. The bonds carry an interest rate of 6 percent per annum and were sold at par. Dated May 20, 1987, the issue will be redeemed at par on May 20, 1997. The bonds

### Outstanding Borrowings by Currency as of Dec. 31, 1987

*In Millions of U.S. Dollars*

Currency	Amount
Austrian schillings	\$ 54.8
Deutsche marks	2,750.5
European currency units (ECUs)	130.3
Japanese yen <sup>a</sup>	4,220.3
Netherlands guilders	1,144.4
Pounds sterling <sup>b,c</sup>	742.6
Swiss francs	3,038.1
Trinidad and Tobago dollars	2.8
United States dollars <sup>d,e</sup>	3,140.7
<b>TOTAL</b>	<b>\$15,224.5</b>

<sup>a</sup> Includes \$243.9 million from two Euroyen bond issues sold internationally.

<sup>b</sup> Includes \$280.8 million from two Eurosterling bond issues sold internationally.

<sup>c</sup> \$102.8 million (at the then existing exchange rate) were swapped against Swiss francs.

<sup>d</sup> Includes \$794.0 million of five Eurodollar bond issues sold internationally.

<sup>e</sup> \$128.6 million (at the then existing exchange rate) were swapped against Swiss francs.

were underwritten by a group of German banks led by Deutsche Bank A.G., with Bayerische Vereinsbank A.G., as co-leader, and Commerzbank A.G., Dresdner Bank A.G., and Westdeutsche Landesbank Girozentrale, as co-managers.

*Netherlands guilders:* \$97.5 million

- 200 million Netherlands guilders (equivalent to \$97.5 million) in a public offering of its 10-year bonds dated June 15, 1987. The bonds were priced at 101 percent and carry an interest rate of 6.5 percent per annum. The bonds will be redeemed in one payment at maturity on June 15, 1997. The offering was underwritten by a syndicate led by Algemene Bank Nederland, N.V.

### Short-Term Borrowings

*U.S. dollars:* \$74.4 million

- On April 15, 1987, the Bank sold its 10th short-term bond issue for \$74.4 million to Central Banks and other government agencies in 17 of its member countries. The issue consisted of \$48.6 million in one-year bonds issued at par at an interest rate of 6.25 percent per annum and due April 15, 1988, and \$25.8 million in two-year bonds issued at par with an interest rate of 6.66 percent per annum and due April 15, 1989. The countries which



## Complementary Financing 1976-87

In Millions of U.S. Dollars

Year	Total Loans	Bank Funds	Complementary Financing	Project Cost
1976	175.0	145.0	30.0	519.0
1977	376.4	261.4	115.0	1,147.7
1978	459.8	326.8	133.0	1,481.1
1979	260.0	160.0	100.0	478.7
1980	156.5	106.5	50.0	280.6
1981	303.0	218.0	85.0	661.1
1982	213.0	114.0	99.0	272.7
1983	90.0	60.0	30.0	239.9
1984	—	—	—	—
1985	80.0	28.0	52.0	66.6
1986	109.0	96.0	13.0	130.0
1987	343.0	211.0	132.0	736.1
<b>Total</b>	<b>2,565.7</b>	<b>1,726.7</b>	<b>839.0</b>	<b>6,013.5</b>

participated in the issue included Argentina, Barbados, Belgium, Chile, Colombia, the Dominican Republic, Finland, France, Germany, Honduras, Italy, Mexico, the Netherlands, Panama, Paraguay, Venezuela and Switzerland.

### COMPLEMENTARY FINANCING

During 1987, the Bank obtained two complementary loans totaling \$132 million in the private capital market for projects in Colombia and Peru. The 1987 borrowings increased the total obtained through the complementary financing mechanism since the inception of the program to \$839 million. The Bank is continuing to explore ways in which the program can be broadened and diversified.

The Bank initiated the program in 1976, in an effort to secure additional private financing for Latin America's development. Under the program, resources from private commercial banks and other financial institutions are channeled to projects in Latin America through participations in Bank loans complementary to those made by the Bank on its ordinary terms and conditions.

The complementary loans are made on terms prevailing in the credit markets. Most of the loans are denominated in dollars and carry an adjustable interest rate generally determined by a fixed spread over the London Inter-Bank Offered Rate (LIBOR) or prime rates, although some have been granted in other currencies than the U.S. dol-

lar. Since complementary loans are Inter-American Development Bank loans, their terms and conditions are generally more favorable to the borrower than if obtained independently.

Participating financing institutions benefit from the fact that the Bank has analyzed the project, supervises its implementation and administers the loan until its full repayment, as well as from the outstanding record of borrowers' compliance with their obligations to the Bank.

A listing of the loans obtained since 1976 is contained in the table above.

### FINANCIAL HIGHLIGHTS

During 1987, the Bank's gross income from its own resources—the ordinary capital and the Fund for Special Operations—amounted to \$1,654 million compared with \$1,470 million the previous year. The net earnings from the two funds amounted to \$346 million, compared with \$358 million in 1986.

These earnings increased the Bank's total reserves as of Dec. 31, 1987, to \$3,449 million, compared with \$3,065 million in 1986. The highlights of the earnings from the Bank's own resources are shown below:

*Ordinary Capital Resources:* Total income: \$1,486 million compared with \$1,315 million in 1986. Net income: \$282 million compared with \$286 million in 1986. Total reserves: \$2,882 million





**TREE SEEDLINGS** diversify production for small-scale farmers in the Turrialba area of Costa Rica. In 1984, the Bank approved a \$500,000 financing under its Small Projects Program to help improve living standards for an estimated 400 farmers. The assistance was used to provide farmers with credits for programs involving the planting of fast growing pine and eucalyptus trees and the production of macadamia nuts, fish, honey and cheese. The financing was channeled through the *Centro Agrícola Cantonal de Turrialba*, a regional development organization, which fosters farm and livestock production in the area.

as of Dec. 31, 1987, compared with \$2,537 million at the end of 1986.

*Fund for Special Operations:* Total income: \$168 million compared with \$155 million in 1986. Net income: \$54 million compared with \$72 million in 1986. Total reserves: \$567 million as of Dec. 31, 1987, compared with \$528 million at the end of 1986.

The audited financial statements of the ordinary capital, the Fund for Special Operations and the Intermediate Financing Facility Account, as well as those of the Social Progress Trust Fund and the Venezuelan Trust Fund, appear on pages 131 through 171.

### Capital Merger

On Dec. 31, 1987, the Bank merged the inter-regional capital into the ordinary capital. The merger enhances the Bank's financial position and creditworthiness in the world's capital markets and greatly simplifies its financial administration.

The Bank was established in 1959 with an ordinary capital and a Fund for Special Operations. During its early years the Bank issued bonds backed by its ordinary capital. Its early bonds contained a pledge that the Bank would not borrow funds in excess of the "callable" ordinary capital subscription of the United States. Callable capital is



not actually paid in, but rather serves as a guarantee against which the Bank borrows funds in the world capital markets.

In 1976, the Bank amended its charter to establish the inter-regional capital. This change permitted the admission of nonregional countries and the use of capital subscribed by them to support borrowings additional to those carried out for the ordinary capital resources.

The Agreement Establishing the Bank, as amended in 1976, provided that the ordinary capital and the inter-regional capital could be merged, once the Bank had discharged its liabilities on all its ordinary capital borrowings that were outstanding on Dec. 31, 1974. As of Nov. 17, 1986, all of those outstanding borrowings had been repaid.

To become effective, the merger required the approval of amendments to the Agreement by the Board of Governors. By Dec. 24, 1987, a total of 42 member countries representing 99.43 percent of the total voting power had approved the merger.

## FUNDS IN ADMINISTRATION

From the time of its establishment, the Bank has expanded its lending resources by administering special funds entrusted to it by various governments and other entities. While representing additional sources of financing for the countries of the region, such funds are mutually beneficial to the contributors and to the beneficiaries.

In 1961, the Bank accepted the administration of the U.S. Social Progress Trust Fund. Subsequently, the Bank accepted other funds, beginning with Canada in 1964, Venezuela in 1975 and Switzerland in 1980. As of Dec. 31, 1987, the Bank had agreed to administer 14 funds. Most of these have been completely committed in loans.

In 1987, the Bank entered into an agreement with Norway to channel resources already under the Bank's administration totaling \$5.5 million to projects designed to help low-income groups under its Small Projects Program.

A brief description of the active funds from which the Bank is extending loans or technical cooperation follows.

### Social Progress Trust Fund

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

The original dollar resources of the Fund have been committed in loans. However, the Bank is utilizing repayments of Trust Fund loans for additional loans, as well as to purchase participations in loans from the Fund for Special Operations which were made for purposes similar to those of the original Trust Fund loans. Another substantial portion of these resources is being devoted to technical cooperation programs. As of Dec. 31, 1987, the outstanding participation in Fund for Special Operations loans totaled \$166 million. In 1987, with the resources of the Social Progress Trust Fund, the Bank approved one loan for \$6.4 million, as well as \$10.6 million in technical cooperation and \$1.5 million in small-scale financings.

Under agreements between the United States Government and the Bank, the Bank makes available resources of the Social Progress Trust Fund to the Inter-American Foundation, a U.S. Government agency which makes grants and loans to Latin American institutions and organizations fostering economic and social development. Through 1987, a total of \$112 million had been disbursed under such projects or returned to the United States Government for similar use under the program; another \$21 million will be allocated for use during 1988.

### Venezuelan Trust Fund

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

The Fund contributed to the financing of projects and programs which led to the utilization of natural resources, especially those which are nonrenewable, as well as to the development of industry and agroindustry in the region. It was also devoted to a significant broadening of the Bank's program to finance the export of manufactured and semi-manufactured goods to a much wider geographic area than that covered under the program heretofore. In addition, the Fund enabled the Bank to execute projects different from those the Bank traditionally financed. For example:

- The subscription of shares or capital participations for the establishment or expansion of Latin American enterprises, seeking to develop





SWATH OF FERTILIZER falls on green rice field on a farm near Oso Viejo in the State of Sinaloa, Mexico. In 1969, the Bank approved two loans totaling \$16 million to enable Mexico's *Secretaría de Recursos Hidráulicos* to finance a project to irrigate 57,500 hectares of land near the city of Culiacán in the west coast of Mexico, utilizing waters from the Mocorito and San Lorenzo Rivers. A \$45 million loan approved in 1974 financed a second stage of the project.

projects or programs of national or multinational interest.

- Financing, directly or through financial institutions of the member countries of the Bank, working capital of enterprises for the start up of the projects or programs financed with loans from the Trust Fund.

During 1987, the Bank approved a total of \$51.2 million, including increases in previously approved export financings and repayments in revolving lines of credit, in loans from the Venezuelan Trust Fund. As of Dec. 31, 1987, the cumulative total of such loans had risen to \$725 million, net of cancellations and exchange adjustments. That

amount included increases due to the revolving nature of lines of credit.

### Canadian Funds

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

By the time Canada joined the Bank on May 3, 1972, it had contributed a total of Can\$74 million to the Fund, of which Can\$73 million has been





**PICK AND SHOVEL BRIGADE** carves out rural road in the mountains of Colombia. In 1980, the Bank approved a \$19.6 million loan to enable Colombia to carry out a labor intensive road construction program. The program was designed to provide rural areas with local roads and thus give inhabitants better access to markets and health and social services. These workers from the community of Laguna Azul built a 14-kilometer stretch of road which links them with another community on the other side of the mountain.

committed in loans. In joining the Bank, Canada pledged to provide all monies received with respect to principal, interest and service charges on loans from the Canadian Fund to the Fund for Special Operations as a Canadian contribution to that fund. As of Dec. 31, 1987, such contributions amounted to Can\$26.7 million of which Can\$2.2 million was contributed in 1987.

In addition, Canada has made available Can\$6 million for a special Canadian fund to finance the preparation of development projects in the Bank's Latin American member countries. The resources of this fund are made available to assist in the formulation of development projects, including the execution of basic studies, prefeasibility, feasibility, and final engineering design studies. Special

priority is granted to the lesser developed member countries of the Bank. During 1987, the Bank extended Can\$541,150 (equivalent to \$395,000) in contingent repayment technical cooperation from this Fund.

### **Swiss Funds**

On Nov. 21, 1980, the Bank entered into an agreement with the Government of Switzerland to administer the Technical Cooperation and Small Projects Swiss Fund designed to improve the living conditions and productivity of the lowest income groups of the population of its regional developing members.

The initial contribution of Switzerland to the Fund consisted of 5 million Swiss francs (equivalent to approximately \$3 million). In addition, the balance available as of March 31, 1981, in the earlier Swiss Development Fund for Latin America, which the Bank had administered for Switzerland since 1973, as well as future recoveries from that Fund, will be added to the new Fund. On Dec. 14, 1982, the Government of Switzerland and the Bank signed an agreement by which the former agreed to make an additional 8 million Swiss francs (equivalent to approximately \$4 million) available to the



Technical Cooperation and Small Projects Swiss Fund over the July 1, 1982–June 30, 1984 period. On Nov. 27, 1984, Switzerland agreed to make an additional 12 million Swiss francs (equivalent to \$4.8 million) available to the fund. Finally, on Dec. 19, 1986, Switzerland committed an additional 10 million Swiss francs (equivalent to about \$6.1 million) to the Fund for the July 1, 1986–June 30, 1989, period.

The Swiss Fund is available for technical cooperation and for credits under the Program for Financing Small Projects to cooperatives, associations and other local groups which need financial assistance to strengthen or expand their productive undertakings.

Resources of the Fund are made available on concessional terms and conditions similar to those which apply to the Bank's Fund for Special Operations.

With the resources of the Swiss Fund, the Bank in 1987 approved 1,910,750 Swiss francs (equivalent to \$1,250,000) for small projects, accompanied by 451,000 Swiss francs (equivalent to \$296,000) in technical cooperation grants.

### **Norwegian Fund**

On Oct. 2, 1987, Norway entered into an agreement with the Bank to channel Norwegian resources already under the Bank's administration—totaling about \$5.5 million—to finance small-scale projects designed to help low-income Latin American entrepreneurs. The Norwegian Fund will be used by the Bank's Small Projects Program, which was established in 1978, to provide credits and technical assistance to urban and rural small-scale entrepreneurs and cooperative undertakings.

In 1970, Norway established the Norwegian Development Fund for Latin America which has been available for making loans to finance projects. That agreement was amended to allow use of its resources under the Small Projects Program.

In amending the terms of the Norwegian Development Fund, Norway, which joined the Bank in 1986, placed priority on health, education, agriculture and small-scale industry and to lending for low-income groups, as well as on projects which protect or improve the environment and those which integrate women in the development process.

## **INTER-AMERICAN INVESTMENT CORPORATION**

In 1987, two additional countries joined the Inter-American Investment Corporation (IIC), an affiliate

of the Inter-American Development Bank, which came into existence on March 23, 1986. The Netherlands joined the Corporation on March 12, 1987, and Israel became a member on Oct. 2, 1987.

The purpose of the Corporation is to promote the economic development of its regional developing member countries by encouraging the establishment, expansion and modernization of private enterprises, preferably those that are small and medium-scale, in such a way as to supplement the activities of the Inter-American Development Bank. Enterprises with partial share participation by government or other public entities, whose activities strengthen the private sector of the economy, are eligible for financing by the Corporation.

The Corporation is authorized to make direct investments through the granting of loans and preferably through the subscription and purchase of shares and to make indirect investments through other financial institutions; to promote participation by other sources of funds through cofinancing, loan syndications, joint ventures and the underwriting of securities and participations; and is empowered to enter into other forms of association with individual companies, such as licensing arrangements, marketing or management contracts.

The Corporation will also provide technical cooperation, financial and general management assistance and act as a financial agent of Latin American enterprises. It will be able to issue bonds, certificates of indebtedness and participation certificates. It may also help establish or expand development finance companies and similar institutions in the private sector in Latin America.

The operations and funds of the Corporation are completely separate from those of the Bank. The President of the Bank is the Chairman of the Board of Executive Directors of the Corporation.

A more detailed review of the Corporation is given in its Second Annual Report, which is published separately.



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## INSTITUTIONAL MATTERS

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### OFFICE OF THE PRESIDENT

On Dec. 17, 1987, Antonio Ortiz Mena, who assumed office as President of the Bank on March 1, 1971, resigned his position after 17 years of service to return to his homeland, Mexico. The resignation became effective March 15, 1988. Mr. Ortiz Mena, who was originally elected President on Nov. 27, 1970, was subsequently re-elected for additional five-year periods on Dec. 12, 1975; Nov. 1, 1980, and Nov. 21, 1985.

*Mr. Ortiz Mena led the Bank during a period of broad expansion of its membership, resources and lending operations during the second and most of the third decade of the Bank's operations.*

Mr. Ortiz Mena came to the Bank with a wealth of experience in finance and development. From 1958 to 1970, he served as Secretary of Finance and Public Credit of Mexico. Prior to that, from 1952 to 1958, Mr. Ortiz Mena was Director General of Mexico's Institute of Social Security; from 1947 to 1952, he was Manager of the National Mortgage and Public Works Bank in Mexico; and from 1945 to 1946 he served as Director General of Professions in Mexico's Department of Public Education.

### BOARD OF GOVERNORS

As indicated earlier in this Report, the Board of Governors, through the Committee of the Board, devoted substantial efforts in 1987 to negotiations on a Seventh General Increase of Resources.

Also, as indicated previously, the Board of Governors approved the merger of the ordinary capital resources and the inter-regional capital resources, effective Dec. 31, 1987.

In other actions taken during the year, the Board of Governors:

- Amended the Regulations of the Board of Governors to provide that during the years from 1989 to 1999, inclusive, the Annual Meetings of the Board of Governors shall be held in regional member countries in even numbered years and in non-regional countries in the odd numbered years. Subsequently, the site will be determined by rotation among member countries with meetings being held in a nonregional member country once in every four year period and in regional countries the other three years. When there are circumstances or reasons justifying such action, the Executive Directors may change the date and place of the meeting.

- Selected Caracas, Venezuela as the site for the Twenty-Ninth Annual Meeting of the Board of Governors, which will be held from March 21 to March 23, 1988.

- Took note of offers made by the Governors from Germany, the Netherlands and Yugoslavia as sites for the Annual Meeting to be held in 1989, and of the invitation of Canada to hold the meeting in Montreal in 1990.

- Approved the 1986 financial statements of the ordinary capital, the inter-regional capital, the Fund for Special Operations and the Intermediate Financing Facility Account.

### BOARD OF EXECUTIVE DIRECTORS

The Tenth General Election of Executive Directors of the Bank took place at the Twenty-Eighth Annual Meeting. The directors were elected for three-year terms beginning July 1, 1987.

Those elected included:

- *Patricio Ayala González of Mexico*, re-elected Executive Director for the Dominican Republic and Mexico.

- *Luiz Barbosa of Brazil*, re-elected Executive Director for Brazil, Ecuador and Suriname.

- *Alberto Benítez Bonilla of El Salvador*, elected Executive Director for Costa Rica, El Salvador, Guatemala, Haiti, Honduras and Nicaragua. He succeeded *J. Alexey De Syngub of Guatemala*.

- *Tulio De Andrea of Peru* elected Executive Director for Colombia and Peru, succeeding *Enrique Arias Jiménez of Colombia*.

- *Calvin B. Knowles of the Bahamas*, re-elected Executive Director for the Bahamas, Barbados, Guyana, Jamaica and Trinidad and Tobago.

- *Guido P. Osterhaus of Germany*, re-elected Executive Director for Belgium, Denmark, Finland, Germany, Italy, Netherlands, Norway, Sweden and the United Kingdom.

- *Sonia Pérez Rodríguez of Venezuela*, elected Executive Director for Panama and Venezuela, succeeding *Guillermo Pimentel*, also of Venezuela.

- *Sidney Rubinoff*, re-elected Executive Director by Canada.

- *Jorge Sakamoto of Argentina*, elected Executive Director for Argentina and Chile, succeeding *Carlos García Tudero*, also of Argentina.

- *Julio Viñuela Díaz of Spain*, elected Executive Director for Austria, France, Israel, Japan,





Portugal, Spain, Switzerland and Yugoslavia. He succeeded Tetsuma Fujikawa of Japan.

- Juan Felipe Yriart of Uruguay, re-elected Executive Director for Bolivia, Paraguay and Uruguay.

- José Manuel Casanova is the Executive Director for the United States.

Under the terms of the Agreement Establishing the Bank, the executive directors appoint their alternates.

In that regard, Mr. Ayala González re-appointed Bienvenido Brito of the Dominican Republic; Mr. Barbosa re-appointed Jacinto Vélez of Ecuador; Mr. Benítez Bonilla appointed Marta Julia Cox of Honduras to succeed José Páiz Moreira of Nicaragua; Mr. De Andrea appointed Manuel José Cárdenas of Colombia, and Mr. Knowles re-appointed George Lincoln Reid of Barbados.

Also, Mr. Osterhaus re-appointed Bo Jerlstrom of Sweden; Miss Pérez Rodríguez re-appointed Reinaldo Decerega of Panama; Mr. Rubinoff re-appointed Jean Serge Quesnel of Canada;

**LONE BOATMAN FLOATS UNDER BRIDGE** being built on Chile's southern road network. In 1984, the Bank approved a \$35.7 million loan to help rebuild that network and integrate Chile's south into the national transportation system. The project consisted of the construction of 320 kilometers of new roads, the upgrading of an additional 245 kilometers and the construction of 50 bridges. This 245-meter bridge is one of five being built between Ralún and Cochamo near Ensenada, about 100 kilometers from Puerto Montt, in the uppermost limits of the road network.

Mr. Sakamoto re-appointed Benjamín Mira of Chile; Mr. Viñuela Díaz appointed José I. Coelho Toscano of Portugal succeeding Channa Weinberg of Israel, and Mr. Yriart re-appointed Juan José Díaz Pérez of Paraguay. Larry K. Mellinger continued as Alternate Executive Director for the United States.





## EXTERNAL REVIEW AND EVALUATION OFFICE

Each year, the External Review and Evaluation Office (ORE) undertakes a program of selective and in-depth evaluation of Bank policies and operations. The program is approved by the Board of Executive Directors to whom the Office is directly responsible.

During 1987, a number of completed reports were distributed to Executive Directors for consideration, including *IDB's Special Program for Industrial Reactivation (Early Results)*, *IDB Relations with Development Banks in the Region*, *IDB Support of International Agricultural Research Centers within the CGIAR System*, *IDB Assistance to Export Oriented Agriculture*, *the Intra-Regional Technical Cooperation Program (CT-INTRA)*, *IDB Program for the Financing and Promotion of Exports* and *IDB Support of INTAL*.

The Office is required to monitor the implementation of Board decisions arising from approved ORE recommendations. In this regard, in 1987, reports by ORE on the Fifth and Sixth Annual

**WAGON LOAD OF CORN** is pulled to farm facility where it will be ground up for fodder to feed farm cattle. The farm is located at Agudos do Sul in the State of Paraná, Brazil. In 1980, the Bank approved an \$80 million loan to finance an integrated rural development project in the state. The owner of this 26-hectare farm grows corn and beans and raises cattle. In addition, with the help of a credit received under the program, the farmer built 11 fish ponds, where he raises carp and black bass.

Reports of the Operations Evaluation Office were distributed to the Executive Directors. In addition, recommendations in reports by ORE on Management's Semiannual Implementation Reports as of June 30, 1986, and December 31, 1986, were approved by the Board of Executive Directors. The Board also instructed ORE to prepare a report on the *Effectiveness of the Implementation of Board Decisions on Evaluation* to be presented before June 30, 1988.

Work continued on the following evaluations which will be released in the first half of 1988: *Urban Development and the IDB*, *Financial Requirements in*





**FARM HAND PICKS** pears at this orchard near Cipoletti in the Province of Neuquén, Argentina. In 1980, the Bank approved a \$48 million loan to enable Argentina's *Subsecretaría de Recursos Hídricos* to improve irrigation works for an estimated 21,000 farmers in the Provinces of Buenos Aires, Catamarca, Chubut, Jujuy, La Pampa, La Rioja, Mendoza, Neuquén and Río Negro. This 28-hectare orchard grows pears and apples. Water has always been plentiful from the Neuquén River, but a better distribution system was required.

*IDB Loan Projects, Economic Requirements in IDB Projects, IDB Lending for Industry, Including Small Industry, Role of the European Field Offices, Project Identification and Promotion, IDB Lending for Tourism Projects and The Performance of IDB Field Offices.*

#### PROGRAMMING, OPERATIONS EVALUATION AND INTERNAL AUDIT

During 1987, the Bank continued the review and strengthening of mechanisms for programming

loan and technical cooperation activities in coordination with other international organizations. The country programming process, by which the Bank plans its activities in concert with national development objectives, has also continued to be strengthened allowing the institution to improve areas of investment targeting in the region.

The internal operations evaluation system continued to make substantive contributions to the Bank's program, with special emphasis on the pre-approval and design phases of the project cycle. The Operations Evaluation Office (OEO), a division



within the Office of the Controller, coordinates Management's efforts to capitalize on the lessons learned from the Bank's almost 30 years of experience with the development process in Latin America and the Caribbean.

Among the major inputs to this process are the Operations Evaluations Reports, which are comprehensive impact studies of fully disbursed projects, carried out by OEO. During 1987, four of these studies were issued, all in the public health sector. Work was substantially completed on 10 others, and three in-depth studies of projects in the fisheries sector were initiated. OEO also completed six project performance reviews, which are also ex-post evaluations covering the full range of project implementation except for assessment of final socioeconomic impact. These included two on rural water, and one each in fisheries, science and technology, agricultural research, and urban development. Work was also initiated on two other reviews.

These studies, supplemented by the more than 100 project completion reports which are completed each year by the staff in the Bank's field offices and the increasing number of full-scale ex-post evaluations completed by borrowing institutions, form the basis for a key document in the internal evaluation system: the summary of evaluations in a given sector of socioeconomic activity. These summaries set forth actions which Management has decided to undertake, based on its evaluations of past experience, to improve the formulation and implementation of future operations. In 1987, OEO issued one of these summaries, *Animal Health Projects*, and work was substantially completed on two others, *Technical Cooperation in Support of Institutional Strengthening and Public Health Projects*.

The Bank also continued to provide assistance to the ex-post evaluation efforts of its borrowers. OEO reviewed and commented on 115 partial or final ex-post evaluation documents. These and other activities related to evaluation were the subject of OEO's sixth annual report to the Board of Executive Directors on the operations evaluation system.

Internal auditing is carried out by the Office of the Auditor General which performs periodic, independent and objective appraisals and audits of financial, accounting, electronic data processing, operational, administrative and other activities of the Bank. These audit reviews emphasize evaluation of the adequacy and effectiveness of the control systems of the Bank and the identification of possible means of improving the efficiency and economy of operations and use of resources.

Particular emphasis is placed on reporting

the results of these reviews, including recommending improvements where appropriate. In addition the Office provides consultation and advice to management in connection with changes to financial and operational systems and procedures proposed by the organizational units of the Bank.

During 1987, the principal activities of the Office included review and reporting on administrative and financial controls, the Bank's system of surveillance of ongoing loans and projects and its advanced computer and communication systems applications and development cycles. The latter activity covered review of accounting and security controls, as well as the efficiency of computer facilities and information processing and communication systems, both those in operation and under development. Several special audits and reviews were also performed, and the Office provided assistance to the external auditors of the Bank.

## ADMINISTRATION

The Bank's Administrative Budget for 1988 was authorized at \$172 million. That budget reflects anticipated operational levels and the continuing cost containment policies that the Bank's Management has been pursuing since 1983.

In current dollars, the 1988 budget is slightly under the \$172.3 million budget of 1987. The total 1987 administrative expenses were \$170.4 million, which represent a 3.5 percent increase over 1986 expenses in current dollars and a decrease of 1.1 percent in constant dollars.

Not taking into account the adjustments for investments under the Bank's five-year action plan for developing a unified management information system and the annualization of salary adjustments effected to maintain Bank salaries at par with other similar international organizations, the Administrative Budget for 1988 reflects a decrease of 6.7 percent in constant terms. In 1987 dollars, the adjusted Administrative Budget decreased from \$173.4 million in 1983 to \$157.8 million in 1988, a reduction of 9 percent in the five-year period.

The table on page 37 shows the consolidated administrative expenses for 1986 and 1987 as well as the 1988 authorized budget.

In order to maintain the productivity of the Bank's human and financial resources, the 1988 Administrative Budget includes an increasing investment of \$5.6 million in the management information system plan for data and word processing in accordance with the five-year master plan launched in 1984. Priority will continue to be given to the de-



## Consolidated Administrative Expenses<sup>1</sup>

In Thousands of U.S. Dollars

CATEGORY	1986 Actual	1987 Actual	1988 Budgeted
<b>Board of Governors</b>			
Annual Meeting	\$ 688.5	\$ 762.4	\$ 657.2
Other Expenses	455.1	106.1	140.0
<b>Board of Executive Directors</b>			
Personnel Costs	4,814.2	5,478.5	4,870.9
Other Expenses	858.9	724.2	807.4
External Review and Evaluation Office	1,239.6	1,231.3	900.0
<b>STAFF</b>			
Personnel Costs	87,352.8	91,607.3	89,256.7
Other Expenses	12,740.0	13,205.1	14,228.9
<b>General Administrative Costs</b>	19,802.2	21,312.2	22,184.9
<b>Field Offices</b>			
Personnel Costs	29,324.5	28,779.9	29,214.5
Other Expenses	6,585.9	6,345.1	7,646.8
Institute for Latin American Integration (Net Expenses)	829.8	864.9	483.1
<b>IIC Reimbursement Contingencies</b>	—	—	(1,000.0)
	—	—	2,567.7
<b>TOTAL</b>	<b>\$164,691.5</b>	<b>\$170,417.0</b>	<b>\$171,958.1</b>

<sup>1</sup> Resources of the ordinary capital, Fund for Special Operations, Social Progress Trust Fund and Venezuelan Trust Fund.

velopment of new systems based on the data base plan initiated in 1987. This plan will facilitate the development of information processing systems more adaptable to the changing circumstances in this field.

In 1987 the Bank formally joined the SWIFT system—a worldwide communications network established to facilitate electronic transfer of funds between banks—which is enabling the Bank to process monetary transfer transactions at less cost and with greater security and efficiency than previously.

As indicated last year, the Bank in December 1986 purchased its headquarters buildings, where the Bank's entire staff is consolidated in one location. The Bank has also installed in the building a modern telecommunications system which has led to significant improvements in staff productivity and has expedited data communication between the Bank's headquarters and its field offices. In the

first two years of operation, cost savings have exceeded those anticipated in the cost-benefit analysis concluded at the time of awarding the contract.

Other steps taken to make optimum use of the Bank's human and financial resources include:

- Continuation of the policy to reallocate authorized vacant positions in an attempt to reassign the staff in accordance with shifting workload.
- Completion of the first staff performance evaluation under the new system, including special training seminars to facilitate its implementation.
- Special staff development and training seminars emphasizing the improvement of supervisory capabilities as well as job-related technical skills, particularly to enhance the staff capacity to operate effectively and efficiently in an increasingly automated work environment.

The Bank's staffing patterns have shown little variation since 1984. The Administrative Budget for 1987 provided for 1,800 permanent positions and 128 staff/years of contractual or temporary staff. Of this total, 1,265 positions were located at the headquarters and 535 in the field offices, including a total of 209 occupied by women in executive or professional positions at both the headquarters and field offices. The Bank's personnel represents 43 nationalities.

## COOPERATION WITH OTHER ORGANIZATIONS

In 1987, the Bank continued its efforts to channel additional resources for the social and economic development of Latin America through its cooperation with other organizations.

The Bank continued to support the efforts of the countries and institutions of Central America to overcome the difficulties facing their subregional integration process. Within its efforts to coordinate international development assistance and support for their countries, the Bank has contributed to the preparation and promotion of a number of projects, some of which have been considered for bilateral or multilateral financing. Within this same purpose and in coordination with the Organization of American States and the Pan American Health Organization, the Bank is helping in the process of preparing and evaluating projects for the social sector.

Through 1985, much of this effort was channeled to governmental entities in the industrial countries. In 1986 and 1987, however, the Bank placed emphasis on fostering increased ties between private entrepreneurs in Argentina and Brazil and Central America.



## EEC, OPEC and IFAD Cofinancing since 1977\*

*In Millions of U.S. Dollars*

Year	EEC		OPEC		IFAD	
	Contribution	Projects	Contribution	Projects	Contribution	Projects
1977	\$ 1.12	1	\$ 2.93	2	—	—
1978	7.25	3	—	—	\$ 9.3	2
1979	4.30	2	20.40	5	41.5	4
1980	7.00	1	3.50	1	11.3	1
1981	2.60	1	13.40	1	20.4	3
1982	—	—	10.00	1	15.0	2
1983	—	—	11.80	4	5.5	1
1984	—	—	—	—	17.0	3
1985	—	—	6.0	2	6.0	1
1986	—	—	—	—	—	—
1987	—	—	—	—	—	—
<b>Total</b>	<b>\$22.27</b>	<b>8</b>	<b>\$68.03</b>	<b>16</b>	<b>\$126.0</b>	<b>17</b>

\* The contributions are assigned to each year according to the date of approval of the loan by the cofinancing counterpart.

In its on-going efforts to cooperate with other institutions in the channeling of additional resources for the social and economic development of Latin America, the Bank uses both parallel and joint cofinancing arrangements, and such other methods as exchanges of information, conferences and consultations.

Since its inception, the Bank has cooperated with the World Bank through parallel financing. In 1987, the Inter-American Bank and the World Bank provided additional financing totaling \$521.6 million for the Guavio hydroelectric project in Colombia. Of this amount, the Inter-American Bank provided \$360 million. The project also received commitments of suppliers' credits totaling \$32.1 million.

The World Bank approved \$10 million for a program to support the Social Emergency Fund of Bolivia for which the Inter-American Bank committed \$4 million. An additional \$16 million is to be provided through suppliers' credits.

A third supplier's credit of \$7.6 million was mobilized for the Institute of Cardiology and Cardiovascular Surgery in Argentina, a project for which the Bank approved a \$2.4 million loan.

Finally, the Bank approved a \$20 million loan to expand a rural electrical system in Paraguay, an operation cofinanced by the German Kreditanstalt für Wiederaufbau (KfW) with \$5.3 million.

The Bank also carries out joint cofinancing operations with the International Fund for Agricultural Development (IFAD), the European Economic Community (EEC), and the Special Fund of the Or-

ganization of Petroleum Exporting Countries (OPEC). The table above itemizes the operations undertaken with these organizations since the inception of the program.

There were no new operations in 1987 with these organizations. However, the Bank continued to exchange information with regard to the prospects for future cofinancing. The Bank also entered into a joint financing operation with the Andean Development Corporation which approved a \$20 million loan for the Cochabamba-Santa Cruz highway project in Bolivia, a project for which the Bank approved \$80.7 million.

On March 18, 1987, the Bank signed a Memorandum of Understanding with the Export-Import Bank of Japan with respect to a proposed joint financing program to be established by the signatories through the EXIM-Japan's untied loan facility. This agreement is designed to augment the cooperation between both institutions in support of the process of restoring and promoting economic growth in the developing member countries of the Bank.

On the occasion of the annual meetings of the World Bank and the International Monetary Fund held in Washington, D.C., representatives of the leading international and regional financial institutions held their annual exchange of views on Sept. 26, 1987. This meeting was hosted by the Inter-American Development Bank. Participants included the African Development Bank, the Commission of the European Communities, the European Investment Bank, the International Fund





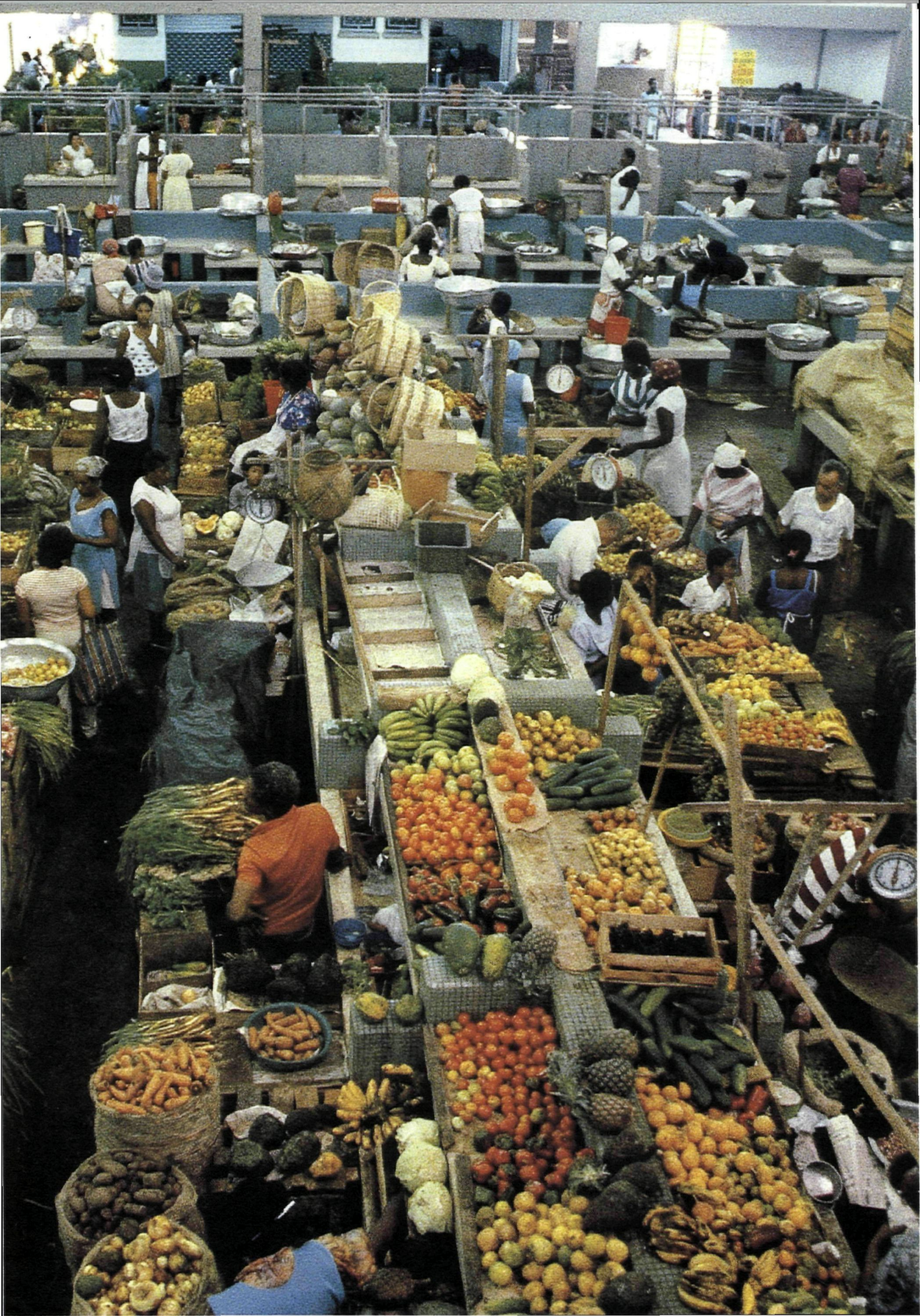
for Agricultural Development, the Islamic Development Bank, the Nordic Investment Bank, the OPEC Fund for International Development, and the World Bank.

On Sept. 18, 1987, the Bank hosted a Technical Seminar with the Pan American Health Organization (PAHO) on *Institutional Cooperation to Prevent Adverse Health Impact of Development Projects*. As a result of that Seminar, a joint Working Group was established to define the scope of cooperation between the two institutions, at the institutional as well as the country level, to prevent the adverse health impact of development projects in Latin America.

During the course of the year, the Inter-American Bank cooperated with the Joint Ministerial Committee of the World Bank and the International Monetary Fund on the Transfer of Real Resources to the Developing Countries. It maintained close working relations with a number of institutions active in the hemisphere, including the Organization of American States (OAS), the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the U.N. Development Programme and the various regional integration agencies.

INSTRUCTOR SUPERVISES STUDENT AT LATHE at the *Instituto Técnico de Capacitación y Productividad*, Guatemala's national technical institute in Quetzaltenango. The center provides training in industry, electricity, automotive mechanics, welding, carpentry and the construction trades. In 1975, the Bank extended an \$8.6 million loan to help the institute, which also has training centers in Escuintla, Chiquimula, Santo Tomás de Castilla and Guatemala City, to expand its facilities to train 27,000 workers per year in the industrial, agricultural and service sectors.







## PART II

# PROJECTS

### LENDING BY SECTORS

Through its lending in 1987, the Bank provided substantial additional support for Latin America's energy and transportation infrastructure and for the growth of its agricultural sector. The Bank also continued to emphasize Latin America's social sectors, particularly environmental and public health.

During the year, the Bank's total lending from its various sources of funds amounted to \$2,361 million. Loans to the productive sectors of agriculture, industry and mining and tourism amounted to \$662 million (28.0 percent of the Bank's total lending in 1987); physical infrastruc-

**VENDORS DISPLAY PRODUCE** at this market in Buenaventura, Colombia. The market was built as part of a project partially financed by a \$41 million Bank loan approved in 1977. The loan helped carry out an integrated urban development plan designed to raise living standards of low-income residents in Buenaventura and improve productive activities. This food market is the largest of three built in the city, which is Colombia's leading port.



ture (energy, transportation and communications), \$978 million (41.4 percent); social infrastructure (health, education and urban development), \$637 million (27.0 percent), and other sectors (export financing, preinvestment and other), \$84 million (3.6 percent).

The sectoral breakdown of the Bank's lending during 1987, as well as on a cumulative basis, is shown in the table on the following page.

#### Agriculture

Following three years of an average growth of 2.7 percent per year, value added by the agricultural sector in Latin America fell by 2.4 percent in 1986, while the rest of the economy grew by more than 4 percent. Taking population growth into account, the decline in output amounted to nearly a 5 percent drop in per capita terms. It had risen, in contrast, by 1.4 percent annually in

1984-85. Except for wheat, corn, milk and poultry, production of most of Latin America's major commodities declined in 1986.

Nevertheless, in 1986, Latin America continued to be a net exporter of agricultural commodities, even though its trade surplus fell with respect to the previous year, as a result of a decrease in exports and a rise in imports. For the most part, the decrease in exports was due to price declines for a broad range of commodities, although coffee was a major exception. Imports, on the other hand, were strong for a limited number of products, among them, rice and corn.

As a result of the poor relative performance of agriculture in 1986, the sector continued to lose importance in the region's economy. Its contribution to the GDP fell to 11.1 percent, its lowest level since 1980. Comparatively, agriculture accounted for 15.7 percent of GDP throughout the 1960s. Nonetheless, the sector continues to be of critical importance to Latin America, because of its contribution to foreign exchange earnings, employment and food supplies.



**Distribution of Loans***In Millions of U.S. Dollars*

	1987	%	1961-87	%
<b>Productive Sectors</b>				
Agriculture and Fisheries	\$ 562	23.8	\$ 8,476	21.3
Industry and Mining	100	4.2	6,187	15.6
Tourism	—	—	547	1.3
<b>Physical Infrastructure</b>				
Energy	631	26.7	10,973	27.6
Transportation and Communications	347	14.7	5,141	13.0
<b>Social Infrastructure</b>				
Environmental and Public Health	434	18.4	3,739	9.4
Education, Science and Technology	75	3.2	1,695	4.3
Urban Development	128	5.4	1,604	4.0
<b>Other</b>				
Export Financing	80	3.4	788	2.0
Preinvestment	—	—	378	1.0
Other	4	0.2	163	0.5
<b>TOTAL</b>	<b>\$2,361</b>	<b>100.0</b>	<b>\$39,691</b>	<b>100.0</b>

Most of the decline in agricultural output in 1986 was caused by weather-related decreases in output in the three major agricultural producers of the region—Argentina, Brazil and Mexico. The combined agricultural value added by the other countries of the region rose by 2.4 percent. Brazil's agricultural product fell by 7.3 percent, the largest drop of any country in the area. This had great impact on the region's record as a whole because Brazil accounts for about 30 percent of the region's agricultural product. The declines in the other two countries were less pronounced: 2.7 percent in Mexico and 0.9 percent in Argentina.

The top agricultural performer in 1986 was Chile, where sector growth soared by 8.8 percent, partly as a result of a record grain crop. Agriculture also did very well in Ecuador, Guyana and Venezuela, registering growth rates of 7.8, 5.6 and 6.8 percent, respectively. Five countries—the Bahamas, Barbados, Colombia, Peru and Uruguay—experienced rates of growth of between 3 and 5 percent. The sector grew slowly in Costa Rica, Haiti, Honduras, Suriname and Trinidad and Tobago. There were declines ranging from 3 to 4 percent in the Dominican Republic and El Salvador to 5 to 6 percent in Nicaragua and Paraguay.

Preliminary information points to a mild recovery of the Latin American agricultural sector in 1987, compared with the depressed level of the previous year. Weather was more favorable throughout most of the region. The picture was mixed among the four largest countries whose combined agricultural output accounts for about three-fourths of the region's total.

Brazil expected a record crop in grains and a very good one in oilseeds due to adequate rainfall and a larger planted area. Coffee also experienced a strong recovery.

Mexico expected a moderate agricultural expansion in 1987 due to sufficient rainfall and high water levels in irrigation reservoirs, which helped to improve crops in grains, oilseeds and pulses.

The outlook in Argentina remained poor. Crop output fell due to lower planted area and yields and the marketing of cattle herds as ranchers continued to face an unfavorable cost-price relation. During the year, the Government moved to ease the economic situation of farmers by reducing export taxes and raising support prices.

Moderate expansion was expected in Colombia as the output of corn, rice, wheat, bananas, sugar, milk, pork and poultry rose.

To assist agricultural development and increase standards of living in the rural sector of Latin America, the Inter-American Development Bank approved loans totaling \$562.3 million in 1987. The Bank also provided \$4.25 million in financings under its Small Projects Program for a variety of projects directly benefiting the poorer segments of the rural population and provided grant technical cooperation for various activities in the sector.

In 1987, the Bank approved three loans totaling \$460 million to provide assistance for agricultural credit programs being carried out by Colombia, Ecuador and Mexico. A \$100 million loan extended to Colombia will help modernize farms by providing credits to some 60,000 small-, medium- or large-scale farmers, as well as cooperatives or growers' associations.

A loan of \$200 million will help finance a farm credit program in Ecuador designed to increase the output of food products for domestic consumption and export. Finally, a \$160 million loan will help finance the seventh stage of an agricultural credit program being carried out by Mexico to stimulate production, productivity and exports.

Of increasing concern to the Bank is the forestry subsector in Latin America. In 1987, the Bank approved loans for this purpose in Costa Rica and Ecuador. A \$12.2 million loan will enable Costa Rica to carry out a pilot forestry development proj-





ect. The project is designed to restore the country's forest cover and its pilot phase involves the reforestation of 10,000 hectares of privately owned lands. A \$6.3 million loan to Ecuador will result in the planting of trees on 18,000 hectares of denuded and eroded land in the Sierra Central. The land is owned by low-income farmers, either individually or through community associations.

Uruguay's agriculture will benefit from three different projects financed by the Bank in 1987. These involve animal health, agricultural technology and improvements in the country's dairy production. With two Bank loans amounting to \$13.2 million, Uruguay will undertake a project to control and eradicate foot-and-mouth disease and reduce tick infestation in cattle in order to improve the production of meat and hides and increase exports. A \$19.3 million Bank loan will help Uruguay strengthen the generation and transfer of agricultural technology in order to improve productivity and the income of farmers. Finally, a \$34 million Bank loan will enable Uruguay to carry out a program to modernize its milk and dairy production by carrying out projects to improve roads in dairy areas and bring electrification to dairy farmers.

The Bank approved a \$6.75 million loan to enable Guyana to carry out a program to rehabilitate its drainage and irrigation infrastructure. The

ROWS OF ASPARAGUS ARE CULTIVATED at San Jorge farm near Ica, Peru. Owner of the farm obtained a credit from the *Banco Agrario del Perú (BAP)* to plant export crop. The credit was extended from resources of a \$102 million loan extended by the Bank in 1983 to *BAP*, the nation's agricultural development bank, to carry out a global credit program for farmers' associations in Peru. The program is enabling 6,000 farmers to expand production by buying supplies and equipment.

project will rehabilitate 12,750 acres of land near Georgetown. Along with the loan, the Bank authorized a parallel technical cooperation, which will be used to finance feasibility studies for similar projects, to undertake a water balance study and to provide training for staff members of the Ministry of Agriculture.

Jamaica will carry out a land titling and information system with the support of two Bank loans totaling \$10.56 million. The loans will help eliminate a backlog of 36,200 cases of farmers with agricultural parcels who lack title to their land.

In addition to the above loans, the agricultural sector of Brazil will be greatly benefited by two Bank loans totaling \$98.2 million in the transportation sector. The loans are helping to improve 1,400 kilometers of feeder roads in the State of Goiás. A \$12.1 million loan to Paraguay in the education sec-



tor is financing the third stage of an agricultural education project.

A number of financings benefiting the agricultural sector were approved by the Bank in 1987 under its Small Projects Program. These included \$500,000 to finance a credit program for 360 farm families in the Province of Cochabamba, Bolivia; \$500,000 to provide credit to 455 small-scale farmers in Santa Cruz, Bolivia, and \$500,000 for a credit program for 300 low-income farmers near San José, Costa Rica.

Also, \$500,000 for an agroindustrial plant to process rice, corn and cocoa benefiting small-scale farmers in Ecuador; and \$500,000 to benefit rural women in Guatemala through the construction of four production centers.

Also, \$500,000 to provide credit to 220 members of an agricultural cooperative in El Asintal, Guatemala, to help diversify their production away from coffee; \$250,000 to provide credit to small-scale farmers in Piribebuy and Valenzuela, Paraguay, and \$500,000 for a community development project which will help 1,300 low-income farmers in the State of Sucre, Venezuela.

A number of technical cooperation grants benefiting the agricultural sector were approved by the Bank in 1987. The largest one amounted to \$10.53 million and went to support the basic programs of the three international agricultural research centers located in Latin America. These centers are the International Center for the Improvement of Maize and Wheat in Mexico, the International Center for Tropical Agriculture in Colombia and the International Potato Center in Peru.

A \$1,207,000 technical cooperation grant will help finance a study for the rehabilitation of a drainage and irrigation system in Suriname. A grant for \$940,000 will enable the Caribbean Community (CARICOM) to carry out a project to upgrade the capabilities of mid-level agricultural managers.

More than 700 persons in the Dominican Republic will receive agricultural training with the help of a \$480,000 grant. Guyana will carry out studies to determine the most efficient way of burning sugar cane waste to generate electricity with the help of a \$490,000 grant.

## Industry

Latin America's manufacturing output rose 5.8 percent in 1986. That was the highest increase since 1980 and put the sector's value added substantially above the level of 1980 for the first time. Peru and Brazil had unusually high production increases of

17.8 and 11.3 percent, respectively. The output of Argentina and Uruguay rose by 12.8 and 12.1 percent, respectively—which still left production at levels well below those of 1980. Mexico's production dropped 5.6 percent, despite a 35 percent increase in exports of manufactures. Chile and Colombia registered substantial output gains of 8 and 7.7 percent, respectively. Venezuelan industry expanded by 3.1 percent.

The countries of the Central American Isthmus registered gains of less than 3 percent, while output in the Caribbean rose appreciably only in Barbados, where it increased by 7.9 percent. Three Caribbean countries had moderate increases; three others registered small declines. Production rose less than 1 percent in Ecuador and declined somewhat in Bolivia and Paraguay.

Preliminary data for 1987 indicate that the growth of Latin American industry will be smaller than in 1986. Colombia, Chile and Uruguay registered increases for the first half of the year at about the same rates as the average for 1986.

In most of the rest of the region, the results were less favorable. During the first eight months of the year, Peru's output rose at a rate only half that of the previous year. Brazil's growth rate during the first nine months was less than a sixth that of the previous year. In the first half of the year, Argentina registered gains only a third as high as in 1986. Venezuela's output appears to have increased and Mexico's production, which began the year in decline, was up by approximately 1 percent as of August, due primarily to a further, extraordinary increase of more than 50 percent in exports. Except for Mexico and Venezuela, production appears to have tapered off further in these countries in the second half of 1987. Among the smaller countries, manufacturing increased more rapidly in 1987 than in 1986 in the Dominican Republic in response to a large expansion in government investment.

Mining output, other than fuels, increased 3.1 percent in 1986, but only 0.9 percent in the first quarter of 1987, though that was higher than in the same period of 1986.

For the region as a whole, paper, metalworking, machinery and transportation equipment, chemicals, non-metallic minerals and textile production registered the most rapid growth rates in 1986. Wood products, food, beverages and tobacco, and clothing, leather and footwear registered the least growth. Latin American production of paper was 50 percent higher in 1986 than in 1980; that of chemicals more than 25 percent higher, and that of foodstuffs more than 15 percent higher. Value added remained well below the 1980





level in four major groups of industries, wood products, clothing, non-metallic minerals and particularly metalworking and machinery—once a major area of growth in the region—was 9 percent below that attained in 1980.

