

**Inter-American  
Development Bank**

*ANNUAL REPORT 1988*





#### **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**

#### **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 29 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 that represent a total investment of more than \$118 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.



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# 1988 ANNUAL REPORT INTER-AMERICAN DEVELOPMENT BANK

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*VARIOUS FACETS OF BANK LENDING are illustrated on cover. Clockwise from top left: Helmeted workers at petrochemical complex in Bahia Blanca, Argentina. Employees of cooperative in Cochabamba, Bolivia, package puffed rice candy for market. Small-scale entrepreneur in Port-au-Prince, Haiti, tests a repaired battery. Bean varieties tested at International Center of Tropical Agriculture (CIAT) near Cali, Colombia. Weed growth is monitored at the conservancy for the Mabaica-Mabaicony-Abary flood control, irrigation and drainage project in Guyana.*

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**TEACHER CHECKS  
MATHEMATICS NOTE-  
BOOK** of fifth grade  
pupil at Escuela Nucleo 2  
in the province of  
Neuquen, Argentina. The  
school was improved  
with the help of a \$50  
million loan approved by  
the Bank in 1978. The  
loan enabled the Minis-  
try of Education and  
Culture to carry out a  
program to expand and  
improve rural education.  
The school is the core  
educational center in the  
area, with nearby  
satellite schools sharing  
curriculum, teachers  
and equipment. Some  
1,200 schools in 21  
provinces have been  
improved under the  
program.





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## *PRESIDENT'S LETTER OF TRANSMITTAL*

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Inter-American Development Bank  
Washington, D.C.

February 13, 1989

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 1988, 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 1988 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 1988; 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,

A handwritten signature in dark ink, appearing to read 'E. Iglesias', is written over a horizontal line.

Enrique V. Iglesias

Chairman, Board of Governors  
Inter-American Development Bank



## 10 YEARS OF OPERATIONS, 1979-88

In Millions of U.S. Dollars

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
<b>TOTAL RESOURCES</b>										
Subscriptions (End of Year)										
Ordinary Capital <sup>1</sup>	11,586	15,144	15,178	19,230	21,427	24,537	26,714	34,073	34,083	34,083
Fund for Special Operations	5,907	7,669	7,671	7,673	8,211	8,305	8,362	8,420	8,476	8,458
Other Funds	1,173	1,176	1,173	1,173	1,176	1,180	1,182	1,188	1,127	1,192
<b>Total</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>43,733</b>
<b>BORROWINGS</b>										
Outstanding Debt (End of Year) <sup>2</sup>										
Ordinary Capital <sup>1</sup>	2,912	3,038	3,477	4,252	5,180	6,132	9,366	12,115	15,225	14,266
<b>Gross Annual Borrowings</b>										
Ordinary Capital <sup>1</sup>	409	460	787	1,296	1,408	1,763	2,333	1,911	1,115	902
<b>OPERATIONS</b>										
Loans Authorized (Cumulative) <sup>2,3</sup>										
Ordinary Capital <sup>1</sup>	8,307	9,473	11,119	12,770	14,930	17,511	21,056	24,772	28,658	28,466
Fund for Special Operations	6,427	7,187	7,736	8,479	8,809	8,984	9,150	9,354	9,664	9,733
Other Funds	1,122	1,180	1,222	1,276	1,296	1,277	1,314	1,312	1,369	1,426
<b>Total</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>	<b>39,625</b>
Loans Authorized (Annual)										
Ordinary Capital <sup>1</sup>	1,249	1,424	1,867	1,892	2,589	3,215	2,766	2,706	1,957	1,474
Fund for Special Operations	620	824	569	786	412	307	251	292	346	154
Other Funds	182	61	57	66	44	45	44	39	58	54
<b>Total</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>	<b>1,682</b>
Loan Disbursements (Annual)										
Ordinary Capital <sup>1</sup>	613	813	845	1,081	1,170	1,759	1,781	1,742	1,574	1,942
Fund for Special Operations	447	469	556	485	493	568	504	478	290	321
Other Funds	96	150	141	97	67	50	58	45	55	65
<b>Total</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>	<b>2,328</b>
Loan Repayments (Annual)										
Ordinary Capital	168	271	248	248	268	335	382	519	646	850
Fund for Special Operations	126	160	142	153	163	177	187	202	205	232
Other Funds	72	51	69	80	82	78	74	60	78	78
<b>Total</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>	<b>1,160</b>
Nonreimbursable Technical Cooperation (Annual)										
Fund for Special Operations	18	16	20	33	31	40	35	10	35	40
Other Funds	23	16	21	16	23	8	6	10	12	16
<b>Total</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>56</b>
<b>FINANCIAL HIGHLIGHTS</b>										
Gross Income										
Loans										
Ordinary Capital <sup>1</sup>	267	302	331	386	453	543	695	945	1,145	1,221
Fund for Special Operations	86	90	93	99	102	107	110	114	120	111
Investments										
Ordinary Capital <sup>1</sup>	135	175	199	231	233	271	311	367	344	329
Fund for Special Operations	33	44	51	52	46	39	29	40	48	62
Net Income										
Ordinary Capital <sup>1</sup>	170	198	239	243	219	252	271	286	282	238
Fund for Special Operations <sup>4</sup>	73	74	70	72	75	71	64	79	94	50
Reserves (End of Period)										
Ordinary Capital <sup>1</sup>	847	1,045	1,267	1,493	1,692	1,923	2,207	2,537	2,882	3,070
Fund for Special Operations	391	450	501	552	536	458	471	528	567	559
<b>Total</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>3,629</b>
<b>ADMINISTRATION</b>										
Administrative Expenses <sup>5</sup>										
<b>Total—All Funds</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>	<b>171</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.

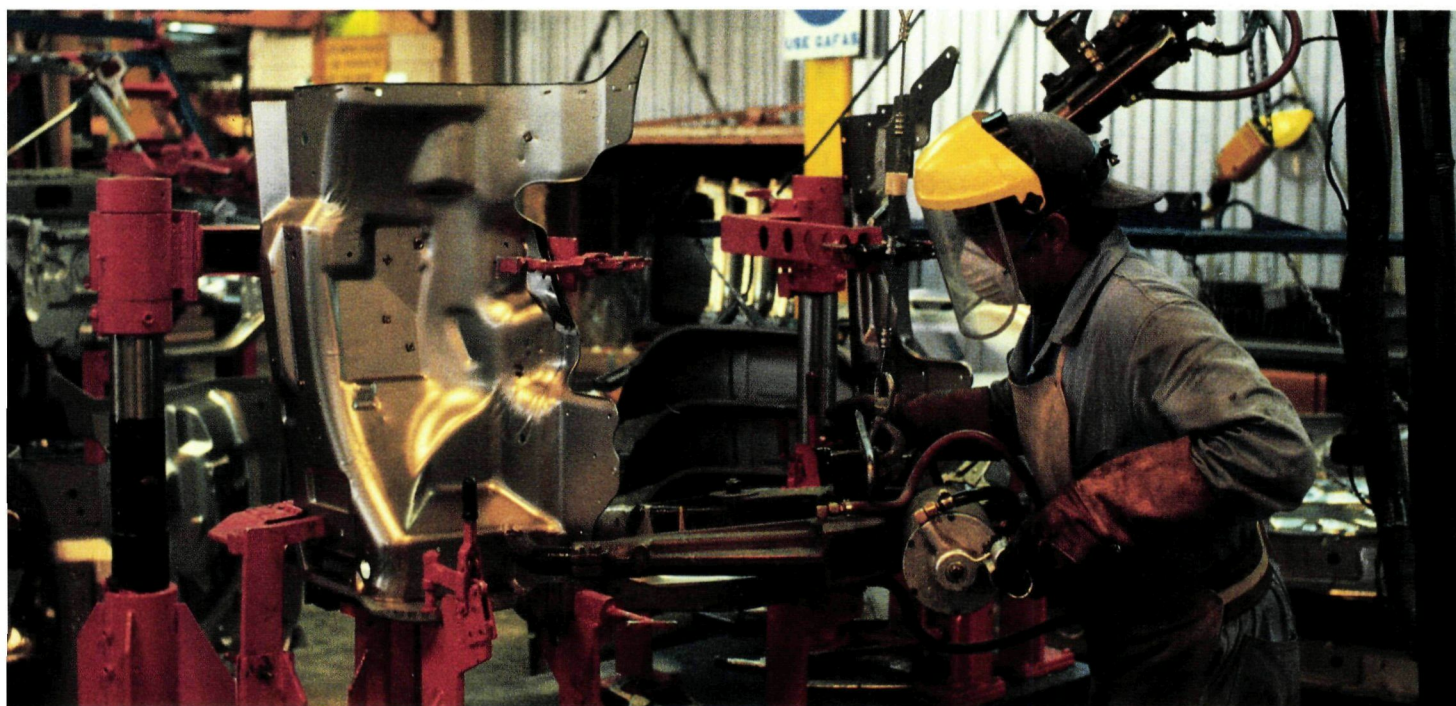
<sup>2</sup> After adjusting U.S. dollar equivalents of borrowed currencies to year-end exchange rates.

<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. For consistency in comparison, 1987 and 1988 administrative expenses exclude reimbursements from funds under administration and IIC.





**MASKED WORKER**  
**ASSEMBLES FRAME** for station wagon at the Omnibus BB Transportes, S.A., plant in Quito, Ecuador. In 1985, the Bank approved a \$30 million loan to Ecuador's Central Reserve Bank for an industrial recovery program. The firm, which manufactures buses, sedans and station wagons, borrowed about \$1 million from the Central Reserve Bank and used it for working capital. Below, exploratory platform is used to search for oil in the Magallanes basin off the coast of Chile. The platform was partially financed with the proceeds of a \$48 million loan approved by the Bank in 1984 to help Chile carry out an oil and gas exploration program, improve refineries and build a gas pipeline. All of Chile's proven reserves and production of oil are located in the Magallanes basin.





## DEVELOPMENT TRENDS

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The Latin American economies grew by around 1 percent in 1988 as the slowdown in economic activity which began in 1987 grew deeper following a modest recovery in the previous three years.

As has happened several times in the 1980s, the per capita gross domestic product contracted in 1988 by about 1 percent. Thus while the population growth rate continues on a long-term downward path, GDP per capita now stands at a level first reached a decade earlier. The gap in per capita income between Latin America and the industrialized countries has grown by about one-third in the 1980s.

The overall economic performance of the region, however, masks large differences among individual countries. The slow growth of the largest economies of the region—Brazil, Argentina and Mexico—had a significant effect on the regional average. On the other hand, according to preliminary estimates, Colombia, Chile, Ecuador, Paraguay and Venezuela grew by 4 percent or more, with Chile and Ecuador surpassing 6 percent.

Preliminary information suggests that 13 of the 25 Bank member countries grew by less than 4 percent; 5 by more than 4 percent while 7 others suffered an absolute decline. On a per capita basis it appears that 14 countries had some improvement in 1988 while 11 had reductions in the per capita GDP. The latter included Brazil, Mexico and Peru, whose combined population accounts for three-fifths of Latin America's total.

The most severe setbacks in per capita terms (more than a 3 percent decline) took place in Guyana, Nicaragua, Panama, Peru and Trinidad and Tobago; the best improvements (more than 3 percent growth in per capita GDP) were posted by Chile, Ecuador and Paraguay.

The regional statistics also tend to obscure significant achievements in the economic adjustments being made by the majority of the countries. The overall direction of these changes is toward modernization

through an increased internationalization of the economies, a reappraisal of the role of the private sector and a re-evaluation of the role of the state in many economic activities.

Most governments of the region are striving to reduce the size of the bureaucracy, lower fiscal deficits and deregulate and improve the efficiency of their productive sectors. Progress in these areas is not easy, and there are advances and retreats, but the overall trend shows progress. One problem facing the governments of the region is the inevitable time lag for these changes to start producing results. A determined effort from the international community to broaden cooperation is needed to sustain these positive trends.

The debt overhang continues to sap the economic strength of the region, undermining its ability to import more and invest more. Particularly discouraging in this connection was the run-up in international interest rates, which at the end of 1988 were more than 2 points higher than in early 1987. It is worth noting that a 2-point rise in international interest rates, if sustained, means an additional amount in interest payments by the countries of the region roughly equivalent to the value of all the coffee, bananas, cotton and cocoa exported by Latin America in 1987 (\$7 billion).

Since net capital inflows decreased in 1988, the net negative resource transfer is estimated by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) to have increased to about \$29 billion, after declining in the previous two years. Thus, the accumulated negative transfer since 1982 has now reached nearly \$180 billion.

The outstanding achievement of the Latin American economies in 1988 was the expansion of their exports, which for the second year in a row increased more than 14 percent. This performance is a result of the region's adjustment effort and at the same time shows its responsiveness to a favorable external trade environ-



**Gross Domestic Product, by Country, 1960–87***(Percentages)*

Country	Proportion of Regional GDP			Real Growth Rates					
	Averages			Cumulative Averages			Annual		
	1960–69	1970–79	1980–87	1961–70	1971–80	1981–84	1985	1986	1987
Argentina	16.2	12.9	10.0	4.1	2.6	– 1.6	4.7	5.4	1.6
Bahamas	0.4	0.3	0.3	6.8	2.0	1.1	4.1	2.6	4.4
Barbados	0.2	0.1	0.1	6.2	1.6	– 1.0	1.1	5.1	2.2
Bolivia	0.7	0.7	0.6	5.0	4.5	– 2.6	– 0.2	– 2.9	2.1
Brazil	25.8	31.9	35.7	6.1	8.7	0.1	8.4	8.0	2.9
Chile	4.8	3.4	3.0	4.2	2.5	– 1.1	2.4	5.7	5.7
Colombia	5.0	4.8	5.0	5.3	5.5	2.0	3.1	5.1	5.4
Costa Rica	0.6	0.6	0.6	5.9	5.6	0.2	0.7	5.4	3.4
Dominican Republic	0.9	1.0	1.0	5.1	6.9	2.6	– 2.6	3.2	8.1
Ecuador	1.2	1.4	1.5	4.9	8.9	1.6	4.4	3.2	– 4.8
El Salvador	0.8	0.7	0.5	5.6	3.2	– 2.8	2.0	0.6	2.8
Guatemala	1.5	1.5	1.4	5.5	5.7	– 1.3	– 0.6	0.1	3.1
Guyana	0.2	0.1	0.1	3.5	1.3	– 4.7	1.0	0.2	0.7
Haiti	0.3	0.2	0.2	0.8	4.7	– 1.3	0.3	0.6	– 0.6
Honduras	0.4	0.4	0.4	5.5	5.5	0.5	3.2	2.7	4.2
Jamaica	0.9	0.7	0.5	5.4	– 0.8	1.3	– 4.5	2.1	4.9
Mexico	20.5	21.7	23.9	7.0	6.6	1.8	2.6	– 4.0	1.4
Nicaragua	0.6	0.6	0.4	6.9	0.3	1.9	– 4.1	– 1.0	– 1.0
Panama	0.6	0.6	0.6	7.9	5.5	2.4	4.7	3.4	2.4
Paraguay	0.5	0.5	0.6	4.7	8.8	1.9	4.0	0.0	4.3
Peru	4.4	3.8	3.4	5.3	3.8	– 1.0	2.4	9.5	6.9
Suriname	0.2	0.2	0.1	7.8	1.4	0.8	– 0.2	0.6	– 6.6
Trinidad and Tobago	1.2	1.0	0.9	4.5	5.5	– 2.7	– 4.4	– 3.3	– 7.4
Uruguay	1.7	1.1	1.0	1.5	3.0	– 3.8	0.3	6.6	4.9
Venezuela	10.8	10.1	8.6	6.1	4.1	– 1.6	1.3	6.8	3.0
<b>Latin America</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>5.6</b>	<b>5.9</b>	<b>0.2</b>	<b>3.5</b>	<b>4.0</b>	<b>2.7</b>

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

ment. World trade volume grew in 1988 by 9 percent according to the Organization for Economic Cooperation and Development (OECD). The volume of Latin American exports increased at the same rate, while their value increased by 14.5 percent, according to ECLAC estimates.

Argentina, Brazil, Chile and the Dominican Republic showed the most significant gain in total exports, by more than 20 percent.

Although the value of imports increased by about 10 percent, the level was still nearly \$30 billion lower than the peak reached in 1981 (\$103 billion).

The favorable environment in Latin America's principal markets facilitated the diversification of exports that has been under way in the 1980s. The surge

in manufactured exports continued in Brazil and Mexico, while Argentina—which has the third largest industrial sector in the region—joined the trend. In Mexico, the increase more than compensated for the decline in the value of foreign exchange earnings from oil shipments. In both Brazil and Mexico, industry accounts for more than half of the total value of exports.

The diversification in industrial exports has been well recognized. Less attention, however, has been paid to the diversification in agricultural exports.

For example, soybean exports (soybeans, oil of soybeans and soybean cake) were initiated by Argentina in 1973. During 1974–76, such exports averaged \$44 million annually. By 1984–86, they had reached \$1,253 million—an amount 28 times larger than a decade



earlier. Exports of sunflower seed oil in the 1960s and early 1970s never exceeded \$23 million, but accelerated in the 1980s, averaging \$460 million in 1985-86.

In Brazil, soybean exports (oil and cakes) which began in 1960, topped \$1 billion in 1977 and reached more than \$2 billion annually after 1981.

Fisheries exports have become an important hard-currency earner in the region. By the early 1960s, Mexico was already an important exporter of frozen crustaceans. By 1973 exports had risen to \$100 million and by 1980 to more than half a billion dollars. Ecuador went from less than \$10 million yearly before 1973, to an average of \$155 million annually during 1982-84, a 15-fold increase in a decade. By 1987 Ecuadoran shrimp exports had risen to \$388 million. Fish for human consumption has been a rapidly growing export for Argentina, Chile, Ecuador, Uruguay and Venezuela.

Fresh fruit from Latin America is now being consumed throughout the industrialized world. While Mexico has been a traditional supplier to its northern neighbor because of its geographic proximity, Chile's surge in the international markets for fruits and vegetables has been mostly to overseas destinations. Exports of Chilean table grapes alone reached an estimated \$500 million in 1988.

Given the ability shown by Latin American agricultural producers to respond effectively to external market opportunities, access to international markets through trade liberalization is critical. A successful conclusion of the ongoing General Agreement on Tariffs and Trade (GATT) negotiations would be highly beneficial to the region.

World prices of most of Latin America's major non-fuel commodity exports recovered significantly in 1988. Sugar prices were 50 percent higher than in the previous year; copper prices surged by 46 percent, and maize and soybean prices rose by more than 40 percent. Coffee, the region's major non-fuel primary commodity export, advanced by more than 20 percent. Overall, the unweighted average price increase for the region's major non-fuel commodities equaled nearly 20 percent, while the trade-weighted average price increase equaled 25 percent. This recovery followed the largest drop—which occurred between 1980 and 1986—in non-fuel commodity prices since the Great Depression. In fact, the situation in the first part of this decade was worse than in the 1930s when viewed in the context of movements in commodity prices relative to prices of manufactured goods.

While efforts to control inflation have been successful in several countries—the Bahamas, Bolivia, Chile, Mexico, Suriname and Trinidad and Tobago—in others, such as Argentina, Brazil, the Dominican Republic, Ecuador, Nicaragua and Peru, inflation worsened.

*LATIN AMERICA: INVESTMENT PER WORKER\*  
(In Constant 1986 US Dollars)*



\*Gross Domestic Investment/Labor Force

Source: IDB. Gross Domestic Investment data are based on official statistics of member countries. Labor Force data are from *Economic and Social Progress in Latin America, 1987*, Table VII-1.

A key factor in the economic stagnation of the region after the onset of the debt crisis has been the low investment ratio, which averaged less than 16 percent, compared with a high 23 percent in the 1970s. No evidence of a general pick up in investment has surfaced in 1988.

The fundamental issue for Latin American development is how to mount a resurgence of investment to accompany its economic modernization efforts. As shown in the accompanying graph, investment has fallen absolutely in this decade but even more in relation to the labor force. The gains in productivity that are at the heart of economic progress can only be obtained by sustaining sound investments in people, infrastructure and productive capacity. The machinery and equipment needed for these investments would come largely from the industrial countries.



**DOCTOR LISTENS TO  
BABY'S HEARTBEAT** at  
the Black Bush Polder  
District Hospital in  
Mibikuri, Guyana. An  
\$8.8 million Bank loan  
approved in 1978 helped  
improve and expand  
Guyana's health care  
delivery system. The  
program, which primar-  
ily benefited low-income  
residents of the coun-  
try's rural areas,  
included building and  
equipping four district  
hospitals, one health  
center, and 18 infirma-  
ries. This 21-bed district  
hospital serves an area  
of 15,000 inhabitants.





## PART I:

# THE BANK IN 1988

## THE BANK IN TRANSITION

The year 1988 was a year of transition and re-examination for the Bank. The institution and its member countries worked to prepare the groundwork for redefining the Bank's role, reformulating its policies and procedures and reorganizing its structure so that it would be prepared to respond to the serious challenges of the next decade.

On February 18, 1988, the Bank's Board of Governors elected Enrique V. Iglesias of Uruguay as President of the Bank. Mr. Iglesias had been the Minister of Foreign Affairs of Uruguay since 1985 and has had broad experience in banking and international economic affairs. From 1972 to 1985 he was Executive Secretary of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC).

Mr. Iglesias assumed his duties at the Bank on April 1, 1988. On April 6, 1988, upon the recommendation of Mr. Iglesias, the Bank's Board of Executive Directors appointed James W. Conrow of the United States as Executive Vice President. Mr. Conrow had been Deputy Assistant Secretary for Developing Nations of the United States Treasury Department.

As president-elect, Mr. Iglesias addressed the Bank's Annual Meeting in March of 1988 urging the Bank's Latin American members to undertake profound structural reforms in their economies to help pave the way for a decade of modernization. He also committed the Bank to a process of reassessing its role in the development of the region.

To accomplish the latter, in May 1988 the President selected a group of prominent persons (see the accompanying box) from among the Bank's 44 member countries to form a High-Level Review Committee. The Chairman of the Committee was John R. Petty, former Chairman of Marine Midland Bank of the United States. Other members included noted financial and

banking leaders from both the developed and developing member countries of the Bank. The Committee's mandate was to recommend a redefined role for a modernized Bank for the 1990s.

The Committee's report, completed on December 15, 1988, concluded that the Bank has made a solid contribution to the development of the region in the past, but said that "an aggressive process of fundamental renewal . . . cannot be delayed." The Committee

called for basic reforms of the Bank's internal structure, organization and procedures to enable it to play a major role in the modernization of the region. It also called for the "deregulation" of the Bank so that its lending would be more effective, efficient and flexible.

The High-Level Review Committee called for an increase in the Bank's capital to enable it to promote the region's growth and development more vigorously. A prompt agreement on the Bank's Seventh Replenishment is urgently needed, it said, if the Bank is to play its rightful role of leadership in the Hemisphere.

The High-Level Review Committee also urged the Bank to assume a more assertive role in the region's development, including seeking ways to help alleviate the region's debt burden.

The Committee also recommended that the Bank expand its support for Latin America's private sector, increase its lending geared to export financing, broaden substantially its approaches to protect the environment and expand its technical cooperation programs.

Concurrently with the High-Level Review Committee's activities, the President created three inter-departmental task forces to address the improvements needed in the Bank's policies, operations and administrative matters. This internal examination was also concluded in 1988. The blueprint for the Bank's internal reorganization and outward redirection will be derived from the work of these task forces and will be reviewed by the Board of Executive Directors in 1989.





During 1988, the Bank also explored a variety of initiatives for the mobilization of additional resources from nonregional member countries to diversify and complement the action and support of the Bank for a wide opportunity of projects and programs designed to enhance the social and economic development of the region.

These initiatives and others together with the broad internal review carried out in 1988, represent a firm commitment on the part of the Bank to engage more vigorously in the serious challenges confronting the countries of Latin America and the Caribbean.

#### HIGH-LEVEL REVIEW COMMITTEE

John R. Petty, former Chairman of the Marine Midland Bank, of the United States.

G. Arthur Brown, of Jamaica, Associate Administrator of the United Nations Development Programme.

Carlos Manuel Castillo, of Costa Rica, former Vice President and Secretary of the Presidency.

Ivan Head, of Canada, President of the International Development Research Centre.

Takashi Hosomi, of Japan, former Chairman of the Overseas Economic Cooperation Fund of Japan (OECF).

Pierre Languetin, of Switzerland, former Chairman of the Board of Governors of the Swiss National Bank.

Carlos Rodríguez Pastor, of Peru, former Minister of Finance.

Jorge Romero, of Argentina, former Vice Minister of Foreign Relations in charge of Economic Affairs.

Jesús Silva Herzog, of Mexico, former Secretary of Finance and Public Credit.

Mario Henrique Simonsen, of Brazil, former Minister of Finance.

Saburo Okita, President of the Policy Review Committee of the Asian Development Bank.

## OPERATIONS

### HIGHLIGHTS

Other highlights of the Bank's 1988 activities included:

- The approval of \$1,682 million in loans, which brought the Bank's cumulative lending as of December 31, 1988, to \$39.6 billion. The total estimated investment in the projects being financed with the help of these loans amounts to \$118 billion.
- The provision of cofinancing loans (totaling \$377.4 million in 1988) by Japanese governmental institutions for Bank financed projects, partly based on a 1987 agreement between the Bank and the Export-Import Bank of Japan.
- An agreement between the Government of Japan and the Bank under which a Japan Special Fund with an initial installment of 3.5 billion yen was entrusted in administration to the Bank.
- The signature of a protocol with the Government of Spain for the creation of a Quincentennial Fund of \$500 million to be administered by the Bank.
- Disbursements of \$2,328 million under ap-

proved loans, bringing cumulative disbursements, after exchange adjustments to \$29,566 million.

- Borrowings of \$902 million in the world's capital markets. As of December 31, 1988, the Bank's total outstanding borrowings amounted to \$14,266 million.
- The approval of \$55.7 million in grant and contingent repayment technical cooperation. That amount raised the cumulative total of such assistance to \$664 million.
- The approval of \$8.7 million under the Bank's program for the Financing of Small Projects directed at low-income groups, which have little or no access to conventional credit, raising the cumulative approved under the program, to \$81.2 million.
- Net earnings of \$247 million, increasing the Bank's total reserves to \$3,629 million as of December 31, 1988.
- Loan repayments of \$1,160 million in 1988. This brought cumulative repayments as of December 31, 1988 to \$7,469 million.



## AN OVERVIEW OF THE YEAR

The nearly \$1.7 billion in loans approved by the Bank during 1988 will stimulate investments in projects advancing Latin America's economic and social development and help promote sustained, long-term growth in the Hemisphere.

Loans authorized by the Bank in 1988 will result in the extension of \$170 million in credits to expand and modernize industrial and tourism enterprises, and \$340 million in credits to agriculture and fisheries including irrigation and drainage systems covering almost 5,000 hectares. Loans will also help construct, rehabilitate, and improve some 3,000 kilometers of roads in five countries, increase the electric power generating capacity by 28,000 kilowatts, and drill eight new

oil wells which will produce up to 2,500 barrels of oil per day.

In the social sector, 5 million more persons will be able to enjoy clean water and 3 million persons will have access to new sewage treatment facilities.

Other social projects include the creation and modernization of health facilities; the development and strengthening of scientific and technological capabilities through the construction and equipping of research centers, as well as lines of credit for financing research projects; and municipal works of different nature with a strong institutional strengthening component.

## THE YEAR'S LENDING

The Bank's lending in 1988 consisted of 32 loans (for 28 projects) totaling \$1,682 million (including increases and rollovers in previously approved export financing credits). This compared with 43 loans (for 33 projects) totaling \$2,361 million in 1987. As of December 31, 1988, the Bank's cumulative loans amounted to 1,765 and totaled \$39,625 million, net of cancellations and exchange adjustments.

The loans authorized by the Bank in 1988 came from the following sources:

*Ordinary Capital Resources:* 23 loans (plus increases in previously approved export financing credits) for \$1,474 million. This brought the net cumulative total of such loans to 760 for \$28,466 million as of December 31, 1988.

*Fund for Special Operations:* 8 loans totaling \$154 million; bringing the net cumulative total to 806 loans for \$9,733 million at year end.

*Other Funds:* One loan for \$2 million from the Venezuelan Trust Fund and increases in previously authorized export financing credits of \$51.7 million from the Venezuelan Trust Fund.

These loans brought the cumulative total extended from the various funds which the Bank administers to 199 loans for \$1,426 million, including 123 for \$538 million from the U.S. Social Progress Trust Fund, 43

for \$779 million (including increases in previously authorized export financing credits) from the Venezuelan Trust Fund, and 33 for \$109 million from other funds which the Bank administers for Argentina, Canada, Norway, Sweden, Switzerland and the United Kingdom.

The Bank agreed to partially defray up to 5 percent of the interest on one loan approved in 1988 from the ordinary capital resources with funds from the intermediate financing facility created under the Sixth General Increase of Resources.

In 1988, the Bank extended \$524.7 million in loans to the least developed member countries and those of limited market, not counting increases in export financing credits. Of that amount, \$300.4 million went to countries classified as less developed and \$224.3 million went to countries with limited markets.

In addition to the Bank's own loans, Japanese governmental institutions provided \$377.4 million in co-financing loans to complement one loan approved by the Bank in 1988 for a water and sewage project in Colombia and two authorized in prior years—one for a bauxite mine in Venezuela approved in 1985 and the other for a hydroelectric project in Chile, approved in 1986.

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



**The Bank's Yearly (1988) and Cumulative Loans (1961-88)**  
(After Cancellations and Exchange Adjustments)

*In Millions of U.S. Dollars*

Country	DETAIL BY FUNDS							
	Total Amount		Ordinary Capital		Fund for Special Operations		Funds in Administration	
	1988	1961-88	1988	1961-88	1988	1961-88	1988	1961-88
Argentina	\$ 291.4	\$ 4,304.1	\$ 291.4	\$ 3,735.5	\$ —	\$ 519.5	\$ —	\$ 49.1
Bahamas	115.0	120.7	115.0	118.7	—	—	—	2.0
Barbados	0.4	146.0	—	84.1	—	43.2	0.4	18.7
Bolivia	121.2	1,370.9	98.3	643.3	20.7	671.9	2.2	55.7
Brazil	7.1	6,319.5	7.1	4,991.4	—	1,195.4	—	132.7
Chile	136.7	3,025.7	136.7	2,778.7	—	203.3	—	43.7
Colombia	200.0	3,892.0	175.0	3,165.8	25.0	662.3	—	63.9
Costa Rica	61.1	1,160.7	52.1	717.3	—	355.6	9.0	87.8
Dominican Republic	2.7	902.6	—	296.0	—	534.4	2.7	72.2
Ecuador	—	2,265.8	—	1,381.0	—	794.2	—	90.6
El Salvador	7.2	963.9	—	294.8	—	554.8	7.2	114.3
Guatemala	10.6	1,133.3	—	539.0	10.6	533.5	—	60.8
Guyana	29.9	259.1	—	103.9	27.9	147.2	2.0	8.0
Haiti	—	295.1	—	—	—	287.1	—	8.0
Honduras	58.4	981.8	38.0	307.6	19.9	616.5	0.5	57.7
Jamaica	13.5	597.8	3.5	333.6	—	178.6	10.0	85.6
Mexico	204.0	5,098.5	204.0	4,497.4	—	566.1	—	35.0
Nicaragua	—	466.5	—	95.3	—	317.5	—	53.7
Panama	—	855.6	—	536.0	—	283.0	—	36.6
Paraguay	47.8	604.1	—	167.2	47.8	424.2	—	12.7
Peru	18.0	1,634.3	—	1,015.7	—	414.4	18.0	204.2
Suriname	—	21.8	—	18.8	—	3.0	—	—
Trinidad and Tobago	34.3	116.6	30.7	85.6	1.9	27.3	1.7	3.7
Uruguay	—	716.3	—	569.8	—	104.7	—	41.8
Venezuela	50.0	1,297.1	50.0	1,122.8	—	101.4	—	72.9
Regional	272.6	1,075.5	272.6	866.4	—	194.2	—	14.9
<b>TOTAL</b>	<b>\$1,681.9</b>	<b>\$39,625.3</b>	<b>\$1,474.4</b>	<b>\$28,465.7</b>	<b>\$153.8</b>	<b>\$9,733.3</b>	<b>\$53.7</b>	<b>\$1,426.3</b>

### 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 nearly \$40 billion in loans which the Bank had approved through the end of 1988 are helping to finance development projects which involve a total investment of about \$118 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, including co-financing.

A country-by-country breakdown of this relationship is shown in the table on page 9.

### Disbursements

The Bank's disbursements on previously authorized loans amounted to \$2,328 million in 1988, compared with \$1,919 million in 1987.

As of December 31, 1988, cumulative disbursements, including exchange adjustments, totaled \$29,566 million, an amount which represents 75 per cent of the loans authorized by the Bank up to that date. The disbursements in 1988, as well as cumulative totals by sources of funds, include:

*Ordinary Capital Resources:* \$1,942 million, bringing the cumulative total to \$20,081 million as of December 31, 1988.

*Fund for Special Operations:* \$321 million bring-



### How Bank Projects are Financed Yearly (1988) and Cumulative (1961-88) (Cumulative Loans After Cancellations and Exchange Adjustments)

In Millions of U.S. Dollars

Country	Total Cost		Bank's Loans		Latin America's Contributions	
	1988	1961-88	1988	1961-88	1988	1961-88
Argentina	\$ 724.0	\$ 13,144.0	\$ 291.4	\$ 4,304.1	\$ 432.6	\$ 8,839.9
Bahamas	191.7	198.9	115.0	120.7	76.7	78.2
Barbados	0.6	257.9	0.4	146.0	0.2	111.9
Bolivia	180.9	2,261.8	121.2	1,370.9	59.7	890.9
Brazil	10.1	35,457.8	7.1	6,319.5	3.0	29,138.3
Chile	355.0	6,929.8	136.7	3,025.7	218.3	3,904.1
Colombia	625.0	10,212.5	200.0	3,892.0	425.0	6,320.5
Costa Rica	92.6	1,986.9	61.1	1,160.7	31.5	826.2
Dominican Republic	3.9	1,396.6	2.7	902.6	1.2	494.0
Ecuador	—	4,390.7	—	2,265.8	—	2,124.9
El Salvador	10.3	1,490.3	7.2	963.9	3.1	526.4
Guatemala	14.2	2,177.1	10.6	1,133.3	3.6	1,043.8
Guyana	33.9	352.0	29.9	259.1	4.0	92.9
Haiti	—	422.3	—	295.1	—	127.2
Honduras	82.2	2,175.8	58.4	981.8	23.8	1,194.0
Jamaica	19.3	965.5	13.5	597.8	5.8	367.7
Mexico	505.8	12,766.0	204.0	5,098.5	301.8	7,667.5
Nicaragua	—	837.5	—	466.5	—	371.0
Panama	—	1,638.7	—	855.6	—	783.1
Paraguay	75.8	962.4	47.8	604.1	28.0	358.3
Peru	25.7	3,924.1	18.0	1,634.3	7.7	2,289.8
Suriname	—	29.7	—	21.8	—	7.9
Trinidad and Tobago	49.6	206.7	34.3	116.6	15.3	90.1
Uruguay	—	1,356.5	—	716.3	—	640.2
Venezuela	125.0	4,770.6	50.0	1,297.1	75.0	3,473.5
Regional	3,212.8	7,708.2	272.6	1,075.5	2,940.2	6,632.7
<b>TOTAL</b>	<b>\$6,338.4</b>	<b>\$118,020.3</b>	<b>\$1,681.9</b>	<b>\$39,625.3</b>	<b>\$4,656.5</b>	<b>\$78,395.0</b>

ing the cumulative total to \$8,073 million as of December 31, 1988.

*Other Funds:* \$65 million, bringing the cumulative total from funds administered by the Bank to \$1,412 million as of December 31, 1988.

The distribution of 1988 and cumulative disbursements by country appears in the accompanying table.

#### Repayments

Loan repayments amounted to \$1,160 million in 1988. This brought cumulative repayments as of December 31, 1988, to \$7,469 million.

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

*Ordinary Capital Resources:* \$850 million, bringing the cumulative total to \$4,223 million as of December 31, 1988.

*Fund for Special Operations:* \$232 million making the cumulative total \$2,258 million as of December 31, 1988.

*Other Funds:* \$78 million, bringing the cumulative total to \$988 million as of December 31, 1988.



**The Bank's Yearly (1988) and Cumulative Disbursements (1961-88)***In Millions of U.S. Dollars*

Country	DETAIL BY FUNDS							
	Total Amount		Ordinary Capital		Fund for Special Operations		Funds in Administration <sup>1</sup>	
	1988	1961-88	1988	1961-88	1988	1961-88	1988	1961-88
Argentina	\$ 261.9	\$ 3,017.1	\$ 231.8	\$ 2,527.9	\$ 28.1	\$ 440.6	\$ 1.9	\$ 48.6
Bahamas	—	5.7	—	3.7	—	—	—	2.0
Barbados	10.6	102.5	8.6	47.4	1.7	38.4	0.3	16.7
Bolivia	113.2	907.9	88.8	307.3	16.5	548.2	7.8	52.4
Brazil	342.6	5,385.5	305.8	4,149.7	36.9	1,103.1	—	132.7
Chile	245.8	2,334.4	245.8	2,087.4	—	203.3	—	43.7
Colombia	237.5	2,533.3	225.4	1,866.9	12.1	602.5	—	63.9
Costa Rica	63.2	741.4	39.5	331.7	14.7	321.9	9.0	87.8
Dominican Republic	37.4	698.3	17.7	148.0	16.9	480.0	2.8	70.3
Ecuador	137.5	1,325.2	105.9	728.8	30.0	505.8	1.5	90.6
El Salvador	31.0	743.3	1.2	271.5	21.2	358.3	8.5	113.5
Guatemala	86.4	783.8	54.4	360.1	31.8	363.8	0.1	59.9
Guyana	11.3	166.3	9.0	64.5	2.3	95.8	—	6.0
Haiti	9.1	185.8	—	—	9.1	177.8	—	8.0
Honduras	67.9	764.7	30.3	240.0	36.8	468.9	0.9	55.8
Jamaica	44.1	467.6	22.8	231.3	10.3	150.7	11.0	85.6
Mexico	298.7	4,497.8	280.2	3,925.5	18.5	537.3	—	35.0
Nicaragua	12.1	464.1	12.1	92.9	—	317.5	—	53.7
Panama	1.6	702.8	1.1	402.5	0.5	264.7	—	35.6
Paraguay	28.9	482.6	8.6	140.8	20.3	329.1	—	12.7
Peru	87.9	1,505.7	68.0	899.3	0.9	402.1	19.0	204.3
Suriname	1.3	2.3	1.1	2.0	0.2	0.3	—	—
Trinidad and Tobago	9.8	30.9	7.6	8.2	0.7	19.2	1.5	3.5
Uruguay	47.4	404.1	39.3	291.0	8.1	71.3	—	41.8
Venezuela	128.1	552.9	128.1	378.6	—	101.4	—	72.9
Regional	12.5	759.9	9.1	574.4	3.4	170.6	—	14.9
<b>TOTAL<sup>2</sup></b>	<b>\$2,327.8</b>	<b>\$29,565.9</b>	<b>\$1,942.4</b>	<b>\$20,081.4</b>	<b>\$320.9</b>	<b>\$8,072.6</b>	<b>\$64.3</b>	<b>\$1,411.9</b>

<sup>1</sup> Social Progress Trust Fund \$534.1 million; Venezuelan Trust Fund \$768.7 million; Argentine Fund \$23.1 million; Canadian Fund \$61.3 million; Norwegian Fund \$2.5 million; Swedish Fund \$4.9 million; Swiss Fund \$3.4 million, and United Kingdom Funds \$13.9 million.

<sup>2</sup> Detail may not add to totals due to rounding.

**TECHNICAL COOPERATION**

The Bank extends grant and contingent recovery technical cooperation to its regional developing member countries to complement its lending operations. In 1988, this assistance amounted to \$55.7 million in 217 projects including short-term, intraregional, and small project technical cooperation compared with \$46.8 million in 153 projects in 1987.

In addition to its regular technical cooperation program, the Bank in 1988 put special emphasis on support for Latin America's agricultural, environmental and public health sectors and on programs fostering Latin America's integration. The Bank also stressed efforts to promote the identification, preparation and execution of projects.

During 1988, the Bank approved \$2.6 million to carry out 97 short-term technical cooperation missions. That amount compared with \$1.3 million for 50 short-term missions approved in 1987. The main purpose of these missions is to provide advice to borrowers, identify investment opportunities and assist in the preparation of projects.

A total of \$582,000 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, \$1.6 million 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 December 31,



**Distribution of Technical Cooperation***In Thousands of U.S. Dollars*

Country	1988	1961-88
Argentina	\$ 120	\$ 19,098
Bahamas	2,993	5,600
Barbados	150	11,848
Bolivia	1,937	20,866
Brazil	4,007	61,682
Chile	39	1,447
Colombia	1,029	18,415
Costa Rica	1,454	13,578
Dominican Republic	2,056	22,959
Ecuador	1,104	22,108
El Salvador	1,900	19,549
Guatemala	3,042	17,297
Guyana	2,947	16,504
Haiti	225	23,034
Honduras	1,376	21,584
Jamaica	5,968	14,391
Mexico	254	1,254
Nicaragua	200	14,736
Panama	—	17,013
Paraguay	1,055	17,146
Peru	250	30,095
Suriname	60	4,964
Trinidad and Tobago	2,019	5,325
Uruguay	1,252	5,000
Venezuela	232	1,759
Regional <sup>1</sup>	20,043	256,760
<b>TOTAL</b>	<b>\$55,712</b>	<b>\$664,012</b>

<sup>1</sup> In 1988, includes, \$30,000 for Andean Subregion, \$3,264,000 for Central American Subregion and \$16,748,000 for General Regional.