Latin American manufacturing faces a difficult situation: Prospects are not particularly favorable—even for the medium term—given the low level of investment in recent years. The increase in exports in Chile, Colombia, Costa Rica, Uruguay and Venezuela over the past few years accompanied a general economic improvement. It also represents a favorable consequence of removing the bias against exports. The increases in Brazil, which resumed in 1987, also reflected competitive strength.

In some other countries, however, increases in exports of manufactures are as much a sign of weakness in domestic markets as a manifestation of cost competitiveness. Moreover, continuing shifts in macroeconomic incentives, emerging weakness of foreign markets and the threat of increased protectionism abroad have increased entrepreneurial uncertainty.

**MOUNTAINOUS TERRAIN** is bridged between cities of Quillacollo and Confital on the Cochabamba-Oruro highway. An engineering feat, the bridge was built over deep chasm to avoid longer roundabout route, which would have been subject to slides. The highway and bridge were built with the help of a \$35 million loan approved by the Bank in 1974. The new highway forms part of the Inter-American Highway System and is expediting traffic between La Paz and Cochabamba and the low lands of Santa Cruz.

These factors may have helped discourage a substantial return of flight capital and led to a decreased willingness to invest, except at subsidized—preferably negative—real rates of interest. This has raised serious allocational as well as equity questions for the distribution of credit resources within the individual economies, all the more since they have become increasingly dependent on international development institutions for external investment funds. Those lenders insist that profit making enterprises pay rates of interest that approximate the opportunity cost of money.



Capacity utilization remains low in many industries throughout the region, but this has been true for many years. Much of the idle capacity is no longer capable of competing with production facilities elsewhere which have been continuously upgraded and expanded. A positive note, however, is the increased attention being paid to improve the operational efficiency of existing facilities, and the greater interest in on-the-job technical and managerial training programs. Both can be seen in widespread individual efforts and the response of enterprises to trade association and public sector initiatives in several countries. In part, this is a reaction to the increased openness of many economies and the increased incentives of macro and micro-economic policies to produce for export markets.

In 1987, the Bank extended one loan in the industrial sector—\$100 million—to help carry out the fifth stage of an industrial credit program designed to install, expand and modernize production facilities in Brazil's Northeast.

In addition, the Bank approved ten operations under its Small Projects Program to enable development foundations, cooperatives and other associations to provide small credits to micro-enterprises.

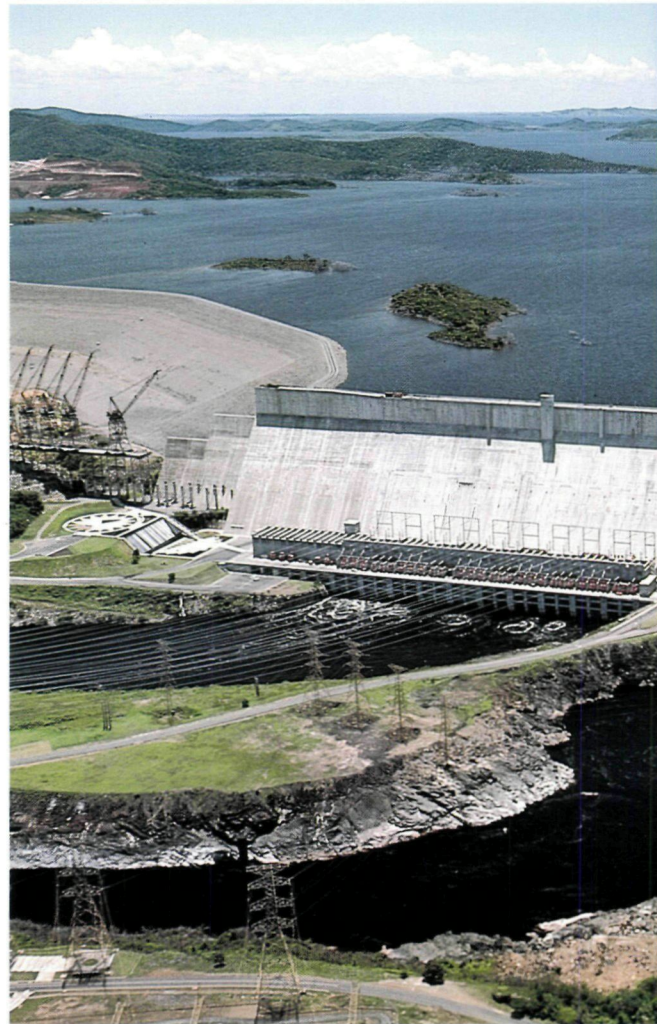
These included \$250,000 for urban and rural enterprises in Barbados; \$500,000 for enterprises in La Paz, Bolivia; two for \$500,000 each for projects in Guayaquil and Quito, Ecuador; \$500,000 for a project being carried out in San Miguel, El Salvador and \$250,000 for entrepreneurs in Guyana.

Also, \$500,000 for a project in San Pedro Sula, Honduras; \$250,000 for small-scale entrepreneurs in the San Miguelito District of Panama City; \$500,000 for a project in Asunción, Paraguay, and \$500,000 for a project in marginal areas of Montevideo, Uruguay.

Most of these financings were accompanied by technical cooperation designed to improve the operation and help train entrepreneurs in business practices. In 1987, the Bank also approved a \$950,000 technical cooperation grant to enable Panama to carry out a mining inventory and strengthen the mining agency.

## Energy

Energy consumption in Latin America appears to have slowed down in 1987 after achieving a slight recovery in 1986. The rate of consumption of petroleum derivatives has remained moderate due to price and substitution policies which have curbed demand in recent years. Consumption of electricity has grown moderately due to the slow expansion in



industrial activity. The demand for electricity is increasingly responsive to changes in industrial production, since electricity is heavily used in manufacturing. Natural gas and coal account for only a small percentage of Latin America's energy consumption. However, production of those two energy sources is growing rapidly as they replace oil in powering industry and generating electricity.

The production of commercial energy, which has increased moderately, has kept pace with consumption. Crude oil production, which averaged 6.1 million barrels a day in 1986, showed moderate gains in 1987. The rebound in oil prices from an average of \$14 a barrel in 1986 to around \$19 a barrel in 1987 helped strengthen oil exploration and production in the region.

Mexico and Venezuela, the two largest oil producers and exporters, appear to have maintained output at the same levels as 1986. The great-





**GURI HYDROELECTRIC** project will generate 6.3 million kilowatts of electric energy, enough to meet Venezuela's requirements through 1993. In 1984, the Bank authorized a \$350 million loan to help complete the hydroelectric plant and the transmission system that will carry its energy throughout the nation into the national interconnected system. The plant is located near Ciudad Bolívar and Puerto Ordaz, some 90 kilometers upstream from the junction of the Caroní and Orinoco Rivers.

est advance in oil exploration and production is being made by Colombia. Its production reached an average of 380,000 barrels a day in 1987. In 1986, Colombia reverted to the status of being a net oil exporter. Following sharp production declines in the early 1970s, Colombia had moved from a position of net oil exporter to that of net oil importer. Colombia's coal production has also been rising rapidly. Coal exports which began in 1985 are expected to reach 12.5 million tons a year in 1988 and an annual rate of 15 million tons by 1989. By the early 1990s, the value of oil and coal exports should surpass coffee, traditionally Colombia's principal export commodity.

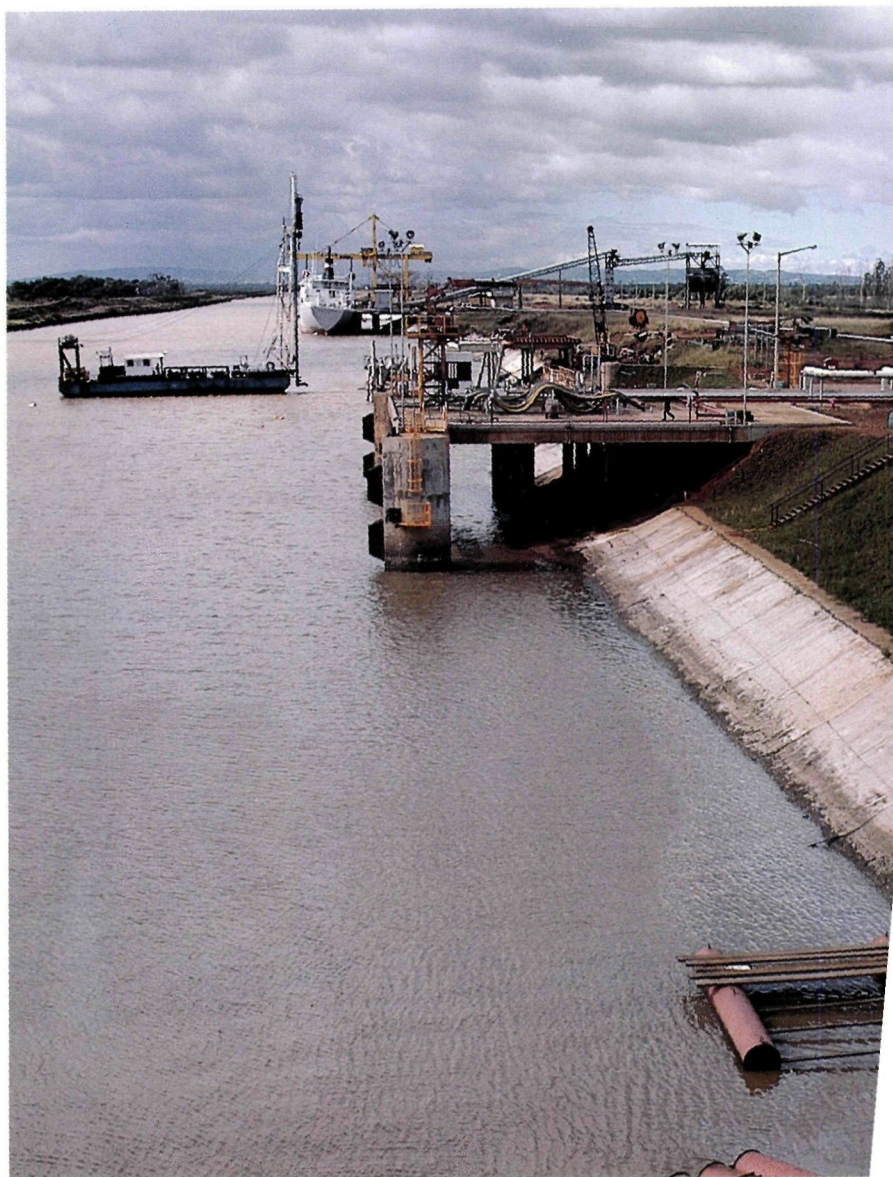
Slow economic growth, expectations of sluggish demand and financing difficulties account in part for the slow pace of investment in the energy sector.

For instance, in the electricity subsector,

some countries have substantial excess capacity. In addition, many of the power companies are heavily indebted. As a result, expansion plans for additional installed capacity have been revised. Current problems in the power sector are linked to the adjustment process that occurred in the 1970s and early 1980s due to the sharp increase in oil prices. That process induced a massive flow of investment into electricity generation and oil exploration and production. Particularly in electricity generation, these costly investments, coupled with a loose pricing policy and the impact of sizeable currency devaluations, have caused financial problems for most power companies in the region.

How to finance energy projects, particularly electricity generation and distribution, is becoming a paramount concern of governments in the region. Over the short term, current electricity capacity can cope with projected demand in several countries.





**SANTA CLARA CANAL** near Porto Alegre, Brazil, provides outlet for products of petrochemical complex. The construction of the canal was partially financed by a \$7.8 million loan approved by the Bank in 1982. Earlier, in 1978, the Bank approved a \$95.5 million loan to help the *Companhia Petroquímica do Sul (COPESUL)* create Brazil's southern petrochemical complex at Triunfo, near Porto Alegre, State of Rio Grande do Sul. Norwegian freighter, the Olav Trysvason, loads petrochemicals at docking facilities at the end of the canal.

However, projected growth in demand will require additional generating capacity in the 1990s. The economic efficiency of the power sector, consideration of partial divestment or privatization of state-owned energy companies and new external financing alternatives for energy projects are new issues in the energy sector which the countries of the region must face in the coming years.

Within this framework, the Bank in 1987 approved \$631.1 million in loans for the energy sector, primarily for the electricity subsector. The largest of these—\$360 million—was extended to Colombia to help complete the 1-million-kilowatt

Guavio hydroelectric power project. Another loan amounting to \$86.6 million will help expand transmission facilities in Colombia.

A \$94.6 million loan will enable Costa Rica to build the Sandillal hydroelectric project, as well as additional transmission and distribution facilities. A \$20 million loan will enable Paraguay to implement an electrification program in five rural areas. Finally, four loans totaling \$69.9 million will enable Peru to complete the Carhuaquero hydroelectric plant and carry out other electricity improvement projects.

The Bank also approved two technical coop-



eration projects to foster electricity projects. These included \$1,048,000 to enable Suriname to finance a feasibility study, final design and bidding documents for a diesel-powered electric generating plant in Tambaredjo and \$490,000 to help Guyana carry out feasibility studies to co-generate electricity by using sugar cane bagasse.

### Transportation and Communications

In 1987, the Bank provided loans totaling \$351 million to finance transportation projects in Latin America. Two loans amounting to \$80.7 million will be used to repave two sections of the Cochabamba-Santa Cruz highway in Bolivia, upgrade its maintenance and protect its natural resources. Those loans were accompanied by a \$900,000 technical cooperation grant designed to set up an office of environmental affairs, which will be responsible for the preservation of the natural resources along the highway. Two loans totaling \$98.2 million will enable Brazil's State of Goiás to carry out the second stage of a road improvement program involving 1,400 kilometers of feeder roads. A \$16.7 million loan will enable Panama to carry out a program to replace obsolete bridges; rehabilitate the Gualaca-Chiriquí Grande highway, and improve its maintenance and drainage program. An \$83.8 million loan will help Uruguay carry out the second stage of a road improvement program involving the rehabilitation of 24 highway sections totaling 883 kilometers. Finally, a \$71.6 million loan will help Venezuela rehabilitate 6,175 kilometers of vital roads throughout the country.

### Social Sectors

Social conditions and the performance of the social services sectors in the countries of the region continue to be strongly affected by the domestic and external adjustment process taking place in those countries.

The cornerstone of the region's renewed economic growth since 1984 has been the recovery of consumption, since investment levels still remain far below the figures recorded in the 1970s. The new jobs that have been created in the formal labor market in the wake of the incipient recovery are insufficient to employ all of the growing labor force. A solid economic base can be achieved only through the renewal of high sustained investment levels.

The need of the countries to reduce their fiscal deficits entails problems for their social sectors relating to lower investment levels (including the counterpart funding needed for projects with international financing) and the allocation of resources

for current expenditures to maintain services. Low public sector salaries are a further factor in the deterioration in the quality and efficiency of social services and, in some cases, result in the underutilization of installed capacity for such services.

Against this backdrop, the Bank in 1987 continued to support the efforts of its member countries to maintain and expand their social services. During the year, the Bank approved loans totaling \$637 million for social infrastructure projects, including environmental and public health; education, science and technology; and urban development.

For environmental and public health, the Bank approved loans totaling \$434 million. Two loans for \$100 million will finance a program to improve and expand the water supply and sewage system of Brazil's capital, Brasília. A \$166 million loan to El Salvador will help provide a majority of the inhabitants of the San Salvador metropolitan area with drinking water and sewage services within five years. A \$153.4 million loan will provide support for the development of the potable water system of the Central Region of Venezuela, thus helping to meet the demands of an estimated 3.5 million inhabitants by the year 2,000.

In the health field, a \$2.4 million loan will help build and equip an institute of cardiology and cardiovascular surgery in Buenos Aires, Argentina, and two loans for \$7.8 million will help remodel, expand and modernize the Nieuw Nickerie Hospital in western Suriname thus supporting that nation's efforts to decentralize its health care system.

A total of \$11.5 million in technical cooperation was also approved by the Bank in 1987 for the health sector. The projects financed included a \$5.5 million grant for a program to be carried out by the Pan American Health Organization designed to eradicate the poliomyelitis virus in Latin America; \$3.17 million to carry out a primary health care program which will benefit an estimated 275,000 low-income residents in Buenos Aires, Argentina, and \$985,000 to strengthen Suriname's Ministry of Health. Finally, for drafting projects to control malaria in Central America, the Bank approved grants of \$86,800 to El Salvador, \$90,620 to Guatemala, \$93,980 to Honduras, and \$103,480 to Nicaragua.

In urban development, the Bank approved four loans totaling \$128.3 million. A \$57.2 million loan will help finance a sites-and-services program for low-income residents of towns and cities in Ecuador with populations of over 6,000. A \$43.8 million loan will partially finance a similar program in Guatemala City and other smaller cities in Guatemala. Two loans totaling \$27.3 million will help fi-



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nance the second stage of a Township Development Program in Jamaica.

Through its technical cooperation program, the Bank approved a \$7.1 million grant to supply construction materials for houses for 4,500 low-income families in El Salvador affected by the earthquake of 1986.

For educational projects, the Bank approved loans totaling \$75.3 million. A \$63.2 million loan will help to finance a broad program to expand and improve the University of Sao Paulo, Brazil, and two loans totaling \$12.1 million will enable Paraguay to finance the third stage of an agricultural education project which includes the building and equipping of new schools.

### **Other Sectors**

In other sectors, the Bank approved a \$4 million loan to help Bolivia carry out a number of small-scale projects with its recently established Social Emergency Fund. The Bank also approved a \$5 million loan to provide Bolivia with a line of credit for the short-term financing of nontraditional manufactured and semimanufactured goods to other countries. Finally, previous export lines of credit were increased by \$3 million in Costa Rica, \$1.5 million in Jamaica and \$1 million in Mexico. In addition the use of previously approved export financing credits was increased by repayments amounting to \$69 million.



## DESCRIPTION OF PROJECTS

This section of the Annual Report contains a description of the loans, financing for small projects and technical cooperation authorized by the Bank in 1987 from its various sources of funds, and selected highlights on progress made on projects financed in prior years.

The interest rates charged by the Bank on loans from its ordinary capital resources reflect the costs incurred by the Bank in borrowing funds on the world's capital markets. Effective Jan. 1, 1983, the Bank instituted a policy under which the interest rate for loans approved after that date is determined periodically. Under this formula, the interest rate on disbursements made on applicable loans during 1987 was fixed at 7½ percent.

Certain loans approved in 1987 from the ordinary capital received a partial offset of interest from the Intermediate Financing Facility Account. Loans made from the ordinary capital in a member country's own currency carried an interest rate of 3 or 4 percent. Loans extended from the ordinary capital during 1987 were made for terms ranging from 10 to 25 years.

The rates of interest charged on loans extended from the Fund for Special Operations varied from 2 to 4 percent, depending on the stage of de-

velopment of the country and the nature of the project, with grace periods of from 5 to 10 years. For the less developed member countries, the rate of interest was 1 percent during the first 10 years and 2 percent subsequently. The maturities varied from 20 to 40 years.

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

The financings for small projects described in this section were extended for up to 40 years, with grace periods of up to 10 years. A commission of 1 percent was charged on the financings, which need not be guaranteed.

The technical cooperation described in this section is extended on a grant basis or on a contingent recovery basis. Contingent repayment cooperation is subject to repayment only if, as a result of the cooperation, a loan is made subsequently by the Bank or another external financial institution for the execution of a project or program.

Progress highlights are included to give a sample of projects which have either been concluded during the course of the year or on which substantial progress has been made.

The following table details the Bank's comparative yearly lending by country over the 1983-87 period.

Country	1983	1984	1985	1986	1987
Argentina	\$ 80.1	\$ 458.8	\$ 108.9	\$ 516.3	\$ 13.1
Bahamas	—	—	—	—	—
Barbados	5.0	36.5	21.7	20.9	0.6
Bolivia	58.9	78.0	—	140.4	89.7
Brazil	441.0	393.7	395.3	428.8	369.9
Chile	548.0	293.3	522.5	359.8	—
Colombia	405.9	405.0	413.3	87.0	546.6
Costa Rica	41.8	92.6	6.0	179.9	112.8
Dominican Republic	96.2	205.5	146.2	140.0	0.4
Ecuador	83.3	306.4	274.4	272.7	263.5
El Salvador	25.0	110.2	26.2	25.2	169.3
Guatemala	167.9	13.9	192.0	65.8	43.8
Guyana	—	40.7	58.5	—	6.7
Haiti	18.8	0.4	24.7	56.5	—
Honduras	130.2	42.0	69.8	122.9	1.5
Jamaica	120.2	10.0	30.1	59.3	57.4
Mexico	286.4	229.8	401.5	327.9	164.1
Nicaragua	30.8	—	—	—	—
Panama	112.0	8.4	52.8	98.4	16.7
Paraguay	48.6	37.5	—	—	32.1
Peru	264.9	195.8	14.5	19.2	85.9
Suriname	—	—	8.0	6.0	7.8
Trinidad and Tobago	—	—	25.6	36.8	1.0
Uruguay	50.0	119.8	21.6	73.2	153.2
Venezuela	30.0	448.3	238.0	—	225.0
Regional	—	40.0	9.6	—	—
<b>Total</b>	<b>\$3,045.0</b>	<b>\$3,566.6</b>	<b>\$3,061.2</b>	<b>\$3,037.0</b>	<b>\$2,361.1</b>



# ARGENTINA

## LOANS

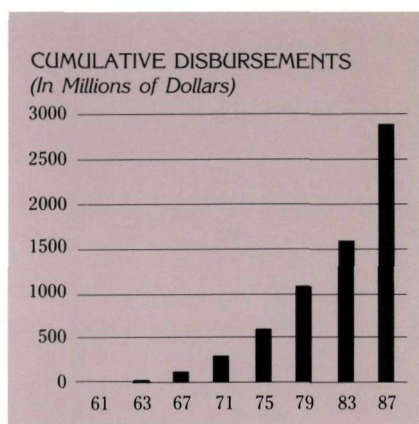
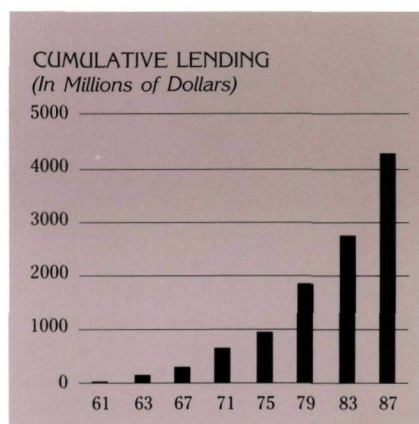
**Cardiology Institute:** The *Fundación Favaloro para la Docencia e Investigación Médica* is a non-profit medical education and research foundation established in Buenos Aires by a group of physicians in 1975. Primarily, it provides care for low-income patients suffering from heart disease and trains doctors and medical technicians in cardiology. In 1987, the Bank approved a \$2.4 million loan from the Social Progress Trust Fund to enable the foundation to build and equip an Institute of Cardiology and Cardiovascular Surgery in Buenos Aires. The project will benefit an estimated 15,000 patients a year, 90 percent low-income residents who have little or no medical insurance coverage. The Institute will provide all types of treatment, research, training and specialized care in cardiology and cardiovascular surgery. The loan will be used to build a service unit of 3,561 square meters within the Institute's building and to buy and install electromechanical equipment. The unit will provide consultation, diagnostic and laboratory services.

**Export Financing:** In 1987, the use of a previous line of credit to Argentina from the ordinary capital to provide medium-term financing for exports of capital goods and services and of other nontraditional exports of manufactured and semi-manufactured goods to other Latin American member countries of the Bank was extended through repayments by \$10.7 million.

### Distribution of Loans 1961-87

*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Energy	\$1,814,320	\$ 4,467,854
Industry and Mining	741,921	3,484,283
Agriculture and Fisheries	437,811	1,462,383
Transportation and Communications	418,858	892,769
Environmental and Public Health	304,500	806,273
Education, Science and Technology	283,370	672,241
Urban Development	163,819	401,000
Export Financing	96,650	138,072
Preinvestment	3,291	9,473
<b>Total</b>	<b>\$4,264,540</b>	<b>\$12,334,348</b>



## TECHNICAL COOPERATION

**Health Centers:** The Buenos Aires metropolitan area, which has 10 million inhabitants, has low-income pockets where health conditions are very inferior to those of the city as a whole and even worse than those of similar groups in rural areas. In 1984, there were seven health centers in the Federal Capital area providing emergency service. In recent years, the Government has sought to upgrade these centers. To cooperate with this effort, the Bank in 1987 approved a \$3,170,000 technical cooperation grant within its Special Social Progress Trust Fund Program. The assistance will be used by the *Ministe-*



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*rio de Salud y Acción Social* to build and equip 14 additional health centers in urban areas lacking basic services. Eight of these will be located in the capital and three each in the Municipalities of Morón and San Isidro. The program will benefit 275,000 low-income persons. The centers will provide services related to maternal and child care, mental health, oral health, control of communicable diseases, basic pathology and health education.

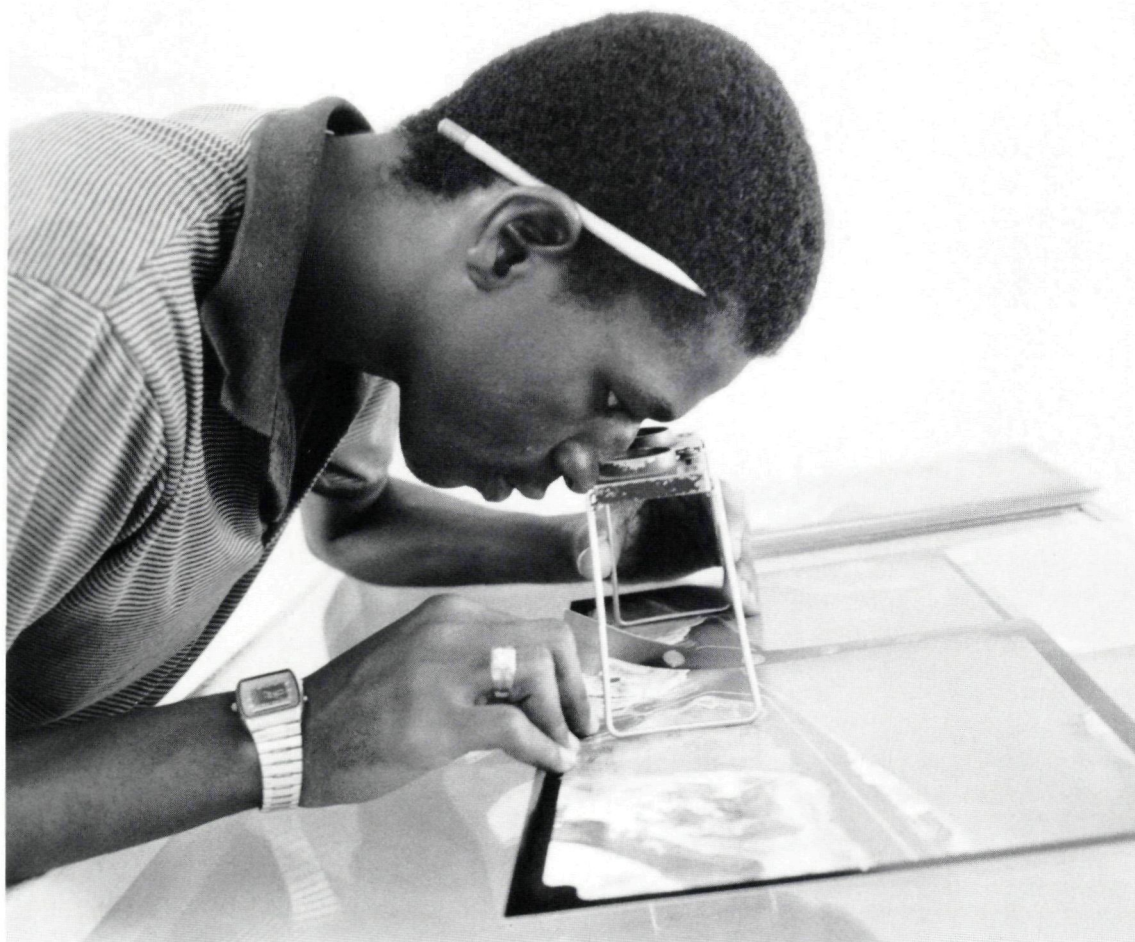
## PROGRESS HIGHLIGHTS

**Northern Gas Pipeline:** Substantial progress was made in 1987 on the second stage of a project to increase the capacity of Argentina's 1,744-kilometer Northern Gas Pipeline. The 24-inch pipeline goes from Campo Durán, near the Bolivian border, to General Pacheco in the Province of Buenos Aires. The first stage of the program, which has been completed, was built with the help of a \$48.4 million loan approved by the Bank in 1980. In 1985, the Bank authorized two additional loans for \$60.3 million—\$60 million from the inter-regional capital and \$300,000 from the ordinary capital—for a second stage. The project is being executed by *Gas del Estado*, Argentina's public gas corporation. The program involves the installation of three new compression stations at Miraflores in Jujuy Province, at Tucumán in Tucumán Province, and at Ferreyra in Córdoba Province. It also calls for the expansion of the existing stations at Lumbreras in Salta Province, Lavalle in Santiago del Estero Province and San Gerónimo in Santa Fé Province; the installation of generators in all six plants; the construction of pipeline sections and the replacement of others; the installation of a modern telemetry system, and the improvement of the corporation's operating efficiency. The program will increase the wellhead capacity from 9.5 million cubic-meters-a-day to 13.5 million and thus help to meet the growing demand for gas in the Buenos Aires metropolitan area. By the end of 1987, more than a third of the project had been completed. Five motorcompressors, as well as the turbocompressors had been built. Nearly all the pipeline needed for repairs had been built. New compressor plants are well under construction at Miraflores (32 percent complete), Tucumán (45 percent complete) and Ferreyra (20 percent complete). Work has also begun on the expansion of the Lumbreras, Lavalle and Dean Funes plants. The first stage of the pipeline repair program has been completed and the section between Ramos and Cornejo is in operation. The first stage of the communications program was more than a third completed.

**Yacretá Hydroelectric Project:** Construction of the 2.7-million-kilowatt Yacretá hydroelectric project being built jointly by Argentina and Paraguay near the city of Posadas on the Paraná River has advanced substantially. Since this is a regional project, it is fully described in the Regional Section of this Report.



# BAHAMAS



**TECHNICIAN PEERS THROUGH STEREOSCOPE** as he measures density of forest cover in aerial photographs of the Great Abaco island in the Bahamas. In 1984, the Bank authorized \$600,000 in technical cooperation to finance training for technicians needed to prepare a forest inventory and management plan for the Bahamas. The project involved air photography, photo-interpretation, a field inventory and the processing of the inventory data. The air photography covered the islands of Abaco, Andros and Grand Bahama. The study produced an inventory of 503,000 acres of pine forests along with recommendations for the management and development of the resources.

## Distribution of Loans 1977-87

*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Agriculture and Fisheries	\$6,054	\$7,195
<b>Total</b>	<b>\$6,054</b>	<b>\$7,195</b>



# BARBADOS

## LOAN

**Export Financing:** In 1987, the use of a previous line of credit to Barbados from the Venezuelan Trust Fund for export credits was extended through repayments by \$600,000.

## FINANCING FOR SMALL PROJECTS

**Urban and Rural Enterprises:** The National Development Foundation (NADEFO) of Barbados was established in 1982 as a nonprofit organization to promote self-help development among the less privileged sectors of the community. A total of 76 individuals or companies support its activities. It has also received assistance from external sources. However, its demand for credit from small-scale entrepreneurs has outpaced its resources. To help meet the increased need, the Bank in 1987 approved a \$250,000 financing from the Fund for Special Operations to provide additional loan funds for working capital and fixed investments. About 500 persons—either as family members of credit recipients or from the creation of new jobs—are expected to benefit from the program. The Foundation will use the financing to provide credits to small-scale urban businesses and rural enterprises to purchase equipment and machinery and meet working capital requirements.

## TECHNICAL COOPERATION

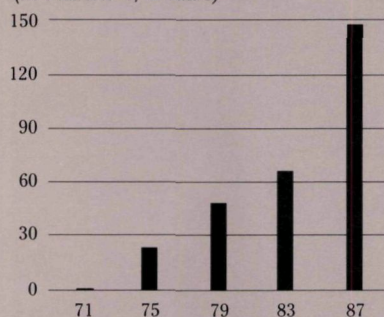
**Institutional Support:** Along with the previously described financing for the National Development

### Distribution of Loans 1969–87

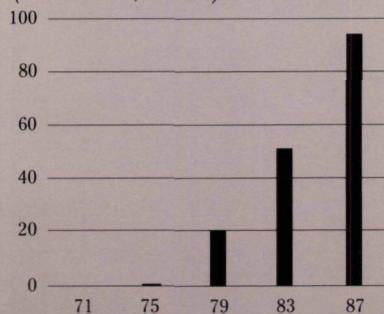
*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Transportation and Communications	\$ 39,923	\$ 69,697
Education, Science and Technology	30,709	64,962
Environmental and Public Health	27,571	44,637
Agriculture and Fisheries	17,479	26,975
Export Financing	16,507	23,581
Tourism	8,387	14,813
Industry and Mining	7,156	12,613
<b>Total</b>	<b>\$147,732</b>	<b>\$257,278</b>

CUMULATIVE LENDING\*  
(In Millions of Dollars)



CUMULATIVE DISBURSEMENTS  
(In Millions of Dollars)



\* Barbados joined the Bank in 1969.

Foundation of Barbados (NADEFO), the Bank in 1987 approved a \$60,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to determine loan requirements and to evaluate projects; to help the Foundation in administering the loan program, and to train beneficiaries in finance, management, accounting and marketing.





**TILTING SIPHON AUTOMATICALLY RECORDS** rainfall in the Scotland District of Barbados. In 1981, the Bank approved a \$4,445,000 loan for a project designed to help Barbados stem soil erosion in the District, which covers about 6,000 hectares. Rainfall recorders were installed at eight locations in the area in 1984. By the end of 1987 the project, which also involved the terracing of land, the improvement of water canals, the construction of ditches and other works, was completed. Full benefits of the project will be realized when the lands are put under cultivation.

## PROGRESS HIGHLIGHTS

**Scotland District Soil Conservation:** In 1981, the Bank approved a \$4,445,000 loan from the ordinary capital to carry out a series of applied soil conservation research works in the Scotland District of Barbados. The 6,000-hectare area suffers from widespread soil instability and erosion due to geological factors and the removal of vegetation, which has seriously limited its development potential. The Bank's loan was used to restructure and terrace 65 hectares of land; to lay out or improve seven water channels; to build 30 kilometers of ditches; to test the use of sugar cane, fruit trees, legumes and forest cover for soil conservation purposes, and to carry out other works in order to find solutions to

the problem. By the end of 1987, the project was substantially complete. All the construction works at Swanns-Turner Hall and Greenland were finished. The full socioeconomic benefits of the project will be realized when the reshaped lands are put under full cultivation.

**Queen Elizabeth Hospital Expansion:** In April 1987, the Glebe Polyclinic in Saint George Parish, Barbados, was opened. The 860-square-meter polyclinic was built with the help of two Bank loans totaling \$11.7 million—\$4.7 million from the inter-regional capital and \$7 million from the Fund for Special Operations—approved in 1985. As part of the same project, the 541-bed Queen Elizabeth Hospital in Bridgetown is being expanded, as well. Some 70 percent of the hospital construction has also been completed. The new polyclinic is serving a population of approximately 22,000 persons. During its first six months of operation, the Glebe Clinic cared for an average of 90 patients per day.



# BOLIVIA

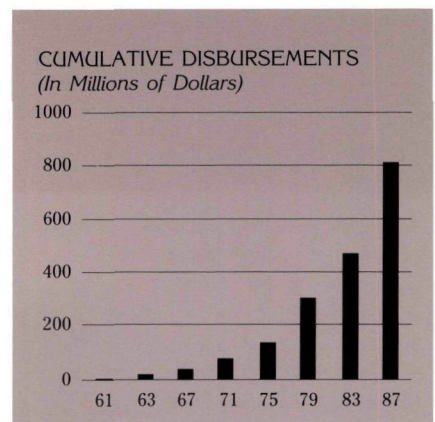
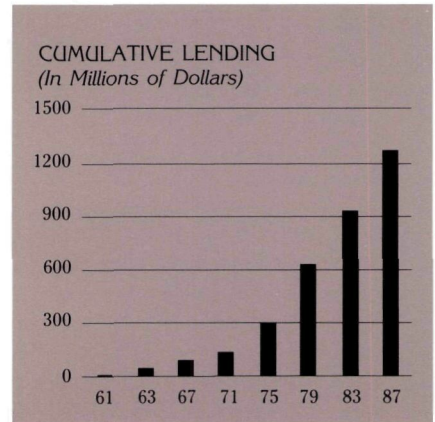
## LOANS

**Cochabamba-Santa Cruz Highway Improvements:** In 1987, the Bank approved two loans totaling \$80.7 million—\$77 million from the ordinary capital and \$3.7 million from the Fund for Special Operations—to complete the Cochabamba-Santa Cruz highway. The Andean Development Corporation is co-financing the project with a \$20 million loan. The new highway, which crosses the potentially most productive agricultural area of the country, will reduce the distance between production centers north of Santa Cruz and markets in Cochabamba, Oruro and La Paz by 100 kilometers. The project involves repaving the 190-kilometer road section between Cochabamba and Chimoré and the 71-kilometer section between Yapacaní and Guabirá; the maintenance of the new Cochabamba-Santa Cruz road, and the protection of renewable natural resources between Villa Tunari and the Pirai River. The project will be carried out by the *Servicio Nacional de Caminos (SNC)* and the *Ministerio de Asuntos Campesinos y Agropecuarios (MACA)*. New bridges will be built, other bridges will be renovated and drainage works will be installed. An intermediate section of the Cochabamba-Santa Cruz highway between Chimoré and Yapacaní is currently under construction with the help of Bank financing. This section will be in service in 1988. The new loan will finance the acquisition of road equipment for the maintenance of the Cochabamba-Santa Cruz highway. The renewable natural resources aspect of the program includes management of 180,000 hect-

### Distribution of Loans 1961–87

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Transportation and Communications	\$ 394,633	\$ 653,611
Energy	350,397	528,817
Agriculture and Fisheries	213,590	304,381
Industry and Mining	162,259	339,843
Environmental and Public Health	64,252	101,968
Preinvestment	17,751	23,604
Education, Science and Technology	11,928	23,533
Urban Development	11,428	19,164
Tourism	6,552	13,034
Export Financing	5,194	7,421
Other	24,000	65,000
<b>Total</b>	<b>\$1,261,984</b>	<b>\$2,080,376</b>



ares in the national park of Amboro and protection and management of the high watershed zones in order to control erosion. It also includes a program to support and protect Indian groups living within the region affected by the project and the creation of a wildlife sanctuary.

**Support for Social Emergency Fund:** Bolivia's economic recession worsened in 1985 with the collapse of the world tin market and the sharp drop in oil prices. These developments occurred as the Bolivian Government initiated an extensive program to foster economic stability by imposing monetary and fiscal austerity measures. As a consequence, unemployment grew rapidly, particularly



among miners and public sector employees. To help mitigate this situation, the Government of Bolivia established a Social Emergency Fund. In 1987, the Bank approved a \$4 million loan from the Social Progress Trust Fund to support the program which was conceived by the World Bank in conjunction with Bolivian authorities to provide financing for small-scale projects which might be carried out quickly. The International Development Association, an affiliate of the World Bank, provided \$10 million for the project, which will create about 20,000 jobs annually. The effort also is being supported by a number of countries including Canada, the Netherlands, Switzerland, the United Kingdom, the United States, as well as the U.N. Development Programme and the Government of Bolivia. The projects to be carried out with the Bank's loan include local and rural roads, health posts, sewage works, technical training, reforestation and irrigation works.

**Export Financing:** Bolivia has been hit harder than other Latin American countries by the world recession, which has reduced markets for traditional exports—primarily tin, natural gas and non-ferrous metals. Total exports fell from \$1.1 billion in 1980 to \$545.4 million in 1986 due to the sharp drop in tin prices. Within this total, nontraditional exports declined from \$25.2 million in 1983 to \$15.6 million in 1985. They rose in 1986 to \$33.6 million due to increased coffee sales which are not a traditional Bolivian export. The Government is seeking to expand exports of nontraditional manufactured and semimanufactured goods as one means of furthering the country's economic development. To contribute to this end, the Bank in 1987 approved a \$5 million revolving line of credit from the Venezuelan Trust Fund. The credit will enable the *Banco Central de Bolivia* to provide short-term financing to expand and diversify sales of nontraditional manufactured and semimanufactured goods to other countries.

## FINANCING FOR SMALL PROJECTS

**Support for Low-Income Farmers in Santa Cruz:** The *Asociación de Horticultores y Fruticultores (ASOFRUT)* is a private nonprofit organization based in Santa Cruz, Bolivia, which seeks to improve living standards of low-income fruit and vegetable farmers in the valleys southwest of the city. In 1987, the Bank approved a \$500,000 financing from the Fund for Special Operations to provide credit to help members expand the production of

such crops as potatoes, tomatoes and pineapples. The farmers, who work lots of 1 to 5 hectares, lack access to conventional sources of credit. The program will benefit 455 farmers. The credits extended by *ASOFRUT* will finance the construction of storage sheds and other facilities; the purchase of tools, seeds, fertilizers, insecticides, machinery and transportation services, and the employment of farm labor.

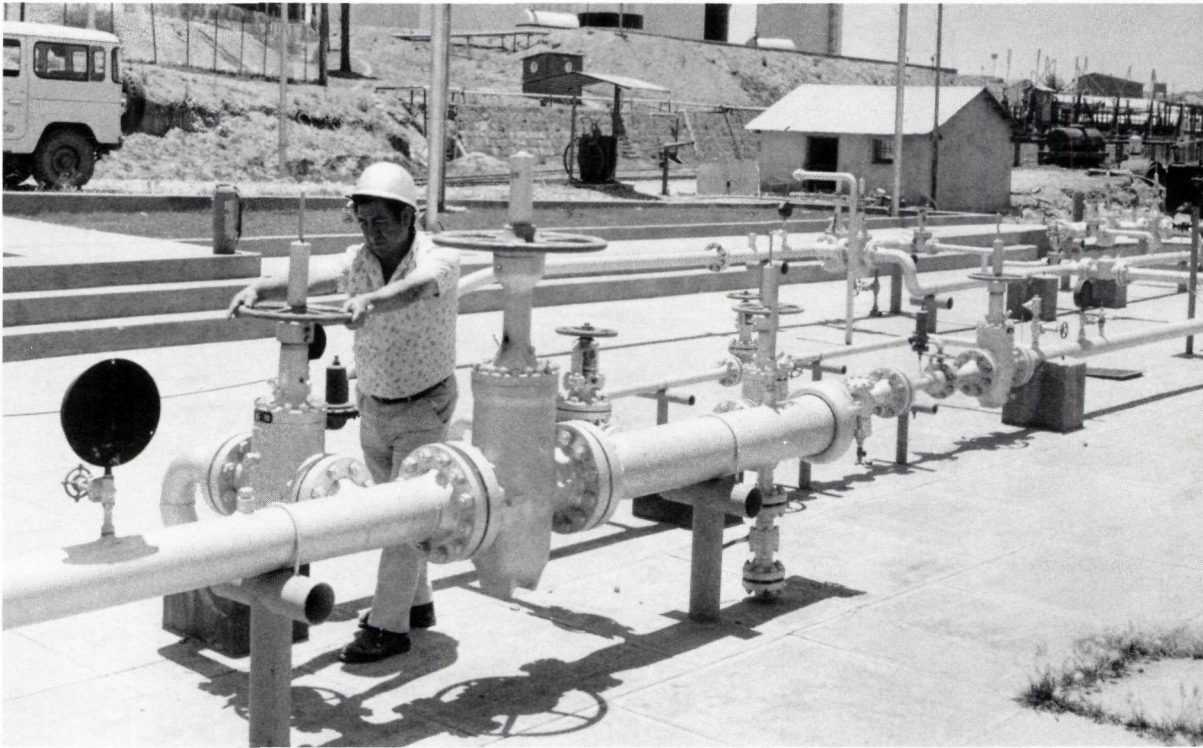
**Support for Low-Income Farmers in Cochabamba:** The *Proyecto de Desarrollo Agrícola Integrado (PDAI)* was established in 1983 by a group of official Bolivian agencies to help improve living standards for low-income farmers in the area of Pocono, southeast of Cochabamba. In 1987, the Bank approved a \$500,000 financing from the Fund for Special Operations for a credit program for 360 farmers in the region. The financing will be channeled through the *Corporación Regional de Desarrollo de Cochabamba (CORDECO)*, a development agency of the Department of Cochabamba. Some \$350,000 of the financing will be used to provide credit to the farmers and \$150,000 to build storage facilities for grain and seed potatoes. The benefited farmers raise potatoes, corn, wheat, barley, beans and fruit on plots of from three to five hectares.

**Support for Microenterprises in La Paz:** The *Centro de Fomento de Iniciativas Económicas (FIE)* is a private nonprofit association established in La Paz in 1986 to improve the socioeconomic conditions of small-scale entrepreneurs. In 1987, the Bank approved a \$500,000 financing from the Fund for Special Operations to enable *FIE* to carry out a program to provide credit, training and technical assistance to 300 small-scale entrepreneurs in marginal La Paz areas. The program includes selecting beneficiaries; training them in accounting, administration and production techniques, and providing them with credit to finance fixed investments and working capital.

## TECHNICAL COOPERATION

**Tax Reform:** The rate of growth of the Bolivian economy declined steadily from 1980 to 1985, at an average annual rate of 2.4 percent. As a result, Bolivia underwent a severe crisis. A major aspect of this crisis was a hyperinflationary process that began in 1982. Inflation rose by 276 percent in 1983; 1,281 percent in 1984, and 11,700 percent in 1985. The inflation destroyed the country's tax system. In 1985, the Government of Bolivia initiated an eco-





conomic policy which emphasized price stability as a prerequisite for restoring economic growth and encouraged domestic savings and improvements in the balance-of-payments situation. A sweeping reform of the tax system was adopted to increase tax revenue and diversify tax sources. To help support this reform, the Bank in 1987 approved a \$1,545,000 technical cooperation grant from the Fund for Special Operations. The program also received support from the International Development Association and the United Nations Development Programme. The cooperation will increase tax revenue and help create a modern tax administration system.

**Institutional Support:** Along with the previously described loan to complete the Cochabamba-Santa Cruz highway, the Bank in 1987 approved a \$900,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to set up an office of environmental affairs in the *Ministerio de Asuntos Campesinos y Agropecuarios (MACA)*, which will be responsible for the preservation of natural resources.

**Institutional Support:** Along with the previously described financing to the *Asociación de Horticultores y Fruticultores (ASOFRUT)*, the Bank

**WORKER TURNS LARGE VALVE** on gas pipeline which provides fuel for thermoelectric generators in Sucre, Bolivia. In 1976, the Bank approved a \$24.5 million loan to help finance the expansion and interconnection of two electric power systems in Bolivia. Part of the project involved the dismantling of four thermoelectric generating units of 3,300-kilowatts each at the Huaracachi de Santa Cruz power station and moving them to the Aranjuez power station in Sucre.

in 1987 approved a \$95,000 technical cooperation grant from the Fund for Special Operations. The assistance is being used to strengthen *ASOFRUT's* credit supervision and control methods, update training programs for farmers and monitor results.

**Institutional Support:** Along with the previously described financing for the *Proyecto de Desarrollo Agrícola Integrado (PDAI)*, the Bank in 1987 authorized a \$95,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to strengthen *PDAI's* credit control procedures and to provide training and crop assistance services to farmers.



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**Institutional Support:** Along with the previously described financing to the *Centro de Fomento de Iniciativas Económicas (FIE)*, the Bank in 1987 approved a \$93,000 technical cooperation grant from the Fund for Special Operations. The assistance will strengthen *FIE's* technical and administrative capacity; improve credit extension and supervision services; provide training for beneficiaries, and monitor results.

## PROGRESS HIGHLIGHTS

**Natural Gas Pipeline:** Further progress was made in 1987 on the construction of a gas pipeline from gas fields in Santa Cruz to Cochabamba, Oruro and La Paz. The project is being financed with the help of a \$97 million loan from the inter-regional capital approved by the Bank in 1982. As subsequently modified in 1983, the project provides for building a 10-inch, 458-kilometer pipeline from Santa Cruz-Rio Grande to Cochabamba; the improvement and partial replacement of 370 kilometers of pipe between Cochabamba, Oruro and La Paz; the laying of 105 kilometers of distribution lines in the three cities; improvements in the Rio Grande treatment plant, and the purchase of replacement parts. By the end of 1987, the project was 70 percent complete. The construction of the section from Santa Cruz to Cochabamba was initiated in February 1987, and it is expected to be completed late in 1988. About 219 kilometers of the construction roadway had been opened up. Some 117 kilometers of lateral distribution lines of 3.5- and 6-inch diameter had been built in Cochabamba and La Paz.

**Petroleum Exploration and Development:** In 1982, the Bank approved three loans totaling \$134 million to help Bolivia carry out a project of gas petroleum exploration and production in the Chaco-Beni plain of the Department of Santa Cruz. The loans—\$84.2 million from the Fund for Special Operations, \$46.8 million from the inter-regional capital and \$3 million from the ordinary capital—are being used by *Yacimientos Petrolíferos Fiscales Bolivianos (YPFB)*, the nation's oil company, to carry out two subprojects. One involves exploration in an area of 17,000 square kilometers in the Río Grande Norte area. The other consists of developing producing wells at the Suárez Roca field, 113 kilometers west of Santa Cruz, and La Peña field, 30 kilometers southeast of the city. This subproject involves the drilling of 22 development wells. Additional progress was made during 1987 in carrying

out the project. *YPFB* completed the seismic work in the western part of the project. More than 899 kilometers of seismic lines were processed by *YPFB* and a contractor carried out 1,480 kilometers of lines in the west central part of Río Grande Norte. The seismic data is now being analyzed. Eight wells in Campo de la Peña have been drilled and work is going forward on drilling the two development wells in Yapacaní and Suárez Roca.



# BRAZIL

## LOANS

**Industrial Credit for Brazil's Northeast:** Brazil's Northeast, an area made up of nine states including Maranhao, Ceará, Rio Grande do Norte, Paraíba, Pernambuco, Alagoas, Sergipe, Bahia, Piauí, part of Minas Gerais and the island of Fernando de Noronha, is the poorest region in Brazil. More than half the population lives below the poverty level and its per capita income is about half the national average. For more than 25 years, the Government has sought to boost investments in the Northeast by offering credit and tax incentives for industries moving to the area. As a result, the long-term economic decline of the region has halted. Its production has been diversified and now includes not only agriculture, but also manufacturing, particularly in the chemical, food and textile sectors. Over the past decade, the industrial sector in the Northeast has grown faster than Brazil's national average and the per capita income of the people in the area has risen fourfold since 1960. One of the principal promoters of industry in the area has been the *Banco do Nordeste do Brasil S.A. (BNB)*. Since 1961, the Inter-American Development Bank has supported investment efforts with loans totaling \$206 million, of which \$175 million financed four stages of an industrial credit program. To help finance the fifth stage, the Bank in 1987 approved a \$100 million loan from the inter-regional capital. The loan will provide medium- and long-term credits to finance high priority industrial development projects.

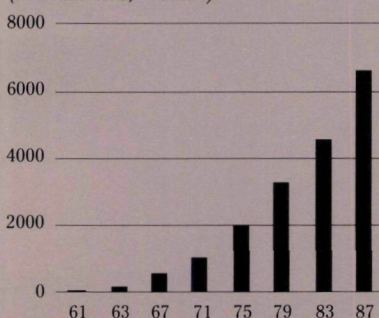
**Feeder Roads in Goiás:** The economy of the State of Goiás is closely tied to agriculture. How-

### Distribution of Loans 1961-87

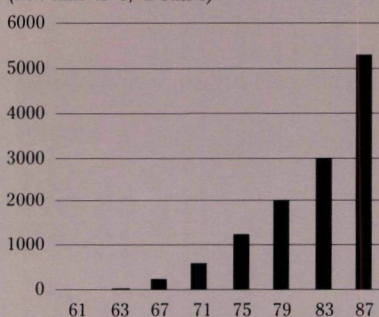
*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Energy	\$1,820,496	\$11,636,533
Industry and Mining	1,304,906	15,328,030
Transportation and Communications	1,106,109	2,981,345
Agriculture and Fisheries	863,400	1,813,042
Environmental and Public Health	611,740	1,742,132
Education, Science and Technology	411,176	967,469
Export Financing	231,530	330,759
Urban Development	155,189	381,619
Preinvestment	76,207	150,377
<b>Total</b>	<b>\$6,580,753</b>	<b>\$35,331,306</b>

CUMULATIVE LENDING  
(In Millions of Dollars)



CUMULATIVE DISBURSEMENTS  
(In Millions of Dollars)



ever, only about 40 percent of the land suitable for farming is accessible by roads. Accelerated population growth and economic development have increased the need for an adequate road transportation network in the state. In 1981, the Bank approved a \$55 million loan from the ordinary capital, which resulted in the construction of 41 feeder road sections. To finance a second stage of the program, the Bank in 1987 authorized two additional loans totaling \$98.2 million—\$73.2 million from the inter-regional capital and \$25 million from the Fund for Special Operations. The project is being carried out by the *Departamento de Estradas de Rodagem de Goiás (DERGO)*, an agency of the state's



Department of Transportation. The new project provides for the improvement and paving of 1,400 kilometers of state feeder roads in order to bring them up to the standards required by current traffic levels. In addition, 550 kilometers of deteriorated roads will be repaired and 1,400 kilometers of asphalt pavement will be resealed. DERGO's maintenance operations will be restructured and control stations will be established to monitor truck weights.

#### **Brasília Water and Sewage System:**

Brasília, the capital of Brazil, was planned for a population of 500,000 persons. Twenty-eight years after its founding, the city and its surrounding suburbs have more than 1.7 million inhabitants, a figure which is expected to rise to 3.4 million by the year 2,000. As a result, Brasília's demand for water and sewage services continues to rise. To help meet this demand, the Bank in 1987 approved two loans totaling \$100 million—\$80 million from the ordinary capital and \$20 million from the Fund for Special Operations. The loans will enable the *Companhia de Águas e Esgotos de Brasília (CAESB)*, the city's water and sewage company, to carry out a program to increase the city's supply of water, expand its sewage system and reduce pollution to meet the city's needs until 1992. The project includes the expansion of the interconnected system, which supplies water to Brasília and its nine satellite cities. Specifically, the project provides for the expansion of the existing pumping station; improvement of 14.3 kilometers of pressure pipes; expansion of the water treatment plant to increase its present capacity from 4 to 6 cubic meters per second; construction of six reinforced concrete water tanks and the improvement of an existing tank; installation of 16 kilometers of water mains; expansion of five treated water pumping stations; construction of distribution pipelines in the suburbs of Ceilândia, Taguatinga, Águas Claras and Samambaia, and the installation of 43,000 house connections with meters. A program to detect and reduce water losses also will be carried out. The area around Descoberto Lake, the water source for the planned expansion, will be reforested. The sewage network in residential areas in the west, north and south of Paranoá Lake and in two other areas near the lake will be expanded.

#### **University of Sao Paulo Development:**

The University of São Paulo is the institution of higher learning most closely tied to Brazil's scientific and technological development. The University educates a large number of the professionals re-

sponsible for Brazil's economic, technical and scientific progress. Its main campuses are located in São Paulo (the Armando de Salles Oliveira University City) and in four medium-sized cities—Bauru, Piracicaba, Ribeirão Preto and São Carlos—within 350 kilometers of the city. To help improve and expand the university, the Bank in 1987 approved a \$63.2 million loan from the inter-regional capital. The program will help develop and advance basic and applied research; improve teaching skills, particularly post-graduate; fit faculty training to the requirements of scientific and technological development, and streamline administration. The program involves the construction of 181,000 square meters of additional building space; the purchase of new equipment; the improvement of the library; the addition of services and infrastructure; the training of 145 professors abroad; the hiring of visiting professors, and the training of administrative staff. As a university well above the Brazilian norm, the University compares favorably with the best universities in the developed countries. The development program is designed to provide it with the additional resources needed to match and keep up with the leading science and technology institutions abroad.

**Export Financing:** In 1987, the use of a previous line of credit to Brazil from the ordinary capital for export credits was extended through repayments by \$8.5 million.

## PROGRESS HIGHLIGHTS

**Rural Development in Minas Gerais:** During 1987, a program designed to directly benefit 15,000 low-income rural families in Minas Gerais was completed. The program provided for broad-based rural development through the execution of 18 subprojects involving productive activities, economic infrastructure, environmental protection and social improvements. The program was partially financed with the help of two Bank loans for \$60 million—\$40 million from the inter-regional capital and \$20 million from the Fund for Special Operations—approved in 1980. The loan enabled the state planning agency—the *Secretaria de Planejamento e Coordenação Geral*—to carry out the second stage of a project known as Northwest Plan II. The project involved research, technical cooperation, cattle improvement, support for marketing and cooperatives, well drilling, opening up new areas, agricultural credit, transportation, electric power, telephone facilities, environmental monitor-



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ing and improvement, reforestation, health, education and community development.

**Goiás Feeder Roads:** In 1981, the Bank approved a \$55 million loan from the ordinary capital to enable the *Departamento de Estradas de Rodagem de Goiás (DERGO)*, the highway department of Brazil's State of Goiás, to pave various sections of feeder roads totaling about 1,000 kilometers. That number was subsequently increased to 1,410 kilometers. Due partly to internal migration, the state, which contains the Federal District and Brasília, has experienced a population growth rate markedly higher than the national average. As a result it has had to carry out a number of road-paving projects over the past several years. By the end of 1987, the project was virtually complete. All but one of 41 sections had been finished. Still being worked on is the 47-kilometer road section between Formoso and Campinacu. Even without counting this section, the revised goal of 1,410 kilometers had been met. As a result, the Bank approved the previously described loans amounting to \$98.2 million for a second stage of the program.

**Industrial Credit in the Northeast:** In 1983, the Bank approved a \$70 million loan from the inter-regional capital to help finance the fourth stage of an industrial credit program for Brazil's northeast. The Bank's resources are being used by the *Banco do Nordeste do Brasil S.A. (BNB)*, an autonomous regional development bank, to provide medium- and long-term credit to private Brazilian firms to finance high priority industrial development projects. By the end of 1987, all of the resources of the Bank's loans had been committed in credits and disbursements were going forward on these commitments. A total of 213 credits had been extended. Chemical products accounted for 21 for \$36 million; petrochemicals 7 for \$16 million; food industries 40 for \$19 million; textiles 21 for \$33 million; clothing 8 for \$12 million, and metallurgy 10 for \$19 million. The remaining credits were extended for wood-working, paper, hides, shoes, minerals, plastics and others.

**Preinvestment Studies and Technology Development:** *Financiadora de Estudos e Projetos (FINEP)* is the only Brazilian institution primarily engaged in fostering preinvestment studies and it is one of the country's principal sources of financing for technological development. The Bank has supported *FINEP's* work with a number of loans. In 1982, the Bank approved two loans totaling \$50 million—\$7.5 million from the ordinary capital and

\$42.5 million from the Fund for Special Operations—to help *FINEP* identify and prepare high priority investment projects and encourage technological development by private companies. The total project cost was estimated at \$100 million. By the end of 1987, more than \$171 million had been committed—an amount substantially larger than originally targeted—for 540 studies or projects. Of these, 414 had been completed. More than 50 percent of the credits were extended to the industrial sector and 36 percent to the energy sector. The northeast and the west central regions benefited from nearly a third and the private sector benefited from more than 55 percent of those funds.



# CHILE

## PROGRESS HIGHLIGHTS

**North-South Highway:** In 1981, the Bank approved two loans totaling \$161 million—\$126 million from the inter-regional capital and \$35 million in a complementary financing from the inter-regional capital—to rebuild 1,160 kilometers of Chile's North-South highway. That road, with a total length of 3,180 kilometers, is the country's principal highway. By the end of 1987, the works carried out under the project were virtually complete. The project, which is being carried out by the *Ministerio de Obras Públicas (MOP)* through the *Dirección de Vialidad*, the nation's highway bureau, consists of sections of the road between La Serena and Puerto Montt. That part of the road serves an area where 93 percent of the country's population lives and 95 percent of its gross national product is generated. By the end of 1987, 35 sections totaling 939 kilometers had been completed. The total program provided for 40 sections amounting to 1,029 kilometers. Thanks to savings generated during construction, the Bank authorized the use of \$3.5 million of the loan to repair damages in the central part of the country caused to the roadway by the floods of June 1986.

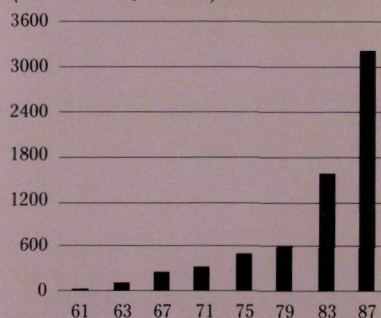
**Southern Road Network:** In 1984, the Bank approved a \$35.7 million loan from the ordinary capital to help Chile build the first stage of a southern road network designed to eventually integrate that part of the country into the national transportation network. The project, which is being carried out by the *Ministerio de Obras Públicas (MOP)*

### Distribution of Loans 1961–87

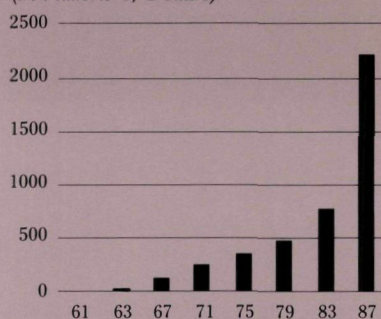
In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$1,244,786	\$3,097,970
Industry and Mining	684,295	1,542,834
Transportation and Communications	395,935	728,834
Agriculture and Fisheries	340,990	756,881
Urban Development	298,414	580,113
Environmental and Public Health	167,318	302,221
Tourism	37,388	37,158
Education, Science and Technology	28,633	75,767
Export Financing	3,857	5,510
Preinvestment	3,400	6,914
<b>Total</b>	<b>\$3,205,016</b>	<b>\$7,134,202</b>

CUMULATIVE LENDING  
(In Millions of Dollars)



CUMULATIVE DISBURSEMENTS  
(In Millions of Dollars)



involved the construction of 320 kilometers of roads and the upgrading of another 245 kilometers. Additionally, 76 kilometers are being paved and 50 bridges are being built. By the end of 1987, 60 percent of the project had been carried out. Nearly 60 percent of the new roads had been built, 70 percent of the upgraded roads had been completed and 31 percent of the paving had been accomplished. In addition, 19 of the bridges had been built.

**Local Development:** In 1984, the Bank approved a \$125 million loan from the inter-regional capital to help finance a multi-faceted program of local development projects to benefit low-





income persons throughout Chile. The program embraced projects in education, public health, sanitation, streets and roads. Specific goals included the creation, replacement or expansion of 350 educational facilities; the construction or improvement of 250 public health facilities; the replacement, expansion and equipping of 8 general hospitals; the improvement of 25 water supply systems; the construction of 70 sewage projects; the improvement of 480 kilometers of regional secondary roads, and the paving of 150 kilometers of urban streets. By the end of 1987, more than half of the project had been executed. By sectors, the percentage of achievement of goals in the program was health, 36 percent; education, 65 percent; sanitation, 20 percent, and roads, 56 percent. In the early stages of the program, priority was given to the rehabilitation of infrastructure damaged by the earthquake which struck Chile on March 3, 1985. This resulted in the rehabilitation of 56 hospitals, 15 health posts, 29 consulting rooms, 277 school buildings and 500 classrooms. In an analysis carried out early in 1987, the executing agency—the Ministry of Interior—found that considerable savings had being realized in the execution of the project. As a result, the Bank authorized Chile to increase the original goals of the program.

**DUMP TRUCK UNLOADS CONCRETE** on the North-South highway at Bio-Bío near Los Angeles in southern Chile. In 1981, the Bank approved two loans totaling \$161 million to rebuild the highway between La Serena and Puerto Montt. The backbone of a 60,000 kilometer network that carries 40 percent of the freight and 82 percent of the passenger traffic of Chile, the highway is paved over its entire length. However, over the years it had deteriorated. By the end of 1987, the works carried out under the project were virtually complete.



# COLOMBIA

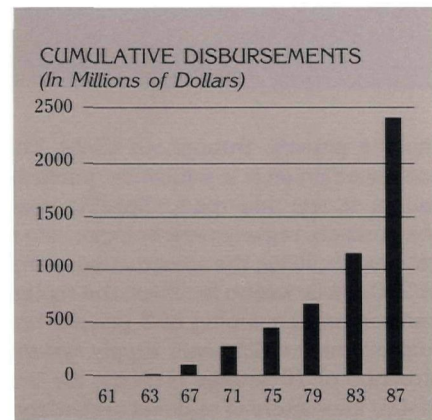
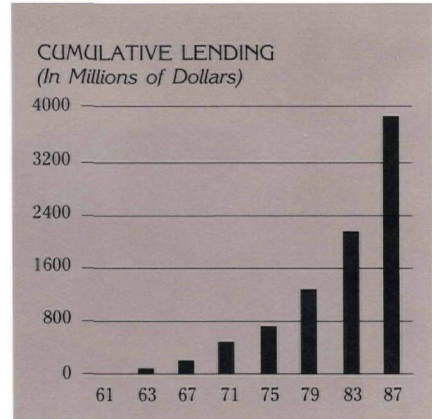
## LOANS

**Agricultural Credit Program:** In 1984, the Government of Colombia initiated a sweeping macro-economic adjustment program to restore the nation's economic growth. Incentives created by new exchange policies, the promotion of exports and the dovetailing of trade and price policies made Colombia's agricultural sector competitive on foreign markets, raised productivity and helped to bring greater profits to farmers. Production improvements took place in such traditional exports as coffee, bananas, tobacco and cocoa and in such non-traditional exports as flowers, fruits, vegetables and beef. Nonetheless, additional investments are required to correct deficiencies and high costs in industrial and trade processes, as well as in transportation and technology. To help provide such investments, the Bank in 1987 approved a \$100 million loan from the inter-regional capital. The loan was extended to the *Banco de la República* and will be used by the *Fondo Financiero Agropecuario*, its agricultural lending arm, to help carry out a credit program for some 60,000 farmers. The program will focus on small-, medium- and large-scale farms, as well as on cooperatives and growers' associations. The program seeks to modernize farming by providing credits to finance such capital investments as machinery and equipment, trucks, fence construction, irrigation and drainage works, storage facilities, breeding stock, soil preparation and planting orchards. Capital will also be provided for improved seed, pesticides, fertilizers, vaccines and the equipment required for processing and marketing farm products.

### Distribution of Loans 1961-87

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$2,052,373	\$4,897,129
Environmental and Public Health	398,208	1,031,712
Agriculture and Fisheries	359,043	918,862
Urban Development	333,722	692,585
Transportation and Communications	314,767	780,055
Industry and Mining	223,592	942,341
Education, Science and Technology	138,378	258,236
Preinvestment	36,305	87,890
<b>Total</b>	<b>\$3,856,388</b>	<b>\$9,608,810</b>



**Guavio Hydroelectric Plant:** Colombia has made significant progress in increasing electric service for its people. In 1970, 31 percent of its population had electricity. By 1984, the percentage had increased to 68. Consumption rose by 10 percent annually between 1970 and 1980, declined sharply in the early 1980s to 5.7 percent as a result of the economic recession, and rose again to 8 percent in 1987 as the economy improved. One of the key projects in Colombia's future expansion plans is the 1-million-kilowatt Guavio hydroelectric complex. The project met a number of difficulties in its early construction stage which slowed its progress and increased its cost. To help cover increased costs, the



Bank in 1987 approved a \$360 million loan from the inter-regional capital. The financing supplements previous Bank loans totaling \$440 million approved in 1981 and 1983. The World Bank has supported the project with a loan for \$359 million, plus other resources channeled through intermediate institutions. The project, which is being carried out by the *Empresa de Energía Eléctrica de Bogotá*, is now 65 percent complete. The first units of the plant will begin operation in 1992; the last in 1994. Completion of the project will increase the country's generating capacity by 10 percent in 1992. The project includes the construction of a 250-meter rockfill dam and associated facilities; an underground powerhouse with five generators of 200,000 kilowatts each; headraces; diversions; discharge and access tunnels; an underground substation; a switchgear yard; transmission lines, and equipment for the facilities.

**Electric Transmission System:** In 1985, the Bank approved a \$115.8 million loan from the inter-regional capital for a program being carried out by *Interconexión Eléctrica, S.A. (ISA)* to help Colombia upgrade its electric power transmission capacity over the 1985-90 period. Subsequently, in 1987, the Bank supplemented that loan with an \$86.6 million complementary loan from the inter-regional capital. Half of the loan was obtained through the sale of participations to a consortium of Japanese commercial banks led by Fuji Bank Ltd. and the other half to a consortium of European commercial banks led by Samuel Montagu & Co., Ltd. The program involves a second 500-kilovolt transmission circuit approximately 525 kilometers long in the Atlantic Coast interconnection; a dual circuit 230-kilovolt line approximately 130 kilometers long between Ancón Sur and Esmeralda; a single circuit 230-kilovolt line about 183 kilometers long between San Carlos and Barranca, and the expansion of the telecommunications system. The project will help meet an expected 5.8 percent growth in demand in the country's electrical consumption between 1985 and 2000 and will help reduce the use of more costly thermal electricity generation.

## PROGRESS HIGHLIGHTS

**San Carlos Hydroelectric Project:** On May 20, 1987, the President of Colombia pulled a switch which put the 620,000-kilowatt second stage of the San Carlos hydroelectric project into operation. That action triggered interconnections which in-

creased Colombia's available generating capacity by 25 percent. The total capacity of the San Carlos plant is 1,240,000 kilowatts. The first 620,000-kilowatt stage of the San Carlos plant went on stream in 1983.

**Pick and Shovel Road Construction:** In 1980, the Bank approved a loan of \$19.6 million from the Fund for Special Operations to help carry out a road construction program in Colombia. The project involved 700 kilometers of low-cost neighborhood roads varying from 8 to 12 kilometers in length. These are being built with hand labor through the extensive use of picks and shovels. By the end of 1987, 300 kilometers of roads had been completed and work was going forward on the remaining 400 kilometers involving 34 sections in 14 different departments. The road program is providing isolated rural areas with improved outlets for their products and easier access to social services.



# COSTA RICA

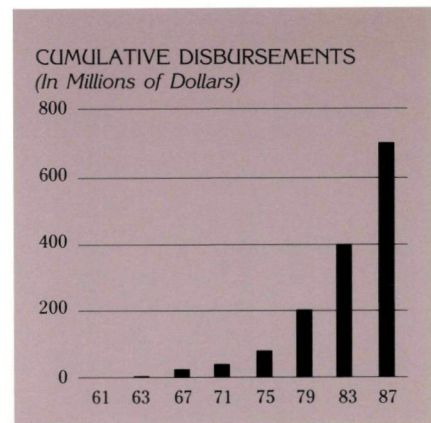
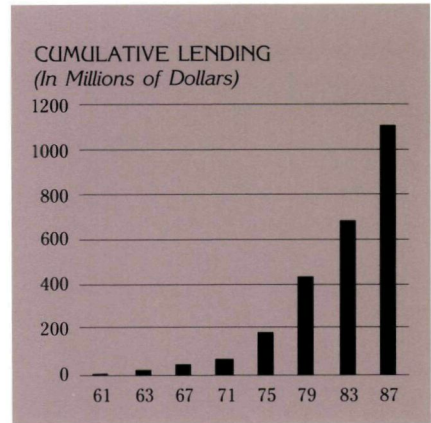
## LOANS

**Electric Development Program:** Costa Rica has embarked on an electric development program designed to increase its generation, transmission and distribution capacity in order to meet growth projections. To contribute to this objective, the Bank in 1987 approved a \$94.6 million loan from the inter-regional capital. The loan will help finance a project which involves the construction of a 32,000-kilowatt hydroelectric plant at Sandillal; the extension of the transmission system and the distribution network, and the acquisition of operating and maintenance equipment. The project will be carried out by the *Instituto Costarricense de Electricidad (ICE)*. The Sandillal project is located downstream from the 174,000-kilowatt Corobicí plant and is powered by waters from Lake Arenal situated in northeast Costa Rica. It was built with the help of two Bank loans totaling \$60 million—\$30 million from the ordinary capital and \$30 million from the Venezuelan Trust Fund. The Sandillal hydroelectric plant will meet increased demand and the transmission improvements will guarantee service reliability. The project includes the construction of the 146-kilometer Arenal-Ciudad Quesada-San Miguel transmission line; a 14-kilometer line from San Miguel to La Caja along the periphery of San José; a 33.5-kilometer line from Siquirres to Leesville, and the expansion of the transformer capacity of the metropolitan circuit. The distribution subproject includes the reconstruction of 1,200 kilometers of lines. Also called for is the improvement of 500 circuits and the public lighting system.

### Distribution of Loans 1961–87

*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Energy	\$ 458,333	\$ 822,036
Agriculture and Fisheries	242,554	378,400
Transportation and Communications	150,783	269,014
Environmental and Public Health	69,871	115,637
Industry and Mining	60,867	83,953
Education, Science and Technology	52,681	89,719
Export Financing	45,000	68,572
Urban Development	29,900	49,205
Preinvestment	10,750	17,839
<b>Total</b>	<b>\$1,120,739</b>	<b>\$1,894,375</b>



**Pilot Forestry Project:** About 56 percent of Costa Rica's land surface is suitable for forestry. More than one-half of that area can support commercial forestry operations. The remainder consists of forests which primarily protect soil and water resources. About 40 per cent of the land suitable for useful forests has already been deforested and can be replaced only through replantings. If present wood consumption trends continue, natural forest resources for commercial use will be depleted in the next 15 years. To help restore Costa Rica's forests, the Bank in 1987 approved a \$12.2 million loan from the inter-regional capital. The pilot project entails the extension of credits to farmers and private





entrepreneurs for the reforestation of 10,000 hectares of land, investments in processing timber, and support for research, training and other forest activities. Some 9,000 hectares will be reforested with lumber-producing species such as laurel, ceiba, pine and cypress. Another 1,000 hectares will be planted in tree species used for firewood, such as eucalyptus, leucadendron and others. Industry credits will be provided to improve sawmills, finishing mills and other lumber manufacturing plants.

**Export Financing:** In 1987, the Bank approved an increase of \$3 million in a line of credit to Costa Rica from the Venezuelan Trust Fund for export credits. In addition, the use of the previous line was extended through repayments by \$3 million.

#### FINANCING FOR SMALL PROJECTS

**Agricultural Credit to Low-Income Farmers:** The *Centro Agrícola Cantonal de Tarrazú (CACT)* was established in 1972 as a private nonprofit institution to promote programs and activities to improve living standards for low-income farmers. In 1987, the Bank approved a \$500,000 financing from the Social Progress Trust Fund to enable CACT to help 300 low-income farmers in the Los Santos area,

COMPLEXITIES OF COMPUTERS ARE LEARNED by students at workshop of the *Instituto Tecnológico de Costa Rica*. The institute expanded its facilities with the help of a \$30 million loan approved by the Bank in 1978. The loan, which also benefited the *Universidad de Costa Rica* and the *Universidad Nacional*, was designed to decentralize the nation's higher education into six regional centers. The project was completed in 1987.

some 75 kilometers southwest of San José, to increase their farm production and to improve marketing of farm products. CACT will use the resources to provide credits to small-scale farmers growing apples, peaches, granadilla, mulberries and keeping bees; to give credit to cooperatives engaged in processing and marketing their produce, to expand its fruit nursery, and to purchase a truck.

#### TECHNICAL COOPERATION

**Support for Economic Policy Formulation:** Under its current National Development Plan, the Government of Costa Rica is seeking to consolidate the nation's economic and financial stability, reactivate production (basically by increasing exports) and



mitigate the effect of austerity measures on the population. To achieve these aims, Costa Rica needs to carry out a systematic analysis of the implications of its current economy strategy. In 1987, the Bank approved a \$195,270 technical cooperation grant from the Fund for Special Operations to help the nation's *Ministerio de Planificación Nacional y Política Económica (MIDEPLAN)* to draw up, coordinate and evaluate the objectives, goals and programs for economic policy contained in the National Development Plan for 1986–90.

**Institutional Strengthening:** Along with the previously described financing to the *Centro Agrícola Cantonal de Tarrazú (CACT)*, the Bank in 1987 approved a \$90,000 technical cooperation grant from the Social Progress Trust Fund. The assistance will be used to strengthen the management, accounting, planning and technical-economic analysis procedures of the *CACT*.

**Institutional Support:** Along with the previously described loan for a pilot forestry project, the Bank in 1987 approved a \$710,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to strengthen the institutional capabilities of the *Dirección General Forestal* of the *Ministerio de Agricultura y Ganadería (MAG)*.

## PROGRESS HIGHLIGHTS

**Ventanas-Garita Hydroelectric Plant:** In 1980, the Bank approved an \$82.5 million loan from the inter-regional capital to enable the *Instituto Costarricense de Electricidad (ICE)*, Costa Rica's power agency, to build the 90,000-kilowatt Ventanas-Garita hydroelectric power plant on the outskirts of San Miguel de Turrucares in Alajuela Province. The President of Costa Rica inaugurated the plant in July 1987. The project was executed at substantial savings due to lower than expected equipment and material costs. The plant is powered by water from the Virilla and Ciruelas Rivers.

**Decentralization of Higher Education:** In 1978, the three Costa Rican universities—the *Universidad de Costa Rica*, the *Instituto Tecnológico de Costa Rica* and the *Universidad Nacional*—initiated a program to decentralize the nation's higher education services into six regional centers. The Bank supported this effort with a \$30 million loan from the Fund for Special Operations. The project involved the construction of educational centers, ad-

ministrative buildings, libraries, student services and other facilities. By the end of 1987, the project had been completed and the goals of the program had been achieved. With respect to the *Universidad de Costa Rica* component, buildings for the regional centers at Guanacaste, Occidente and Atlántico had been built and were fully operational. The same was true for the administrative and library facilities at the Central campus; the construction by the *Instituto Tecnológico de Costa Rica* of a regional Center in San Carlos; educational facilities in the city of Cartago; the construction by the *Universidad Nacional* of a regional center in Pérez Zeledón, and educational facilities in Heredia.



# DOMINICAN REPUBLIC

## LOAN

**Export Financing:** In 1987, the use of a previous line of credit to the Dominican Republic from the Venezuelan Trust Fund for export credits was extended through repayments by \$400,000.

## TECHNICAL COOPERATION

**Irrigation and Rural Development:** Agriculture and cattle account for 17.3 percent of the Dominican Republic's Gross National Product, 66 percent of its exports and 34 percent of its work force. In order to spark improvements in the sector's production, the Bank in 1987 approved a \$480,000 technical cooperation grant from the Fund for Special Operations. The assistance will help the *Secretaría de Estado de Agricultura (SEA)* provide training for 734 persons, including 510 extension agents, farmers, community leaders, technicians and officers through more than 20 courses. In addition, 220 high-level officials will participate in four seminars designed to help solve problems and four professors will be trained in project administration and in presenting training programs.

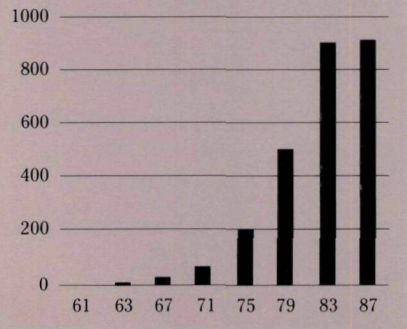
**Emergency Hurricane Assistance:** On Sept. 23, 1987, Hurricane Emily swept by the Dominican Republic. While it was not a major disaster for the island as a whole, it caused substantial damage to the southwestern part of the country. Damages were estimated at more than \$87 million. The

### Distribution of Loans 1961-87

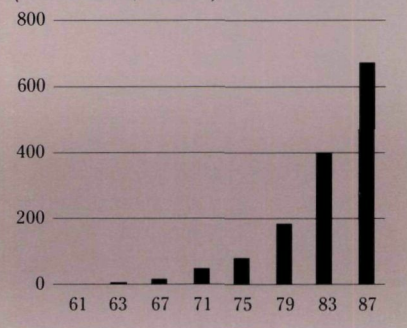
In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Agriculture and Fisheries	\$369,424	\$ 613,115
Transportation and Communications	138,932	224,095
Energy	125,211	185,654
Industry and Mining	88,902	120,198
Environmental and Public Health	57,633	77,094
Tourism	50,000	71,430
Education, Science and Technology	20,421	31,464
Preinvestment	4,706	6,897
Urban Development	3,479	6,375
Export Financing	2,096	2,849
Other	50,000	50,000
<b>Total</b>	<b>\$910,804</b>	<b>\$1,389,171</b>

CUMULATIVE LENDING  
(In Millions of Dollars)



CUMULATIVE DISBURSEMENTS  
(In Millions of Dollars)



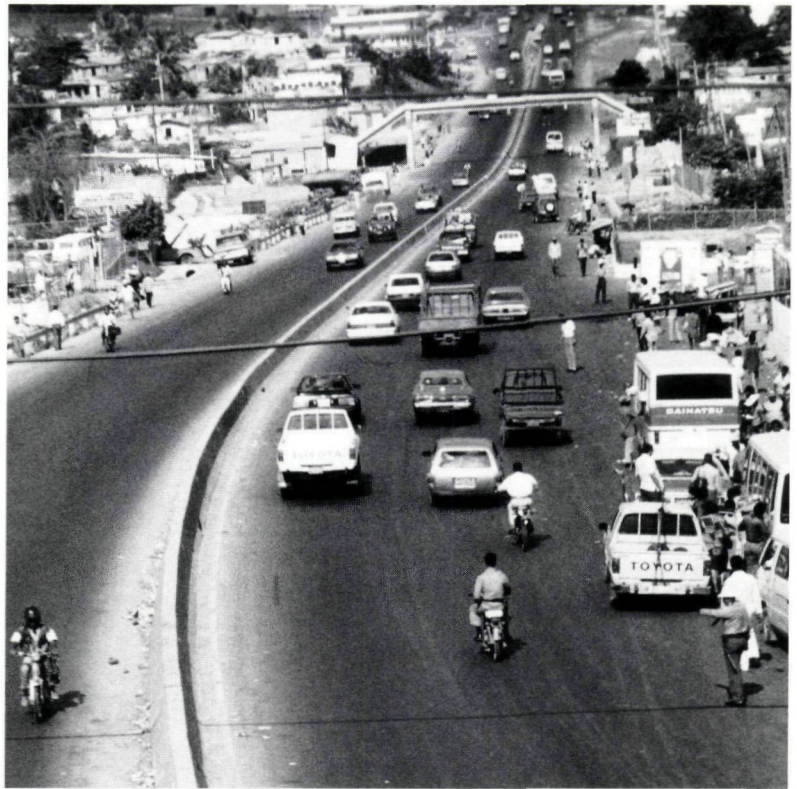
region's farming, roads, water systems, electricity, schools and health facilities were affected. In order to help small-scale farmers recover from ravages of the storm, the Bank shortly thereafter approved a \$100,000 emergency technical cooperation grant from the Fund for Special Operations. The assistance will enable the farmers to acquire material, equipment and other goods and inputs.

## PROGRESS HIGHLIGHTS

**López-Angostura Multipurpose Project:** In 1987, the President of the Dominican Republic in-



TRAFFIC FLOWS smoothly on Duarte Highway near Pedro Brand in Santo Domingo, Dominican Republic. In 1980, the Bank approved two loans totaling \$36 million to help improve and expand the highway which is the country's main north-south road. The Bank financing is being used by the *Ministerio de Obras Públicas y Comunicaciones* to improve the road between kilometers 8.7 and 28.2. In addition, 24 overpasses are being provided for pedestrians to cross the highway. By the end of 1987, the project was 95 percent complete.



augurated the López-Angostura project, 130 kilometers northeast of Santo Domingo, on the Yaque del Norte River. The project is part of the Tavera-Bao complex, which includes the interconnected Tavera and Bao dams, partially financed by the Bank. The López-Angostura project was financed with the help of two Bank loans totaling \$44.5 million—\$22,250,000 from the inter-regional capital and \$22,250,000 from the Fund for Special Operations—approved in 1980. The project involved the construction of the López Dam 2.4 kilometers down stream from the Tavera powerhouse, a water reservoir covering 40 hectares and the Angostura powerhouse, which has an installed capacity of 18,000 kilowatts. As a result of the execution of the project, the full utilization of the Tavera powerhouse will be achieved during peak periods, a continuous flow of water for irrigation will be assured and electric power capacity will be increased. A Spanish construction firm was the principal builder.

**Improvement of Duarte Highway:** In 1980, the Bank approved two loans totaling \$36 millions—\$24 million from the ordinary capital and \$12 million from the Fund for Special Operations—to help improve and expand the Duarte Highway. The 200-kilometer highway is the country's main

north-south road. The Bank's financing is being used by the *Ministerio de Obras Públicas y Comunicaciones* to improve the roadway between kilometers 8.7 and 153. The project involves repaving the road; building 12.7 kilometers of lanes for slow traffic; building two additional lanes between kilometers 8.7 and 28.2; and putting up 24 bridges for pedestrians to cross over the highway. By the end of 1987, the project was about 95 percent complete.

**Santo Domingo Technological Institute:** In 1982, the Bank approved a \$5.4 million loan from the Fund for Special Operations to expand and strengthen the *Instituto Tecnológico de Santo Domingo (INTEC)*, a private university. The expansion program is designed to help meet the nation's demand for engineers. The project is enabling *INTEC* to establish four fields of study in systems, industrial design, electrical and mechanical engineering. The loan is being used to build and equip four new buildings for classrooms, students services, a laboratory and a central library; to improve the faculty, and to strengthen academic programs. By the end of 1987, the project was virtually completed.



# ECUADOR

## LOANS

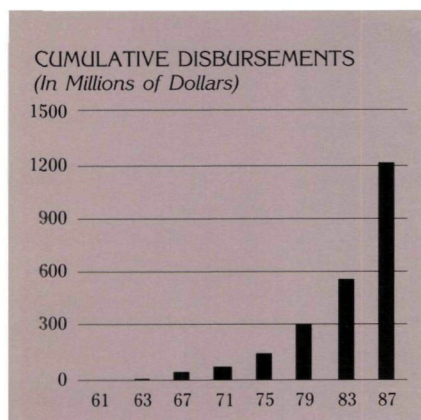
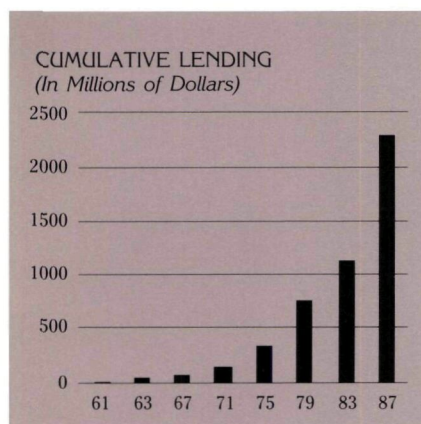
**Agricultural Credit Program:** The 1986 decline in the price of oil, Ecuador's chief export, led to a 32 percent drop in the country's foreign earnings and a 25 percent reduction in its fiscal revenue. Subsequently, the earthquake which struck Ecuador March 5, 1987, extensively damaged a 40-kilometer section of the eastern oil pipeline, temporarily halting exports and causing further economic losses. As a result, the agricultural sector has gained importance in Ecuador's economy. That sector generates approximately 50 percent of the nation's jobs and 32 percent of its exports. Agriculture grew by 10.3 percent in 1984, 7.3 percent in 1985, and 6 percent in 1986. The Bank contributed to this growth with loans of \$54 million in 1983 and \$120 million in 1985 for the first two stages of a Global Agricultural Credit Program. In 1987, the Bank approved another loan—\$200 million from the inter-regional capital—to help finance the third stage. The loan—being channeled through the *Banco Nacional de Fomento (BNF)*—will help increase Ecuador's food production and export products. The loan resources will be used to extend credits to farmers for investments and working capital and to contract technical services to prepare and execute investment programs.

**Central Sierra Reforestation:** Over the past five years, Ecuador has made progress in its efforts to restore forests, ensure wood supplies, combat erosion and enhance the environment. By 1987, 102,000 hectares had been replanted. Still some

### Distribution of Loans 1961–87

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Agriculture and Fisheries	\$ 817,159	\$1,149,217
Energy	515,922	1,567,660
Industry and Mining	309,018	513,044
Transportation and Communications	268,113	566,476
Environmental and Public Health	150,661	266,316
Education, Science and Technology	132,118	164,728
Urban Development	82,100	102,750
Preinvestment	26,715	34,083
Tourism	2,192	7,278
<b>Total</b>	<b>\$2,303,998</b>	<b>\$4,371,552</b>



2.3 million hectares of land, 73 percent in the Sierra, can be reforested. In 1987, the Bank authorized a \$6.3 million loan from the Fund for Special Operations to plant trees on some 18,000 hectares of denuded and eroded land in Ecuador's Central Sierra. The program is being carried out by the *Ministerio de Agricultura y Ganadería* on land owned by low-income farmers. The land has been stripped of trees and other plant cover, leading to erosion and sedimentation and other negative effects on the environment (including fauna, flora, water and climate). The new plantings will help to reverse the environmental degradation, as well as provide forest





products and additional sources of income to the local population. About 23 million seedlings of pine, tropical cypress and eucalyptus will be planted, along with 6.7 kilometers of windbreaks. Training will be provided for some 6,000 farmers within the project on various aspects of the reforestation program. In addition, research will be carried out on reforestation, particularly with native species.

**Global Urban Development:** From 1970 to 1985, Ecuador's urban population grew at a rate of from 4 to 9 percent annually, compared with 1.6 percent for the rural population. The result of this rapid urbanization—half of which is concentrated in Quito and Guayaquil—has been a growing gap between demand and supply in housing and essential services. An estimated 43 percent of all housing units are substandard and/or lack water, sewer and electrical connections. To help meet these needs the Bank in 1987 approved a \$57.2 million loan from the Fund for Special Operations. The loan will help finance a program designed to meet the housing needs of the country's low-income population and to strengthen the country's principal institutions in the urban development sector. The program will be carried out by the *Banco Ecuatoriano*

*de la Vivienda*, with support from the *Junta Nacional de la Vivienda*. The Bank's resources will help prepare about 32,000 lots for houses in urban centers of more than 6,000 inhabitants. The program will cover the purchase of the land; preparation of the earthworks, and infrastructure for water systems, sanitary and storm sewers, electricity lines, street lighting and streets. In addition, credit for materials will be extended to build basic housing units on the lots. The program also includes advisory services to strengthen the national institutions involved in the housing sector.

#### FINANCING FOR SMALL PROJECTS

**Farm Marketing Plant:** The *Union de Organizaciones Campesinas Agropecuarias de Vinces y Baba (UNOCAVB)* is a private nonprofit institution which helps to solve the problems of its member organizations of small-scale farmers. In 1987, the Bank approved a 755,000 Swiss franc financing (equivalent to \$500,000) from the Technical Cooperation and Small Projects Swiss Fund to help *UNOCAVB* to establish a plant to process rice, corn and cocoa. The plant will enable 2,600 low-income farmers, belong-





**NEW DAULE-PERIPA DAM** north of Guayaquil, Ecuador, is creating a reservoir of 6 million cubic meters of water. The project, one of largest ever built in Ecuador, was inaugurated in 1987. It will provide irrigation for 150,000 hectares of land and generate 130,000 kilowatts of electricity. Early stages of construction on the tunnel for the hydroelectric plant are shown in the photograph at right. In addition to providing irrigation and electricity to the region, the project will also help control floods, which in recent years have caused extensive damage to the productive areas of Manabi, Guayas and Los Rios.

ing to 82 agricultural production organizations, to improve the marketing of their products. It will have a capacity to process 9,450 tons of rice, 2,500 tons of corn and 300 tons of cocoa per year. Up to \$100,000 of the financing will be used to strengthen UNOCAVB's marketing program.

#### **Financing for Entrepreneurs in Quito:**

The *Fundación Ecuatoriana de Desarrollo (FED)* is a nonprofit institution whose objective is to improve living conditions for low-income groups in both urban and rural areas. It has carried out a microbusiness program in the colonial part of Quito and, through 1986, 223 rural projects benefiting 5,561 small-scale farmers. To support its urban work, the Bank in 1987 approved a \$500,000 financing from the Fund for Special Operations. The financing will provide credit and training for 2,000 low-income entrepreneurs in the informal sector in the southern part of Quito. It will be used to carry out a Microenterprise Development Program under which beneficiaries will be trained and credits will be extended to them to finance working capital, productive infrastructure, machinery, equipment and raw materials. The beneficiaries are engaged in locksmithing, baking, carpentry and cabinet making, processing and

packaging foods, apparel, the maintenance and repair of machinery and equipment, metal working and saddlery.

**Credit for Guayaquil Entrepreneurs:** The Western Suburb of Guayaquil lacks infrastructure and services and has a high population density and a high incidence of diseases. In order to create new jobs, boost productivity and increase family income, the Bank in 1987 approved a \$500,000 financing from the Fund for Special Operations to carry out a credit program for small-scale entrepreneurs in this part of the city. Credits will be used to purchase raw materials, machinery, equipment and for infrastructure and technical assistance. The project will benefit some 1,500 individual low-income producers and associates, who carry out such activities as locksmithing, baking, carpentry, cabinet making, food packaging, apparel, maintenance and repair of vehicles and machines, saddlery and others. The project is being carried out by the *Fundación Guayaquil*.



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## TECHNICAL COOPERATION

**Emergency Earthquake Relief:** On March 5 and 6, 1987, the northeast region of Ecuador was struck by a number of earthquakes, followed by floods, which caused casualties and serious damage to the nation's economy. Three hundred lives were lost. The trans-Ecuadoran oil pipeline and the Shushfindi-Quito gas pipeline were seriously damaged. Forty kilometers of the Santa Rosa-Lumbaqui road were destroyed, farm land was lost and homes were destroyed. As a response to the tragedy, the Bank shortly thereafter approved a \$100,000 technical cooperation grant from the Fund for Special Operations. The assistance was devoted to the purchase of tents, construction materials, tools and other immediately needed items.

**Institutional Support:** Along with the previously described financing to the *Unión de Organizaciones Campesinas Agropecuarias de Vinces y Baba (UNOCAVB)*, the Bank in 1987 approved a 189,000 Swiss franc (equivalent to \$125,000) technical cooperation grant from the Technical Cooperation and Small Projects Swiss Fund. The assistance will be used to strengthen the administrative and technical capacity of the *Compañía Almacenera (ALMACINION)*, the enterprise created to manage the farm processing plant. It will also be used to provide training in marketing techniques to small-scale farmers.

**Institutional Support:** Along with the previously described financing extended to the *Fundación Ecuatoriana de Desarrollo (FED)*, the Bank in 1987 approved an \$80,000 technical cooperation grant from the Fund for Special Operations. The cooperation will be used to ensure the efficient use of the resources, to train *FED* staff members in administrative and financial systems, and to provide training for the beneficiaries.

**Institutional Support:** Along with the previously described financing to the *Fundación Guayaquil*, the Bank in 1987 approved a \$76,000 technical cooperation grant from the Fund for Special Operations. The assistance will strengthen the capacity of the executing agency to provide training to the beneficiary entrepreneurs.

## PROGRESS HIGHLIGHTS

**Daule-Peripa Development Project:** In 1979, the Bank authorized three loans totaling \$165 mil-

lion—\$70 million from the Fund for Special Operations, \$70 million in a complementary financing from the inter-regional capital and \$25 million from the Venezuelan Trust Fund—to carry out the first stage of a multi-purpose river basin development program in Ecuador. The project, which is being carried out by the *Comisión de Estudios para el Desarrollo de la Cuenca del Río Guayas (CEDEGE)*, will provide 150,000 hectares of land with irrigation and will generate 130,000 kilowatts of electricity through the construction of a hydroelectric plant. The first stage consisted of the construction of a dam on the Daule River, about 87 miles north of Guayaquil. The dam is creating a reservoir of 6 million cubic meters of water, which will provide irrigation and meet the region's water supply needs. In addition, a tunnel is being built for a planned 130,000-kilowatt hydroelectric plant. One of the principal benefits of the project is flood control. In recent years floods have caused extensive damage to the productive areas of the Manabi, Guayas and Los Ríos.



# EL SALVADOR

## LOANS

**San Salvador Water and Sewage Service:** In 1985, 2.2 million inhabitants, or 44 percent of El Salvador's population, lacked water supply services. Of these, 800,000 were city residents. Some 1.8 million inhabitants, 38 percent of the total, lacked sewage disposal services. Of these, approximately 450,000 were urban dwellers. Forty percent of urban residents lacking water supply service and 75 percent of those without access to sewage systems lived in the metropolitan area of San Salvador. To improve the area's potable water and sewage system, the Bank in 1987 approved a \$166 million loan from the Fund for Special Operations. The loan will help the *Administración Nacional de Acueductos y Alcantarillados (ANDA)* to carry out six subprojects in San Salvador—five potable water and one sewage system. Two of these—Tres Pozos and Río Lempa I—will augment annual water production by a total of 55.3 million cubic meters. Two others—a distribution network and an Eastern Zone pipeline—will enable every part of the city to receive water. A fifth project is designed to improve the operating, maintenance and administrative conditions of the water system. Finally, a sixth project will improve and expand the capacity of the trunk sewer system through the construction of 26 kilometers of a number of sewers and the repair of the present system.

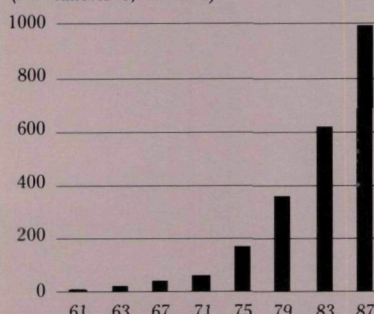
**Export Financing:** In 1987, the use of a previous line of credit to El Salvador from the Venezuelan Trust Fund for export credits was extended through repayments by \$3.3 million.

### Distribution of Loans 1961–87

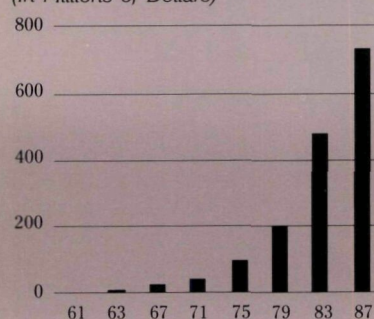
In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Environmental and Public Health	\$275,372	\$ 382,236
Energy	214,080	411,183
Agriculture and Fisheries	194,259	286,051
Industry and Mining	135,927	144,593
Transportation and Communications	65,727	114,918
Export Financing	48,364	69,091
Urban Development	31,208	59,255
Preinvestment	11,846	16,080
Education, Science and Technology	10,749	15,344
<b>Total</b>	<b>\$987,532</b>	<b>\$1,498,751</b>

CUMULATIVE LENDING  
(In Millions of Dollars)



CUMULATIVE DISBURSEMENTS  
(In Millions of Dollars)



## FINANCING FOR SMALL PROJECTS

### Support for Low-Income Microentrepreneurs:

Some 94 percent of all businesses in El Salvador are informal microenterprises. They provide 43 percent of all jobs. These are concentrated in commerce, services and industry. However, they account for only 16 percent of the value of production in these sectors, due to low productivity per worker and lack of capital. In 1987, the Bank approved a \$500,000 financing from the Fund for Special Operations to enable 420 low-income small-scale entrepreneurs in San Miguel to improve their socioeconomic status, stabilize existing jobs and create





**BIOLOGIST CHECKS GERMINATION RATE** of hybrid yellow corn at the agricultural technology center in San Andrés, El Salvador, before certifying seed for sale to farmers. In 1982, the Bank lent El Salvador \$12.9 million to help finance an agricultural research and extension project being carried out by the center. The project, which is benefiting 80,000 small-scale farmers, involved research on high yielding varieties of seeds, such as corn, rice, beans and sorghum. A number of varieties developed by the center have been exported to other Central American countries.

new employment. The project is being carried out by the *Fundación Salvadoreña para el Desarrollo Económico y Social (FUSADES)*, a private nonprofit community development organization established in 1983. The project consists of a credit and training program. Credits will be provided to finance production infrastructure, machinery, equipment, raw material and other inputs. Training in management skills will be provided to beneficiaries.

#### TECHNICAL COOPERATION

**Malaria Control:** Since the early 1970s, El Salvador has carried out a variety of activities to control

the incidence of malaria. During the first half of that decade, the incidence of the disease fell substantially. However, since then the situation has deteriorated. Mosquitos have acquired resistance to insecticides and the fight against malaria has waned due to economic difficulties and the civil conflict which has resulted in heavy population migration. Such movements enhance the spread of the disease. To help reverse this trend, the Bank is cooperating with the Pan American Health Organization (PAHO) and the Ministries of Health of the region to help draft investment projects which will result in the execution of programs to control and prevent malaria in the region. The objective is to halt the transmission of the disease. In 1987, the Bank approved an \$86,860 technical cooperation grant from the Fund for Special Operations to enable El Salvador's *Ministerio de Salud Pública y Asistencia Social* to draft such a project.

**Macroeconomic Model:** From 1978 to 1983, the economy of El Salvador declined by 23 percent. Since then it has shown modest growth rates: 2.3 percent in 1984, 2.0 in 1985 and 1.0 in 1987. To spur growth, El Salvador has considered various fiscal, monetary, exchange, foreign debt, price and wage measures. To help spur growth, the



Bank in 1987 approved a \$123,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to prepare and put into use a macroeconomic model which will enable El Salvador to improve its capacity to analyze policies and forecast various macroeconomic scenarios. The model, which is an Inter-American Development Bank model in use in 19 other countries, would be fed into microcomputers at the nation's Planning Ministry and Central Bank—the *Ministerio de Planificación y Coordinación del Desarrollo Económico y Social (MIPLAN)* and the *Banco Central de Reserva (BCR)*. In addition, professionals at both entities will be trained in the use of the model.

**Earthquake Housing Reconstruction:**

The earthquake which struck El Salvador Oct. 10, 1986, destroyed or seriously damaged the homes of 56,000 families. In order to help rebuild some of these homes, the Bank in 1987 approved a \$7.1 million technical cooperation grant under its Special Social Progress Trust Fund Program. Approximately 4,500 low-income families affected by the earthquake are expected to benefit from the assistance which will be used by the *Alcaldía Municipal de San Salvador* to provide materials and technical assistance to reconstruct basic housing and sanitary services in an area that includes the municipalities of San Salvador, San Marcos, Ayutuxtepeque, Ilopango, Ciudad Delgado, Antiguo Cuscatlan, Cuscatancingo, Soyapango and Apopa. The project, which will be carried out through self help and mutual aid, also involves training and technical cooperation and materials for water and sewage works.

**Institutional Support:** Along with the previously described financing to the *Fundación Salvadoreña para el Desarrollo Económico y Social (FUSADES)*, the Bank in 1987 approved an \$87,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to strengthen the capacity of *FUSADES* to provide advisory support services and training for the microentrepreneurs benefiting from the project.

## PROGRESS HIGHLIGHTS

**Preinvestments Studies:** In 1979, the Bank approved a \$4.5 million loan from the Fund for Special Operations to help finance a preinvestment program designed to foster economic and social development in El Salvador. By the end of 1987, the program had been completely carried out. The loan was used by the *Fondo Salvadoreño para Estudios*

*de Preinversión (FOSEP)*, the nation's preinvestment fund, to extend credits for the preparation of technical, economic and financial prefeasibility and feasibility studies of specific projects. The project resulted in the execution of 19 studies, all of which have been concluded. Many of these resulted in projects which were subsequently presented to the Bank for financing.

**Agricultural Marketing Program:** In 1981, the Bank approved a \$15.6 million loan from the Fund for Special Operations to carry out an agricultural support program involving two subprojects: the improvement of the marketing of basic grains and the construction of warehouse stores to provide inputs and supplies to farmers. Subsequently, the first part of the program was cancelled at the request of the Government. By the end of 1987, the second subproject had been completed. The *Banco de Fomento Agropecuario (BFA)* built and equipped five farm supply warehouses.



# GUATEMALA

## LOAN

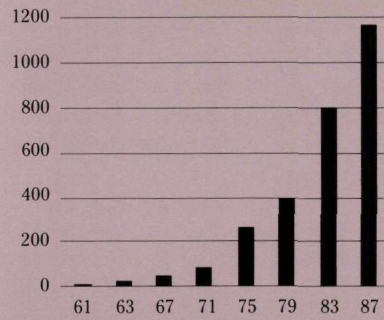
**Housing Sites and Services:** Guatemala has a growing housing shortage. At least half of the residents of Guatemala City and 70 percent of the residents of other urban areas lack sufficient income to purchase a house built to minimum specifications by a private builder. To help make up part of the deficit, the Bank in 1987 approved a \$43.8 million loan from the Fund for Special Operations to provide housing for low-income people. Being carried out by the *Banco Nacional de la Vivienda (BANVI)*, the program will finance the preparation of sites and services and will strengthen the executing agency. Program resources will be used to purchase land and develop about 12,500 building lots. These costs will be recovered by selling them on credit to the program beneficiaries. The lots will be grouped into developments in Guatemala City and in some six secondary cities. Each lot will be provided with street and/or pedestrian access, water and sewage connections, electricity, and a sanitary core unit. In addition, the program will provide for the construction of minimum community installations, such as primary schools, parks and markets. The executing agency will provide credits to purchase the lots and construction materials to build a basic small house. The houses will be built by the beneficiaries themselves through an organized self-help construction system.