1988, to \$664 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 \$40.4 million of the year's technical cooperation was financed from the net income of the Fund for Special Operations, \$5 million from the Japan Fund, \$8.6 million from the resources of the Social Progress Trust Fund which the Bank administers for the United States Government, \$1.6 million from the Technical Cooperation and Small Projects Swiss Fund administered by the Bank for Switzerland, and \$164,000 from the Norwegian Fund.

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 1988, a total of \$18.5 million in loans or portions of loans was extended for technical cooperation and preinvestment activities. This amount brought the cumulative total of such lending to \$777 million as of December 31, 1988.

**FINANCING FOR SMALL PROJECTS**

During 1988, the Bank approved 20 financings totaling \$8.7 million within its Small Projects Program. This program, launched in 1978 with an allocation of \$5 million from the Fund for Special Operations and the Social Progress Trust Fund, now also benefits from the resources of the Technical Cooperation and Small Projects Swiss Fund and the Norwegian Development Fund for Latin America. These funds make credit available to low-income individuals and groups which, 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 rural and urban enterprises in an increasingly significant segment of the region's economy. The Bank finances such small productive enterprises by channeling credits to them through non-profit private intermediary institutions such as cooperatives, foundations or producers associations, as well as through some public development agencies.

One of the projects approved by the Bank in 1988 was a \$500,000 financing to 17 Indian communities in the Amazon Federal Territory of Venezuela. The credits will be used to help the indigenous communities increase their production of cacao, a traditional crop.

Another \$500,000 financing will help 125 small-scale farmers, belonging to a horticultural cooperative in Barbados increase their production of ginger lilies for export. A \$500,000 financing will provide credits to low-income farmers producing seed potatoes and raising sheep in Bolivia.

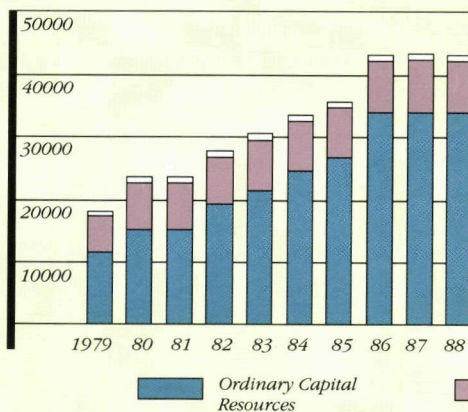
The 20 authorizations in 1988 compared with 19 financings for \$8.5 million approved in 1987 and brought the cumulative total of approvals under this program through December 31, 1988, to 188 for a total of \$81.2 million since the program began in 1978.

Along with the credit, beneficiaries receive technical cooperation in planning and improving their production and in marketing their products. The financings in 1988 were accompanied with a total of \$1.4 million of such technical cooperation grants.

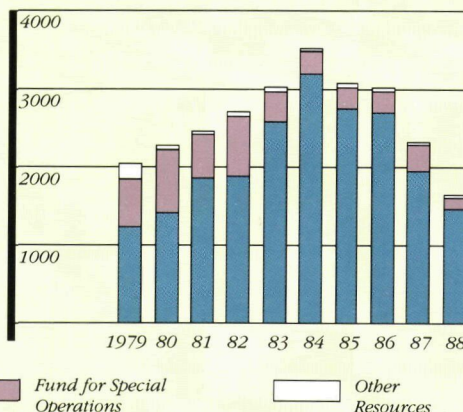
The Small Projects Program has directly benefited approximately 105,000 low-income farmers, small-scale entrepreneurs, crafts persons and other members of the



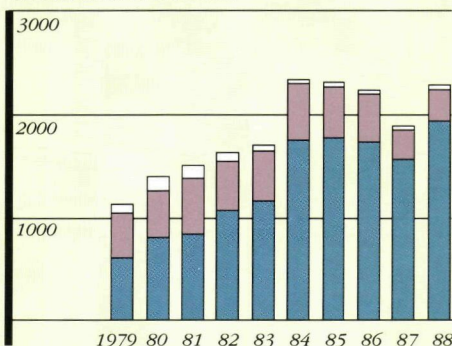
**RESOURCES (CUMULATIVE) 1979-88**  
(IN MILLIONS OF DOLLARS)



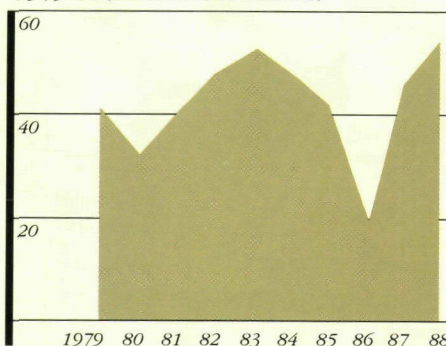
**YEARLY LOANS 1979-88**  
(IN MILLIONS OF DOLLARS)



**YEARLY DISBURSEMENTS 1979-88**  
(IN MILLIONS OF DOLLARS)



**YEARLY TECHNICAL COOPERATION 1979-88**  
(IN MILLIONS OF DOLLARS)



## BANK GROWTH INDICATORS

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

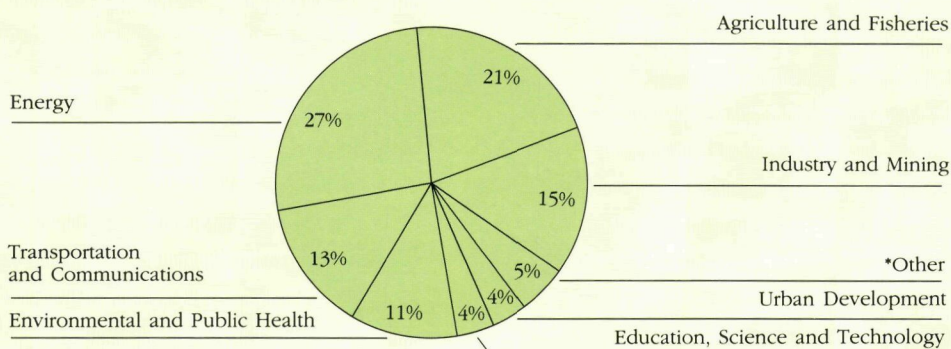
Bank's loans were nearly \$1.7 billion in 1988, reaching a cumulative total of nearly \$40 billion.

Disbursements of more than \$2.3 billion in 1988 raised cumulative total to more than \$29 billion.

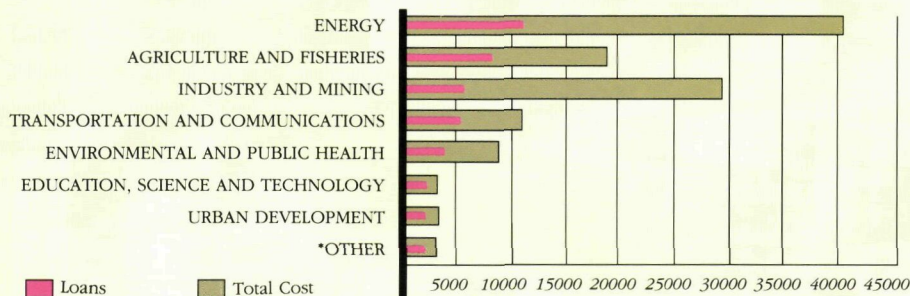
Technical cooperation approvals—both grant and contingent recovery—which amounted to nearly \$56 million in 1988 raise such assistance on a cumulative basis to more than \$664 million.

Bank's cumulative lending of nearly \$40 billion supports matching funds of about \$78 billion in carrying out projects whose total cost amounts to more than \$118 billion.

**DISTRIBUTION OF LOANS 1961-88**



**LOANS AND TOTAL COST OF PROJECTS 1961-88**  
(IN MILLIONS OF DOLLARS)



\*Includes Export Financing, Preinvestment and Tourism.



region's labor force with credit. Another 200,000 persons have participated in training programs that are part of the projects.

The 1988 approvals included 12 financings for \$5.1 million from the Fund for Special Operations, 5 for \$2.3 million from the Technical Cooperation and Small Projects Swiss Fund, 2 for \$750,000 from the Norwegian Fund and one for \$500,000 from the Social Progress Trust Fund.

#### SUPPORT FOR LOW-INCOME GROUPS

A basic policy adopted by the Board of Governors in the context of both the Fifth Replenishment of Resources, which covered the 1979-82 period and the Sixth General Increase of Resources for the 1983-86 period, directed the Bank to ensure that about 50 percent of its lending in each period directly benefit low-income groups.

An analysis of the distributive impact of the Bank's loans for 1988, shows that low-income groups obtained about 41 percent of the benefits of those loans from the Bank's own resources which were subject to distributive analysis. Overall, during the whole 1984-88 period, an estimated 38 percent of the benefits of loans from the Bank's own resources accrued to low-income groups.

#### SUPPORT FOR ECONOMIC INTEGRATION

During 1988, the Bank provided substantial support for the economic integration of Latin America. It also furthered that integration through the activities of the Institute for Latin American Integration (INTAL).

The Bank approved \$356.6 million in loans with an integration impact. These included \$250 million extended to the *Entidad Binacional Yacyretá*, an entity created jointly by Argentina and Paraguay to help complete the 2.7 million-kilowatt Yacyretá Hydroelectric Complex which was initiated in 1979 with partial financing from the Bank, and a \$22.6 million loan to the Central American Bank for Economic Integration (CABEI) to help rehabilitate sections of the Central American Highway Network in Costa Rica, El Salvador and Honduras.

The Bank also approved 25 technical cooperation projects totaling \$20 million to foster the development of Latin America through economic integration. As in previous years, the sectoral priority in this regard went to agriculture (63.3 percent), energy (10 percent), export financing (7.2 percent), education (7 percent), support for development planning (5.9 percent), and

others (6.6 percent). Most of these funds were earmarked for research and training.

A \$10,530,000 technical cooperation grant was approved to support the basic programs of the international centers for agricultural research operating in Latin America: the International Center for Maize and Wheat Improvement (CIMMYT); the International Center for Tropical Agriculture (CIAT), and the International Potato Center (CIP). A \$3 million technical cooperation grant will enable the Inter-American Institute for Cooperation on Agriculture (IICA) to help Bank member countries prepare investment projects for the agricultural sector.

An \$850,000 technical cooperation grant will enable Guatemala and Honduras to prepare watershed management projects focusing on the hydroelectric projects of the Chixoy basin in Guatemala and El Cajón basin in Honduras. Short-term technical cooperation was extended to the *Comisión Mixta de Cooperación Amazónica Colombo-Ecuatoriana de los Ríos San Miguel y Putumayo* to map out a project for optimal use of those river basins.

The Bank approved a \$2.25 million technical cooperation grant to enhance the reliability and strengthen the operations of the interconnected electric power system of the Central American Isthmus. The Bank contributed \$970,000 in technical cooperation for a training program on socioeconomic evaluation of investment projects for Latin American officials and teachers to be carried out by the *Universidad de los Andes*, a private Colombian university located in Bogota. A grant of \$510,000 was approved to strengthen training in the implementation and management of scientific and technological development projects in Latin America. It will be carried out by Chile's *Centro Inter-Universitario de Desarrollo (CINDA)*, of Santiago, Chile, and the *Secretaría Ejecutiva del Convenio Andrés Bello (SECAB)*, of Bogota, Colombia.

The Bank also approved a \$494,600 technical cooperation grant to enable the *Cámara de Industrias del Uruguay (CIU)*, to carry out a project designed to facilitate and promote participation by the country's industries in the trade and investment opportunities stemming from the trade concessions given Uruguay by Argentina, Brazil and Mexico.

Through short-term technical cooperations, the Bank cooperated with the *Federación de Entidades Privadas de Centroamérica y Panamá (FEDEPRICAP)* in the preliminary analysis of the major technical problems facing Latin American entrepreneurs as a result of the Uruguayan Round of GATT negotiations. In the same manner, the Bank provided short-term assistance in designing an institutional mechanism to foster entrepreneurial collaboration and development of trade among



**Support for Economic Integration, 1960–88***In Millions of U.S. Dollars*

	1988		1960–88	
	Bank Support	Total Cost of Projects	Bank Support	Total Cost of Projects
<b>Loans</b>	<b>\$276.6</b>	<b>\$5,889.9</b>	<b>\$2,267.0</b>	<b>\$14,786.6</b>
Agriculture	—	—	110.7	271.5
Industry	—	—	247.2	425.1
Energy	250.0	5,846.6	802.9	12,333.1
Transportation	22.6	37.6	603.7	1,088.1
Telecommunications	—	—	83.7	158.3
Education	—	—	9.9	25.4
Tourism	—	—	29.2	50.7
Housing	—	—	15.0	30.0
Export Financing <sup>1</sup>	4.0	5.7	297.2	311.7
Other	—	—	67.5	92.7
<b>Technical Cooperation</b>	<b>\$ 20.0</b>	<b>\$ 77.5</b>	<b>\$ 286.2</b>	<b>\$ 1,049.8</b>
Agriculture	14.4	68.6	153.5	772.8
Industry	—	—	4.7	6.4
Energy	2.3	3.4	5.0	7.4
Transport	—	—	2.7	8.4
Health Care	0.3	1.2	9.3	55.1
Urban Development	—	—	3.9	7.9
Education	0.6	0.8	11.3	22.4
Tourism	—	—	1.3	1.3
Planning	1.4	2.1	7.5	23.0
Multisectoral	1.0	1.4	59.6	103.9
Development Banks	—	—	9.8	14.4
Export Financing	—	—	17.6	26.8
<b>TOTAL</b>	<b>\$296.6</b>	<b>\$5,967.4</b>	<b>\$2,553.2</b>	<b>\$15,836.4</b>

<sup>1</sup> Excluding recoveries from prior loans.

the islands of the Caribbean and the countries of the Central American Isthmus.

Finally, the Bank and its Institute for Latin American Integration (*INTAL*) sponsored a meeting of entrepreneurs, bankers, businessmen and representatives of international agencies which met at Cartagena, Colombia, August 24–25, 1988. The meeting coincided with a meeting of the *Congreso Latinoamericano de Industrias*, which examined investment projects featuring export trade within Latin America, and explored among other ideas, ways to convert debt into productive investment geared to the development of foreign trade, especially in the framework of integration agreements.

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

The Institute for Latin American Integration (*INTAL*), created by the Bank in 1964 to promote the region's economic integration, prepared several studies and

carried out other activities designed to foster economic integration and cooperation in Latin America and the Caribbean.

In 1988, the President of the Bank called together 10 experts from the region to examine the current problems which Latin America and the Caribbean face. The group met in Buenos Aires in November and drafted a report on *The Present Challenges Facing Regional Integration in Latin America and the Caribbean and the Tasks of INTAL*. The study, which contains various recommendations on *INTAL*, deals with the requirements to update and reaffirm the integration concept.

#### **Studies and Reports**

In 1988, *INTAL* launched a project called *La Integración de los Operadores* (The Integration of Operators) whereby representatives from banking, business and universities met to discuss export-oriented investment projects. A series of publications, aimed at the private



sector, were also organized. The first two titles—*Guía de las Cámaras Binacionales de Comercio Exterior* (Guidebook on Binational Trade Associations) and *Manual para la Realización de Ruedas de Negocios* (Manual for Holding Business Negotiation Rounds)—were produced.

Studies were also conducted on transportation of goods by highway between Argentina and Brazil, in which a program was proposed to improve the bilateral transportation systems within the framework of the Integration and Cooperation Program. Other studies also focused on overall trade in basic goods within Latin America, providing an analysis of regional and national opportunities for increasing trade in those goods.

A study was published on the experience of the international marketing firms of Argentina, Brazil, Colombia and Mexico and evaluations were undertaken on the world economy and the integration of Latin America during the last three decades.

### Training

The training activities organized by *INTAL* in 1988 included the Twentieth Regional Course on Latin American Integration and Cooperation which was held at *INTAL* headquarters and was attended by 32 participants from 17 countries.

### Meetings and Seminars

Regional experts attended seminars sponsored by *INTAL* on payment and accounting systems and on the economic development and integration experiences in Asia and Latin America.

### Publications

*INTAL* published 11 issues of its monthly journal *Integración Latinamericana* (Latin American Integration), its Annual Report and a status report on the integration process.

## ENVIRONMENTAL ASPECTS

A number of loans and technical cooperation activities approved by the Bank in 1988 were specifically designed to benefit the environment and the natural resource base of Latin America and the Caribbean. The Bank strengthened its own capabilities in environmental management through a broad training program at its Headquarters for its professional staff.

In 1988, the Bank's Environmental Management Committee (CMA), which reviews and monitors the

environmental aspects of investment projects, studied 15 projects classified as having a significant environmental impact. These projects were in the agriculture, sanitary engineering, transportation, urban development, energy and irrigation sectors.

In addition to its project review responsibilities, the Committee took other initiatives, including:

- The creation of three Interdepartmental Working Groups to examine the recommendations of the environmental meeting of consultation sponsored by the Bank in May 1987. The Working Groups focused on the participation of non-governmental organizations (NGOs) in the Bank's project cycle; the use of funds to finance environmental projects, and the establishment of an informal training program aimed at Field Office staff.
- The incorporation of environmental information and objectives into the Bank's programming process.
- The strengthening of the supervision of projects in execution by special missions to the field. In 1988, five such missions were undertaken.

During 1988, a series of environmental training seminars for professional staff of the Bank at its headquarters were completed. Approximately 80 percent of the professionals of the operational departments participated in this training.

A number of loans approved by the Bank in 1988 will have a favorable environmental impact. These included a \$50 million loan to improve the water quality of the Lake Valencia basin in Venezuela as the second stage in a comprehensive environmental recovery plan; a \$10.6 million loan for an Irrigation and Drainage Program on 4,500 hectares in Guatemala which also provides for environmental management measures, and a preinvestment loan for Trinidad and Tobago which includes financing for studies of waste disposal systems, coastal erosion and pollution of marine areas.

Through its technical cooperation program, the Bank in 1988 supported the efforts of its member countries to develop their own environmental management institutional capability. Particularly significant in this regard was the \$514,000 technical cooperation grant for the Country Environmental Study of Uruguay. The study will contribute to the knowledge of ecosystems management and conservation and will help to strengthen the institutional framework needed to meet environmental concerns.

Other technical cooperation operations approved in 1988 directly related to environmental protection and natural resource conservation included:

An \$850,000 technical cooperation approved by the Bank in 1988 for the preparation of watershed management projects in Guatemala (Chixoy River) and Honduras (El Cajón Project) will make a significant





**WIDE SWATH OF SOYBEAN PLANTS** is sprayed with bio-insecticide at Brazil's National Soybean Research Center (CNPSo) in Londrina, to kill velvet bean caterpillars, one of the two principal insect enemies of soybeans. Use of this viral insecticide does not add toxic chemicals to the environment, and is less expensive than chemical insecticides. The Center is one of 21 agricultural research institutions benefiting from two loans totaling \$70.8 million, approved by the Bank in 1984 for new research facilities.

contribution toward restoring the natural resource base of the basins.

Short-term technical cooperation missions approved by the Bank in 1988 dealt with the management of the basins of the Putumayo and San Miguel Rivers; the management of the elimination of solid wastes in the Bahamas; the environmental management of the Central Plateau in Costa Rica; national parks project in Costa Rica, and support for strengthening the activities of the Caribbean Environment Programme.

## WOMEN IN DEVELOPMENT

The Bank's policy on Women in Development, approved by the Board of Executive Directors in 1987,

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 participation of women in the social and economic life of their countries.

In accordance with the new multisectoral 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.
- 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.
- Technical assistance programs to improve the administrative, managerial and entrepreneurial skill of women beneficiaries and to strengthen institutions which address the needs of women.

To help begin to implement the policy, an inter-departmental working group was formed in 1988 to examine the efforts of other institutions in the area and to propose initial lines of action for the Bank. As a result, the Bank conducted a successful search for a senior advisor on women in development who would promote activities targeted to women in projects financed by the Bank. The advisor will begin her duties in early 1989.



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

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Latin American										
Member Countries	44.8	41.5	41.1	45.7	47.0	56.4	55.0	61.5	52.3	59.9
Other Member Countries	55.2	58.5	58.9	54.3	53.0	43.6	45.0	38.5	47.7	40.1
<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>

\* Excludes fund advances, complementary lines of credit and export financing.

Meanwhile, the Bank approved two small projects financings which directly target women as beneficiaries. A \$250,000 financing will benefit 250 low-income Haitian women who operate microenterprises in manufacturing, craftmaking, agroindustrial and service activities. The project will be carried out by the *Fonds Haitien d'Aide à la Femme*, a private non-profit organization founded in 1982 to help promote the participation of Haitian women in the economy.

The second—a \$265,000 financing—will help women increase the production of grains in the Andean region. The *Asociación Perú Mujer*, a non-profit organization founded in 1979 to help promote the participation of women in the development process, will carry out the project.

**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 and the investment of liquid assets.

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 is partly met by the non-borrowing member countries, thus generating export opportunities for such countries and contributing to increased employment and production. At the same time, Bank borrowers are assured of effective and efficient use of Bank-supplied resources because a significant portion of

procurement associated with Bank financing is carried out on a competitive basis among all member countries.

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 sub-contractor may receive or the substantial secondary and tertiary impact of the Bank's loans.

The statistical information summarized in the accompanying table, covering the years 1979 through 1988, 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.



## RESOURCES

### RESOURCE MOBILIZATION

As indicated previously, the Bank has entered into broad agreements with two of its nonregional member countries—Japan and Spain—under which those countries have agreed to mobilize substantial additional resources for Latin America's development in cooperation with the Bank.

On April 15, 1987, an agreement entered into effect between the Export-Import Bank of Japan and the Inter-American Bank under which Japan agreed to provide untied co-financing loans for Bank-financed projects. Under the agreement, the Bank's administrative capabilities will be used for project identification, appraisal, contract negotiations, disbursements and project administration for Export-Import Bank loans made in connection with Inter-American Bank financings.

The Export-Import Bank will determine the eligibility of each project submitted to it by the Inter-American Bank. Interest rates for the Japanese loans will be fixed for the whole period of the loan, the repayment period will be similar to that of the Inter-American Bank loan, and acquisitions of goods and services are done according to Inter-American Bank procurement policies.

On April 26, 1988, the Ministry of Finance of Japan and the Bank signed an agreement under which Japan provided 3.5 billion yen (equivalent to approximately \$27 million) to establish a *Japan Special Fund*. Additional contributions from the Government of Japan are expected during the next fiscal years. The Bank will be the administrator of the Fund which will be used, among other purposes, to finance grant technical assistance to Bank member countries for project preparation, preinvestment and institutional support; finance on a nonreimbursable basis small projects under the Bank's innovative Small Projects Financing Program; co-finance on a nonreimbursable basis Bank-supported emergency assistance loans resulting from the occurrence of natural disasters, and finance grant technical assistance to subregional financial institutions for project preparation, preinvestment and institutional support. All projects to be financed with the grants from Japan will be selected by mutual agreement and will be subject to final approval by the Bank through its normal practices and procedures.

On October 11, 1988, the Government of Spain and the Bank signed a protocol outlining the guidelines for the creation of a *Quincentennial Fund* in an amount equivalent to \$500 million, which will commemorate

500 years of historical ties between Spain and the nations of Latin America and the Caribbean. The Fund will be used to finance a broad range of development projects in the Bank's developing member countries, applying the norms and procedures established by Inter-American Bank policies.

As part of the program, Spain will also establish a Compensation Account for the equivalent of \$150 million. This account will make it possible to extend loans from the Fund on concessional terms by subsidizing the interest rate.

The Spanish Government will also promote the mobilization of some \$500 million in additional resources for projects financed by the Fund. Sources for these resources would include development institutions, commercial banks and other financial and export financing institutions.

Resources from the Fund will be used to finance projects in several areas critical to the development needs of the region, including higher education and scientific research, agricultural development, public health, communications, urban development and projects to preserve or restore the cultural patrimony and promote tourism.

The agreement also includes provisions for technical cooperation services necessary for the formulation and execution of projects carried out with resources of the new fund. These services will be provided by Spain's Institute of Foreign Commerce. The technical cooperation resources, estimated at an equivalent of about \$25 million, will be extended by Spain in the form of grants.

On October 10, 1988, the Bank and the Commission of the European Communities signed a letter and a memorandum of understanding laying down guidelines for cooperation on the future development of Latin America. In these documents, the two institutions agreed to mutual consultations, exchanges of information, technical consultation and collaboration, as well as cofinancing and joint action.

### *Seventh General Increase of Resources*

During 1988, the member countries of the Bank, through their governors, continued discussions initiated in 1986 on the Seventh General Increase of Resources of the Bank.

The status of the ordinary capital of the Bank is shown in the table on the following page. Similarly, the status of the contributions to the Fund for Special Operations is shown in the table on the ensuing page.



**CAPITAL OF THE BANK***In Thousands of U.S. Dollars*

Country	Subscriptions as of December 31, 1988			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 December 31, 1988 <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	205,016	39,000	—	39,000	244,016
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>\$7,698,534</b>	<b>\$604,803</b>	<b>\$97,753</b>	<b>\$702,556</b>	<b>\$8,401,090</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 balance of \$56,000 to be received from Suriname.

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



## BORROWINGS

During 1988, the Bank made six individual borrowings in the world's capital markets, mostly rollovers and refinancings at lower interest rates, for a total of \$901.9 million equivalent, expressed at exchange rates prevailing on the date of the receipt of the proceeds of the transactions. These borrowings compared with \$1,115 million obtained in 1987. At the end of 1988, the Bank's outstanding borrowings amounted to \$14,266 million.

A total of \$821.9 million of the 1988 borrowings represented medium- or long-term issues and \$80 million were short-term borrowings from Central Banks of member countries.

A total of 53 percent of the Bank's 1988 borrowings was made in Japanese yen, 31 percent in U.S. dollars and 16 percent in Swiss francs. The Japanese yen accounted for \$478.1 million of the borrowings; the U.S. dollar for \$280 million, and Swiss francs for \$143.9 million.

Of the short-term borrowings, \$35.2 million were raised in the Latin American member countries and \$44.8 million in the nonregional member countries. The accompanying table shows the Bank's outstanding borrowings by currency as of December 31, 1988.

### *Medium- and Long-Term Borrowings*

*Japanese yen:* \$478.1 million

- 20 billion Japanese yen (equivalent to \$159.5 million) in a public offering of 10-year bonds dated April 14, 1988. The bonds, which were sold at 100.125 percent at an interest rate of 5 percent per annum, will be redeemed in one payment at maturity on April 14, 1998. The offering was underwritten by a syndicate led by The Nikko Securities Co., Ltd. and the representative commissioned company is The Long-Term Credit Bank of Japan, Limited.

- 15 billion Japanese yen (equivalent to \$119.8 million) in a syndicated loan obtained from a consortium of Japanese financial institutions. Dated June 29, 1988, the loan was extended for 12 years at an interest rate of 5.5 percent per year. It will be repaid in full at maturity on June 29, 2000. The consortium was headed by The Mitsubishi Trust and Banking Corporation and Nippon Life Insurance Company.

- 25 billion Japanese yen (equivalent to \$198.8 million) in a syndicated loan from a consortium of Japanese financial institutions. Dated November 30, 1988, the loan was extended by a consortium headed by The Industrial Bank of Japan, Limited, and was syndicated in two tranches of 17 billion yen and 8 billion yen, respectively. Tranche A carries an interest rate of 5.7

### **Outstanding Borrowings by Currency as of December 31, 1988**

*In Millions of U.S. Dollars*

Currency	Amount
Austrian schillings	\$ 48.9
Deutsche marks	2,342.3
European currency units (ECUs)	117.3
Japanese yen <sup>a</sup>	4,135.6
Netherlands guilders	980.2
Pounds sterling <sup>b,c</sup>	718.0
Swiss francs	2,584.9
Trinidad and Tobago dollars	2.4
United States dollars <sup>d,e</sup>	3,336.0
<b>TOTAL</b>	<b>\$14,265.6</b>

<sup>a</sup> Includes \$238.4 million from two Euroyen bond issues sold internationally.

<sup>b</sup> Includes \$271.4 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 \$788.0 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.

percent per annum and will be repaid in full on November 30, 2003. Tranche B carries an interest rate of 5.8 percent per annum and will be repaid in full on November 30, 2011.

*Swiss francs:* \$143.9 million

- 200 million Swiss francs (equivalent to \$143.9 million) in a public offering of bonds dated March 24, 1988. The bonds were priced at 100.5 percent and carry an interest rate of 4 5/8 percent per annum. They will be redeemed in one payment at maturity on March 24, 1998. The offering was underwritten by a syndicate of Swiss banks headed by Union Bank of Switzerland, Credit Suisse and Swiss Bank Corporation.

*U.S. dollars:* \$200 million

- \$200 million in a public offering of 9.45 percent 10-year notes sold in the United States capital market on September 15, 1988. The notes were priced at 99.824 percent and will be redeemed on September 15, 1998. The notes were purchased by an underwriting group led by Kidder, Peabody & Co. Incorporated; Salomon Brothers Inc; Merrill Lynch Capital Markets and Goldman, Sachs & Co. As has been the case with previous borrowings in the U.S. capital market, the securities were rated Triple A, the highest credit rating given by the major U.S. rating agencies.



**Complementary Financing 1976-88***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
1988	—	—	—	—
<b>Total</b>	<b>\$2,565.7</b>	<b>\$1,726.7</b>	<b>\$839.0</b>	<b>\$6,013.5</b>

**Short-Term Borrowings***U.S. dollars:* \$80 million

• On April 15, 1988, the Bank sold its 20th short-term bond issue for \$80 million to Central Banks and other government agencies in 18 of its member countries. The issue consisted of \$44.6 million in one-year bonds issued at par at an interest rate of 7.07 percent per annum and due April 15, 1989, and \$35.4 million in two-year bonds issued at par with an interest rate of 7.51 percent per annum and due April 15, 1990. The countries that participated in the issue were Argentina, Belgium, Brazil, Chile, Colombia, the Dominican Republic, Finland, Germany, Honduras, Italy, Japan, Mexico, The Netherlands, Paraguay, Portugal, Spain, Switzerland, and the United Kingdom.

**COMPLEMENTARY FINANCING**

Market conditions were not propitious in 1988 for the Bank to secure complementary loans in the world's private financial markets. However, the Bank is continuing to explore ways to broaden and diversify the program.

Since the inception of the Complementary Financing Program in 1976, the Bank has raised a total of \$839 million in additional private financing for Latin America's development. Under the program, resources from private commercial banks and other financial insti-

tutions are channeled to projects in Latin America through participations in Bank loans.

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 U. S. prime rates, although some have been granted in currencies other than the U.S. dollar. 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 above table.

**FINANCIAL HIGHLIGHTS**

During 1988, the Bank's gross income from its own resources—the ordinary capital and the Fund for Special Operations—amounted to \$1,721 million compared with \$1,654 million the previous year. The net earnings from the two funds amounted to \$247 million, compared with \$336 million in 1987.





**SOLAR CELL PANELS POWER a water well pump at pilot production plant of the National Polytechnic Institute in Mexico City. The plant, which is operated by the Institute's Center for Research and Advanced Studies, is part of research designed to promote the use of solar energy for rural development. In 1981, the Bank approved a \$50 million loan to strengthen Mexico's scientific research centers, including the Institute and university departments.**

These earnings increased the Bank's total reserves as of December 31, 1988, to \$3,629 million, compared with \$3,449 million in 1987. The highlights of the earnings from the Bank's own resources are shown below:

*Ordinary Capital Resources:* Total income: \$1,547 million compared with \$1,486 million in 1987. Net income: \$238.4 million compared with \$282 million in 1987. Total reserves: \$3,070 million as of December 31, 1988, compared with \$2,882 million at the end of 1987.

*Fund for Special Operations:* Total income: \$174 million compared with \$168 million in 1987. Net income: \$8.4 million compared with \$54 million in 1987. Total reserves: \$559 million as of December 31, 1988, compared with \$567 million at the end of 1987.

The net income amounts indicated above are after charges of \$50 million in the ordinary capital and \$50 million in the Fund for Special Operations corresponding to provisions for the possibility of eventual losses on loans.

The audited financial statements of the ordinary capital, the Intermediate Financing Facility Account and the Fund for Special Operations, as well as those of the Social Progress Trust Fund and the Venezuelan Trust Fund, appear on pages 119 through 157.

## 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, Switzerland in 1980, and Norway in 1988. As of December 31, 1988, the Bank had agreed to administer 14 funds for most of which the resources have been completely committed in loans.

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 utiliz-



ing 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 December 31, 1988, the outstanding participation in the Fund for Special Operations loans totaled \$155.8 million. In 1988, with the resources of the Social Progress Trust Fund, the Bank approved \$8.6 million in technical cooperation and \$500,000 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 1988, a total of \$126.5 million had been disbursed under such projects or returned to the United States Government for similar use under the program; another \$44 million was allocated for use during the years 1989 through 1991.

### *Venezuelan Trust Fund*

On February 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 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 semimanufactured goods to a much wider geographic area than previously covered under the program. 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 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 1988, the Bank approved a total of \$54 million, including increases in previously approved export financings and repayments in revolving lines of credit, in loans from the Venezuelan Trust Fund. As of December 31, 1988, the cumulative total of such loans had risen to \$778.7 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 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 December 31, 1988, such contributions amounted to Can\$29.6 million of which Can\$2.5 million was contributed in 1988.

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 less developed member countries of the Bank.

### *Swiss Funds*

On November 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





***SHATTERED CHURCH LIES IN SHAMBLES*** after destruction by Hurricane Gilbert. The storm, the worst in a century, caused more than \$900 million worth of damage in Jamaica. In the wake of the storm, the Bank provided \$200,000 in emergency technical cooperation, authorized a \$5 million technical cooperation grant from the Japan Fund for building materials and rechanneled \$63.4 million of undisbursed balances of loans to rehabilitate infrastructure and services.

new Fund. On December 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 on the date of the conversion) available to the Technical Cooperation and Small Projects Swiss Fund over the July 1, 1982–June 30, 1984 period. On November 27, 1984, Switzerland agreed to make an additional 12 million Swiss francs (equivalent to \$4.8 million) available to the fund. Finally, on December 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 1988 approved 3,481,000 Swiss francs (equivalent to \$2,314,500) for small projects, accompanied by 602,500 Swiss francs (equivalent to \$397,000) in technical cooperation grants. In addition a technical cooperation grant independent of small projects was approved for 1,848,000 Swiss francs (equivalent to \$1,165,000).

#### *Norwegian Fund*

On October 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.

With the resources of the Norwegian Fund, the



Bank in 1988 approved \$750,000 for small projects, accompanied by \$164,000 in technical cooperation grants.

### *Japan Special Fund*

As detailed earlier in this report, the most recent Fund accepted by the Bank in administration is the Japan Special Fund. On April 26, 1988, the Ministry of Finance of Japan and the Bank signed an agreement under which Japan provided 3.5 billion yen (equivalent to about \$27 million) to the Bank to finance technical assistance, small projects and emergency assistance following natural disasters, among other purposes.

In 1988, the Bank approved a \$5 million technical cooperation grant from the Fund to help Jamaica recover from the ravages caused when Hurricane Gilbert swept through the island September 12, 1988.

## INTER-AMERICAN INVESTMENT CORPORATION

The Inter American Investment Corporation was created to promote the economic development of its regional developing member countries by encouraging the establishment, expansion and modernization of private en-

terprises, 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.

In 1988, two more countries—Haiti and Italy—joined the Inter-American Investment Corporation, an affiliate of the Inter-American Development Bank. Italy joined August 19 and Haiti became a member on December 29.

Thus, by the end of the year, 33 of the 34 countries which had expressed an interest in joining the Corporation had fulfilled all the conditions needed to become founding members.

On July 27, 1988, the Board of Directors of the Corporation appointed Günther H. Muller of Mexico as its General Manager effective September 1, 1988. Mr. Muller was recommended for the position by Enrique V. Iglesias, Chairman of the Board of Executive Directors.

During the course of the year, the Corporation carried out a number of organizational activities.

A more detailed review of the Corporation's activities in 1988 is given in its Third Annual Report, which is published separately.



## INSTITUTIONAL MATTERS

### OFFICE OF THE PRESIDENT

On February 18, 1988, the Bank's Board of Governors elected Enrique V. Iglesias of Uruguay as President of the Bank for a five-year term beginning April 1, 1988. On December 17, 1987, Antonio Ortiz Mena of Mexico, who had been President of the Bank since 1971, resigned his position, effective March 15, 1988.

Mr. Iglesias brought broad national, regional and international experience to his new position. He was Minister of Foreign Affairs of Uruguay from 1985-88, and Executive Secretary of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) from 1972 to 1985. In 1986, he was chairman of the Uruguay Round of Multilateral Negotiations within the framework of the General Agreement on Tariffs and Trade (GATT), which took place in Uruguay.

Mr. Iglesias was the principal advisor to the United Nations Conference on the Human Environment held in Stockholm in 1972. He was Secretary General of the United Nations Conference on New and Renewable Sources of Energy, which was held in Nairobi, Kenya, in 1981. He was also chairman of the United Nations Inter-Agency Group on the Development of Renewable Sources of Energy.

On April 6, 1988, the Bank's Board of Executive Directors, upon the recommendation of President Iglesias, appointed James W. Conrow of the United States as Executive Vice President of the Bank. Mr. Conrow had been Deputy Assistant Secretary for Developing Nations of the United States Treasury Department from 1984 to 1988. Previously, he had been the Director of the Office of Multilateral Development Banks at the U.S. Department of the Treasury from 1981 to 1984. From 1977 to 1981, he was a professional staff member of the House Appropriations Committee of the U.S. House of Representatives with primary responsibility for U.S. foreign assistance programs.

### BOARD OF GOVERNORS

During 1988, the Board of Governors of the Inter-American Development Bank approved a number of resolutions. Through these resolutions, the Board:

- Accepted the resignation of Antonio Ortiz Mena as President of the Bank and set March 15, 1988, as the effective date of the resignation. The Board also recorded its appreciation and gratitude to Mr. Ortiz Mena for his outstanding guidance and direction of the Bank

and for the decisive part he played in the growth, strengthening and consolidation of the Bank as a force for social progress and the economic development of Latin America and the Caribbean.

- As indicated previously, elected Enrique V. Iglesias as President of the Inter-American Development Bank, for a term of five years beginning April 1, 1988.

- Approved Amsterdam, The Netherlands, as the site of the Thirtieth Annual Meeting of the Board of Governors of the Bank to be held March 20 to 22, 1989.

- Selected Montreal, Canada, as the site of the Thirty-First Annual Meeting of the Board of Governors of the Bank to be held April 2 to 4, 1990.

- Expressed its appreciation for invitations extended at the Bank's Annual Meeting by the Governors from the Dominican Republic, Germany, Israel, Japan and Yugoslavia offering their countries as the site for future annual meetings of the Bank, and instructed the Board of Executive Directors to present its recommendations regarding the sites.

- Approved the 1987 financial statements of the ordinary capital, the Fund for Special Operations and the Intermediate Financing Facility Account.

### BOARD OF EXECUTIVE DIRECTORS

On March 14, 1988, the Board of Executive Directors held a special session to pay tribute to retiring President Antonio Ortiz Mena. The Board approved a resolution of recognition for the competence and effectiveness with which Mr. Ortiz Mena had carried out his duties as president over a period of 17 years and agreed to name the Board Room after him.

A number of changes took place in the composition of the Board of Executive Directors of the Bank in 1988. These included:

- José Luis Flores Hernández of Mexico was elected Executive Director for the Dominican Republic and Mexico, effective January 19, 1988, succeeding Patricio González-Ayala, also of Mexico, who resigned effective January 18, 1988.

- Juan José Díaz Pérez of Paraguay was elected Executive Director for Bolivia, Paraguay and Uruguay effective July 1, 1988, succeeding Juan Felipe Yriart of Uruguay, who resigned effective June 30, 1988. Mr. Díaz Pérez had previously been the Alternate Executive Director for those countries.





**COMPUTER CENTER SPECIALISTS** discuss improvements for tax collection program of Honduras at the General Office of Taxation in Tegucigalpa. In 1983, the Bank approved a \$4.4 million technical cooperation grant to the five Central American republics, Panama and the Dominican Republic, to help those countries develop a tax payer master file/current account system, and to train personnel of their tax collection agencies. Part of that assistance enabled tax offices to hire consultants to design and set up better collection and reporting methods.

- William M. McWhinney of Canada was elected Executive Director for Canada, effective July 1, 1988, succeeding Sidney Rubinoff, also of Canada, who resigned effective April 30, 1988.

- George Lincoln Reid of Barbados was elected Executive Director for the Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago effective July 1, 1988, succeeding Calvin B. Knowles of the Bahamas, who resigned effective June 30, 1988. Mr. Reid had previously been the Alternate Executive Director for those countries.

- Richard C. Samuel of the United Kingdom was elected Executive Director for Belgium, Denmark, Finland, Germany, Italy, The Netherlands, Norway, Sweden and the United Kingdom, effective July 1, 1988, succeeding Guido P. Osterhaus of Germany, who resigned effective June 30, 1988.