### Distribution of Loans 1961–87

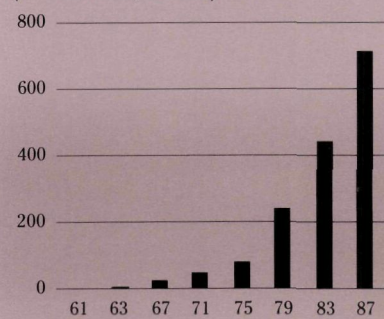
In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$ 312,708	\$ 978,425
Environmental and Public Health	198,955	295,806
Industry and Mining	195,448	194,683
Transportation and Communications	165,125	271,780
Agriculture and Fisheries	156,207	230,671
Urban Development	85,784	127,439
Education, Science and Technology	45,900	62,472
Tourism	5,109	6,971
Export Financing	1,000	1,429
<b>Total</b>	<b>\$1,166,236</b>	<b>\$2,169,676</b>

CUMULATIVE LENDING  
(In Millions of Dollars)



CUMULATIVE DISBURSEMENTS  
(In Millions of Dollars)



## FINANCING FOR SMALL PROJECTS

**Agricultural Cooperatives:** The *Cooperativa Agropecuaria Cafetalera y de Servicios Varios "El Asintal"* is an association of small-scale farmers who live in six villages. Its main center is in the Municipality of El Asintal in Retalhueu Department. In 1987, the Bank approved a \$500,000 financing from the Fund for Special Operations to help improve the quality of life of its 220 family members. The credits will help the farmers to diversify production into other crops besides coffee, their principal crop. Bananas and plantains will be planted among the coffee bushes. High-yielding coffee varieties will





**DRIP IRRIGATION SYSTEM** helps grow better tomatoes at this farm at San Miguel Conacaste in Guatemala. In 1980, the Bank approved a \$500,000 financing to help the *Instituto de Asuntos Culturales* finance the system for the El Conacaste agricultural cooperative. The cooperative, which was formed in 1982, has a membership of 200 farm families. The irrigation system was purchased from Israel and delivers measured amounts of fertilizer mixed with water to be fed directly to plant roots, eliminating the need to irrigate the entire crop area.

be planted and planting practices will be improved. The credits also will support the production of ginger, cattle, honey and beeswax, freshwater shrimp and poultry.

**Support for Rural Indian Women:** The *Federación de Cooperativas Agrícolas de Productores de Café de Guatemala (FEDECOCAGUA)* was established in 1969 to link cooperatives of small-scale coffee farmers and to carry out projects to benefit their members. In 1982, the Bank approved a \$380,000 financing from the Fund for Special Operations to provide credits and technical assistance to help affiliated women's groups improve their production capabilities and living standards. As a result of the success achieved under that program, the Bank in 1987 approved a new financing of \$500,000 from the Fund for Special Operations to enable *FEDECOCAGUA* to develop four agroindus-

trial centers designed to help 500 members of 28 women's groups to enter the country's production system. The four centers will specialize in hog production, poultry breeding, concentrated feed production and pork processing.

## TECHNICAL COOPERATION

**Malaria Control:** Since 1964, Guatemala has carried out efforts to combat malaria. However, results have been scant. At different times, control activities have been interrupted due to a variety of factors. Mosquitoes have acquired resistance to insecticides and the migrations caused by civil unrest in the Central American region have led to greater incidence of the disease. In cooperation with the Pan American Health Organization (PAHO) and the Ministries of Health of the Central American countries,



the Bank is seeking to reverse this trend. As an initial step, it is helping four countries in the region to draft investment projects to control and prevent malaria. The eventual aim would be to halt the transmission of the disease. In 1987, the Bank approved a \$90,620 technical cooperation grant from the Fund for Special Operations to enable Guatemala's *Ministerio de Salud Pública y Asistencia Social* to draft such a project.

**Support for Agricultural Cooperative:** In 1980, the Bank approved a \$500,000 financing from the Social Progress Trust Fund to enable small-scale farmers in Conacaste, 58 kilometers northeast of Guatemala City, to improve their standard of living. The assistance led to the establishment of the *Cooperativa Agrícola Integral "El Conacaste," R.L.*, the creation of an irrigation system, the extension of small credits and the initiation of the intensive cultivation of tomatoes on the irrigated land. In order to strengthen the cooperative, the Bank in 1987 approved a \$66,000 technical cooperation grant from the Social Progress Trust Fund. The assistance will be used to improve the cooperative's administrative capacity in managing its resources.

**Institutional Support:** Along with the previously described financing to the *Cooperativa Agropecuaria Cafetalera y de Servicios Varios "El Asintal,"* the Bank in 1987 approved a \$104,800 technical cooperation grant from the Fund for Special Operations. The assistance will be used to provide training to farmers in business management, to devise appropriate credit administration systems, to strengthen marketing systems and to improve the effectiveness of the services of the executing agency.

**Institutional Support:** Along with the previously described financing extended to the *Federación de Cooperativas Agrícolas de Productores de Café de Guatemala (FEDECOCAGUA)*, the Bank in 1987 approved a \$90,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to strengthen the administration of the four production centers which will be established under the program, to train the staff of the centers as well as the women beneficiaries, and to train monitors and promoters of women's groups.

## PROGRESS HIGHLIGHTS

**Urban Water and Sewage Services:** In 1981, the Bank authorized a \$22.5 million loan from the Fund

for Special Operations to help provide water and sewage services to a number of secondary cities in Guatemala. The project represented the fourth stage of a program financed by the Bank. In previous stages, the Bank helped Guatemala build, improve or expand 127 water and sewage systems throughout the country. The 1981 loan is enabling the executing agency, the *Instituto the Fomento Municipal (INFOM)*, to build water systems for 15 additional cities and to build sewage facilities for the cities of Retalhuleu, Quezaltenango and Coatepeque. By the end of 1987, seven of the water systems had been concluded. These were located in the cities of Retalhuleu, Guazacapan, Columba, San Rafael Las Flores, Nueva Santa Rosa, San Pedro Carcha and Zacapa. In addition, the sewage systems of Retalhuleu and Coatepeque were finished.

**Rural Water Systems:** In 1983, the Bank approved a \$16.8 million loan from the Fund for Special Operations to help finance the fourth stage of a program to provide potable water services in rural areas of Guatemala. The loan is being used by the *Ministerio de Obras Públicas y Bienestar Social* to build 110 new rural water supply systems and to rehabilitate 93 others. By the end of 1987, construction had been started on 49 systems and 24 of these had been finished. In addition, bids were let out in 1987 for an additional 50 systems. Also, work had been completed to rehabilitate 82 water services.

**Support for Women's Cooperatives:** In 1982, the Bank approved a \$380,000 financing from the Fund for Special Operations to provide credit to benefit low-income women organized in 34 cooperative groups of small-scale farm and industrial producers in Guatemala. These groups are affiliated with the *Federación de Cooperativas Agrícolas de Café de Guatemala, R.L. (FEDECOCAGUA)*, a private nonprofit cooperative of 35,000 members engaged primarily in the production of coffee. The Bank also provided \$50,000 in technical cooperation from the Fund for Special Operations for the project. The project was completed on schedule and all funds have been disbursed. Credits were extended to 28 groups with a total of 494 members. Some 71 percent was devoted to farming and stock-raising, 23 percent to industrial crafts and 6 percent to agroindustrial activities. The technical cooperation provided 163 training courses for members and 200 training seminars in credit management for monitors and promoters. As a result of the success achieved with the project, the Bank in 1987 approved the previously described financing for a second stage of the program.



# GUYANA

## LOAN

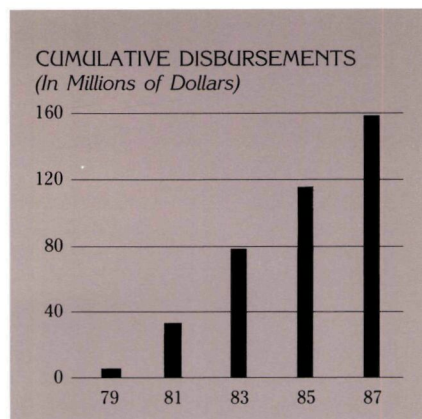
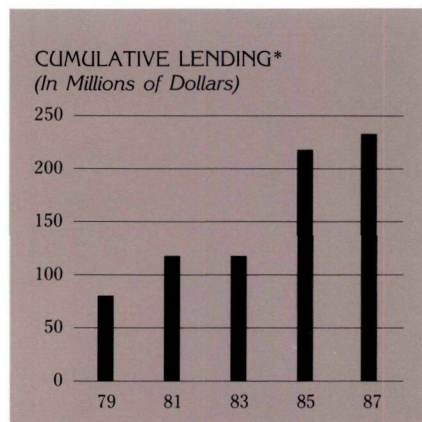
### Irrigation and Drainage for Small-Scale farmers:

Land suitable for agriculture is scarce in Guyana. Three-quarters of the country's arable land is located in a narrow strip along the coast, much of it below sea level during high tides. A dense network of rivers compound the water control problems, requiring carefully designed defenses from the sea water, adequate irrigation and drainage and close coordination to handle tides and rain cycles. For these reasons, the Bank's lending in Guyana has been heavily concentrated on drainage and irrigation. Bank loans for those purposes are improving about 16 percent of the country's total agricultural area requiring such facilities. In 1987, the Bank approved an additional loan—\$6,750,000 from the Fund for Special Operations—to rehabilitate drainage and irrigation on 5,160 hectares of land in three areas near Georgetown. The project will include land clearing, excavating canals and drains, rehabilitating sea sluices and pumping stations, and building bridges, culverts and aqueducts. The three areas include Craig/Relief, Buxton/Friendship and Vreed-en-Hoop/La Jalousie. The project will be carried out by the Hydraulics Department of the Ministry of Agriculture.

## FINANCING FOR SMALL PROJECTS

**Credit for Microentrepreneurs:** The Institute of Small Enterprise Development Ltd. (ISED) is a non-profit organization created in 1985 to promote the development of small-scale enterprises in Guyana. In 1987, the Bank approved a 375,000 Swiss franc financing (equivalent to \$250,000) from the Techni-

cal Cooperation and Small Projects Swiss Fund to help ISED provide credit and technical assistance to 150 microentrepreneurs in the informal sector, thus improving their living standards. Production enterprises in Guyana's urban informal sector often consist of a single person, who employs four or five family members. Activities include furniture making; woodcrafts and toys; food and fish processing; apparel; metal products; tools, and repair workshops.



\* Guyana joined the Bank in 1976.

## Distribution of Loans 1976–87

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Agriculture and Fisheries	\$160,146	\$228,750
Industry and Mining	33,777	42,300
Energy	16,141	19,200
Education, Science and Technology	14,400	16,000
Environmental and Public Health	8,482	11,900
<b>Total</b>	<b>\$232,946</b>	<b>\$318,150</b>





DEBT SERVICE RATIOS ARE ANALYZED at training course carried out at the headquarters of Guyana's Cooperative and Industrial Development Bank (GAIBANK). In 1985, the Bank approved a \$23 million loan to enable GAIBANK to provide credits to exporting firms or to firms replacing imports efficiently. Part of the loan was also used to provide training to loan officers of GAIBANK. Here, a Peruvian consultant discusses the use of a computer program to calculate the internal rate of return of the investment program.

## TECHNICAL COOPERATION

**Drainage and Irrigation Studies:** Along with the previously described loan to finance irrigation and drainage projects in Guyana, the Bank in 1987 approved \$803,100 in technical cooperation—\$332,600 on a contingent recovery basis and \$470,500 on a grant basis—from the Fund for Special Operations. The contingent recovery assistance will be used to finance feasibility studies for the rehabilitation of three additional drainage and irrigation areas. The grant will finance a study of the East Demerara and Boerasirie Conservancies and will provide training in water quality and health vector

surveys for selected staff members of the Ministry of Agriculture.

**Agroindustrial Use of Sugar:** The long-term prospects for the sugar cane industry in Guyana are not encouraging. The industry currently relies on exports of sugar as its main source of income. World sugar prices, however, remain depressed due to excess production and large stocks. Guyana's share in the European Economic Community (EEC) and the United States markets have dwindled steadily. In addition, the sugar industry's equipment is seriously outdated and needs to be refurbished. For these reasons, Guyana is seeking to carry out a number of industrial and economic studies of available sugar cane industrial technologies prior to adopting viable alternatives for the industry. To help carry out these studies, the Bank in 1987 approved a \$130,000 technical cooperation grant from the Fund for Special Operations. The studies will assess the technical and economic viability of the industrial transformation of the sugar cane plant and/or its by-products into alternative marketable commodities other than sugar, and to explore the alternative uses to which sugar cane lands



might be put in order to promote agroindustrial development.

**Electricity Co-Generation:** Efficient co-generation of electricity through the use of sugar cane pulp—called bagasse—in Guyana's sugar mills would help to reduce imports of petroleum for power generation. To support this objective, the Bank in 1987 approved \$490,000 technical cooperation grant—\$250,100 as a grant and \$239,900 on a contingent recovery basis—from the Fund for Special Operations. The project will be carried out by the Guyana Sugar Corporation Ltd. (GUYSUCO). The studies will determine the most feasible process to burn bagasse to generate electricity and produce steam, thus making the mills self-sufficient in energy and providing additional electricity to meet the country's needs. GUYSUCO will select six sugar mills appropriate for the co-generation projects. Studies will then determine which two of these should be the subject of full co-generation feasibility studies and these will be made.

**Institutional Support:** Along with the previously described financing extended to the Institute of Small Enterprise Development, Ltd. (ISED), the Bank in 1987 approved a 121,500 Swiss franc (equivalent to \$81,000) technical cooperation grant from the Technical Cooperation and Small Projects Swiss Fund. The assistance will be used to strengthen the executing agency, to expand a survey of small-scale enterprises in the Georgetown area and to provide training and technical assistance to the beneficiaries.

## PROGRESS HIGHLIGHTS

**Abary Irrigation and Drainage Works:** In 1984, the Bank approved a \$40.7 million loan from the ordinary capital to help finance secondary drainage and irrigation works in a second stage for the agricultural development of the Abary River basin in northeastern Guyana. A first stage of the project was financed with a \$49.5 million loan from the Fund for Special Operations approved in 1977. This phase, now complete, involved the construction of main canals and a conservancy dam. Agricultural productivity has already increased in the project area due to improved water control. The second phase, whose execution is well advanced, involves the construction of secondary works in 14,974 hectares in four project areas.

**Industrial Recovery:** In an effort to revive

the three principal subsectors of Guyana's economy—sugar, rice and manufacturing—the Bank in 1985 approved a \$28 million loan from the inter-regional capital. The Guyana Cooperative Agricultural and Industrial Development Bank (GAIBANK) is using the loan to provide credits to exporting firms or to firms replacing imports efficiently. Credits are being extended to recondition up to seven of the ten sugar mills of the Guyana Sugar Corporation (GUYSUCO); to provide machinery and equipment for rice mills, and for general manufacturing. By the end of 1987, some 11 credits had been approved, including one totaling \$12.3 million for *GUYSUCO*.

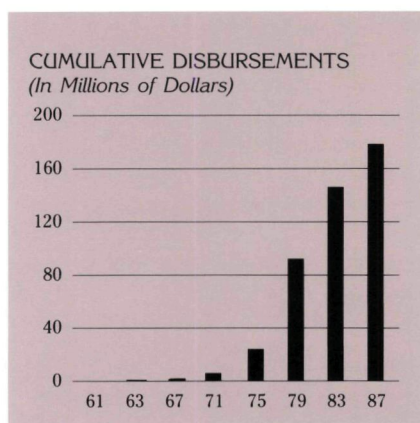
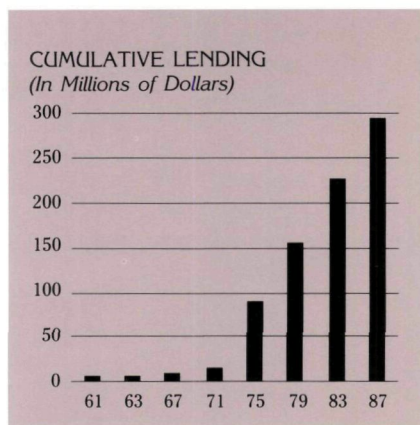


# HAITI

## PROGRESS HIGHLIGHTS

**Blanche River Irrigation and Agriculture:** In 1978, the Bank approved a \$3.5 million loan from the Fund for Special Operations to help build an irrigation and agricultural development project in the Blanche River Basin in the west central part of the Cul-de-Sac plain, 32 kilometers east of Port-au-Prince. In 1985, the Bank approved another loan—\$4 million from the Fund for Special Operations—to provide additional financing for the project. The project involves the construction of irrigation and drainage works on the left bank of the river to restore 3,000 hectares of land to intensive year-around agricultural production. Also involved are the drilling of irrigation wells, the planting of trees, the construction of anti-erosion facilities, the reconstruction of 60 kilometers of feeder roads, and community water supply systems. By the end of 1987, the project had progressed significantly. Eight irrigation wells had been built and contracts for the principal irrigation works had been let. In addition, bids had been obtained for the drilling of the last five wells. A total of 2,500 hectares had been reforested, the construction and rehabilitation of the roads had been concluded, 30 potable water wells operated by hand pumps had been drilled and two health centers and an experimental farm center had been built.

**Community Health and Rural Water:** During 1987, work was completed on a project to build 70 public water systems in 100 rural communities benefiting 106,000 low-income residents. The project was built with the help of a \$4.1 million



### Distribution of Loans 1961–87

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Environmental and Public Health	\$115,490	\$145,015
Transportation and Communications	75,680	117,694
Agriculture and Fisheries	59,103	92,301
Education, Science and Technology	17,311	28,700
Industry and Mining	15,328	24,950
Export Financing	3,117	4,453
Other	9,031	8,700
<b>Total</b>	<b>\$295,060</b>	<b>\$421,813</b>

loan from the Fund for Special Operations approved in 1979. Construction progressed slowly because the program—the first of its kind in Haiti—met resistance from residents. Subsequently, this attitude changed and the communities provided decisive support. As a result, 68 projects were built. The final two were not built because of difficulty in finding access to water.



# HONDURAS

## LOAN

**Export Financing:** In 1987, the use of a previous line of credit to Honduras from the Venezuelan Trust Fund for export credits was extended through repayments by \$1.5 million.

## FINANCING FOR SMALL PROJECTS

### Credit for Entrepreneurs in San Pedro Sula:

The *Fundación Nacional de Desarrollo de Honduras (FUNADEH)* is a private nonprofit organization set up in 1983 to foster development for entrepreneurs in and around the city of San Pedro Sula. In 1987, the Bank approved a \$500,000 financing from the Fund for Special Operations to provide credits to its 300 low-income members to purchase machinery, equipment and raw materials to improve their production. In addition assistance will be provided to strengthen the administrative, financial, accounting, production and marketing practices for the beneficiaries. The microentrepreneurs are engaged in clothing, shoe, metal, leather, carpentry, food and construction materials activities.

## TECHNICAL COOPERATION

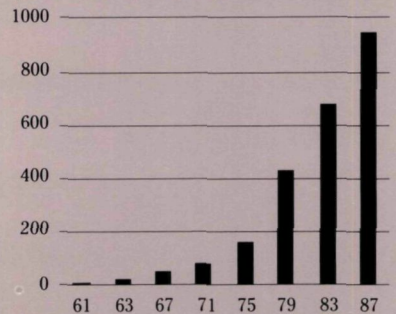
**Studies on Forestry Enterprise:** The *Corporación Forestal Industrial de Olancho, S.A. (CORFINO)* is a mixed economy corporation established in 1977 to carry out the industrial development of the Olancho Forest Reserve in Honduras. This industrial development consisted of a first stage involv-

### Distribution of Loans 1961-87

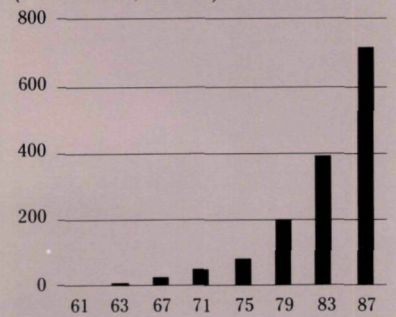
In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$241,106	\$ 872,544
Environmental and Public Health	172,883	275,173
Industry and Mining	168,057	347,551
Transportation and Communications	155,942	251,944
Agriculture and Fisheries	131,080	230,782
Education, Science and Technology	42,065	66,151
Urban Development	13,492	29,231
Preinvestment	8,776	10,533
Export Financing	6,809	9,406
<b>Total</b>	<b>\$940,210</b>	<b>\$2,093,315</b>

CUMULATIVE LENDING  
(In Millions of Dollars)



CUMULATIVE DISBURSEMENTS  
(In Millions of Dollars)



ing the construction of primary roads, a second stage providing for the creation of *CORFINO* and the construction of a sawmill, a third stage involving secondary roads to carry lumber from the Olancho Forest Reserve to the sawmill, and a fourth stage to be carried out in the future to establish a pulp and paper mill. Over the years since 1976 the Bank has authorized a total of \$137.7 million in loans for the first three stages of the program. The forestry development program has run into delays due to a series of operational, managerial, organizational and financial problems which have affected *CORFINO*. In order to analyze these deficiencies, the Bank in 1987 approved a 541,150 Canadian



dollar (equivalent to \$395,000) technical cooperation grant from the Canadian Fund for the Preparation of Development Projects. The assistance will be used to prepare prefeasibility and feasibility studies on the operating procedures of *CORFINO* in Honduras. The studies will enable the Government of Honduras to make decisions on the future of *CORFINO* and will serve as reference points for negotiations with private sector enterprises which might be interested in buying into the company.

**Malaria Control:** Honduras has carried out anti-malaria campaigns since the beginning of the 1970s. In 1974, the disease was nearly under control but the next year the incidence began to rise due to a number of factors. These factors included a growing mosquito resistance to insecticides, the economic crisis and political unrest—which led to a reduction of efforts—and heavy regional migration. To reverse this trend, the Bank is cooperating with the Pan American Health Organization (PAHO), acting as regional executing agency, and the Ministries of Health of the Central American countries to draft investment projects to control and prevent malaria in the region. The eventual objective would be to halt the transmission of the disease. In 1987, the Bank approved a \$93,980 technical cooperation grant from the Fund for Special Operations to enable the *Ministerio de Salud Pública y Asistencia Social* of Honduras to draft such project.

**Institutional Support:** Along with the previously described financing to the *Fundación Nacional de Desarrollo de Honduras (FUNADEH)*, the Bank in 1987 approved a \$75,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to carry out a training program for credit beneficiaries and to strengthen the executing agency in administrative and accounting procedures.

## PROGRESS HIGHLIGHTS

**Agricultural Research and Extension:** In 1978, the Bank approved a \$4 million loan from the Fund for Special Operations to help Honduras carry out the second stage of a program to improve farm output and productivity. The program involved research, extension services, seed production, improved animal breeding stock and soil management and conservation. By the end of 1987, the project had been completed and an evaluation indicated that its objectives surpassed original goals. A total of 37 infrastructure works were com-

pleted; research on seeds were carried out and provided better varieties; more than 2,000 extension visits benefiting 8,000 farmers were made; 334 farms received artificial insemination services, and equipment was acquired.

**Rural Road Construction:** In 1980, the Bank approved a \$27.4 million loan from the Fund for Special Operations to enable the *Secretaría de Comunicaciones, Obras Públicas y Transporte (SECOPT)*, to build 566 kilometers of rural roads. The program is designed to foster economic and social development in rural areas and open up new areas to production. It involved 154 kilometers of local roads, 111 kilometers of access roads, 225 kilometers of rural roads built by hand labor, the paving of the 108.5-kilometer Santa Rita-Yoro road and the purchase of maintenance equipment. All the works have been completed and during 1987 the 40-kilometer Terrero Blanco-Nueva Palestina road was finished, thus substantially concluding the project. Finishing touches are being put on a bridge on that road over the Río Guayambre.



# JAMAICA

## LOANS

**Land Titling Program:** Jamaica has more than 179,000 farm units. Of these 59,000, or 33 percent, are under one acre and are farmed either by owners or renters; 87,100 (48 percent) are from 1 to 4.9 acres; 30,000 (17 percent) range from 5 to 24.9 acres, and 2 percent have more than 25 acres and account for half the farmland. Between 1929 and 1978, 310,225 acres of land were sold or rented to 56,465 small-scale farmers, of whom 20,265 received title to their land. This leaves a backlog of 36,200 farmers without land title. Of the backlog, about 12,000 farmers meet requirements for titles. However, the government lacks the financial and institutional capacity to proceed with titling. To help solve this situation, the Bank in 1987 approved two loans totaling \$10.6 million—\$8,580,000 from the ordinary capital and \$1,980,000 from the Fund for Special Operations—to establish a more efficient land titling and land information system. The program, which will be carried out by the Ministry of Agriculture, has three components: first, a land titling under which the physical, technical and administrative capacity of the Ministry of Agriculture will be strengthened as it delivers registered titles to 12,000 farmers; second, a cadastral mapping program designed to reduce costs and speed up land titling surveys, and third, a computerized land information system which will serve to plan the use and management of natural resources and facilitate access to data on farm properties.

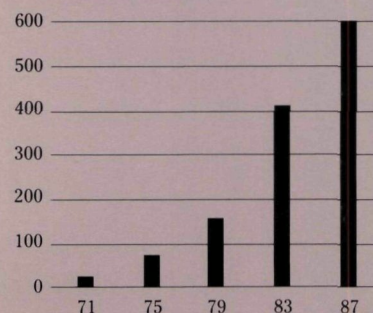
**Township Development Program:** In 1983, the Bank approved two loans totaling \$16.4

### Distribution of Loans 1969–87

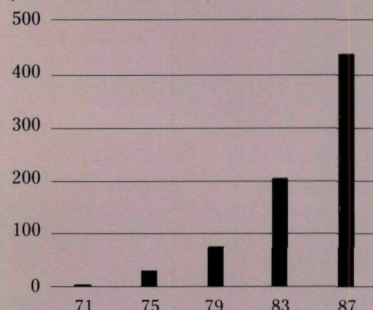
*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Industry and Mining	\$196,680	\$254,995
Export Financing	85,499	124,286
Agriculture and Fisheries	81,462	211,635
Urban Development	67,635	95,000
Education, Science and Technology	57,430	74,500
Energy	42,660	59,900
Transportation and Communications	27,413	44,600
Environmental and Public Health	21,873	45,130
Tourism	11,349	26,410
Preinvestment	7,346	11,900
<b>Total</b>	<b>\$599,347</b>	<b>\$948,356</b>

CUMULATIVE LENDING\*  
(In Millions of Dollars)



CUMULATIVE DISBURSEMENTS  
(In Millions of Dollars)



\* Jamaica joined the Bank in 1969.

million—\$14.2 million from the ordinary capital and \$2.2 million from the Fund for Special Operations—to support Jamaica's Township Development Program. The program is designed to improve basic infrastructure services in communities which have farm potential or a solid economic base. In 1987, the Bank approved two additional loans totaling \$27.3 million—\$17,985,000 and \$9,315,000, both from the ordinary capital—to carry out the second stage of the program in 12 areas of the country. The multiple works program, which will be executed by the Urban Development



Corporation, has five components: roads, drainage, secondary schools, health centers and institutional strengthening of the Corporation. A total of 175 miles of access roads and 25 miles of rural roads will be rehabilitated or improved. Drainage projects in seven townships—Annotto Bay, Lionel Town, Mitchell Town, Portland Cottage, Rocky Point, Savanna-la-Mar and St. Ann's Bay—will be carried out. A secondary school for 1,125 students will be built at Annotto Bay and nine existing secondary schools in Albert Town, Black River, Green Island, Lacovia, Lionel Town, Lucas, Morant Bay and Savanna-la-Mar will be improved. Primary health care centers will be built in Christiana, James Hill, Morant Bay and St. Ann's Bay. Finally, the Corporation's Project Coordination Unit will be strengthened.

**Export Financing:** In 1987, the Bank authorized increases of \$500,000 and \$1 million in lines of credit to Jamaica from the ordinary capital and the Venezuelan Trust Fund, respectively, for export credits. In addition, the previous lines were extended through repayments by \$4.5 million and \$13.5 million, respectively.

## TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described loan for a land titling program in Jamaica, the Bank in 1987 approved a \$1.1 million technical cooperation grant from the Fund for Special Operations. The assistance will be used to strengthen the executing agency—the Ministry of Agriculture—in matters related to land management, cadastral surveys, land information systems and project monitoring.

## PROGRESS HIGHLIGHTS

**Township Development Program:** In 1983, the Bank approved two loans totaling \$16.4 million—\$14.2 million from the ordinary capital and \$2.2 million from the Fund for Special Operations—to help improve basic infrastructure services in nine rural townships having farm potential or a solid economic base. The program, which benefited an estimated 145,000 inhabitants, originally involved four components: three secondary-vocational schools, two health centers, four community centers, and the improvement of 133 kilometers of access roads. Due to the devaluation of the Jamaican currency, the equivalent U.S. dollar amount of the resources for the program declined to about 65 percent of the

initially estimated program cost. As a result, at the request of the Government, the Bank expanded the targets of the program to include the rehabilitation of five additional secondary-vocational schools, two new health centers, two new community centers and an additional 111 kilometers of roads. Of the original program, two health centers, four community centers and one school are completed and in operation. The other two are about 50 percent complete.

**Industrial Recovery:** In 1983, the Bank approved a \$40 million loan from the ordinary capital to help carry out the second stage of an economic recovery program. Known as the Program for the Rehabilitation of the Industrial Sector, it enabled the Export-Import Bank of Jamaica to provide short- and medium-term credits to private industrial enterprises. Extended through the banking system, the credits were used to import raw materials, semi-processed goods, packing materials, spare parts and other equipment. By the end of 1987, the entire loan had been committed in 116 credits.



# MEXICO

## LOAN

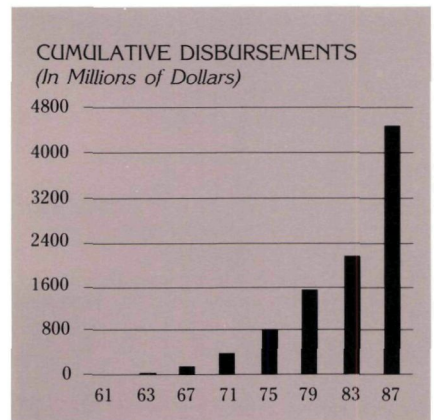
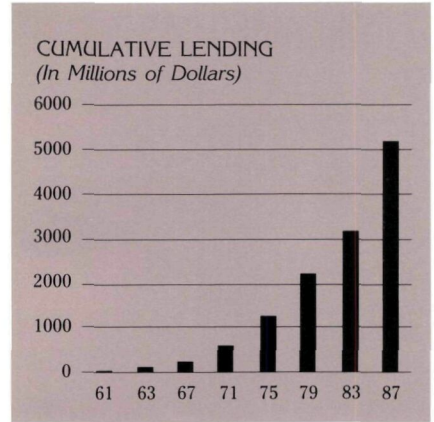
**Agricultural Credit Program:** In 1985 and 1986, the Mexican economy faced one of its most severe crises, a situation that led the Government to implement a number of adjustment measures to improve efficiency and competitiveness. The agricultural sector was particularly affected by the crisis and its development hampered by a lack of credit resources. To help restore credit availability for the sector, the Bank in 1987 approved a \$160 million loan from the inter-regional capital for the seventh stage of the Agricultural Global Credit Program. The program will be carried out by the *Banco de México* through its agricultural trust funds—*Fideicomisos Instituidos en Relación a la Agricultura (FIRA)*. The Bank helped finance the six previous stages with loans totaling \$466 million. The objective of the program is to stimulate production, productivity and exports; improve capitalization of the sector, and promote technological innovation. Participating banks in Mexico will extend credits to individual farmers, as well as to groups of farmers and associations, to finance capital investments and working capital in crops, livestock and agroindustrial activities. The program also provides for the institutional strengthening of *FIRA* by providing training to technicians and producers and technical assistance to farmers.

**Export Financing:** In 1987, the Bank approved an increase of \$1 million in a revolving line of credit to Mexico from the ordinary capital for export credits. In addition, the use of the previous line was extended through repayments by \$3.1 million.

### Distribution of Loans 1961–87

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Agriculture and Fisheries	\$2,650,749	\$ 6,272,293
Industry and Mining	823,179	2,848,217
Environmental and Public Health	490,355	867,663
Transportation and Communications	436,740	744,047
Tourism	367,432	928,167
Education, Science and Technology	151,094	264,377
Urban Development	95,547	194,181
Preinvestment	88,922	148,740
Export Financing	80,993	115,704
<b>Total</b>	<b>\$5,185,011</b>	<b>\$12,383,389</b>



## PROGRESS HIGHLIGHTS

**Coal Mining Project:** In 1978, the Bank approved a \$158 million loan from the inter-regional capital to carry out a coal mining project in the State of Coahuila. The project was designed to provide raw material to fuel a 1.2-million-kilowatt thermoelectric power plant built adjacent to the coal mines 29 kilometers southeast of Piedras Negras. The loan helped *Minera Carbonifera Río Escondido S.A. (MICARE)*, to develop two underground mines with an annual capacity of 3.6 million metric tons of coal and two strip mines with an annual capacity of 600,000 tons. In addition, the project involved the





**WORKERS FILL IN SECONDARY SEWAGE LINE** in Monterrey, Mexico. The 30-inch pipeline was laid as part of a third stage expansion program of the city's water and sewage system. The program was financed with the help of a \$61 million loan approved by the Bank in 1983. During 1987, the project was completed. It provided for the improvement of the city's water system and sewage network. Approximately 2.1 million persons are served by the city system.

construction of a washing plant to reduce the ash content of the coal. The mines have been in operation for a number of years and are producing more than 3.2 million metric tons yearly. The washing plant is more than 75 percent complete. The last disbursement on the loan was made in 1987.

**Earthquake Rehabilitation:** On Sept. 19, 1985, a devastating earthquake which measured from 7.8 to 8.1 degrees on the Richter scale struck the central-south region of Mexico causing heavy casualties and extensive damage, particularly in Mexico City. In December 1985, the Bank approved a \$100 million loan from the inter-regional capital to help Mexico repair some of the telephone, educa-

tion and health services which had been severely damaged by the earthquake. The program sought to restore up to 100 percent of the damaged urban local telephone system and 60 percent of the long distance system; to reestablish health care establishments to levels similar to those prevailing before the disaster, and to rehabilitate or replace about 447 public primary, secondary and technical schools. By the end of 1987, the telephone components of the program had been completed and telephone service had been restored to pre-earthquake levels. Repairs had been carried out at all of the health posts and hospitals, except for the Benito Juárez Hospital, which was 60 percent complete. All of the primary and secondary schools had been repaired. Work was close to completion on the technical schools and was well advanced on the *Instituto Politécnico Nacional*, the national politechnic institute.

**Monterrey Water and Sewage System:**

During 1987, the third stage of a project to improve the water and sewage system of the city of Monterrey in Mexico was completed. The project was partially financed by two loans totaling \$61 million—\$44.8 million from the ordinary capital and \$16.2 million from the Fund for Special Operations—authorized by the Bank in 1983. In addition, it provided for the improvement of the city's sewage system. The project involved the construction of 43.5 kilometers of the transfer ring of the water system, 11 water tanks and 17 pumping stations. More than 2.1 million persons benefit from the water system.

**Farm and Livestock Credit:**

Since 1968, the Bank has approved loans totaling \$466 million to finance six stages of an agricultural and livestock credit program carried out by the *Banco de México* through *Fideicomisos Instituidos en Relación con la Agricultura (FIRA)*, its agricultural trust fund. The sixth stage was financed with a \$183 million loan from the inter-regional capital approved by the Bank in early 1986. Extended to *Nacional Financiera, S.N.C. (NAFIN)*, as financial agent for the Government of México, the resources were channeled by *FIRA* to individual farmers and farm organizations to finance crop, livestock and agroindustrial projects, including requirements for capital investment and working capital. By the end of 1987, the loan had been completely committed in credits and nearly 95 percent had been disbursed. As a result, the Bank in 1987 approved the previously described loan for \$160 million from the inter-regional capital to finance the seventh stage of the project.



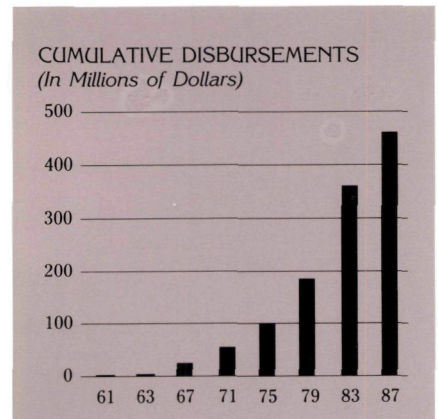
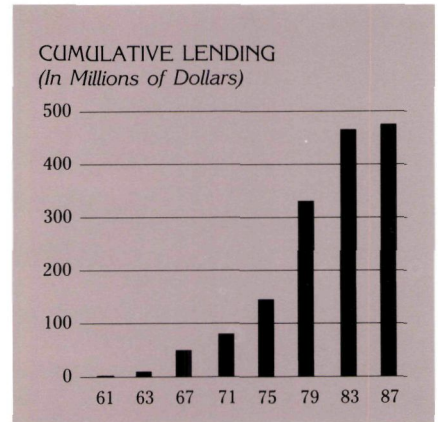
# NICARAGUA

## TECHNICAL COOPERATION

**Malaria Control:** In 1984, the five Central American countries, Belice and Panama, which account for 3.5 percent of the population of the Americas, reported 188,851 blood samples that proved positive for malaria. This number was twice that registered a decade earlier and represented 20.9 percent of the total for all of the Americas. Thus, the malaria incidence in the Central American region is very high within the context of the Hemisphere. During the period, the number of cases grew substantially in Guatemala, Belice and Honduras, increased slightly in El Salvador and Nicaragua and decreased substantially in Panama. To help control the disease throughout the region, the Bank is cooperating with the Pan American Health Organization (PAHO), which is acting as external executing agency, and with the Ministries of Health of the countries of the region in drafting investment projects to control and prevent malaria, with the objective of halting the transmission of the disease throughout the region. In 1987, the Bank approved a \$103,480 technical cooperation grant from the Fund for Special Operations to enable Nicaragua's *Ministerio de Salud* to draft such a project.

## PROGRESS HIGHLIGHTS

**Rio Blanco-Siuna Highway:** In 1978, the Bank approved a \$32 million loan from the Fund for Special Operations to help finance the construction of a 116-kilometer highway between the towns of Río Blanco and Siuna. The all-weather, two-lane high-



## Distribution of Loans 1961-87

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Agriculture and Fisheries	\$194,371	\$363,443
Transportation and Communications	65,340	101,414
Energy	58,476	132,340
Environmental and Public Health	53,667	89,050
Industry and Mining	45,525	76,453
Urban Development	22,514	39,496
Education, Science and Technology	10,333	12,297
Export Financing	1,826	2,609
Preinvestment	148	398
Other	20,000	20,000
<b>Total</b>	<b>\$472,200</b>	<b>\$837,500</b>

way also involved the construction of 15 bridges. The road, which is the final link in the nation's overland route between the Pacific and Atlantic coasts, provides access to an isolated part of the country, which has a substantial agricultural potential. During 1987, the road part of the project was completed. That part was divided into two sections. The 49-kilometer road between Río Blanco and Tuma, which had three bridges, and the 67-kilometer section between Tuma and Siuna, with 12 bridges. The Río Blanco-Tuma section was completed in 1985 and the Tuma-Siuna section in 1987. Work is still going forward on some of the bridge superstructures. Even though some of the bridges are not completed, the highway is in use for four-wheel drive vehicles, since these can ford the rivers.



# PANAMA

## LOAN

**Road Improvements:** Panama's road network carries 97 percent of the nation's cargo traffic and 99 percent of its passenger traffic. The network consists of 9,694 kilometers, of which 3,151 are paved; 4,079 are gravel and 2,464 are dirt. Since the road network is vital to the country's transportation system, its maintenance is the key to maintaining economic activity. In order to replace bridges, rehabilitate the Gualaca-Chiriquí Grande highway and support Panama's road maintenance, the Bank in 1987 approved a \$16.7 million loan from the inter-regional capital. The loan will help rebuild 1,400 meters of bridges (some of them heavily damaged in 1986 floods), build a 220-meter-long bridge on the San Pablo River, repair the 40-kilometer Gualaca-Chiriquí Grande highway, purchase equipment to support the storm drainage system of the road network and acquire spare parts for road maintenance machinery. The highway between Gualaca and Chiriquí Grande is the only ground transportation link between Bocas del Toro Province and the rest of the country. It is also the only access road to La Fortuna hydroelectric plant.

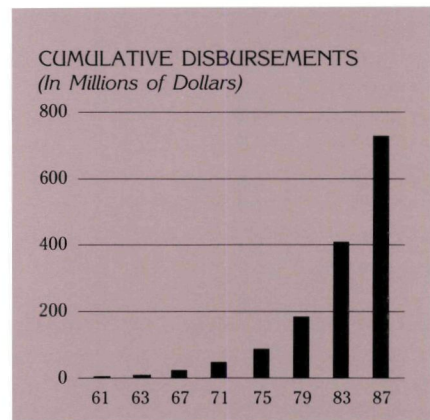
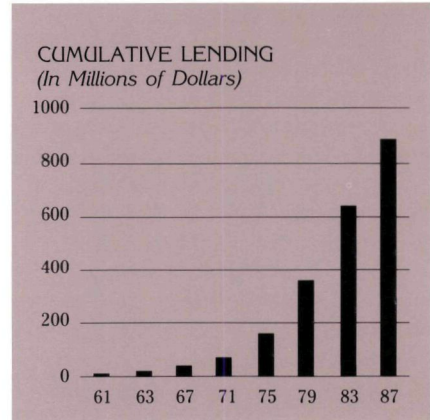
## FINANCING FOR SMALL PROJECTS

**Credit for Small-Scale Entrepreneurs:** The *Cooperativa de Ahorros y Crédito de la Unión Nacional de Pequeñas y Medianas Empresas Rubén Reyna Pupo, R.L. (CACPYMER)* is a private non-

### Distribution of Loans 1961-87

*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Energy	\$294,008	\$ 597,670
Transportation and Communications	182,017	395,304
Agriculture and Fisheries	148,411	244,952
Education, Science and Technology	70,125	108,500
Urban Development	52,546	82,420
Environmental and Public Health	45,930	72,157
Industry and Mining	36,876	61,694
Preinvestment	20,904	41,460
Tourism	20,767	41,822
Export Financing	1,000	1,429
Other	8,340	
<b>Total</b>	<b>\$880,924</b>	<b>\$1,647,408</b>



profit institution established in Panama in 1984 to help raise the living standards of small-scale entrepreneurs and their families, create new jobs and increase the use of local raw materials. In 1987, the Bank approved a \$250,000 financing from the Fund for Special Operations to enable CACPYMER to carry out a credit and technical assistance program for members located primarily in the San Miguelito District of Panama. The program will enable 125 beneficiaries to strengthen a variety of cottage industries, including household appliances, automobile repair shops, bakeries, carpentry shops and others. The resources will be used to finance working capital needs, the purchase of equipment and





fixed investments and the marketing of finished products.

### TECHNICAL COOPERATION

**Mining Inventory:** Throughout the 19th and most of the 20th Century, mining was virtually non-existent in Panama. However, over the past 20 years, significant mining exploration work has been carried out. This has led to renewed interest in obtaining up-to-date information on the mining resources of the country and training experts in the sector. To contribute to this end, the Bank in 1987 approved a \$950,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to prepare geological maps for three areas totaling 15,000 square kilometers. The maps will identify deposits of metallic and nonmetallic minerals with potential economic value for the short and medium term. The assistance will also be used to strengthen the technical capacity of the *Dirección General de Recursos Minerales* to carry out interdisciplinary geological studies, by providing training in geology and mining.

**Institutional and Credit Support:** Along with the previously described financing extended to the *Cooperativa de Ahorros y Crédito de la Unión Nacional de Pequeñas y Medianas Empresas Rubén Reyna Pupo, R.L. (CACPYMER)*, the Bank in 1987

**NEWLY INSTALLED TELEPHONE** provides improved communications for secretary of the Mayor of Los Pozos in Herrera Province, Panama. During 1987, work was completed on a project to improve telecommunications in rural areas in Central Panama. The project was carried out with the help of two loans for \$13.7 million approved by the Bank in 1979. As a result of the program, access to minimum telephone service has been provided to much of Panama's rural population.

approved a \$75,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to provide training for credit beneficiaries and to strengthen the administrative and financial procedures of the cooperative.

### PROGRESS HIGHLIGHTS

**Divisa-Las Tablas Road Improvement:** The Divisa-Las Tablas highway, which connects Chipre and Las Tablas, carries the heaviest volume of traffic in the country after the Panamerican and Panama-Colón highways. Originally built in 1944, it was improved in 1954 and 1965. Since then it suffered steady deterioration due to increased traffic. In 1982, the Bank approved a loan for \$18.1 million from the inter-regional capital to improve the 68-ki-



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lometer road. For construction purposes, the project was divided into two sections. The 40.1-kilometer Divisa-Río Lavilla road is already finished. The Río Lavilla-Las Tablas 27.7-kilometer section is more than 95 percent complete and is expected to be finished in 1988.

**Rural Telephone System:** During 1987, work was completed on a project to improve telephone communications in Panama's rural areas. The project was carried out with the help of two loans for \$13.7 million—\$8.2 million from the ordinary capital and \$5.5 million from the Fund for Special Operations—approved by the Bank in 1979. As modified in 1984, the project involved the installation of minimum essential telephone services in 82 rural communities. The project has had a profound impact on the rural telephone service of the country. In addition to the accomplishments of the program itself, the project has stimulated the extension of service to other rural areas by Panama's telephone company, the *Instituto Nacional de Telecomunicaciones (INTEL)*.

**Rural Water Supply and Sewage Services:** In 1982, the Bank approved two loans totaling \$26 million—\$13 million from the inter-regional capital and \$13 million from the Fund for Special Operations—to help finance the fourth stage of a water supply and sewage program for rural communities and intermediate cities in Panama. The loans were extended to the *Instituto de Acueductos y Alcantarillados Nacionales (IDAAN)* for three subprograms: water systems for 32 rural communities with 40,000 inhabitants, water systems in 12 urban centers in the country's interior with a population of 158,500 persons and the improvement of the Las Tablas sewage treatment plant to provide service to 5,800 inhabitants. During 1987, rapid progress was made on the project. Such principal works as the water systems for the cities of David and Santiago and the sewage system for Las Tablas had been finished. Overall, 95 percent of the goals of the program had been achieved. In 1987, the project was reformulated to permit the use of resources to finance the preparation of studies and final designs for the water system of the metropolitan area of Panama and of the water and sewage systems in the interior of the country as well as for the purchase and installation of 28,000 home water meters in the cities of Panama and Colón.

**Primary Health Care:** In 1983, the Bank approved an \$850,000 technical cooperation grant from the Social Progress Trust Fund to finance a

program of primary health care in the districts of Pinogana in the Darién, San Miguelito in Panama City and San Félix in Chiriquí. These areas had been neglected in previous efforts to extend health care service throughout the country. The project, which was carried out by the Ministry of Health through its *Dirección General de Salud*, involved the establishment and improvement of health installations and the training of personnel. In 1987, the project was completed. It involved the construction of eight health posts and one health center. Four other health facilities were remodeled. Equipment was provided for a number of facilities. Three new rural water supply systems were built and another one was expanded. A total of 3,479 household sanitary facilities were built. In addition, health seminars were held and research on malaria and leishmaniasis was carried out.



# PARAGUAY

## LOANS

**Agricultural Education Project:** The agricultural sector accounts for a third of the gross domestic product of Paraguay, provides employment to 50 percent of the active population and generates almost all of the country's export income. Given the importance of this sector to Paraguay's economy, the Bank since 1971 has supported a number of agricultural education projects. The first stage was financed with \$2.1 million from a \$14.4 million loan for an integrated rural development program approved that year. The second stage was financed with a \$10.5 million loan approved in 1978. These loans have had a major impact in sparking increases in farm productivity and production. In 1987, the Bank approved an additional loan—\$12.1 million from the Fund for Special Operations—to finance the third stage. The project will help continue, expand, improve and reorient the agricultural sector educational system. The project includes three new schools for 210 students each in eastern Paraguay; complementary works in five public and one private agricultural school; building and equipping an institute to train and develop personnel for the agricultural education system, and contracting teachers and staff for the new schools, as well as consulting services. The project will be carried out by the *Ministerio de Agricultura y Ganadería (MAG)*.

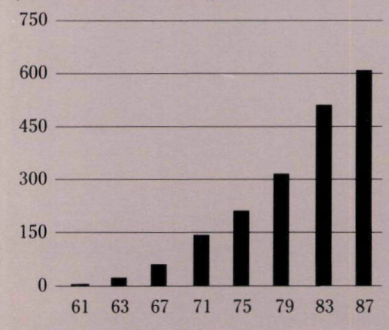
**Rural Electrification Program:** During the past 20 years, Paraguay has made extraordinary progress in expanding the use of electricity and ex-

### Distribution of Loans 1961–87

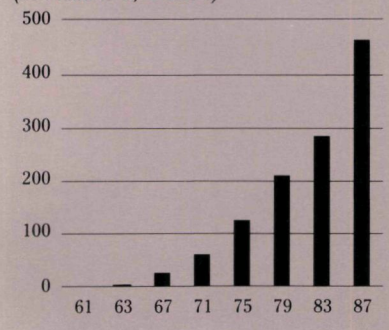
*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Energy	\$180,363	\$287,012
Agriculture and Fisheries	141,670	235,409
Transportation and Communications	102,112	131,995
Environmental and Public Health	61,003	102,190
Education, Science and Technology	59,736	84,280
Industry and Mining	25,531	41,513
Urban Development	13,090	18,034
Tourism	4,597	6,608
Preinvestment	436	582
Other	14,100	
<b>Total</b>	<b>\$602,638</b>	<b>\$907,623</b>

CUMULATIVE LENDING  
(In Millions of Dollars)



CUMULATIVE DISBURSEMENTS  
(In Millions of Dollars)



tending service to more people. The Bank has assisted in this endeavor with loans totaling \$149.8 million to finance seven projects. Thanks to the construction of the Acaray I and II hydroelectric projects by Paraguay and the Itaipú project by Brazil and Paraguay jointly, on the Paraná River, Paraguay will be able to generate sufficient electric energy to satisfy consumer demand for a number of decades. However, only 46 percent of its own population currently has electricity service. In 1987, the Bank approved a \$20 million loan from the ordinary capital to extend electric services in five rural areas in Paraguay and to incorporate them into the national interconnected system. The program,



**CHEMIST DISPLAYS** equipment purchased in Germany for a vocational school in Paraguay. In 1979, the Bank approved a \$13.3 million loan to help expand Paraguay's technical training facilities and thus meet its demand for skilled labor. The program resulted in the expansion of an industrial-technical school in Encarnación, of two basic cycle colleges in San Estanislao and Eusebio Ayala, of 18 industrial art workshops in the interior and of two technical training schools in Fernando de la Mora and San Lorenzo.



which will be carried out by the *Administración Nacional de Electricidad (ANDE)*, includes a 66-kilovolt 92-kilometer transmission line between the Itaquyry substation and a new substation to be built in Catueté. In addition, 1,460 kilometers of rural transmission lines—primary and secondary—will be built in Alto Paraná, Itapúa, Caazapá, San Estanislao and Bella Vista. These projects will provide electric service to 11,200 new users.

#### FINANCING FOR SMALL PROJECTS

**Credit for Low-Income Farmers:** There are approximately 250,000 farmers in Paraguay. About 90,000 or 36 percent of these farm less than 5 hectares. Another 43 percent farm between 5 and 20

hectares. They are largely subsistence farmers who have little access to storage facilities, marketing systems and credit mechanisms. In 1987, the Bank approved a \$250,000 financing from the Fund for Special Operations to enable the *Fundación Amistad* to provide credit and technical assistance to some of these farmers in the districts of Piribebuy and Valenzuela, 80 kilometers north of Asunción. *Fundación Amistad* is a private nonprofit foundation that seeks to improve living conditions and productivity of low-income rural people in its area of operation.

**Support for Small-Scale Entrepreneurs:** The *Fundación Paraguaya de Cooperación y Desarrollo (FUPACODE)* is a private nonprofit organization that promotes improvements in living stan-

dards for low-income micro-entrepreneurs in Paraguay. To help FUPACODE finance a program to improve living conditions for beneficiaries in the informal sector of Asunción and its environs, the Bank in 1987 approved a \$780,750 Swiss franc financing (equivalent to \$500,000) from the Technical Cooperation and Small Projects Swiss Fund. The resources, which will benefit 500 entrepreneurs, will be used to finance equipment and working capital and to train beneficiaries engaged in tailoring, dress-making, blacksmithing, plumbing, arts and crafts, shoemaking, carpentry and baking.

## TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described financing to the *Fundación Amistad*, the Bank in 1987 approved a \$64,000 technical cooperation grant from the Fund for Special Operations. The assistance will provide the foundation with expertise in rural credit and marketing, in administrative procedures and in information and evaluation systems.

**Institutional Support:** Along with the previously described financing to the *Fundación Paraguaya de Cooperación y Desarrollo (FUPACODE)*, the Bank in 1987 approved a 140,535 Swiss franc technical cooperation grant (equivalent to \$90,000) from the Technical Cooperation and Small Projects Swiss Fund. The assistance will be used to strengthen the capacity of the executing agency to provide training services to the small-scale entrepreneurs benefiting from the project.

## PROGRESS HIGHLIGHTS

**Electric Power Distribution Network:** In 1982, the Bank approved two loans totaling \$24 million—\$10.8 million from the inter-regional capital and \$13.2 million from the Fund for Special Operations—to help finance an expansion of the electric power distribution system of Paraguay. The loan enabled the *Administración Nacional de Electricidad (ANDE)*, the nation's electric power agency to carry out a program involving six components: the expansion of the capacity of the Lambaré substation in Asunción; the installation of a transformer substation in San Estanislao; an 80 percent expansion in the underground distribution system of Asunción; the reconstruction of the distribution system in the Barrio Sajonia in Asunción; electrification to provide power to 5,200 consumers in the Central

and Cordillera Departments, and electrification in the San Estanislao-Rosario area. Substantial progress has been made in the execution of the project and it is now nearly 70 percent complete. The Lambaré substation and the San Estanislao substation were finished by the end of 1987. In the Central Department, work is going forward to complete 7.7 kilometers of medium-tension lines and 5.3 kilometers of low-tension lines. A total of 19 kilometers of the underground network of 22 kilometers being built in Asunción are already in operation and work is half-finished on the construction of 60 kilometers of medium- and low-tension lines in the Sajonia neighborhood. Thanks to lower costs during the execution of the project, the Bank in 1987 broadened its scope to include the construction of distribution lines to serve 4,600 new users in the Bella Vista, Itapúa, Caazapá and Antequera zones. In addition, the expanded project provided for the purchase of equipment for the maintenance and operation of the project.

**Technical and Vocational Education:** In 1980, the Bank approved a \$13.3 million loan from the Fund for Special Operations to expand technical and vocational education in Paraguay. Being carried out by the *Ministerio de Educación y Culto (MEC)*, the project consists of the construction of an industrial-technical school in Encarnación, of two basic cycle colleges in San Estanislao and Eusebio Ayala, of 18 industrial arts workshops in the interior and of two technical training schools in Fernando de la Mora and San Lorenzo. In addition, equipment for the industrial college of the city of Puerto Presidente Stroessner was provided. Subsequently, in 1983, the Bank approved a \$14.1 million loan from the Fund for Special Operations to complete priority projects in Paraguay. A total of \$2.4 million of that loan was devoted to accelerating work on the educational project. By the end of 1987, the project was more than 97 percent complete. The Encarnación, San Estanislao, Eusebio Ayala facilities and industrial arts workshops had been completed.

**Yacyretá Hydroelectric Project:** Construction of the 2.7-million-kilowatt Yacyretá hydroelectric project being built jointly by Argentina and Paraguay near the city of Posadas on the Paraná River has advanced substantially. Since this is a regional project, it is described in the Regional Section of this Report.



# PERU

## LOANS

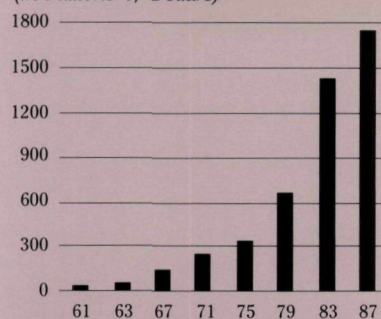
**Completion of Hydroelectric Plant and Transmission Lines:** In 1981, the Bank approved two loans to help build the Mantaro-Pachachaca-Callahuanca transmission line to bring electricity from the Mantaro and Restitución hydroelectric power plants—which have an installed capacity of 1,015,000 kilowatts—to the Lima metropolitan area. Due to the economic downturn, some of Peru's electric projects have suffered construction delays. This is true of that transmission line and the 75-000-kilowatt Carhuaquero hydroelectric complex in the Chiclayo area of Peru. To help complete these projects and build the Carhuaquero-Chiclayo transmission line, the Bank in 1987 approved four loans totaling \$69.9 million. They included one—\$2.5 million—from the ordinary capital and three from the inter-regional capital—\$22 million, \$35.4 million and \$10 million. The latter two were complementary loans secured through the sale of participations to Scandinavian commercial banks and the Nordic Investment Bank. The program, which is being carried out by the *Empresa de Electricidad del Perú S.A. (ELECTROPERU)*, is designed to assure the availability of electric energy in Peru and increase the coverage of the Central-North Interconnected System (*SICN*). The ordinary capital loans will be used to complete the investment in the Mantaro-Pachachaca-Callahuanca transmission line, to build the Carhuaquero-Chiclayo transmission line and to provide engineering and finance costs for the Carhuaquero plant. The complementary financing will help to complete the civil works of the

### Distribution of Loans 1961–87

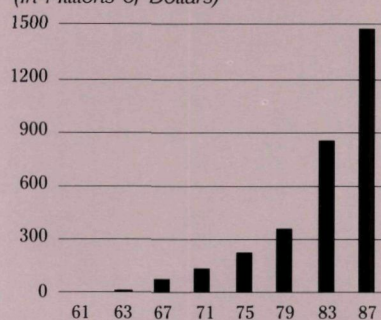
*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Industry and Mining	\$ 505,490	\$1,196,210
Agriculture and Fisheries	502,675	1,270,997
Energy	225,305	618,305
Transportation and Communications	157,932	382,801
Export Financing	145,756	43,366
Environmental and Public Health	105,728	243,799
Urban Development	53,685	101,105
Tourism	31,349	71,400
Preinvestment	10,395	28,396
Education, Science and Technology	9,325	22,957
<b>Total</b>	<b>\$1,747,640</b>	<b>\$3,979,336</b>

CUMULATIVE LENDING  
(In Millions of Dollars)



CUMULATIVE DISBURSEMENTS  
(In Millions of Dollars)



Carhuaquero plant, which was begun in 1980 but was halted in 1983 at an advanced stage of execution for lack of funding.

**Export Financing:** In 1987, the use of a previous line of credit to Peru from the Venezuelan Trust Fund for export credits was extended through repayments by \$16 million.

## PROGRESS HIGHLIGHTS

**Artisan Fisheries Program:** In 1982, the Bank extended two loans totaling \$14.5 million—\$12.5



TECHNICIAN LINES UP sewage pipeline at Girón Junín, Castilla, Perú. The pipeline replaces one destroyed by floods in 1983. In 1982, the Bank approved two loans totaling \$31 million to help finance the fourth stage of a program to provide cities and towns in Perú with water and sewage systems. Subsequently, it provided for the emergency repair of facilities that had been flooded out.

million from the ordinary capital and \$2 million from the Fund for Special Operations—to help finance a program to improve port and marketing facilities for small-scale fishermen. The program, being carried out by the Ministry of Fisheries, involved the construction of facilities in 27 small ports along the Peruvian coast, and the establishment of a marketing program that included a pilot plant to train fish vendors in maintaining the quality of fish and reducing losses. By the end of 1987, the project was more than half complete. It involved the construction of 23 port berths of which 10—Lagunillas, Laguna Grande, San José, Culebras, San Juan de Marcona, Pucusana, Vila-Vila, Ancón, Chorrillos and Quilca—had been completed. Another 13 were under construction.

**Urban Water and Sewage Systems:** In 1982, the Bank approved two loans totaling \$31.3 million—\$21.8 million from the Fund for Special

Operations and \$9.5 million from the ordinary capital—to help finance the fourth stage of a program to provide cities and towns in Peru with water and sewage systems. The project involved the construction of facilities in 20 cities of between 3,000 and 30,000 inhabitants; a water and sewage system improvement program, and the emergency reconstruction of systems in the northeast. By the end of 1987, the project was more than half finished. Seven of the 20 works had been completed. These included Querecotillo, San Vicente de Caleta, Zorritos, La Cruz, Corrales, Zarumilla and Puerto Maldonado. The others were in construction. Approximately 60 percent of the works involved in improving water and sewage systems had been carried out, with 34 systems completed. The emergency rehabilitation of systems in the northeast had also been completed.



# SURINAME

## LOANS

**Nickerie Hospital Modernization:** The Nieuw Nickerie Hospital is the only public hospital outside Paramaribo. As such it is an important source of care for Western Suriname. Due to a number of deficiencies, however, it is underutilized as a secondary hospital. As a result, the region's population must depend on Paramaribo for advanced health services. To renovate, expand and modernize the hospital, the Bank in 1987 approved two loans totaling \$7.8 million—\$6,305,000 from the inter-regional capital and \$1,455,000 from the Fund for Special Operations. The project will seek to improve the quality, coverage and utilization of services for those served on an in-patient or out-patient basis. This will be achieved through a 45 percent increase in in-patient facilities, 60 percent increase in out-patient services, expansion of diagnostic and radiology laboratories, the creation of a pharmacy and the replacement of medical and electromechanical equipment.

## TECHNICAL COOPERATION

**Drainage and Irrigation Works:** Due to sharply falling foreign exchange earnings from exports of bauxite and alumina, Suriname in the future must rely increasingly on agricultural production. Within the agricultural sector, the best export possibility lies with rice, whose production has risen over the past few years. However, an increase in the land devoted to rice farming has created a scarcity of water from irrigation, which is required if a second crop is raised in the dry season. To help meet water needs, the Bank in 1987 approved \$1,207,000 in technical cooperation—\$840,000 on a contingent recovery basis and \$367,000 on a grant basis—from the Fund for Special Operations. The assistance will be

used by the Multipurpose Corantijn Project Authority to prepare a feasibility study and final designs for a project to improve the 9,060-hectare Van Wouw Canal drainage and irrigation system in the country's northwest region. Hydrological and environmental studies in the Nickerie rice-growing district will also be carried out. The Nickerie District includes a majority of the country's rice-producing areas.

**Feasibility Study for Diesel Plant:** In 1985, the Bank carried out a prefeasibility study on the possibility of building a diesel plant that would utilize crude oil from the Tambaredjo field in Suriname. The plant would produce enough electricity to meet the needs of Paramaribo, the country's capital. The study recommended construction of a plant with an initial capacity of 25,000 to 40,000 kilowatts of power, with an expansion potential of up to 100,000 kilowatts. In 1987, the Bank approved \$1,048,000 in contingent repayment technical cooperation from the Fund for Special Operations to finance feasibility studies and the design of the plant. The project would include the preparation of final designs and bidding documents as well as an institutional and financial analysis of the executing agency, *Energie Bedrijven Suriname* (the Suriname Power Company) and a study of electricity rates. The new study will provide background data required for a financing request to build the plant.

**Project Investment Pipeline:** Up to 1982, Suriname relied primarily on external funds for investment projects. As a result, it did not have a well-developed capability for project analysis and resource allocation. In 1987, the Bank approved a \$130,000 technical cooperation grant from the Fund for Special Operations to enable the National Planning Office of the Ministry of Finance and Planning of Suriname to develop a public sector investment pipeline. The assistance will be used to obtain consulting services to help develop a technically, economically and financially feasible project pipeline established on the basis of macroeconomic and sectoral criteria, project profiles, financial requirements and the availability of resources.

**Institutional Support for Hospital:** Along with the previously described loans to modernize

(Continued next page)

### Distribution of Loans 1980–87

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Education, Science and Technology	\$ 8,035	\$10,000
Environmental and Public Health	7,760	9,700
Industry and Mining	6,050	10,000
<b>Total</b>	<b>\$21,845</b>	<b>\$29,700</b>

# TRINIDAD AND TOBAGO

## LOAN

**Export Financing:** In 1987, the use of a previous line of credit to Trinidad and Tobago from the Venezuelan Trust Fund for export credits was extended through repayments by \$1 million.

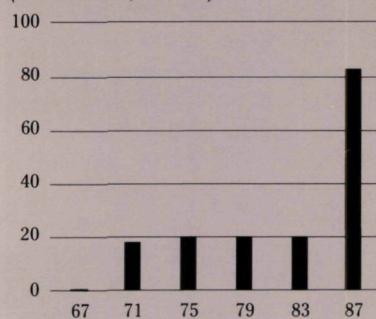
### Distribution of Loans 1967-87

*In Thousands of U.S. Dollars*

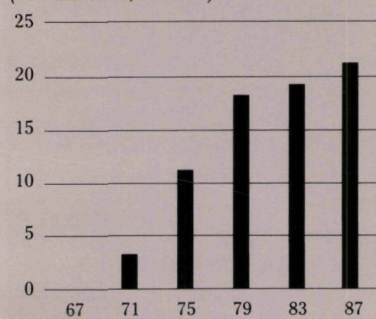
Sector	Amount	Total Cost of the Projects
Education, Science and Technology	\$39,943	\$ 55,219
Transportation and Communications	25,374	59,398
Environmental and Public Health	8,431	20,090
Urban Development	4,213	14,600
Agriculture and Fisheries	2,108	4,398
Export Financing	2,012	2,874
Preinvestment	278	539
<b>Total</b>	<b>\$82,359</b>	<b>\$157,118</b>

the Nieuw Nickerie Hospital, the Bank in 1987 approved a \$985,600 technical cooperation grant from the Fund for Special Operations. The assistance will be used to help the Ministry of Health to correct deficiencies in management, organization, systems and accounting. It will also strengthen its capabilities in maintaining biomedical and electro-mechanical equipment.

CUMULATIVE LENDING\*  
(In Millions of Dollars)



CUMULATIVE DISBURSEMENTS  
(In Millions of Dollars)



\* Trinidad and Tobago, which joined the Bank in 1967, did not apply for Bank loans between 1975 and 1984.



# URUGUAY

## LOANS

**Generation and Transfer of Farm Technology:** In order to increase its agricultural productivity, Uruguay needs to strengthen programs to generate and transfer farm technology. However, its efforts in this regard have been hampered by a lack of resources. To help overcome this situation, the Bank in 1987 approved a \$19.3 million loan from the ordinary capital. The loan will enable the *Dirección General de Generación y Transferencia de Tecnología (DG-GTT)*, of the *Ministerio de Ganadería, Agricultura y Pesca* to carry out a three-part project. It includes technology generation, technology transfer and institutional strengthening. The technology generation component includes strengthening of research activities in crop farming, stockraising, animal sanitation, environmental resources and other areas. These will take place at the Las Brujas, Salto, Este, La Estanzuela and Norte experimental stations, which will be expanded, improved and equipped. The transfer of technology is designed to support the technical assistance of the private sector and public entities and includes demonstration field projects, courses, seminars and technical workshops, as well as utilization of the mass communications media. Three pilot experimental extension projects will be carried out and two new research and demonstration units will be established at Libertad and Canelones. Seven, already in existence, will be improved. The institutional strengthening component involves training of technicians through domestic and overseas courses, and the acquisition of specialized research consulting services. In addition,

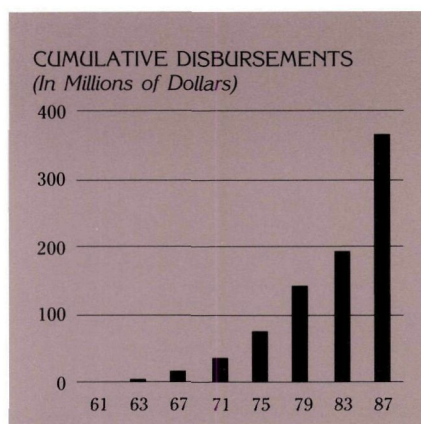
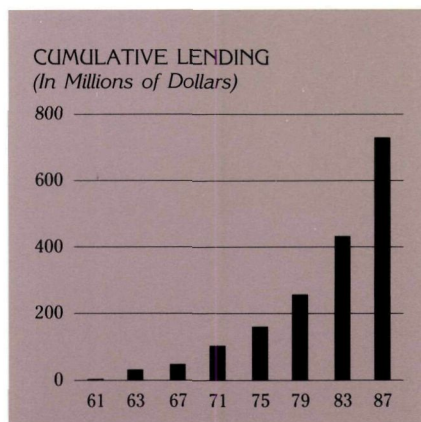
the agricultural economic and statistical unit, the library and the administrative unit of the executing agency will be strengthened.

**Control and Eradication of Cattle Diseases:** The livestock sector accounts for approximately 60 percent of Uruguay's exports. Exports of meat, however, are adversely affected by the fact that the country is in a foot-and-mouth disease region. As a result, the nation's meat products command lower prices than those from countries that are not in foot-and-mouth disease regions. Cattle tick infestation also causes extensive livestock loss due to hide depreciation and lower cattle weight. To

### Distribution of Loans 1961-87

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Transportation and Communications	\$266,459	\$ 454,759
Agriculture and Fisheries	169,558	265,245
Environmental and Public Health	110,422	216,412
Energy	62,982	162,009
Urban Development	48,522	65,301
Industry and Mining	35,356	138,536
Export Financing	8,940	12,771
Preinvestment	7,761	13,204
Education, Science and Technology	4,524	54,186
Tourism	1,728	7,091
Other	13,000	13,000
<b>Total</b>	<b>\$729,252</b>	<b>\$1,402,514</b>





**MASSIVE PERFORATING** machines dig holes through rock at site of the Paso Severino dam in Uruguay prior to laying dynamite to blast out rock to excavate the dam site. In 1977, the Bank approved a \$26 million loan to build the dam in order to impound a lake to improve and expand the water system of Montevideo's metropolitan area. The project has provided for the needs of the city through the year 2,000.

help control the disease and the infestation, the Bank in 1987 approved two loans totaling \$13.2 million—\$11.1 million from the ordinary capital and \$2.1 million from the Fund for Special Operations. The project will be carried out by *Dirección General de Servicios Veterinarios (DGSV)*, of the *Ministerio de Ganadería y Agricultura y Pesca*. To control foot-and-mouth disease, the project will seek to vaccinate 100 percent of the cattle in the highest-risk areas. Likewise, stricken cattle in areas where the disease has existed during the last two years of the project will be killed. Producers will be compensated for their losses. Installations to improve facilities to control the quality of vaccines and inspection services of the quarantine stations will be built. Machinery, equipment, vehicles and laboratory and field equipment will also be purchased. To reduce the infestation of cattle ticks, supervision and control of anti-parasitic bath facilities will be increased. Permanent control stations will be built and mobile posts, laboratory equipment, vehicles and supplies will be acquired.

**Dairy Region Development:** The live-

stock, farming and fishery sector generates 90 percent of Uruguay's exports and a large proportion of the raw material used by its industry. Such exports provide foreign exchange needed to maintain imports of oil, industrial raw materials and capital goods essential for economic activity. The dairy industry has been the most dynamic of the livestock activities. It represents 18.4 percent of the agricultural production. Milk production has increased annually by 3.1 percent over the last ten years. Private initiative has been instrumental in expanding production and exports and in introducing new technologies. In 1987, the Bank approved a \$34 million loan from the ordinary capital to help Uruguay modernize dairy production through rural electrification and road improvements. The program will improve production in the departments of Colonia, San José, Florida and Canelones, a region that accounts for 81.3 percent of the country's milk production. Electric service will be available to 1,560 previously unserved milk producers. Service available to producers already connected will be improved. As a result, coverage will increase to 75 percent of the 4,600 dairy farms in the region and will



spark greater use of electric milking and milk cooling equipment. Some 70 sections of local roads totaling 1,252 kilometers will be improved, facilitating the movement of bulk milk to the processing plants.

**Road Improvement Program:** Uruguay's highway system totals 50,000 kilometers, of which 9,712 make up the national highway system. The rest are departmental and municipal roads. Most of the highways were built between the 1940s and the 1960s and have reached or exceeded their serviceable life or are not adapted to current traffic requirements. For that reason, over recent years road improvements have had high priority in Uruguayan government policy. The Bank has cooperated with this effort by financing the construction of a number of roads and bridges. In 1984, the Bank authorized two loans totaling \$56 million to finance the first stage of a road improvement program covering 29 sections of highway totaling 660 kilometers and nine bridges. That program is now well underway. As a result, the Bank in 1987 approved an \$83.8 million loan from the inter-regional capital to carry out a second stage. This stage covers 24 highway sections totaling 883 kilometers. The loan will be used by the *Ministerio de Transporte y Obras Públicas* to overlay and reinforce 329 kilometers; remodel and modernize 328 kilometers and restore the surface on 226 kilometers of secondary and tertiary roads. The road projects are located in the Departments of Artigas, Rivera, Tacuarembó, Treinta y Tres, Rocha, Maldonado, Canelones, Florida, San José, Colonia and Durazno.

**Export Financing:** In 1987, the use of a previous line of credit extended to Uruguay from the Venezuelan Trust Fund for export credits was extended through repayments by \$2.9 million.

## FINANCING FOR SMALL PROJECTS

**Credit for Microentrepreneurs:** Montevideo's 16,000 small enterprises produce 32.4 percent of the manufacturing output and 67.7 percent of the services available in the capital of Uruguay. The *Fundación Uruguaya de Cooperación y Desarrollo Solidarios (FUNDASOL)* is a nonprofit organization which seeks to improve living conditions for such enterprises in the marginal areas of Montevideo. In 1987, the Bank approved a \$500,000 financing from the Fund for Special Operations to improve productivity and income levels of 870 low-income microentrepreneurs and their families. The financing will help increase the production of goods and

services in the informal sector by financing inputs and working capital, and providing technical assistance and training. The beneficiaries are engaged in such lines of work as leather, ceramic, wicker goods and office furnishings, as well as fishing.

## TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described financing extended to the *Fundación Uruguaya de Cooperación y Desarrollo Solidarios (FUNDASOL)*, the Bank in 1987 approved a \$95,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to provide advisory services to improve the administrative control and supervisory systems of the executing agency, to monitor progress and to provide aid in designing training systems.

## PROGRESS HIGHLIGHTS

**Montevideo Water System:** On Oct. 30, 1987, the President of Uruguay inaugurated a dam impounding 70 million cubic meters of water at Paso Severino, 60 kilometers from Montevideo. The impoundment is designed to provide water to the city of Montevideo and surrounding neighborhoods for 25 years. The dam was built with the help of a \$36 million loan from the inter-regional capital approved by the Bank in 1977. All other facilities connected with the project had also been completed by the end on 1987.

**Citrus Fruit Project:** In 1985, the Bank approved an \$11 million loan from the inter-regional capital for a project in the Department of Paysandú to produce and process citrus fruits for the export market. The loan was extended to the *Banco de la República Oriental del Uruguay*. The project, which is being executed by *AZUCITRUS, S.A.*, a private firm, includes planting 325 hectares of citrus trees, thus raising its total planted area to 2,021 hectares. The project provided for the construction of 24 kilometers of orchard roads, 523 harvesting yards, an irrigation system, and the purchase of agricultural machinery and vehicles. It also involved the construction of a fruit packing plant and a juice and oil extracting plant with an annual capacity of 1,200 tons of juice concentrate and about 30 tons of essential oils. The packing plant, which has a 31,000-ton yearly capacity, was inaugurated in 1987. Late in the year, work was also completed on the juice and oil extracting plant. The firm's products are sold primarily in Europe.

# VENEZUELA

## LOANS

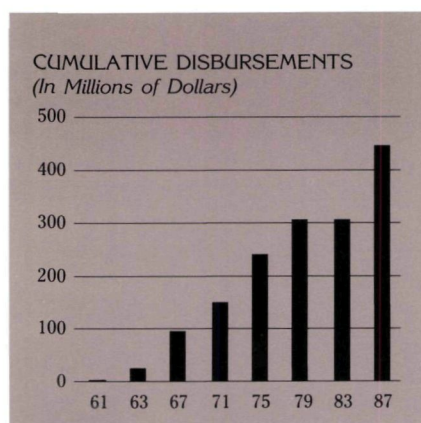
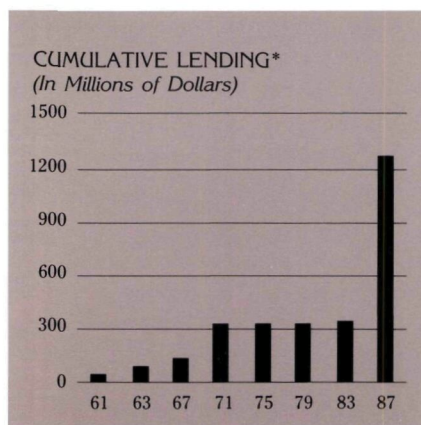
**Highway Improvement Program:** The highway system is the most important means of transportation in Venezuela. Railroads are marginal, waterway shipments are limited to a few products such as iron and bauxite and air transportation is used primarily for passenger traffic or for long-distance shipment of products with a high unit value. Venezuela has 76,432 kilometers of highways, of which 33 percent are paved, 32 percent are gravel and 35 percent are dirt roads. This network has been expanding annually by an average of 3,450 kilometers since 1982. In 1987, the Bank approved a \$71.6 million loan from the ordinary capital to help Venezuela rehabilitate 6,175 kilometers of roads, which are deteriorating due to age and wear and tear caused by high traffic volume. The execution of the project, which is being carried out by the *Dirección General Sectorial de Viabilidad*, will help cut transportation costs, provide better regional access nationwide, promote the development of the country's resources and step up farm production. The program entails resurfacing bituminous pavement with asphalt mixes and patching the surface, base or sub-base when repairs are needed or the load capacity must be improved. Additional drainage works, retaining walls and other minor supplementary works such as ditches, gutters and culvert head walls will also be built.

**Central Region Water Supply:** Venezuela's central region includes the basin of Lake Valencia which, together with the metropolitan area of Caracas and its surroundings, is the most devel-

### Distribution of Loans 1961-87

*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Energy	\$ 384,275	\$1,884,160
Industry and Mining	326,475	1,089,594
Environmental and Public Health	209,671	526,596
Agriculture and Fisheries	201,410	595,575
Transportation and Communications	71,600	238,600
Education, Science and Technology	34,608	103,626
Urban Development	31,871	94,450
Preinvestment	2,885	6,694
Export Financing	1,404	2,006
<b>Total</b>	<b>\$1,264,199</b>	<b>\$4,541,301</b>



\* Venezuela did not apply for Bank loans between 1974 and 1982.

oped part of the country. More than 2 million persons live in the region and by the year 2,000 this number is expected to rise to 3.5 million. Nearly 1,000 industries in the area account for 70 percent of the country's manufacturing jobs, excluding the petroleum industry. Some 50,000 hectares of high-quality agricultural land around the lake produce a significant portion of the country's agricultural output. However, growth is now being held back by a shortage of water. Surface water of the basin is scarce and underground sources are overexploited. As a result, nearly 80 percent of the water supply comes from the Pao River Basin. In order to expand



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the water supply of the region, the Bank in 1987 approved a \$153.4 million loan from the inter-regional capital. The program will be carried out by the *Instituto Nacional de Obras Sanitarias (INOS)*, Venezuela's national water administration. The project calls for the addition of five cubic meters per second of water flow from La Balsa reservoir on the Pao River; the installation of 110,000 water meters in Valencia and Maracay, and a program to reduce water losses. The project includes the construction of a pumping station and a treatment plant at La Balsa reservoir on the Pao River and the installation of six supply lines and two control centers in the cities of Valencia and Maracay. These will receive the water from the treatment plant and distribute it to the 15 urban and 24 rural communities, which will be served by the regional water supply system. Other smaller works will also be carried out. Finally, equipment will be purchased and personnel will be contracted to develop environmental protection measures in the Pao River Basin.

#### FINANCING FOR SMALL PROJECTS

**Community Development Project:** In 1987, the Bank approved a \$500,000 financing from the Social Progress Trust Fund to benefit 1,300 low-income farmers on the Paria Peninsula in the State of Sucre, Venezuela. The program will be carried out by the *Centro Campesino Los Pinos*, an affiliate of the *Centro al Servicio de la Acción Popular (CESAP)*, a private nonprofit institution which seeks to improve the living standards of farm families. The project, which is expected to benefit 1,300 farmers, involves the expansion of the supply center of the *Centro Campesino Los Pinos*, thus improving the availability of farm inputs, tools and other materials; setting up a working capital fund for beneficiaries, and implementing a community marketing service.

#### TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described financing to the *Centro al Servicio de la Acción Popular (CESAP)*, the Bank in 1987 approved a \$95,000 technical cooperation grant from the Social Progress Trust Fund. The assistance will be used to hire specialists to strengthen the administration of the executing agency, the *Centro Campesino Los Pinos*.

#### PROGRESS HIGHLIGHTS

**Forestry Development:** In 1984, the Bank approved a \$34.3 million loan from the ordinary capital to help Venezuela carry out a forestry development program designed to cover part of its needs for wood and wood products from the year 2000 onwards. The loan is being used by the *Compañía Nacional de Reforestación (CONARE)*, an agency of the Ministry of Agriculture, to plant 180,000 hectares of new pine forests; to protect 68,000 hectares of already forested land from pest, disease and fire; to develop research on reforestation; to carry out a forest inventory, and to build a demonstration saw mill. In 1987, the borrower carried out topographic studies on 26,000 hectares of land, planted 12,000 hectares in trees and prepared 44,000 hectares. In addition, research on improved trees varieties went forward.

**Construction of Bauxite Mine:** In 1985, the Bank approved a \$108 million loan from the inter-regional capital to help build and start up a mine at Los Pijiguaos, which will have an annual production capacity of 5.2 million tons of bauxite. The project is being carried out by *C.V.C. Bauxita Venezolana C.A. (BAUXIVEN)*, a public corporation in charge of exploiting the bauxite reserves of the State of Bolivar. The project consists of the exploitation of the bauxite and the crushing of the ore; the building of an ore transportation system to Pié del Cerro; the construction of a transportation system to the port of El Cobal on the Orinoco River; the installation there of a port, and the establishment of a town to house staff personnel. By the end of 1987, *BAUXIVEN* had carried out a number of infrastructure works related to the construction of the project. These included an access road to the plant, the construction of the railbed from Pié del Cerro to the port of El Jobal, housing and service works and the telecommunication system. The construction of the principal works of the project were underway at the end of 1987, and early production, amounting to 60,000 tons of bauxite a year, had started.

# REGIONAL

## TECHNICAL COOPERATION

### Support for Agricultural Research Centers:

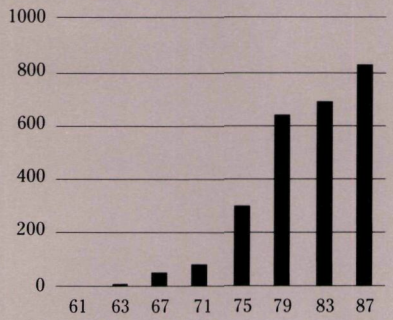
Along with 10 other institutions in other parts of the world, the three agricultural research centers in Latin America conduct research designed to solve the problem of nutrition and shortfalls in farm output by increasing the production of basic cereal grains, legumes, tubers, livestock products and other foods. Since 1974, the Bank has contributed \$88.3 million to the core and capital programs of the three—the International Center for the Improvement of Maize and Wheat (*CIMMYT*) in Mexico, the International Center for Tropical Agriculture (*CIAT*) in Colombia, and the International Potato Center (*CIP*) in Peru. In 1987, the Bank approved an additional \$10,530,000 technical cooperation grant from the Fund for Special Operations to support the basic programs of the centers during 1987. The total amount of the core budget of the three international centers for 1987 is estimated at \$60.9 million, of which the Bank will provide 17 percent. The remainder is being provided by donor countries, international development institutions and foundations which, along with the Bank, make up the Consultative Group on International Agricultural Research. The 1987 assistance includes \$4,390,000 in Mexican pesos to *CIMMYT*, \$4,640,000 in Colombian pesos to *CIAT*, and \$1,250,000 in Peruvian intis to *CIP*. In addition, \$250,000 of the cooperation will be used by the Bank to contract the services of an international consulting firm to study prospects for additional sources of financing for the centers.

### Distribution of Loans 1961–87

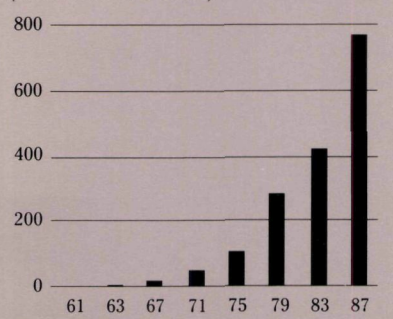
In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$558,676	\$6,845,256
Transportation and Communications	115,992	181,715
Industry and Mining	54,211	196,783
Preinvestment	39,014	58,752
Agriculture and Fisheries	15,130	62,619
Education, Science and Technology	9,902	25,410
Urban Development	6,116	12,970
Environmental and Public Health	810	2,948
Tourism	623	2,416
Other	24,559	36,570
<b>Total</b>	<b>\$825,033</b>	<b>\$7,425,439</b>

CUMULATIVE LENDING  
(In Millions of Dollars)



CUMULATIVE DISBURSEMENTS  
(In Millions of Dollars)



**Polio Eradication Program:** In 1984, the World Health Organization initiated an Expanded Program on Immunization (EPI). Its goal is to provide immunization services for diseases preventable by vaccination to every child in the world by 1990. Since the start of the initiative, remarkable progress has been made against the polio virus in Latin America. The percentage of children under one year of age who have received the recommended three doses of vaccine per year increased from 34.6 percent in 1978 to 75 percent in 1984. As a result, the number of reported cases of paralytic polio declined 90 percent—from 4,728 in 1979 to 524 in 1984. The number of countries reporting



cases of polio has also declined, from 19 in 1975 to 11 in 1984. In light of these advances, the member governments of the Pan American Health Organization (PAHO) in 1985 drafted a plan of action to eradicate the wild polio virus in Latin America by 1990. The program calls for the immunization of 114 million children. To support this effort, the Bank in 1987 approved a \$5.5 million technical cooperation grant from the Fund for Special Operations. It will be used by PAHO, in cooperation with the Ministries of Health of the Bank's Latin American member countries, to contract consultants to help carry out the program and to train officials in its execution. The total cost of the program is \$46,450,000. Other contributions include the U.S. Agency for International Development, \$20.6 million; PAHO, \$4.6 million; UNICEF, \$5 million and Rotary International, \$10.7 million.

**Business Management Training:** The *Instituto Centroamericano de Administración de Empresas (INCAE)* is an international organization based in Managua and San José, Costa Rica, which fosters integrated development in Central America by providing education, research and advisory services. In 1983, the Bank approved a \$1,540,000 technical cooperation grant to enable *INCAE* to carry out a master's level program of training and research in nontraditional exports; of energy resource management and policy, and of small- and medium-sized businesses. A major new training effort is needed to provide Central American countries with more and better qualified professional managers to spur economic growth and social development in the region. To further this effort, the Bank in 1987 approved a new grant—\$2,010,000 from the Fund for Special Operations—to train 75 professionals at the master's level in economics and business and to train 180 industrial extension agents to serve as instructors in management training programs for small businesses. The courses will be carried out at the San José campus.

**Training and Advice on Project Cycle:** In 1978, the preinvestment agencies of 21 of the Bank's Latin American member countries established an agency in Quito, Ecuador, to help improve the administration of preinvestment funds. In 1980, the Bank extended a \$507,000 technical cooperation grant to help the agency—now known as the *Organización de Preinversión de América Latina y del Caribe (OPALC)*—to carry out a training and research program for participants from its member countries. That project was successfully completed in 1983. In 1987, the Bank authorized a new technical cooperation grant—\$952,000 from the Fund for

Special Operations—for a program of training and advice on the project and preinvestment cycle. The assistance will help to strengthen the agencies responsible for the project and preinvestment cycle and for administering the corresponding national technical cooperation programs. The project involves the performance of a feasibility study; the publication of teaching materials, and staff training. The program will help improve the ability of beneficiaries to identify, prepare, negotiate, supervise and monitor projects; to provide information to improve existing public investment projects and to improve the allocation of resources for preinvestment studies.

**Account Price Studies:** Account prices are an indispensable tool in the economic appraisal of projects. As a result, the Bank has assigned high priority to the development of techniques for estimating accounting prices. In 1987, the Bank approved a \$615,000 technical cooperation grant from the Fund for Special Operations to enable four of its member countries—Colombia, the Dominican Republic, Panama and Venezuela—to carry out programs to estimate such prices for the economic appraisal of projects. In addition, in Colombia and Venezuela, comparative advantages in manufactured export goods will be analyzed. The study of comparative advantages will help in planning industrial policies in those countries, principally to spur incentives for exports. The grant will also finance the training of personnel from national planning agencies. The planning agencies participating in the project are the *Departamento Nacional de Planeación* (Colombia), the *Ministerio de Planificación y Política Económica* (Panama), the *Secretaría Técnica de la Presidencia* (the Dominican Republic) and the *Oficina Central de Coordinación y Planificación de la Presidencia* (Venezuela).

**Training for Farm Managers:** In recent years, agricultural production in most of the Caribbean has declined. Farm exports are down and food imports are up. The weakness of the sector has aggravated unemployment, rural poverty, urban congestion and the balance of payments. Among the many factors which can help reverse this trend is the training of farm managers. To contribute to this objective, the Bank in 1987 approved a \$940,000 technical cooperation grant from the Fund for Special Operations. The assistance, which was extended to the Caribbean Development Bank, will be used by the Secretariat of the Caribbean Community (CARICOM) to carry out a project to upgrade the capabilities of mid-level farm managers. Some 75 managers will be trained at the Eltham Training



Centre in Jamaica through 24-week courses. An additional 1,440 farm managers will receive training through 10-day in-country programs. The program aims to impart sound farm management skills to farmers who already are technically experienced.

**Environmental Protection Meeting:** In 1987, the Bank approved a \$185,000 technical cooperation grant from the Fund for Special Operations to finance a consultative meeting with public institutions responsible for the environmental protection of natural resources in Latin America and the Caribbean. The meeting took place at the Bank's headquarters and brought together some 140 participants, including representatives of the Bank's developing member countries, observers from international public and private organizations and Bank staff members. The meeting was held in response to a growing interest on the part of the countries of Latin America and the Caribbean to enhance the environment and to monitor any adverse environmental effects of development projects. The discussions helped develop strategies for encouraging cooperation among public agencies responsible for environmental matters and for the inclusion of such concerns in development projects financed by the Bank.

**Seminar on International Arbitration:** A number of legal relations result between Latin America and the developed regional and nonregional member countries of the Bank in the financing and execution of projects, as well as in trade. These relations sometimes lead to controversies that require effective and quick legal solutions. One means for seeking such solutions is international arbitration. In order to exchange information on the status of that process in Latin America, the Bank and Spain's *Consejo Superior de Cámara de Comercio, Industria y Navegación* co-sponsored a seminar in Madrid from Dec. 13 to 15, 1982, on international arbitration. The Bank contributed \$73,000 in a technical cooperation grant from the Fund for Special Operations for the project. In 1987, the Bank approved an additional technical cooperation grant—\$105,000 from the Fund for Special Operations—for a second such seminar. The assistance helped finance a seminar, carried out jointly with the *Instituto Centroamericano de Derecho Arbitral*, which took place in Guatemala City from November 17 to 19, 1987.

**Training Plan Prototype:** The *Asociación Latinoamericana de Instituciones Financieras de Desarrollo (ALIDE)*—the Latin American Associa-

tion of Development Financing Institutions—was established in 1968 with technical support from the Bank. It fosters cooperation among its affiliates. Since its creation, the Bank has extended a total of \$922,500 in grants to *ALIDE* for programs to improve the operational capabilities of Latin America and Caribbean development banks. In 1987, the Bank approved an additional grant—\$510,000 from the Fund for Special Operations—to enable *ALIDE* to help its affiliated institutions to establish in-house training programs. Each participating development bank will receive eight weeks of training to facilitate implementation of a prototype training plan and to adapt it to its own institution. The project also includes training courses for the officers of the training units of each institution, as well as the provision of manuals and teaching materials for basic courses.

## PROGRESS HIGHLIGHTS

**Yacyretá Hydroelectric Project:** More than 5,500 persons and an extraordinary aggregation of companies from Argentina and Paraguay, and from Canada, France, Germany, Italy, Japan and the United States are speeding the construction of the 2.7-million-kilowatt Yacyretá hydroelectric project, which is being built jointly by Argentina and Paraguay on the Paraná River, near the cities of Posadas and Encarnación. The project, for which the Bank made an initial loan of \$210 million from the ordinary capital in 1978, faced a number of delays in its early history but is now rapidly moving towards its completion date of 1993. The design and construction management were entrusted to a joint venture consortium consisting of Germany and the United States and a group of Argentine firms. In 1983, a consortium of 33 companies was established to carry out the construction works. The two leading firms were from Italy and France. By the end of 1987, more than a third of the civil works had been completed and all of the Bank's loan had been disbursed. The project consists basically of the construction of the power station; a navigation lock; two irrigation structures on either side; construction of housing and community facilities for the re-settlement of about 35,000 persons; the construction of feeder roads and a bridge over the river. During 1987, contracts were signed for the construction of turbines, nine from a United States firm, seven from an Argentine-Paraguayan consortium and four from a Canadian firm. In addition contracts were awarded for 10 generators from a Japanese-German consortium.



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**Caribbean Development Projects:** In 1984, the Bank approved two loans totaling \$25 million—\$20 million from the ordinary capital and \$5 million from the Fund for Special Operations—to help the Caribbean Development Bank finance a credit and preinvestment program for its members. The loans are being re-lent for agricultural, industrial, tourism, infrastructure and preinvestment projects. Some of the key subloans extended by the Caribbean Development Bank include \$2.4 million for the Ocho Ríos cruise ship pier in Jamaica; \$5.2 million to build a sewage system in the West Bay area of Grand Cayman Island, where most of the island's tourist development is concentrated; \$1.5 million to build factory shells in Jamaica; \$2.2 mil-

lion to build the South Andros Dock in the Bahamas, and \$4.9 million for the Exuma Airport in the Bahamas. The Ocho Ríos cruise ship pier was completed in 1987. It enables two cruise ships to dock simultaneously. The improved facilities have enhanced Ocho Ríos as an attractive port-of-call for cruise ships. The Cayman Island sewage system is designed to protect the beach from sewage pollution. It represents the island's first public sewage system. Construction is well advanced and the project is expected to be completed in mid-1988. The factory shells are more than 75 percent completed. Construction was initiated in 1987 on the South Andros Dock and the Exuma Airport.

## STATEMENT OF APPROVED LOANS, 1987

### Ordinary Capital

COUNTRY	Borrower SECTOR (Project)	Date Approved	Amount (Expressed in U.S. dollars)	Interest Rate (%)	Term (Years)
BOLIVIA	Republic of Bolivia TRANSPORTATION (Cochabamba-Santa Cruz Highway)	12/17/87	77,000,000	a	25
BRAZIL	State of Sao Paulo EDUCATION (Expansion of University of Sao Paulo)	10/15/87	63,200,000	a	25
	State of Goiás TRANSPORTATION (Feeder Roads)	11/18/87	73,200,000	a	20
	Banco do Nordeste do Brasil S.A. INDUSTRY (Credit)	12/17/87	100,000,000	a	15
	Federal District HEALTH (Brasília Water and Sewage System)	12/17/87	80,000,000	a	25
COLOMBIA	Interconexión Eléctrica, S.A. ENERGY (Transmission Network)	7/29/87	86,600,000	b	10
	Banco de la República AGRICULTURE (Credit Program)	12/03/87	100,000,000	a	20
	Interconexión Eléctrica, S.A. ENERGY (Guavio Hydroelectric Plant)	12/17/87	360,000,000	a	20
COSTA RICA	Republic of Costa Rica AGRICULTURE (Forest Development)	11/11/87	12,200,000	a	20
	Instituto Costarricense de Electricidad ENERGY (Sandillal Hydroelectric Plant)	11/11/87	94,600,000	a	20
ECUADOR	Republic of Ecuador AGRICULTURE (Credit Program)	10/15/87	200,000,000	a	20
JAMAICA	Bank of Jamaica EXPORT FINANCING (Increase in Line of Credit)	8/26/87	500,000	6	
	Government of Jamaica AGRICULTURE (Farm Titling Program)	12/03/87	8,580,000	a <sup>b</sup> c	25
	Government of Jamaica URBAN DEVELOPMENT (Township Services)	12/10/87	9,315,000	a	25
	Government of Jamaica URBAN DEVELOPMENT (Township Services)	12/10/87	17,985,000	a <sup>b</sup> c	25
MEXICO	Nacional Financiera, S.N.C. AGRICULTURE (Credit Program)	12/17/87	160,000,000	a	20
	Nacional Financiera S.N.C. EXPORT FINANCING (Increase in Line of Credit)	12/18/87	1,000,000	6	
PANAMA	Republic of Panama TRANSPORTATION (Highway Reconstruction)	9/24/87	16,700,000	a	20
PARAGUAY	Administración Nacional de Electricidad ENERGY (Rural Electrification)	12/10/87	20,000,000	a <sup>b</sup> c	25
PERU	Republic of Peru ENERGY (Hydroelectric Plant & Transmission Facilities)	2/12/87	2,500,000 <sup>d</sup>	4	20
	Republic of Peru ENERGY (Hydroelectric Plant & Transmission Facilities)	2/12/87	22,000,000	a	20
	Republic of Peru ENERGY (Hydroelectric Plant & Transmission Facilities)	2/12/87	35,400,000	b	6
	Republic of Peru ENERGY (Hydroelectric Plant & Transmission Facilities)	2/12/87	10,000,000	b	20

<sup>a</sup> Variable interest rate applicable to yearly disbursements.

<sup>b</sup> Complementary loan: rates of interest vary for each disbursement and on balance every six months.

<sup>c</sup> Interest rate partially defrayed by Intermediate Financing Facility.

<sup>d</sup> Loan or portion of loan extended in the currency of the borrower country.



## STATEMENT OF APPROVED LOANS, 1987

### Ordinary Capital (continued)

COUNTRY	Borrower SECTOR (Project)	Date Approved	Amount (Expressed in U.S. dollars)	Interest Rate (%)	Term (Years)
<b>SURINAME</b>	Republic of Suriname HEALTH (Hospital Expansion)	10/21/87	6,305,000	a & c	25
<b>URUGUAY</b>	Republic of Uruguay TRANSPORTATION (Highway Improvement)	3/11/87	83,800,000	a	20
	Republic of Uruguay AGRICULTURE (Animal Health)	12/03/87	11,100,000	a	20
	Republic of Uruguay AGRICULTURE (Technology Generation & Transfer)	12/10/87	19,300,000	a	25
	Republic of Uruguay AGRICULTURE (Dairy Production Improvements)	12/17/87	34,000,000	a	20
<b>VENEZUELA</b>	Republic of Venezuela TRANSPORTATION (Road Reconstruction)	12/10/87	71,600,000	a	20
	Republic of Venezuela HEALTH (Central Region Water Services)	12/17/87	153,400,000	a	25

<sup>a</sup> Variable interest rate applicable to yearly disbursements.

<sup>b</sup> Complementary loan: rates of interest vary for each disbursement and on balance every six months.

<sup>c</sup> Interest rate partially defrayed by Intermediate Financing Facility.

<sup>d</sup> Loan or portion of loan extended in the currency of the borrower country.

## STATEMENT OF APPROVED LOANS, 1987

### Fund for Special Operations

COUNTRY	Borrower SECTOR (Project)	Date Approved	Amount (Expressed in U.S. dollars)	Interest Rate (%)	Term (Years)
<b>BOLIVIA</b>	Republic of Bolivia TRANSPORTATION (Cochabamba—Santa Cruz Highway)	12/17/87	3,200,000 500,000 <sup>a</sup> <u>3,700,000</u>	1 & 2 <sup>b</sup>	40
<b>BRAZIL</b>	State of Goiás TRANSPORTATION (Feeder Roads)	11/18/87	25,000,000 <sup>a</sup>	4	25
	Federal District HEALTH (Brasília Water & Sewage System)	12/17/87	20,000,000 <sup>a</sup>	3	25
<b>ECUADOR</b>	Republic of Ecuador URBAN DEVELOPMENT (Home Sites and Services)	2/05/87	6,300,000 <sup>a</sup> 50,900,000 <u>57,200,000</u>	1 & 2 <sup>b</sup>	40
	Republic of Ecuador AGRICULTURE (Reforestation)	10/15/87	6,300,000	1 & 2 <sup>b</sup>	40
<b>EL SALVADOR</b>	Republic of El Salvador HEALTH (San Salvador Water & Sewage System)	12/03/87	166,000,000	1 & 2 <sup>b</sup>	40
<b>GUATEMALA</b>	Republic of Guatemala URBAN DEVELOPMENT (Home Sites and Services)	1/13/87	43,800,000	1 & 2 <sup>b</sup>	40
<b>GUYANA</b>	Republic of Guyana AGRICULTURE (Irrigation and Drainage)	6/25/87	6,750,000	1 & 2 <sup>b</sup>	40
<b>JAMAICA</b>	Government of Jamaica AGRICULTURE (Farm Titling Program)	12/03/87	1,980,000 <sup>a</sup>	2	35

<sup>a</sup> Loan or portion of loan extended in the currency of the borrower country.

<sup>b</sup> The first interest rate shown is applicable during the grace period; the second is applicable subsequently.

## STATEMENT OF APPROVED LOANS, 1987

### Fund for Special Operations (continued)

COUNTRY	Borrower SECTOR (Project)	Date Approved	Amount (Expressed in U.S. dollars)	Interest Rate (%)	Term (Years)
PARAGUAY	Republic of Paraguay AGRICULTURE (Farm Training Program)	5/20/87	12,100,000	1 & 2 <sup>b</sup>	40
SURINAME	Republic of Suriname HEALTH (Hospital Expansion)	10/21/87	1,455,000 <sup>a</sup>	2	35
URUGUAY	Republic of Uruguay AGRICULTURE (Animal Health)	12/03/87	2,100,000 <sup>a</sup>	2	30

<sup>a</sup> Loan or portion of loan extended in the currency of the borrower country.

<sup>b</sup> The first interest rate shown is applicable during the grace period; the second is applicable subsequently.

## STATEMENT OF APPROVED LOANS, 1987

### Social Progress Trust Fund

COUNTRY	Borrower SECTOR (Project)	Date Approved	Amount (Expressed in U.S. dollars)	Interest Rate (%)	Term (Years)
ARGENTINA	Fundación Favaloro HEALTH (Cardiology Institute)	3/11/87	2,400,000 <sup>a</sup>	3	25
BOLIVIA	Republic of Bolivia OTHER (Social Emergency Fund)	12/10/87	800,000 <sup>a</sup> 3,200,000 <u>4,000,000</u>	1 & 2 <sup>b</sup>	40

<sup>a</sup> Loan or portion of loan extended in the currency of the borrower country.

<sup>b</sup> The first interest rate shown is applicable during the grace period; the second is applicable subsequently.

## STATEMENT OF APPROVED LOANS, 1987

### Venezuelan Trust Fund

COUNTRY	Borrower SECTOR (Project)	Date Approved	Amount (Expressed in U.S. dollars)	Interest Rate (%)	Term (Years)
BOLIVIA	Banco Central de Bolivia EXPORT FINANCING (Line of Credit)	9/24/87	5,000,000	6	
COSTA RICA	Banco de Costa Rica EXPORT FINANCING (Increase in Line of Credit)	11/25/87	3,000,000	6	
JAMAICA	Bank of Jamaica EXPORT FINANCING (Increase in Line of Credit)	8/26/87	1,000,000	6	







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**SMILING SALES CLERKS DISPLAY SHOES** made by a cooperative in Honduras. In 1981, the cooperative *La Fraternidad*, along with other cooperatives, benefited from a \$500,000 financing extended from the Technical Cooperation and Small Projects Swiss Fund administered by the Bank. The resources, channeled through the *Federación Hondureña de Cooperativas Industriales Limitada*, helped the cooperative, which is located in Comayagua, to purchase leather, other materials and machinery too expensive for individual members to own. Cooperative members produce 600 pairs of shoes a day and operate two retail stores.

**TECHNICIANS MEASURE GROWTH OF TREES** to assess progress on a vast forest planting program being carried out in Venezuela with the assistance of the Bank. In 1984, the Bank approved a \$34.3 million loan for a forestry development program to help meet Venezuela's forest product needs from the year 2000 onwards. The loan is being used by the *Compañía Nacional de Reforestación* to plant 180,000 hectares of new pine forests and protect other forests from pest and disease. Careful research on the growth of these trees will provide information to determine the best density for planting trees.