- Larry K. Mellinger of the United States was appointed Executive Director for the United States,

effective November 22, 1988, succeeding José Manuel Casanova, also of the United States, who resigned effective June 30, 1988. Mr. Mellinger had previously been the Alternate Executive Director for the United States.

- Mario Read Vittini of the Dominican Republic was appointed Alternate Executive Director for the Dominican Republic and Mexico, effective July 1, 1988, succeeding Bienvenido Brito, also of the Dominican Republic, who resigned effective June 30, 1988.

- Kenneth J. Harley of Canada was appointed Alternate Executive Director for that country effective April 1, 1988, succeeding Jean Serge Quesnel, also of Canada, who resigned effective March 31, 1988.

- Hugo Bruggmann of Switzerland was appointed Alternate Executive Director for Austria, France, Israel, Japan, Portugal, Spain, Switzerland and Yugoslavia, effective July 1, 1988, succeeding José I. Coelho Toscano of Portugal, who resigned effective June 30, 1988.

- Juan L. Cariaga of Bolivia was appointed Alternate Executive Director for Bolivia, Paraguay and Uruguay, effective August 1, 1988.

- Gustavo Darquea Espinosa of Ecuador was appointed Alternate Executive Director for Brazil, Ecuador and Suriname, effective September 2, 1988, succeeding Jacinto Vélez, also of Ecuador, who resigned effective the same date.

- Roberto Leyton of Panama was appointed Alternate Executive Director for Panama and Venezuela, effective October 17, 1988, succeeding Reynaldo Decerega, also of Panama, who resigned effective October 15, 1988.

- Horace Barber of Jamaica was appointed Alternate Executive Director for the Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago, effective November 1, 1988.



- Franciscus Godts of Belgium was appointed Alternate Executive Director for Belgium, Denmark, Finland, Germany, Italy, the Netherlands, Norway, Sweden and United Kingdom, effective January 1, 1989, succeeding Bo Jerlstrom of Sweden who resigned effective December 31, 1988.

A list of the Board of Executive Directors is contained in the Appendices of this Report.

## EXTERNAL REVIEW AND EVALUATION OFFICE

The Board of Executive Directors relies on a system independent of management—the External Review and Evaluation Office (ORE)—to assess the results and effectiveness of the Bank's operations.

During 1988, the Board of Executive Directors acted on three evaluations from ORE that were completed in 1987. These reports were *The IDB's Relations with Development Banks in the Region*, *The IDB's Special Program for Industrial Reactivation (Early Results)*, and *The IDB Support of INTAL*.

In addition, during 1988 a number of completed reports were distributed to the Board of Executive Directors, including the *Export Financing Program of the Bank*, *Financial Requirements in IDB Projects*, *Urban Development and the IDB*, *IDB Support of International Agricultural Research Centers within the CGIAR System*, *Intra-Regional Technical Cooperation Program (CT-INTRA)*, and *the Role of the Special European Office*.

Effective July 1, 1988, the Board of Executive Directors elected José Manuel Casanova, of the United States, Director of the External Review and Evaluation Office for a three-year term.

## PROGRAMMING, OPERATIONS EVALUATION AND INTERNAL AUDIT

The country programming process involves sending staff specialists from the Bank's headquarters in Washington to the borrowing country to work with government officials to review the country's development plans and investment programs. These consultations help to identify priority projects which the country may subsequently ask the Bank to finance. These consultations and subsequent analyses support the preparation of Country Programming Papers, which describe the country's development strategy, review the Bank's program of investment in the country and identify areas for future Bank collaboration.

In conjunction with its programming activities, the Bank reviews macroeconomic and sectoral issues and takes into consideration environmental and natural resource issues, as well as the role of women in the development process of countries.

### *Internal Operations Evaluation*

An important mechanism used by the Bank to enhance the effectiveness of its financial and human resources is the internal operations evaluation system, which capitalizes on past experience by incorporating, on a sector-by-sector basis, the lessons learned from prior operations into the design and implementation of new development projects.

The Operations Evaluation Office (OEO), a unit in the Office of the Controller, completed four Operations Evaluations Reports (socioeconomic impact evaluations of fully disbursed projects) during 1988, including two in the urban development sector and one each in rural potable water and science and technology, and, at year's end, was working on 15 more (six in industrial reactivation, three in fisheries, three in agricultural research, two in rural telephones, and one in potable water), including nine studies carried over from the previous year. Additionally, OEO completed three performance reviews (covering the technical, financial, and administrative aspects of projects and programs), one each concerning institutional strengthening, urban development, and rural telephones, and work was begun on ten others (one review each of a fisheries project and of the Bank's experience with rural development projects and eight evaluations of the environmental impact of hydroelectric power projects).

When sufficient experience has been gained from individual evaluations in a given sector, a summary is issued which synthesizes the lessons learned and sets forth actions which Management has decided to take to improve future operations.

The Office of the Auditor General is responsible for internal auditing and performs periodic 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.

The principal activities of the Office in 1988 included the scrutiny of administrative and financial controls and the Bank's system of surveillance of ongoing loans and projects. The Office also reviewed the efficiency of the Bank's computer information processing and communications systems, including accounting and





**WORKMAN STRADDLES PIPELINE** over the Bermejo River as he tightens joint of gas pipeline between Santa Cruz and Cochabamba. In 1981, the Bank approved a \$97 million loan to help finance construction of 900 kilometers of gas pipelines, including this 420-kilometer trunkline between the Santa Cruz production fields and Cochabamba. The pipeline on the left was built in 1964 to carry crude oil. The gas line will supply an additional 33 million cubic feet of gas per day to Cochabamba and La Paz.

security controls. In performing these functions, the Office is thus able to advise Management on needed changes to the Bank's financial and operational systems and procedures, with special emphasis on related control measures. Several special audits and reviews were also performed, and the Office provided assistance to the external auditors of the Bank.

## ADMINISTRATION

The Bank's 1989 Administrative Budget was authorized at \$163.8 million in current dollars, a reduction of \$4.7 million or 2.8 percent compared to the 1988 expenses of \$168.5 million. In real terms, the 1989 budget will

be approximately 6.4 percent less than that of 1988 and 9.8 percent less than the expenditure level of 1987.

Several factors contributed to these reductions, including management's decision to delay as much as possible filling vacant positions and to rely instead on fixed-term contractual staff, increased productivity resulting from electronic data and word processing facilities and staff training and revised procedures and control mechanisms to maintain travel and shipping cost reductions obtained in 1988.

The first five-year Management Information Systems Action Plan, launched in 1984, was completed at a cost of \$17.7 million, an amount lower than the approved budget of \$18.5 million. Cost reductions and increased productivity were achieved through the introduction and interconnection of personal computers, the use of advanced communication technology and data and word processing facilities, and more efficient use of automation. The Bank's new communications and transmission facilities are expected to reduce costs for annual meetings held abroad. Training in the use of data and word processing to increase the return of investments in hardware and software will continue to be emphasized.

In regard to the Field Offices, Management will continue its efforts to purchase office space in those countries in which it is still renting space due to the positive rate of return.

The following table shows the consolidated administrative expenses for 1987 and 1988, as well as the 1989 authorized Administrative Budget.

Although staffing patterns have been fairly stable since 1984, it is important to note that Management's goal of 1,604 occupied permanent positions by the end of 1989 (1,120 at Headquarters and 484 in the Field Offices), compared to a total of 1,713 at the beginning of 1988 (1,196 at Headquarters and 517 in the Field Offices), will result in a reduction of 109 staff years.



**Consolidated Administrative Expenses***In Thousands of U.S. Dollars*

CATEGORY	1987 Actual <sup>1</sup>	1988 Actual <sup>2</sup>	1989 Budgeted <sup>3</sup>
<b>Board of Governors</b>			
Annual Meeting	\$ 762.3	\$ 573.0	\$ 942.2
Other Expenses	106.2	105.2	169.5
<b>Board of Executive Directors</b>			
Personnel Costs	5,478.6	5,443.7	5,269.2
Other Expenses	724.2	839.3	765.0
External Review and Evaluation Office	1,231.2	1,181.6	1,155.0
<b>Staff</b>			
Personnel Costs	91,607.3	94,259.1	87,065.9
Other Expenses	13,205.1	12,303.9	13,820.0
<b>General Administrative Costs</b>	21,312.2	20,027.7	21,614.0
<b>Field Offices</b>			
Personnel Costs	28,780.0	28,965.0	28,459.3
Other Expenses	6,345.0	7,024.9	7,466.1
Institute for Latin American Integration (Net Expenses)	864.9	838.0	812.0
<b>Contingencies</b>	—	—	1,692.3
<b>Reimbursements from Funds under Administration and IIC</b>	(3,036.9)	(2,991.7)	(5,397.0)
<b>TOTAL</b>	<b>\$167,380.1</b>	<b>\$168,569.7</b>	<b>\$163,833.5</b>

<sup>1</sup> 1987 actual has been revised to show reimbursements from Funds under Administration in order to be consistent with 1988 and 1989.

<sup>2</sup> Includes approximately \$4.6 million of expenses relating to Special Employment Termination Program approved in December 1988 for a total of \$30 million to be implemented during 1988 and 1989.

<sup>3</sup> Does not include special budgetary provisions of \$25.4 million for Special Employment Termination Program and \$845,000 for implementation costs of the Staff Retirement Plan for Local Field Offices Staff to be expended during 1989-90.

Total contractual/consulting staff years is projected at a level of 163, quite similar to that projected for 1988.

As in the past, during 1988 Management continued to recruit and promote women professionals and to maintain an adequate nationality distribution in the Bank's professional and administrative staff.

On December 21, 1988, the Bank adopted a special employment termination program designed to reduce staff, increase staff mobility and eventually open the way for recruitment of new talent to renew the Bank's human resources base. The program is part of the reorganization process designed to modernize the Bank. The program could result in the early retirement of approximately 150 staff members representing about 11 percent of the international staff. Early retirement will be voluntary.

## COOPERATION WITH OTHER ORGANIZATIONS

The Bank works closely with other international, regional and bilateral development and financial institutions in fostering the development efforts of its developing member countries. To accomplish this it utilizes a variety of mechanisms.

Since its inception, the Bank and the World Bank have coordinated their development financing and have frequently joined in parallel financing operations. In 1988, the Bank and the World Bank joined in providing additional financing—\$250 million each—for the completion of the Yacyretá hydroelectric project, being carried out jointly by Argentina and Paraguay. Both





***STUDENTS MEET OUTSIDE OF NEW CLASSROOMS at the Technological Institute of Costa Rica in Cartago. The new facilities were built with the help of a \$30 million loan approved by the Bank in 1978. The expanded Institute trains students for intermediate-level technical management jobs in industry, agriculture, mining and construction. The loan financed construction of new classrooms, workshops, laboratories, library and cafeterias. In addition, the Institute's technical, administrative and teaching capacity was strengthened with Bank technical cooperation.***

Banks also joined in financing a broad agricultural credit program in Argentina with the Bank lending \$106 million and the World Bank providing \$105 million.

The Bank cooperated in Central America's development in 1988 by making a loan of \$22.6 million to the Central American Bank for Economic Integration to help rehabilitate 252 kilometers of the Central American Highway.

The Bank also carries out joint financing operations with the International Fund for Agricultural Development (IFAD), the European Economic Community (EEC), and the Special Fund of the Organization of Petroleum Exporting Countries (OPEC). In 1988, IFAD approved a \$10.1 million loan and the Inter-American Bank provided one for \$5 million to provide credit to 4,800 small-scale farmers in northeast Argentina.

The table on the opposite page itemizes all co-financing and other arrangements undertaken in 1988.

There were no new operations in 1988 with the EEC. On October 10, 1988, the Bank and the Commission of the European Communities signed a letter and a memorandum of understanding laying down guidelines for cooperation on the future development of Latin America. In these documents, the two institutions agreed to mutual consultations, exchanges of information, technical consultation and collaboration, as well as cofinancing and joint action.

As detailed earlier, the Bank and Japan carried out co-financing arrangements with Japan and also accepted a Japan Special Fund in administration during 1988.

The Government of France cooperated with the Bank in the first stage of a broad plan to improve the water system of Asunción, Paraguay, by committing a \$20.4 million loan for a project also financed with a \$47.8 million loan approved by the Bank in 1988.

The Organization of American States (OAS) is cooperating with the Bank by acting as the executing agency for watershed management studies being carried out in Guatemala and Honduras with a \$850,000 technical cooperation grant of the Bank.

On September 25, 1988, on the occasion of the annual meetings of the World Bank and the International Monetary Fund held in Berlin, representatives of the leading international and regional financial institutions held their annual exchange of views. This meeting was hosted by the European Investment Bank. Participants, in addition to the Inter-American Bank, included the African Development Bank, the Asian Development Bank, the Commission of the European



**Co-financing and Other Arrangements 1988***In Millions of U.S. Dollars*

Project	Inter-American Bank	Japan	France	Italy	Parallel World Bank	IFAD	Export Credits	Local Contrib.	Total
Asunción Potable Water (Paraguay)	\$ 47.8		\$20.4					\$ 7.6	\$ 75.8
Agricultural Credit Program (Argentina)	106.0				\$105.0			90.0	301.0
Credit for Small-Scale Farmers (Argentina)	5.0					\$10.1		5.2	20.3
Yacyretá Hydroelectric Supplemental Financing (Regional)	250.0				250.0		\$376.9	2,300.7	3,177.6
Los Pijiguaos Bauxite Mine (Venezuela)	108.0	\$108.0						231.0	447.0
Pehuenche Hydroelectric (Chile)	175.0	120.6						203.9	499.5
Cali Water and Sewage System (Colombia)	100.0	148.8		\$8.3				117.9	375.0
<b>Total</b>	<b>\$791.8</b>	<b>\$377.4</b>	<b>\$20.4</b>	<b>\$8.3</b>	<b>355.0</b>	<b>\$10.1</b>	<b>\$376.9</b>	<b>\$2,956.3</b>	<b>\$4,896.2</b>

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

During the course of the year, the Inter-American Development 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.

The Bank also maintained close working relations with a number of other institutions active in the hemisphere including the Pan American Health Organization (PAHO), the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Environment Fund (UNEP) and the various regional integration agencies.



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*BIRD'S-EYE VIEW of Guavio hydroelectric power site in Colombia. In 1981 and 1983, the Bank approved two loans for \$440 million to help finance construction of the 1-million-kilowatt power plant, shown in an initial stage of construction. Although nearly 54 percent of Colombia's proven energy resources are water based, hydroelectric energy made up only 5 to 7 percent during the 1970s. The Guavio plant will increase the country's electric power generating capacity by 12 percent.*

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## PART II:

## PROJECTS

## LENDING BY SECTORS

In its lending and technical cooperation in 1988, the Bank provided support for Latin America's energy and transportation infrastructure and for the growth of its agricultural and industrial sectors. The Bank also continued to emphasize Latin America's social sectors, particularly environmental and public health.

The Bank's total lending in 1988 amounted to \$1,682 million. Loans to the productive sectors of agriculture, industry and mining and tourism amounted to \$522 million (31.1 percent of the Bank's total lending in 1988). Physical infrastructure (energy, transportation and communications), accounted for \$587 million (34.9 percent of the year's lending). Social infrastructure (health, education and urban development) represented \$484 million (28.7 percent), and other sectors (export financing, preinvestment and other), \$89.3 million (5.2 percent).

In 1988, Japanese institutions provided co-financing loans for three Bank-financed projects. These included:

- \$108 million approved by the Export-Import Bank of Japan to provide financing to enable C.V.G. Bauxita Venezolana, C.A. (Bauxiven) to nearly double the production capacity of its bauxite mine at Los Pijiguas in the State of Bolívar, Venezuela. The Bank had approved a loan for the same amount in 1985.
- \$120.6 million approved by the Export-Import Bank of Japan to provide financing for the construction of the 500,000-kilowatt Pehuenche hydroelectric plant in Chile. The Bank had made a \$319.3 million loan for the project in 1986.
- \$148,840,000 approved by the Overseas Economic Cooperation Fund (OECF) of Japan to help finance a broad program to improve the drinking water and sanitation services of Cali, Colombia. The Bank approved two loans totaling \$100 million for the project in 1988 and the Ultramar Economic Cooperation Fund

of Italy is providing a \$8,250,000 loan for the project.

During 1988, the Bank also helped Latin American countries to overcome the effects of an unusually large number of natural disasters which struck the region during the year.

Jamaica and Mexico were hit by Hurricane Gilbert, the worst storm to strike the region in more than a century. Costa Rica, Nicaragua and Panama suffered severe damage from Hurricane Joan and a variety of

floods caused severe damages in Argentina, Brazil and Paraguay. Ecuador was still suffering the consequences of the 1987 earthquake.

Under its emergency disaster program, the Bank contributed technical cooperation assistance to help overcome storm ravages. In the case of Jamaica,

it also rechanneled a number of previously approved loans towards reconstruction efforts.

The sectoral breakdown of the Bank's lending during 1988, as well as on a cumulative basis, is shown in the following table.

*Agriculture*

In 1987, Latin America's agricultural sector experienced strong recovery, rising by 6.7 percent in real terms. This compared with a decline of 2.5 percent in 1986, and an historical long-term growth rate of about 3.5 percent for 1961-80. Preliminary information indicates that this favorable trend was maintained in 1988, even though it did not reach the growth levels of 1987. On a per capita basis, the agricultural sector product increased by 4.4 percent in 1987. However, since it had fallen by 5.5 percent in 1986, the per capita agricultural GDP did not regain the level attained in 1985.

In 1987, agriculture growth outpaced the 2.6 percent rate achieved by the Latin American economy as a whole. If agriculture is excluded, the growth rate for the rest of the economy would amount to only 2.1 percent. The sector thus made a significant contribution to





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

	1988	%	1961-88	%
<b>Productive Sectors</b>				
Agriculture and Fisheries	\$ 351	20.9	\$ 8,446	21.3
Industry and Mining	159	9.5	5,930	15.0
Tourism	12	0.7	529	1.3
<b>Physical Infrastructure</b>				
Energy	405	24.1	10,784	27.2
Transportation and Communications	182	10.8	5,154	13.0
<b>Social Infrastructure</b>				
Environmental and Public Health	450	26.7	4,104	10.4
Education, Science and Technology	22	1.3	1,671	4.2
Urban Development	12	0.7	1,597	4.0
<b>Other</b>				
Export Financing	81	4.8	868	2.2
Preinvestment	6	0.4	381	1.0
Other	2	0.1	161	0.4
<b>TOTAL</b>	<b>\$1,682</b>	<b>100.0</b>	<b>\$39,625</b>	<b>100.0</b>

the region's overall economic growth. As a result of the agricultural sector's substantial growth in 1987, its share in the region's total GDP rose to 11.2 percent, compared with 10.7 percent in 1986. Interestingly, this share has undergone only small variations throughout the 1980s. Indeed, with the exception of 1986, it has remained at between 11 and 12 percent of Latin America's total GDP.

Soaring production in just one country—Brazil—where growth amounted to 14 percent (following a decline of almost 8 percent in the previous year) accounted for a major share of the sector's expansion during 1987. Without Brazil, the region's agricultural growth would have been only 3.1 percent. Brazil's share accounted for 35.3 percent of Latin America's total agricultural production during the year.

Seven other countries posted strong agricultural growth in 1987. Four of these—Ecuador, Honduras, Panama and Paraguay—grew at rates of between 7 and 8 percent and three—Colombia, Peru and Venezuela—at rates of between 4 and 6 percent. Five countries—

Chile, the Dominican Republic, El Salvador, Guatemala, and Trinidad and Tobago—had moderate growth rates of between 2 and 5 percent. The agricultural sector in Argentina, Jamaica, Mexico and Uruguay grew at rates below 2 percent, and Haiti's product remained virtually unchanged with respect to the previous year. Agriculture output fell in six countries. The decline was slight (0.1 percent) in Bolivia, but sharp—from 3 to 6 percent—in Costa Rica, Guyana, Nicaragua and Suriname. In the wake of drastic cutbacks in sugar cane production, output plummeted by 11.2 percent in Barbados.

The region's agricultural expansion in 1987 occurred at a time when international market prices for the region's chief agricultural exports were improving. Prices for cotton, sugar, beef, cocoa, bananas and soybeans increased significantly. Coffee prices, however, fell sharply due to bumper crops in Brazil and other major producing countries and to the stock drawdown which followed the price rise of 1986.

Preliminary information indicates that Latin America's agricultural sector again expanded in 1988, but at a significantly lower rate than in 1987. This information is based primarily on the four major agricultural producing countries—Argentina, Brazil, Colombia and Mexico—which together account for three-fourths of the region's agricultural value added.

In Brazil, output growth was enhanced by good weather conditions and an improved policy environment. In 1988, major production gains were foreseen in Brazil for soybeans, cotton and beef. Coffee output was expected to have declined slightly below the large crop of the previous year.

Little or no growth was expected in Mexico due to inadequate seasonal rainfall, below normal water levels in reservoirs used for irrigation, rising credit and input costs, and generally poor overall economic conditions. These conditions hurt the production of grains, oilseeds and beans, in particular.

Argentina expected strong agricultural expansion in 1988, as a result of good weather and favorable governmental policies. Most of the expansion was expected in the crop subsector, especially wheat, soybeans and sunflower seed. The livestock subsector was adversely affected by price controls which held down returns to producers on meat and milk.

Colombia also expected good output in 1988, especially in coffee, rice, oilseeds, milk and poultry, as generally favorable weather and governmental policies continued.

To help spur the development of the agricultural sector in Latin America and improve living standards in rural areas, the Bank in 1988 approved loans totaling \$351.1 million. The Bank also extended \$20.4 million



**ORANGES SPILL ONTO CONVEYOR BELT** at newly completed Azucitrus fruit packing and processing plant in the Department of Paysandú, Uruguay. Oranges will produce juice concentrate and oil for export to Europe. In 1985, the Bank extended an \$11 million loan to Azucitrus, a private firm, to expand its production of citrus fruit. In addition to packing and processing plants, the project financed infrastructure for Azucitrus citrus growers, including internal roads, harvesting yards, installation of an irrigation system, and the purchase of agricultural machinery and vehicles. The plant was finished in 1988.

in technical cooperation, primarily in grants but also on a contingent recovery basis, to foster the region's agricultural production. In addition, to help farmers, both men and women, at the low end of the economic ladder, the Bank provided \$6.5 million in financing under its Small Projects Program.

The largest of the Bank's loans in the agricultural sector—\$200 million—was extended to Mexico to help finance the sixth stage of an agricultural credit program benefiting small-scale farmers in the country. The Bank approved loans of \$106 million to finance an agricultural credit program throughout Argentina, and \$5 million to provide credit and technical assistance to some 4,800 small-scale farmers in the depressed northern part of Argentina.

A \$10.6 million loan to Guatemala will finance a project to put some 4,500 hectares of land under irrigation to benefit about 640 low-income farmers and two loans totaling \$26.95 million to help meet the increasing need for credit of the agricultural and fishery sectors in Trinidad and Tobago. Finally, \$2,502,000 of a \$6 million loan extended for a credit program in the Bahamas will be channeled to farmers and fishermen.

Loans in other sectors will also benefit the agricultural sector. These include a \$35 million loan to Chile to improve 1,900 kilometers of the country's highway system that link agricultural production centers with consumption and exporting points and a \$33.2 million loan to build and pave the Confital-Caihuasi highway, part of Bolivia's main highway through which most of the country's agricultural exports flow.

The small project financings to low-income farmers include \$300,000 to provide credit to 250 low-income farm families in the Curi Leuvu basin region of the Province of Neuquen in Argentina; \$500,000 for a credit program for small-scale flower growers in Barbados; \$500,000 to provide credit for potato farmers and sheep raisers in Bolivia, and \$500,000 to provide credit



and investments for small-scale fishermen of Maxaranguape in northeastern Brazil.

The Bank also approved \$500,000 for a production credit and training program for young people in rural areas of Colombia; \$500,000 for low-income farmers in the Cauca and Valle Departments of Colombia; \$500,000 to provide credit and technical assistance to low-income vegetable farmers in northern Cartago Province in Costa Rica, and \$500,000 for credit and training for low-income farmers in various parts of Costa Rica.

Other financings were \$500,000 for a credit and technical training program to benefit some 750 low-income producers in both rural and urban informal sectors in Honduras; \$500,000 to provide credit through cooperatives to the rural and urban informal sector in Jamaica; \$500,000 to provide credit to low-income farmers in the state of Guanajuato, Mexico; \$265,000 to help low-income women working subsistence farms



in the Departments of Puno and Cuzco in Peru; \$500,000 to assist small-scale farmers in Trinidad and Tobago, and \$500,000 for a community development program to promote productive activities in the indigenous communities of Venezuela's Amazon Federal Territory. Most of these financings were accompanied by technical cooperation grants to strengthen the respective executing agencies and provide training.

The largest of the technical cooperation grants approved by the Bank in 1988 to benefit the agricultural sector amounted to \$10.53 million in support of the basic research programs of the three international agricultural research centers located in Latin America. The assistance included \$4,390,000 for the International Center for the Improvement of Maize and Wheat in Mexico, \$4,640,000 for the Center for Tropical Agriculture in Colombia and \$1,500,000 for the International Potato Center in Peru.

The Bank made a \$1,895,000 technical cooperation grant to help finance an agricultural production project benefiting low-income women farmers in the Dominican Republic; a \$920,000 grant to improve the ability of El Salvador's Ministry of Agriculture to provide services to farmers; \$3 million to help finance the preparation of agricultural projects in Latin America; a \$1.3 million grant to provide training and build basic infrastructure in low-income communities in rural highland areas of Guatemala, and \$850,000 grant to enable Guatemala and Honduras to prepare watershed management projects.

### *Industry*

Latin America's manufacturing production increased by only 2.1 percent in 1987, well below the 6.2 percent rate achieved in 1986. A further decline appears to have taken place in 1988. The region's mining output also was lower in 1987, declining by 3.7 percent, following a 2.9 percent increase the previous year. Mining production increased in the second half of 1987, but fell again in early 1988.

Manufacturing output in 1987 increased significantly in three countries—Peru, the Dominican Republic and Uruguay—where growth rates were 11 percent or more. In Peru, the increase reflected the continuation throughout most of the year of the consumption-led expansion underway since late 1985. In the Dominican Republic, the boom was fueled by the direct and indirect effects of major increases in government expenditures. (The output of assembly industries, which is not included in the official definition of manufacturing, also rose sharply.) Uruguay's high industrial growth rate was due partly to increased exports to its neighbors and outside the region.

Results in the rest of the region were much less favorable. Brazilian production, which accounts for two-fifths of Latin America's manufacturing output, increased just 1 percent in 1987. Performance was similar in the other major manufacturing countries. While production rose by 2 percent in Mexico, it declined by 0.6 percent in Argentina. Elsewhere, manufacturing output increased 4.8 percent in Costa Rica. In the other countries of Central America, the rates ranged from a growth of 3 percent in El Salvador to a drop of 1.6 percent in Nicaragua. Declines in industrial product of more than 6 percent were posted in Barbados and Guyana, while output in Suriname fell more than 15 percent.

For Latin America as a whole, the industries registering the highest growth rates were chemicals (13.5 percent), basic metals (9.1 percent), non-metallic mineral products (8.2 percent) and paper (7 percent). At the other extreme, textile production increased by only 2.9 percent while the clothing, leather and footwear industries declined 0.5 percent, remaining below the level attained in 1980.

Partial preliminary data show a worse performance in 1988. According to United Nations data, production in Latin America declined nearly 3 percent in the first quarter of the year. Other sources, covering the first eight to nine months, indicate gains in some countries, (Colombia, for example), but declines in Argentina and Mexico. Brazil also went down, although it began to show signs of recovery by June. In some industrial countries, growth lagged, even though near record increases in exports of manufactures took place, notably in Brazil, Argentina and Mexico, in that order. In Brazil, for example, three branches of industry—steel, paper and chemicals—posted export increases of more than 100 percent.

Latin American industry is developing a rising export capacity. An increasing proportion of exports, however, are accounted for by the three largest producers in the region—Argentina, Brazil and Mexico. Those countries, as well as others, have shown dramatic export growth, especially in the years in which domestic demand has been particularly low. How many of these new exports are being produced at costs low enough to continue after there is a substantial recovery is not yet known. Thus, in addition to the real concerns posed by increased protectionism abroad, supply side problems exist.

To counter inefficient manufacturing processes, there has been a tendency in the region in recent years to foster competition through more open economies. Continuing weaknesses in the educational system also undermine productivity increases. In some countries, increased emigration of professionals and technicians



from the region accent such weaknesses. This may also be discouraging the investment and technological upgrading required to maintain the future competitiveness of the region. In this regard, the rates of investment in industry and supporting infrastructure have been particularly low during the 1980s.

The increasing revealed comparative advantage in technologically more complex manufactures that characterized the industrial exports of Brazil and Argentina in the 1970s appears to have reverted in the 1980s to a more resource-based comparative advantage, as was the case in the 1960s. In many other countries, the comparative advantage was based on the use of intensive labor, as real wages fell sharply in Latin America. In some cases, wages declined to levels below those of several Asian countries, partly as a result of the effort to correct the currency overvaluation of the 1970s. However, resource-based comparative advantage products tend to have lower price and income elasticities, thus limiting their scope for fueling increases in the rates of industrial growth, especially at the time many developing countries are manufacturing such products.

Increasingly, Latin America is placing stress and importance on small- and medium-sized enterprises and is paying greater attention to the contribution to development and employment of informal sector microenterprises. The small- and medium-scale industries are viewed not only as an important source of employment, but as a start-up base for larger scale production, a laboratory for entrepreneurship, a means of introducing increased flexibility into the industrial environment, and, in several industries, as a vehicle for the new technology of the electronic revolution.

During 1988, the Bank authorized \$159.5 million in loans to help fund credit facilities for the industrial sector. They included \$100 million in Colombia for an industrial credit program to be carried out through the nation's development finance corporations; \$28 million of a \$40 million loan extended to Bolivia will provide credits for the industrial sector through intermediary credit institutions; \$30 million in Costa Rica will be re-lent to private enterprises through the member banks of the nation's free enterprise financial system, and finally, \$1.5 million in a \$6 million loan extended to the Bahamas will be re-lent for the expansion or construction of new industry in the Bahamas.

Through its Small Project Program, the Bank provided \$500,000 to support microentrepreneurs in Santo Domingo; \$700,000 for two projects to help small-scale producers in Guatemala City; \$250,000 to help low-income women microentrepreneurs in Haiti; \$200,000 to provide additional financing for small-scale business persons in the state of Chihuahua, Mexico, and \$500,000 to provide credit to microentrepreneurs in

Caracas. In addition, portions of other small-scale financings in Colombia, in Costa Rica and in Jamaica are also being devoted to fostering small-scale industrial production.

A number of these small financings were accompanied by technical cooperation grants designed to strengthen the executing agencies of the small industrial projects.

Under its technical cooperation program, the Bank also approved a \$1,165,000 technical cooperation grant to support microenterprises in Guatemala.

### *Energy*

During 1988, the world oil market continued to soften. As a result, prices declined. For Latin America, this represented the year's most important event in the energy sector. Over the past few years, petroleum has lost center stage in discussions on energy matters, due to the fact that the vulnerability of industrialized countries in relation to raw materials and energy imports from developing countries has diminished.

Crude oil, nevertheless, is still the principal commodity exported by Ecuador, Mexico, Trinidad and Tobago and Venezuela, and it is also becoming an important foreign exchange earner for Colombia. The price for Latin America's exported crude oil fell by about 20 percent from 1987 to 1988 with serious repercussions on the economies of those countries. Oil export earnings for the group of net oil exporters declined from a peak of \$37.7 billion in 1981 to less than half that level in 1988, an effect due principally to the price slide and to a modest reduction in the volume of exported refined products.

On the other hand, the net oil-importing countries of the region, after spending a record \$15.7 billion on oil imports in 1980, reduced the value of such imports to less than \$5 billion in 1988.

Brazil, the largest oil-importing country in the region, has benefited the most from the downward trend in oil prices. The drop in prices accompanied by a vigorous energy production and diversification program, resulted in a reduction in Brazil's imports from \$10.3 billion in 1980 to less than \$3 billion in 1988.

The profound changes in the international oil market have had a significant impact on the patterns of energy production in the region. As a reaction to the sharp increase in oil prices in the 1970s, the Latin American countries pursued a two-pronged energy strategy.

One objective was to increase energy production, namely petroleum and other types of commercial energy such as coal, gas and hydroelectricity. The second objective was to replace petroleum derivatives in the



various end-use sectors, particularly in the oil-importing countries. Petroleum production in the region increased from 1.7 million barrels a day in 1974 to 6 million barrels a day in 1987. The ratio of reserves to production rose from 17 years to 52 years during that period. Besides petroleum, another subsector in which large investments were made was electricity generation and distribution. Hydropower increasingly replaced thermal generation. In the industrial sector, progress was made in replacing oil derivatives with electricity and coal.

New investments in energy production in Latin America have been limited in recent years due to the continuous downward pressure on crude oil prices, slow economic growth and the heavy retrenchment in external financing, especially from private banks which were responsible for a large part of the external financing of energy projects during the 1970s.

In 1988, most of the activity in the sector was concentrated in finishing ongoing projects, particularly in electricity generation and distribution. According to capital investment surveys of the world petroleum industry, petroleum continues to receive some investment since it is tradable and generates needed foreign currency.

The financing of energy projects, particularly in electricity generation and distribution, is becoming the main concern of governments in the region. Many of the current problems in the power sector are derived from the massive flow of investment into additional electricity generation and oil exploration and production in the 1970s and early 1980s. These costly investments—particularly in electricity generation—coupled with higher interest rates, currency devaluations and inefficient management practices, have put many state-owned power companies in financial straits.

Following sluggish years caused by the recession of the early 1980s, the trend of positive growth in energy production and consumption has continued to take place.

The electricity subsector has shown only moderate growth in production and consumption due to the weak economic performance and slow expansion of industrial activity. The demand for electricity has become an increasingly sensitive indicator of changes in industrial production, due to its greater use in manufacturing processes. In Brazil, for example, the industrial sector, which is responsible for more than 50 percent of electricity demand, was stagnant during 1988. In most countries the current installed electricity generation capacity is sufficient to cover projected demand over the next few years.

Projections indicate an annual growth rate in oil consumption of 5 percent for the region over the 1988–92 period. By 1990, projected oil demand will be

around 4.4 million barrels a day. Current production is approximately 6 million barrels a day.

Over the medium term, the Latin American energy sector is expected to continue to utilize existing capacity more efficiently and increasingly to rationalize consumption. Given the current levels of international oil prices, petroleum exploration and production will continue, as the region seeks to increase exports or replace imports. Besides current producing nations, however, substantial investments in exploration are not likely to be attracted in the remaining countries.

The development and utilization of natural gas in Argentina, Bolivia and Brazil might enhance the prospects for regional integration in the 1990s. In the electricity area, emphasis in the 1990s is expected to be placed on the completion of certain generation projects initiated in the 1970s, on efforts to reduce electricity losses and on improvements in the operation and management of power systems. At the same time, power companies are expected to review and revise their rate structures in order to generate additional revenues internally for further expansion of their systems. The technical and economic problems of the power companies, however, requires not only a revision of tariff rates but also substantial reorganizational and administrative changes. The challenge this sector faces is to find comprehensive and imaginative solutions designed to increase economic efficiency.

The Bank's lending for the energy sector in 1988 reflected the priority being placed by the region on finishing ongoing projects, particularly in electricity generation and distribution. The Bank approved a total of \$404.8 million for the energy sector during the year. Of that amount, \$359 million went to the electricity subsector and \$45.8 million to the petroleum subsector. The largest loan—\$250 million—was extended to a binational entity of Argentina and Paraguay for the completion of the 2.7-million-kilowatt Yacyretá hydroelectric power project. The other electric power loan—\$109 million—went to the Bahamas for a broad electricity expansion program for the islands. The Bank approved two loans for \$45.8 million to enable *Yacimientos Petrolíferos Fiscales Bolivianos (YPFB)* to carry out a project to increase exploration and production of petroleum.

Through its technical cooperation program, the Bank provided \$164,000 in a grant to conduct a study of the tariff structure applied by the Bahamas Electricity Corporation. It provided a \$2,250,000 grant to improve the operations of Central America's interconnected electric system. Finally, the Bank approved a \$43,000 technical cooperation grant to help finance a Latin American symposium on electric energy loss management which took place in 1988 in Bogota, Colombia.





**JUMBLE OF CONCRETE BLOCKS** create breakwater for fishing port at Bridgetown, Barbados. The port and related facilities were completed in 1988 with the help of two loans totaling \$8 million approved by the Bank in 1984. The project also includes repair facilities and a fishing terminal with cold storage facilities. The new port includes environmental protection measures so that harmful waste materials will not be flushed back out to sea.

bilitation of 262 kilometers of Central American highways. Along with the loan to Bolivia, the Bank approved a \$215,500 technical cooperation grant to strengthen Bolivia's highway agency, the *Servicio Nacional de Caminos*.

#### *Social Sectors*

The social conditions prevailing in Latin America in 1988 and the social services provided in the region continued to reflect the impact of the adjustment process that most countries have undergone in the 1980s as a result of the economic and financial crisis.

The recovery that has taken place in the level of economic activity in the region since 1984 has been based mainly on consumption. Economic investment, for its part, has suffered from fiscal retrenchment and unfavorable expectations, and still lags well below the levels of the early 1980s.

Latin America's economic slowdown in 1987 and 1988 cut short the improvement in open unemployment that had occurred in the two preceding years and also ruled out improvements in average real wages. In fact, the levels of investment and economic activity have been insufficient for job creation in the region to meet the needs of a growing labor force. Moreover, the jobs created have seldom been in the high-productivity sectors, which are best able to offer good wages.

The availability of resources for public investment (including counterpart funds for projects with international financing) in social sectors in the region has been severely restricted. For its part, the Bank in 1988 continued through its lending and technical cooperation programs, to provide support for the expansion, and maintenance operation of social services.

Overall, the Bank approved loans totaling \$484.1 million for social infrastructure. These included \$449.9 million for environmental and public health; \$22.1

#### *Transportation and Communications*

In 1988, the Bank provided \$182.1 million in loans to finance transportation projects in Latin America.

The loans included \$33.2 million to help Bolivia build and pave the Confital-Caihuasi section of the main highway between La Paz and Santa Cruz in Bolivia; \$35 million to improve 121 segments of roads totaling 1,900 kilometers in length in areas of Chile having a high production potential, and \$45.5 million loan to improve urban highways throughout Chile.

Also, two loans totaling \$45.8 million to rehabilitate, build or improve 588 kilometers of highways and roads in Honduras and \$22.6 million to the Central American Bank for Economic Integration for the reha-





***STUDENTS TEND GARDEN PLOT and get practical experience as part of their school chores. In 1981, the Bank approved a \$27.5 million loan to help finance an integrated rural development project in the Department of Paraguari, Paraguay. The project was designed to increase the production of farmers and to improve physical infrastructure and social services in the Department. As part of the project, new classrooms, such as these in the community of Rincón de Raque Gonzalez, were built.***

million for education, science and technology, and \$12.1 million for urban development.

The Bank approved two loans in Argentina to improve water services. The first, amounting to \$70 million is helping to expand water supply systems of 130 towns of between 100 and 15,000 inhabitants throughout the country. The second for \$98 million is being used for a project to provide water to the western part of Greater Buenos Aires.

A loan of \$56.2 million will help improve the water supply and sewage systems of 46 urban centers in

Chile. Another for \$47.8 million will help expand and upgrade the water system of Asuncion, Paraguay.

Two loans totaling \$100 million will be used to improve the water and sewage systems of Cali, Colombia. A loan of \$50 million will improve the water quality of Lake Valencia in Venezuela through the construction of a wastewater treatment system.

The Bank approved a \$27.9 million loan to carry out the second stage of a health care program in Guyana; a \$22.1 million loan to strengthen science and technology in Costa Rica, and \$12.6 million to carry out urban development projects in 86 medium-sized cities ranging in size from 10,000 to 80,000 inhabitants in Honduras.

Through its technical assistance program, the Bank approved a \$2.5 million grant to enable the Bahamas to prepare feasibility studies and preliminary designs for two new hospitals—one in New Providence and the other in Grand Bahama; \$1.8 million to improve sanitary conditions in the Jacarezinho favela in Rio de Janeiro; \$543,000 to improve health and environmental conditions in the municipality of Bosa, a poor neighborhood in Bogota, Colombia, and \$300,000 to extend social security health benefit to new beneficiaries in the southwest region of Guatemala.

Also, \$1.8 million to strengthen the ability of the Ministry of Health in Guyana to carry out the previously mentioned health care program; \$935,000 to carry



out a study on planning and financing the sanitation sector in Paraguay; \$139,000 to help cover post-production and other costs of educational materials prepared in connection with the first Panamerican Teleconference on AIDS (Acquired Immunity Deficiency Syndrome) which was held in Quito, Ecuador in 1987, and \$90,000 to cover the costs of translating, publishing and distributing a study on *World Resources 1987*.

In the field of education, science and technology, the Bank approved a \$506,000 grant for a series of courses designed to train businessmen in Uruguay and a \$510,000 grant to strengthen training in the implementation and management of scientific and technological development projects in Latin America.

In the urban sector, the Bank approved \$1.3 million technical cooperation grant to provide training and sanitation, health care and other needed social services in the western highlands of Guatemala.

### *Other Sectors*

In other sectors, the Bank approved a \$5,655,000 loan to help Trinidad and Tobago carry out preinvestment studies for high priority development projects. The loan was accompanied by two technical cooperation grants. The first, amounting to \$1.3 million, will be used to prepare basic preinvestment studies on agriculture, the conservation of renewable natural resources and environmental management. The second, totaling \$340,000, will strengthen the ability of the Ministry of Planning and Mobilization to execute and administer the preinvestment program.

The Bank approved a \$2 million line of credit to enable Guyana to initiate an export financing program and increased previous lines of credit in the Dominican Republic and Mexico by \$1 million each. In addition, the use of previously approved export financing credits to a number of countries was increased by repayments amounting to \$76.7 million.

Finally, \$1.5 million of a \$6 million loan to the Bahamas for multisectoral credits will be used to finance services.

### 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 1988, the Bank completed disbursements on 66 loans amounting to a net total of \$2,478 million, bringing the cumulative total to 1,357 loans with a value of \$18.8 billion. This accounts for 51.6 percent of the Bank's cumulative lending.

A sector profile of progress achieved on Bank projects on a cumulative basis through the end of 1988 appears below:

*Agriculture and Fisheries:* 437 loans amounting to \$8,446 million are helping to finance agricultural and fisheries projects whose total cost is \$18,677 million. More than 4 million persons have benefited from the Bank's agricultural programs. As of September 30, 1988, work on these projects had helped to incorporate into production some 1.8 million hectares of land through irrigation, 259,000 through drainage, 108,000 through flood protection, and 757,000 through soil conservation. In addition, 34,000 hectares of pastures have been established.

With loans channeled through development financing institutions, the Bank has helped to provide 2,199,430 loans to farmers. In the livestock sector, some 109,000 head of cattle to improve breeds have been purchased.

Fisheries projects in execution involve an increase in the region's fish catch of about 840,000 tons, primarily for domestic consumption. A total of 5,010 new fishing boats—large, medium and small—have been built. Some 550 hectares of ponds have been prepared for shrimp farming.

In forestry, 217,000 hectares have been planted in trees under Bank-financed programs, another 1,100,000 hectares have been improved, and 128,000 cubic meters of lumber is being produced annually.

*Industry and Mining:* 264 loans amounting to \$5,930 million have been approved for industrial and mining projects costing \$29,183 million. These loans are helping to build, improve or expand 97 industrial plants directly, and thousands more indirectly through 17,168 credits extended to small- and medium-scale enterprises by the region's development finance institutions from 151 loans extended to them by the Bank. In the mining and petroleum sector, a total of 51 major projects, 29 of which are petroleum projects and 22 mining projects.

*Energy:* 231 loans for \$10,784 million are helping to finance projects in the energy sector being carried out at a total cost of \$40,268 million. These loans are helping to increase Latin America's generating capacity by 37,981,000 kilowatts, to add 281,438 kilometers of primary transmission and distribution lines to the region's power network, and to improve distribution systems in 10,108 communities, benefiting 43 million persons. As of September 30, 1988, generating units with a combined capacity of 31,016,000 kilowatts had been completed; 210,842 kilometers of transmission and distribution lines had been constructed, and improved power service had been brought to 8,973 communities.





**SUPERVISOR OF THE SOUTH ANDROS COOPERATIVE Marine Supply and Food Store pauses a moment from working on day's accounts. In 1981, the Bank extended a \$500,000 financing to the Cooperative to purchase a "mothership," build a fish processing facility and this store. The ship is large enough to transport dinghies and fishing gear and has enabled fishermen to expand their fishing to more productive grounds further away from shore.**

Bank financing is assisting also in the construction of 4,900 main gas pipelines and 300 kilometers of oil pipelines. As of September 30, 1988, a total of 4,700 kilometers of gas pipelines and all of the petroleum lines had been completed.

*Transportation and Communications:* 244 loans totaling \$5,154 million are financing transportation and communications projects whose combined cost is \$10,986 million. These loans are helping to build or improve 78,959 kilometers of roads, including 27,055 kilometers of main highways and 51,904 kilometers of

secondary roads. As of September 30, 1988, some 22,254 kilometers of main highways and 45,193 kilometers of secondary roads had been finished. In addition, Bank financing was providing for the construction of 98 large bridges and 2,072 small ones. Of these, 77 large bridges and 1,815 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 September 30, 1988, 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 September 30, 1988, 277 microwave routes, 2 satellite stations, 7 long distance exchanges, 288 local exchanges, 16,292 telephone pairs and 2,823 rural telephones have been installed.

*Environmental and Public Health:* 232 loans amounting to \$4,104 million are contributing to the execution of water supply, sanitation and public health projects whose total cost amounts to \$8,856 million.



These loans are helping to build or improve 7,350 pure water systems benefiting 8,713 communities with 146 million inhabitants and 468 sewage systems benefiting 507 communities with a total population of 62 million persons. As of September 30, 1988, a total of 6,639 water systems in 7,267 communities and 406 sewage systems in 436 communities had been completed.

In addition, these loans are helping to build or equip 2,465 public health facilities, ranging from hospitals to rural health facilities benefiting a total of 18,750,169 persons. As of September 30, 1988, a total of 1,323 of these health centers benefiting 5,180,056 persons had been completed.

*Education, Science and Technology:* 141 loans amounting to \$1,671 million are financing education projects whose total cost is \$3,386 million. These loans are helping to expand and improve 3,896 learning centers, of which 160 are universities, 130 are vocational or technical schools, 357 are secondary schools, 2,984 are primary schools, 120 are technical training centers and 145 are adult education centers. As of September 30, 1988, work had been completed on 121 universities, 119 vocational and technical schools, 293 secondary schools, 2,740 primary schools and 93 technical training centers and 127 adult education centers. In addition, 27,595 student educational credits had been extended.

Through its loans for science and technology, the Bank is financing programs involving 43 research centers, 3,684 individual research projects, and 193 credits to enterprises. As of September 30, 1988, the work at 21 research centers, 1,620 research projects and 152 credit projects had been completed.

*Urban Development:* 92 loans amounting to \$1,596 million are helping to finance urban development projects whose total cost is \$3,179 million. These loans have helped to build 408,416 housing units along with urban and community facilities. Among the latter, 133 communities with 430,557 inhabitants have benefited from improved sanitation projects; 42 bus terminals have been completed and another 7 are in construction; 205,240 persons have been provided with electricity; 74 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:* 71 global preinvestment loans amounting to \$381 million are helping to finance programs whose total cost is \$683 million. As of September 30, 1988, preinvestment loans had been extended for 3,024 studies. Of these, 2,716 studies have been completed.

*Tourism:* 18 individual loans, as well as portions of global loans, totaling \$529 million, are helping to finance tourism projects which involve a total investment of \$1,253 million. Loans for specific projects have helped to build or improve 20 hotel facilities, 70 tourist attractions, 30 tourist services and 38 transportation infrastructure projects. From global loans channeled through development banks in Latin America, 710 credits have been extended to small-scale tourist projects.

*Export Financing:* 44 credits amounting to \$868 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 \$1,178 million.

*Other:* 11 loans amounting to \$161 million are helping to finance counterpart funds and the completion of projects.





*CLOUD OF STEAM RISES from geothermal well at the foot of the Cerro Quemado Volcano near Quezaltenango, Guatemala. In 1983, the Bank extended two loans totaling \$52.6 million to help finance construction of Guatemala's first geothermal power plant and to carry out studies for future hydro, thermal, and geothermal power projects. Below, truck rounds curve on rebuilt section of Peru's Central Highway. In 1981, the Bank extended two loans totaling \$9.5 million to help rehabilitate transportation systems in central Peru that had been destroyed by flooding and landslides.*





## 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 1988 from its various sources of funds, as well as selected highlights on progress made on projects financed in prior years.

The interest rates charged by the Bank on loans made from its ordinary capital resources reflect the costs incurred by the Bank in borrowing funds on the world's capital markets. Effective January 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 1988 was fixed at 7 percent.

A loan approved in 1988 from the ordinary capital received a partial offset of interest from the Intermedi-

ate 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, depending on the nature of the project. Loans extended from the ordinary capital during 1988 were made for terms ranging from 15 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 development of the country and the nature of the project, with grace periods ranging 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 30 to 40 years.

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

### COMPARATIVE YEARLY LENDING, 1984-88

*In Millions of U.S. Dollars*

Country	1984	1985	1986	1987	1988
Argentina	\$ 458.8	\$ 108.9	\$ 516.3	\$ 13.1	\$ 291.4
Bahamas	—	—	—	—	115.0
Barbados	36.5	21.7	20.9	0.6	0.4
Bolivia	78.0	—	140.4	89.7	121.2
Brazil	393.7	395.3	428.8	369.9	7.1
Chile	293.3	522.5	359.8	—	136.7
Colombia	405.0	413.3	87.0	546.6	200.0
Costa Rica	92.6	6.0	179.9	112.8	61.1
Dominican Republic	205.5	146.2	140.0	0.4	2.7
Ecuador	306.4	274.4	272.7	263.5	—
El Salvador	110.2	26.2	25.2	169.3	7.2
Guatemala	13.9	192.0	65.8	43.8	10.6
Guyana	40.7	58.5	—	6.7	29.9
Haiti	0.4	24.7	56.5	—	—
Honduras	42.0	69.8	122.9	1.5	58.4
Jamaica	10.0	30.1	59.3	57.4	13.5
Mexico	229.8	401.5	327.9	164.1	204.0
Nicaragua	—	—	—	—	—
Panama	8.4	52.8	98.4	16.7	—
Paraguay	37.5	—	—	32.1	47.8
Peru	195.8	14.5	19.2	85.9	18.0
Suriname	—	8.0	6.0	7.8	—
Trinidad and Tobago	—	25.6	36.8	1.0	34.3
Uruguay	119.8	21.6	73.2	153.2	—
Venezuela	448.3	238.0	—	225.0	50.0
Regional	40.0	9.6	—	—	272.6
Total	\$3,566.6	\$3,061.2	\$3,037.0	\$2,361.1	\$1,681.9



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, which represents a small amount of the total, 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 table on the previous page details the Bank's comparative yearly lending by country for 1984-88. The two following tables show similar information for small projects financing and technical cooperation approvals.

#### COMPARATIVE SMALL PROJECTS FINANCING, 1984-88

*In Thousands of U.S. Dollars*

Country	1984	1985	1986	1987	1988
Argentina	\$ 500.0	\$ —	\$ 500.0	\$ —	\$ 300.0
Bahamas	200.0	—	—	—	—
Barbados	150.0	—	—	250.0	500.0
Bolivia	—	—	800.0	1,500.0	500.0
Brazil	500.0	—	—	—	500.0
Chile	—	—	—	—	—
Colombia	1,700.0	350.0	—	—	1,000.0
Costa Rica	1,500.0	—	—	500.0	1,000.0
Dominican Republic	501.1	875.0	500.0	—	500.0
Ecuador	500.0	500.0	—	1,500.0	—
El Salvador	—	385.0	—	1,000.0	—
Guatemala	300.0	300.0	—	1,000.0	700.0
Guyana	330.0	—	—	250.0	—
Haiti	—	340.0	—	—	250.0
Honduras	300.0	500.0	1,500.0	500.0	500.0
Jamaica	500.0	—	200.0	—	500.0
Mexico	500.0	1,100.0	500.0	—	700.0
Nicaragua	—	—	—	—	—
Panama	—	1,500.0	500.0	250.0	—
Paraguay	500.0	—	—	750.0	—
Peru	—	600.0	—	—	265.0
Suriname	—	—	—	—	—
Trinidad and Tobago	—	—	—	—	500.0
Uruguay	500.0	450.0	—	500.0	—
Venezuela	—	—	—	500.0	1,000.0
Regional	—	—	—	—	—
<b>Total</b>	<b>\$8,481.1</b>	<b>\$6,900.0</b>	<b>\$4,500.0</b>	<b>\$8,500.0</b>	<b>\$8,715.0</b>

#### COMPARATIVE YEARLY TECHNICAL COOPERATION, 1984-88

*In Thousands of U.S. Dollars*

Country	1984	1985	1986	1987	1988
Argentina	\$ 94.0	\$ 93.0	\$ 156.6	\$ 3,170.0	\$ 119.6
Bahamas	697.5	35.8	380.7	30.0	2,993.2
Barbados	820.0	26.0	1,477.0	71.0	150.0
Bolivia	956.5	47.5	855.5	2,825.6	1,937.1
Brazil	595.6	154.5	6,531.4	84.8	4,007.3
Chile	51.8	115.6	144.2	18.2	39.4
Colombia	143.8	749.2	41.5	174.3	1,029.3
Costa Rica	2,048.1	175.5	168.4	1,024.1	1,454.3
Dominican Republic	2,854.6	1,556.1	862.8	735.0	2,056.2
Ecuador	619.9	1,816.2	109.7	492.6	1,103.9
El Salvador	771.8	332.8	1,575.8	7,590.4	1,900.0
Guatemala	942.0	1,478.4	526.0	442.1	3,042.0
Guyana	2,834.3	2,184.8	406.0	1,524.1	2,946.6
Haiti	3,356.5	2,721.9	38.3	58.0	225.1
Honduras	2,489.4	1,385.5	288.5	737.3	1,376.3
Jamaica	127.3	1,370.1	187.5	1,179.0	5,968.0
Mexico	21.7	160.6	27.2	39.4	254.4
Nicaragua	58.8	55.0	16.3	103.5	200.0
Panama	67.4	2,297.7	1,550.7	1,222.9	—
Paraguay	3,117.5	242.3	373.2	240.0	1,055.4
Peru	1,134.4	634.7	123.5	38.7	250.0
Suriname	72.0	1,172.5	194.6	3,430.6	60.0
Trinidad and Tobago	—	18.0	119.0	—	2,019.0
Uruguay	1,195.8	197.0	871.0	95.0	1,252.0
Venezuela	271.7	103.3	27.3	389.2	231.9
Regional	23,135.3	21,648.1	3,284.0	21,120.2	20,043.0
<b>Total</b>	<b>\$48,477.7</b>	<b>\$40,772.1</b>	<b>\$20,336.7</b>	<b>\$46,836.0</b>	<b>\$55,714.0</b>



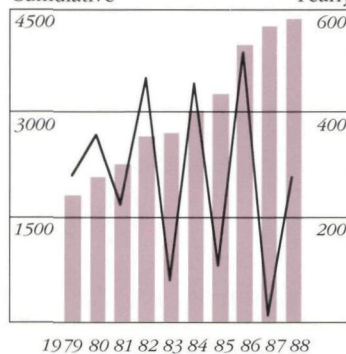
# ARGENTINA

## LOANS

**Agriculture Credit Program:** Agriculture accounts for 75 percent of Argentina's exports, 15 percent of its gross domestic product, and 12 percent of federal government revenues. The sector's role in increasing exports and generating the foreign exchange required to fuel the nation's economic growth over the medium term is vital. Argentina ranks second among the world's agricultural exporting nations and has great potential for further expansion. In order to spur growth in the sector, the Bank in 1988 approved a \$106 million loan from the ordinary capital to provide credit resources to raise productivity and production in the farm sector. The project will be executed by the *Banco de la Nación Argentina*, which will channel the resources of the loan through its national network of subsidiaries, private commercial banks, and provincial and municipal commercial banks. The World Bank provided a \$105 million loan to help finance the project. The resources of the loan will be used to extend credit to farm owners, sharecroppers, tenants, farm cooperatives, producers' associations, and contractors providing services to agriculture and agribusiness enterprises involved in storing, packing and handling farm products. The loan proceeds will be used for capital investments and associated working capital in agricultural and agribusiness development projects.

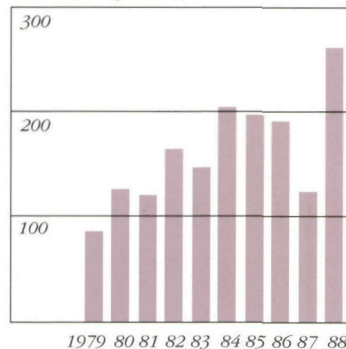
**Credit for Small-Scale Farmers:** Although Argentina enjoys comparative advantages in farming, particularly in the Pampas region, the farm sector has not developed to its full potential due to such constraints as scant resources, a lack of credit, land tenure problems and a shortage of technical cooperation. Some areas of the country, notably the northeast provinces of Corrientes, Chaco, Formosa and Misiones, have not fully developed and remain depressed. Small-scale farmers in this region have particularly suffered from such limitations. To help improve productivity in this region, the Bank in 1988 approved a \$5 million loan from the ordinary capital to provide credits and technical assistance to some 4,800 small-scale farmers. The project is being carried out by the *Secretaría de Agricultura, Ganadería, y Pesca (SAGyP)* and the respective provincial governments. The International Fund for Agricultural Development (IFAD) is cofinancing the project with a \$10.1 million loan. The objectives of the program include the development and diversification of agricultural activities

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



■ Cumulative  
— Yearly

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



and the incorporation of the beneficiaries into the institutionalized credit systems. Credits will be used for the acquisition of farm equipment and implements, irrigation and spraying, the establishment of pastures, obtaining legal titles to current agricultural holdings, basic marketing infrastructure and transportation equipment.

**Drinking Water for Western Buenos Aires:** About 66 percent of Argentina's total urban population has drinking water service. To help increase this percentage, the Bank in 1988 approved a \$98 million loan from the ordinary capital. The loan will help finance a drinking water supply system in the districts of Morón and Tres de Febrero in the western sector of Buenos Aires. The project will be executed by *Obras Sanitarias de la Nación (OSN)*, the agency responsible for providing water and sewage services in metropolitan Buenos Aires. It provides for the modernization and expansion of the San Martín water treatment plant to serve new areas. In

### Distribution of Loans 1961-88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$1,737,407	\$ 4,634,093
Industry and Mining	610,778	3,351,382
Agriculture and Fisheries	531,065	1,779,557
Environmental and Public Health	468,682	1,176,187
Transportation and Communications	399,377	962,904
Education, Science and Technology	280,795	673,641
Urban Development	163,603	401,000
Export Financing	109,034	155,764
Preinvestment	3,343	9,473
<b>Total</b>	<b>\$4,304,084</b>	<b>\$13,144,001</b>



**WATER CISTERN UNDER CONSTRUCTION** will hold water from the Limay River before it is distributed to water tanks in the community of Plottier near Neuquén, Argentina. The 500-cubic meter cistern is one of more than 156 water systems being built with the help of two Bank loans for \$53.2 million approved in 1981 to finance the fourth stage of a rural water supply program. Approximately 438,000 persons living in 178 small communities in 19 Argentine provinces are benefiting from the program.



addition, OSN will be strengthened. The project works include the construction of an underground watercourse approximately 16.5 kilometers long, two pumping stations, trunk lines, approximately 420 kilometers of distribution mains, about 700 kilometers of service lines and 144,000 metered household connections to supply a population of 1 million persons. The San Martín water plant will be modernized to improve water quality and increase its daily capacity from 2 million to 3.4 million cubic meters. The project also includes studies and final designs for a sewage system and the sewage treatment plants required by the western zone. It also provides technical cooperation for studies to develop technologies and train OSN staff in the operation of treatment plants, underground hydraulic structures, laboratory and quality control, water purification, sludge disposal at the treatment plant, environmental aspects of water pollution and the design of a schedule of rates.

**Potable Water for Small Towns:** Since 1965, the Bank has cooperated with Argentina in a broad effort to bring potable water to small communities throughout the country. Population growth in the decade of the 1980s has outstripped the installed capacity of this service. The total urban and urbanized rural populations receiving water services dropped from 58 percent in 1980 to 53 percent in 1985. The situation has been particularly acute in small communities, where potable water coverage in communities ranging from 100 to 15,000 inhabitants is slightly above 35 percent. To improve this situation, the Bank in 1988 authorized a

\$70 million loan from the ordinary capital to help provide potable water to 400,000 persons living in 130 such communities. The project will be carried out by the *Servicio Nacional de Agua Potable y Saneamiento (SNAP)* and the respective provincial water and sewage agencies. It calls for the construction or improvement of approximately 110 water supply systems, consisting of catchment works, intake and supply lines, treatment units, storage tanks, distribution systems and meter connections. The project also provides for technical support to SNAP for feasibility studies and final designs of civil works, and for training courses for the staff of the provincial water agencies and members of the communities in charge of building, operating and maintaining the systems.

**Yacyretá Hydroelectric Project:** During 1988, the Bank extended a \$250 million loan to a binational entity of Argentina and Paraguay to provide additional financing for the construction of the 2.7-million-kilowatt Yacyretá hydroelectric power project. The project is described fully in the Regional Section.

**Export Financing:** In 1988, 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 for nontraditional exports of manufactured and semi-manufactured goods to other Latin American member countries of the Bank was extended through repayments by \$12.4 million.



## FINANCING FOR SMALL PROJECTS

**Support for Low-Income Farmers in Neuquén:** The *Corporación de Desarrollo de la Cuenca del Curi Leuvú* (CORDECC) was created in 1986 as a nonprofit institution to improve the socioeconomic condition of persons engaged in low-productivity farming and ranching. In 1988, the Bank approved a \$300,000 financing from the Fund for Special Operations to provide credit facilities through CORDECC to some 250 low-income farm families living in the northwest region of the Province of Neuquén. That region has a population of 8,000. The specific area of the project is the Basin of the Curi Leuvú where 300 farmers live in small valleys. The credits will enable farmers to acquire tools and other equipment, as well as install irrigation works, to increase farm production. The primary activities in the region include the breeding of goats and sheep, and the cultivation of such crops as alfalfa, cereal grains, vegetables and legumes.

## TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described financing to the *Corporación de Desarrollo de la Cuenca del Curi Leuvú* (CORDECC), the Bank in 1988 approved a \$70,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to contract services designed to strengthen the lending functions of the corporation, as well as to provide training and farm extension services to the beneficiaries.

## PROGRESS HIGHLIGHTS

**Rural Water Supply Systems:** In 1981, the Bank approved two loans for \$53.2 million—\$35.7 million from the ordinary capital and \$17.5 million from the Fund for Special Operations—to help finance the fourth stage of a national rural potable water supply program. Under this stage, potable water is being provided to an estimated 438,000 inhabitants in 178 small communities in 19 Argentine provinces. By the end of 1988, 124 of the 156 water systems being built under the program had been completed and the other 32 systems were under construction. In addition, during 1988, the *Servicio Nacional de Agua Potable Rural* (SNAP), the executing agency for the program, had completed the purchase of the required vehicles and computer equipment. As a result of the progress made on the project, the Bank in 1988 approved the previously described \$70 million loan to finance the fifth stage of the program.

approved a \$40 million loan from the ordinary capital to help modernize a seamless steel tube and pipe plant at Campana, some 90 kilometers northwest of Buenos Aires. The plant is owned by *SIDERCA S.A.I.C.*, a private company which in 1954 became the first in Latin America to produce stainless steel tubing, used heavily by the oil industry. Nearly half of the company's production is exported. The loan enabled *SIDERCA* to expand its production capacity of about 300 items of pipe, casing and tubing from 325,000 to 425,000 tons a year. The company used the loan to replace a Pilzer rolling mill with a mill which will make medium-size pipe, 5 to 9<sup>5</sup>/<sub>8</sub> inches. By the end of 1988, the project was completed and was fully operational.

**Steel Tube and Pipe Plant:** In 1985, the Bank



# BAHAMAS

## LOANS

**Multisector Credit Program:** The tourism, agricultural, fishing and industrial sectors are the mainstays of the Bahamian economy. Of these, tourism is the most important. It is the country's main source of foreign exchange earnings and employs approximately 40 percent of the labor force. Agriculture and fishing, consisting mainly of small-scale producers, account for about 5 percent of GDP and more than 5 percent of total employment. Despite the potential of these sectors, however, the Bahamas must import some 80 percent of its food requirements. The manufacturing sector is relatively small, accounting for about 10 percent of the GDP. To support development in these sectors, the Bank in 1988 approved a \$6 million loan from the ordinary capital. The resources will be used to provide credits to private sector enterprises. The project will be carried out by the Bahamas Development Bank (BhDB), which was established in 1978 to channel credit and technical assistance to small-scale investors in the country. The BhDB will extend credits for the construction or purchase of fixed investments and services such as irrigation and land preparation related to agricultural and agroindustrial activities; the purchase or improvement of fishing vessels and equipment, as well as processing and transportation facilities and services for the fishing industry; the construction, expansion and diversification of new or existing industrial and service enterprises; the construction, renovation and upgrading of hotels and tourism facilities and services, and the purchase and installation of energy saving systems. Up to \$250,000 of the loan will be devoted to technical cooperation related to management information systems and project appraisal techniques.

**Electricity Expansion:** The Bahamas, particularly New Providence and Paradise Islands, has experienced extraordinary economic expansion in the last five years. Tourism, which generates about one-third of the country's gross domestic product and provides the bulk of its foreign exchange earnings, is the principal economic activity. Increased economic growth has resulted in a higher-than-anticipated demand for electricity. To help meet this demand, the Bank in 1988 approved a \$109 million loan from the ordinary capital. The loan will help the Bahamas Electricity Corporation (BEC), to carry out a project to expand two existing thermal generating plants and to build a new one. Specifically, two

new gas turbine units will be added to the Blue Hills Power Station which will increase its capacity by 32,000 kilowatts. The Clifton Pier Power Station will be expanded with a 10,000-kilowatt slow speed diesel unit. A new 40,000-kilowatt diesel power station will be built adjacent to the existing station at Clifton Pier. In addition, the country's transmission system will be expanded with a 13-mile, 132-kilovolt single circuit line from the Big Pond Substation to the Clifton Pier Substation.

## TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described loan for a credit program being carried out by the Bahamas Development Bank, the Bank in 1988 approved a \$160,000 technical cooperation grant from the Fund for Special Operations. The assistance will enable the executing agency to strengthen its capability to bring about the development of a permanent post evaluation system.

**Institutional Strengthening:** Along with the previously described financing to the Bahamas Electricity Corporation (BEC), the Bank in 1988 approved a \$164,000 technical cooperation grant from the Fund for Special Operations. The assistance will provide training and advisory services to enable BEC to improve its methodology and cost analysis of tariff structure and to establish parameters for estimating its long-run marginal costs in generating, transmitting and distributing electrical energy. BEC will also be given help in designing, formulating and implementing an efficient tariff structure.

**Health Care Improvement:** The health care system in the Bahamas is good in terms of quality and accessibility to the population. Three governmental hospitals and a number of clinics throughout the islands provide services to the population. The country, however, needs to improve facilities and equipment in order to provide better service for its own citizens, as well as the large number of tourists who visit the islands. To help achieve this improvement, the Bank in 1988 approved \$2.5 million in technical cooperation (\$1.5 million as a grant and \$1 million on a contingent repayment basis) from the Fund for Special Operations. The assistance will enable the Ministry of Health (MOH) to prepare feasibility studies and preliminary designs of two new



hospitals. These will eventually replace the 454-bed acute care Princess Margaret Hospital in New Providence and the 74-bed acute care Rand Memorial Hospital in Grand Bahama. The project will also establish a framework to improve the formulation of health care delivery policies and plans; implement organization reforms and managerial modernization; prepare a comprehensive manpower development plan; improve health data; establish better financial and procurement procedures, and recommend basic legislation for health care.

### Distribution of Loans 1977-88

*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Energy	\$109,000	\$181,666
Agriculture and Fisheries	8,175	11,365
Industry and Mining	1,500	2,500
Tourism	498	830
Other	1,500	2,500
<b>Total</b>	<b>\$120,673</b>	<b>\$198,861</b>

## BARBADOS

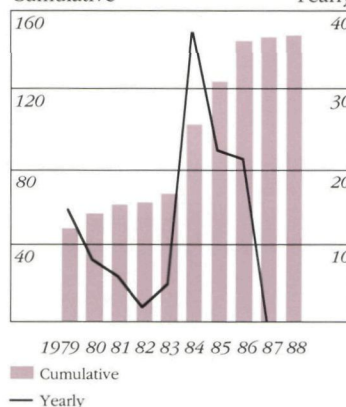
### LOAN

**Export Financing:** In 1988, the use of a previous line of credit to Barbados from the Venezuelan Trust Fund for export credits was extended through repayments by \$400,000.

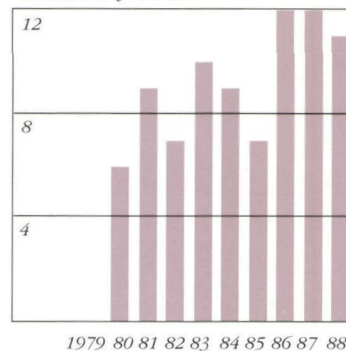
### FINANCING FOR SMALL PROJECTS

**Horticultural Production:** The Barbados Horticultural Society, Inc. (BHS) is a nonprofit entity created in 1928 to foster the cultivation of flowers and other plants. In 1987, the Society established the BHS Cooperative Society to help members adopt modern methods for the production and marketing of flowers. To cooperate in this endeavor, the Bank in 1988 approved a \$500,000 financing from the Fund for Special Operations. Up to \$350,000 of the financing will be used to provide credits to members of the cooperative to produce flowers for export and to diversify production. The first stage of the program will benefit 125 small-scale farmers with credits, primarily for the cultivation of ginger lilies. Later on, financing will be provided for the cultivation of other export products. Another \$150,000 of the financing will be used directly by the BHS to build a nursery, a packing and storage shed, and a general sales office and to purchase a vehicle to be used in marketing their products.

**LENDING\*** (In Millions of Dollars)  
Cumulative Yearly



**YEARLY DISBURSEMENTS** (In Millions of Dollars)



\* Barbados joined the Bank in 1969.

### Distribution of Loans 1969-88

*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Transportation and Communications	\$ 38,495	\$ 69,697
Education, Science and Technology	30,707	64,962
Environmental and Public Health	27,389	44,637
Agriculture and Fisheries	17,188	26,975
Export Financing	16,957	24,224
Tourism	8,187	14,813
Industry and Mining	7,004	12,613
<b>Total</b>	<b>\$145,927</b>	<b>\$257,921</b>





**TRAFFIC EASES THROUGH CONSTRUCTION EQUIPMENT,** as work goes forward on 20.6-kilometer access road from port area north of Bridgetown, Barbados, to the country's international airport. In 1984, the Bank lent \$24.5 million to help Barbados build the road. It was completed in 1988 and already has alleviated traffic congestion in the streets of the area and provided a faster outlet for the goods of export industries located near the southern coast.

## TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described financing for a horticultural development project in Barbados, the Bank in 1988 approved a \$120,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to strengthen the executing agency, the Barbados Horticultural Society, Inc. (BHS), train project beneficiaries, and provide marketing services.

## PROGRESS HIGHLIGHTS

**Bridgetown Access Highway:** In 1988, Barbados completed the construction of a 20.6-kilometer access road from the port area north of Bridgetown to the international airport. The road connects Highway 1 on the southwest coast with Highway 7 on the southeast coast bypassing Bridgetown and linking the harbor in the Parish of St. Michael with the international airport in the Parish of Christ Church. The project was built with the help of a \$24.5 million loan from the ordinary capital approved by the Bank in 1984. The roadway, which was opened to public use in 1988, has alleviated traffic congestion in the streets of the area and provided a faster outlet for the movement of goods of export industries located near the southern coast.

**Fishing Port:** During 1988, a new fishing port and terminal built at Bridgetown was completed. The port will enable Barbados to more than double fish production from the 2,000 tons a year of 1984 to 5,100 tons by 1994 and thus reduce fish imports. The project provided for the construction of a fishing harbor and a breakwater at Cheapside, Bridgetown, with a berthing capacity of 150 fishing vessels including wharves, piers, a boat servicing dock and repair facilities. In addition, it involved a fishing terminal within the harbor area, with fish handling, processing, cold storage, marketing and other facilities. The project was financed with the help of two loans totaling \$8 million—\$5 million from the ordinary capital and \$3 million from the Fund for Special Operations—approved by the Bank in 1984.



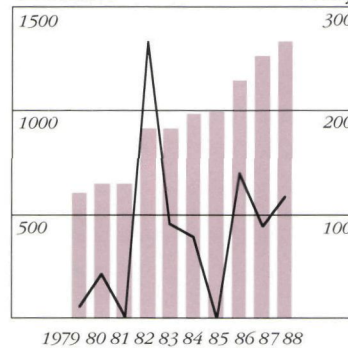
# BOLIVIA

## LOANS

**Credit for Industry and Tourism:** In the 1980–85 period, Bolivia underwent a severe economic crisis. Economic growth fell by 2.4 percent per year and inflation soared from 276 percent in 1983 to 11,750 percent in 1985. In August 1985, the Government adopted a new economic policy designed to stabilize the economy and restart growth. The main objectives of the policy were to restore equilibrium to the balance of payments; eliminate government deficits; encourage the private sector, and promote exports. Although world tin prices dropped drastically and the petroleum market softened, the strategy has produced encouraging results. To reach the nation's growth objectives, public and private investment will have to increase significantly. To help achieve this goal, the Bank in 1988 approved a \$40 million loan from the ordinary capital to provide credits for industry and tourism. Bolivia's Central Bank will channel the resources of the loan to borrowers through intermediary credit institutions. The resources will be used to acquire capital goods, to meet imported working capital requirements and to provide technical and management support services. In the tourism sector, the resources will be used to help build, improve and expand tourist accommodations and services. In the industrial sector, they will be used to create new enterprises or to expand, modernize and diversify existing ones.

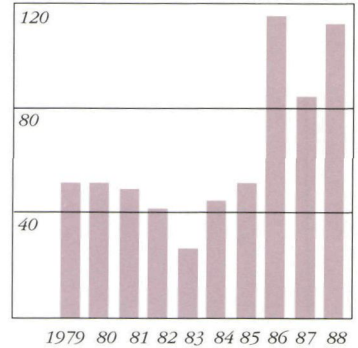
**Oil Exploration and Production:** Bolivia has seen its annual production of hydrocarbons drop in the past 15 years from 17.3 million barrels to 6.5 million barrels as the output of some fields declined and new fields were not developed. If no steps are taken to reverse this trend by developing new fields, production could decline to 5.3 million barrels by 1990. While recent domestic demand has dropped due to the economic recession, projections indicate demand will rise by 4 percent a year, reaching 10 million barrels in 1996. To help meet this demand, the Bank in 1988 approved two loans totaling \$45.8 million—\$25.1 million from the ordinary capital and \$20.7 million from the Fund for Special Operations. The loan will help Bolivia carry out a project designed to increase its reserves of petroleum and maintain production needed to meet future demand. The project will be carried out by *Yacimientos Petrolíferos Fiscales Bolivianos (YPFB)*, Bolivia's petroleum company. The program includes a petroleum

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



■ Cumulative  
— Yearly

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



exploration subproject which will be carried out in the country's southern high plateau region in an area of about 10,000 square kilometers, where seismic tests will be carried out and two stratigraphic exploration wells will be drilled. A production subproject will be carried out in the Santa Cruz Department. It consists of the development of the second stage of the La Peña field, including the drilling of eight new 3,000-meter development wells, and a gas recycling project in the Santa Cruz field to maintain the pressure of the field. Expansion of these two fields is expected to add between 8 and 10 million barrels to the country's petroleum production.

**Confital-Caihuasi Highway Reconstruction:** Road transportation leads all other means of transportation in Bolivia, accounting for 75 percent of the country's freight movement and a far higher percentage of its

## Distribution of Loans 1961–88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Transportation and Communication	\$ 429,044	\$ 711,892
Energy	390,607	594,702
Agriculture and Fisheries	208,997	301,450
Industry and Mining	186,901	379,743
Environmental and Public Health	64,252	101,968
Tourism	18,547	30,134
Preinvestment	17,751	23,604
Education, Science and Technology	11,928	23,533
Urban Development	11,428	19,164
Export Financing	7,408	10,584
Other	24,000	65,000
<b>Total</b>	<b>\$1,370,863</b>	<b>\$2,261,774</b>






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**SECTIONS OF SEWER PIPE** are ready to be placed underground as workers build new sewer line in the low-income community of Jaibuayco in Cochabamba, Bolivia. The sewage system of Cochabamba and the water system of La Paz were improved with the help of a \$32.6 million loan approved by the Bank in 1978. Some 250,000 persons in Cochabamba and 79,000 in La Paz are benefiting from the project. In 1988, the Cochabamba project was completed.

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passenger traffic. The highway system is still in its formative stages, however. Existing roads are generally in poor condition and only a fifth of the primary network is paved. The region's difficult terrain isolates potentially productive areas of the country and result in uneven population distribution. Within its economic development strategy, Bolivia gives high priority to projects increasing its exports. To help improve the transportation network along its export corridors, the Bank in 1988 approved a \$33.2 million loan from the ordinary capital. The loan will help Bolivia's *Servicio Nacional de Caminos (SNC)* to build and pave the Confital-Caihuasi Highway and institute a road maintenance program. The road is part of the country's main highway between La Paz and Santa Cruz, which links the nation's eastern and western regions. Other sections of the main highway are currently under construction. Once all of these segments are completed, the road linking La Paz to Santa Cruz will be totally paved. The Confital-Caihuasi segment is 51 kilometers long. The project includes the purchase of equipment and maintenance material. To ensure better road maintenance,

four truck weighing stations will be built along the Santa Cruz-La Paz Highway, which includes the Confital-Caihuasi segment.

**Export Financing:** In 1988, the use of a previous line of credit to Bolivia from the Venezuelan Trust Fund for export credits was extended through repayments by \$2.2 million.

#### FINANCING FOR SMALL PROJECTS

**Credit for Low-Income Farmers:** *Acción Rural Agrícola de Desarrollo Organizado (ARADO)* is a private non-profit association created in 1963 to benefit low-income farm members in the Departments of Cochabamba and La Paz. In 1982, the Bank approved a \$500,000 financing from the Fund for Special Operations which enabled ARADO to help 1,280 farmers in the Cochabamba area improve the production and marketing of potatoes. That project was completed in 1986. In 1988, the Bank approved a new financing for 792,000 Swiss francs (equivalent to \$500,000) from the Technical



Cooperation and Small Projects Swiss Fund to help ARADO provide credit to another 310 farmers, mostly in the La Paz area. Up to \$370,000 will be used to provide credit to farmers producing seed potatoes and raising sheep. The remaining \$130,000 will be used to build storage units for seed potatoes and a sheep-shearing shed, and to purchase laboratory support equipment and farm vehicles.

## TECHNICAL COOPERATION

**Support for Project Execution:** Along with the previously described financing to provide credit to potato farmers and sheep raisers, the Bank in 1988 approved a 147,500 Swiss franc (equivalent to \$93,000) technical cooperation grant from the Technical Cooperation and Small Projects Swiss Fund. The assistance will help the executing agency, *Acción Rural Agrícola de Desarrollo Organizado (ARADO)*, design, implement and supervise the credit program.

**Institutional Support:** Along with the previously described loan for the reconstruction of the Confital-Caihuasi highway, the Bank in 1988 approved a \$215,500 technical cooperation grant from the Fund for Special Operations. The assistance will be used to provide consulting services to strengthen the executing agency, the *Servicio Nacional de Caminos (SNC)*.

**Support for the Informal Sector:** Along with the previously described financing to provide credit to the industry and tourism sector, the Bank in 1988 approved a \$280,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to finance a study of Bolivia's informal or parallel financial sector and to devise a mechanism for channeling more funds to meet the demands of this sector through the formal financial sector.

**Support for National Investment System:** To help Bolivia spur investment, the Bank in 1988 approved a \$750,000 technical cooperation grant from the Fund for Special Operations to develop and implement a National Investment System. The project will be carried out by the Ministry of Planning and Coordination, supported by the UN Development Programme (UNDP). The project will result in the establishment of guidelines and procedures for the selection, preparation and evaluation of projects in public sector agencies.

**Realignment of Government Enterprises:** Along with the World Bank, the UN Development Programme (UNDP) and the U.S. Agency for International Development (AID), the Inter-American Development

Bank continued its support in 1988 of the Bolivian Government's economic policy initiatives. The Bank approved a \$410,000 technical cooperation grant from the Fund for Special Operations to help restructure and increase the efficiency of Bolivia's public sector enterprises. The program will be carried out by the Ministry of Planning and Coordination with the support of the UNDP. The program is designed to redefine the sphere of public sector activities and the institutional structure of public enterprises and determine which public enterprises should remain in the public sector and which should be transferred to the private sector.

## PROGRESS HIGHLIGHTS

**Agricultural and Agroindustrial Credit:** Rapid progress was made in 1988 in disbursing a \$100 million loan from the ordinary capital extended by the Bank to Bolivia in 1986 to spur the production and productivity of farmers through credit for capital investments and working capital. The project is being carried out by the *Banco Central* as part of the country's 1986-89 National Development Plan. The plan calls for a rapid expansion of farm production and productivity in order to increase food output for the domestic market and for export. The loan resources are providing credits to establish, expand, diversify and modernize agricultural and agroindustrial enterprises. Just in the first half of 1988, a total of 1,365 sub-loans totaling \$57 million were approved.

**Cochabamba Sewage and La Paz Water Systems:** Early in 1988, work was completed on a project to improve and expand the sewage system of Cochabamba. The project involved the installation of a 97-kilometer collection network, a 39-kilometer transmission network, a sewage treatment plant, a pumping station and 10,800 residential connections. The Cochabamba project, as well as a project to improve the water system of La Paz, were financed with the help of a \$32.6 million loan from the Fund for Special Operations and a co-financing of \$5 million from the Special Fund of the Organization of Petroleum Exporting Countries (OPEC). The La Paz project involved the sealing of the Hampaturi dam and the construction of seven storage dams, distribution facilities and 38,000 residential water connections. The La Paz project is 85 percent complete. Still to be finished is the conduit between Hampaturi and Pampahasi. A Brazilian manufacturer began to deliver the pipe for the conduit late in 1988.