**POPULATION IN LATIN AMERICA (TOTAL, URBAN, RURAL) 1960-1987**  
(In Thousands of Persons)

TABLE 1

Country	Total		Urban		Rural		Total Population Rates of Growth (In Per Cent)		
	1960	1987	1960	1987	1960	1987	1960-70	1970-80	1980-87
Argentina	20,611	31,501	15,172	27,144	5,439	4,357	1.4	1.7	1.6
Bahamas	119	255	79	136	40	119	4.0	2.4	2.1
Barbados	230	254	66	83	164	171	0.4	0.4	0.2
Bolivia	3,294	6,794	887	3,239	2,407	3,555	2.7	2.7	2.8
Brazil	72,325	141,379	33,068	105,483	39,257	35,896	2.6	2.5	2.5
Chile	7,596	12,495	5,018	10,549	2,578	1,946	2.1	1.7	1.7
Colombia	15,557	29,610	7,467	19,720	8,090	9,890	3.0	2.2	1.9
Costa Rica	1,320	2,657	410	1,315	910	1,342	2.7	2.5	2.6
Dominican Republic	3,441	6,742	1,138	3,676	2,303	3,066	1.7	3.1	2.9
Ecuador	4,429	9,924	1,515	5,305	2,914	4,619	3.0	3.1	3.0
El Salvador	2,661	4,915	935	2,074	1,726	2,841	2.9	2.6	1.0
Guatemala	3,921	8,434	1,347	2,755	2,574	5,679	2.9	2.9	2.9
Guyana	604	804	160	250	444	554	1.7	0.5	0.9
Haiti	3,575	5,501	388	1,467	3,187	4,033	1.7	1.7	1.3
Honduras	1,988	4,664	438	1,911	1,550	2,752	3.1	3.2	3.3
Jamaica	1,682	2,376	381	1,151	1,301	1,225	1.1	1.3	1.6
Mexico	37,073	81,771	18,815	55,628	18,258	26,143	3.0	3.0	2.9
Nicaragua	1,503	3,499	622	1,998	881	1,501	2.7	3.5	3.4
Panama	1,220	2,275	441	1,188	779	1,087	2.4	2.4	2.2
Paraguay	1,778	3,927	605	1,726	1,173	2,200	2.6	3.3	3.1
Peru	10,385	20,733	4,630	14,125	5,755	6,608	2.6	2.6	2.6
Suriname	290	415	137	240	153	174	2.4	-0.3	2.2
Trinidad and Tobago	842	1,195	303	584	539	611	1.3	1.4	1.3
Uruguay	2,538	2,960	1,947	2,517	591	444	0.6	0.6	0.5
Venezuela	7,963	18,491	5,104	15,031	2,859	3,460	3.4	3.0	3.0
<b>Latin America</b>	<b>206,945</b>	<b>403,021</b>	<b>101,073</b>	<b>278,888</b>	<b>105,872</b>	<b>124,133</b>	<b>2.4</b>	<b>2.5</b>	<b>2.4</b>

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

## GROSS DOMESTIC PRODUCT PER CAPITA, 1960–1986

TABLE 2

Country	1986 Dollars					As a Per Cent of OECD's			
	1960	1970	1980	1985	1986	1970	1980	1985	1986
Argentina	1,943	2,531	2,752	2,268	2,378	23.9	20.9	16.0	16.1
Bahamas	8,977	8,624	10,325	10,090	10,252	81.5	78.3	71.1	69.5
Barbados	1,811	3,169	3,591	3,379	3,530	30.0	27.2	23.8	24.0
Bolivia	857	1,068	1,268	982	930	10.1	9.6	6.9	6.3
Brazil	981	1,382	2,486	2,392	2,525	13.1	18.9	16.8	17.1
Chile	1,853	2,275	2,463	2,220	2,306	21.5	18.7	15.6	15.6
Colombia	747	926	1,277	1,291	1,338	8.8	9.7	9.1	9.1
Costa Rica	1,171	1,595	2,149	1,920	1,949	15.1	16.3	13.5	13.2
Dominican Republic	717	998	1,432	1,339	1,316	9.4	10.9	9.4	8.9
Ecuador	682	815	1,416	1,353	1,353	7.7	10.7	9.5	9.2
El Salvador	746	971	1,032	879	889	9.2	7.8	6.2	6.0
Guatemala	960	1,236	1,613	1,318	1,282	11.7	12.2	9.3	8.7
Guyana	735	869	974	775	714	8.2	7.4	5.5	4.8
Haiti	315	289	387	347	342	2.7	2.9	2.4	2.3
Honduras	560	703	875	782	777	6.6	6.6	5.5	5.3
Jamaica	1,631	2,472	1,999	1,860	1,869	23.4	15.2	13.1	12.7
Mexico	1,327	1,815	2,523	2,501	2,496	17.2	19.1	17.6	16.9
Nicaragua	935	1,390	1,025	895	862	13.1	7.8	6.3	5.8
Panama	1,063	1,803	2,434	2,512	2,531	17.0	18.5	17.7	17.2
Paraguay	953	1,172	1,964	1,886	1,829	11.1	14.9	13.3	12.4
Peru	979	1,264	1,374	1,181	1,249	11.9	10.4	8.3	8.5
Suriname	1,697	2,198	3,363	2,836	2,767	20.8	25.5	20.0	18.8
Trinidad and Tobago	1,871	2,356	3,439	2,686	2,484	22.3	26.1	18.9	16.9
Uruguay	2,214	2,421	3,085	2,577	2,729	22.9	23.4	18.1	18.5
Venezuela	2,384	3,066	3,408	2,761	2,818	29.0	25.8	19.4	19.1
<b>Latin America</b>	<b>1,207</b>	<b>1,623</b>	<b>2,289</b>	<b>2,112</b>	<b>2,145</b>	<b>15.3</b>	<b>17.4</b>	<b>14.9</b>	<b>14.5</b>

Source: The OECD's per capita in U.S. dollars at 1986 prices has been estimated at \$10,578 for 1970, \$13,188 for 1980, \$14,201 for 1985 and \$14,740 for 1986. OECD, "Main Economic Indicators," October 1987.



**STRUCTURE AND GROWTH OF LATIN AMERICA'S GROSS DOMESTIC PRODUCT BY SECTOR,<sup>1</sup> 1960-1986**

Percentages

TABLE 3

Country	Agriculture and Mining				Manufacturing, Construction, Electricity, Gas and Water				Services <sup>2</sup>			
	Average Share of GDP		Average Annual Variations		Average Share of GDP		Average Annual Variations		Average Share of GDP		Average Annual Variations	
	1960-62	1984-86	1985	1986	1960-62	1984-86	1985	1986	1960-62	1984-86	1985	1986
Argentina	16.8	18.1	-1.9	-0.8	31.3	31.3	-8.5	11.6	52.0	50.5	-3.0	4.5
Bahamas	4.4	4.3	5.2	4.1	8.2	13.3	2.2	0.3	87.5	82.4	3.6	2.2
Barbados	25.3	10.6	0.1	4.6	22.9	20.0	-5.6	7.5	51.8	69.4	3.1	4.4
Bolivia	44.5	32.3	-2.8	-7.9	14.0	14.3	-6.1	-0.8	41.5	53.4	0.5	0.1
Brazil	19.5	11.5	9.0	-6.4	35.7	33.7	8.9	12.1	44.8	54.8	7.7	8.9
Chile	18.1	18.2	4.0	5.3	31.6	28.6	4.1	6.5	50.4	53.2	1.1	5.3
Colombia	32.2	24.2	4.3	7.8	23.5	26.6	3.8	6.3	44.3	49.2	2.1	3.1
Costa Rica	25.8	19.9	-2.9	0.8	20.0	29.3	1.7	6.1	54.1	50.7	2.1	4.4
Dominican Republic	32.6	21.1	-2.7	-5.0	19.0	25.4	-5.3	4.9	48.4	53.5	-0.5	1.5
Ecuador	30.1	29.6	9.7	6.8	20.7	23.5	0.5	-0.5	49.2	46.8	3.1	2.2
El Salvador	31.7	25.1	-1.1	-3.1	19.0	23.9	4.0	2.5	49.3	51.0	2.6	1.6
Guatemala	30.1	25.9	-0.9	0.0	15.9	19.6	-0.7	1.4	54.0	54.5	-1.1	-0.5
Guyana	47.5	34.4	4.0	2.0	17.5	18.7	-1.9	-2.6	35.0	46.9	-0.1	0.1
Haiti	46.0	31.9	0.5	2.5	16.4	22.7	1.1	-3.4	37.7	45.5	1.5	-0.4
Honduras	35.0	30.8	2.9	1.4	17.1	22.3	-1.6	-1.2	47.8	46.9	2.9	4.6
Jamaica	18.7	14.4	-10.1	1.2	28.3	22.8	-2.9	3.8	53.0	62.7	-3.8	1.8
Mexico	19.9	13.3	2.6	-3.2	24.8	30.7	5.4	-6.2	55.4	56.0	1.1	-2.9
Nicaragua	26.1	24.5	-5.1	-4.8	19.6	31.0	-2.6	1.7	54.3	44.5	-4.5	0.5
Panama	18.5	10.2	4.8	-2.1	17.9	16.9	2.6	4.5	63.6	72.9	5.2	3.3
Paraguay	36.6	27.0	4.6	-5.7	18.5	25.0	3.6	-0.2	44.9	48.0	3.8	3.4
Peru	28.4	25.0	4.0	1.3	27.6	27.7	1.0	17.7	44.0	47.3	1.4	7.1
Suriname	28.8	16.1	5.8	6.7	25.0	26.1	-1.1	-5.4	46.3	57.9	0.8	2.1
Trinidad and Tobago	12.0	10.2	4.6	-1.4	34.6	34.4	-9.4	-4.3	53.3	55.4	-5.0	-8.6
Uruguay	13.2	12.8	4.5	3.2	28.2	25.6	-5.0	10.3	58.5	61.6	1.2	5.3
Venezuela	33.1	14.1	0.5	6.8	20.3	27.3	1.5	6.5	46.5	58.5	-0.7	4.3
<b>Latin America</b>	<b>22.2</b>	<b>15.0</b>	<b>3.9</b>	<b>-1.6</b>	<b>28.5</b>	<b>30.5</b>	<b>4.6</b>	<b>6.0</b>	<b>49.4</b>	<b>54.4</b>	<b>3.2</b>	<b>4.1</b>

<sup>1</sup> In constant prices of each country converted to United States dollars at 1986 prices.

<sup>2</sup> Services: Commerce, Transport, Communications, Financial, Public Administration and others.

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

**STRUCTURE AND GROWTH OF LATIN AMERICA'S GROSS DOMESTIC PRODUCT  
BY EXPENDITURES,<sup>1</sup> 1960-86**  
Percentages

TABLE 4

Country	Consumption				Investment				Exports				Imports			
	Average Share of GDP		Average Annual Variations		Average Share of GDP		Average Annual Variations		Average Share of GDP		Average Annual Variations		Average Share of GDP		Average Annual Variations	
	1960-62	1984-86	1985	1986	1960-62	1984-86	1985	1986	1960-62	1984-86	1985	1986	1960-62	1984-86	1985	1986
Argentina	83.3	83.1	-6.4	8.7	19.9	11.6	-18.5	18.5	8.0	15.3	12.5	-5.7	-11.2	-10.0	-13.1	-15.4
Bahamas	75.0	73.5	3.5	n.a.	5.0	9.3	3.4	n.a.	64.7	67.2	3.4	n.a.	-46.7	-51.7	3.4	n.a.
Barbados	99.5	54.1	n.a.	n.a.	19.5	29.5	n.a.	n.a.	33.4	77.9	n.a.	n.a.	-52.5	-61.6	n.a.	n.a.
Bolivia	73.8	84.9	0.4	-1.0	15.7	10.4	-3.8	2.4	30.4	28.9	-1.3	-1.9	-19.9	-24.2	5.0	-5.7
Brazil	86.2	80.7	7.5	14.3	16.7	13.9	9.5	0.8	7.6	11.7	-1.7	-18.8	-10.5	-6.3	-16.5	-13.4
Chile	93.5	80.2	-1.0	3.8	14.8	14.7	-6.6	14.1	12.1	26.4	6.9	9.8	-20.5	-21.4	-11.0	-8.8
Colombia	78.6	82.5	2.2	2.8	21.0	18.3	-9.7	5.2	18.2	15.6	14.3	14.7	-17.8	-16.3	-6.6	-2.7
Costa Rica	86.3	73.9	3.8	5.2	18.1	21.1	10.1	12.1	21.8	38.0	-5.7	2.3	-26.2	-33.1	4.7	-8.6
Dominican Republic	83.2	82.6	-3.6	n.a.	9.5	18.5	4.4	n.a.	23.2	18.2	0.6	1.6	-15.9	-19.9	0.6	-9.9
Ecuador	88.8	80.2	2.0	1.8	19.0	16.6	6.3	1.2	15.8	24.1	14.7	4.8	-23.7	-20.9	7.1	-0.2
El Salvador	87.7	91.0	4.0	0.5	13.6	11.6	-5.6	21.5	22.1	21.1	-3.9	-12.6	-23.4	-23.7	0.5	2.9
Guatemala	90.7	85.3	-0.9	1.1	9.7	8.7	-19.7	2.0	14.4	14.6	3.1	-13.7	-14.8	-8.6	-13.2	13.9
Guyana	60.2	73.3	8.6	n.a.	42.6	20.6	10.1	n.a.	70.4	59.3	1.1	n.a.	-73.2	-53.3	15.7	n.a.
Haiti	85.8	92.2	3.0	1.6	6.1	16.7	-7.1	-14.5	21.3	30.0	-6.0	-9.2	-13.2	-38.9	-4.0	10.0
Honduras	83.8	78.0	3.2	3.2	16.2	19.6	-0.7	-10.2	29.0	37.0	2.7	4.4	-29.1	-34.6	0.4	2.0
Jamaica	73.9	93.9	-4.6	n.a.	26.8	14.3	-4.0	n.a.	37.0	28.3	-4.0	n.a.	-37.8	-36.5	-4.1	n.a.
Mexico	81.4	77.2	2.5	-1.8	18.4	17.7	12.0	-20.4	8.7	12.5	-4.0	1.5	-8.5	-7.4	13.4	16.9
Nicaragua	86.4	93.2	-1.6	3.2	15.5	22.5	-0.6	5.5	24.3	17.8	-11.7	-20.9	-26.2	-33.6	0.6	-2.1
Panama	81.6	76.9	1.7	-1.5	18.9	16.5	6.8	12.5	34.6	39.3	7.2	2.0	-35.1	-32.6	1.5	4.1
Paraguay	88.7	83.3	1.2	1.9	8.9	20.7	7.5	3.3	19.6	18.1	50.1	5.0	-10.8	-22.1	30.2	-12.6
Peru	70.9	80.7	2.7	14.0	18.2	13.1	-13.7	9.2	24.0	17.0	4.0	-14.0	-13.0	-10.7	-9.9	-10.7
Suriname	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Trinidad and Tobago	81.4	77.2	-11.4	n.a.	22.5	21.6	5.0	n.a.	43.7	32.2	7.9	n.a.	-47.6	31.0	-3.3	n.a.
Uruguay	95.6	84.5	2.2	6.1	12.9	8.9	-22.7	7.8	10.3	23.8	2.2	18.5	-18.7	-17.2	-0.1	-18.4
Venezuela	69.8	89.6	0.3	6.0	23.7	19.5	-9.6	5.2	26.3	12.1	17.5	-6.7	-19.8	-21.2	1.1	-0.4
<b>Latin America</b>	<b>82.6</b>	<b>80.2</b>	<b>2.9</b>	<b>4.6</b>	<b>18.0</b>	<b>15.2</b>	<b>3.1</b>	<b>-6.4</b>	<b>12.9</b>	<b>14.4</b>	<b>1.8</b>	<b>-9.5</b>	<b>-13.8</b>	<b>-10.8</b>	<b>-4.3</b>	<b>3.4</b>

<sup>1</sup> At constant market prices converted to U.S. dollars of 1986 purchasing power.  
n.a. Not available.

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



TABLE 5

## AGRICULTURAL SECTOR: DISTRIBUTION AND GROWTH OF VALUE ADDED, 1960-1986

In Per Cent

Country	Regional Distribution		Share of GDP		Average Annual <sup>1</sup> Variation		Annual Variation					
	1960-62	1984-86	1960-62	1984-86	1961-70	1971-80	1981	1982	1983	1984	1985	1986
Argentina	11.9	9.9	15.0	15.5	2.5	2.1	1.9	6.9	1.9	3.6	-1.7	-0.9
Bahamas	0.1	0.1	4.4	4.3	3.0	6.1	-1.1	-1.3	3.6	4.1	5.2	4.1
Barbados	0.2	0.1	25.2	9.7	0.9	-0.8	-17.1	-2.5	3.9	9.5	-0.5	4.5
Bolivia	1.4	1.2	22.9	19.2	3.1	4.4	-0.9	6.8	-26.7	18.7	3.1	-1.9
Brazil	30.4	33.2	19.2	10.6	3.2	4.9	6.1	-1.9	1.8	3.2	8.8	-7.3
Chile	3.2	2.6	10.1	9.5	2.2	2.7	3.8	-1.2	-2.5	7.5	5.6	8.8
Colombia	7.6	8.2	29.1	21.9	3.7	4.4	3.2	-1.9	2.8	1.8	1.7	3.3
Costa Rica	0.9	1.0	25.8	19.9	5.2	2.6	5.1	-4.7	4.0	10.1	-2.9	0.8
Dominican Republic	1.7	1.5	31.0	16.9	1.7	3.5	5.5	4.6	3.0	-0.2	-3.3	-3.4
Ecuador	1.9	1.8	28.1	14.8	3.4	3.1	6.8	2.0	-13.9	10.6	9.3	7.8
El Salvador	1.4	1.1	31.5	25.0	4.1	3.2	-6.4	-4.7	-3.2	3.3	-1.1	-3.1
Guatemala	2.5	2.7	29.9	25.6	4.5	4.7	1.2	-3.0	-1.7	1.6	-0.8	-0.2
Guyana	0.3	0.1	28.8	26.2	0.8	1.2	2.3	-1.4	-3.7	3.4	0.0	5.6
Haiti	1.1	0.6	44.4	31.8	0.8	1.6	-1.4	-4.2	-4.6	3.7	0.4	2.6
Honduras	0.8	0.9	33.3	28.5	5.6	3.2	3.8	-0.6	-0.7	1.3	2.9	1.7
Jamaica	0.7	0.4	10.9	8.8	1.5	0.6	2.2	-7.9	7.2	9.3	-3.4	-2.0
Mexico	18.5	19.8	16.1	9.6	3.9	3.5	6.1	-0.6	2.9	2.5	3.8	-2.7
Nicaragua	0.8	0.7	24.8	24.0	6.9	0.5	9.5	2.8	5.8	-5.3	-4.8	-5.4
Panama	0.5	0.5	18.3	10.1	5.5	1.7	8.3	-1.5	3.1	1.7	5.0	-2.2
Paraguay	1.4	1.8	36.5	26.6	3.1	6.8	10.1	0.4	-2.4	5.9	4.6	-5.9
Peru	4.4	3.6	19.2	15.1	4.3	0.0	9.9	3.0	-10.2	12.9	2.7	3.9
Suriname	0.1	0.1	11.4	8.7	3.4	3.8	13.2	-3.1	-8.8	4.1	0.8	3.8
Trinidad and Tobago	0.2	0.1	6.1	3.0	1.9	-1.7	-1.3	3.2	-3.4	2.4	9.5	1.1
Uruguay	1.4	0.8	13.2	12.8	3.8	0.9	5.5	-7.3	2.1	-6.8	4.5	3.2
Venezuela	3.1	3.5	7.2	7.1	5.6	3.1	-1.9	3.6	0.4	0.8	5.7	6.8
<b>Latin America</b>	<b>100.0</b>	<b>100.0</b>	<b>17.5</b>	<b>12.0</b>	<b>3.4</b>	<b>3.6</b>	<b>4.7</b>	<b>-0.2</b>	<b>0.5</b>	<b>3.5</b>	<b>4.4</b>	<b>-2.4</b>

<sup>1</sup> Compound growth.

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

TABLE 6

## MANUFACTURING SECTOR: DISTRIBUTION AND GROWTH OF VALUE ADDED, 1960-1986

In Per Cent

Country	Regional Distribution		Share of GDP		Average Annual <sup>1</sup> Variation		Annual Variation					
	1960-62	1984-86	1960-62	1984-86	1961-70	1971-80	1981	1982	1983	1984	1985	1986
Argentina	15.8	7.7	24.7	23.6	5.5	1.8	-16.0	-4.7	10.8	4.0	-10.5	12.8
Bahamas	0.1	0.1	6.6	10.4	7.1	6.3	5.4	0.9	0.0	0.7	1.0	-1.0
Barbados	0.1	0.0	8.6	11.0	6.7	6.4	-3.6	-5.4	2.5	1.9	-9.5	7.9
Bolivia	0.5	0.3	10.7	10.2	6.5	6.3	-7.3	-13.9	-6.7	-11.8	-9.2	-1.0
Brazil	34.2	41.0	26.7	25.9	7.0	9.0	-10.4	-0.4	-6.1	6.1	8.3	11.3
Chile	5.8	2.8	22.7	20.6	5.4	1.8	2.6	-21.0	3.1	9.8	1.2	8.0
Colombia	4.2	4.0	20.0	21.3	6.0	6.0	-2.6	-1.4	1.1	6.0	2.9	6.3
Costa Rica	0.4	0.5	14.1	22.0	9.0	7.5	-0.5	-11.4	1.8	10.4	3.2	7.1
Dominican Republic	0.7	0.8	15.2	17.1	8.8	6.8	2.7	3.6	1.2	-3.0	-4.1	2.3
Ecuador	0.7	1.1	12.3	18.2	5.4	13.2	8.8	1.5	-1.4	-1.8	0.3	-0.4
El Salvador	0.5	0.4	14.9	17.1	8.2	3.1	-10.4	-8.4	2.0	1.3	3.7	2.5
Guatemala	0.9	0.9	13.1	15.9	7.7	6.3	-3.1	-5.2	-1.9	0.5	-0.2	0.3
Guyana	0.1	0.0	10.1	11.4	2.2	5.5	6.1	-12.9	-16.4	-5.9	-3.1	-3.2
Haiti	0.3	0.1	13.7	15.7	0.7	8.6	-11.8	-3.8	5.4	-5.8	-2.9	-2.9
Honduras	0.2	0.2	10.8	15.1	7.1	6.6	-2.4	-3.6	5.3	8.4	-2.2	0.5
Jamaica	0.8	0.4	17.1	15.8	6.1	-1.9	0.9	7.0	1.9	-5.0	1.0	3.1
Mexico	18.1	25.7	19.6	24.2	9.2	7.2	7.0	-2.9	-7.3	4.8	6.0	-5.7
Nicaragua	0.4	0.4	16.1	26.0	10.2	3.1	3.0	0.1	5.6	0.4	-4.7	1.6
Panama	0.2	0.3	10.0	9.0	10.9	3.7	-3.3	2.2	-1.8	-0.5	2.0	2.6
Paraguay	0.5	0.6	16.1	16.5	6.6	8.4	4.3	-3.7	-4.2	4.5	5.0	-1.8
Peru	4.6	2.6	24.8	21.7	4.9	3.9	-0.2	-2.7	-17.3	2.8	4.1	17.8
Suriname	0.1	0.1	17.3	13.2	7.1	3.8	2.8	-16.4	-9.5	-3.6	7.0	-1.4
Trinidad and Tobago	0.7	0.3	26.6	18.1	3.0	2.0	-6.5	2.3	-1.2	-3.8	-3.8	3.7
Uruguay	1.9	0.7	23.2	20.9	1.3	3.3	-4.6	-16.9	-7.0	2.8	-1.6	12.1
Venezuela	5.0	5.0	14.5	20.3	7.6	5.2	-2.5	4.1	-1.7	4.6	2.2	5.1
<b>Latin America</b>	<b>100.0</b>	<b>100.0</b>	<b>21.9</b>	<b>23.4</b>	<b>6.8</b>	<b>6.6</b>	<b>-4.5</b>	<b>-2.3</b>	<b>-4.3</b>	<b>5.0</b>	<b>4.5</b>	<b>5.8</b>

<sup>1</sup> Compound growth.

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



**ANNUAL VARIATION IN THE CONSUMER PRICE INDEX<sup>1</sup>, BY COUNTRY, 1961-87**
**TABLE 7**

In per cent

	1961-70		1971-80		1984		1985		1986 <sup>2</sup>		1987 <sup>3</sup>	
<b>Countries with Relative Price Stability (Annual Rise in Prices of Less Than 5 Per Cent)</b>	El Salvador	0.7			Panama	1.6	Panama	1.0	Panama	-0.1	Haiti	-12.5 (Mar.)
	Guatemala	0.8			Guatemala	2.4	Honduras	3.4	Barbados	2.0	Panama	1.1 (Aug.)
	Venezuela	1.0			Suriname	3.7	Barbados	3.8	Honduras	4.4	Barbados	1.8 (July)
	Panama	1.3			Bahamas	3.9	Bahamas	4.6			Honduras	2.7 (July)
	Nicaragua	1.7			Barbados	4.6						
	Dominican Rep.	2.1			Honduras	4.7						
	Honduras	2.2										
	Guyana	2.3										
	Costa Rica	2.5	Panama	7.1	Haiti	8.0	Trin. & Tobago	7.7	Bahamas	5.4	Bahamas	6.2 (Aug.)
	Mexico	2.8	Bahamas	7.5	El Salvador	11.7	Haiti	8.4	Trin. & Tobago	7.7	Jamaica	6.9 (Aug.)
	Haiti	2.9	Honduras	8.0	Costa Rica	11.9	Suriname	10.9	Haiti	8.0	Trin. & Tobago	11.1 (Aug.)
	Barbados	3.0	Venezuela	8.5	Venezuela	12.2	Venezuela	11.4	Dominican Rep.	9.7		
	Trin. & Tobago	3.1	Guatemala	9.3	Trin. & Tobago	13.3	Guyana	15.0	Venezuela	11.6		
	Paraguay	3.4	Suriname	10.0					Costa Rica	11.8		
Jamaica	4.2	Guyana	10.4					Jamaica	14.4			
Suriname	4.2	Dominican Rep.	10.5									
Ecuador	4.4	Haiti	10.9									
		El Salvador	11.0									
		Costa Rica	11.2									
		Ecuador	12.7	Colombia	16.1	Costa Rica	15.1	Suriname	18.4	Bolivia	15.1 (Oct.)	
<b>Countries with Moderate Inflation (Annual Rise in Prices of between 5 and 15 Per Cent)</b>	Bolivia	5.6	Bolivia	16.9	Chile	19.9	Guatemala	18.7	Colombia	19.2	Paraguay	17.3 (June)
	Bahamas <sup>4</sup>	6.2	Trin. & Tobago	13.2	Paraguay	20.3	El Salvador	22.3	Chile	19.5	Guatemala	17.5 (June)
	Peru	9.7	Paraguay	13.4	Paraguay	24.5	Jamaica	23.0	Ecuador	23.0	Costa Rica	17.6 (Aug.)
	Colombia	11.1	Nicaragua <sup>5</sup>	14.7	Guyana	25.1	Colombia	24.0	Paraguay	31.7	Chile	19.0 (Sept.)
		Barbados	14.9	Jamaica	28.9	Paraguay	25.2	El Salvador	31.9	Dominican Rep.	20.0 <sup>6</sup>	
				Ecuador	30.4	Ecuador	28.0	Guatemala	36.9	Colombia	22.9 (Sept.)	
<b>Countries with High Inflation (Annual Rise Greater Than 15 Per Cent)</b>	Argentina	21.4	Mexico	16.9	Nicaragua	35.4	Chile	30.7	Uruguay	76.4	Venezuela	25.7 (Oct.)
	Chile	27.1	Jamaica	18.3	Uruguay	55.3	Dominican Rep.	37.5	Peru	77.9	El Salvador	27.0 (Aug.)
	Brazil	46.2	Bolivia	20.3	Mexico	65.5	Mexico	57.7	Mexico	86.2	Ecuador	29.3 (Aug.)
	Uruguay	47.8	Colombia	21.9	Peru	32.0	Peru	110.2	Uruguay	72.2	Argentina	35.0 <sup>6</sup>
			Peru	32.0	Brazil	36.6	Brazil	196.7	Peru	163.4	Brazil	143.7
			Brazil	36.6	Uruguay	64.0	Argentina	626.7	Nicaragua	219.5	Bolivia	276.4
			Uruguay	64.0	Bolivia	141.5	Bolivia	1,281.3	Brazil	227.0	Nicaragua	681.6
			Argentina	141.5	Chile	174.3			Argentina	672.2	Argentina	125.9 (Nov.)
			Chile	174.3					Bolivia	11,749.6	Mexico	126.2 (Oct.)
											Brazil	177.4 (Oct.)

<sup>1</sup> Annual averages of monthly consumer price indexes. For 1987, the rate is for the first months of the year indicated in the table over the same period for the previous year.

<sup>2</sup> No information available for Guyana.

<sup>3</sup> No information available for Guyana and Nicaragua.

<sup>4</sup> Average 1967-70. Data for years before 1966 not available.

<sup>5</sup> Data available for 1974-80 only.

<sup>6</sup> IDB estimate.

Source: International Monetary Fund, *International Financial Statistics* as well as national sources.

**LATIN AMERICA: BALANCE OF PAYMENTS SUMMARY<sup>1</sup>, 1984-86**  
In Millions of Dollars

TABLE 8

Country	1984				1985				1986			
	Balance on			Reserves and Related Items <sup>3</sup>	Balance on			Reserves and Related Items <sup>3</sup>	Balance on			Reserves and Related Items <sup>3</sup>
	Merchandise Trade <sup>2</sup>	Current Account	Capital Account		Merchandise Trade <sup>2</sup>	Current Account	Capital Account		Merchandise Trade <sup>2</sup>	Current Account	Capital Account	
Argentina	4,003.0	-2,391.0	2,759.0	-265.0	4,630.0	-953.0	397.0	556.0	2,595.0	-2,641.0	516.0	2,125.0
Bahamas	-604.3	-44.5	-33.5	-38.8	-595.4	76.2	-16.7	-19.0	-581.0	72.4	27.7	-60.4
Barbados	-274.3	11.3	-11.6	-1.3	-265.8	40.5	-8.3	-7.3	-375.5	4.5	44.0	7.5
Bolivia	312.2	-127.8	225.3	-115.8	160.6	-281.9	79.9	43.5	26.1	-324.9	225.5	49.3
Brazil	13,114.0	55.4	4,950.8	-5,411.0	12,411.5	-338.1	310.7	523.9	9,527.0	-2,849.0	-780.0	3,629.0
Chile	293.0	-2,060.0	2,052.0	-91.0	849.0	-1,329.0	1,229.0	103.0	976.0	-1,203.0	1,240.0	-37.0
Colombia	-649.0	-2,295.0	945.0	1,261.0	-216.0	-1,585.0	1,850.0	-284.0	1,544.0	-55.0	1,136.0	-1,466.0
Costa Rica	0.8	-154.9	82.4	50.2	-74.7	-139.7	89.9	-69.2	30.1	-131.8	15.0	-54.4
Dominican Republic	-389.0	-163.3	230.8	-97.0	-547.4	-107.6	177.2	-37.4	-526.9	-103.9	205.6	-96.6
Ecuador	1,055.0	-247.9	158.0	80.7	1,294.0	126.0	34.0	-26.0	504.0	-693.0	641.0	52.0
El Salvador	-188.6	-53.6	102.8	-6.8	-220.6	-24.9	66.9	-48.8	-206.8	53.7	21.7	-78.4
Guatemala	-49.9	-377.3	389.2	-14.4	-17.0	-245.8	264.9	-102.1	138.7	-31.3	71.3	-23.4
Guyana	15.3	-94.5	131.3	-23.9	4.9	-96.5	105.4	-4.5	-29.9	-115.6	133.4	-17.8
Haiti	-129.3	-110.2	55.1	28.8	-121.7	-94.6	71.1	14.7	-112.5	-45.0	70.5	-12.9
Honduras	-133.9	-298.4	342.6	-10.6	-74.0	-217.5	263.4	-11.1	-1.2	-155.3	192.6	-37.3
Jamaica	-334.7	-291.1	482.7	-225.7	-435.6	-295.8	237.1	72.6	-280.0	-118.1	276.4	-39.3
Mexico	12,941.7	4,238.3	-1,073.6	-2,133.0	8,351.6	1,236.7	-1,526.7	2,243.5	4,599.0	-1,270.4	2,270.5	-789.8
Nicaragua	-413.9	-663.9	612.3	85.4	-576.7	-833.8	697.3	163.4	-475.2	-679.6	739.0	-97.2
Panama	-817.4	99.1	69.9	88.5	-753.4	271.6	-134.3	125.5	-543.0	442.0	411.0	41.0
Paraguay	-287.8	-313.2	282.1	13.7	-174.7	-177.9	108.9	119.2	-290.4	-274.4	129.4	165.0
Peru	1,007.6	-252.2	898.9	298.3	1,094.5	48.7	193.9	-316.8	5.0	-833.0	414.0	469.0
Suriname	18.8	-41.9	-10.0	52.5	15.7	-22.6	13.7	8.7	37.0	-22.0	-5.5	26.9
Trinidad and Tobago	387.9	-551.7	474.2	732.9	695.2	-205.4	50.3	228.2	81.9	-502.7	-68.3	733.0
Uruguay	191.4	-124.2	188.0	85.2	178.2	-108.0	-77.2	-64.3	296.8	91.1	-7.9	-259.2
Venezuela	8,705.0	5,418.0	-3,848.0	-1,878.0	6,790.0	3,086.0	-1,104.0	-1,707.0	1,103.0	-2,177.0	-1,697.0	3,814.0
<b>Latin America</b>	<b>37,773.6</b>	<b>-834.5</b>	<b>10,455.7</b>	<b>-7,535.1</b>	<b>32,402.2</b>	<b>-2,846.9</b>	<b>3,373.4</b>	<b>1,512.7</b>	<b>18,041.2</b>	<b>-13,612.3</b>	<b>6,221.9</b>	<b>8,042.0</b>

<sup>1</sup> Excluding errors and omissions.

<sup>2</sup> Exports and imports valued at f.o.b. prices.

<sup>3</sup> According to conventional usage, the sign (-) means an increase.

Source: International Monetary Fund, *Balance of Payments Tapes*, November 1987 and IDB estimates.



DESTINATION OF LATIN AMERICAN EXPORTS, 1961-63 AND 1983-85  
In Per Cent

TABLE 9

Country	Average 1961-63							Average 1983-85						
	United States	European Economic Community <sup>1</sup>	Japan	Canada	Middle East	Latin America <sup>2</sup>	Other Countries	United States	European Economic Community <sup>1</sup>	Japan	Canada	Middle East <sup>3</sup>	Latin America <sup>2</sup>	Other Countries
Argentina	9.1	60.1	3.5	0.4	0.4	13.1	13.4	11.1	22.1	4.2	0.6	8.5	17.1	36.4
Bahamas	91.7	5.5	—	1.8	—	1.0	—	84.0	7.1	1.6	3.2	0.6	1.4	2.1
Barbados	6.7	53.5	—	13.8	—	1.2	24.8	52.7	7.1	0.0	1.5	0.2	17.9	20.6
Bolivia	31.7	58.9	2.4	—	—	5.4	1.6	17.9	20.2	1.2	0.0	0.0	55.8	4.9
Brazil	39.3	31.0	2.6	1.6	0.7	6.4	18.4	26.7	24.4	5.9	1.5	9.3	10.7	21.5
Chile	35.7	42.1	6.3	0.1	0.1	8.9	6.8	25.3	30.8	9.9	1.5	2.7	13.6	16.2
Colombia	56.7	24.8	0.8	1.7	—	6.5	9.5	31.0	34.6	4.4	1.2	1.5	11.4	15.9
Costa Rica	57.4	32.1	0.6	0.6	—	5.4	3.9	36.5	23.7	0.5	0.8	1.4	25.9	11.2
Dominican Republic	74.1	14.5	1.9	0.8	0.3	1.4	7.0	73.3	9.6	2.0	1.8	0.0	3.8	9.5
Ecuador	61.0	24.2	4.8	0.6	—	6.8	2.6	58.4	3.5	1.5	0.5	0.1	12.1	23.9
El Salvador	30.7	31.5	20.0	0.5	—	15.4	1.9	41.6	22.7	5.2	1.9	—	22.1	6.5
Guatemala	49.6	27.8	9.4	0.5	0.1	7.5	5.1	39.2	14.8	4.3	1.7	4.2	28.3	24.1
Guyana	18.7	27.5	0.5	28.8	—	13.6	10.9	25.0	42.5	5.4	7.6	0.0	14.8	4.7
Haiti	52.4	36.8	4.8	0.2	—	1.8	4.0	79.9	14.0	0.5	2.2	—	2.6	0.8
Honduras	60.7	13.1	0.8	2.9	—	19.2	3.3	55.0	18.4	6.6	2.0	1.0	8.0	9.0
Jamaica	36.0	29.7	0.2	21.3	—	1.7	11.1	39.1	20.0	1.1	14.1	0.3	11.4	14.0
Mexico	60.6	6.6	6.9	0.8	0.1	4.3	20.7	58.8	10.4	7.4	2.0	2.3	6.3	12.8
Nicaragua	42.6	25.1	20.3	3.3	—	5.3	3.4	20.6	26.3	21.5	7.7	4.7	8.2	11.0
Panama	75.1	6.0	0.5	5.1	—	5.0	8.3	59.5	15.4	0.3	0.5	2.0	13.5	8.8
Paraguay	22.5	26.0	0.1	—	—	30.3	21.1	4.8	34.8	1.8	0.1	0.3	34.1	24.1
Peru	35.4	40.1	7.3	0.5	0.3	9.3	7.1	36.9	21.7	12.2	1.6	0.2	15.0	12.4
Suriname	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	24.1	39.8	3.7	0.6	—	10.9	20.9
Trinidad and Tobago	25.7	38.1	0.1	4.8	0.1	5.1	26.1	60.5	13.4	0.2	0.9	0.6	13.0	11.4
Uruguay	13.9	56.3	2.0	0.6	0.4	6.1	20.7	14.3	21.5	2.3	1.6	16.9	28.0	15.4
Venezuela	35.7	16.4	0.6	7.1	—	10.1	30.1	37.3	16.3	2.5	4.2	0.3	12.4	27.0
<b>Latin America</b>	<b>37.2</b>	<b>29.4</b>	<b>3.3</b>	<b>3.2</b>	<b>0.2</b>	<b>8.4</b>	<b>18.3</b>	<b>39.1</b>	<b>18.5</b>	<b>5.2</b>	<b>2.1</b>	<b>4.1</b>	<b>11.4</b>	<b>19.6</b>

<sup>1</sup> Belgium/Luxemburg, Denmark, Federal Republic of Germany, France, Greece, Ireland, Italy, Netherlands, United Kingdom.

<sup>2</sup> Member countries of the IDB.

<sup>3</sup> Includes also the following petroleum exporting countries: Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates.

n.a. Not available.

Source: International Monetary Fund, *Direction of Trade Tapes*, November 1986.

ORIGIN OF LATIN AMERICAN IMPORTS, 1961-63 AND 1983-85  
In Per Cent

TABLE 10

Country	Average 1961-63							Average 1983-85						
	United States	European Economic Community <sup>1</sup>	Japan	Canada	Middle East	Latin America <sup>2</sup>	Other Countries	United States	European Economic Community <sup>1</sup>	Japan	Canada	Middle East <sup>3</sup>	Latin America <sup>2</sup>	Other Countries
Argentina	26.8	39.5	3.9	2.6	—	12.7	14.5	19.7	24.1	7.4	1.2	0.3	34.7	12.6
Bahamas	56.4	22.1	0.2	6.1	—	9.0	—	52.7	18.6	5.8	2.3	9.3	5.4	5.9
Barbados	14.7	44.5	1.8	10.5	—	10.4	18.1	45.8	14.7	4.2	5.5	0.3	18.5	11.0
Bolivia	43.6	27.6	7.3	0.3	—	15.1	6.1	24.1	15.1	7.5	0.6	0.2	46.7	5.8
Brazil	32.3	24.5	4.6	1.7	4.8	15.0	17.1	17.2	12.7	4.0	3.4	35.4	14.2	13.1
Chile	37.9	30.1	2.8	0.1	1.1	19.3	8.7	21.8	15.4	6.9	1.9	2.8	25.4	25.8
Colombia	51.8	26.2	3.2	2.0	—	5.6	11.2	35.1	15.5	10.4	4.2	0.2	22.8	11.8
Costa Rica	47.3	26.4	7.0	3.3	0.1	9.0	6.9	36.8	12.1	7.7	1.9	0.2	33.1	8.2
Dominican Republic	47.4	28.0	6.8	6.0	0.1	2.7	9.0	35.4	7.9	5.1	1.8	0.1	42.6	7.1
Ecuador	43.8	33.5	3.5	3.5	0.1	7.4	8.2	31.9	18.7	11.7	2.4	0.9	20.8	13.6
El Salvador	36.5	29.9	6.9	2.1	—	21.4	3.2	33.5	9.7	4.4	1.2	—	46.8	4.4
Guatemala	47.8	24.9	5.2	2.0	0.1	11.2	8.8	36.8	11.7	5.3	1.5	0.2	37.2	7.3
Guyana	21.2	45.9	2.2	7.6	—	13.0	10.1	21.3	16.9	2.1	2.3	—	44.9	12.5
Haiti	57.9	23.2	0.2	2.6	—	2.5	13.6	69.4	11.1	5.4	2.7	0.1	7.9	3.4
Honduras	50.1	15.2	7.7	1.3	—	14.8	10.9	40.1	12.6	5.2	1.9	0.1	33.5	6.6
Jamaica	27.7	43.0	3.4	10.6	—	7.4	7.9	42.8	10.3	4.4	4.5	0.3	20.2	17.5
Mexico	69.1	18.1	1.8	3.2	—	1.3	6.5	63.5	12.0	4.7	2.0	0.2	4.1	13.5
Nicaragua	49.4	21.2	5.9	2.3	—	13.2	8.0	20.6	17.4	3.3	3.2	0.2	41.5	13.8
Panama	47.7	14.8	3.2	1.3	0.2	12.4	20.4	32.3	7.3	8.5	1.0	0.1	31.3	19.4
Paraguay	25.2	24.5	8.3	—	—	22.4	19.6	8.0	14.8	7.0	0.7	10.9	51.2	7.4
Peru	40.3	30.9	5.3	2.3	0.1	13.4	7.7	33.6	19.1	10.0	3.0	0.1	21.8	12.4
Suriname	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	32.6	24.7	5.1	0.7	0.1	29.8	7.0
Trinidad and Tobago	13.3	27.0	1.1	4.8	20.4	26.6	6.8	40.9	19.2	10.3	7.0	0.1	12.8	9.7
Uruguay	19.0	37.8	1.5	1.5	5.3	21.6	13.3	9.4	17.6	2.4	0.7	16.3	43.3	10.3
Venezuela	53.5	28.1	4.1	4.4	0.1	2.6	7.2	46.8	19.9	5.3	4.1	0.2	12.0	11.7
<b>Latin America</b>	<b>41.8</b>	<b>28.1</b>	<b>3.7</b>	<b>3.0</b>	<b>1.8</b>	<b>10.7</b>	<b>10.9</b>	<b>35.9</b>	<b>15.0</b>	<b>6.0</b>	<b>2.9</b>	<b>6.5</b>	<b>18.5</b>	<b>15.2</b>

<sup>1</sup> Belgium/Luxemburg, Denmark, Federal Republic of Germany, France, Greece, Ireland, Italy, Netherlands, United Kingdom.

<sup>2</sup> Member countries of the IDB.

<sup>3</sup> Includes also the following petroleum exporting countries: Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates.  
n.a. Not available.

Source: International Monetary Fund. *Direction of Trade Tapes*, November 1986.



**LATIN AMERICA: GROSS OFFICIAL INTERNATIONAL MONETARY RESERVES, 1980-87** TABLE 11

In Millions of Dollars at Year End (National Evaluation of Gold Price)

Country	1980	1981	1982	1983	1984	1985	1986	1987 <sup>1</sup>
Argentina	6,904.0	3,453.0	2,691.0	2,593.0	2,664.0	4,545.0	3,729.0	2,912.0 (June)
Bahamas	92.3	100.2	113.5	122.0	161.1	182.5	231.5	220.0 (Oct.)
Barbados	80.7	103.9	125.0	126.6	135.9	143.7	155.6	148.0 (Oct.)
Bolivia	137.3	134.0	192.0	197.1	289.5	237.8	n.a.	n.a.
Brazil	6,912.0	7,509.0	3,993.0	4,562.0	11,996.0	11,609.0	6,761.0	6,308.0 (July)
Chile	4,086.6	3,873.7	2,470.9	2,603.0	2,843.0	2,990.0	2,891.3	2,780.0 (Sept.)
Colombia	5,356.0	5,505.0	4,794.0	2,926.0	1,790.0	2,192.0	3,394.0	3,107.0 (Sept.)
Costa Rica	199.4	138.6	248.7	346.3	405.0	525.4	549.5	531.0 (Oct.)
Dominican Republic	274.6	283.9	172.7	202.6	261.4	346.0	383.4	191.0 (Oct.)
Ecuador	1,030.5	649.9	428.5	n.a.	735.5	842.5	768.4	719.0 (Oct.)
El Salvador	99.5	93.7	130.3	180.0	185.6	199.4	189.5	205.0 (Oct.)
Guatemala	466.8	171.8	134.3	232.1	296.5	323.0	384.2	304.0 (Oct.)
Guyana	12.7	6.9	10.6	6.5	5.9	6.5	9.0	7.0 (June)
Haiti	25.5	31.1	10.4	15.2	19.2	n.a.	23.4	23.0 (Aug.)
Honduras	150.9	102.1	113.3	114.7	129.2	106.9	112.4	85.0 (Oct.)
Jamaica	105.0	85.2	109.0	63.2	96.9	161.3	98.4	154.0 (Aug.)
Mexico	3,812.0	4,926.0	1,660.0	4,744.0	7,981.0	5,616.0	6,380.0	13,400.0 (July)
Nicaragua	65.3	112.2	171.9	179.8	n.a.	n.a.	n.a.	n.a.
Panama	121.1	119.9	101.0	206.7	215.6	98.0	170.2	118.0 (Aug.)
Paraguay	766.5	810.0	743.1	684.1	669.2	545.3	460.5	458.0 (Oct.)
Peru	2,260.8	1,599.8	1,749.9	1,765.4	2,030.4	2,246.6	1,888.9	1,282.0 (Oct.)
Suriname	191.5	209.4	178.0	78.8	39.8	39.3	39.6	37.0 (Oct.)
Trinidad and Tobago	2,783.1	3,349.8	3,082.8	2,106.8	1,359.0	1,130.0	475.2	231.0 (Oct.)
Uruguay	914.2	955.8	559.3	610.2	781.5	821.7	1,160.0	1,300.0 (Aug.)
Venezuela	7,088.0	8,648.0	10,018.0	11,082.0	12,340.0	13,690.0	9,876.0	9,615.0 (Oct.)
<b>Latin America</b>	<b>43,936.2</b>	<b>42,972.9</b>	<b>34,001.1</b>	<b>35,747.9</b>	<b>47,431.2<sup>2</sup></b>	<b>48,597.7<sup>2</sup></b>	<b>38,880.9<sup>3</sup></b>	

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

<sup>2</sup> Does not include Nicaragua.

<sup>3</sup> Does not include Bolivia and Nicaragua.

n.a. Not available.

Source: International Monetary Fund, *International Financial Statistics*, December 1987 and IDB estimates.

**LATIN AMERICA: NET RESOURCE TRANSFER AND EXTERNAL DEBT, 1979-1986** TABLE 12

(Millions of dollars)

Year	Capital Account (1)	Investment Income (2)	Net Resource Transfer (3) = (1) + (2)	Disbursed External Debt (4)
1979	26,689	- 14,247	12,442	196,758
1980	35,021	- 18,656	16,365	241,505
1981	49,063	- 27,797	21,266	293,544
1982	27,609	- 36,783	- 9,174	331,351
1983	6,061	- 34,900	- 28,839	354,988
1984	10,455	- 37,270	- 26,815	374,144
1985	3,373	- 35,862	- 32,489	383,831
1986*	6,222	- 31,882	- 25,660	394,808

\*Preliminary estimate.

Sources: Columns (1) and (2): IDB estimates. Column (4) World Bank and IDB estimates.

TABLE 13

**LATIN AMERICA: CONTRIBUTION OF MAJOR COMMODITY EXPORTS TO TOTAL VALUE OF MERCHANDISE EXPORTS, 1970-72 AND 1984-86<sup>1</sup>**  
(Percentages)

Country	First Product		Second Product		Third Product		Total					
	Commodity	1970-72	1984-86	Commodity	1970-72	1984-86	Commodity	1970-72	1984-86	Number of Products	1970-72	1984-86
Argentina	Wheat	5.2	10.7	Corn	14.5	9.3	Beef	28.1	5.4	3	47.8	25.4
Bahamas	Petroleum Products	70.6	81.5	—	—	—	—	—	—	1	70.6	81.5
Barbados	Sugar	33.9	7.6	—	—	—	—	—	—	1	33.9	7.6
Bolivia	Natural Gas <sup>2</sup>	4.9	55.5	Tin <sup>2</sup>	57.2	32.2	Petroleum	12.0	—	3	74.1	87.8
Brazil	Coffee	28.0	9.3	—	—	—	—	—	—	1	32.9	9.3
Chile	Copper	70.0	43.7	—	—	—	—	—	—	1	70.0	43.7
Colombia	Coffee	56.6	54.7	Fuel oil	2.5	10.4	—	—	—	2	59.1	65.1
Costa Rica	Coffee	28.5	31.0	Bananas	29.0	22.0	—	—	—	2	57.5	53.0
Dominican Rep.	Sugar	49.8	27.4	Dore	—	15.4	Coffee	11.4	11.6	3	61.2	54.4
Ecuador	Petroleum	7.8	57.3	Coffee	17.0	8.6	Coffee	47.7	8.0	3	72.5	73.9
El Salvador	Coffee <sup>2</sup>	46.1	64.4	Cotton <sup>2</sup>	11.6	2.9	—	—	—	2	57.7	67.4
Guatemala	Coffee <sup>2</sup>	33.2	38.5	Cotton <sup>2</sup>	10.2	5.5	—	—	—	2	43.4	44.0
Guyana	Bauxite	33.3	42.5	Sugar	31.0	34.2	—	—	—	2	64.3	76.7
Haiti	Coffee	38.3	27.5	Bauxite <sup>3</sup>	14.4	—	—	—	—	2	52.7	27.5
Honduras	Bananas <sup>2</sup>	44.7	33.1	Coffee <sup>2</sup>	12.9	23.2	—	—	—	2	57.6	56.4
Jamaica	Alumina	38.7	39.4	Bauxite	25.7	17.6	—	—	—	2	64.4	57.0
Mexico	Petroleum	2.0	52.6	—	—	—	—	—	—	1	2.0	52.6
Nicaragua	Cotton <sup>3</sup>	22.5	34.1	Coffee <sup>3</sup>	15.3	30.4	Beef <sup>3</sup>	15.3	4.5	3	53.1	68.9
Panama <sup>4</sup>	Bananas <sup>2</sup>	54.2	25.0	Shrimp <sup>2</sup>	10.5	17.4	Petroleum <sup>2</sup>	19.5	4.1	3	84.2	46.5
Paraguay	Cotton	4.0	37.6	Soybeans	2.2	26.2	Timber	15.1	5.3	3	21.3	69.2
Peru	Copper	21.8	15.7	Fishmeal	27.9	5.3	—	—	—	2	49.7	21.0
Suriname	Alumina <sup>3</sup>	45.2	55.8	Aluminum <sup>3</sup>	16.2	11.9	Bauxite <sup>3</sup>	27.6	11.2	3	89.0	78.9
Trin. & Tobago	Petroleum	77.4	75.9	—	—	—	—	—	—	1	77.4	75.9
Uruguay	Wool	29.5	18.4	Beef	37.7	16.1	—	—	—	2	67.2	34.6
Venezuela	Petroleum	89.8	80.5	—	—	—	—	—	—	1	89.8	80.5

<sup>1</sup> For each country, products listed are those representing 10 percent or more of total exports in 1970-72 or 1984-86. Products are listed according to their relative importance in 1984-86.

<sup>2</sup> Based on 1984-85 data.

<sup>3</sup> Based on 1984 data.

<sup>4</sup> Panama has a fourth product, sugar, which represented 4.9 percent in 1970-72 and 10 percent in 1984-85.

Source: International Monetary Fund, *International Financial Statistics*, December 1987.



ANNUAL WORLD MARKET PRICES OF MAIN PRIMARY COMMODITY EXPORTS OF LATIN AMERICA IN CURRENT VALUES, 1972-87 TABLE 14

	Beef	Maize	Bananas	Sugar		Coffee			
	U.S. (Cts./kg)	U.S. (\$/mt)	Any Origin (Cts./kg)	World (Cts./kg)	Brazil	Colombia	Other Milds (Cts./kg)	Robusta	
1972	148.0	55.8	13.6	16.3	112.4	125.0	110.2	99.0	
1973	201.1	97.8	14.5	20.9	147.6	160.2	136.7	110.2	
1974	158.2	132.1	17.2	65.5	150.1	171.7	145.8	130.4	
1975	132.7	119.6	21.8	45.0	171.9	180.3	144.0	127.9	
1976	158.1	112.4	21.5	25.5	362.1	347.9	315.6	281.4	
1977	150.8	95.3	27.5	17.9	679.1	529.6	516.8	493.4	
1978	214.0	100.7	28.7	17.2	364.4	408.3	356.9	325.2	
1979	286.0	115.5	32.6	21.3	393.7	404.2	382.9	365.2	
1980	276.0	125.3	38.0	63.2	458.3	393.7	342.6	325.0	
1981	247.4	130.8	40.1	37.4	346.9	320.1	283.0	226.7	
1982	239.0	109.3	37.4	18.6	316.7	327.6	308.7	245.0	
1983	244.0	136.0	42.9	18.7	314.7	308.1	290.2	273.6	
1984	227.3	135.9	37.0	11.5	330.0	324.8	318.0	304.5	
1985	215.4	112.2	37.8	8.9	334.6	343.6	323.1	264.9	
1986	209.2	87.6	38.2	13.3	509.7	485.1	429.3	324.5	
1987									
I Qtr.	226.2	68.6	38.5	15.7	243.7	312.5	255.9	236.1	
II Qtr.	237.2	79.1	39.7	14.6	229.3	257.1	242.5	224.0	
III Qtr.	238.1	73.9	37.7	12.9	207.3	248.3	229.7	210.4	
	Cocoa	Fishmeal	Soybeans	Cotton		Iron Ore	Bauxite	Copper	Petroleum
	Ghana (Cts./kg)	Any Origin (\$/mt)	U.S. (\$/mt)	A Index (Cts./kg)	U.S. (Cts./kg)	Brazil (\$/mt)	Jamaica (\$/mt)	L.M.E. (Cts./kg)	Saudi Arabia (\$/bbl)
1972	71.2	238.6	143.8	82.7	75.8	12.8	12.0	107.1	1.9
1973	142.5	542.0	290.3	137.0	124.4	17.1	12.5	178.4	2.7
1974	216.4	372.0	276.9	145.9	130.0	19.7	23.2	205.9	9.8
1975	163.9	245.3	219.9	122.3	115.5	22.8	25.3	123.5	10.7
1976	230.1	376.2	231.2	174.7	161.0	21.9	27.3	140.1	11.5
1977	379.0	453.9	280.2	162.9	145.0	21.6	31.2	130.9	12.4
1978	340.3	409.9	268.3	160.7	138.9	19.4	34.3	136.5	12.7
1979	329.3	394.9	297.8	170.7	149.5	23.3	36.6	198.5	17.0
1980	260.3	504.4	296.2	206.2	187.2	26.7	41.2	218.2	30.5
1981	207.9	467.5	288.4	187.1	174.5	24.3	40.0	174.2	34.3
1982	173.6	352.9	244.6	159.7	144.9	25.9	36.0	148.0	33.2
1983	212.0	452.6	281.6	185.4	159.3	24.0	34.7	159.2	29.1
1984	239.6	373.2	282.1	178.5	165.6	23.2	33.2	137.7	28.5
1985	225.4	280.1	224.4	131.8	140.9	22.7	30.0	141.7	27.8
1986	207.0	320.6	208.4	105.6	109.1	22.0	28.0	137.4	...
1987									
I Qtr.	197.8	323.7	199.0	143.0	134.3	21.6	...	139.7	17.4
II Qtr.	204.4	363.0	218.7	163.2	149.6	21.4	...	152.6	17.4
III Qtr.	204.2	405.3	217.0	186.3	175.1	22.2	...	175.4	17.5

Note: Cts./kg = cents per kilogram. \$/mt = dollars per metric ton. \$/bbl = dollars per barrel.

L.M.E. = London Metal Exchange.

... Not available.

Source: World Bank.

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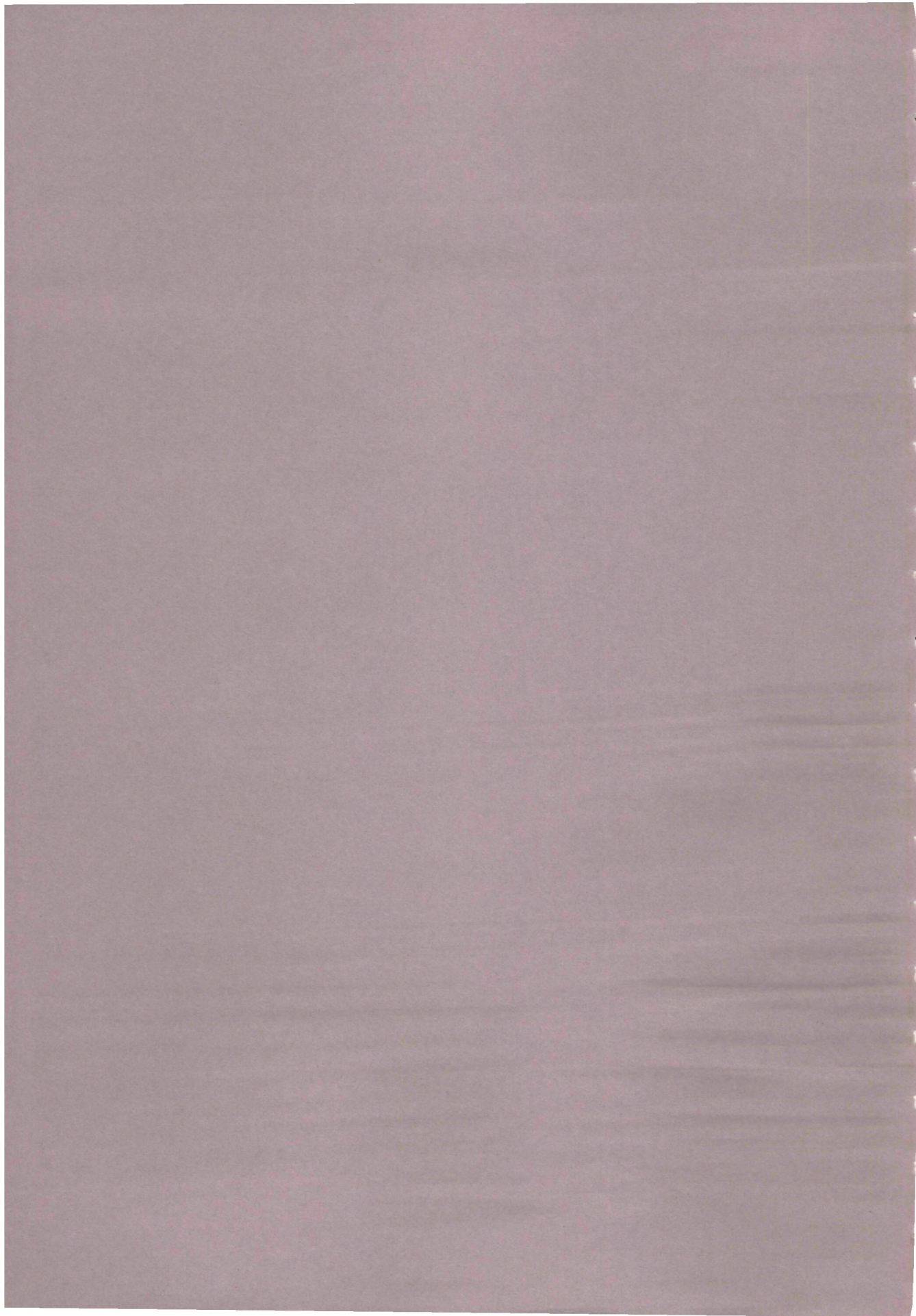
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FINANCIAL  
STATEMENTS

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## FINANCIAL STATEMENTS

### SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

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Under the Agreement Establishing the Bank (Agreement), each member country shall have 135 votes plus one vote for each share of ordinary capital stock held by that country. The Agreement also provides that no increase in the subscription of any member to the ordinary capital stock shall become effective which would have the effect of reducing the voting power of the regional developing members below 53.5 percent, of the United States below 34.5 percent, and of Canada below 4 percent of the total voting power.

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

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



## STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

December 31, 1987

Member countries	Subscribed shares	Number of votes	Percentage of total number of votes <sup>1</sup>
<b>Regional developing members</b>			
Argentina .....	328,361	328,496	11.60
Bahamas .....	6,344	6,479	.23
Barbados .....	3,927	4,062	.14
Bolivia .....	26,360	26,495	.94
Brazil .....	328,361	328,496	11.60
Chile .....	90,162	90,297	3.19
Colombia .....	90,096	90,231	3.19
Costa Rica .....	13,175	13,310	.47
Dominican Republic .....	17,591	17,726	.63
Ecuador .....	17,591	17,726	.63
El Salvador .....	13,175	13,310	.47
Guatemala .....	17,591	17,726	.63
Guyana .....	4,886	5,021	.18
Haiti .....	13,175	13,310	.47
Honduras .....	13,175	13,310	.47
Jamaica .....	17,591	17,726	.63
Mexico .....	211,075	211,210	7.46
Nicaragua .....	13,175	13,310	.47
Panama .....	13,175	13,310	.47
Paraguay .....	13,175	13,310	.47
Peru .....	44,000	44,135	1.56
Suriname .....	2,679	2,814	.10
Trinidad and Tobago .....	13,175	13,310	.47
Uruguay .....	35,206	35,341	1.25
Venezuela .....	175,922	176,057	6.22
Total regional developing members .....	<u>1,523,143</u>	<u>1,526,518</u>	<u>53.92</u>
<b>United States</b> .....	976,634	976,769	34.50
<b>Canada</b> .....	124,025	124,160	4.39
<b>Nonregional members</b>			
Austria .....	2,242	2,377	.08
Belgium .....	5,313	5,448	.19
Denmark .....	2,388	2,523	.09
Finland .....	2,242	2,377	.08
France .....	27,300	27,435	.97
Germany .....	27,960	28,095	.99
Israel .....	2,209	2,344	.08
Italy .....	27,300	27,435	.97
Japan .....	30,454	30,589	1.08
Netherlands .....	4,150	4,285	.15
Norway .....	1,607	1,742	.06
Portugal .....	719	854	.03
Spain .....	27,300	27,435	.97
Sweden .....	4,650	4,785	.17
Switzerland .....	6,096	6,231	.22
United Kingdom .....	27,300	27,435	.97
Yugoslavia .....	2,242	2,377	.08
Total nonregional members .....	<u>201,472</u>	<u>203,767</u>	<u>7.20</u>
<b>GRAND TOTAL</b>	<u><u>2,825,274</u></u>	<u><u>2,831,214</u></u>	<u><u>100.00</u></u>

<sup>1</sup>Data are rounded to the nearest one-hundredth of one percent; detail may not add to subtotals and grand total because of rounding.



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# ORDINARY CAPITAL

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors  
Inter-American Development Bank

In our opinion, the financial statements appearing on pages 136 through 147 present fairly the financial position of the Inter-American Development Bank—Ordinary Capital at December 31, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

*Price Waterhouse*  
PRICE WATERHOUSE

Washington, D.C.  
February 5, 1988

## FINANCIAL STATEMENTS

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ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note B

	December 31,	
	1987	1986 (Restated—Note A)
<b>ASSETS</b>		
Cash (Note D) .....	\$ 190,511	\$ 179,368
Investments (Note E) .....	4,792,945	4,365,092
<b>Loans outstanding (Note F) (Appendix I-1)</b>		
Total loans approved, less cancellations .....	\$28,653,339	\$24,769,480
Less undisbursed balance of approved loans .....	(9,288,437)	(9,464,993)
Less principal collected and loans sold or agreed to be sold .....	<u>(5,246,049)</u>	<u>(4,138,036)</u>
	14,118,853	11,166,451
<b>Accrued interest and other charges</b>		
On investments .....	87,524	80,513
On loans .....	<u>421,574</u>	<u>297,604</u>
	509,098	378,117
<b>Receivable from members (Note J)</b>		
Capital subscriptions .....	446	61,294
Non-negotiable, non-interest bearing demand obligations .....	670,955	783,226
Amounts required to maintain value of currency holdings .....	<u>5,777</u>	<u>5,777</u>
	677,178	850,297
<b>Other assets</b>		
Property (Note G) .....	245,587	245,739
Unamortized borrowing costs .....	168,317	144,387
Miscellaneous .....	<u>8,007</u>	<u>11,780</u>
	421,911	401,906
<b>Special Reserve assets (Note H) .....</b>	<b>580,777</b>	<b>505,311</b>
Total assets .....	<u><b>\$21,291,273</b></u>	<u><b>\$17,846,542</b></u>



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note B

	December 31,	
	1987	1986 (Restated—Note A)
<b>LIABILITIES AND CAPITAL</b>		
<b>Liabilities</b>		
Borrowings (Note I) (Appendix I-2) . . . . .	\$15,224,478	\$12,115,365
Less unamortized discount . . . . .	(50,976)	(45,140)
	<u>15,173,502</u>	<u>12,070,225</u>
Building obligation (Note G) . . . . .	—	130,500
Accrued interest on borrowings . . . . .	415,041	333,545
Accounts payable and accrued expenses . . . . .	220,488	175,434
Advance payments of capital . . . . .	<u>60</u>	<u>52</u>
	\$15,809,091	\$12,709,756
<b>Capital</b>		
Capital Stock (Note J) (Appendix I-3)		
Subscribed 2,825,274		
shares (1986—2,824,470) . . . . .	34,082,502	34,072,803
Less callable portion . . . . .	(31,482,410)	(31,473,459)
	<u>2,600,092</u>	<u>2,599,344</u>
General Reserve (Note K) . . . . .	2,301,313	2,032,131
Special Reserve (Note H) . . . . .	<u>580,777</u>	<u>505,311</u>
	5,482,182	5,136,786
<b>Commitments (Note F)</b>		
Total liabilities and capital . . . . .	<u>\$21,291,273</u>	<u>\$17,846,542</u>



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

**STATEMENT OF INCOME AND GENERAL RESERVE**

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1987	1986 (Restated—Note A)
<b>Income</b>		
Loans (Note F)		
Interest .....	\$ 989,198	\$ 791,549
Credit commissions .....	83,484	90,894
Special commissions .....	48,663	42,351
Supervision and inspection fees .....	24,082	20,684
	<u>1,145,427</u>	<u>945,478</u>
Investments .....	343,828	367,042
Other (Note I) .....	(2,995)	2,634
Total income .....	<u>1,486,260</u>	<u>1,315,154</u>
<b>Expenses</b>		
Borrowing expenses .....	1,110,987	954,543
Interest expense under capital lease (Note G) .....	—	3,304
Administrative expenses .....	92,821	85,069
Total expenses .....	<u>1,203,808</u>	<u>1,042,916</u>
<b>Income before nonoperating items</b> .....	282,452	272,238
<b>Gain on property transactions, net</b> (Note G) .....	—	13,934
<b>Net income</b> .....	282,452	286,172
Allocation to Special Reserve (Note H) .....	(73,790)	(64,167)
Addition to General Reserve for the year .....	208,662	222,005
<b>General Reserve beginning of year</b> .....	2,032,131	1,766,773
Translation adjustments (Note K) .....	60,520	43,353
<b>General Reserve end of year</b> .....	<u>\$2,301,313</u>	<u>\$2,032,131</u>



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1987	1986 (Restated—Note A)
<b>Financial resources provided by</b>		
Operations		
Net income . . . . .	\$ 282,452	\$ 286,172
Items not providing cash . . . . .	(34,497)	(13,292)
Cash provided by operations . . . . .	247,955	272,880
Loan principal collections . . . . .	646,173	519,352
Sales of loans to participants . . . . .	47,982	17,000
Borrowings . . . . .	1,223,185	1,803,296
Increase in borrowings resulting from		
exchange rate fluctuations . . . . .	2,518,985	1,679,920
Sale of headquarters building . . . . .	—	32,500
Collection of amounts receivable from members . . . . .	173,875	157,657
Translation adjustments . . . . .	60,520	43,353
Other, net . . . . .	29,139	100,841
Total financial resources provided . . . . .	<u>4,947,814</u>	<u>4,626,799</u>
<b>Financial resources used for</b>		
Loan disbursements . . . . .	1,574,386	1,742,491
Payment of loan principal collections to participants . . . . .	66,946	75,384
Acquisition of property and building improvements . . . . .	7,742	49,354
Reduction of building obligation . . . . .	130,500	15,264
Increase in loans outstanding resulting from		
exchange rate fluctuations . . . . .	2,006,247	1,298,695
Repayment of borrowings . . . . .	633,057	733,225
Borrowing costs and discount . . . . .	16,150	39,021
Allocation to Special Reserve . . . . .	73,790	64,167
Total financial resources used . . . . .	<u>4,508,818</u>	<u>4,017,601</u>
<b>Increase in cash and investments including</b>		
\$611,869 in 1987 and \$480,404 in 1986 resulting		
from exchange rate fluctuations . . . . .	<u>\$ 438,996</u>	<u>\$ 609,198</u>



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 1987 and 1986

**Note A—Merger of the Ordinary Capital  
and the Inter-Regional Capital**

Effective December 31, 1987 the Board of Governors approved a resolution by which the Inter-Regional Capital (IC) of the Inter-American Development Bank (Bank) was merged into the Ordinary Capital (OC). The merger has been accounted for by the pooling of interests

method. The financial statements at December 31, 1987 and for the year then ended are presented as if the merger had been in effect for the entire year and the financial statements for the preceding year have been restated for comparative purposes.

The following are the results of operations and changes in the General Reserve of the separate funds for the years ended December 31, 1987 and 1986:

	1987		1986	
	OC	IC	OC	IC
<b>Income</b>				
Loans .....	\$ 434,149	\$711,278	\$ 391,048	\$554,430
Investments .....	122,291	221,537	152,487	214,555
Other .....	(699)	(2,296)	1,943	691
Total income .....	<u>555,741</u>	<u>930,519</u>	<u>545,478</u>	<u>769,676</u>
<b>Expenses</b>				
Borrowing .....	329,950	781,037	311,695	642,848
Interest expense under capital lease .....	—	—	3,304	—
Administrative .....	43,848	48,973	45,505	39,564
Total expense .....	<u>373,798</u>	<u>830,010</u>	<u>360,504</u>	<u>682,412</u>
<b>Income before nonoperating items</b> .....	181,943	100,509	184,974	87,264
Gain on property transactions, net .....	—	—	13,934	—
<b>Net income</b> .....	<u>181,943</u>	<u>100,509</u>	<u>198,908</u>	<u>87,264</u>
Allocation to Special Reserve .....	(48,663)	(25,127)	(42,351)	(21,816)
Addition to General Reserve for the year .....	133,280	75,382	156,557	65,448
<b>General Reserve beginning of year</b> .....	1,728,698	303,433	1,526,914	239,859
Translation adjustments .....	50,598	9,922	45,227	(1,874)
<b>General Reserve end of year</b> .....	<u>\$1,912,576</u>	<u>\$388,737</u>	<u>\$1,728,698</u>	<u>\$303,433</u>

**Note B—Summary of Significant  
Accounting Policies**

**Translation of Currencies**

The financial statements are expressed in United States dollars; however, the Bank conducts its operations in the currencies of all of its members. Such currencies have been derived from capital and borrowed sources including earnings from each. Assets and liabilities denominated in currencies other than the United States dollar are translated generally at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at the approximate market rates of exchange prevailing during each month. Fluctuations of rates of exchange of currencies received from capital

subscriptions do not have any effect on the United States dollar equivalent of such currencies because of the maintenance of value provisions described in Note C. The Bank generally follows the policy of holding, investing and lending the proceeds of borrowings in the currencies borrowed.

The adjustments resulting from the translation into United States dollars of assets and liabilities denominated in borrowed currencies are shown in the Statement of Income and General Reserve as translation adjustments affecting the General Reserve directly.

Exchange gains or losses realized upon conversion of one borrowed currency into another are generally insignificant and are recorded in other income.

No representation is made that any currency held in the ordinary capital is convertible into any other currency at any rate or rates.



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1987 and 1986

Loans

The Bank follows the policy of reviewing the collectibility of loans on a continuous basis. The Bank ceases to accrue income under all loans to or guaranteed by a given borrower, including a member, when service under any of such loans, made from any fund owned or administered by the Bank, is overdue for six months; income is recorded thereafter only as it is collected, until loan service is current under all loans. The Bank considers recording provisions for loan losses no later than when loan service is overdue from a borrower for two years. Provisions for loan losses, if any, will be charged against income.

Administrative Expenses

Substantially all administrative expenses of the Bank, including depreciation, are allocated to the funds pursuant to an allocation method approved by the Board of Executive Directors. During 1987 such expenses were charged 55.4% to the ordinary capital and 44.6% to the Fund for Special Operations (1986—52.6% and 47.4%, respectively).

Property

Property is recorded at cost. Major improvements are capitalized while routine replacements, maintenance and repairs are charged to expense. Depreciation is computed on the straight-line method over estimated useful lives (30 to 40 years for buildings and 3 to 7 years for equipment).

New Accounting Standards

Two new accounting standards, effective for 1988 financial statements, have recently been issued. One standard requires preparation of a statement of cash flows in place of the statement of changes in financial position. The second standard requires deferral of certain loan related fees and costs for lending activity commencing after January 1, 1988. The Bank is studying the application of these standards.

Note C—Maintenance of Value

In accordance with the Agreement Establishing the Bank (Agreement), each member is required to maintain the value of its currency held in the ordinary capital, except for currency derived from borrowings. Likewise, the Bank is required to return to a member an amount of its currency equal to any significant increase in value of such member's currency which is held in the ordinary capital, except for currency derived from borrowings. The standard of value for these purposes is the United States dollar of the weight and fineness in effect on January 1, 1959 (see Note J).

Note D—Restricted Currencies

Cash includes \$141,886,000 (1986—\$162,100,000) in the non-convertible currencies of regional borrowing members, of which \$64,965,000 (1986—\$61,689,000) has been restricted by one of the members, in accordance with the provisions of the Agreement, to be used for making payments for goods and services produced in its territory.

Note E—Investments

The investments of the Bank—ordinary capital—are stated at amortized cost which approximates market and consist of the following:

	December 31,	
	1987	1986
	(in thousands)	
Obligations issued or guaranteed by governments or issued by United States Agencies	\$1,320,234	\$1,590,815
Time deposits and other obligations of banks	<u>3,472,711</u>	<u>2,774,277</u>
	<u>\$4,792,945</u>	<u>\$4,365,092</u>

The average return on investments was 6.56% in 1987 and 7.54% in 1986.

Note F—Loans Outstanding

The Bank makes loans to its developing members, agencies or political subdivisions of such members or to private enterprises located in their territories. For loans to borrowers other than members and central banks, the Bank in almost all instances has received either the member's guarantee or other security deemed appropriate. At December 31, 1987 there were no loans in a non-accrual status and delays in the payment of loan service were insignificant. No losses on loans are anticipated and no provision for such losses has been established. The Bank has a policy of not rescheduling loan repayments.

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

Loans approved are disbursed to borrowers in accordance with the requirements of the project being financed under the loans; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank. Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse approximately \$64,318,000 at December 31, 1987.



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1987 and 1986

The average interest rate on loans outstanding, which includes the special commission (Note H), was 8.49% in 1987 (1986—8.52%). In addition to the interest rate, the Bank charges a credit commission of 1.25% per annum on the undisbursed convertible currency portion of loans and a one-time inspection and supervision fee of 1% on the principal amount of the loans. The average return on loans outstanding was 9.37% in 1987 and 9.66% in 1986.

The Intermediate Financing Facility Account (IFF) was established in 1983 by the Board of Governors of the Bank for the purpose of providing to certain borrowers part of the interest payments for which they are liable on loans from the capital resources of the Bank. During 1987, the IFF paid \$5,865,000 of such interest on behalf of borrowers (1986—\$2,745,000). The IFF is funded from the General Reserve of the Bank's Fund for Special Operations.

**Note G—Property**

The property of the Bank—ordinary capital—consists of the following:

	December 31,	
	1987	1986
	(in thousands)	
Land, buildings, improvements and equipment, at cost	\$262,515	\$255,742
Less—accumulated depreciation	16,928	10,003
	<u>\$245,587</u>	<u>\$245,739</u>

In December 1984 the Bank entered into a lease agreement, with an option to purchase, for land and an office building in Washington, D.C. to be used as the new site of the Bank's headquarters. The lease was classified as a capital lease and the land and building were

capitalized at a value of \$145,000,000, with an offsetting liability in the same amount for the Bank's obligation under the lease.

Interior construction to make the building ready for occupancy was completed in 1986 and aggregate costs of \$76,064,000 were capitalized. Such aggregate costs included interest of \$21,531,000 and other costs, principally building operations and maintenance, incurred during the construction period, which amounted to \$6,232,000.

The interest portion of actual lease payments made after construction was complete, amounting to \$3,304,000, was charged to expense in 1986.

The purchase option was exercised in December 1986 and a payment of \$14,500,000 was made at that time; the balance of \$130,500,000 was paid in February 1987.

The gain on property transactions shown in the statement of income and general reserve for 1986 includes a gain of \$24,178,000 resulting from the sale of the Bank's previous headquarters building, offset by a loss of \$8,231,000 from the termination of certain other building leases and a loss of \$2,013,000 from the exercise of the lease purchase option.

**Note H—Special Reserve**

Under a provision of the Agreement, the amount of special commissions earned by the Bank on loans made out of the ordinary capital resources is required to be segregated as a special reserve for meeting the Bank's obligations created by borrowing or by guaranteeing loans. On all loans granted to date the rate of commission is 1% per annum. Prior to the merger (see Note A), in accordance with a resolution of the Board of Governors, 25% of the annual net income of the inter-regional capital was also segregated as a Special Reserve for similar purposes.

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

	Years ended December 31,	
	1987	1986
	(in thousands)	
Balance beginning of year	\$505,311	\$440,142
Allocation of special commissions	\$ 48,663	\$ 42,351
Allocation of net income	25,127	21,816
Translation adjustments	1,676	1,002
Balance end of year	<u>\$580,777</u>	<u>\$505,311</u>



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1987 and 1986

The Special Reserve assets consist of the following:

	December 31,	
	1987	1986
	(in thousands)	
Investments		
United States Government and Agencies obligations, at amortized cost which approximates market .....	\$562,528	\$492,139
Accrued loan commissions .....	18,249	13,172
	<u>\$580,777</u>	<u>\$505,311</u>

**Note I—Borrowings**

The borrowings of the Bank—ordinary capital—consist of loans, notes and bonds issued in various regional and nonregional member currencies, at interest rates ranging from 4.25% to 15.00%. During 1987 and 1986 the average cost of borrowings outstanding was 8.29% and 8.71%, respectively. The Bank will from time to time borrow additional amounts for its ordinary capital in the course of its operations.

Sinking fund requirements and maturities subsequent to December 31, 1987 are as indicated in Appendix I-2.

Losses of \$2,949,000 in 1987 (1986—\$513,000) reflecting purchases of bonds pursuant to advance redemption provisions are included under other income.

**Note J—Capital Stock Composition**

The capital of the Bank consists of "paid-in" and "callable" shares. The subscribed "paid-in" capital has been or is to be paid in gold and/or United States dollars (see below) and in the currency of the respective member, which in some cases must be made freely convertible, in accordance with the terms for the respective increase in capital. As permitted under the Agreement, non-negotiable, non-interest bearing demand obligations have been or will be accepted in lieu of part of the member's subscription to the "paid-in" capital. The subscribed "callable" portion of capital shall be called only when required to meet the obligations of the Bank created by borrowings of funds for inclusion in the Bank's ordinary capital resources or guarantees chargeable to such resources and is payable at the option of the member either in gold, in United States dollars, in fully convertible currency of the member country, or in the currency required to discharge the obligations of the Bank for the purpose for which the call is made.

**Valuation**

As provided in the Agreement, the ordinary capital is expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1959. The General

Counsel of the Bank has rendered an opinion that since the effectiveness on April 1, 1978 of the Second Amendment to the Articles of Agreement of the International Monetary Fund, which eliminated par values of currencies in terms of gold, the Special Drawing Right (SDR) has become the successor to the 1959 U.S. dollar as the standard of value of the Bank's capital stock and for the purpose of maintaining the value of the Bank's currency holdings. The SDR has a value equal to the sum of the values of specific amounts of stated currencies, including the U.S. dollar. Pending a decision by the Bank's governing boards, and as suggested in the General Counsel's opinion, the Bank is continuing its practice of using the 1959 U.S. dollar, which pursuant to the devaluations of the United States dollar in 1972 and 1973 is equal to approximately 1.2063 current U.S. dollars, as the basis of valuation.

In these terms, at December 31, 1987 the subscribed capital was \$34,082,502,000 (2,825,274 shares of \$12,063 each) consisting of \$2,600,092,000 (215,535 shares) of "paid-in" capital and \$31,482,410,000 (2,609,739 shares) of "callable" capital. If the SDR were to have been substituted for the 1959 dollar on December 31, 1987, subscribed capital would have totalled \$40,081,032,000, consisting of \$3,057,709,000 of "paid-in" capital and \$37,023,323,000 of "callable" capital. Such substitution would not have materially affected either the overall financial position or the results of operations of the Bank - ordinary capital. For a statement of subscribed capital at December 31, 1987 see Appendix I-3.

**Changes for the period**

In 1983 an increase in the capital stock of the Bank was approved in the amount of \$15,000,010,000, consisting of \$675,058,000 of "paid-in" capital and \$14,324,952,000 of "callable" capital. At December 31, 1987, subscriptions to the capital increase aggregating \$14,454,947,000 had been received from members. The following table summarizes the changes in the subscribed capital for the years ended December 31, 1986 and 1987.



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1987 and 1986

	Subscribed capital			
	Amount (in thousands)			
	Shares	Paid-in	Callable	Total
Balance at January 1, 1986	2,214,440	\$2,322,838	\$24,390,909	\$26,713,747
Subscriptions by members to the increase of capital approved in 1983	609,227	275,758	7,073,611	7,349,369
First installment subscription of new member—Norway	803	748	8,939	9,687
Balance at December 31, 1986	2,824,470	2,599,344	31,473,459	34,072,803
Second installment subscription of new member—Norway	804	748	8,951	9,699
Balance at December 31, 1987	<u>2,825,274</u>	<u>\$2,600,092</u>	<u>\$31,482,410</u>	<u>\$34,082,502</u>

**Note K—General Reserve**

In accordance with the resolutions of the Board of Governors the net income from the ordinary capital resources of the Bank, after allocation to the Special Reserve (See Note H), is added to a General Reserve to provide for possible future losses on loans or any annual excess of expenses over income.

Beginning in 1981 the adjustments resulting from the translation into United States dollars of assets and liabilities denominated in borrowed currencies have been made directly to the General Reserve. Such adjustments consist of credits (charges) as follows:

	Years ended December 31,	
	1987	1986
	(in thousands)	
Cumulative adjustments, beginning of year	\$(19,231)	\$(62,584)
Translations adjustments for the year	<u>60,520</u>	<u>43,353</u>
Cumulative adjustments, end of year	<u>\$ 41,289</u>	<u>\$(19,231)</u>

**Note L—Staff Retirement Plan**

The Bank has a Staff Retirement Plan for the benefit of its employees. Staff members under age 62 become participants as a condition of service and contribute a percentage of their remuneration to the Plan. Bank con-

tributions to the Plan during 1987 and 1986 were \$17,400,000 and \$16,389,000, respectively, which were charged to administrative expenses and allocated to the funds as indicated in Note B. Bank contributions are determined on an actuarial basis.

A comparison of accumulated plan benefits and plan net assets at December 31, 1986 (the date of the latest actuarial evaluation) and at December 31, 1985 is shown below:

	December 31,	
	1986	1985
Actuarial present value of accumulated plan benefits:		
Vested	\$229,272,000	\$158,341,000
Nonvested	<u>34,871,000</u>	<u>20,898,000</u>
	<u>\$264,143,000</u>	<u>\$179,239,000</u>
Net assets available for benefits	<u>\$368,611,000</u>	<u>\$297,972,000</u>

The actuarial present value of accumulated plan benefits increased mainly as a result of a change in the assumed rate of return from 9¼% in 1985 to 7¾% in 1986.

The Bank has deferred the application of certain new accounting requirements for pensions. Preliminary studies indicate, however, that application of such requirements would have had no significant impact on the overall financial position of the Bank—Ordinary Capital at December 31, 1987 or on the results of its operations for the year then ended.



**SUMMARY STATEMENT OF LOANS—NOTE F**

December 31, 1987 and 1986

Expressed in thousands of United States dollars—Note B

Member in whose territory loans have been made	Loans approved, less cancellations	Principal collected	Loans sold or agreed to be sold	Undisbursed	Outstanding	Currency in which outstanding portion of approved loans is collectible		
						Freely convertible currencies	Other currencies	Outstanding 1986
Argentina	\$ 3,695,732	\$ 775,768	\$ 118,307	\$ 1,267,318	\$ 1,534,339	\$ 1,478,933	\$ 55,406	\$ 1,288,134
Bahamas	4,019	3,457	—	—	562	562	—	700
Barbados	86,340	5,870	—	45,342	35,128	34,886	242	24,385
Bolivia	556,795	28,619	14,000	326,490	187,686	183,191	4,495	114,706
Brazil	5,252,012	1,298,825	59,740	1,191,351	2,702,096	2,607,066	95,030	2,262,993
Chile	2,958,314	209,623	121,709	992,490	1,634,492	1,617,651	16,841	1,201,273
Colombia	3,150,573	319,857	172,705	1,311,479	1,346,532	1,330,906	15,626	991,581
Costa Rica	685,976	35,908	1,520	373,067	275,481	275,481	—	224,011
Dominican Republic	306,423	8,457	200	166,604	131,162	131,162	—	96,350
Ecuador	1,414,125	79,929	103,257	758,222	472,717	470,851	1,866	302,878
El Salvador	313,043	43,534	15,251	26,105	228,153	225,961	2,192	186,722
Guatemala	574,467	32,627	40,725	254,319	246,796	244,925	1,871	220,945
Guyana	107,612	1,478	—	48,475	57,659	57,659	—	40,024
Honduras	285,406	3,348	18,060	61,560	202,438	202,438	—	166,563
Jamaica	345,141	30,437	—	121,730	192,974	189,625	3,349	127,735
Mexico	4,574,206	912,594	22,186	673,499	2,965,927	2,932,612	33,315	2,532,021
Nicaragua	100,410	19,408	1,794	14,500	64,708	64,708	—	39,000
Panama	561,244	46,465	58,000	135,155	321,624	320,753	871	274,913
Paraguay	190,100	14,574	429	49,920	125,177	123,181	1,996	87,915
Peru	1,129,452	139,720	128,513	234,752	626,467	616,675	9,792	467,089
Suriname	18,890	—	—	17,996	894	894	—	—
Trinidad and Tobago	54,982	309	—	54,359	314	314	—	169
Uruguay	582,723	59,945	13,951	313,070	195,757	195,378	379	134,968
Venezuela	1,089,945	153,673	5,768	822,246	108,258	108,258	—	30,074
Regional	615,409	124,509	1,000	28,388	461,512	461,512	—	351,302
Total 1987	<u>\$28,653,339</u>	<u>\$4,348,934</u>	<u>\$897,115</u>	<u>\$9,288,437</u>	<u>\$14,118,853</u>	<u>\$13,875,582</u>	<u>\$243,271</u>	
Total 1986	<u>\$24,769,480</u>	<u>\$3,373,390</u>	<u>\$764,646</u>	<u>\$9,464,993</u>		<u>\$10,951,883</u>	<u>\$214,568</u>	<u>\$11,166,451</u>

The freely convertible currencies in which the outstanding portion of approved loans is collectible are as follows:

Currencies	1987	1986
Austrian schillings	\$ 38,509	\$ 35,675
Belgian francs	247	391
British pounds sterling	445,939	259,060
Canadian dollars	48,167	54,429
European currency units	75,044	40,292
French francs	8,400	8,872
German marks	2,269,374	1,821,401
Italian lire	4,790	5,853
Japanese yen	3,133,365	2,104,771
Netherlands guilders	694,585	506,329
Spanish pesetas	2,265	2,149
Swedish kronor	4,017	4,402
Swiss francs	3,240,839	2,422,625
Trinidad and Tobago dollars	3,207	3,531
United States dollars	3,886,897	3,657,471
Venezuelan bolivars	19,821	24,449
Yugoslav dinars	116	183
	<u>\$13,875,582</u>	<u>\$10,951,883</u>



**STATEMENT OF BORROWINGS—NOTE I**

December 31, 1987 and 1986

Expressed in thousands of United States dollars—Note B

Payable in	December 31, 1987			December 31, 1986
	Principal outstanding	Weighted average cost (%)	Due dates	Principal outstanding
Austrian schillings . . . . .	\$ 54,787	8.59	1988/91	\$ 63,267
British pounds sterling . . . . .	742,561	11.03	1988/15	599,926
European currency units . . . . .	130,335	10.12	1993	106,975
German marks . . . . .	2,750,553	7.99	1988/01	2,190,722
Japanese yen . . . . .	4,220,285	7.45	1988/17	3,007,080
Netherlands guilders . . . . .	1,144,373	8.63	1988/99	848,394
Swiss francs . . . . .	3,038,063	6.12	1988/05	2,201,031
Trinidad and Tobago dollars . . . . .	2,771	8.34	1990/02	5,540
United States dollars . . . . .	3,140,750	10.40	1988/11	3,092,430
Total . . . . .	<u>\$15,224,478</u>	<u>8.18</u>		<u>\$12,115,365</u>

Sinking fund requirements and maturities subsequent to December 31, 1987 are approximately equivalent to the following:

Year	Amount
1988	\$ 426,615
1989	836,026
1990	668,434
1991	1,342,315
1992	1,898,680
1993/97	6,485,187
1998/02	2,079,889
2003/07	494,827
2008/12	504,244
2013/17	488,261
	<u>\$15,224,478</u>



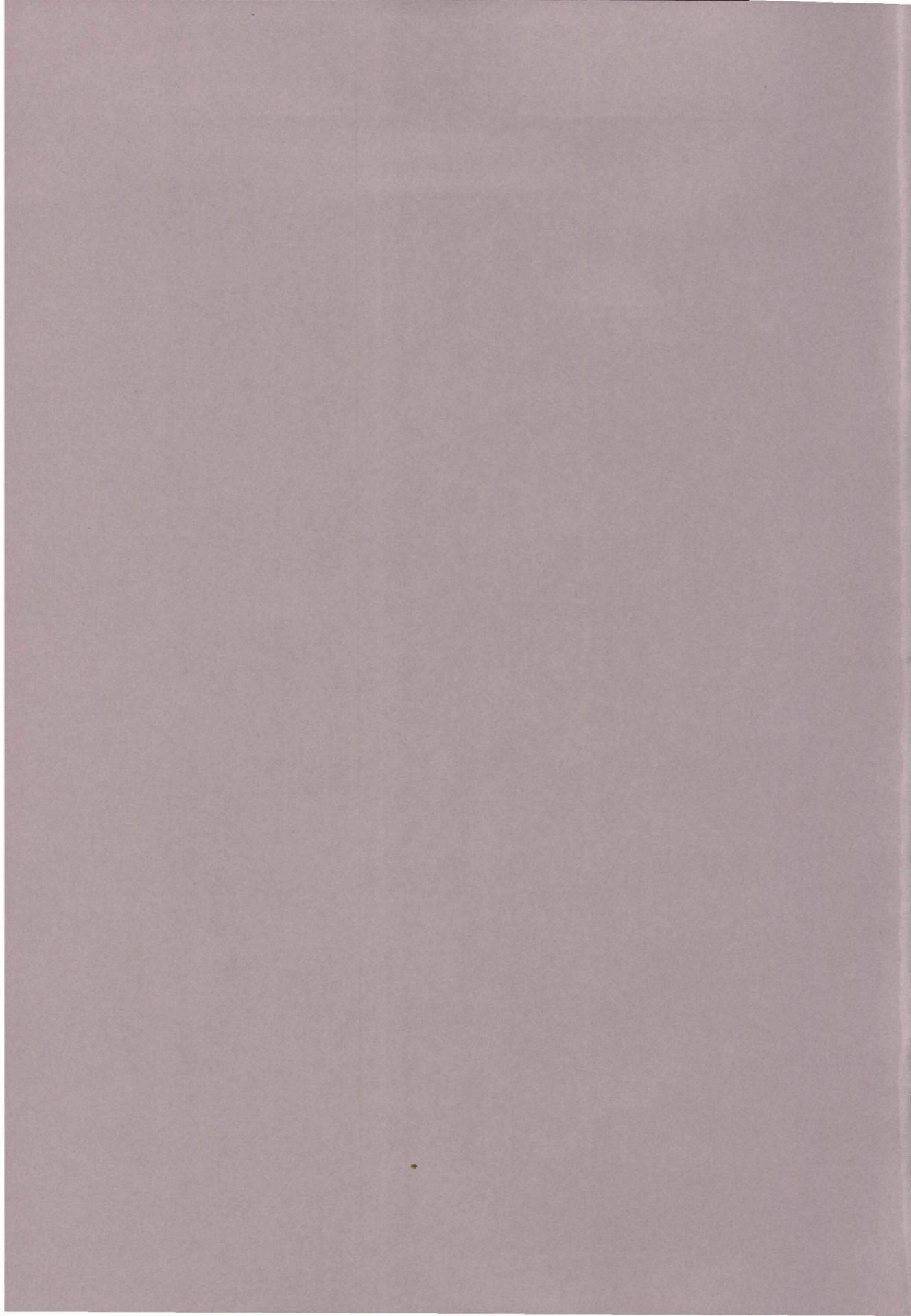
**STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK—NOTE J**

December 31, 1987 and 1986

Expressed in thousands of United States dollars—Note B

Members	Shares	Paid-in portion of subscribed capital		Callable portion of subscribed capital	Total 1987	Total 1986
		Freely convertible currencies	Other currencies			
Argentina	328,361	\$ 201,677	\$104,059	\$ 3,655,424	\$ 3,961,160	\$ 3,961,160
Austria	2,242	2,075	—	24,971	27,046	27,046
Bahamas	6,344	5,947	4,054	66,529	76,530	76,530
Barbados	3,927	2,950	1,755	42,668	47,373	47,373
Belgium	5,313	5,079	—	59,014	64,093	64,093
Bolivia	26,360	16,189	8,360	293,443	317,992	317,992
Brazil	328,361	201,677	104,059	3,655,424	3,961,160	3,961,160
Canada	124,025	119,778	—	1,376,390	1,496,168	1,496,168
Chile	90,162	55,323	28,566	1,003,775	1,087,664	1,087,664
Colombia	90,096	55,311	28,554	1,003,002	1,086,867	1,086,867
Costa Rica	13,175	8,094	4,162	146,680	158,936	158,936
Denmark	2,388	2,232	—	26,576	28,808	28,808
Dominican Republic	17,591	10,784	5,574	195,849	212,207	212,207
Ecuador	17,591	10,784	5,574	195,849	212,207	212,207
El Salvador	13,175	8,094	4,162	146,680	158,936	158,936
Finland	2,242	2,075	—	24,971	27,046	27,046
France	27,300	25,502	—	303,830	329,332	329,332
Germany	27,960	26,093	—	311,200	337,293	337,293
Guatemala	17,591	10,784	5,574	195,849	212,207	212,207
Guyana	4,886	4,042	2,569	52,331	58,942	58,942
Haiti	13,175	8,094	4,162	146,680	158,936	158,936
Honduras	13,175	8,094	4,162	146,680	158,936	158,936
Israel	2,209	2,063	—	24,585	26,648	26,648
Italy	27,300	25,502	—	303,830	329,332	329,332
Jamaica	17,591	10,784	5,574	195,849	212,207	212,207
Japan	30,454	28,410	—	338,970	367,380	367,380
Mexico	211,075	129,658	66,904	2,349,728	2,546,290	2,546,290
Netherlands	4,150	3,836	—	46,227	50,063	50,063
Nicaragua	13,175	8,094	4,162	146,680	158,936	158,936
Norway	1,607	1,496	—	17,890	19,386	9,687
Panama	13,175	8,094	4,162	146,680	158,936	158,936
Paraguay	13,175	8,094	4,162	146,680	158,936	158,936
Peru	44,000	27,047	13,957	489,787	530,791	530,791
Portugal	719	640	—	8,034	8,674	8,674
Spain	27,300	25,502	—	303,830	329,332	329,332
Suriname	2,679	2,846	2,232	27,239	32,317	32,317
Sweden	4,650	4,439	—	51,656	56,095	56,095
Switzerland	6,096	5,658	—	67,881	73,539	73,539
Trinidad and Tobago	13,175	8,094	4,162	146,680	158,936	158,936
United Kingdom	27,300	25,502	—	303,830	329,332	329,332
United States	976,634	856,878	—	10,924,680	11,781,558	11,781,558
Uruguay	35,206	21,654	11,171	391,881	424,706	424,706
Venezuela	175,922	137,885	33,331	1,951,007	2,122,223	2,122,223
Yugoslavia	2,242	2,075	—	24,971	27,046	27,046
Total 1987	<u>2,825,274</u>	<u>\$2,134,929</u>	<u>\$465,163</u>	<u>\$31,482,410</u>	<u>\$34,082,502</u>	
Total 1986	<u>2,824,470</u>	<u>\$2,134,181</u>	<u>\$465,163</u>	<u>\$31,473,459</u>		<u>\$34,072,803</u>





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# FUND FOR SPECIAL OPERATIONS

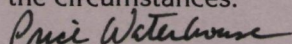
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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors  
Inter-American Development Bank

In our opinion, the financial statements appearing on pages 150 through 157 present fairly the financial position of the Inter-American Development Bank—Fund for Special Operations at December 31, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

  
PRICE WATERHOUSE

Washington, D.C.  
February 5, 1988

## FINANCIAL STATEMENTS

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FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note A

	December 31,	
	1987	1986
<b>ASSETS</b>		
Cash (Note C) .....	\$ 883,960	\$ 838,433
Investments (Note D) .....	779,991	615,812
<b>Loans outstanding</b> (Note E) (Appendix II-1)		
Total loans approved, less cancellations .....	\$9,674,184	\$9,370,476
Less undisbursed balance of approved loans .....	(1,912,034)	(1,891,884)
Less principal collected and loans sold or agreed to be sold .....	(2,310,299)	(2,119,855)
	5,451,851	5,358,737
<b>Accrued interest and other charges</b>		
On investments .....	7,837	4,021
On loans .....	42,054	33,253
	49,891	37,274
<b>Receivable from members</b>		
Contribution quotas (Note F) (Appendix II-2) .....	106,783	173,316
Non-negotiable, non-interest bearing demand obligations (Note F) .....	1,740,391	1,889,808
Amounts required to maintain value of currency holdings (Note B) .....	114,990	115,832
	1,962,164	2,178,956
<b>Property, improvements and equipment, at cost less accumulated depreciation \$442;</b>		
1986—\$356 .....	1,553	1,639
<b>Other assets</b> .....	13,240	7,654
Total assets .....	<u>\$9,142,650</u>	<u>\$9,038,505</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses .....	\$ 5,421	\$ 2,337
Undisbursed technical cooperation projects and other financings .....	94,450	88,138
	\$ 99,871	\$ 90,475
<b>Fund balance</b>		
Contribution quotas authorized and subscribed (Notes B and F) (Appendix II-2) .....	8,476,234	8,420,275
General Reserve (Note G) .....	566,545	527,755
	9,042,779	8,948,030
<b>Commitments</b> (Notes E and G)		
Total liabilities and fund balance .....	<u>\$9,142,650</u>	<u>\$9,038,505</u>



FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK

**STATEMENT OF INCOME AND GENERAL RESERVE**

Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1987	1986
<b>Income</b>		
<b>Loans</b>		
Interest .....	\$105,554	\$ 98,199
Credit commissions .....	5,548	5,661
Service charges .....	4,721	5,105
Supervision and inspection fees .....	3,775	5,097
	<u>119,598</u>	<u>114,062</u>
Investments .....	47,982	40,335
Other .....	605	740
<b>Total income</b> .....	<u>168,185</u>	<u>155,137</u>
<b>Administrative expenses</b> .....	<u>74,545</u>	<u>76,545</u>
<b>Income before technical cooperation   expense</b> .....	93,640	78,592
<b>Technical cooperation expense</b> .....	<u>39,608</u>	<u>6,241</u>
<b>Net income</b> .....	54,032	72,351
<b>General Reserve beginning of year</b> .....	527,755	470,667
Translation adjustments (Note G) .....	258	237
Allocation to Intermediate Financing Facility Account (Note G) .....	(15,500)	(15,500)
<b>General Reserve end of year</b> .....	<u>\$566,545</u>	<u>\$527,755</u>



FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1987	1986
<b>Financial resources provided by</b>		
Operations		
Net income . . . . .	\$ 54,032	\$ 72,351
Items not providing cash . . . . .	(4,442)	(33,024)
Cash provided by operations . . . . .	49,590	39,327
Loan principal collections . . . . .	204,589	202,351
Sales of loans to Social Progress Trust Fund . . . . .	8,888	11,555
Collection of amounts receivable from members . . . . .	266,169	445,404
Translation adjustments . . . . .	258	237
Other, net . . . . .	7,991	(2,466)
Total financial resources provided . . . . .	<u>537,485</u>	<u>696,408</u>
<b>Financial resources used for</b>		
Loan disbursements . . . . .	290,009	477,655
Payment of loan principal collections to Social Progress Trust Fund . . . . .	22,270	22,764
Allocation to Intermediate Financing Facility Account . . . . .	15,500	15,500
Total financial resources used . . . . .	<u>327,779</u>	<u>515,919</u>
<b>Increase in cash and investments . . . . .</b>	<u>\$209,706</u>	<u>\$180,489</u>



## NOTES TO FINANCIAL STATEMENTS

December 31, 1987 and 1986

### Note A—Summary of Significant Accounting Policies

#### Translation of Currencies

The financial statements are expressed in United States dollars; however, the Bank conducts its operations in the currencies of all of its members. Assets and liabilities denominated in currencies other than the United States dollar are translated generally at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at approximate market rates of exchange prevailing during each month. Except as indicated in the following sentence, fluctuations of rates of exchange do not have any effect on the United States dollar equivalents of such currencies because of the maintenance of value provisions described in Note B. The net adjustments resulting from the translation into United States dollars of assets, liabilities and contribution quotas which do not have maintenance of value protection, being derived from the 1983 increase in contribution quotas (see Note F), are shown in the Statement of Income and General Reserve as translation adjustments affecting the General Reserve directly.

No representation is made that any currency held in the Fund for Special Operations is convertible into any other currency at any rate or rates.

#### Loans

The Bank follows the policy of reviewing the collectibility of loans on a continuous basis. The Bank ceases to accrue income under all loans to or guaranteed by a given borrower, including a member, when service under any of such loans, made from any fund owned or administered by the Bank, is overdue for six months; income is recorded thereafter only as it is collected, until loan service is current under all loans. The Bank considers recording provisions for loan losses no later than when loan service is overdue from a borrower for two years. Provisions for loan losses, if any, will be charged against income.

#### Administrative Expenses

Substantially all administrative expenses of the Bank, including depreciation of property capitalized in the Bank's ordinary capital, are allocated to the funds pursuant to an allocation method approved by the Board of Executive Directors. During 1987, such expenses were charged 44.6% to the Fund for Special Operations and 55.4% to the ordinary capital (1986—47.4% and 52.6%, respectively).

### Technical Cooperation

The amounts approved under all non-reimbursable technical cooperation projects as well as certain reimbursable financings which may not be fully recovered are charged to income.

### New Accounting Standards

Two new accounting standards, effective for 1988 financial statements, have recently been issued. One standard requires preparation of a statement of cash flows in place of the statement of changes in financial position. The second standard requires deferral of certain loan related fees and costs for lending activity commencing after January 1, 1988. The Bank is studying the application of these standards.

### Note B—Maintenance of Value

In accordance with the Agreement Establishing the Bank (Agreement), each member is required to maintain the value of its currency held in the Fund for Special Operations to the extent established by the terms for the respective contribution quotas. Likewise, and subject to the same contribution quota terms, the Bank is required to return to a member an amount of its currency equal to any significant increase in value of such member's currency which is held in the Fund for Special Operations. The standard of value for these purposes ranges from the United States dollar at its 1959 value to the United States dollar at its value in effect at any given time. Holdings derived from the 1983 increase in contribution quotas (see Note F) do not have maintenance of value protection.

The General Counsel of the Bank has rendered an opinion that since the effectiveness on April 1, 1978 of the Second Amendment to the Articles of Agreement of the International Monetary Fund, which eliminated par values of currencies in terms of gold, the Special Drawing Right (SDR) has become the successor to the 1959 U.S. dollar as the standard of value. The Bank's governing boards have not made a decision on this matter. If the SDR were to have been substituted for the 1959 United States dollar on December 31, 1987, the financial position and the results of operations of the Bank—Fund for Special Operations would not have been materially affected.

"Amounts required to maintain value of currency holdings" include \$12,602,000 (1986—\$21,462,000), relating to outstanding loans repayable at borrowers' options either in the currencies disbursed or in the borrowers' currencies. The obligation for payment of this amount is being allocated to individual members on the basis of the currencies received in loan repayments.



FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1987 and 1986

**Note C—Restricted Currencies**

Cash includes \$818,138,000 (1986—\$760,003,000) in the non-convertible currencies of regional borrowing members, of which \$97,052,000 (1986—\$88,335,000) has been restricted by one of the members, in accordance with the provisions of the Agreement, to be used for making payments for goods and services produced in its territory.