# BRAZIL

## LOAN

**Export Financing:** In 1988, the use of a previous line of credit to Brazil from the ordinary capital for export credits was extended through repayments by \$7.1 million.

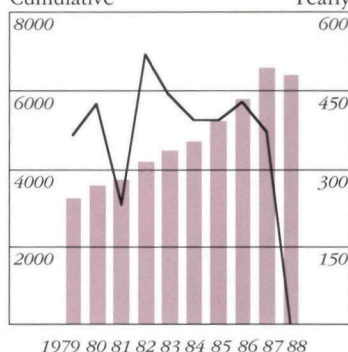
## FINANCING FOR SMALL PROJECTS

**Support for Fishing Communities:** Small-scale fishing accounts for 80 percent of the saltwater fish catch in the State of Rio Grande do Norte in Brazil even though fishermen lack adequate facilities and equipment and have little access to credit. To help improve the lot of fishermen in one important fishing area of the state—Maxaranguape County—the Bank in 1988 approved a 778,000 Swiss franc financing (equivalent to \$500,000) from the Technical Cooperation and Small Projects Swiss Fund. The financing will be used by the *Companhia de Desenvolvimento Industrial do Rio Grande do Norte* to provide credit to benefit 380 small-scale fishermen, in groups or individually. Credit will be provided to purchase or repair boats and fishing gear, to finance businesses that produce them and to provide two fishermen's associations with the working capital needed to market the fish. The project represents a pilot model for the eventual improvement of small-scale fishing along the entire coast of Rio Grande do Norte.

## TECHNICAL COOPERATION

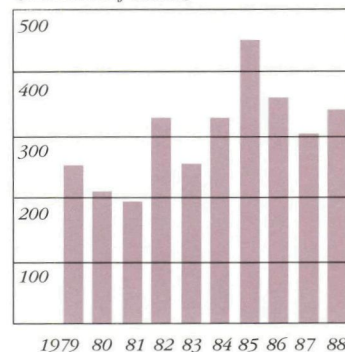
**Community Development Program:** The residents of industrial areas of the State of Minas Gerais are relatively well off. The population living in scattered towns in the northeast of the state, particularly in the Jequitinhonha Valley, however, are as disadvantaged as anywhere in rural Brazil. To help improve conditions for some of these rural dwellers—the 1,600 members of the *Cooperativa Artesanal Regional de Diamantina (CARDI)*—the Bank in 1988 approved a \$1.8 million technical cooperation grant from the Social Progress Trust Fund. The assistance will help improve their housing, health and nutrition and generate new jobs. The project, which is expected to benefit 8,000 persons, consists of building a new 200-unit housing complex and improving 250 existing houses; constructing a health care center, day nursery and dining hall; and providing residents with potable water, sewage services and electricity services. A total of 540 persons will be

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



■ Cumulative  
— Yearly

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



trained in various manual skills and in textile, embroidery, crochet and jewelry technique. In addition, advisory services for the execution of the project will be provided.

**Social Development for Jacarezinho Favela:** The Prefecture of Rio de Janeiro is carrying out a program to improve the living conditions of the inhabitants of its *favelas* and incorporate them into the economic mainstream. The program is designed to provide such areas with electricity, legalize home titles, improve houses, lay out streets and provide water and sewage services to residents. To support these efforts, the Bank in 1988 approved a \$1.8 million technical cooperation grant from the Social Progress Trust Fund to improve the sanitary conditions of the Jacarezinho *favela*. Expected to benefit some 83,000 residents of the *favela*, the project includes dredging and channeling the Jacaré River; building streets along both banks of the river, building a catchment basin for storm water, and leveling land to

## Distribution of Loans 1961–88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$1,747,159	\$11,681,170
Industry and Mining	1,234,027	15,317,030
Transportation and Communications	1,064,000	3,025,005
Agriculture and Fisheries	803,316	1,813,042
Environmental and Public Health	603,042	1,781,232
Education, Science and Technology	399,353	967,469
Export Financing	238,618	340,885
Urban Development	153,889	381,619
Preinvestment	76,103	150,377
<b>Total</b>	<b>\$6,319,507</b>	<b>\$35,457,829</b>



control flooding. The city will use local counterpart funds to build 1,125 new apartments to relocate families now living along the river banks.

**Institutional Support:** Along with the previously described financing for a fishery program in Maxaranguape, Brazil, the Bank in 1988 approved a 154,000 Swiss franc technical cooperation grant (equivalent to \$99,000) from the Technical Cooperation and Small Projects Swiss Fund. The assistance will be used to strengthen the executing agency, the *Companhia de Desenvolvimento Industrial do Rio Grande do Norte (CDI/RN)*, to improve the use of fishing gear and to provide training in appropriate technology.

**Emergency Flood Assistance for Acre:** In February 1988, the State of Acre in Northwest Brazil was subjected to extremely heavy rainfall which caused the worst flooding ever recorded in the region. Up to 40,000 persons were left homeless. Monetary damage to the local economy was estimated at \$50 million and damage to bridges providing access between major towns amounted to more than \$12 million. In April, the Bank approved a \$100,000 technical cooperation grant from the Fund for Special Operations to provide emergency assistance. The grant was used to acquire building materials for the reconstruction of health and sanitation facilities and schools as well as to help relocate the poorest segments of the affected population. The project is being carried out by the Office of the Government of the State of Acre.

**Emergency Flood Assistance for Alagoas:** From July 1 to 17, 1988, the State of Alagoas was subjected to continuous heavy rainfall which caused floods and landslides in 26 of its municipalities. The floods affected 45,000 persons, causing 64 deaths, destroying or seriously damaging 9,000 homes, as well as water systems, health posts and 73 schools. Electric power services, state roads and city streets also suffered damages. To help meet emergency needs, the Bank in 1988 approved a \$100,000 technical cooperation grant from the Fund for Special Operations. The assistance is being used to acquire construction equipment and materials to rebuild health, school and basic sanitation facilities and to repair roads in low-income communities. The assistance is being coordinated by the *Secretaria do Planejamento Estadual* and the State Government of Alagoas.

## PROGRESS HIGHLIGHTS

**Agricultural Research:** In 1984, the Bank approved two loans totaling \$70 million—\$44 million from the ordi-

nary capital and \$26 million from the Fund for Special Operations—to finance the second stage of a program to strengthen agricultural research and spread farm technology in South-Central Brazil. The loans are being used by the *Empresa Brasileira de Pesquisa Agropecuária (EMBRAPA)*, a semi-autonomous institution within the Ministry of Agriculture, to build central and regional research centers and complementary works; to acquire equipment and vehicles; to spread technology; to train personnel, and to hire international and national consultants. The program consists of seven components, including plant research; animal research; irrigation, energy and mechanization; genetic resources and biologic control; soil research; agroindustrial technology, and testing production systems and spreading technology. By the end of 1988, approximately 70 percent of the project's goals had been achieved. The construction of the research center was near completion; more than two-thirds of the equipment and vehicles had been acquired, the technology dissemination component had been established, and more than half of the training had been carried out. The program is designed to increase the production of rice, beans, corn, sorghum, soybeans, wheat, cereals, vegetables, fruits, forest products, meat, milk, hogs and poultry.

**Minas Gerais Road Program:** In 1986, the Bank approved two loans totaling \$54 million—\$36 million from the ordinary capital and \$18 million from the Fund for Special Operations—to improve some 1,117 kilometers of state and rural roads in the Jequitinhonha Valley of the State of Minas Gerais. Although the state is one of the fastest growing in Brazil, it still has pockets of underdevelopment. The new roads are helping to incorporate those depressed areas into the nation's economic mainstream. The program involves the paving of 17 road sections totaling 790 kilometers and the improvement of an additional seven sections 327 kilometers long. The program also calls for the installation of three truck weighing stations and measures to protect forest resources. Rapid progress has been made on the project. By mid-1988, 385 kilometers had been paved and work was going forward on most of the remaining roads being repaved. Nearly a third of the scheduled improvements to the road surface were underway. Simultaneously, the project area was being mapped and inventoried to lay the basis for the adoption of measures to manage the forests and protect the environment.



# CHILE

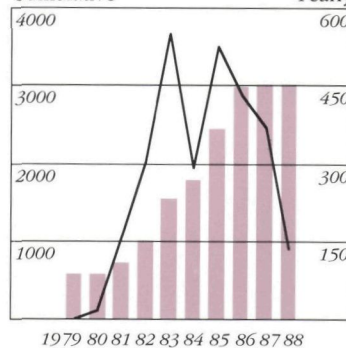
## LOANS

**Urban Highway Rehabilitation:** Portions of the road systems of several of Chile's most important cities are saturated with traffic and are obsolete. A total of 80 percent of the country's people live in cities and motor vehicles in the country increased from 512,000 in 1977 to more than 900,000 in 1986. Rising economic and export activities also have greatly increased traffic flows. To help Chile improve its urban highway network, the Bank in 1988 approved a \$45.5 million loan from the ordinary capital. The project will be carried out by the Ministry of Public Works and includes several subprojects. Two bypasses of 8.3 and 10.1 kilometers will be built around the cities of Chillan and Coronel. An 8.2-kilometer access road will be constructed to Viña del Mar and its upland surrounding towns. A 10.4-kilometer section of the road between the cities of Lota and Coronel will be widened and improved. Some 47 improvement projects in cities with populations of over 50,000 inhabitants will be carried out. These include roadway alignment, redesigning intersections, widening roadways, constructing bridges or grade crossings, repaving roads and installing traffic signals.

**Road Rehabilitation and Upgrading:** Highway transportation is fundamental to Chile's economic development, since some 68 percent of the country's freight is shipped by road. The total length of the road system is 78,940 kilometers, of which 9,768 are paved, 33,244 are gravel and the rest are dirt. The improvement of secondary roads in productive areas has been given high priority by the Government because such works facilitate exports—particularly of fruit crops and lumber, which have been in high demand in world markets in recent years. As a contribution to this process, the Bank in 1988 approved a \$35 million loan from the ordinary capital for a project being carried out by the Ministry of Public Works to improve approximately 1,900 kilometers along 120 roads in areas of the country which have high production potential. The program consists of repairing and improving roads which are part of the main highway system and the primary local road system. The project includes gravel surfacing, paving, repaving, and the replacement or construction of drainage and sanitation works.

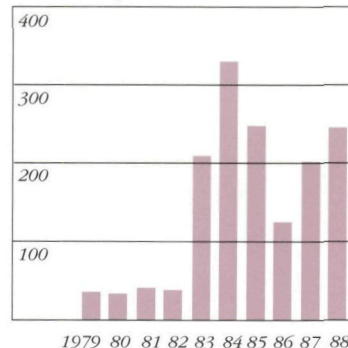
**Urban Water and Sewage Services:** The percentage of Chile's urban population with access to potable wa-

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



■ Cumulative  
— Yearly

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



ter increased from 77.4 percent in 1975 to 84.5 percent in 1985 and to 95.2 percent at present, while over the same period the coverage of sewage service rose from 43.5 percent to 61.1 percent and currently to 75.1 percent. Over the years, the Bank has supported this expansion with 12 loans totaling \$145 million. This included \$18.8 million provided in 1984 from a \$125 million loan for community development for the first stage of an urban water and sewage system program. In 1988, the Bank approved a \$56.2 million loan from the ordinary capital to help finance the second stage of the program which provides for the improvement of 46 urban water supply and sewage systems in 23 cities, benefitting 1.5 million persons. The program will be carried out by the Ministry of Public Works through its *Servicio Nacional de Obras Sanitarias (SENDOS)*. The program consists of three components: a potable water subprogram to upgrade and rehabilitate systems; a subprogram to upgrade or expand sewage collection systems; and a subprogram to control water losses.

### Distribution of Loans 1961-88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$1,007,187	\$2,799,200
Industry and Mining	658,727	1,277,834
Transportation and Communications	450,887	959,775
Agriculture and Fisheries	331,276	756,881
Urban Development	288,924	581,203
Environmental and Public Health	216,912	429,528
Tourism	35,690	37,158
Education, Science and Technology	28,908	75,767
Export Financing	3,857	5,510
Preinvestment	3,400	6,914
<b>Total</b>	<b>\$3,025,768</b>	<b>\$6,929,770</b>



## PROGRESS HIGHLIGHTS

**Local Development:** In 1984, the Bank approved a \$125 million loan from the ordinary capital to help finance a multi-faceted program of community development projects to benefit low-income persons throughout Chile. The program included 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 1988, more than half of the projects had been executed, including 23 percent of the health and 63 percent of the road projects. In the early stages of the program, priority was given to the rehabilitation of infrastructure damaged by the earthquake which struck Chile March 3, 1985. This resulted in the rehabilitation of 56 hospitals, 15 health posts, 29 consulting rooms, 277 school buildings and 500 classrooms. Within the original goals of the program, the completed projects include: in health, 5 hospitals, 55 health posts, 26 urban consulting rooms and 9 rural consulting rooms; in education, 292 schools; in sanitation, 22 potable water and 30 sewage systems, and in roads, 544 kilometers of rural roads and 140 kilometers of urban streets.

**North-South Highway:** In 1981, the Bank approved two loans totaling \$161 million—\$126 million from the ordinary capital and \$35 million in a complementary financing from the ordinary capital—to rebuild 410 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 1988, the project had been completed. It was carried out by the *Ministerio de Obras Públicas (MOP)* through the *Dirección de Vialidad*, the nation's highway bureau. The project consisted of rehabilitating sections of the road between La Serena and Puerto Montt, the part of the road that serves an area where 93 percent of the country's population lives and 95 percent of its gross national product is generated. In all, some 39 sections totaling 1,022 kilometers were rebuilt. Due to savings generated during construction, the Bank in 1986 authorized the use of \$3.5 million of the loan to repair damages caused to the roadway in the central part of the country by the floods of June 1986.



**WORKMEN PREPARE ROAD FOUNDATION** on a section of the Pan American highway, 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 was paved over its entire length. However, over the years the paving deteriorated. The 1,600-kilometer section serves an area where 95 percent of Chile's gross domestic product is generated.



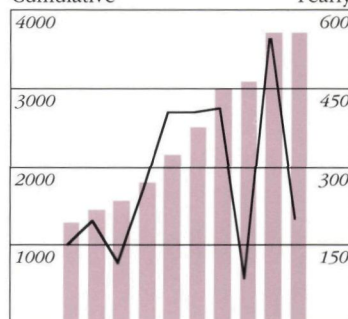
# COLOMBIA

## LOANS

**Industrial Credit:** Industry has been the leading growth sector in Colombia's economy over the last three decades. In 1986 and 1987, industry grew about 7 percent, accounting in 1987 for 21.6 percent of the gross domestic product. As a result of continued industrial expansion, demand for investment financing is growing. To help meet this demand, the Bank in 1988 approved a \$100 million loan from the ordinary capital to finance the fourth stage of an industrial credit program. The *Banco de la República* will administer the loan which will be channeled to borrowers through the eligible Financial Corporations. The credits will be used to expand or modernize existing firms or to establish new ones, and to finance projects which protect the environment, enhance the safety of factory personnel and foster technological and research projects. Up to \$10 million of the Bank's resources may be used to finance specific projects through equity purchases. Under this scheme, the Financial Corporations will be authorized to use Bank financing channeled to them in the form of loans to finance projects by taking an equity position in the corresponding industrial firms.

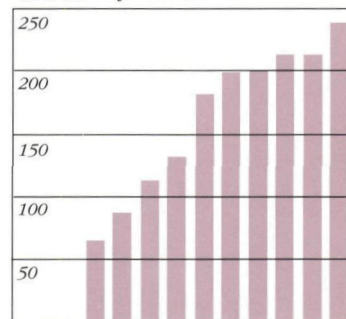
**Cali Water and Sewage System:** With a population of about 1.5 million persons, Cali is the third largest city in Colombia. The growth of the city's water and sewage system, which dates from the 1930s, has not kept pace with population increases and urban expansion, particularly in low-income neighborhoods on the southeastern sector of the city. To help improve and expand these services, the Bank in 1988 approved two loans totaling \$100 million—\$75 million from the ordinary capital and \$25 million from the Fund for Special Operations. The Overseas Economic Cooperation Fund (OECF) of Japan and the Ultramar Economic Cooperation Fund of Italy are also providing financing for the project. The project, which consists of five components, is being carried out by *Empresas Municipales de Cali (EMCALI)*. The project will increase the capacity of the existing water treatment plant by 3.3 cubic meters per second to a total of 12 cubic meters per second. In addition to improvements in the water system, the project provides for a variety of works on the sewage system and the drainage system. Measures will also be taken to reduce unmetered water connections and to improve the operations of the *Empresas Municipales de Cali*.

LENDING (In Millions of Dollars)  
Cumulative Yearly



— Cumulative  
— Yearly

YEARLY DISBURSEMENTS (In Millions of Dollars)



## FINANCING FOR SMALL PROJECTS

**Support for Rural Youth:** The *Fundación para el Desarrollo de la Juventud Rural (FUNDEJUR)* is a private, nonprofit association devoted to improving the social wellbeing of Colombia's poor rural youth. In 1988, the Bank approved a 687,000 Swiss franc financing (equivalent to \$500,000) from the Technical Cooperation and Small Projects Swiss Fund to improve living standards for its 1,500 low-income young members. The beneficiaries, generally between the ages of 15 and 25, belong to two farmers' associations located in the Departments of Cauca and Valle. The financing will be used to provide credit for agricultural projects, small agroindustries, handicrafts and small services. The projects are designed to be productive and profitable in order to encourage the beneficiaries to remain in rural areas.

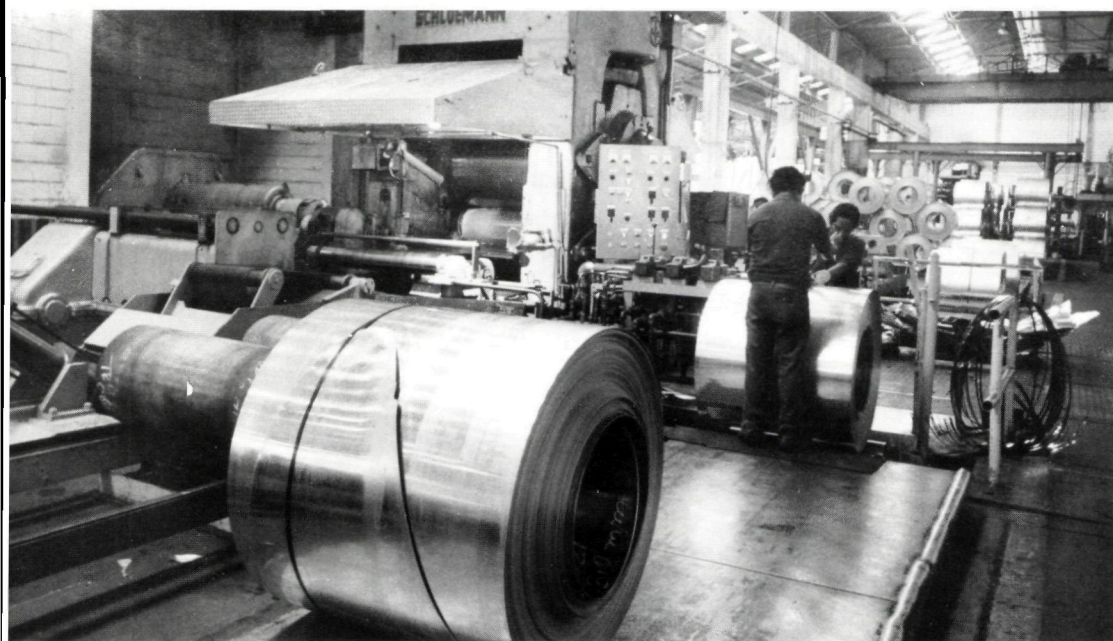
**Support for Low-Income Farmers:** The *Fundación para la Aplicación y Enseñanza de las Ciencias*

## Distribution of Loans 1961–88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$1,972,414	\$ 4,897,132
Environmental and Public Health	488,941	1,406,712
Agriculture and Fisheries	335,000	897,578
Urban Development	330,110	692,585
Industry and Mining	313,400	1,192,341
Transportation and Communications	306,790	780,055
Education, Science and Technology	110,901	258,236
Preinvestment	34,565	87,890
<b>Total</b>	<b>\$3,892,121</b>	<b>\$10,212,529</b>





**ROLLS OF ALUMINUM PAPER** are produced at *Aluminio Reynolds, Santo Domingo, S.A.*, plant in Barranquilla, Colombia. The plant, which opened in 1955, has a work force of 500 persons. The company was able to expand and modernize its plant with the help of a loan obtained from the *Corporación Financiera del Norte*. That development agency was one of several working with the country's Central Bank in relending resources from a \$90 million loan approved by the Inter-American Bank in 1984 to help Colombia finance an industrial credit program.

(*FUNDAEC*) is a private nonprofit organization established in Colombia to promote the integral development of small farming communities. In 1988, the Bank approved a 792,000 Swiss franc financing (equivalent to \$500,000) from the Technical Cooperation and Small Projects Swiss Fund to enable *FUNDAEC* to provide credit to 470 small-scale, low-income farmers in the Departments of Cauca and Valle. Up to \$400,000 of the financing will be used to provide credits to the farmers to help them improve the production of annual and perennial crops and livestock. The remaining \$100,000 will be used to expand the Arrobleda Agroindustrial Center, which provides processing facilities for farm products.

#### TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described financing designed to help young people in rural Colombia, the Bank in 1988 approved a 103,000 Swiss franc technical cooperation grant (equivalent to \$75,000) from the Technical Cooperation and Small Projects Swiss Fund. The assistance will be used to strengthen the administrative, technical and institutional capacity of the executing agency, the *Fundación para el Desarrollo de la Juventud Rural (FUNDEJUR)*.

**Farm Extension Services:** Along with the previously described financing to help low-income farmers in the Departments of Cauca and Valle, the Bank in 1988 approved a 114,500 Swiss franc technical cooperation grant (equivalent to \$72,000) from the Technical Cooperation and Small Projects Swiss Fund. The assistance

will be used by *FUNDAEC* to provide extension services to help farmers improve their production.

**Support for Health Services:** In 1988, the Bank approved a \$543,000 technical cooperation grant from the Social Progress Trust Fund to improve health and environmental conditions in the Municipality of Bosa, a neighborhood in Bogota. The population of the area is extremely poor and almost half of the residents lack basic services. The Bank's financing will be used by the *Universidad Javeriana*, a private university founded in 1933, in carrying out a variety of activities to benefit the 12,000 residents of the district. Each semester, a group of about 112 students, supervised by faculty, will undertake such activities in the following four categories: disease prevention and health promotion; direct individual care; improvement of environmental conditions, and evaluation. Three health stations will be established in schools in the district and a clinical laboratory will be installed in an existing health center. Medicines, materials and equipment to support project activities will also be acquired with the Bank's funds.

#### PROGRESS HIGHLIGHTS

**Scientific Research and Technological Development:** In recent years, Colombia has sought to expand its expenditures for science and technology. To support this effort, the Bank in 1982 approved two loans totaling \$50 million from the ordinary capital to help finance the first stage of a National Program of Scientific Research and Technological Development. The program is designed to increase the quantity and quality of scien-



tific and technological research throughout the country. One of these—\$20 million—was extended to the *Fondo Colombiano de Investigaciones Científicas y Proyectos Especiales “Francisco José de Caldas”* (COLCIENCIAS), which extends credits to public and private entities to foster research in the priority areas of agriculture, forestry and fisheries; industry; energy; and the health sciences. By the end of 1988, COLCIENCIAS had committed all of the resources of the loan for 443 research projects. Of these, 65 had been finished, 374 were in execution and 4 had been cancelled. The other loan—\$30 million—was made to the *Instituto Colombiano para el Fomento de la Educación Superior* (ICFES). It enabled ICFES to develop additional research capacity in Colombia by strengthening or creating new graduate programs; by organizing research activities in exact and natural sciences, engineering, health and agriculture, and by improving post-graduate studies in educational sciences. Local counterpart funds were used to build or remodel buildings and classrooms at six universities: *Nacional* (Bogotá), *del Valle* (Cali), *Industrial de Santander*, *Pedagógica Nacional* (Bogotá), *Nacional de Medellín* and *de Antioquía* (Medellín). This part of the project is nearly complete. The Bank's loan is being used to purchase computers, laboratory equipment, and scientific instruments; to hire international advisors to assist in the design of study programs, and to provide training to faculty in Colombia and abroad.

**Infrastructure Works in Bogota:** About two-thirds of a broad urban infrastructure program being carried out in Bogota's Ciudad Bolívar with the assistance of two Bank loans had been completed by the end of 1988. The loans totaled \$115 million—\$105 million from the ordinary capital and \$10 million from the Fund for Special Operations—and were approved in 1984. They are being used by the *Distrito Especial de Bogotá* to finance seven investment subprograms in the low-income southwestern area of the city where one-fourth of the population lives. These sub-programs involve roads, water and sewage services, health and education, sites and services, community service centers, and related services. By the end of 1988, 9 kilometers of the roads had been built, 2.7 kilometers were under construction and 2.6 kilometers were in the final awarding process; 65 of a scheduled 100 kilometers of streets had been paved, and another 35 kilometers were under construction. Eighty-five percent of the water and sewage service subprogram was completed. A total of 4,800 of the scheduled 10,600 sites and service lots were in preparation. A 33-bed hospital and 4 health centers were under construction and two health centers had been completed. Three educational centers had been completed and one was under construction. Two pri-

mary schools were finished and 12 were more than half built. Two community centers are under construction and one was about to be initiated. Fourteen neighborhood community homes had been completed and two were under construction. Finally, topographical surveys are helping to legalize titles in 135 neighborhoods.

**Urban Development Credit:** Substantial progress was made in 1988 in carrying out the second stage of a broad program to provide infrastructure works for small- and medium-sized cities in Colombia. Rapid urban growth has created a heavy demand for public services. As a result, the capacity of traditional local institutions to provide them has been exceeded. This stage was financed with the help of a \$50 million loan extended from the ordinary capital in 1985 to the *Banco Central Hipotecario* (BCH). Through the *Fondo Financiero de Desarrollo Urbano* (FFDU), the BCH is providing financing to such financial intermediaries as commercial banks and finance corporations which, in turn, are providing credits for infrastructure works such as water and sewage systems, urban sanitation, slaughterhouses, green areas and parks, markets, telephone services, urban thoroughfares, housing sites with services and bus terminals. By the end of 1988, 22 credits totaling \$24.6 million had been approved by the Bank. Half of these were for small cities and more than 66 percent of the total financing was used for sanitary works, 18 percent for urban streets and roads, 12 percent for transportation terminals, and the remaining 4 percent for urban sanitation and markets.

**Industrial Credit Program:** In 1984, the Bank approved a \$90 million loan from the ordinary capital to finance the third stage of a global industrial credit program in Colombia. The loan was extended to the *Banco de la República*, which is channeling the proceeds through private development finance corporations to industrial enterprises, principally for fixed assets but also for working capital. By the end of 1988, the resources of the loan had financed 153 projects of which 116 had been completed and 37 were nearing completion. The projects included establishment of new industries, as well as the expansion and modernization of existing ones.



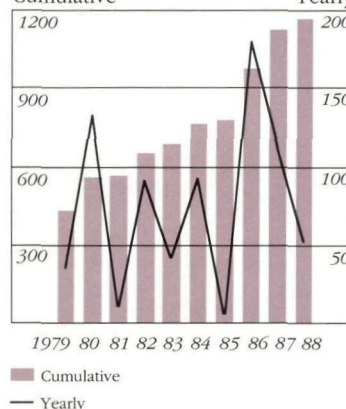
# COSTA RICA

## LOANS

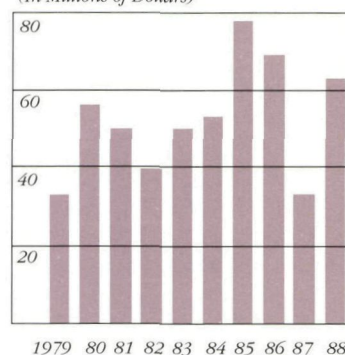
**Industry and Tourism Credit Program:** In response to the economic and financial crisis of the early 1980s, Costa Rica has initiated a strategy of structural adjustment and economic reactivation which includes strengthening the private sector. The strategy seeks to open up the country's economy by reducing trade protectionism, by stimulating the export of new products and by reducing the relative size of the public sector. To support the strategy, the Bank in 1988 approved a \$30 million loan from the ordinary capital to provide credits to expand and improve industrial production and tourism in Costa Rica. The Central Bank of Costa Rica, the executing agency, is expected to re-lend the proceeds to private enterprises mainly through the larger private commercial banks which have become an increasingly important source of credit for the banking system. Credits will be used to help establish, expand, diversify, renovate and improve industrial enterprises, as well as to build, improve and expand tourist facilities and services. The credits may be used to finance fixed assets, to import goods and to acquire management or technical support services.

**Science and Technology Program:** Costa Rica has embarked on an economic growth strategy based on boosting non-traditional exports to markets outside of Central America. It is also seeking to boost productivity in the traditional exporting sector and processing industries for internal and Central American markets. To be competitive in international markets the Government has designed a long-term (1986–2000) plan to strengthen the country's scientific and technological capabilities. In 1988, the Bank approved a \$22.1 million loan from the ordinary capital to support this endeavor. The loan will help finance two sub-programs, one being carried out by the country's science and technology research council, the *Consejo Nacional para Investigaciones Científicas y Tecnológicas (CONICIT)*, and the other by Costa Rica's council of university rectors, the *Consejo Nacional de Rectores (CONARE)*. The CONICIT subprogram includes the establishment of a fund to finance 100 experimental research and development projects; training for about 200 researchers; construction of laboratories, and extension and dissemination of information. Preference will be accorded to sectors and activities that directly increase productive capacity. The CONARE subprogram involves the con-

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



**YEARLY DISBURSEMENTS** (In Millions of Dollars)



struction of laboratories and related facilities for approximately 10 university research and service centers.

**Export Financing:** In 1988, the use of a previous line of credit to Costa Rica from the Venezuelan Trust Fund for export credits was extended through repayments by \$9 million.

## FINANCING FOR SMALL PROJECTS

**Support for Low-Income Farmers:** Small farms of less than five hectares account for a high proportion of the units being farmed in the northern region of Cartago. Much of the population of the area has remained outside of the economic mainstream, due primarily to a lack of technical and financial assistance. In 1988, the Bank approved a \$500,000 financing from the Fund for Special Operations to provide credit and training to these farmers. The financing was extended to the *Cooperativa Cogestionaria Agroindustrial de Servicios*

### Distribution of Loans 1961–88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$ 444,214	\$ 822,036
Agriculture and Fisheries	240,334	378,400
Transportation and Communications	149,385	269,014
Industry and Mining	87,622	133,953
Education, Science and Technology	74,781	123,719
Environmental and Public Health	69,784	115,637
Export Financing	54,000	77,143
Urban Development	29,900	49,205
Preinvestment	10,750	17,839
<b>Total</b>	<b>\$1,160,770</b>	<b>\$1,986,946</b>



**TECHNICIAN TURNS VALVE at irrigation canal near Cañas, Costa Rica.** In 1980, the Bank extended two loans amounting to \$15.1 million to enable the Servicio Nacional de Aguas Subterráneos, Riego y Avenamiento (SENARA) to carry out a pilot irrigation project on about 3,700 hectares of farmland in northwestern Costa Rica. The project is now fully operational. Before irrigation, farmers growing rice in the area were getting annual yields of about 2.5 tons per hectare. Now, growing two crops a year, they get up to 9 tons per hectare.



*Múltiples de Cartago, R.L. (HORTICOOP)*, an association of agricultural producers established in 1986 to help its members produce, process and market farm products. The assistance will support the production and marketing of potatoes, onions and other vegetables. Business training and technical assistance also will be provided to the producers. During its first three years of operation, the project is expected to benefit about 250 rural families, or a total of 1,250 people.

**Support for Low-Income Farmers and Microentrepreneurs:** Costa Rica has a network of private development organizations which seek to assist the low-income producers of the country. These organizations fall into two distinct groups. One group focuses on short-term relief assistance; the other seeks to improve the long-term economic condition of beneficiaries. To support one of the latter types of organizations, the Bank in 1988 approved a \$500,000 financing from the Fund for Special Operations. The assistance will be used to provide credit and training for low-income farmers and entrepreneurs. The financing was extended to the *Asociación Costarricense para Organizaciones de Desarrollo (ACORDE)*, a nonprofit private umbrella organization created in 1986 to provide support to private development organizations. ACORDE will channel the resources to about 800 beneficiaries through three organizations: the *Asociación de Nuevos Alquimistas*, which operates in the rural area of Talamanca Cantón, an area which includes the largest indigenous population in the

country; the *Asociación de Propietarios de Talleres de Mantenimiento Industrial*, which operates through 12 affiliates located in various areas of the country; and the *Asociación de Productores Industriales y Artesanales de Golfito*, which operates in the Golfito Cantón, an area severely depressed by the closing of a banana company.

#### TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described loan for a science and technology program, the Bank in 1988 approved a \$202,000 technical cooperation grant from the Fund for Special Operations. The assistance will help strengthen the executing agency, the *Consejo Nacional para Investigaciones Científicas y Tecnológicas (CONICIT)*, by training staff members and obtaining consulting services on technological innovation in key sectors of the economy.

**Institutional Support:** Along with the previously described financing to provide credit to small-scale farmers in Costa Rica, the Bank in 1988 approved a \$33,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to strengthen the ability of the executing agency, the *Co-operative Cogestionaria Agroindustrial de Servicios Múltiples de Cartago, R.L. (HORTICOOP)*, to carry out the project and to provide training for project beneficiaries.



**Institutional Support:** Along with the previously described financing to help small-scale agricultural and industrial producers in Costa Rica, the Bank in 1988 approved a \$62,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used by the executing agency—the *Asociación Costarricense para Organizaciones de Desarrollo (ACORDE)*—to strengthen the participating private development organizations and to assist the beneficiaries in carrying out their individual projects.

**Emergency Hurricane Assistance:** On October 22, 1988, Hurricane Joan struck Costa Rica causing heavy damage to the Atlantic Coast and even worse damage to the Pacific Coast. At least 22 persons were killed and homes, hospitals, roads, water and electricity services suffered damages. In order to provide emergency assistance to repair roads damaged by slides, the Bank on November 22 approved a \$200,000 technical cooperation grant from the Fund for Special Operations. The assistance was used to help remove the slides and restore road conditions.

**Tax Payer Master File:** In 1984, Costa Rica began implementing a set of policies designed to stabilize the economy and lay the foundations for medium-term growth. The government also sought to establish a tax information system to improve the system of tax administration and the ability to formulate fiscal policy. To support these efforts, the Bank in 1988 approved an \$850,000 technical cooperation grant from the Fund for Special Operations to help Costa Rica consolidate and complete its Integrated Tax Administration System for the collection of income tax and other internal taxes. The project will be carried out by the *Dirección General de la Tributación Directa* of the Ministry of Finance. The Integrated System currently has in place a tax payer master file and a tax payer current account system for income taxes. The Bank's cooperation will be used to help carry out a project to add other internal taxes, such as sales, consumption, land, vehicles, property transfers, and the education and culture stamp tax to the system. New administrative and electronic data-processing systems to improve collection and fiscal control procedures will be designed and the professional, technical and administrative staff will receive training in the implementation of the tax systems.

the Bank in 1980 approved two loans totaling \$15.1 million—\$4.7 million from the ordinary capital and \$10.4 million from the Fund for Special Operations—to help carry out a pilot irrigation project in the Tempisque region on the Pacific side of the Arenal basin. The project involved the construction of the Magdalena diversion dam and a 10-kilometer irrigation canal; the provision of irrigation to 3,200 hectares of land in five demonstration areas and complementary studies, and final designs for the construction of the second stage of the program. By the end of 1988, the project was fully operational and Costa Rica was ready to initiate work on the second stage designed to bring 16,170 hectares under cultivation. That stage is being financed with the assistance of a \$28.7 million loan from the ordinary capital approved in 1986.

## PROGRESS HIGHLIGHT

**Tempisque River Irrigation Project:** The construction of the Arenal and Corobici hydroelectric projects with the support of Bank financing opened up that region to multiple development. To assist in that development,



# DOMINICAN REPUBLIC

## LOAN

**Export Financing:** In 1988, the Bank approved an increase of \$1 million in a line of credit to the Dominican Republic from the Venezuelan Trust Fund for export credits. In addition, the use of the previous line was extended through repayments by \$1.7 million.

## FINANCING FOR SMALL PROJECTS

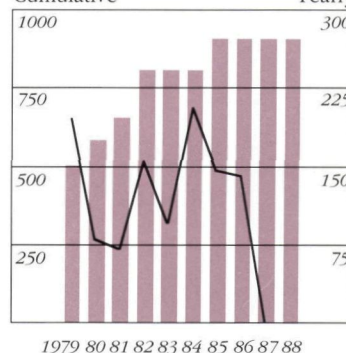
**Credit for Microenterprises:** In 1988, the Bank approved a \$500,000 financing from the Fund for Special Operations to provide credit and technical assistance to approximately 350 low-income microentrepreneurs in Santo Domingo. The financing will be used by the *Asociación para el Desarrollo de Microempresas (ADEMI)*, a private, nonprofit group that has worked since 1983 to solve unemployment and underemployment problems. *ADEMI* will channel credits to microentrepreneurs to acquire utensils, tools, machines and production equipment to improve infrastructure, expand plant facilities and build shops and warehouses. Credits will be extended to microentrepreneurs such as blacksmiths, dressmakers, bakers, shoemakers, carpenters and ceramists. This will complement working capital financing that *ADEMI* extends with other resources, including resources from a previous small project financing approved by the Bank.

## TECHNICAL COOPERATION

**Institutional Support and Training:** Along with the previously described financing for low-income microentrepreneurs in Santo Domingo, the Bank in 1988 approved a \$95,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to strengthen the executing agency—the *Asociación para el Desarrollo de Microempresas (ADEMI)*—and to provide training for program beneficiaries.

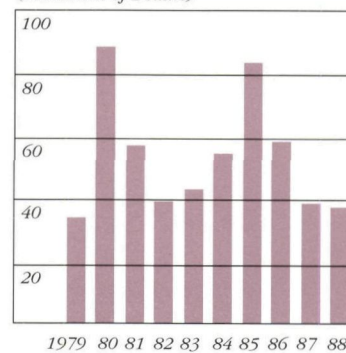
**Support for Low-Income Rural Women:** A total of 18 percent of rural households in the Dominican Republic are headed by women who constitute 21.9 percent of the economically active population in agriculture and cattle raising, but only 3.8 percent of rural property owners. The rate of unemployment for rural women is 53.9 percent compared to 14 percent for rural males. To help improve the lot of rural women, the Bank in 1988 approved a \$1,895,000 technical coopera-

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



■ Cumulative  
— Yearly

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



tion grant from the Social Progress Trust Fund. The assistance will be used to finance a farm production project for women farmers located in eight provinces of the country. The project will be executed by *Mujeres en Desarrollo Dominicana (MUDE)*, a private, nonprofit institution created in 1975 to promote the economic and social development of low-income women. *MUDE* is virtually the only institution in the country that provides credit and other services to low-income rural women. The project will provide beneficiaries with credit to acquire equipment, cattle, pigs, beehives and other supplies. The financing will also be used to create a cattle production unit and to improve marketing and consumption systems. Program participants will receive managerial, technical and nutritional training, and *MUDE* will be strengthened. The project is designed to increase the income level of 4,000 women.

## Distribution of Loans 1961–88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Agriculture and Fisheries	\$368,198	\$ 613,115
Transportation and Communications	138,116	224,095
Energy	122,422	185,654
Industry and Mining	83,762	120,198
Environmental and Public Health	56,503	80,449
Tourism	50,161	71,430
Education, Science and Technology	20,421	31,464
Export Financing	4,815	6,879
Preinvestment	4,706	6,897
Urban Development	3,479	6,375
Other	50,000	50,000
<b>Total</b>	<b>\$902,583</b>	<b>\$1,396,556</b>



**AUTOMOBILES PULL UP TO** new health center, near Haina, in the Dominican Republic, which was built with the help of a \$20 million loan approved by the Bank in 1981. By the end of 1988, the project had been substantially completed. A total of 83 rural clinics, eleven 20-bed and three 40-bed health centers, and two hospitals had been built and were in operation. The project is part of the national health policy designed to provide health services to all Dominicans.



#### PROGRESS HIGHLIGHTS

**Industrial Recovery:** In 1983, the Bank approved a \$50 million loan from the ordinary capital to help carry out an industrial recovery program in the Dominican Republic. The program was designed to help the country recover from a sharp drop in production in the early 1980s. By the end of 1988 the loan had been completely disbursed through some 246 subloans channeled in short-, medium- and long-term credits to enterprises requiring inputs to enable them to restore or maintain their production. The loan resources were administered by the *Banco Central de la República Dominicana (BCRD)*, which channeled them to enterprises through a specialized fund—the *Fondo de Inversiones para el Desarrollo Económico (FIDE)*—in the Dominican financial system.

**Health Services:** In 1981, the Bank approved a \$20 million loan from the Fund for Special Operations to help the Dominican Republic carry out a national program to provide health services to Dominican citizens. The project provided for the construction of 89 rural clinics, 14 20-bed health centers, three 40-bed centers, and two hospitals, one in San Juan de la Maguana and the other in San Francisco de Macoris. The project, which is expected to reduce the incidence of preventable diseases, is being carried out by the *Secretaría de Estado de Salud Pública y Asistencia Social (SESPAS)*. By the end of 1988, the original goals of the project had been substantially reached. A total of 83 rural clinics, 11 20-bed health centers, three 40-bed centers and two hospitals had been built and were in operation.

The new facilities are serving some 640,000 persons. At the request of the Dominican Republic, the program has been broadened to permit the use of unexpended funds for the purchase of equipment, vehicles, medical supplies and maintenance equipment.

**Technical and Vocational Training:** In 1981, the Bank approved a \$7.2 million loan from the Fund for Special Operations to help build three new technical-professional schools in Azua, Nigüey and Santiago and expand and remodel the *Escuela Nacional de Artes y Oficios* in Santo Domingo. The project was designed to support the efforts of the Dominican Government to broaden the technical and vocational educational opportunities of the country. In addition to building and expanding the schools, the funds are being used to provide equipment and furnishings; to establish a training program for teachers and administrators, and to hire 90 additional teachers and seven administrators for the four schools. In 1988, the Santiago school was completed. As a result, by the end of the year the project was virtually completed.



# ECUADOR

## TECHNICAL COOPERATION

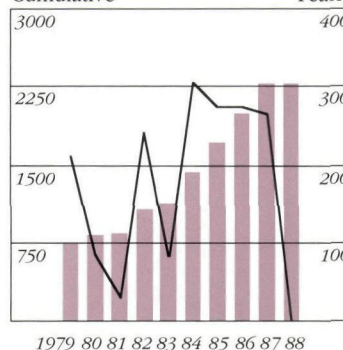
**Earthquake Rehabilitation:** On March 5, 1987, a number of earthquake tremors struck northeastern Ecuador, resulting in 1,000 deaths, the evacuation of more than 5,000 persons, infrastructure losses of about \$280 million and heavy revenue loss due to a halt in petroleum production. As an initial step to help Ecuador, the Bank in 1987 authorized a grant of \$100,000 to help victims of the community of Olmedo in the Province of Pichincha. Subsequently, in 1988, the Bank approved a \$900,000 technical cooperation grant from the Social Progress Trust Fund to help build basic rural houses for affected low-income families. The financing will be used by the *Ministerio de Bienestar Social (MBS)* to build approximately 600 homes and repair an additional 300 damaged homes in four communities in three provinces. Approximately 4,500 people will benefit from the project. In addition, 800 sanitation facilities and small water supply systems and 10 community centers will be built. The UN Development Programme and the World Food Programme are also participating in the project.

## PROGRESS HIGHLIGHTS

**Industrial Recovery:** Rapid progress was made in 1988 in disbursing an \$80 million loan from the ordinary capital approved by the Bank in 1985 to finance an industrial recovery program in Ecuador. The capacity of the industrial sector was particularly hard hit by the recession which affected Ecuador in the early 1980s. The utilization of installed capacity fell from 75 percent in 1977 to 65 percent in 1983. The loan is being used by the *Banco Central del Ecuador* to channel loans through the banking system to improve the use of the country's installed productive capacity and to maintain and increase employment and export levels. Program resources are being used to acquire inputs, spare parts, accessories and auxiliary equipment and to help firms establish, expand or modernize installations and equipment. By the end of 1988, a total of 185 subloans—representing 98.5 percent of the resources of the entire program—had been granted within the program and more than 85 percent of the loan resources had been disbursed.

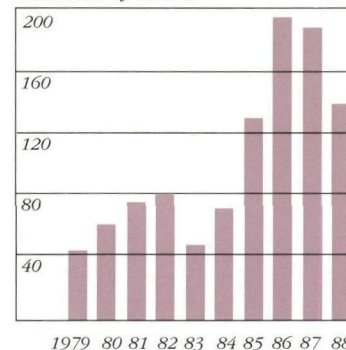
**Farm and Livestock Credit Program:** Virtually all of a \$120 million loan from the ordinary capital approved

LENDING (In Millions of Dollars)  
Cumulative Yearly



■ Cumulative  
— Yearly

YEARLY DISBURSEMENTS (In Millions of Dollars)



by the Bank in 1985 to finance an agricultural and credit program in Ecuador was disbursed by the end of 1988. Some 10,500 farmers and ranchers have benefited from the program which is now virtually complete. The program, which is being carried out by the *Banco Nacional de Fomento (BNF)*, is designed to increase production of food for the Ecuadorian and export markets. It involves the production of rice, corn, soybeans and cassava in the coastal region; sweet corn, beans, potatoes and cassava in the Sierra; and beef, dairy and dual-purpose cattle and small animals throughout the country. Nearly two-thirds of the beneficiaries are small-scale farmers, who farm between 10 and 20 hectares. The program involved the extension of credit to finance fixed investments and working capital, to facilitate farm marketing, to provide technical services for the preparation and execution of investment projects and to strengthen *BNF* through the purchase of vehicles and micro-computers.

## Distribution of Loans 1961–88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Agriculture and Fisheries	\$ 795,297	\$1,153,212
Energy	513,055	1,570,728
Industry and Mining	298,635	525,045
Transportation and Communications	266,962	566,476
Environmental and Public Health	149,322	266,387
Education, Science and Technology	132,118	164,728
Urban Development	82,100	102,750
Preinvestment	26,331	34,083
Tourism	2,048	7,278
<b>Total</b>	<b>\$2,265,868</b>	<b>\$4,390,687</b>



**Improvement of Technical Higher Education:** In 1982, the Bank approved a \$30.4 million loan from the Fund for Special Operations to partially finance a program to improve technical higher education in Ecuador. The loan is being used by the *Escuela Superior Politécnica del Litoral (ESPOL)* to strengthen the academic training of students, improve instruction in its technology program, increase the number of courses being offered, improve engineering courses and increase the number of engineering students, and to establish post-

graduate studies in engineering disciplines. To meet these goals, *ESPOL* is building a new campus in Guayaquil consisting of the construction of 28 buildings, the acquisition of machinery and equipment, the purchase of teaching and bibliographical materials, the hiring of 22 international advisors and the awarding of 88 scholarships and fellowships for the training of *ESPOL* teaching staff abroad. By the end of 1988, more than 70 percent of the works had been carried out.

## EL SALVADOR

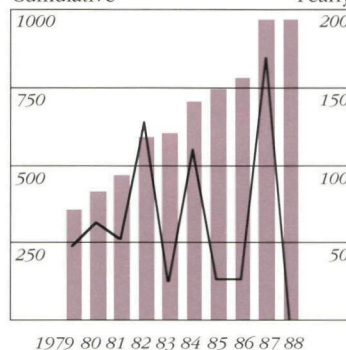
### LOAN

**Export Financing:** In 1988, the use of a previous line of credit to El Salvador from the Venezuelan Trust Fund for export credits was extended through repayments by \$7.2 million.

### TECHNICAL COOPERATION

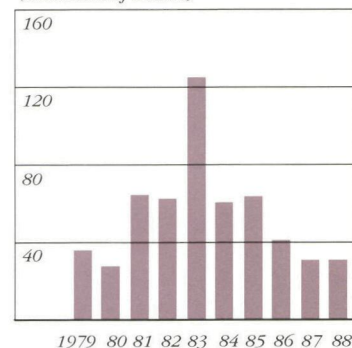
**Institutional Support for Ministry of Agriculture:** In recent years, the Ministry of Agriculture (MAG) has concentrated much of its attention on helping the 100,000 beneficiaries of El Salvador's agrarian reform. Less attention has been paid to other agricultural issues, such as production incentives, technology transfer, natural resource management, marketing and prices. To address this situation, the Bank in 1988 approved a \$920,000 technical cooperation grant from the Fund for Special Operations. The project is designed to improve such services as training, research, and investment preparation and execution provided to the country's farmers, especially small- and medium-scale. Advisory and training activities will be provided by the Inter-American Institute for Cooperation in Agriculture

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



■ Cumulative  
— Yearly

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



(IICA). The project also includes the preparation of a proposal to strengthen and improve the physical and administrative infrastructure of the MAG, in order to provide better services to farmers. MAG will obtain a computer and other office equipment, teaching materials and vehicles.



**Project Preparation:** In 1988, the Bank approved a \$950,000 technical cooperation grant from the Fund for Special Operations to strengthen the capacity of El Salvador's public sector to generate investment projects for presentation to international financial institutions. The program will be executed by the *Ministerio de Planificación y Coordinación del Desarrollo Económico y Social (MIPLAN)* and affiliates. The program is designed to solve deficiencies affecting the identification, prioritizing, preparation, analysis, execution, follow-up and evaluation of public investment projects in El Salvador by providing advice and training to officials of the main executing agencies. Executing agencies will be trained in bidding, in hiring contractors, in establishing systems to monitor physical and financial implementation of projects, and in training personnel. The project will be carried out in close cooperation with other international institutions such as the UN Department of Technical Cooperation for Development and the German Society for International Technical Cooperation (GTZ), which are providing similar support.

**Industrial Recovery:** Due to the economic crisis of the 1980s, industrial firms in El Salvador have been unable to obtain the credit and foreign currency they need to import essential inputs for their manufacturing activities. In order to help finance an industrial recovery program in El Salvador, the Bank in 1982 extended a \$40 million loan from the ordinary capital to the *Banco Central de Reserva*. The resources of that loan were disbursed more rapidly than foreseen and the program had a favorable impact on sales, use of installed capacity and employment generation. As a result, the Bank in 1984 approved another loan—\$60 million from the ordinary capital—to finance a second stage in the program. By the end of 1988, the resources of that loan had been fully disbursed. The loan resources financed 176 subloans, of which 170 subloans were used for working capital and 6 for fixed investments.

## PROGRESS HIGHLIGHTS

**Livestock Development and Animal Health:** In 1979, the Bank approved a \$16.3 million loan from the ordinary capital to enable the Ministry of Agriculture to carry out a program to increase livestock production and productivity and to carry out an animal health project which would help small- and medium-scale ranchers in the nation. The livestock project is being carried out in the Departments of Morazán, Chalatenango and Sonsonate through the construction of three livestock development centers. The animal health subprogram, which covers the entire country, involves the construction of laboratories and other facilities designed to control pests and to combat and eventually eradicate brucellosis and tuberculosis. By the end of 1988, the project had been virtually completed.

### Distribution of Loans 1961–88

*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Environmental and Public Health	\$275,372	\$ 382,236
Energy	208,803	411,184
Agriculture and Fisheries	185,150	278,751
Industry and Mining	126,982	144,593
Transportation and Communications	58,232	103,534
Export Financing	55,564	79,377
Urban Development	31,208	59,255
Preinvestment	11,846	16,080
Education, Science and Technology	10,749	15,344
<b>Total</b>	<b>\$963,906</b>	<b>\$1,490,354</b>



# GUATEMALA

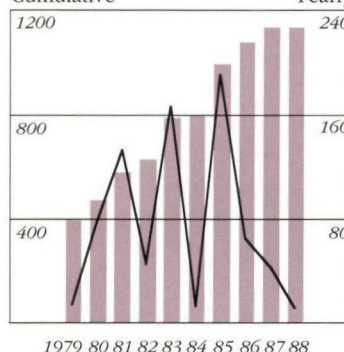
## LOAN

**Irrigation and Drainage Program:** Agriculture, the cornerstone of Guatemala's economy, employs 52 percent of the labor force, generates 25 percent of the GDP and accounts for 70 percent of exports. Growth rates in the sector were rapid in the 1960–80 period, but turned negative in the early 1980s. Due to terrain constraints, the area suitable for agricultural production is small. As a result, increased productivity in the future must rely substantially on irrigation, multiple cropping, improved disease and pest control, fertilizer and improved seed use, and greater crop diversification. To support Guatemala's strategy in this regard, the Bank in 1988 approved a \$10.6 million loan from the Fund for Special Operations. The loan will be used by the nation's *Ministerio de Agricultura, Ganadería y Alimentación (MAGA)* to carry out a project to irrigate 4,500 hectares, which will directly benefit 640 low-income families in Cuyuta, Caballo Blanco and Alto Mongoy. The program involves construction of canals, levees and storm drainage systems. The project will promote a more rational, integrated use of soil, water and climate through organized intensive farming operations. The project also provides for research and extension services, training in the proper use of irrigation, technical support and credits. Environmental management measures will be carried out in the affected areas.

## FINANCING FOR SMALL PROJECTS

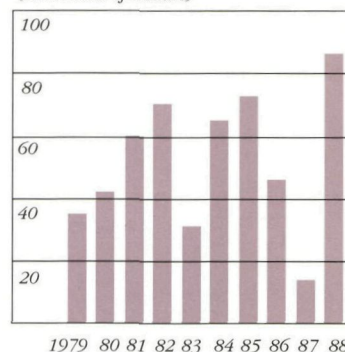
**Support for Microentrepreneurs:** Within its National Reorganization Program, Guatemala is striving to incorporate all socioeconomic groups in the development process. As part of this effort, Guatemala is setting in motion a National Urban Microenterprise Development Program designed to incorporate a previously neglected sector of producers into the economic mainstream. This informal sector consists of approximately 125,000 businesses in Guatemala's central urban area engaged in manufacturing, commerce and services. These enterprises generate work for some 340,000 persons, or 12.5 percent of the nation's labor force. In 1988, the Bank approved a 432,000 Swiss franc financing (equivalent to \$300,000) from the Technical Cooperation and Small Projects Swiss Fund to enable the *Asociación para el Desarrollo Comunitario (ADEC)* to provide credits and training to some 240 microentrepreneurs living in Guatemala City and the nearby municipalities of Mixco and

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



■ Cumulative  
— Yearly

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



Villa Nueva. The microentrepreneurs operate small businesses which employ an average of 2.2 persons each. They operate such enterprises as mechanical repair shops, manufacturing of metal structures, clothing, carpenter shops, shoe repair, bakeries, re-upholstering, beauty salons and printing.

**Support for Microentrepreneurs:** Parallel to the previously described financing from the Swiss Fund to help microentrepreneurs in the informal urban sector, the Bank in 1988 approved a \$400,000 financing from the Fund for Special Operations. The assistance will be used by the *Fundación de Asistencia para la Pequeña Empresa (FAPE)* to provide credit and training to some 320 small-scale producers in Guatemala City and the suburbs of Mixco and Villa Nueva. Since 1984, FAPE has helped microentrepreneurs in the informal sector by providing them with credit and technical assistance.

## Distribution of Loans 1961–88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$ 293,827	\$ 978,427
Environmental and Public Health	193,955	289,006
Industry and Mining	188,667	194,683
Transportation and Communications	165,088	271,780
Agriculture and Fisheries	154,064	244,871
Urban Development	85,734	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>\$1,133,344</b>	<b>\$2,177,078</b>



## TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described financing being carried out by the *Asociación para el Desarrollo Comunitario (ADEC)* to help the informal sector in Guatemala City and its environs, the Bank in 1988 approved an 83,500 Swiss franc technical cooperation grant (equivalent to \$58,000) from the Technical Cooperation and Small Projects Swiss Fund. The assistance will be used to strengthen the managerial, administrative and technical capacity of the executing agency to provide training to the beneficiaries.

**Institutional Support:** Along with the previously described financing to enable the *Fundación de Asistencia para la Pequeña Empresa (FAPE)* to support microentrepreneurs in Guatemala City and its environs, the Bank in 1988 approved an \$85,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to provide institutional support to the executing agency and training for the benefited microentrepreneurs.

**Support for Social Security Expansion:** Guatemala's social security system, which was established in 1946, provides medical services and financial benefits for its members and their dependents. A total of 26 percent of the country's economically active population has accident coverage and 23 percent disability, old age and survivor's insurance coverage. The health and maternity care program, which is not available throughout the country, serves only 13.6 percent of the labor force, equivalent to 8 percent of the entire population. Guatemala's social security institution, the *Instituto Guatemalteco de Seguridad Social (IGSS)*, is seeking to extend the latter benefit to more than 440,000 new beneficiaries in the southwest region of Guatemala. To facilitate the achievement of this objective, the Bank in 1988 approved a \$300,000 technical cooperation grant from the Fund for Special Operations. The International Labour Organization will serve as the executing agency for the project, which involves the drafting of an action plan to extend maternity and health care programs to the southwestern region of Guatemala. It will also help to convert the health care service model and health care delivery services into comprehensive health care programs.

**Support for Rural Communities:** The rural western highlands of Guatemala contain the highest concentration of poverty in the country. The Government of Guatemala has embarked on an effort to improve conditions for many of the inhabitants of these rural areas by expanding sanitation, health care, and other basic

social services. In 1988, the Bank approved a \$1.3 million technical cooperation grant from the Social Progress Trust Fund to help build basic infrastructure works and provide training for three subprograms contributing to this end. The first, to be carried out by the *Comité de Reconstrucción Nacional (CRN)*, would include the construction of basic social infrastructure facilities such as schools, community centers and the installation of water supply systems and will benefit 25,000 persons. The second subprogram would be carried out by the *Fundación Guatemalteca Carrol Behrhorst* and will improve basic sanitation, provide drinking water to rural communities and institute a health care program to treat tuberculosis. The third subprogram will be carried out by the *Secretaría de Bienestar Social* and involves the construction of health care facilities and day care centers in poor urban areas. The centers will be built with community participation.

**Support for Microenterprises:** In 1988, Guatemala initiated a three-year national urban microenterprise program designed to provide credit, training and business advisory services to nearly 40,000 microentrepreneurs in Guatemala City and adjacent areas. Some \$8.2 million in external financing has been provided to finance the program. This includes a \$1.8 million grant from the U.S. Agency for International Development, a \$1.4 million grant from Belgium and \$5 million loan from Taiwan. To provide additional support for this effort, the Bank in 1988 approved a 1,848,000 Swiss franc technical cooperation grant (equivalent to \$1,165,000) from the Technical Cooperation and Small Projects Swiss Fund. The project will be carried out by the *Consejo Nacional de Microempresas* with the participation of the *Instituto Técnico de Adiestramiento y Productividad (INTECAP)*, the *Banco de Trabajadores (BANTRAP)*, and nongovernmental organizations. The technical cooperation grant will be used to strengthen the institutional structure that is managing the national effort. The collaborating institutions will be provided with teaching materials, equipment, methodology and systems. Microentrepreneurs will also receive technical assistance to improve marketing and storage.

## PROGRESS HIGHLIGHTS

**Animal Health:** In 1981, the Bank approved a loan of \$20 million from the Fund for Special Operations to help Guatemala carry out a project to control and eventually eradicate brucellosis, tuberculosis and bovine rabies in livestock. The project, which is being carried out by the Ministry of Agriculture, includes the construction of an administration building and central laboratory in Guatemala City; four regional laboratories



**ANTI-RABIES SHOT IS ADMINISTERED** at Lechería San Francisco, a dairy farm in Quezaltenango, Guatemala. In 1981, the Bank lent \$20 million to help Guatemala's Ministry of Agriculture carry out a broad national animal health program designed to control and eventually eradicate brucellosis, tuberculosis and bovine rabies in livestock. The program included the construction of administrative buildings, laboratories and control posts, as well as training personnel and execution of studies needed to control parasites. By the end of 1988, virtually all of the physical works had been completed.



in the cities of Quezaltenango, Cobán, Flores and Jutiapa; three border control posts in Tecún Umán, Pedro de Alvarado and Agua Caliente to control the entry of animals; five supervisory centers in Huehuetenango, San Marcos, Escuintla, Mazatenango and Zacapa, and ten mobile posts to control the movement of animals. Part of the loan is being devoted to technical cooperation to enable the Ministry of Agriculture to obtain the administrative and professional services required to plan and carry out the campaign. By the end of 1988, virtually all of the physical infrastructure works—the laboratories, border control posts and supervisory centers—had been built. Four training courses for 61 professionals and technicians from the executing agency had also been completed. In addition, 44,200 tests for brucellosis, tuberculosis and rabies had been conducted in 750 establishments.

**Rural Primary Education:** In 1982, the Bank approved a \$28 million loan from the Fund for Special Operations to develop primary education in rural areas in nine of Guatemala's Departments. The project involves the construction of approximately 234 new rural schools, the expansion of 40 existing schools and the remodeling of an additional 16 schools. It also includes the purchase of equipment, teaching materials and furniture and the training of approximately 1,600 teachers. By the end of 1988, 67 new schools had been built and 81 were under construction. The others were in the process of being bid or were in the planning

stage. Eleven schools had been expanded, another seven were being expanded and others were in the planning stage. Five schools had been remodeled and another 10 were in the process of being remodeled. Finally, more than 1,000 teachers had received special training under the program.



# GUYANA

## LOANS

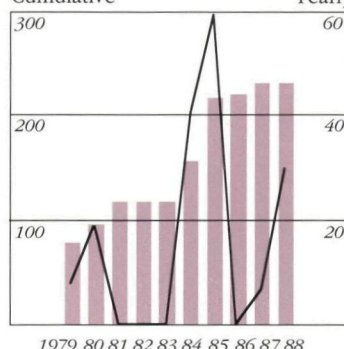
**Health Care Program:** The health status of Guyana's population has worsened in recent years as the country's economy has deteriorated. Malnutrition has contributed to increased infant mortality and the incidence of communicable diseases is relatively high. To help improve the situation, the Bank in 1988 approved a \$27.9 million loan from the Fund for Special Operations to carry out the second stage of a health care program in Guyana. An earlier loan for \$8.8 million, approved in 1978, financed the first stage, which was designed to improve services in outlying areas through the construction of new facilities or the refurbishing of existing ones. The new project, which will be carried out by the Ministry of Health, involves the complete rehabilitation of the Georgetown Hospital through the construction of an ambulatory care, diagnostic and surgical center and the replacement of a variety of support services. These improvements will help consolidate outpatient services in one facility; it will place new surgical installations in Georgetown Hospital; it will centralize radiology, laboratory and pharmacy services, and it will set up a program of continued education for hospital personnel. At the same time, routine tasks will be decentralized to nine suburban health centers of Georgetown, where basic laboratories will be installed, and radio communication equipment will be provided to 26 regional health care facilities.

**Export Financing:** To reverse the serious economic decline that has affected Guyana since 1975, the Government has developed an economic program designed to achieve an annual growth rate of 4 percent for the 1989-91 period. To reach this goal, Guyana needs to increase the production of its traditional exports of bauxite and rice, and also of products not traditionally exported by that country. In 1988, the Bank cooperated in the latter endeavor by extending a \$2 million export financing credit from the Venezuelan Trust Fund to the Bank of Guyana. The financing will be used to provide short-term financing for exports of manufactured and semi-manufactured goods.

## TECHNICAL COOPERATION

**Institutional Support for Health Ministry:** Along with the previously described loan to carry out the second stage of a health care program in Guyana, the Bank in

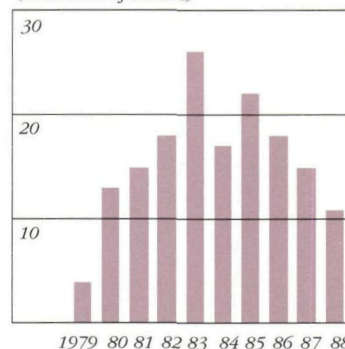
**LENDING\*** (In Millions of Dollars)  
Cumulative Yearly



— Cumulative  
— Yearly

\*Guyana joined the Bank in 1976.

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



1988 approved a \$1.8 million technical cooperation grant from the Fund for Special Operations to strengthen the executing agency—the Ministry of Health. The assistance will be used to improve the Ministry's ability to manage the country's health care network, provide quality drug and medical supplies, provide maintenance services for the health sector and explore options for additional funding for the sector.

**Economic Planning:** One of the major bottlenecks in the decision-making and project monitoring cycle in Guyana is the lack of up-to-date statistical information due, in part, to the obsolete methods of data collection and processing. Other problems are the delay in the classification, analysis and publication of such information, the deployment of staff to regional organizations and the emigration of skilled personnel. A more effective information system would provide the basic statistical data needed to make decisions regarding resource allocation, the evaluation and pre-selection of development projects and project cycle monitoring. To support this objective, the Bank in 1988 approved a \$915,100

## Distribution of Loans 1976-88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Agriculture and Fisheries	\$156,686	\$228,750
Industry and Mining	33,620	42,300
Environmental and Public Health	36,382	42,900
Energy	16,116	19,200
Education, Science and Technology	14,400	16,000
Export Financing	2,000	2,857
<b>Total</b>	<b>\$259,204</b>	<b>\$352,007</b>





**NEWLY HARVESTED BAGS OF RICE** await pickup on a farm in the Abary River basin. The farm is one of many in northeastern Guyana that have benefited from a large irrigation and drainage works program financed by the Bank. The first stage of the program, 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 production. The project includes regular environmental monitoring in the project area.

technical cooperation grant from the Fund for Special Operations to help Guyana design and establish an information system for planning and administering the project cycle. The Project Cycle Unit/Information Systems Division of the State Planning Secretariat will carry out the project.

#### PROGRESS HIGHLIGHTS

**Abary Irrigation and Drainage Works:** At the end of March 1988, work was completed ahead of schedule on the secondary works involved in the second stage of a broad-scale program to drain and irrigate nearly 15,000 hectares of rice-growing land around the Abary River in Northeastern Guyana. The project is being financed with the help of a \$40.7 million loan from the ordinary capital approved by the Bank in 1984. The first stage of the project, now complete, involved the construction of main canals and a conservancy dam. It was financed with a \$49.5 million loan from the Fund for Special Operations approved in 1977. The physical works of the second phase consisted of the construction, in four project areas, of secondary drainage and irrigation canals, hydraulic structures and access roads, land distri-

bution, and an agricultural development program to benefit 3,000 farmers, including the installation of a seed processing plant. Work is still in progress on the construction of the plant, on a maintenance program and on an environmental monitoring plan.

**Industrial Recovery:** Most of the \$28 million loan approved by the Bank in 1985 from the ordinary capital to spur Guyana's industrial recovery—particularly in the sugar, rice and general manufacturing sector—was committed in credits by the end of 1988. The loan was extended to the Guyana Cooperative Agricultural and Industrial Development Bank (GAIBANK), which is using the loan to provide credits to firms producing for export or efficient substitution of imports. Credits were extended to recondition sugar mills of the Guyana Sugar Corporation (GUYSUCO); to provide machinery and equipment for rice mills, and for general manufacturing. By mid-1988, a total of \$19.5 million of the Bank's resources had been committed in 51 subloans. Of these, 10 subloans for \$5.3 million were for general manufacturing, 40 totaling \$4.4 million were for private rice millers and one amounting to \$9.8 million was for GUYSUCO to recondition seven of its sugar mills.



# HAITI

## FINANCING FOR SMALL PROJECTS

**Credit for Women Microentrepreneurs:** Women make up half of Haiti's 5.4 million inhabitants and a large majority of Haitian women are engaged in productive economic activity. Women represent 22 percent, 49 percent and 75 percent, respectively, of the formal labor force of small, medium and large companies. In the informal sector, women-owned businesses represent 18 percent of all microenterprises. In 1988, the Bank approved a \$250,000 financing from the Norwegian Development Fund for Latin America to benefit some 250 low-income women who operate microenterprises in manufacturing, craftmaking, agroindustrial and service activities. The project will be carried out by the *Fonds Haitien d'Aide a la Femme (FHAF)*, a private nonprofit organization founded in 1982 to help promote the participation of Haitian women in the economy. *FHAF* will extend credits to individual women who own microenterprises to be used for installations and equipment. Groups of women will also receive credits to purchase vehicles, provide storage facilities, acquire raw materials and install marketing facilities.

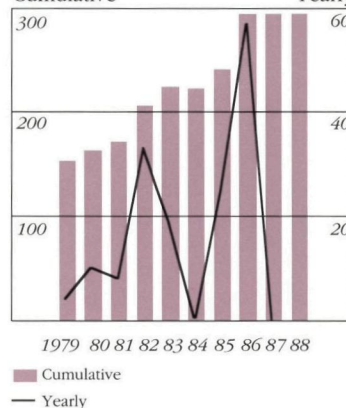
## TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described financing to support microenterprises managed by women in Haiti, the Bank in 1988 approved a \$96,000 technical cooperation grant from the Norwegian Development Fund for Latin America. The assistance will be used to strengthen the executing agency—*Fonds Haitien d'Aide a la Femme (FHAF)*—and to assist the beneficiaries to develop their business management skills.

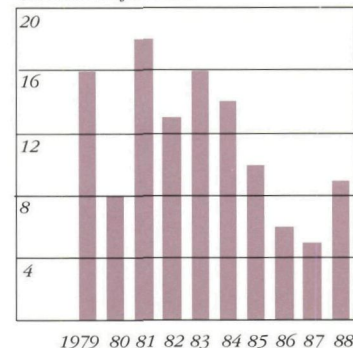
## PROGRESS HIGHLIGHT

**Blanche River Farm Development:** 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. Subsequently in 1985, the Bank approved another loan—\$4 million from the Fund for Special Operations—to provide additional financing for the project. The project involved the construction of irrigation and drainage works on the left bank of the river to restore 3,000 hectares of land to intensive year-

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



**YEARLY DISBURSEMENTS** (In Millions of Dollars)



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 1988, the project was approximately two-thirds completed. Eight irrigation wells had been built. Contracts for the principal irrigation works for the last five wells had been awarded. A total of 2,500 hectares had been reforested, the anti-erosion earthworks had been completed and the construction and rehabilitation of the roads had been concluded. Moreover, 30 potable water wells operated by hand pumps had been drilled and two health centers and an experimental farm center had been built.

## Distribution of Loans 1961–88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Environmental and Public Health	\$115,474	\$145,015
Transportation and Communications	75,680	118,194
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>\$295,044</b>	<b>\$422,313</b>



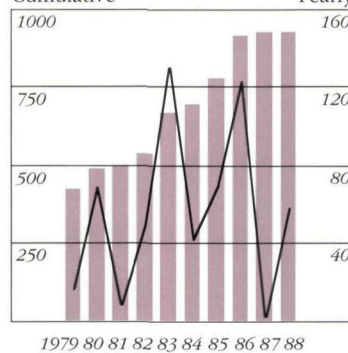
# HONDURAS

## LOANS

**Road Rehabilitation:** Accelerated growth and integration in Central America in the 1960s and 1970s spurred the development of transportation infrastructure. Between 1960 and 1987, for example, the road network of Honduras expanded from 3,299 to 17,265 kilometers. Of these, 2,081 kilometers are paved, 8,376 kilometers are usable the year round and 6,808 are passable only in the dry season. Nonetheless, deficiencies in the Honduran highway system represent a major constraint to the country's development and to Central America's integration. Vast productive areas are isolated or inaccessible to major markets. Thus, Honduras needs to build local and access roads radiating from primary and secondary highways to productive areas. To contribute to this end, the Bank in 1988 approved two loans totaling \$45.8 million—\$38 million from the ordinary capital and \$7.8 million from the Fund for Special Operations—to rehabilitate, build or improve 588 kilometers of highways and roads. They include 260 kilometers of main highways, 128 kilometers of local roads and 200 kilometers of access roads. The program is being carried out by the *Secretaría de Comunicaciones, Obras Públicas y Transporte (SECOPT)*. The execution of the program will provide vast rural sections of Honduras with all-weather roads and thus reduce their isolation from the rest of the nation. It will also open new areas to agricultural production and generate jobs in areas suffering a high degree of unemployment or underemployment.

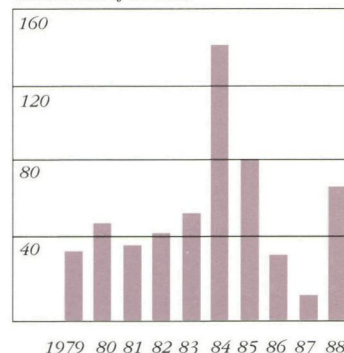
**Development of Municipalities:** The Government of Honduras is carrying out a strategy to reduce regional imbalances in income and infrastructure. To support this strategy, the Bank in 1988 approved a \$12.1 million loan from the Fund for Special Operations to help finance a program of works and municipal development. The project will be executed by the *Banco Municipal Autónomo (BANMA)*, which provides economic, financial and technical support to cities and towns. The resources of the loan will help carry out development projects that will provide basic services in 86 medium-sized cities with populations ranging from 10,000 to 80,000. Services and works to be improved or upgraded include potable water and sewage systems, urban streets and storm sewers, municipal markets, electricity distribution and street lighting, slaughterhouses, and street cleaning systems. Loan resources will

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



■ Cumulative  
— Yearly

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



also be used to upgrade the technical ability of *BANMA* staff to provide seminars and training workshops for municipal officials and staff, and to strengthen the administrative structure of the participating institutions, as well as *BANMA*.

**Export Financing:** In 1988, the use of a previous line of credit to Honduras from the Venezuelan Trust Fund for export credits was extended through repayments by \$500,000.

## FINANCING FOR SMALL PROJECTS

**Support for Microentrepreneurs:** The informal agricultural sector in Honduras is made up of about 125,000 enterprises producing crops primarily for family consumption and a small portion for sale. Non-agricultural enterprises include approximately 100,000 persons en-

## Distribution of Loans 1961–88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$231,108	\$ 872,545
Transportation and Communications	200,565	319,944
Environmental and Public Health	172,883	275,173
Industry and Mining	164,008	347,551
Agriculture and Fisheries	129,516	230,782
Education, Science and Technology	42,065	66,151
Urban Development	25,592	42,731
Preinvestment	8,776	10,533
Export Financing	7,275	10,393
<b>Total</b>	<b>\$981,788</b>	<b>\$2,175,803</b>



gaged in processing tasks. Both sectors play an important role in the nation's economy and in the creation of jobs. In 1988, the Bank approved a \$500,000 financing from the Norwegian Development Fund for Latin America to provide credit to benefit approximately 750 such producers. The financing was extended to the *Federación de Organizaciones Privadas de Desarrollo de Honduras (FOPRIDEH)*, a private nonprofit association created in 1982. FOPRIDEH serves 90 organizations that carry out training, education and communications activities related to production in the agricultural and urban informal sectors. The financing will be used to establish a rotating credit fund to channel credits to individuals through organizations affiliated with FOPRIDEH.

#### TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described financing for a credit program for the informal sector being carried out by the *Federación de Organizaciones Privadas de Desarrollo de Honduras (FOPRIDEH)*, the Bank in 1988 approved a \$68,000 technical cooperation grant from the Norwegian Development Fund for Latin America. The assistance will be used to strengthen the operations of FOPRIDEH and its affiliates.

**Support for Tax Reform:** The Government of Honduras has embarked on a program to overhaul its tax system in order to increase tax receipts and curb tax evasion. In support of these goals, the Bank in 1988 approved a \$1,107,000 technical cooperation grant from the Fund for Special Operations to help carry out a program to improve tax policy and administration. The project will be carried out by the *Secretaría de Hacienda y Crédito Público (SHCP)* with the cooperation of the Organization of American States, the *Centro Interamericano de Estudios Tributarios (CIET)* in Buenos Aires and the *Centro Interamericano de Administradores Tributarios (CIAT)* in Panama. The project consists of three subprograms in tax policy, administration and training. In tax policy, an updated reference document listing tax policy alternatives at the general economic level and of specific basic taxes and fiscal incentives will be prepared. In tax administration, the tax collection structure will be strengthened and the Tax Payer Master File and Current Account System will be expanded. Training will be provided for the staff of the *Secretaría* through short courses, scholarships and fellowships.

#### PROGRESS HIGHLIGHTS

**Rural Development in Western Honduras:** During 1988, a \$6 million loan from the Fund for Special Operations and a cofinancing of \$8.2 million from the International Fund for Agricultural Development (IFAD) approved in 1979 to spur rural development in Western Honduras was completely disbursed. The project was designed to accelerate economic and social development in a region which encompasses 14,500 square kilometers in the Departments of Copán, Ocotepeque and Lempira. The loans were relent for credits to farmers, and for farm research and extension services, grain storage, rural roads and health centers. By the end of 1988, approximately 10,000 farmers had received credits under the program. A research center was built in San Francisco del Valle. A total of 250 test cultivations of basic grains and vegetables were carried out. Farm extension services were provided to farmers in soil preparation, cultivation and conservation. A total of 3,500 half-ton grain storage bins were built and turned over to farm groups. Three road sections totaling 86 kilometers—Santa Rita-La Encarnación; Corquimbelen-Gualacho, and Higuito-Monte La Virgen—were completed. Five health centers were completed. The IFAD financing helped design 27 water and 3 sewage systems.

**La Ceiba-Sabá-Corocito Highway:** In 1985, the Bank approved two loans totaling \$31 million—\$22 million from the ordinary capital and \$9 million from the Fund for Special Operations—to improve and pave 138 kilometers of a highway which links La Ceiba, Sabá and Corocito on the north coast of Honduras. An important component of the country's highway system, the road is the main access route to the Aguán River Valley, a region of great economic potential, and is part of the Atlantic Coast Central America Highway. The road links the Atlantic Coast ports of La Ceiba and Puerto Castillo and ties the Aguan River Valley and the entire Central Atlantic region into the San Pedro Sula development pole. The road project, which is being carried out by the *Secretaría de Comunicaciones, Obras Públicas y Transporte (SECOPT)*, is designed to lower transportation costs for highway users and to help increase the cultivation and export of non-traditional crops which are in demand in external markets. By the end of 1988, significant progress had been achieved on the project. The loan began to be disbursed early in 1987, when construction began and by the end of 1988, 75 percent of the works had been completed.



# JAMAICA

**Hurricane Emergency Assistance:** On September 12, 1988, Hurricane Gilbert, packing winds of up to 140 miles per hour, slammed into Jamaica. The storm was the worst disaster to hit the country in more than a century. The total physical damage was estimated at \$934.3 million. Telephone and electric lines were laid low; homes were severely damaged; agriculture was flooded; water and sewage systems were disrupted; hospitals and schools were battered; industry and tourism facilities suffered losses, and thousands had to flee their homes. As an initial response to the disaster, the Bank approved a \$200,000 technical cooperation grant. Subsequently, it approved a plan to rechannel nine existing loans totaling \$63.4 million to help rehabilitate damaged or destroyed infrastructure and services. At the same time, the Bank approved a \$5 million technical cooperation grant from the Japan Special Fund to purchase building materials to rehabilitate homes. The rechanneled loans included the use of \$20,134,000 to restore 650 primary schools; \$23,235,000 to restore rural roads, health centers, hospitals and other health related facilities and schools; \$1,149,000 to help small-scale farmers to rehabilitate their farms; \$12,733,000 to provide credit to farmers, farm groups and organizations to rehabilitate their enterprises; \$3 million to repair damages to tourist facilities; \$2,670,000 to rehabilitate damaged roads, and \$480,000 to rehabilitate small potable water systems across the island. Individual descriptions of the two technical cooperation operations are given further on in this section.

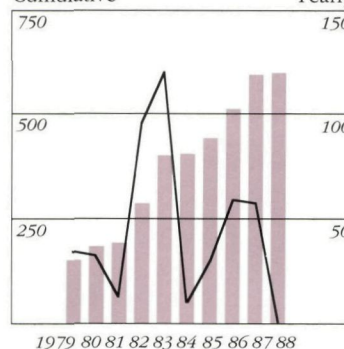
## LOAN

**Export Financing:** In 1988, the use of previous lines of credit to Jamaica from the ordinary capital and the Venezuelan Trust Fund for export credits was extended through repayments by \$3.5 million and \$10 million, respectively.

## FINANCING FOR SMALL PROJECTS

**Credit for Rural and Urban Producers:** The Jamaica Cooperative Credit Union League, Ltd., a federation of credit unions, is a private nonprofit organization founded in 1943 to foster the growth of the credit union movement in Jamaica. In 1988, the Bank approved a \$500,000 financing from the Fund for Special Operations to enable the league to provide credit to about 250 rural and urban producers. Two-thirds of the

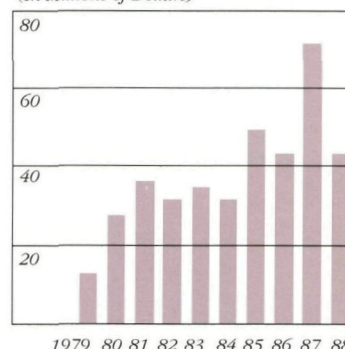
**LENDING\*** (In Millions of Dollars)  
Cumulative Yearly



■ Cumulative  
— Yearly

\*Jamaica joined the Bank in 1969.

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



credits will be channeled through 12 rural credit cooperatives for agricultural, dairy, agroindustrial and beekeeping activities. The remaining third will be used by two urban cooperatives to finance urban microenterprises projects in Kingston. The resources will be used to purchase equipment, tools, production inputs and for working capital.

## TECHNICAL COOPERATION

**Emergency Hurricane Assistance:** To help Jamaica cope with some of the immediate effects of Hurricane Gilbert, the Bank in 1988 approved \$200,000 in technical cooperation from the Fund for Special Operations to provide the island with emergency assistance in the acquisition of construction materials, food and other necessities for the homeless.