**Note D—Investments**

The investments of the Bank—Fund for Special Operations—are stated at amortized cost which approximates market and consist of the following:

	December 31,	
	1987	1986
	(in thousands)	
Obligations of governments and United States Agencies	\$299,077	\$162,303
Time deposits and other obligations of banks	<u>480,914</u>	<u>453,509</u>
	<u>\$779,991</u>	<u>\$615,812</u>

**Note E—Loans Outstanding**

The Bank makes loans to its developing members, agencies or political subdivisions of such members or to private enterprises located in their territories. For loans to borrowers other than members or central banks, the Bank in almost all instances has received either the member's guarantee or other security deemed appropriate. At December 31, 1987 there were no loans in a non-accrual status and delays in the payment of loan service were insignificant. No losses on loans are anticipated and no provision for such losses has been established. The Bank has a policy of not rescheduling loan repayments.

The Board of Executive Directors has authorized participations by the Social Progress Trust Fund in the United States dollar or local currency portions of loans made from the Fund for Special Operations provided that, with respect to such loans, the provisions of the Social Progress Trust Fund Agreement have in substance been complied with as fully as though the loans had been made initially from the Trust Fund.

Loans approved are disbursed to borrowers in accordance with the requirements of the project being financed under the loans; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank.

Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse approximately \$34,453,000 at December 31, 1987.

**Note F—Contribution Quotas Authorized and Subscribed**

Under the provisions of the Agreement, non-negotiable, non-interest bearing demand obligations have been or will be accepted in lieu of part of the payment of the member's contribution quotas. The Canadian contribution quota is being increased by collections of principal, interest and service charges after May 3, 1972 on loans extended from the Canadian Trust Fund administered by the Bank, which was originally established in the amount of CAN\$74,000,000.

In 1983 the Board of Governors authorized an increase of contribution quotas in the equivalent of \$702,576,000 payable during the years 1983 to 1986 in freely convertible currencies to be designated by each member country at rates of exchange in effect on February 24, 1983. On the basis of such rates, cumulative contribution payments by member countries under the increase were \$604,823,000 at December 31, 1987. Currencies held by the Bank which are derived from these contributions are not subject to the maintenance of value provisions of the Agreement.

The following table summarizes the changes in contribution quotas subscribed for the years ended December 31, 1986 and 1987:

	Contribution quotas subscribed
Balance at January 1, 1986	\$8,361,516,000
Contributions by Canada— Trust Fund collections	1,986,000
Contribution by new member— Norway	13,818,000
Increase in the U.S. dollar equivalence of contributions approved in 1983 due to exchange rate fluctuations	<u>42,955,000</u>
Balance at December 31, 1986	8,420,275,000
Contributions by Canada— Trust Fund collections	1,913,000
Increase in the U.S. dollar equivalence of contributions approved in 1983 due to exchange rate fluctuations	<u>54,046,000</u>
Balance at December 31, 1987	<u>\$8,476,234,000</u>

At December 31, 1987 the cumulative increase in the U.S. dollar equivalence of contribution quotas approved in 1983 because of exchange rate fluctuations was \$77,241,000; 1986—\$23,195,000.



FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1987 and 1986

**Note G—General Reserve**

In accordance with resolutions of the Board of Governors, the net income of the Fund for Special Operations is to be added to a General Reserve to provide for possible future losses on loans or any annual excess of expenses over income.

In both 1987 and 1986 the Board of Governors allocated the equivalent of \$15,500,000 in convertible currencies from the General Reserve to the Intermediate Financing Facility Account (IFF) for the purpose of providing to certain borrowers part of the interest for which they are liable on loans from the capital resources of the Bank. In addition, the equivalent of \$15,500,000 in convertible currencies is to be allocated annually from the General Reserve to the IFF during each of the years 1988 through 2002, subject to adjustment by the Board of Governors.

As indicated in Note A, the adjustments resulting from the translation of assets, liabilities and contribution quotas which do not have maintenance of value protection, is shown as an adjustment to the General Reserve. Such adjustments consist of credits as follows:

	Years ended December 31,	
	1987	1986
	(in thousands)	
Cumulative adjustments, beginning of year	\$288	\$ 51
Translation adjustments for the year	<u>258</u>	<u>237</u>
Cumulative adjustments, end of year	<u>\$546</u>	<u>\$288</u>

**Note H—Staff Retirement Plan**

The Bank has a Staff Retirement Plan for the benefit of its employees. Staff members under age 62 become participants as a condition of service and contribute a percentage of their remuneration to the Plan. Bank contributions to the Plan during 1987 and 1986 were \$17,400,000 and \$16,389,000, respectively, which were charged to administrative expenses and allocated to the funds as indicated in Note A. Bank contributions are determined on an actuarial basis.

A comparison of accumulated plan benefits and plan net assets at December 31, 1986 (the date of the latest actuarial evaluation) and at December 31, 1985 is shown below:

	December 31,	
	1986	1985
Actuarial present value of accumulated plan benefits:		
Vested	\$229,272,000	\$158,341,000
Nonvested	<u>34,871,000</u>	<u>20,898,000</u>
	<u>\$264,143,000</u>	<u>\$179,239,000</u>
Net assets available for benefits	<u>\$368,611,000</u>	<u>\$297,972,000</u>

The actuarial present value of accumulated plan benefits increased mainly as a result of a change in the assumed rate of return from 9¼% in 1985 to 7¾% in 1986.

The Bank has deferred the application of certain new accounting requirements for pensions. Preliminary studies indicate, however, that application of such requirements would have had no significant impact on the overall financial position of the Bank - Fund for Special Operations at December 31, 1987, or on the results of its operations for the year then ended.



**SUMMARY STATEMENT OF LOANS—NOTE E**

December 31, 1987 and 1986

Expressed in thousands of United States dollars—Note A

Member in whose territory loans have been made	Loans approved, less cancellations	Principal collected	Loans sold or agreed to be sold	Currency in which outstanding portion of approved loans is collectible		Freely convertible currencies	Other currencies	Outstanding 1986
				Undisbursed	Outstanding			
Argentina	\$ 519,448	\$ 159,869	\$ 33,541	\$ 106,981	\$ 219,057	\$ 23,504	\$ 195,553	\$ 199,849
Barbados	42,156	3,492	—	6,427	32,237	29,589	2,648	31,217
Bolivia	650,398	72,053	4,067	119,832	454,446	365,036	89,410	431,754
Brazil	1,195,676	482,431	56,394	129,641	527,210	39,426	487,784	527,286
Chile	203,428	128,703	7,298	—	67,427	16,990	50,437	75,049
Colombia	649,953	170,224	7,908	52,552	419,269	223,820	195,449	423,440
Costa Rica	355,099	49,447	3,259	48,751	253,642	219,143	34,499	251,718
Dominican Republic	541,088	49,937	17,908	72,320	400,923	347,070	53,853	386,985
Ecuador	804,601	60,299	19,487	324,165	400,650	341,152	59,498	365,970
El Salvador	569,246	23,443	15,951	230,703	299,149	252,860	46,289	300,388
Guatemala	526,523	43,428	13,002	198,962	271,131	229,114	42,017	269,388
Guyana	117,601	—	400	25,866	91,335	88,478	2,857	88,833
Haiti	287,198	13,871	2,386	118,419	152,522	123,109	29,413	150,186
Honduras	596,028	50,027	19,630	165,467	360,904	315,495	45,409	359,202
Jamaica	176,799	21,588	—	38,167	117,044	99,343	17,701	111,922
Mexico	574,200	274,055	2,373	55,480	242,292	99,742	142,550	263,559
Nicaragua	312,682	35,028	23,096	109	254,449	234,217	20,232	255,357
Panama	285,510	56,433	12,986	18,748	197,343	155,687	41,656	196,121
Paraguay	401,734	79,143	1,127	90,472	230,992	138,465	92,527	210,257
Peru	432,503	109,168	19,000	30,388	273,947	149,068	124,879	279,181
Suriname	2,955	—	—	2,850	105	—	105	—
Trinidad and Tobago	25,364	8,266	—	6,900	10,198	1,083	9,115	10,959
Uruguay	104,705	31,981	2,666	41,512	28,546	16,534	12,012	26,893
Venezuela	101,393	57,775	21,782	—	21,836	21,836	—	25,357
Regional	197,896	45,213	—	27,486	125,197	92,794	32,403	117,866
Unallocated	—	—	164	(164)	—	—	—	—
Total 1987	<u>\$9,674,184</u>	<u>\$2,025,874</u>	<u>\$284,425</u>	<u>\$1,912,034</u>	<u>\$5,451,851</u>	<u>\$3,623,555</u>	<u>\$1,828,296</u>	
Total 1986	<u>\$9,370,476</u>	<u>\$1,826,486</u>	<u>\$293,369</u>	<u>\$1,891,884</u>		<u>\$3,514,104</u>	<u>\$1,844,633</u>	<u>\$5,358,737</u>

The freely convertible currencies in which the outstanding portion of approved loans is collectible are as follows:

Currencies	1987	1986	Currencies	1987	1986
Austrian schillings	\$ 6,478	\$ 6,327	Italian lire	\$ 36,832	\$ 37,463
Belgium francs	19,759	19,729	Japanese yen	125,030	114,116
British pounds sterling	110,112	96,630	Netherlands guilders	14,556	10,867
Canadian dollars	224,581	219,200	Portuguese escudos	3,116	3,146
Danish kroner	7,370	7,226	Spanish pesetas	117,201	110,178
Finnish markkas	5,702	5,584	Swedish kronor	14,257	13,835
French francs	94,566	91,310	Swiss francs	27,212	25,493
German marks	116,851	108,946	United States dollars	2,636,377	2,609,707
Israeli shekels	1,225	1,268	Venezuelan bolivars	51,958	22,510
			Yugoslav dinars	10,372	10,569
			Total	<u>\$3,623,555</u>	<u>\$3,514,104</u>



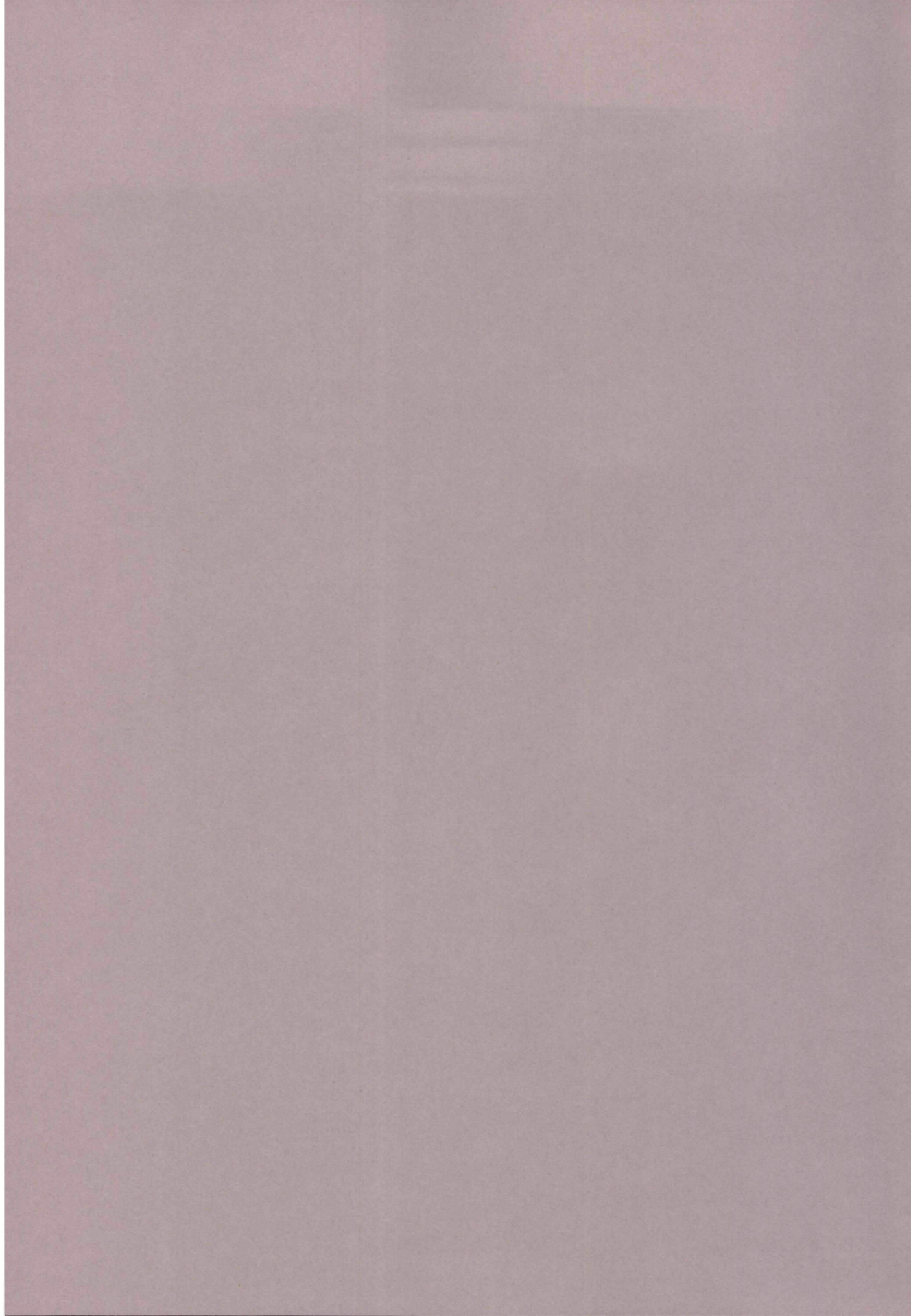
**STATEMENT OF CONTRIBUTION QUOTAS—NOTES B AND F**

December 31, 1987 and 1986

Expressed in thousands of United States dollars—Note A

Members	Contribution quotas authorized and subscribed					
	Subject to maintenance of value		Not subject to maintenance of value	Total 1987	Total 1986	Contribution quotas receivable from members 1987
	Before adjustments	Adjustments				
Argentina	\$ 402,819	\$ 28,935	\$ 47,697	\$ 479,451	\$ 473,173	\$ —
Austria	10,955	—	3,038	13,993	13,444	937
Bahamas	8,800	—	908	9,708	9,708	—
Barbados	1,403	42	124	1,569	1,569	—
Belgium	27,098	—	6,800	33,898	32,678	—
Bolivia	32,535	9,057	3,264	44,856	44,416	—
Brazil	402,819	60,071	40,000	502,890	500,563	—
Canada	190,322	12,577	36,837	239,736	235,688	—
Chile	111,440	21,706	11,240	144,386	143,585	—
Colombia	111,385	19,327	11,240	141,952	141,037	—
Costa Rica	16,215	3,704	1,612	21,531	21,346	—
Denmark	11,692	—	2,991	14,683	14,176	—
Dominican Republic	21,721	6,557	2,188	30,466	29,938	—
Ecuador	21,721	3,952	2,188	27,861	27,680	—
El Salvador	16,215	1,757	1,612	19,584	19,466	—
Finland	10,955	—	1,982	12,937	12,983	—
France	133,396	—	31,203	164,599	159,553	—
Germany	136,692	—	38,020	174,712	167,686	11,727
Guatemala	21,721	5,726	2,188	29,635	29,054	—
Guyana	6,980	—	700	7,680	7,680	—
Haiti	16,215	2,299	1,612	20,126	20,114	—
Honduras	16,215	5,964	1,612	23,791	23,205	—
Israel	10,794	—	2,527	13,321	12,912	—
Italy	133,396	—	28,993	162,389	158,751	—
Jamaica	21,721	2,569	2,188	26,478	26,317	—
Japan	148,825	—	51,798	200,623	188,645	—
Mexico	259,249	15,041	28,000	302,290	302,290	—
Netherlands	20,261	—	5,559	25,820	24,773	—
Nicaragua	16,215	4,420	1,604	22,239	22,051	—
Norway	11,692	—	2,126	13,818	13,818	4,606
Panama	16,215	5,842	1,612	23,669	23,268	—
Paraguay	16,215	8,504	1,612	26,331	26,331	—
Peru	54,492	13,232	5,536	73,260	72,325	—
Portugal	4,994	—	642	5,636	5,636	—
Spain	133,396	—	29,295	162,691	157,571	—
Suriname	5,280	—	536	5,816	5,816	56
Sweden	23,729	—	5,311	29,040	28,287	—
Switzerland	29,752	—	8,641	38,393	36,569	—
Trinidad and Tobago	16,215	1,403	1,612	19,230	19,178	—
United Kingdom	133,396	—	29,877	163,273	156,941	—
United States	4,100,000	243,553	290,000	4,633,553	4,633,487	89,457
Uruguay	43,502	3,674	4,380	51,556	51,492	—
Venezuela	250,060	12,109	28,000	290,169	290,169	—
Yugoslavia	10,955	—	3,038	13,993	13,444	—
Total, before unallocated amount	7,189,668	492,021	781,943	8,463,632	8,398,813	106,783
Unallocated (Note B)		12,602		12,602	21,462	
Total 1987	\$7,189,668	\$504,623	\$781,943	\$8,476,234		\$106,783
Total 1986	\$7,187,755	\$504,623	\$727,897		\$8,420,275	\$173,316





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# INTERMEDIATE FINANCING FACILITY ACCOUNT

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors  
Inter-American Development Bank

In our opinion, the financial statements appearing on pages 160 through 162 present fairly the financial position of the Inter-American Development Bank—Intermediate Financing Facility Account at December 31, 1987 and 1986, and the changes in its fund balance 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*  
PRICE WATERHOUSE

Washington, D.C.  
February 5, 1988

## FINANCIAL STATEMENTS

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INTERMEDIATE FINANCING FACILITY ACCOUNT  
 INTER-AMERICAN DEVELOPMENT BANK

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note B

	December 31,	
	1987	1986
<b>ASSETS</b>		
Cash .....	\$ 1,049	\$ 874
<b>Investments, at amortized cost which approximates market</b>		
Obligations issued or guaranteed by governments or issued by United States Agencies .....	\$ 32,405	\$ 19,577
Time deposits and other obligations of banks .....	<u>154,575</u>	<u>124,784</u>
	186,980	144,361
Accrued income on investments .....	1,428	1,432
Total assets .....	<u>\$189,457</u>	<u>\$146,667</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses .....	\$ —	\$ —
Fund balance .....	189,457	146,667
<b>Commitments (Note D)</b>		
Total liabilities and fund balance .....	<u>\$189,457</u>	<u>\$146,667</u>



INTERMEDIATE FINANCING FACILITY ACCOUNT  
 INTER-AMERICAN DEVELOPMENT BANK

**STATEMENT OF CHANGES IN FUND BALANCE**

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1987	1986
<b>Additions</b>		
Allocation from Fund for		
Special Operations (Note A) .....	\$ 15,500	\$ 15,500
Income from investments .....	<u>9,902</u>	<u>8,752</u>
Total additions .....	25,402	24,252
<b>Deductions</b>		
Interest paid on behalf of ordinary		
capital borrowers (Note D) .....	<u>5,865</u>	<u>2,745</u>
<b>Increase for the year</b> .....	19,537	21,507
<b>Fund balance beginning of year</b> .....	146,667	111,985
Translation adjustments (Note C) .....	<u>23,253</u>	<u>13,175</u>
<b>Fund balance end of year</b> .....	<u>\$189,457</u>	<u>\$146,667</u>



INTERMEDIATE FINANCING FACILITY ACCOUNT  
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 1987 and 1986

**Note A—Nature of the Account**

In 1983 the Board of Governors of the Inter-American Development Bank (Bank) established the Intermediate Financing Facility Account (IFF) for the purpose of providing to certain borrowers part of the interest payments for which they are liable on loans from the capital resources of the Bank. For initial funding purposes, the equivalent of \$61,000,000 in convertible currencies of the General Reserve of the Fund for Special Operations (FSO) was transferred to the IFF on December 15, 1983. In addition, the equivalent of \$15,500,000 in convertible currencies of the General Reserve of the FSO has been transferred annually beginning in 1984 and a similar amount is to be allocated annually by the Board of Governors during each of the years 1988 through 2002. This amount is subject to adjustment for appropriate reasons related to the funding of the IFF.

The IFF is also authorized to receive additional contributions from any member country.

**Note B—Summary of Significant Accounting Policies**

**Translation of currencies**

The financial statements are expressed in United States dollars; however, the IFF conducts its operations in various convertible currencies, including the United States dollar. Assets and liabilities denominated in currencies other than the United States dollar are translated at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated at the approximate market rates of exchange prevailing during each month. The adjustments resulting from the translation of assets and liabilities are shown in the Statement of Changes in Fund Balance as translation adjustments.

No representation is made that any currency held in the IFF is convertible into any other currency at any rate or rates.

**Administrative Expenses**

Administrative expenses of the IFF are paid and absorbed by the Inter-American Development Bank - ordinary capital and Fund for Special Operations.

**Note C—Translation Adjustments**

As indicated in Note B, the adjustments of assets and liabilities denominated in currencies other than the United States dollar are shown as translation adjustments in the Statement of Changes in Fund Balance. Such adjustments consist of credits as follows:

	Years ended December 31,	
	1987	1986
	(in thousands)	
Cumulative adjustments, beginning of year	\$18,770	\$ 5,595
Translations adjustments for the year	<u>23,253</u>	<u>13,175</u>
Cumulative adjustments, end of year	<u>\$42,023</u>	<u>\$18,770</u>

**Note D—Commitments**

The payment by the IFF of part of the interest due from borrowers is contingent on the availability of resources. At December 31, 1987 the amounts disbursed and outstanding and undisbursed by the Bank under loans on which the IFF would pay part of the interest, were classified by country, as follows:

Country	Disbursed and outstanding		Undisbursed
	(in thousands)		
Barbados	\$ 2,237	\$ 21,773	
Costa Rica	49	82,953	
Dominican Republic	4,981	12,692	
Ecuador	36,146	32,520	
El Salvador	24,310	9,051	
Guatemala	2,340	19,832	
Guyana	40,676	7,189	
Honduras	9,533	13,858	
Jamaica	21,506	81,286	
Panama	636	46,541	
Paraguay	38,660	22,923	
Suriname	303	12,537	
Trinidad and Tobago	—	29,900	
Uruguay	204	11,822	
	<u>\$181,581</u>	<u>\$404,877</u>	



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# SOCIAL PROGRESS TRUST FUND

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## REPORT OF INDEPENDENT ACCOUNTANTS

Inter-American Development Bank  
Administrator of the Social Progress Trust Fund

In our opinion, the financial statements appearing on pages 164 through 168 present fairly the financial position of the Social Progress Trust Fund, which is administered by the Inter-American Development Bank, at December 31, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

*Price Waterhouse*  
PRICE WATERHOUSE

Washington, D.C.  
February 5, 1988

## FINANCIAL STATEMENTS

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**SOCIAL PROGRESS TRUST FUND  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK**

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note B

	December 31,	
	1987	1986
<b>ASSETS</b>		
Cash .....	\$ 9,308	\$ 6,905
<b>Investments, at amortized cost which approximates market</b>		
United States Government and Agencies obligations .....	\$ 17,445	\$ 18,202
Time deposits and other obligations of banks .....	1,050	765
	18,495	18,967
<b>Participations in loans made from Fund for Special Operations (Note C) .....</b>	<b>166,199</b>	<b>179,570</b>
<b>Loans outstanding (Note D) (Appendix IV-1)</b>		
Total loans approved, less cancellations .....	537,886	531,486
Less principal collections .....	(451,430)	(439,458)
Less undisbursed balance .....	(6,400)	—
	80,056	92,028
<b>Accrued interest and other charges</b>		
On participations .....	905	816
On loans .....	506	391
	1,411	1,207
Other assets .....	142	—
Total assets .....	<u>\$275,611</u>	<u>\$298,677</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses .....	\$ 2,175	\$ 478
Undisbursed technical cooperation projects and other financings .....	47,652	49,216
	\$ 49,827	\$ 49,694
<b>Fund balance</b>		
Fund established by the United States Government (Note A) .....	525,000	525,000
Accumulated excess of expenses over income .....	(187,642)	(179,578)
Amounts returned to the United States Government (Note E) .....	(111,574)	(96,439)
Total liabilities and fund balance .....	<u>\$275,611</u>	<u>\$298,677</u>



SOCIAL PROGRESS TRUST FUND  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

**STATEMENT OF INCOME AND EXPENSES**

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1987	1986
<b>Income</b>		
Loans		
Interest .....	\$1,408	\$1,494
Service charges .....	<u>378</u>	<u>462</u>
Participations (Note C) .....	2,893	3,121
Investments .....	<u>1,182</u>	<u>1,306</u>
Total income .....	<u>5,861</u>	<u>6,383</u>
<b>Administrative and other expenses</b>		
Administrative expenses (Note A)		
Direct expenses .....	346	296
Indirect and overhead expenses charged by administrator .....	<u>943</u>	<u>912</u>
Total administrative expenses .....	<u>1,289</u>	<u>1,208</u>
Translation adjustments .....	<u>1,548</u>	<u>9,069</u>
	<u>2,837</u>	<u>10,277</u>
<b>Income (loss) before technical cooperation expense .....</b>	<b>3,024</b>	<b>(3,894)</b>
<b>Technical cooperation expense (Note D) .....</b>	<b><u>11,088</u></b>	<b><u>8,183</u></b>
<b>Excess of expenses over income .....</b>	<b>8,064</b>	<b>12,077</b>
<b>Accumulated excess of expenses over income beginning of year .....</b>	<b><u>179,578</u></b>	<b><u>167,501</u></b>
<b>Accumulated excess of expenses over income end of year .....</b>	<b><u>\$187,642</u></b>	<b><u>\$179,578</u></b>



**SOCIAL PROGRESS TRUST FUND  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1987	1986
<b>Financial resources provided by</b>		
Loan principal collections . . . . .	\$ 11,971	\$ 12,421
Collections of participations in loans of the Fund for Special Operations . . . . .	22,270	22,764
Other, net . . . . .	1,472	—
Total financial resources provided . . . . .	<u>35,713</u>	<u>35,185</u>
<b>Financial resources used for</b>		
Operations		
Excess of expenses over income . . . . .	8,064	12,077
Items not providing cash . . . . .	1,695	10,455
Cash used for operations . . . . .	9,759	22,532
Loan disbursements . . . . .	—	1,577
Purchases of participations in loans of the Fund for Special Operations . . . . .	8,888	11,555
Amounts returned to the United States		
Government . . . . .	15,135	12,145
Total financial resources used . . . . .	<u>33,782</u>	<u>47,809</u>
<b>Increase (decrease) in cash and investments . . . . .</b>	<u>\$ 1,931</u>	<u>\$(12,624)</u>



## NOTES TO FINANCIAL STATEMENTS

December 31, 1987 and 1986

### Note A—Nature of the Fund

In 1961 the United States of America and the Inter-American Development Bank (Bank) entered into an Agreement whereby the Bank became Administrator of the Social Progress Trust Fund. Pursuant to the Agreement the Bank charges the Trust Fund for salary costs of certain of its professional staff, other direct expenses and the Fund's share of allowable overhead expenses. At December 31, 1987, the Government of the United States and the Bank had agreed to final overhead rates for all years through 1986 and the Bank has proposed the use of the rate of \$2.95 per \$1.00 of salary cost on a provisional basis for 1987 and 1988, until such time as further overhead rate studies are completed.

### Note B—Summary of Significant Accounting Policies

#### Translation of Currencies

The financial statements are expressed in terms of the United States dollar, the currency in which the Trust Fund was established and which continues to be its predominant currency. Assets and liabilities in currencies other than United States dollars are translated generally at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated generally at the approximate market rates of exchange prevailing during each month. The adjustments resulting from the translation of the Latin American currencies held by the Trust Fund into United States dollars are shown in the Statement of Income and Expenses as translation adjustments. No representation is made that any currency held by the Fund is convertible into any other currency at any rate or rates.

#### Loans

The Bank as Administrator follows the policy of reviewing the collectibility of loans on a continuous basis. The Bank as Administrator ceases to accrue income under all loans to or guaranteed by a given borrower, when service under any of such loans, made from any fund owned or administered by the Bank, is overdue for six months; income is recorded thereafter only as it is collected, until loan service is current under all loans. The Bank as Administrator considers recording provisions for loan losses no later than when loan service is overdue from a borrower for two years. Provisions for loan losses, if any, will be charged against income.

#### Technical Cooperation

The amounts approved under all non-reimbursable technical cooperation projects as well as certain reimbursable financings which may not be fully recovered are charged to income.

### New Accounting Standard

A new accounting standard, effective for 1988 financial statements, has been issued recently, which requires the preparation of a statement of cash flows in place of the statement of changes in financial position.

### Note C—Participations in loans made from Fund for Special Operations

The Board of Executive Directors has authorized the use of the resources of the Social Progress Trust Fund to participate in the United States dollar or local currency portions of loans made from the Fund for Special Operations provided that, with respect to such loans, the provisions of the Social Progress Trust Fund Agreement have in substance been complied with as fully as though the loans had been made initially from the Trust Fund. Through the purchase of participations in the local currency components of loans made from the Fund for Special Operations, the value of which must be maintained by the respective borrowers, it has been possible to substantially maintain the value of the Trust Fund resources so invested.

### Note D—Loans Outstanding

Loans from the resources of the Trust Fund are made to developing members of the Inter-American Development Bank, agencies or political subdivisions of such members or to private enterprises located in their territories. For loans to borrowers other than members and central banks, the bank as Administrator has received in almost all instances the member's guarantee. At December 31, 1987 there were no loans in a nonaccrual status and delays in the payment of loan service were insignificant. No losses on loans are anticipated and no provision for such losses has been established. The Bank as Administrator has a policy of not rescheduling loan repayments.

Loan disbursements have been made principally in United States dollars although, in the case of certain loans, disbursements have been made in the national currencies of the borrowers or in the currencies of other members. In accordance with the provisions of practically all loan agreements, loans disbursed in United States dollars may be repaid in the national currency of the borrower at the market rate of exchange existing at the date of repayment or in United States dollars at the election of the borrower.

### Note E—Amounts returned to the United States Government

Pursuant to agreements approved by the Board of Directors, the Bank as Administrator has returned the equivalent of \$111,574,000 of the assets of the Trust Fund to the Government of the United States during the years 1980-1987 (1987—\$15,135,000; 1986—\$12,145,000) for use in financing social development projects of the Inter-American Foundation, and will return up to the equivalent of \$21,383,000 during the year 1988.



**SUMMARY STATEMENT OF LOANS—NOTE D**

December 31, 1987 and 1986

Expressed in thousands of United States dollars—Note B

Countries in which loans have been made	Loans approved, less cancellations	Principal collected	Undisbursed	Outstanding	Outstanding 1986
Argentina .....	\$ 45,900	\$ 40,866	\$2,400	\$ 2,634	\$ 4,593
Bolivia .....	20,648	12,673	4,000	3,975	4,502
Brazil .....	61,510	50,652	—	10,858	13,091
Chile .....	34,352	34,352	—	—	—
Colombia .....	49,008	46,449	—	2,559	3,031
Costa Rica .....	11,700	10,805	—	895	1,140
Dominican Republic .....	8,407	7,684	—	723	964
Ecuador .....	27,449	21,986	—	5,463	5,774
El Salvador .....	37,688	17,287	—	20,401	21,761
Guatemala .....	28,313	12,863	—	15,450	16,484
Honduras .....	7,602	7,214	—	388	493
Mexico .....	34,927	30,133	—	4,794	5,558
Nicaragua .....	13,035	12,327	—	708	1,422
Panama .....	12,862	12,075	—	787	1,409
Paraguay .....	7,799	6,530	—	1,269	1,485
Peru .....	45,108	42,480	—	2,628	3,338
Uruguay .....	10,350	8,793	—	1,557	1,983
Venezuela .....	72,861	72,861	—	—	—
Regional .....	8,367	3,400	—	4,967	5,000
Total 1987 .....	<u>\$537,886</u>	<u>\$451,430</u>	<u>\$6,400</u>	<u>\$80,056</u>	
Total 1986 .....	<u>\$531,486</u>	<u>\$439,458</u>	<u>\$ —</u>		<u>\$92,028</u>



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# VENEZUELAN TRUST FUND

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## REPORT OF INDEPENDENT ACCOUNTANTS

Inter-American Development Bank  
Administrator of the Venezuelan Trust Fund

In our opinion, the financial statements appearing on pages 170 through 173 present fairly the financial position of the Venezuelan Trust Fund, which is administered by the Inter-American Development Bank, at December 31, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

*Price Waterhouse*  
PRICE WATERHOUSE

Washington, D.C.  
February 5, 1988

## FINANCIAL STATEMENTS

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VENEZUELAN TRUST FUND  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note B

	December 31,	
	1987	1986
<b>ASSETS</b>		
Cash .....	\$ 40	\$ 1,194
<b>Temporary investments, at amortized cost which approximates market</b>		
United States Government and Agencies obligations .....	\$ 9,849	\$ 19,593
Time deposits and other obligations of banks .....	<u>112,147</u>	<u>113,901</u>
	121,996	133,494
<b>Loans outstanding (Note C) (Appendix V-1)</b>		
Total loans approved, less cancellations .....	724,993	682,061
Less undisbursed balance .....	(17,903)	(30,184)
Less principal collected .....	<u>(422,875)</u>	<u>(360,420)</u>
	284,215	291,457
<b>Investment in equities, at cost .....</b>	1,535	1,535
<b>Accrued interest and other charges</b>		
On temporary investments .....	2,146	2,887
On loans .....	<u>9,342</u>	<u>9,426</u>
	11,488	12,313
<b>Total assets .....</b>	<u><u>\$419,274</u></u>	<u><u>\$439,993</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable .....	\$ 78	\$ 352
<b>Fund balance</b>		
Fund established by the Venezuelan Investment Fund (Note A) .....	\$429,655	\$429,655
Accumulated earnings .....	469,581	440,611
Translation adjustments (Note B) .....	(8,330)	(8,330)
Less amounts returned to the Venezuelan Investment Fund (Note A) .....	<u>(471,710)</u>	<u>(422,295)</u>
	419,196	(439,641)
<b>Total liabilities and fund balance .....</b>	<u><u>\$419,274</u></u>	<u><u>\$439,993</u></u>



VENEZUELAN TRUST FUND  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

**STATEMENT OF INCOME AND ACCUMULATED EARNINGS**

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1987	1986
<b>Income</b>		
Loans .....	\$ 22,702	\$ 26,034
Temporary investments .....	8,030	10,488
Total income .....	<u>30,732</u>	<u>36,522</u>
<b>Administrative expenses and other charges</b>		
Direct and indirect expenses (Note A) .....	1,708	1,795
Commission on temporary investments (Note A) .....	54	64
Total administrative expenses and other charges .....	<u>1,762</u>	<u>1,859</u>
<b>Net income</b> .....	28,970	34,663
<b>Accumulated earnings beginning of year</b> .....	<u>440,611</u>	<u>405,948</u>
<b>Accumulated earnings end of year</b> .....	<u>\$469,581</u>	<u>\$440,611</u>

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1987	1986
<b>Financial resources provided by</b>		
Operations		
Net income .....	\$ 28,970	\$ 34,663
Items not requiring (providing) cash .....	925	(1,510)
Cash provided by operations .....	\$ 29,895	33,153
Loan principal collections .....	62,456	43,701
Decrease in loans outstanding resulting		
from exchange rate fluctuation .....	—	22,291
Decrease in amounts returned to Venezuelan Investment		
Fund resulting from exchange rate fluctuation .....	—	4,514
Total financial resources provided .....	<u>92,351</u>	<u>103,659</u>
<b>Financial resources used for</b>		
Loan disbursements .....	55,214	33,459
Amounts returned to the Venezuelan		
Investment Fund .....	49,415	53,365
Decrease in fund balance resulting from		
exchange rate fluctuation .....	—	27,678
Translation adjustments .....	—	4,298
Other .....	374	(1,841)
Total financial resources used .....	<u>105,003</u>	<u>116,959</u>
<b>Decrease in cash and investments</b> .....	<u>\$ 12,652</u>	<u>\$ 13,300</u>



**NOTES TO FINANCIAL STATEMENTS**

December 31, 1987 and 1986

**Note A—Nature of the Fund**

In 1975 the Venezuelan Investment Fund and the Inter-American Development Bank (Bank) entered into a Trust Agreement whereby the Bank became the Administrator of the Venezuelan Trust Fund. Total resources of the Trust Fund are \$400,000,000 and 430,000,000 Venezuelan Bolivars (Bs.).

The purpose of the Fund is to contribute to the financing of projects and programs having a significant effect on the development of member countries of the Bank which are relatively less developed or of limited market, or of intermediate size, through better utilization of their natural resources and the promotion of their industry and agroindustry and to expand the Bank's export financing program, with emphasis on the strengthening of the integration plans of Latin America, and to cooperate in the solution of problems which may arise affecting national and regional economic and social development plans.

In accordance with provisions of the Trust Agreement, the Bank charges the Trust Fund for direct and indirect expenses and a commission on temporary investments. The direct and indirect expense charge is determined as a percentage of the Fund's assets at the end of the year, excluding certain assets not committed under loans. In accordance with the Trust Agreement, the Venezuelan Investment Fund may require the return of all sums received in payment of loans made from the Trust Fund as well as all collections of income derived from Trust Fund resources. Amounts returned to the Venezuelan Investment Fund in 1987 were \$49,415,000, comprised of \$45,306,000 and Bs.59,583,000 (1986—\$53,365,000, comprised of \$44,626,000 and Bs. 65,554,000).

**Note B—Translation of Currencies**

The accounting records are maintained and the financial statements are expressed in United States dollars. Assets, liabilities and Fund Balance denominated in Venezuelan Bolivars, which is the only other currency of the Fund, are translated into United States dollars at the rate of exchange designated by the Venezuelan Government for transactions of the Fund (Bs.14.50 to \$1 at December 31, 1987 and 1986). Income and expenses were translated at the rates of Bs.14.50 to \$1 or Bs.7.50 to \$1 in effect during each month. In addition to a reduction in the United States dollar equivalent of assets, the 1986 change in the rate from Bs.7.50 to \$1 to Bs.14.50 to \$1 had the effect of reducing the United States dollar equivalent of the initial resources of the Fund by \$27,678,000. The portion of amounts returned to the Venezuelan Investment Fund representing refunds of principal collected was also reduced by \$4,514,000. The resulting adjustment is shown in the Balance Sheet

as translation adjustments under Fund Balance, and consist of charges as follows:

	Year ended December 31, 1986
	(in thousands)
Beginning of year . . . . .	\$4,032
Translation adjustment for the year . . . . .	<u>4,298</u>
Balance end of year . . . . .	<u>\$8,330</u>

**Note C—Loans Outstanding**

Loans approved are disbursed to borrowers in accordance with the requirements of the project being financed under the loans; however, disbursements do not begin until the borrower and guarantor take certain actions and furnish certain documents to the Bank. For borrowers other than members or central banks, the Bank as Administrator has received either the member's guarantee or other security deemed appropriate.

The Bank as Administrator follows the policy of reviewing the collectibility of loans on a continuous basis. The Bank as Administrator ceases to accrue income under all loans to or guaranteed by a given borrower, when service under any of such loans, made from any fund owned or administered by the Bank, is overdue for six months; income is recorded thereafter only as it is collected, until loan service is current under all loans. The Bank as Administrator considers recording provisions for loan losses no later than when loan service is overdue from a borrower for two years. Provisions for loan losses, if any, will be charged against income. The Bank as Administrator has a policy of not rescheduling loan repayments. At December 31, 1987 there were no loans in a nonaccrual status and delays in the payment of loan service were insignificant. No losses on loans are anticipated and no provision for such losses has been established.



**SUMMARY STATEMENT OF LOANS—NOTE C**

December 31, 1987 and 1986  
Expressed in thousands of United States dollars—Note B

Countries in which loans have been made	Loans approved, less cancellations	Principal collected	Undisbursed	Outstanding	Outstanding 1986
Argentina .....	\$ 2,577	\$ 2,577	\$ —	\$ —	\$ —
Bahamas .....	2,035	525	—	1,510	1,641
Barbados .....	18,209	14,677	1,800	1,732	2,028
Bolivia .....	25,402	2,580	5,000	17,822	18,842
Brazil .....	51,721	51,715	—	6	40
Chile .....	1,791	1,791	—	—	—
Costa Rica .....	67,137	44,229	—	22,908	24,190
Dominican Republic .....	52,096	7,506	1,000	43,590	46,209
Ecuador .....	52,819	16,279	1,547	34,993	29,044
El Salvador .....	64,974	42,929	2,084	19,961	19,429
Guatemala .....	32,483	9,075	1,000	22,408	24,026
Guyana .....	6,000	1,071	—	4,929	5,357
Haiti .....	7,948	4,027	—	3,921	4,096
Honduras .....	47,086	11,094	2,304	33,688	34,359
Jamaica .....	75,640	66,195	1,000	8,445	9,113
Nicaragua .....	37,656	5,082	—	32,574	33,407
Panama .....	23,767	4,194	1,000	18,573	19,771
Peru .....	140,362	126,865	1,000	12,497	13,619
Trinidad and Tobago .....	2,012	1,012	168	832	193
Uruguay .....	8,940	8,940	—	—	2,080
Regional .....	4,338	512	—	3,826	4,013
Total 1987 .....	<u>\$724,993</u>	<u>\$422,875</u>	<u>\$17,903</u>	<u>\$284,215</u>	
Total 1986 .....	<u>\$682,061</u>	<u>\$360,420</u>	<u>\$30,184</u>		<u>\$291,457</u>

Loans approved, less cancellations, include short and medium term lines of credit for export financing to the following countries at December 31, 1987:

Argentina .....	\$ 2,577
Barbados .....	16,507
Bolivia .....	5,000
Brazil .....	51,721
Chile .....	1,791
Costa Rica .....	45,000
Dominican Republic .....	2,096
El Salvador .....	42,980
Guatemala .....	1,000
Haiti .....	3,117
Honduras .....	6,809
Jamaica .....	69,565
Nicaragua .....	1,000
Panama .....	1,000
Peru .....	128,000
Trinidad and Tobago .....	2,012
Uruguay .....	8,940
Total .....	<u>\$389,115</u>



## GOVERNORS AND ALTERNATE GOVERNORS

Country	Governor	Alternate
ARGENTINA	Juan Vital Sourrouille	José Luis Machinea
AUSTRIA	Ferdinand Lacina	Othmar Haushofer
BAHAMAS	Lynden Pindling	Ethelyn C. Isaacs
BARBADOS	Erskine Sandiford	Winston Cox
BELGIUM	M. Eyskens	Ludovicus Meulemans
BOLIVIA	Gonzalo Sánchez de Lozada	Javier Nogales Iturri
BRAZIL	Mailson Ferreira da Nóbrega	Fernando Milliet de Oliveira
CANADA	Joe Clark	Stanley Hartt
CHILE	Hernán Büchi Buc	Dante Santoni Compiano
COLOMBIA	Luis Fernando Alarcón Mantilla	Francisco J. Ortega
COSTA RICA	Fernando E. Naranjo Villalobos	Eduardo Lizano Fait
DENMARK	Bjørn Olsen	Sten Lilholt
DOMINICAN REPUBLIC	Roberto B. Saladin Selin	Opinio Alvarez Betancourt
ECUADOR	Eduardo Cabezas Molina	Marco A. Flores T.
EL SALVADOR	Remo Bardi Cevallos	Maurice Choussy Rusconi
FINLAND	Kai Helenius	Osmo Sarmavuori
FRANCE	Edouard Balladur	Jean-Claude Trichet
GERMANY	Volkmar Koehler	Hans Tietmeyer
GUATEMALA	Rodolfo Páiz Andrade	José Miguel Gaitán Alvarez
GUYANA	Carl Greenidge	Haslyn Parris
HAITI	Claude Grand-Pierre	Leslie Delatour
HONDURAS	Reginaldo Panting P.	Gonzalo Carías Pineda
ISRAEL	Michael Bruno	Yehuda Drori
ITALY	Giuliano Amato	Lamberto Dini
JAMAICA	E.P.G. Seaga	Headley Brown
JAPAN	Kiichi Miyazawa	Satoshi Sumita
MEXICO	Gustavo Petricioli Iturbide	Ernesto Marcos Giacomán
NETHERLANDS	H.O. Ruding	P. Bukman
NICARAGUA	Joaquín Cuadra Chamorro	Pedro Antonio Blandón Lanzas
NORWAY	Arne Arnesen	Bernt H. Lund
PANAMA	Ricaurte Vásquez	Héctor Alexander
PARAGUAY	César Barrientos	César Romeo Acosta
PERU	César G. Atala	
PORTUGAL	Miguel Cadilhe	Luis Gomes Moreno
SPAIN	Carlos Solchaga	Miguel A. Fernández Ordóñez
SURINAME	S. Ch. Mungra	André E. Lisse
SWEDEN	Carl Johan Aaberg	Carl Johan Groth
SWITZERLAND	David de Pury	Martin Pallmann
TRINIDAD AND TOBAGO	Arthur N.R. Robinson	Winston Dookeran
UNITED KINGDOM	Christopher Patten	J.L.F. Buist
UNITED STATES	James A. Baker, III	W. Allen Wallis
URUGUAY	Ricardo Zerbino	Ariel Davrieux
VENEZUELA	Héctor Hurtado	Modesto Freitas
YUGOSLAVIA	Svetozar Rikanović	Boris Skapin

As of Jan. 31, 1988



## EXECUTIVE DIRECTORS AND ALTERNATES

		Number of Votes	Per- centage
Luiz Barbosa BRAZIL Jacinto Vélez (Alternate) ECUADOR	<b>Elected by:</b> Brazil Ecuador Suriname	349,036	12.33
Alberto Benítez Bonilla EL SALVADOR Marta Julia Cox (Alternate) HONDURAS	<b>Elected by:</b> Costa Rica El Salvador Guatemala	84,276	2.98
José Manuel Casanova UNITED STATES Larry K. Mellinger (Alternate) UNITED STATES	<b>Appointed by:</b> United States	976,769	34.50
Tulio De Andrea PERU Manuel José Cárdenas (Alternate) COLOMBIA	<b>Elected by:</b> Colombia Peru	134,366	4.75
José Luis Flores Hernández MEXICO Bienvenido Brito (Alternate) DOMINICAN REPUBLIC	<b>Elected by:</b> Dominican Republic Mexico	228,936	8.09
Calvin B. Knowles BAHAMAS George Lincoln Reid (Alternate) BARBADOS	<b>Elected by:</b> Bahamas Barbados Guyana	46,598	1.65
Guido P. Osterhaus GERMANY Bo Jerlström (Alternate) SWEDEN	<b>Elected by:</b> Belgium Denmark Finland Germany	104,125	3.67
Sonia Pérez Rodríguez VENEZUELA Reinaldo Decerega (Alternate) PANAMA	<b>Elected by:</b> Panama Venezuela	189,367	6.69
Sidney Rubinoff CANADA Jean Serge Quesnel (Alternate) CANADA	<b>Elected by:</b> Canada	124,160	4.39
Jorge Sakamoto ARGENTINA Benjamín Mira (Alternate) CHILE	<b>Elected by:</b> Argentina Chile	418,793	14.79
Julio Viñuela Díaz SPAIN José I. Coelho Toscano (Alternate) PORTUGAL	<b>Elected by:</b> Austria France Israel Japan	99,642	3.51
Juan Felipe Yriart URUGUAY Juan José Díaz Pérez (Alternate) PARAGUAY	<b>Elected by:</b> Bolivia Paraguay Uruguay	75,146	2.66

External Review and Evaluation Office  
Peter E. Quinn, Director

As of Jan. 31, 1988



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## PRINCIPAL OFFICERS OF THE BANK

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President  
Executive Vice President

Antonio Ortiz Mena  
Michael E. Curtin

Controller  
Deputy Controllers

Alberto Pico  
Carlos Eduardo Guedes  
Carlos M. González

Auditor General

William L. Taylor

External Relations Advisor

Chief, Office of the President

Oscar Rodríguez Rozic

### Operations Department

Manager

Deputy Manager—Region I  
Deputy Manager—Region II  
Deputy Manager—Region III

Rubens Vaz da Costa  
Abayubá Morey Rolando  
Ronald P. Brousseau  
Rodrigo E. Moscoso

### Finance Department

Manager

Deputy Manager—Treasurer

Henry J. Costanzo  
L. Enrique García

### Economic and Social Development Department

Manager

Deputy Manager for Integration  
Deputy Manager for Economic and Social Studies  
Deputy Manager for Technical Cooperation

Miguel Urrutia  
Felix Peña  
Jorge Ruiz Lara  
Juan Pablo Pérez Castillo

### Project Analysis Department

Manager

Deputy Manager for Infrastructure, Energy and Industry  
Deputy Manager for Agricultural and Social Affairs

Jorge D. Ferraris  
Julio E. Heurtematte, Jr.  
Leonardo da Silva

### Legal Department

General Counsel

Deputy General Counsels

Jerome I. Levinson  
Sara Ordóñez Noriega  
Freeborn G. Jewett, Jr.

### Plans and Programs Department

Acting Manager

Deputy Manager

Richard Fletcher  
Marvin Weissman

### Administrative Department

Manager

Deputy Manager, Budget, Services and Systems  
Deputy Manager, Human Resources Administration

Luis A. Sánchez Masi  
Charles T. Brannan  
Weston A. Williams

### Secretariat Department

Secretary

Deputy Secretary

Jorge C. Elena  
Carlos Alurralde

### Special Representative in Europe

Rodolfo Silva

As of Jan. 31, 1988



## CHANNELS OF COMMUNICATION AND DEPOSITORIES

Member Country	Channel of Communication	Depository
ARGENTINA	Banco Central de la República Argentina	Banco Central de la República Argentina
AUSTRIA	Federal Ministry of Finance	Oesterreichische Nationalbank
BAHAMAS	Ministry of Finance	Central Bank of The Bahamas
BARBADOS	Ministry of Finance and Planning	Central Bank of Barbados
BELGIUM	Ministère des Finances	Banque nationale de Belgique
BOLIVIA	Banco Central de Bolivia	Banco Central de Bolivia
BRAZIL	Banco Central do Brasil	Banco Central do Brasil
CANADA	Canadian International Development Agency	Bank of Canada
CHILE	Banco Central de Chile	Banco Central de Chile
COLOMBIA	Banco de la República	Banco de la República
COSTA RICA	Banco Central de Costa Rica	Banco Central de Costa Rica
DENMARK	Danish International Development Agency	Danmarks Nationalbank
DOMINICAN REPUBLIC	Banco Central de la República Dominicana	Banco Central de la República Dominicana
ECUADOR	Ministerio de Finanzas	Banco Central de Ecuador
EL SALVADOR	Banco Central de Reserva de El Salvador	Banco Central de Reserva de El Salvador
FINLAND	Ministry for Foreign Affairs	Bank of Finland
FRANCE	Ministère de l'Économie, des Finances et de la Privatisation	Banque de France
GERMANY	Federal Ministry for Economic Cooperation	Deutsche Bundesbank
GUATEMALA	Banco de Guatemala	Banco de Guatemala
GUYANA	Ministry of Finance	Bank of Guyana
HAITI	Banque de la République d'Haïti	Banque de la République d'Haïti
HONDURAS	Banco Central de Honduras	Banco Central de Honduras
ISRAEL	Bank of Israel	Bank of Israel
ITALY	Ministero del Tesoro	Banca d'Italia
JAMAICA	Ministry of Finance	Bank of Jamaica
JAPAN	Ministry of Finance	Bank of Japan
MEXICO	Banco de México, S.A.	Banco de México, S.A.
NETHERLANDS	Ministry of Finance	De Nederlandsche Bank N.V.
NICARAGUA	Ministerio de Cooperación Externa	Banco Central de Nicaragua
NORWAY	Royal Norwegian Ministry of Development Cooperation, Multilateral Department	Bank of Norway
PANAMA	Ministerio de Planificación y Política Económica	Banco Nacional de Panamá
PARAGUAY	Banco Central del Paraguay	Banco Central del Paraguay
PERU	Banco Central de Reserva del Perú	Banco Central de Reserva del Perú
PORTUGAL	Ministério das Finanças e do Plano	Banco de Portugal
SPAIN	Ministerio de Economía y Hacienda	Banco de España
SURINAME	Centrale Bank van Suriname	Centrale Bank van Suriname
SWEDEN	Ministry for Foreign Affairs, Trade Department	Sveriges Riksbank
SWITZERLAND	Office Fédéral des Affaires Economiques Extérieures	Banque nationale suisse
TRINIDAD AND TOBAGO	Central Bank of Trinidad and Tobago	Central Bank of Trinidad and Tobago
UNITED KINGDOM	Overseas Development Administration	Bank of England
UNITED STATES	Treasury Department	Federal Reserve Bank of New York
URUGUAY	Ministerio de Economía y Finanzas	Banco Central del Uruguay
VENEZUELA	Oficina de Coordinación y Planificación de la Presidencia de la República	Banco Central de Venezuela
YUGOSLAVIA	Federal Secretariat for Finance	National Bank of Yugoslavia

As of Jan. 31, 1988



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As of Jan. 31, 1988



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