## Distribution of Loans 1969–88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Industry and Mining	\$183,732	\$254,995
Export Financing	98,999	141,428
Agriculture and Fisheries	81,342	211,635
Urban Development	66,838	95,000
Education, Science and Technology	56,697	74,500
Energy	42,660	59,900
Transportation and Communications	27,336	44,600
Environmental and Public Health	21,711	45,130
Tourism	11,201	26,410
Preinvestment	7,306	11,900
<b>Total</b>	<b>\$597,822</b>	<b>\$965,498</b>



**Housing Rehabilitation:** To help Jamaicans repair homes damaged by Hurricane Gilbert, the Bank in 1988 approved a \$5 million technical cooperation grant from the Japan Special Fund. The assistance will be used to purchase building materials and to strengthen the agencies participating in the rehabilitation program. The grant was the first extended under an agreement entered into by the Bank and Japan in April 1988. The grant will help finance two separate activities. In the first, the Jamaica Commodity Trading Company will use proceeds to import material and equipment to rehabilitate rural and urban housing, with the maximum amount for any one household amounting to \$1,000. In the second, the Agricultural Credit Bank and the National Development Bank will be given assistance to help carry out credit programs being financed through the Bank's reformulated loan programs. In addition, the Ministry of Education will be provided with consultants to assist in the rehabilitation of schools and the Urban Development Corporation will receive the help of a consulting firm to prepare and disseminate information on sound design and construction practices for buildings susceptible to hurricane damage.

**Institutional Support:** Along with the previously described financing to provide credit to rural and urban producers through the credit union movement in Jamaica, the Bank in 1988 approved a \$53,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to strengthen the ability of the executing agency—the Jamaica Cooperative Credit Union League Ltd.—and its individual credit unions to analyze and manage credit programs and to help improve the business management abilities of the beneficiaries.

**Support for Tourism Training:** Tourism generates 21.7 percent of the Jamaica's gross domestic product and directly employs 48,000 persons. In recent years, its relative importance to the island economy has risen due to declining exports of bauxite, the nation's principal product, and falling production in the agricultural and manufacturing sectors. To contribute to the development of the sector, the Bank in 1988 approved a \$685,000 technical cooperation grant from the Fund for Special Operations. The assistance will help improve tourist services in Jamaica by training personnel and establishing a continuing training program. Jamaica's Tourist Board (JTB) will be responsible for carrying out the project. Under the project, a national tourism training strategy, including projections of the required human and financial resources, will be defined. The program calls for the training of 36 core instructors from the private sector, the direct training of another 150

professionals and the short-term training of another 1,000 persons.

## PROGRESS HIGHLIGHTS

**Cement Plant Expansion:** During 1988, work was completed on a project to modernize and expand a cement plant in Kingston, Jamaica. The project, carried out by the Caribbean Cement Plant Limited, consisted of the installation of dry process cement production and power generation equipment; the construction of complementary structures and the installation of modern fuel efficient equipment; the construction and installation of a modern central coal plant to convert kiln firing facilities from heavy oil to coal, and design and engineering services. The project was financed with the help of two loans totaling \$57.2 million from the ordinary capital approved in 1981.

**Small Farmers Development Program:** In 1983, the Bank approved a \$10 million loan from the Fund for Special Operations to help finance a program of global agricultural credit to be executed by the Agricultural Credit Bank of Jamaica and the Ministry of Agriculture. The project was co-financed by the International Fund for Agricultural Development with a \$10 million loan. The original objective of the program was to provide short-, medium- and long-term credit to about 4,300 small farmers with holdings of 2 to 10 acres in four pilot areas. The credits would finance investments for equipment, livestock and infrastructure and provide working capital. In addition, the loans financed a supporting subprogram of soil conservation on 760 hectares of land, including 320 hectares of tree plantings. The program was subsequently expanded island-wide to embrace a greater number of participants and to increase to 25 acres the size of holdings eligible for loans. The credit regulations were also liberalized to permit greater access to the resources of the loan. By the end of 1988, more than 80 percent of the Bank's loan and 70 percent of the IFAD loan had been disbursed.



# MEXICO

## LOANS

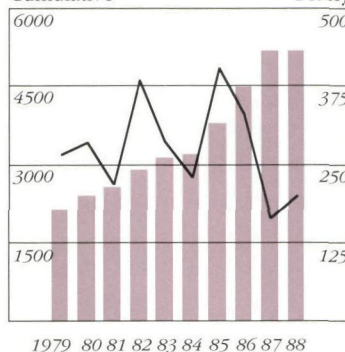
**Farm Credit Program:** The small-scale agricultural sector in Mexico is made up of more than 2.2 million farm units, directly involving 12 million persons on nearly 13 million hectares. It accounts for 87 percent of Mexico's farms, occupies some 57 percent of the country's arable land and generates more than 40 percent of its agricultural product. It is the primary provider of the food grains that provide the basic diet for the Mexican people and the main source of employment for much of the rural population. In 1988, the Bank approved a \$200 million loan from the ordinary capital to finance the sixth stage of a credit program for small-scale farmers. The program will be carried out by the *Banco Nacional de Crédito Rural, S.N.C. (BANRURAL)*, through the *Fideicomiso para Créditos en Areas de Riego y de Temporal (FICART)*. The loan resources will be channeled to small-scale producers, including members of community farms, farm settlers and small-scale property owners to finance fixed assets, machinery and equipment, and to purchase inputs for agricultural activities, livestock raising, aquaculture and agroindustrial activities. The program also includes the provision of support services to improve the efficiency of the beneficiaries in the technical and administrative management of their production units.

**Export Financing:** In 1988, 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 million.

## FINANCING FOR SMALL PROJECTS

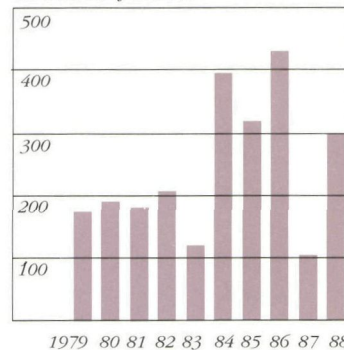
**Credit and Training for Microenterprises in Chihuahua:** *Desarrollo Económico del Estado de Chihuahua, A.C. (DESEC)*, is a private, non-profit institution created in 1973 to foster investment and job creation by microentrepreneurs in Mexico. To support its activities, the Bank in 1988 approved a \$200,000 financing from the Fund for Special Operations to help expand a credit and training program for small-scale entrepreneurs in the State of Chihuahua. The Bank had initiated the program in 1985 with a \$300,000 financing, also from the Fund for Special Operations. The new financing will be utilized by DESEC in extending credits to bene-

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



■ Cumulative  
— Yearly

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



ficiaries in such activities as carpentry, upholstery, shoe repair, brickmaking, blacksmithing and services. In addition, training will be offered to beneficiaries.

**Support for Low-Income Farmers:** Approximately 30 percent of the productive farms in Mexico meet only the subsistence needs of families. To improve conditions for some of these, the Bank in 1988 approved a \$500,000 financing from the Fund for Special Operations. The assistance will finance a credit and training program for farmers in the State of Guanajuato. The financing will enable the *Fundación Mexicana para el Desarrollo Rural (FMDR)*, a nonprofit, private entity created in 1969 to channel resources and technology to farmers through 35 development institutions, to provide credits to 620 farmers. These will make investments in small agricultural projects, primarily irriga-

## Distribution of Loans 1961-88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Agriculture and Fisheries	\$2,687,274	\$ 6,637,409
Industry and Mining	777,549	2,848,217
Environmental and Public Health	464,840	879,370
Transportation and Communications	413,697	744,047
Tourism	340,332	928,167
Education, Science and Technology	147,251	264,377
Urban Development	93,787	194,181
Preinvestment	88,741	148,740
Export Financing	85,021	121,458
<b>Total</b>	<b>\$5,098,492</b>	<b>\$12,765,966</b>



tion, dairy cattle and beekeeping. Technical training designed to improve production methods and business administration will complement the credit program.

## TECHNICAL COOPERATION

**Emergency Hurricane Assistance:** On September 16, 1988, Hurricane Gilbert, the worst storm to hit the Western Hemisphere in more than a century, swept through the Yucatán Peninsula and other areas of Northern Mexico, leaving 200,000 homeless and causing damages estimated at \$400 million. The States of Yucatán, Quintana Roo and Campeche in the southeast and Tamaulipas and Nuevo León in the northeast suffered the heaviest damage. To help meet immediate relief needs, the Bank in 1988 approved a \$200,000 technical cooperation grant from the Fund for Special Operations. The assistance is being used to provide help for victims and to restore roads and other installations in low-income neighborhoods which were destroyed or damaged by the hurricane.

**Institutional Support:** Along with the previously described financing to help microentrepreneurs in the State of Chihuahua, the Bank in 1988 approved an \$11,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to provide institutional support to the executing agency—*Desarrollo Económico del Estado de Chihuahua, A.C. (DESEC)*—and to provide training for the beneficiaries of the program.

## PROGRESS HIGHLIGHTS

**Health Services Improvement:** During 1988, substantial progress was made on a program to expand and improve health services throughout Mexico. The program is being carried out with the help of two loans totaling \$41.3 million—\$30 million from the ordinary capital and \$11.3 million from the Fund for Special Operations—approved by the Bank in 1986. The executing agency, the *Ministerio de Salud*, is placing special emphasis on primary care for groups with no access to such services; on expanding secondary facilities in localities where there is a severe shortage of hospital beds; on improving the administrative capacity of the Ministry, as well as of the states, and on decentralizing health services. The program involves the construction of 220 rural health centers for scattered populations, 60 centers for concentrated populations, 60 urban health centers and two 120-bed and eight 60-bed hospitals. By the end of 1988, a third of the program had been com-

pleted. All of the hospitals, 10 urban health centers, 88 dispersed rural health centers and 20 concentrated rural health centers were under construction.

**Municipal Development Program:** Mexico's population is heavily concentrated in Mexico City, Monterrey and Guadalajara, as well as in the central highland plateau above 500 meters. Only 29 percent of the inhabitants who reside in towns of more than 15,000 inhabitants live below that level where there is a better endowment of water and energy resources. Within its National Urban Development Plan, the Government of Mexico has embarked on a program to foster better distribution of the population. Under the plan, basic infrastructure works are being financed in cities and towns of between 2,500 and 100,000 inhabitants outside those three areas. To help support these efforts, the Bank in 1982 approved two loans totaling \$80 million—\$44 million from the ordinary capital and \$36 million from the Fund for Special Operations. The program is being executed by the *Banco Nacional de Obras y Servicios (BANOBRAS)*, the nation's public works bank. BANOBRAS is using the resources of the loans to help improve living conditions, including the provision of water and sewage services, marketing, slaughterhouses, paving of streets and street lighting. It is expected that such efforts will help stem migration to large urban centers. By the end of 1988, all of the resources of the loans had been committed and some 728 subloans for municipal works in small and medium cities had been obligated. To date, 254 municipal works have been completed, including 75 sewage systems, 45 potable water systems, 42 markets, 36 slaughterhouses and 56 other urban works. An additional 285 municipal works are in an advanced stage of construction and the remainder are in the initial stages of construction.

**Agricultural Credit Program:** In recent years, the Mexican economy has faced one of its most severe crises. This has led the Government to implement a number of adjustment measures to improve efficiency and competitiveness. The agricultural sector has been particularly hard hit by recent events and its development has been 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 ordinary capital for the seventh stage of the Agricultural Global Credit Program. The program is being 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 seventh stage is to stimulate production,



productivity and exports; improve capitalization of the sector and promote technological innovation. Participating banks will extend credits to individual farmers and groups of farmers or organizations to finance capital investments and working capital in crops, livestock, fishery and agroindustrial activities. The program is also providing institutional strengthening for *FIRA* by train-

ing its technicians and producers and technical assistance to farmers. Execution of the project has proceeded at an accelerated pace. Almost half of resources of the loan have been committed and approximately 14,000 beneficiaries have received subloans to help increase their production and productivity.

## NICARAGUA

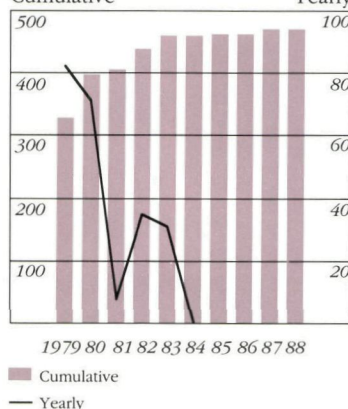
### TECHNICAL COOPERATION

**Emergency Hurricane Assistance:** On October 22, 1988, Hurricane Joan struck the coast of Nicaragua with winds which exceeded 200 kilometers an hour. The storm destroyed most of Bluefields. Other cities, including Managua, suffered heavy damage. More than 80,000 persons were left homeless and more than 100 were killed. Hospital and health facilities in Bluefields, Rama, Nueva Guinea and other towns were severely damaged. On November 22, the Bank authorized a \$200,000 technical cooperation grant from the Fund for Special Operations to help Nicaragua cope with the disaster. The assistance was used to purchase imported construction material to rehabilitate buildings and to acquire medical equipment, medicine and other hospital supplies.

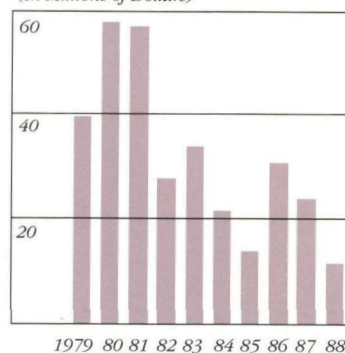
### PROGRESS HIGHLIGHT

**Asturias Hydroelectric Project:** In 1982, the Bank approved a \$34.4 million loan from the ordinary capital to help finance the Asturias Hydroelectric project which includes the creation of a new Lake Asturias to increase the amount of water available in Lake Apanás, which provides water to two existing hydroelectric power plants—the Centroamerica and the Carlos Fonseca—and thus adds 84 million kilowatt hours a year to the country's hydroelectric power generating capability. The project also includes the construction of the El Dorado dam, which will impound Lake Asturias and a spillway; a diversion dam and water intake of the El Quebradón River, and a water conduction system to feed Lake Asturias; a pumping station at El Arenal to pump water from Lake Asturias into Lake Apanás, and a 69-kilovolt transmission line, some 28 kilometers long from the

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



**YEARLY DISBURSEMENTS** (In Millions of Dollars)



Centroamerica plant to the El Arenal pumping station. By the end of 1988, the project was virtually completed. All of the major civil works had been finished and other works, such as the transmission line, were near completion.

### Distribution of Loans 1961-88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Agriculture and Fisheries	\$192,114	\$363,443
Transportation and Communications	65,259	101,414
Energy	55,587	132,340
Environmental and Public Health	53,138	89,050
Industry and Mining	45,516	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>\$466,435</b>	<b>\$837,500</b>



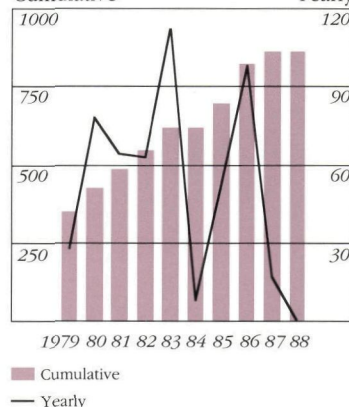
# PANAMA

## PROGRESS HIGHLIGHTS

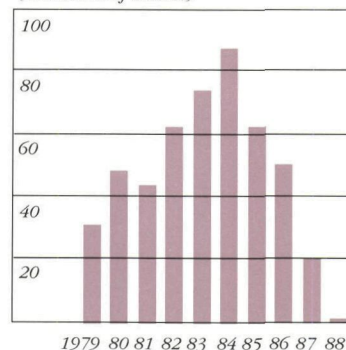
**Agricultural Credit:** In 1985, the Bank approved two loans totaling \$28.5 million—\$19 million from the ordinary capital and \$9.5 million from the Fund for Special Operations—to help finance the sixth stage of a program to provide credit to small- and medium-scale farmers, either individually or organized in cooperatives. The program is designed to increase their production and productivity and improve their living standards. In addition, it is strengthening the institutional, financial and operating capabilities of the *Banco de Desarrollo Agropecuario (BDA)*, the country's agricultural development bank. By the end of 1988, the loan had been almost completely disbursed.

**Rural Electrification:** In 1980, approximately one-sixth of the rural population of Panama had access to electricity, compared with 90 percent of the urban residents. To improve this situation, the Bank in 1981 extended two loans totaling \$19.8 million—\$16.6 million from the Fund for Special Operations and \$3.2 million from the ordinary capital—to the nation's electric power agency, the *Instituto de Recursos Hidráulicos y Electrificación (IRHE)*. The loans are helping to carry out the first stage of a program that will ultimately bring electricity to 46,000 new users in rural areas in the Pacific provinces of western Panama. The project area, which has great potential for agricultural development, is one of the most heavily populated in the country. In the first stage of the program, some 1,400 kilometers of transmission lines, which will provide service to 17,000 new users, will be installed. By the end of 1988, the transmission lines had been completed and 62 percent of the residential hook-ups had been made. The access to electricity had increased to one-fifth of the rural population and 93 percent of urban dwellers.

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



**YEARLY DISBURSEMENTS** (In Millions of Dollars)



## Distribution of Loans 1961–88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$279,862	\$ 597,272
Transportation and Communications	178,868	395,304
Agriculture and Fisheries	144,029	236,682
Education, Science and Technology	70,049	108,500
Urban Development	52,522	82,420
Environmental and Public Health	44,532	72,157
Industry and Mining	35,532	61,694
Preinvestment	20,904	41,460
Tourism	19,910	41,822
Export Financing	1,000	1,429
Other	8,340	—
<b>Total</b>	<b>\$855,548</b>	<b>\$1,638,740</b>



# PARAGUAY

## LOAN

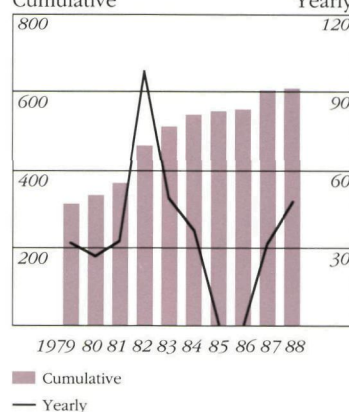
**Asunción Water Supply:** In 1987, 58.4 percent of the population of Asunción, where 44 percent of the country's inhabitants reside, had water supply service and 44.2 percent had sewage service. Nevertheless, large sectors of the population, particularly low-income residents, lack both services in their homes. In 1988, the Bank approved a \$47.8 million loan from the Fund for Special Operations to help finance the first stage of a broad plan being carried out by the *Corporación de Obras Sanitarias (CORPOSANA)* to improve the water system of the Asunción area. The project, which also includes the urban districts of Fernando de la Mora, San Lorenzo, Lambaré and Mariano R. Alonso, involves the construction of intake works along the left bank of the Paraguay River, a raw-water pumping station, a water treatment plant, four pumping stations, five reservoirs, a distribution system, and 25,000 household connections. The capacity of the city's present water system is 240,000 cubic meters a day, but the distribution system delivers only 200,000 cubic meters a day to the users. The completion of the project will expand the production and distribution system of the city and surrounding areas to 325,000 cubic meters a day, which by 1997 will cover 77.6 percent of the capital's demand and 62.5 percent of the demand in the outlying districts. Up to \$750,000 of the loan will be used to provide technical cooperation services designed to strengthen the operations of *CORPOSANA*.

**Yacyretá Hydroelectric Project:** In 1988, the Bank extended a \$250 million loan to a binational entity of Argentina and Paraguay to provide additional financing for the construction of the 2.7-million-kilowatt Yacyretá hydroelectric power project. The project is described fully in the Regional Section.

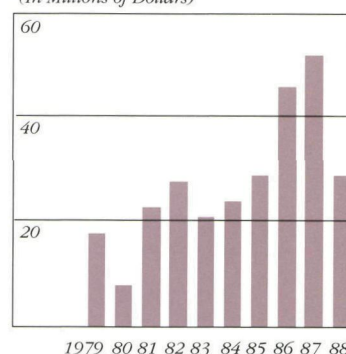
## TECHNICAL COOPERATION

**Sanitation Sector Study:** Along with the previously described loan to expand the drinking water system of the metropolitan area of Asunción, the Bank in 1988 approved a \$935,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to carry out a study that will contain proposals and recommendations on planning and financing the sanitation sector in the country.

**LENDING** (In Millions of Dollars)



**YEARLY DISBURSEMENTS** (In Millions of Dollars)



**Emergency Flood Assistance:** In June 1988, the Alto Paraguay region was affected by torrential rain storms which caused heavy floods along the banks of the Paraguay River between Puerto Bahía Negra in the north and Paso de Patria in the south. At Puerto Asunción the river rose to nine meters compared with a normal height of three meters. About 55,000 families along the river bank and 31,000 persons in Asunción had to leave their homes. To help meet the immediate emergency, the Bank early in August approved a \$100,000 technical cooperation grant from the Fund for Special Operations. The assistance is being used to acquire construction materials to be distributed to low-income families to help them rebuild their homes.

## Distribution of Loans 1961–88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$176,701	\$287,012
Agriculture and Fisheries	137,968	234,211
Environmental and Public Health	102,672	171,017
Transportation and Communications	75,127	120,931
Education, Science and Technology	59,736	84,280
Industry and Mining	25,195	41,513
Urban Development	10,769	16,273
Tourism	4,568	6,608
Preinvestment	436	582
Other	10,855	—
<b>Total</b>	<b>\$604,027</b>	<b>\$962,427</b>



**FARMER PRUNES TOMATO PLANT** on 18-hectare farm in the Department of Paraguari, in central Paraguay. Farmer received a \$1,100 loan from the Consejo de Fomento de la Producción Agrícola Nacional (CEPAN), the national farm production board, to improve production on his farm. The funds came from the proceeds of a \$27.5 million loan extended by the Bank in 1981 to CEPAN to help Paraguay finance an integrated rural development project. The project, nearing completion in 1988, helped increase production of farmers and craftsmen and improve the physical infrastructure and social services of the area.



## PROGRESS HIGHLIGHTS

**Tacuara-Santa Rosa Highway:** At the end of 1988, construction to improve the 98-kilometer Tacuara-Santa Rosa highway, the only overland link between Asunción and the northern and northeastern parts of the country, was near completion. The project was financed with the help of two loans totaling \$37.5 million—\$28 million from the ordinary capital and \$9.5 million from the Fund for Special Operations—approved by the Bank in 1982 and with \$9 million in additional loan financing from the Fund for Special Operations approved in 1983. Due to savings and favorable exchange rates, however, nearly \$15 million of the first two loans and \$3.2 of the additional financing were canceled. The project involved the reconstruction and paving of the road, the construction of a 130-meter bridge over the Jejui-Guazú River, a 175-meter bridge over the Aguaray-Guazú River and 13 smaller bridges.

**Integrated Rural Development:** In 1981, the Bank approved a \$27.5 million loan from the Fund for Special Operations to help carry out an integrated rural development project in the Department of Paraguari. It involves eight sub-projects, including land titling, farm credit, technical assistance, roads, rural electricity, education, health, and organization and training. The International Fund for Agricultural Development

(IFAD) participated in the project with a \$3.5 million co-financing. By the end of 1988, the project was virtually completed. A total of 2,500 land titling applications had been processed and 2,447 land titles had been awarded to farmers. In addition, 2,525 subloans had been extended; 668 kilometers of roads had been built; 20 communities had been provided with electricity, and 26 schools had been completed.



# PERU

## LOAN

**Export Financing:** In 1988, the use of a previous revolving line of credit to Peru from the Venezuelan Trust Fund for export credits was extended through repayments by \$18 million.

## FINANCING FOR SMALL PROJECTS

**Support for Women's Association:** Women make up some 20 percent of the labor force in rural areas in Peru. Very few of these women have access to credit and agricultural extension services. In 1979, *Asociación Perú Mujer*, a private nonprofit organization, was founded to help promote the participation of women in the development process. To support the efforts of the Association, the Bank in 1988 approved a \$265,000 financing from the Fund for Special Operations to help women increase the production of Andean grains. The financing will also be used to build processing facilities to turn the grain into flour and other food products and improve marketing of the products in urban areas. The project will directly benefit 1,170 low-income farmers, mostly women in the departments of Puno and Cuzco, as well as consumers in the low-income areas of Lima where grain and products will be marketed.

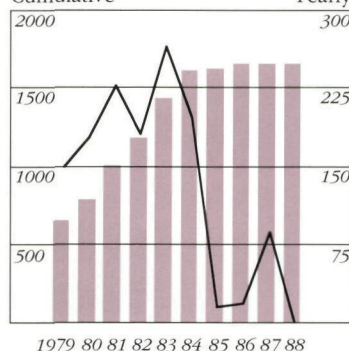
## TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described financing to help women farmers in Peru, the Bank in 1988 approved a \$90,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to strengthen the executing agency—the *Asociación Perú Mujer*—and provide training for the women beneficiaries.

## PROGRESS HIGHLIGHTS

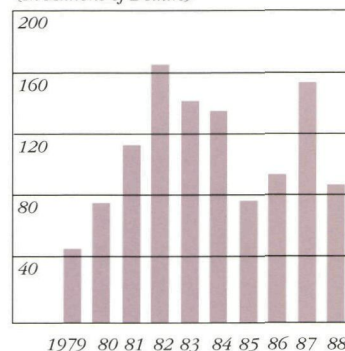
**Artisan Fisheries Program:** In 1982, the Bank approved two loans totaling \$14.5 million to help Peru improve port and marketing infrastructure for fishermen. The loans—\$12.5 million from the ordinary capital and \$2 million from the Fund for Special Operations—are being used by the Ministry of Fisheries to build port and fish-handling facilities at 23 small ports along the Peruvian coast. The Swiss Development Corporation also supported the project with an 8.8 million Swiss franc loan and a 1.9 million Swiss franc grant. The

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



■ Cumulative  
— Yearly

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



program also involves the establishment of a marketing program that includes a pilot plant to train fish salespersons in maintaining fish quality and minimizing losses, thus providing fresh fish at low prices. In addition, the project involves the institutional strengthening of the *Instituto del Mar del Perú (IMARPE)*, the agency responsible for fish research in Perú. By the end of 1988, nearly 90 percent of the work on the port facilities had been finished. A total of 17 port facilities had been finished and six were under construction. In addition, 60 percent of the work on the marketing program had been concluded. Port facilities finished were those at Lagunillas, Laguna Grande, San José, Culebras, San Juan de Marcona, Pucusana, Vila-Vila, Anion, Chorillos, Quilca, Puerto Pizarro, Huacho, Paíta, Lomas, Cancas, Talara and Santa Rosa. The six in construction are Caletas, Ilo, Tambo de Mora, Parachique, Casina and Chimbote.

## Distribution of Loans 1961–88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Agriculture and Fisheries	\$ 467,633	\$1,173,252
Industry and Mining	441,920	1,178,251
Energy	205,935	578,147
Export Financing	163,756	233,937
Transportation and Communications	153,900	311,346
Environmental and Public Health	97,413	225,980
Urban Development	53,685	101,105
Tourism	30,507	71,400
Preinvestment	10,216	28,396
Education, Science and Technology	9,308	22,330
<b>Total</b>	<b>\$1,634,273</b>	<b>\$3,924,144</b>



**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 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 an emergency reconstruction project in the northeast. By the end of 1988, the project was more than two-thirds completed. Ten of the 21 works had been completed. These included Querecotillo, San Vicente de Cañete, Zorritos, La Cruz, Corrales, Zarumilla, Chinchá Baja, Tambo de Mora, Ayaviri and Yurimaguas. Another 11 were in construction. These included Bagua Grande, Bagua Chica, Rioja, Juanjui, Mayomba, Ferrenafe, Mochumi, Pativilca, La Merced, Puerto Maldonado and Pacasinayo. Approximately 90 per cent of the works involved in improving water and sewage systems in 35 of the 44 localities had been carried out and the emergency rehabilitation of systems in the northeast had also been completed.

**Expansion of Andaychagua Mine:** The *Empresa Minera del Centro del Perú (CENTROMIN)* is one of the largest mining enterprises in Peru. Its production is scattered in six different mining operations which utilize various methods to mine ores containing silver, copper, lead, zinc and minor traces of bismuth, cadmium, tungsten and gold. In 1981, the Bank approved a \$14 million loan from the ordinary capital to help finance the expansion of one of CENTROMIN's mines, the Andaychagua mine located 200 kilometers from Lima. The expansion has helped the mine to extract some 350,000 short tons yearly of ore concentrates containing lead, zinc and silver. In addition, it has helped equip the new mining unit as well as increase the output of the nearby Huaripampa and San Cristobal mining units. In 1982, the Bank approved a complementary financing of \$19 million from the ordinary capital to complete the external financing for the project. Of that amount, \$12.4 million was not utilized and was canceled in 1985. The project was completed and the expanded mine was inaugurated in August of 1987.

## SURINAME

### PROGRESS HIGHLIGHT

**Primary Education Program:** In 1985, the Bank approved two loans totaling \$8 million—\$6.5 million from the ordinary capital and \$1.5 million from the Fund for Special Operations—to help improve primary education in Suriname. The loans are being used by the Ministry of Education, Science and Culture to carry out four project components. These include the construction and operation of a Learning Resource Center in Paramaribo; the printing and distribution of some 900,000 new textbooks and teachers' guides; the training of instructors at teachers' colleges, and the installation of libraries at 54 schools. By the end of 1988, the

teacher training program was well underway and the first phase of that program had been satisfactorily completed. The other facets of the program were in initial stages of execution.

### Distribution of Loans 1980–88

*In Thousands of U.S. Dollars*

Sector	Amount	Total Cost of the Projects
Education, Science and Technology	\$ 8,009	\$10,000
Environmental and Public Health	7,760	9,700
Industry and Mining	6,001	10,000
<b>Total</b>	<b>\$21,770</b>	<b>\$29,700</b>



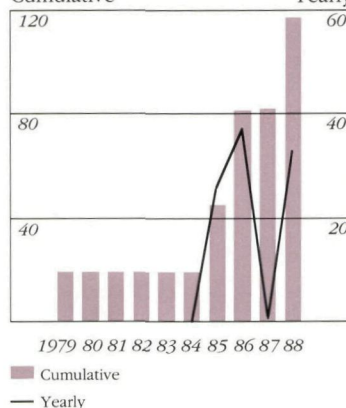
# TRINIDAD AND TOBAGO

## LOANS

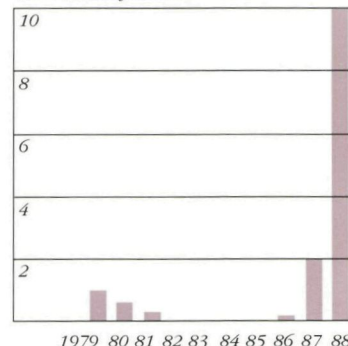
**Farm Credit Program:** Agriculture's contribution to Trinidad and Tobago's gross domestic product declined from 6.4 percent in 1960 to 2.3 percent in 1981. The decrease was accompanied by an outflow of labor into other sectors. In 1983, agriculture began to recover, as rising unemployment and declining wages elsewhere made farming more attractive. Nonetheless, the sector is handicapped by a lack of credit for investment. Credit needs of the nation's 10,500 farmers are estimated at \$43 million for the 1988-92 period. To help meet this need, the Bank in 1988 approved two loans totaling \$26,950,000—\$25 million from the ordinary capital and \$1,950,000 from the Fund for Special Operations. The loans will help to finance a farm and fishing credit program, to be carried out by the Agricultural Development Bank, geared to increase production and productivity through higher private investments. Credits will be provided to finance plantings and agricultural infrastructure, equipment, breeding stock, conservation and processing facilities, fishing vessels and gear, aquaculture facilities, improved seed, fertilizers, feed supplements and other supplies.

**Preinvestment Studies:** In order to counteract the economic crisis caused by the fall in oil prices, the Government of Trinidad and Tobago is seeking to diversify the country's production base by developing the sectors of industry, agriculture, agroindustry, tourism and energy. To contribute to this end, the Bank in 1988 approved a \$5,655,000 loan from the ordinary capital to finance a program of preinvestment studies for high priority development projects. The loan will enable the Ministry of Planning and Mobilization to finance general studies of a regional, sectoral, technological and institutional scope and to undertake specific prefeasibility and feasibility studies and final engineering designs. The program includes a feasibility study to improve the operating efficiency of the Point-a-Pierre petroleum refinery; a prefeasibility study for a plant in the Point Lisas petrochemical complex to produce gasoline additives, and studies to expand the water and sewage system of Tobago, determine costs and benefits of domestic metering, and improve the country's Water and Sewerage Authority. In addition, agricultural and natural resources management studies of waste disposal systems, coastal erosion and pollution, and environmental education will be carried out.

**LENDING\*** (In Millions of Dollars)  
Cumulative Yearly



**YEARLY DISBURSEMENTS** (In Millions of Dollars)



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

**Export Financing:** In 1988, 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 \$1.7 million.

## FINANCING FOR SMALL PROJECTS

**Credit for Farmers:** As oil prices have declined in recent years, agriculture in Trinidad and Tobago has become increasingly attractive as a way of life for low-income individuals. This has sparked a great demand for farm credit. To help meet this demand, the Bank in 1988 approved a \$500,000 financing from the Fund for Special Operations. The assistance will enable the Association for Caribbean Transformation (ACT), a private nonprofit entity created in 1972, to channel credits to farmers seeking to improve or expand their production. Beneficiaries will use the credits to finance crop production, animal husbandry, poultry farming, aquaculture,

## Distribution of Loans 1967-88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Education, Science and Technology	\$ 39,910	\$ 55,219
Agriculture and Fisheries	29,058	42,898
Transportation and Communications	25,385	59,398
Environmental and Public Health	8,387	20,090
Preinvestment	5,933	9,239
Urban Development	4,213	14,600
Export Financing	3,676	5,251
<b>Total</b>	<b>\$116,562</b>	<b>\$206,695</b>



beekeeping and agro-processing activities. Approximately 300 individuals are expected to benefit from the program.

#### TECHNICAL COOPERATION

**Institutional Support:** Along with the previously described loan for a preinvestment studies program in Trinidad and Tobago, the Bank in 1988 approved two technical cooperation grants from the Fund for Special Operations. The first, totaling \$1.3 million, will be used to prepare basic preinvestment studies of agriculture, conservation of renewable natural resources and environmental management. The second, amounting to \$340,000, will strengthen the ability of the Ministry of Planning and Mobilization to execute and administer the preinvestment program.

**Farm Credit Evaluation:** Along with the previously described loan for a farm credit program in Trinidad and Tobago, the Bank in 1988 approved a \$75,000 technical cooperation grant from the Fund for Special Operations. It will help the Agricultural Development Bank to set up a follow-up evaluation system for the credit program.

**Institutional Support:** Along with the previously described financing to provide credit to small income farmers, the Bank in 1988 approved a \$105,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to strengthen the executing agency—the Association for Caribbean Transformation (ACT)—and to provide training and extension services to beneficiaries.

#### PROGRESS HIGHLIGHT

**East-West Corridor Highway:** In 1985, the Bank approved a \$24.6 million loan from the ordinary capital to help Trinidad and Tobago widen and reconstruct one of the country's principal highways. The project is being carried out by the Ministry of Works, Maintenance and Drainage (MWMD). It involves the reconstruction and widening to four lanes of approximately 4.5 kilometers of the two-lane Churchill-Roosevelt Highway, and construction of the remaining 7.3-kilometer section of the new two-lane 23-kilometer Priority Bus Route between Port of Spain and Arima. By the end of 1988, more than half of the construction work had been completed.



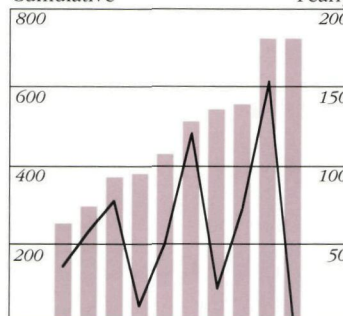
# URUGUAY

## TECHNICAL COOPERATION

**Support to Boost Exports:** Within its development strategy, Uruguay is seeking to foster economic growth through increased exports. In 1985 and 1986, Uruguay signed bilateral preferential trade agreements with Argentina, Brazil and Mexico under which Uruguayan products obtained customs tariff concessions. The concessions have not been widely used due to high production costs, insufficient working capital and installed capacity, a lack of knowledge about the markets and the small size of Uruguayan firms. In 1988, the Bank approved a \$494,600 technical cooperation grant from the Fund for Special Operations to help Uruguayan industrial enterprises, particularly small- and medium-sized businesses, take advantage of trade and investment opportunities. The project will be carried out by the *Cámara de Industrias del Uruguay (CIU)*, the national association of manufacturers. The program is composed of two subprojects. The first involves the preparation of 12 sectoral studies aimed at selecting products and six project profiles on products offering the best opportunities for export. In addition, six projects will be prepared so they can be developed by the Preinvestment Fund, and 12 selected firms will be analyzed in order to enhance their export competitiveness. The second subproject will help strengthen the trade and investment services of the Chamber, including the creation of a data bank, the training of officers of the Chamber and the training of 120 officers of small- and medium-sized enterprises in managing trade agreements.

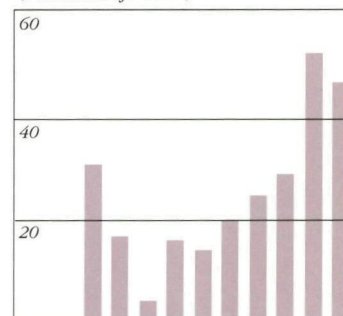
**Training for Business Leaders:** Despite an exceptional rate of growth of 12 percent in 1986, the volume of manufacturing output in Uruguay in that year was 20 percent less than in 1980. Among the principal causes of this lack of growth in the industrial sector is the limited application of modern business administration methods. To help rectify this situation, the Bank in 1988 approved a \$506,000 technical cooperation grant from the Fund for Special Operations to provide training for business leaders. The project will be executed by the *Asociación Cristiana de Dirigentes de Empresa (ACDE)*, a nonprofit association established in 1952 to strengthen the private sector. The project consists of three components. The first is the development and implementation of 13 courses and 5 seminars to train 570 small-scale business men and women in mod-

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



— Cumulative  
— Yearly

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



ern administration. Short courses and seminars will be offered to 270 new entrepreneurs. The second component provides for 18 courses and seminars in advanced managerial training for 900 leaders and managers of medium-sized enterprises. The third component provides for the establishment of a permanent self-financing training program within ACDE.

## PROGRESS HIGHLIGHTS

**Montevideo Access Highways:** On June 13, 1988, access highways for the northwestern part of Montevideo were dedicated. The roads were built with the help of a \$35.5 million loan approved by the Bank from the ordinary capital in 1979. The project consisted of three highways totaling 29 miles in length in the northwestern part of the city. Two of these link Montevideo with cities near the Argentina and Brazilian borders. The

## Distribution of Loans 1961-88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Transportation and Communications	\$261,887	\$ 454,759
Agriculture and Fisheries	169,050	265,245
Environmental and Public Health	104,987	170,412
Energy	61,946	162,009
Urban Development	48,158	65,301
Industry and Mining	34,447	138,536
Export Financing	8,940	12,771
Preinvestment	7,761	13,204
Education, Science and Technology	4,524	54,186
Tourism	1,651	7,091
Other	13,000	13,001
<b>Total</b>	<b>\$716,351</b>	<b>\$1,356,515</b>





**HIGHWAY FUNNELS TRAFFIC** from Argentina and Brazil to downtown Montevideo and its port. About 44 percent of Uruguay's total population lives in the Department of Montevideo and virtually all of the nation's industry is located in or near the capital city. In 1979, the Bank approved a \$35.5 million loan to help finance new access highways to expedite the flow of traffic between Montevideo and the northwestern part of the country. The project was completed in 1988.

third, an arterial highway, funnels traffic from the latter routes into the port area. The two access highways handle nearly 75 percent of all freight shipments going to the capital. The project also included the construction and improvement of 16 bridges and viaducts and five interchanges.

**Citrus Plant:** On June 14, 1988, a concentrate citrus juice plant with a 1,200 ton capacity was inaugurated in the Department of Paysandú. The plant and related facilities are part of a project partially financed by an \$11 million loan from the ordinary capital approved in 1985. The project involves the production and processing of citrus fruits for the export market. The loan was extended to the *Banco de la República Oriental del Uruguay*. Being executed by AZUCITRUS S.A., a private firm, the project included, in addition to the juice plant, the sowing of 325 hectares of citrus trees, thus raising its total planted area to 2,021 hectares. It also provided for the construction of 24 kilometers of orchard roads, 523 harvesting yards, an irrigation system, and the purchase of agricultural machinery and vehicles. A packing plant, which has a 31,000-ton yearly capacity, was inaugurated in 1987.



# VENEZUELA

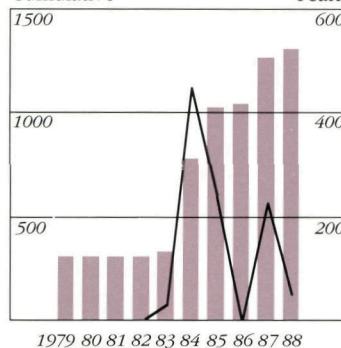
## LOAN

**Lake Valencia Sewage Treatment System:** Venezuela's central region includes the Lake Valencia Basin, which along with the metropolitan area of Caracas, is the most developed part of the country. Most of the rivers in the region flow into the lake, which is the center of a closed watershed with no natural outlet. Its waters are thus very vulnerable to pollution. It has been estimated that about 6.7 cubic meters of untreated municipal sewage, primarily from the Valencia and Maracay metropolitan areas, are discharged into the lake every second. In 1988, the Bank approved a \$50 million loan from the ordinary capital to improve the water quality of the basin through the construction of a waste water treatment system. The project, which will be carried out by the *Ministerio del Ambiente y de los Recursos Naturales Renovables*, is the second in a three-stage program designed to solve the environmental problems of the lake basin. In 1987, the Bank approved a \$153.4 million loan from the ordinary capital to finance the program's first stage, which provided for the expansion of the water supply of the region. The new project consists of construction works at the western and eastern ends of the lake. At the western end, sewer mains and intercepting sewers totaling 42 kilometers will be built in the cities of Valencia and Tocuyito. In addition, a tertiary treatment plant with a capacity of 2.4 cubic meters per second will be built. At the eastern end of the lake, a network of sewer mains and intercepting sewers totaling 49 kilometers will be built, along with a pumping plant and a treatment plant with a capacity of 3.8 cubic meters per second. As a result of the execution of the project, approximately 70 percent of the household and industrial residual waters discharged into the lake will receive treatment. In addition, two laboratories to monitor effluents and wastes will be built, staff will be trained, and studies for the third and last stage of the program will be carried out.

## FINANCING FOR SMALL PROJECTS

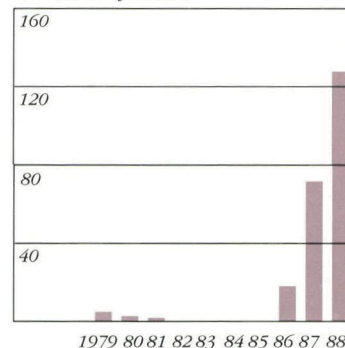
**Support for Indigenous Communities:** The Amazon Federal Territory encompasses about 180,000 square kilometers of land in the southern part of Venezuela. An indigenous population of 30,000 persons lives in this area. The indigenous communities grow traditional crops, raise livestock and cultivate cacao on a subsistence basis. To help raise their standard of living, the

**LENDING\*** (In Millions of Dollars)  
Cumulative Yearly



■ Cumulative  
— Yearly

**YEARLY DISBURSEMENTS** (In Millions of Dollars)



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

Bank in 1988 approved a \$500,000 financing from the Social Progress Trust Fund to the *Centro de Educación y Promoción de la Autogestión Indígena (CEPAI)*, a non-profit association that promotes education and agricultural production programs among indigenous groups living in the Venezuelan Amazon. *CEPAI* will grant credits for fixed assets and working capital to 17 communities through two Indian associations: the *Asociación Ye'Kuana de Productores de Cacao* and the *Asociación Piaroa de Productores de Cacao*. The funds will be used for the establishment of cacao plantations, the construction of fermenting and drying facilities, and for collection and transportation systems. Approximately 700 farmers who cultivate 1,125 hectares will benefit from the project. They are members of the MaKiritare ethnic group from the Ye'Kuana, Piaroa and Sanama communities.

**Credits for Microentrepreneurs:** The informal sector in Venezuela is a significant segment of the coun-

## Distribution of Loans 1961-88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$ 378,588	\$1,901,500
Industry and Mining	317,791	1,176,594
Environmental and Public Health	259,076	651,596
Agriculture and Fisheries	199,220	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>\$1,297,043</b>	<b>\$4,770,641</b>



try's economy. Despite low levels of productivity and limited access to financing, some 2.2 million persons, or 42 percent of the employed labor force, are engaged in such activities. Informal economic activities contribute substantially to employment and income generation, particularly in urban areas. To support the informal sector, the Bank in 1988 approved a \$500,000 financing from the Fund for Special Operations to provide credit to microentrepreneurs located in marginal neighborhoods of Caracas. The financing will be used by the *Fundación Eugenio Mendoza*, a nonprofit institution established in 1952 to support agriculture and microenterprises. The Foundation will provide credits and training to some 440 microentrepreneurs located in La Dolorita suburb of Caracas.

#### TECHNICAL COOPERATION

**Institutional Support and Training:** Along with the previously described financing to support indigenous communities in Venezuela, the Bank in 1988 approved a \$93,000 technical cooperation grant from the Social Progress Trust Fund. The assistance will be used to strengthen the two associations—Ye'Kuana and Piaroa—channeling the assistance to cacao farmers and to provide training to the beneficiaries.

**Institutional Support and Training:** Along with the previously described financing to the *Fundación Eugenio Mendoza* to help microentrepreneurs in Venezuela, the Bank in 1988 approved a \$70,000 technical cooperation grant from the Fund for Special Operations. The assistance will be used to strengthen the executing agency and to train beneficiaries.

#### PROGRESS HIGHLIGHTS

**Guri Hydroelectric Complex:** In 1984, the Bank approved a \$350 million loan from the ordinary capital to enable Venezuela to complete the final stage of the Guri hydroelectric plant and of the transmission system that will integrate its power generation into the national interconnected system. The project, being carried out by *C.V.G. Electrificación del Caroní C.A. (EDELCA)*, the state utility developing the hydroelectric power of the Caroní River, is located South of Puerto Ordaz and Ciudad Bolívar, 90 kilometers upstream from the junction of the Caroní River with the Orinoco River. The new plant will have a generating capacity of 6.3 million kilowatts, enough to meet the nation's needs until 1993. By the end of 1988, 80 percent of the project had been completed. The Guri hydroelectric plant was finished. Also completed were Stage One of the transmission works, which involved

the construction of two lines of 800 and 400 kilovolts 1,237 kilometers long, together with five substations and telecommunications equipment. The second—which is still under construction—involves a third line of 800 kilovolts 735 kilometers long as well as two 400 kilovolt lines of 187 kilometers and 35 kilometers in length.

**Development of Agricultural Technology:** In 1983, the Bank approved a \$30 million loan from the ordinary capital to help Venezuela carry out an agricultural technology program. The loan is being used by the *Fondo Nacional de Investigaciones Agropecuarias (FONAIAP)*, the National Agricultural Research Fund, to carry out four subprograms. These include research on farm crops, livestock, aquaculture and fish processing; the transfer of technology to 21,000 farmers and 5,000 ranchers through technical assistance; the provision of improved seed to more than 69,000 farmers, and a subprogram to combat foot-and-mouth disease and improve herds. By the end of 1988, significant progress had been made in carrying out the project. Approximately 82 percent of the research program was underway; 7,000 persons on 350,000 hectares were benefiting from the technical assistance subprogram; virtually all of the seed subprogram for 1988 had been completed, and other facets of the program were well underway.



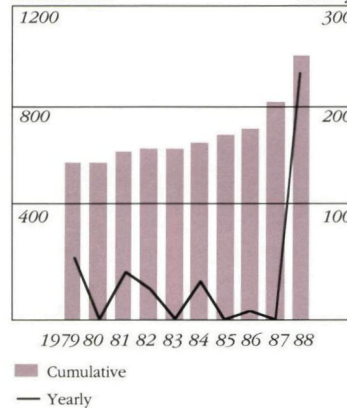
## REGIONAL

### LOANS

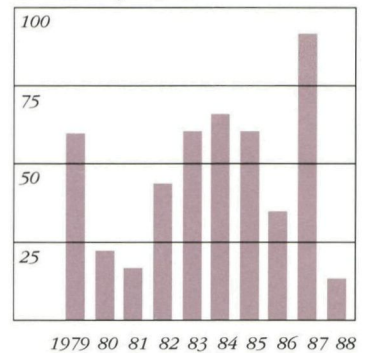
**Yacyretá Hydroelectric Project:** In 1978, the Bank approved a \$210 million loan from the ordinary capital to help Argentina and Paraguay build the \$5.8 billion, 2.7-million-kilowatt Yacyretá Hydroelectric complex, located 90 kilometers downstream from the cities of Posadas and Encarnación. In 1988, the Bank approved an additional \$250 million loan from the ordinary capital to enable the *Entidad Binacional Yacyretá (EBY)*, an entity created jointly by Argentina and Paraguay, to help complete the project. The World Bank in 1978 approved a \$210 million loan for the project and in 1988 extended a new loan for \$250 million. The project includes the construction of a 1,700-square-kilometer reservoir with earthfill dams totaling about 70 kilometers, a navigation lock, two spillways and irrigation structures, a generating power station with an installed capacity of 2.7 million kilowatts comprising 20 units, rated at 135,000 kilowatts each, and a step-up substation from which 500-kilovolt lines will go to Argentina and 220-kilovolt lines will go to Paraguay. The project also provides for housing units for the resettlement of about 35,000 persons, facilities for protection of the stream on the Paraguayan side of the river and environmental protection measures for fish, wildlife and water resources. It also includes a new highway connection between the two countries, as well as flood control, navigation, irrigation, fish culture and tourism benefits. The civil works, being carried out by a consortium of companies from Italy, France, Argentina and Paraguay, are about 40 percent complete. Engineering services and the supervision of construction are being done by another consortium of companies from the United States, Germany, Argentina and Paraguay. The turbines are being acquired from the United States, Canada and Argentina; the generators from Japan; the gates from Italy, Paraguay and Argentina, and equipment for the locks from Italy, Argentina and Paraguay.

**Central America Highway System Rehabilitation:** The integration movement initiated in Central America in the early 1960s spurred the growth of the economies of those countries. Within this process, the governments of the subregion have attached high priority to the creation of a transportation infrastructure that would promote the physical integration of the region and rapid movement of people and goods. A total of 95 percent of the trade among the five countries, as well as

**LENDING** (In Millions of Dollars)  
Cumulative Yearly



**YEARLY DISBURSEMENTS** (In millions of Dollars)



a significant portion of international trade in the region, is transported by road. To continue its support to improve the transportation sector in the region, the Bank in 1988 approved a \$22.6 million loan from the ordinary capital. The loan will help rehabilitate approximately 252 kilometers of Central American highways. The project will be carried out by the Central American Bank for Economic Integration (CABEI) and the Ministries of Public Works and Transportation of Costa Rica, El Salvador and Honduras. The program is composed of five specific highway sections which are part of the Central American Highway System in those three countries. The roads include 44.4 kilometers of Highway CA-2 from La Hachadura to Desvío Acajutla in El Salvador; 27.8 kilometers of the section between Fin Valle de Comayagua and Siguatepeque and 31.6 kilometers from La Guama to El Caracol on Highway CA-5 in Honduras, and 75.2 kilometers from Taras to La

### Distribution of Loans 1961-88

In Thousands of U.S. Dollars

Sector	Amount	Total Cost of the Projects
Energy	\$ 789,657	\$7,090,456
Transportation and Communications	138,274	219,315
Industry and Mining	51,751	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	24,152	36,570
<b>Total</b>	<b>\$1,075,429</b>	<b>\$7,708,239</b>



Georgina and 72.5 kilometers of the Paso Real-Palmar Norte-Piedras Blancas section along Highway CA-1 Sur in Costa Rica.

## 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 \$101.5 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 1988, 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. The total amount of the core budget of the three international centers for 1988 is estimated at \$63.7 million, of which the Bank will provide 16.5 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 1988 assistance includes \$4,390,000 in Mexican pesos to *CIMMYT*, \$4,640,000 in Colombian pesos to *CIAT*, and \$1,500,000 in Peruvian intis to *CIP*.

**Support for the Preparation of Agricultural Projects:** The agricultural sector in Latin America accounts for 10.8 percent of the region's gross product and provides employment for 32 percent of its population. The effects of Latin America's recent economic and financial crisis on employment and the availability of foreign exchange and capital resources have made the agriculture sector once again the leading sector in fostering recovery. However, the countries of the region face serious problems in mobilizing external investments to finance agricultural development, due particularly to a lack of well-prepared projects. To help alleviate this situation, the Bank in 1988 approved a \$3 million technical cooperation grant from the Fund for Special Operations to finance the preparation of investment projects in the agricultural sector. The project will be carried out by the Inter-American Institute for Cooperation on Agriculture (IICA). The program will enable IICA to help the Bank's member countries to prepare agricultural projects suitable for financing by the Bank. Over a period of three years, at least six feasibility projects

would be prepared. In addition, the preparation of these projects would result in the training of from eight to ten technicians for each project.

### **Support for Central American Electric Utilities:**

The electric power systems of the countries of the Central American Isthmus historically developed independently. Over the last few years, however, important strides have been made in interconnecting the systems. Many of the interconnections were financed with the help of the Bank. To help strengthen the capacity of the Central American countries to operate their regional interconnected electric system, the Bank in 1988 approved a \$2,250,000 technical cooperation grant from the Fund for Special Operations. The project provides for the installation of a power system simulator in each country. The simulator will permit the design of operating strategies for dealing with emergencies and plant operations of the interconnected electrical system. In addition, training courses will be provided for professionals, and regional studies on the system will be carried out. Finally, a five-year evaluation of the benefits of the interconnected system will be carried out and appropriate methodologies for expanding the generating and transmission systems of the countries will be identified and discussed. The project will be coordinated by the *Instituto Costarricense de Electricidad (ICE)* of Costa Rica and will include the national power companies of El Salvador, Guatemala, Honduras, Nicaragua and Panama.

### **Support for Training and Public Economic Research:**

In 1988, the Bank approved a \$1,120,000 technical cooperation grant from the Fund for Special Operations to help finance a training and research program on governmental economic policies in Latin America. The project consists of post-graduate training programs for 40 Latin American specialists on the problems of international trade, employment and economic development and the economies of the public sector and its relations with the private sector. Teaching and research activities will take place over a two-year academic cycle consisting of four semesters. A total of 80 students will participate, half from Argentina and half from other Latin American countries. The project will be carried out by the *Instituto Torcuato di Tella* of Buenos Aires, Argentina. The Institute is a nonprofit entity created in 1958 to promote educational activities, scientific research and advanced training. The Institute will publish teaching materials, books and monographs on the results of the research.

**AIDS Teleconference:** The First Pan American Teleconference on AIDS (Acquired Immune Deficiency



Syndrome) was held in Quito, Ecuador, September 14–15, 1987. Health professionals throughout the Hemisphere followed conference proceedings via closed circuit television transmitted to more than 600 sites via satellite. Educational videotapes and other materials on the illness were developed at the conference for distribution throughout Latin America. As a contribution to the dissemination of this information, the Bank in 1988 approved a \$139,000 technical cooperation grant from the Fund for Special Operations. The assistance financed post-production and other costs of the materials.

**Science and Technology Training:** Developing countries, particularly in Latin America, have low rates of investment in research and technological development activities. Yet there is a strong correlation between such activities and economic growth. Recognizing this, the Bank in 1988 approved a \$510,000 technical cooperation grant from the Fund for Special Operations to strengthen training in the implementation and management of scientific and technological development projects in Latin America. The program will help improve the capacity of the countries of the region to carry out science and technology activities, through training and information programs in the formulation, evaluation and execution of projects. It will also foster improvement in research and development activities by private enterprises and universities. Special emphasis will be placed on fostering links with the private sector. The program will be carried out by the *Centro Interuniversitario de Desarrollo (CINDA)*, of Santiago, Chile, and by the *Secretaría Ejecutiva del Convenio Andrés Bello (SECAB)*, of Bogota, Colombia. The project involves the collection of case histories, the development of training programs and the execution of pilot courses to train some 115 researchers, executives, government officials and professors.

**Watershed Management Studies:** Investment projects for hydroelectric dams and irrigation works in some cases result in an unwise use of natural resources (water, soil, natural vegetation) which, in turn, causes problems involving lost resource productivity and a lower useful life of the dams themselves. To help correct this type of situation, the Bank in 1988 approved an \$850,000 technical cooperation grant from the Fund for Special Operations to enable Guatemala and Honduras to prepare watershed management projects. The program will be carried out by the Organization of American States (OAS) in cooperation with the *Secretaría General de Planificación* of Guatemala and the *Empresa Nacional de Energía Eléctrica* of Honduras. The cooperation will help finance feasibility studies designed to conserve soil,

water, flora and fauna in areas used for agriculture and forestry; control sedimentation in reservoirs and improve the technical capability of the national agencies responsible for watershed management. The studies will focus on the watersheds of the hydroelectric projects of Pueblo Viejo (Chixoy) in Guatemala and El Cajón (Comayagua) in Honduras. The studies will contribute to the preparation of watershed management projects, which will subsequently be submitted to multinational organizations for financing.

**Training in Project Evaluation:** In 1988, the Bank approved a \$970,000 technical cooperation grant from the Fund for Special Operations to help finance the second stage of a training and research program designed to improve the socioeconomic evaluation of investment projects in Latin America. The first stage was financed by the Bank in 1984. The program, which will be carried out by the *Universidad de los Andes*, a private Colombian university located in Bogota, will provide advanced training to public sector specialists from the Bank's Latin American member countries. It consists of two subprograms. The first involves 14 advanced seminars on project appraisal. The second deals with research in the methodologies of socioeconomic evaluation of investment projects, including health, education and science, and technology.

**Biotechnology Guide:** In 1988, the Bank approved a \$30,000 technical cooperation grant from the Fund for Special Operations to help finance the publication of general guidelines for the use and security of the techniques of genetic engineering. The guidelines were drafted at a meeting of an inter-American study group on the new biotechnology in agriculture and health, which was carried out in San Jose, Costa Rica, under the auspices of the Inter-American Institute of Agricultural Sciences January 26–29, 1988. The project is designed to spread knowledge on biotechnology, to make regulations on the subject better known, and to publish and distribute guidelines on genetic engineering.

**Ad-hoc Bank Training Program:** Since 1964, the Bank has sponsored a series of training programs on the Bank's objectives, functions and organization; on its policies, programs and procedures in specific sectors, and on guidelines for the preparation of requests for loans and technical cooperation from the Bank. Participants in the programs, which are generally held at the Bank's headquarters, include officers of institutions in the member countries which are borrowers of the Bank or which carry out programs closely related to those of the Bank. In 1988, the Bank approved a \$98,000 technical cooperation grant for another stage of the program





**BULLDOZER CLEARS PATH FOR HIGHWAY** being built between Siguatepeque and Valle Jesús de Otero in Honduras. The road is one of several being built with the Bank's support under Central America's regional highway program. In 1979, the Bank lent \$54 million to the Central American Bank for Economic Integration to finance the fourth stage of this road program, which has helped strengthen Central American integration by facilitating the movement of goods and people in the region. This stage of the program, now complete, helped build three roads in Honduras, two in Costa Rica and one in Guatemala.

which involves 27 participants from seven member countries.

**World Resources Publication:** The World Resources Institute is a study center devoted to the analysis of natural resources policy affecting tropical forests, biological diversity, sustainable agriculture, global energy sources, climate changes, pollution, health and other matters. The International Institute for Environment and Development is a similar institution, which also carries out field research. As part of their activities, the institutions jointly publish a yearly report on world resources. In order to make their latest reports—*World Resources 1987* and *World Resources 1988-89*—available to its Latin American member countries, the Bank in 1988 approved a technical cooperation grant of \$90,000 from the Social Progress Trust Fund. The assistance will be used to translate the publications into the Spanish language for distribution in Latin America.

**Support for Central American Bank:** In 1988, the Bank approved a \$102,000 technical cooperation grant from the Fund for Special Operations to strengthen the Office of the Controller of the Central American Bank for Economic Integration (CABEI). The assistance will enable staff members of the CABEI to monitor the procedures and operational systems of units of the Inter-American Development Bank which carry out

activities similar to those of the Office of the Controller of the CABEI. In addition, personnel of the Central American Bank will receive training on computerized audit systems and word and data processing equipment will be made available to CABEI. The Office of the Controller of the CABEI is in charge of reviewing and evaluating administrative policies and procedures, in controlling financial and accounting operations, in determining measures designed to protect the interests of the institution, and in the establishment of measures to improve the effectiveness, efficiency and economy of its operations.

**Social Investment in Central America:** In 1988, the Bank approved a \$33,000 technical cooperation grant from the Fund for Special Operations to help support an international technical meeting which analyzed the social investment program for the countries of the Central American Isthmus. The meeting, which took place in Washington September 15-17, was sponsored by the Organization of American States in cooperation with the Bank and the Pan American Health Organization. The meeting was designed to initiate the process of channeling additional external resources to finance social investment in the subregion. The Bank's grant helped finance the participation of 18 delegates of the countries of the isthmus in the meeting.



**Electric Energy Loss Symposium:** In 1988, the Bank approved a \$43,000 technical cooperation grant from the Fund for Special Operations to help carry out a Latin American symposium on Electrical Energy Loss Management. The symposium was carried out October 11–14 in Bogotá, Colombia, under the sponsorship of the Latin American Energy Organization (OLADE) and with the cooperation of the Government of Colombia and the Bank. The Bank's grant helped finance the attendance of 34 participants from other countries in the symposium. The primary objective of the symposium is to provide participating countries with up-to-date information on methods to reduce and manage electric energy losses.

**Short-Term Missions:** A total of 97 missions were carried out in 1988 with the support of short-term technical cooperation grants approved by the Bank. The missions, to which the Bank contributed \$2,556,490, enabled it to respond promptly to requests from its member countries for advice related to economic planning, the formulation of development strategies, investment decisions and the preparation of loan and technical cooperation requests.

**Intra-Regional Technical Cooperation:** In 1976, the Bank initiated a program to support the interchange of technical cooperation among its developing member countries in Latin America. Under the program, the Bank gives seed capital to help one member country to provide technical cooperation to another. The assistance generally takes the form of brief missions of experts sent from one country to another to provide advisory services, participate in research projects, receive or provide training or exchange development experiences. The Bank's contribution may not exceed \$20,000 for any operation. In 1988, the Bank approved \$582,300 from the Fund for Special Operations for 47 individual projects.

## PROGRESS HIGHLIGHT

**Central America Highways:** Over the years, the Bank has approved four loans totaling \$110.5 million to the Central American Bank for Economic Integration (CABEI) to help build or improve regional highways in its five member countries: Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. The program has helped to strengthen Central America integration by spurring trade. The fourth stage of the program was financed with the help of a \$54 million loan from the Fund for Special Operations approved by the Bank in 1979. The loan helped carry out six priority road projects—three in Honduras, two in Costa Rica and one in

Guatemala. By the end of 1988, six highways had been completed. They included the 24-kilometer Tegucigalpa-Rio del Hombre highway in Honduras; the 20-kilometer Orotina-Coyolar-Tarcoles road in Costa Rica; the 59-kilometer Escuintla-Taxisco highway in Guatemala; the 16-kilometer Coyolar-Caldera road in Costa Rica; the 66-kilometer La Ceibita-Santa Bárbara highway in Honduras, and the 46-kilometer Siguatepeque-Valle Jesús de Otoro road, also in Honduras. In addition to these originally programed sections, the loan also helped build an additional 26 kilometers of the Orotina-Tarcoles road, the 25-kilometer Rio Tulin-Loma spur to the Orotina-Tarcoles road, and to extend the 7-kilometer Rio Tulin-Loma road as far as Parrita.



## STATEMENT OF APPROVED LOANS, 1988

### Ordinary Capital

COUNTRY	Borrower SECTOR (Project)	Date Approved	Amount (Expressed in U.S. dollars)	Interest Rate (%)	Term (Years)
ARGENTINA	Nacion Argentina HEALTH (Rural Water Systems)	3/09/88	14,000,000 <sup>a</sup> 56,000,000 70,000,000	b	25
	Banco de la Nacion Argentina AGRICULTURE (Farm Credit)	11/09/88	106,000,000	b	15
	Nacion Argentina HEALTH (Buenos Aires Water System)	11/09/88	98,000,000	b	25
	Nacion Argentina AGRICULTURE (Credit for Small-Scale Farmers)	11/09/88	5,000,000	b	25
BAHAMAS	Commonwealth of the Bahamas MULTISECTOR (Production Credit)	6/15/88	6,000,000	b	15
	Bahamas Electricity Corporation ENERGY (Electricity Power Expansion)	12/14/88	109,000,000	b	20
BOLIVIA	Republic of Bolivia ENERGY (Oil Exploration and Production)	1/13/88	25,100,000	b	15
	Republic of Bolivia TRANSPORTATION (Confital-Caihuasi Highway)	10/26/88	33,200,000	b	20
	Republic of Bolivia MULTISECTOR (Industrial and Tourism Credit)	12/21/88	40,000,000	b	20
CHILE	Republic of Chile HEALTH (Urban Water and Sewage System)	1/20/88	56,200,000	b	25
	Republic of Chile TRANSPORTATION (Road Improvements)	10/26/88	35,000,000	b	20
	Republic of Chile TRANSPORTATION (Urban Highway Improvements)	12/7/88	45,500,000	b	20
COLOMBIA	Banco de la Republica INDUSTRY (Industrial Credit)	12/21/88	100,000,000	b	15
	Empresas Municipales de Cali HEALTH (Cali Water and Sewage System)	12/21/88	75,000,000	b	25
COSTA RICA	Republic of Costa Rica SCIENCE (Science and Technology Development)	2/10/88	22,100,000	b	25
	Banco Central de Costa Rica MULTISECTOR (Industrial and Tourism Credit)	6/15/88	30,000,000	b	15
HONDURAS	Republic of Honduras TRANSPORTATION (Road Improvements)	12/7/88	38,000,000	b	25
MEXICO	Nacional Financiera, S.N.C. AGRICULTURE (Farm Credit)	11/16/88	200,000,000	b	20
	Nacional Financiera, S.N.C. EXPORT FINANCING (Increase in Line of Credit)	11/29/88	1,000,000	5.5	
TRINIDAD AND TOBAGO	Trinidad and Tobago PREINVESTMENT (Preinvestment Studies)	11/2/88	5,655,000	b&c	20
	Trinidad and Tobago (Farm and Fishery Credit Program)	11/9/88	25,000,000	b	20

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

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

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



**STATEMENT OF APPROVED LOANS, 1988****Ordinary Capital (continued)**

COUNTRY	Borrower SECTOR (Project)	Date Approved	Amount (Expressed in U.S. dollars)	Interest Rate (%)	Term (Years)
VENEZUELA	Republic of Venezuela HEALTH (Lake Valencia Sanitation)	11/30/88	50,000,000	b	25
REGIONAL	Entidad Binacional Yacyretá ENERGY (Yacyretá Hydroelectric Project)	11/9/88	250,000,000	b	20
	Central American Bank for Economic Integration TRANSPORTATION (Highway Rehabilitation)	12/14/88	22,600,000	b	20

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

**STATEMENT OF APPROVED LOANS, 1988****Fund for Special Operations**

COUNTRY	Borrower SECTOR (Project)	Date Approved	Amount (Expressed in U.S. dollars)	Interest Rate (%)	Term (Years)
BOLIVIA	Republic of Bolivia ENERGY (Oil Exploration and Production)	1/13/88	20,700,000	1 & 2 <sup>a</sup>	40
COLOMBIA	Empresas Municipales de Cali HEALTH (Cali Water and Sewage System)	12/21/88	25,000,000 <sup>b</sup>	2	30
GUATEMALA	Republic of Guatemala AGRICULTURE (Irrigation Program)	3/2/88	10,600,000	1 & 2 <sup>a</sup>	40
GUYANA	Guyana HEALTH (Georgetown Hospital Improvements)	12/21/88	27,900,000	1 & 2 <sup>a</sup>	40
HONDURAS	Republic of Honduras URBAN DEVELOPMENT (City Improvements)	12/7/88	2,000,000 <sup>b</sup> 10,100,000 12,100,000	1 & 2 <sup>a</sup>	40
	Republic of Honduras TRANSPORTATION (Road Improvements)	12/7/88	5,000,000 <sup>b</sup> 2,800,000 7,800,000	1 & 2 <sup>a</sup>	40
PARAGUAY	Corporación de Obras Sanitarias HEALTH (Asunción Water System)	6/29/88	47,800,000	1 & 2 <sup>a</sup>	40
TRINIDAD AND TOBAGO	Trinidad and Tobago AGRICULTURE (Farm Credit Program)	11/9/88	1,950,000 <sup>b</sup>	2	35

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

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

**STATEMENT OF APPROVED LOANS, 1988****Venezuelan Trust Fund**

COUNTRY	Borrower SECTOR (Project)	Date Approved	Amount (Expressed in U.S. dollars)	Interest Rate (%)	Term (Years)
GUYANA	Guyana EXPORT FINANCING (Line of Credit)	12/21/88	2,000,000	5.5	
DOMINICAN REPUBLIC	Banco Central de la Republica Dominicana EXPORT FINANCING (Increase in Line of Credit)	10/5/88	1,000,000	5.5	



## SELECTED DATA ON LATIN AMERICA

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TOTAL POPULATION AND GROWTH RATES, BY COUNTRY, 1960-1987

TABLE 1

	1960	1970	1980	1986	1987	Cumulative Growth Rates		
						1961–70	1971–80	1981–87
Country	(thousands of persons)					(percentages)		
Argentina	20,616	23,962	28,237	30,737	31,137	1.5	1.7	1.4
Bahamas	113	171	210	228	231	4.2	2.1	1.4
Barbados	231	239	254	267	270	0.3	0.6	0.9
Bolivia	3,428	4,325	5,570	6,548	6,730	2.4	2.6	2.7
Brazil	72,594	95,847	121,286	138,493	141,452	2.8	2.4	2.2
Chile	7,614	9,504	11,145	12,327	12,536	2.2	1.6	1.7
Colombia	15,538	20,803	25,794	29,323	29,942	3.0	2.2	2.2
Costa Rica	1,236	1,731	2,284	2,716	2,791	3.4	2.8	2.9
Dominican Republic	3,231	4,423	5,697	6,565	6,716	3.2	2.6	2.4
Ecuador	4,413	6,051	8,123	9,647	9,923	3.2	3.0	2.9
El Salvador	2,570	3,588	4,525	4,846	4,934	3.4	2.3	1.2
Guatemala	3,964	5,246	6,917	8,195	8,434	2.8	2.8	2.9
Guyana	569	709	865	971	988	2.2	2.0	1.9
Haiti	3,675	4,500	5,413	6,033	6,147	2.0	1.9	1.8
Honduras	1,935	2,627	3,662	4,531	4,679	3.1	3.4	3.6
Jamaica	1,629	1,869	2,170	2,357	2,391	1.4	1.5	1.4
Mexico	38,020	52,771	70,416	81,201	83,039	3.3	2.9	2.4
Nicaragua	1,493	2,053	2,771	3,384	3,501	3.2	3.0	3.4
Panama <sup>1</sup>	1,105	1,487	1,956	2,227	2,274	3.0	2.8	2.2
Paraguay	1,773	2,351	3,147	3,807	3,922	2.9	3.0	3.2
Peru	9,931	13,193	17,295	20,208	20,727	2.9	2.7	2.6
Suriname	290	372	352	355	357	2.5	-0.6	0.2
Trinidad and Tobago	843	1,027	1,068	1,130	1,144	2.0	0.4	1.0
Uruguay	2,538	2,808	2,908	3,034	3,057	1.0	0.4	0.7
Venezuela	7,502	10,604	15,024	17,792	18,272	3.5	3.5	2.8
Latin America	206,851	272,261	347,089	396,922	405,594	2.8	2.5	2.3

<sup>1</sup> Population for former Canal Zone included from 1980. Growth rate for 1971-1980 will be slightly higher than for comparable populations.  
Source: Latin American Demographic Center, Santiago, Chile.



URBAN AND RURAL POPULATION, BY COUNTRY, 1960-1987  
(Thousands of persons)

TABLE 2

(Thousands of persons)

Country													Cumulative Growth Rates			
													Urban		Rural	
	1960			1970			1980			1987			1961-70	1971-80	1981-87	1981-87
Urban	Rural	% Urban	Urban	Rural	% Urban	Urban	Rural	% Urban	Urban	Rural	% Urban	(Percentages)				
Argentina	15,172	5,444	73.6	18,796	5,166	78.4	23,434	4,803	83.0	26,879	4,258	86.3	2.2	2.2	2.0	- 1.7
Bahamas	79	34	69.9	98	73	57.3	123	87	58.6	143	88	61.9	2.2	2.3	2.2	0.2
Barbados	144	87	62.3	154	85	64.4	189	65	74.4	224	46	83.0	0.7	2.1	2.5	- 4.8
Bolivia	887	2,541	25.9	1,652	2,673	38.2	2,489	3,081	44.7	3,340	3,390	49.6	6.4	4.2	4.3	1.4
Brazil	33,068	39,526	45.6	53,531	42,316	55.9	81,565	39,721	67.3	102,129	39,323	72.2	4.9	4.3	3.3	- 0.1
Chile	5,021	2,593	65.9	7,135	2,369	75.1	8,935	2,210	80.2	10,403	2,133	83.0	3.6	2.3	2.2	- 0.5
Colombia	7,467	8,071	48.1	12,328	8,475	59.3	17,107	8,687	66.3	21,203	8,739	70.8	5.1	3.3	3.1	0.1
Costa Rica	410	826	33.2	672	1,059	38.8	1,026	1,258	44.9	1,385	1,406	49.6	5.1	4.3	4.4	1.6
Dominican Republic	1,138	2,093	35.2	1,735	2,688	39.2	2,904	2,793	51.0	4,001	2,715	59.6	4.3	5.3	4.7	- 0.4
Ecuador	1,515	2,898	34.3	2,393	3,658	39.5	3,825	4,298	47.1	5,281	4,642	53.2	4.7	4.8	4.7	1.1
El Salvador	935	1,635	36.4	1,416	2,172	39.5	1,999	2,526	44.2	2,353	2,581	47.7	4.2	3.5	2.4	0.3
Guatemala	1,347	2,617	34.0	1,803	3,443	34.4	2,536	4,381	36.7	3,226	5,208	38.2	3.0	3.5	3.5	2.5
Guyana	160	409	28.1	167	542	23.6	203	662	23.5	265	723	26.8	0.4	2.0	3.9	1.3
Haiti	388	3,287	10.6	889	3,611	19.8	1,248	4,165	23.1	1,590	4,557	25.9	8.6	3.5	3.5	1.3
Honduras	436	1,499	22.5	736	1,891	28.0	1,314	2,348	35.9	1,937	2,742	41.4	5.4	6.0	5.7	2.2
Jamaica	381	1,248	23.4	789	1,080	42.2	954	1,216	44.0	1,187	1,204	49.6	7.6	1.9	3.2	- 0.1
Mexico	19,296	18,724	50.8	31,135	21,636	59.0	46,052	24,364	65.4	57,827	25,212	69.6	4.9	4.0	3.3	0.5
Nicaragua	622	871	41.7	965	1,088	47.0	1,492	1,279	53.8	2,054	1,447	58.7	4.5	4.5	4.7	1.8
Panama <sup>1</sup>	441	664	39.9	707	780	47.5	964	992	49.3	1,148	1,126	50.5	4.8	3.1	2.5	1.8
Paraguay	603	1,170	34.0	871	1,480	37.0	1,215	1,932	38.6	1,593	2,329	40.6	3.7	3.4	3.9	2.7
Peru	4,630	5,301	46.6	7,660	5,533	58.1	11,109	6,186	64.2	14,165	6,562	68.3	5.2	3.8	3.5	0.8
Suriname	137	153	47.2	218	154	58.6	220	132	62.5	231	126	64.7	4.8	0.1	0.7	- 0.7
Trinidad and Tobago	303	540	35.9	502	525	48.9	555	513	52.0	593	551	51.8	5.2	1.0	1.0	1.0
Uruguay	1,947	591	76.7	2,301	507	81.9	2,437	471	83.8	2,597	460	85.0	1.7	0.6	0.9	- 0.3
Venezuela	5,104	2,398	68.0	7,617	2,987	71.8	11,409	3,615	75.9	14,338	3,934	78.5	4.1	4.1	3.3	1.2
Latin America	101,631	105,220	49.1	156,269	115,992	57.4	225,304	121,785	64.9	280,091	125,503	69.1	4.4	3.7	3.2	0.4

<sup>1</sup> See footnote in Table 1.

Source: IDB estimates based on country sources 1960-1969, Latin American Demographic Center from 1970.



GROSS DOMESTIC PRODUCT PER CAPITA,<sup>1</sup> 1960–1987

TABLE 3

Country	1986 Dollars					As a Per Cent of OECD's			
	1960	1970	1980	1986	1987	1970	1980	1986	1987
Argentina	2,240.7	2,892.8	3,161.1	2,736.1	2,745.4	27.3	24.0	18.1	17.1
Bahamas	7,840.7	9,964.9	9,866.7	10,122.1	10,430.3	94.2	74.8	67.0	64.8
Barbados	1,856.5	3,276.5	3,630.8	3,519.4	3,556.9	31.0	27.5	23.3	22.1
Bolivia	588.8	758.6	911.5	676.2	671.9	7.2	6.9	4.5	4.2
Brazil	940.2	1,291.6	2,344.1	2,416.8	2,435.2	12.2	17.8	16.0	15.1
Chile	1,712.0	2,075.3	2,272.0	2,128.6	2,213.2	19.6	17.2	14.1	13.8
Colombia	860.1	1,073.4	1,480.1	1,529.3	1,577.8	10.1	11.2	10.1	9.8
Costa Rica	1,332.1	1,693.8	2,222.1	1,998.3	2,010.6	16.0	16.8	13.2	12.5
Dominican Republic	763.9	915.6	1,389.5	1,343.0	1,419.7	8.7	10.5	8.9	8.8
Ecuador	715.5	839.3	1,467.0	1,417.5	1,311.3	7.9	11.1	9.4	8.2
El Salvador	772.4	957.8	1,043.7	892.5	901.2	9.1	7.9	5.9	5.6
Guatemala	1,020.4	1,317.4	1,731.6	1,383.2	1,386.0	12.5	13.1	9.2	8.6
Guyana	935.2	1,061.2	988.4	736.1	728.7	10.0	7.5	4.9	4.5
Haiti	306.7	271.4	358.6	307.6	299.9	2.6	2.7	2.0	1.9
Honduras	574.9	725.3	885.6	774.6	781.6	6.9	6.7	5.1	4.9
Jamaica	1,494.4	2,194.1	1,745.4	1,647.9	1,703.3	20.7	13.2	10.9	10.6
Mexico	1,322.6	1,876.9	2,665.3	2,443.2	2,423.4	17.7	20.2	16.2	15.1
Nicaragua	978.8	1,387.9	1,064.7	890.8	852.0	13.1	8.1	5.9	5.3
Panama	1,173.4	1,872.2	2,433.2	2,541.3	2,548.9	17.7	18.5	16.8	15.8
Paraguay	723.1	864.0	1,496.5	1,384.5	1,402.1	8.2	11.3	9.2	8.7
Peru	1,144.7	1,442.3	1,593.0	1,469.0	1,531.2	13.6	12.1	9.7	9.5
Suriname	1,697.3	2,796.6	3,412.7	3,506.7	3,256.9	26.4	25.9	23.2	20.2
Trinidad and Tobago	3,571.6	4,572.7	7,532.0	5,892.8	5,387.6	43.2	57.1	39.0	33.5
Uruguay	2,182.4	2,300.0	2,989.8	2,624.5	2,733.4	21.7	22.7	17.4	17.0
Venezuela	3,600.2	4,585.7	4,848.9	4,146.8	4,160.0	43.4	36.8	27.5	25.9
<b>Latin America</b>	<b>1,274.1</b>	<b>1,675.5</b>	<b>2,342.2</b>	<b>2,218.3</b>	<b>2,228.7</b>	<b>15.8</b>	<b>17.8</b>	<b>14.7</b>	<b>13.9</b>

<sup>1</sup> Due to refinements in the methodology for conversion of the National Accounts to a common currency, the data are not strictly comparable to those of previous years. See Economic and Social Progress in Latin America, Methodological Notes, Appendix B, 1988.

Source: The OECD's per capita GDP in constant 1986 U.S. Dollars was estimated at \$10,578 for 1970, \$13,188 for 1980, \$15,102 for 1986 and \$16,089 for 1987. OECD *Main Economic Indicators*, June, 1988.



STRUCTURE AND GROWTH OF LATIN AMERICA'S GROSS DOMESTIC PRODUCT BY SECTOR, 1960-1987  
(Percentages)

TABLE 4

Country	Agriculture <sup>1</sup>				Industry <sup>2</sup>				Services <sup>3</sup>			
	Average Share of GDP		Annual Variation		Average Share of GDP		Annual Variation		Average Share of GDP		Annual Variation	
	1960-62	1985-87	1986	1987	1960-62	1985-87	1986	1987	1960-62	1985-87	1986	1987
Argentina	13.3	13.3	-2.8	1.8	29.2	30.3	10.7	1.6	57.5	56.4	4.5	1.6
Bahamas	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Barbados	22.1	8.7	4.5	-11.2	20.4	19.4	6.0	-1.2	57.5	71.9	4.9	5.0
Bolivia	22.8	23.8	-4.7	-0.1	35.8	25.6	-7.6	2.2	41.4	50.6	0.4	3.1
Brazil	18.6	10.2	-7.9	14.0	35.0	34.0	11.9	0.3	46.4	55.8	4.3	3.1
Chile	9.9	9.7	8.8	3.2	40.1	37.3	5.3	4.9	50.0	53.0	5.3	6.8
Colombia	29.0	21.6	3.3	5.8	28.0	29.8	9.2	6.0	43.0	48.6	3.5	4.7
Costa Rica	25.8	18.6	4.2	-4.0	20.1	29.7	6.4	4.9	54.1	51.7	5.3	5.3
Dominican Republic	30.0	16.3	-0.5	2.9	20.8	30.3	6.0	18.4	49.1	53.5	2.8	4.2
Ecuador	29.3	16.1	9.9	7.5	21.0	35.0	1.8	-20.3	49.7	49.0	2.3	2.2
El Salvador	32.0	24.2	-3.1	2.3	19.1	24.6	2.5	4.0	48.9	51.3	1.6	2.5
Guatemala	29.8	25.7	-0.8	3.6	16.1	19.9	2.3	3.1	54.1	54.3	-0.2	2.9
Guyana	26.9	23.5	3.7	-5.8	34.4	24.4	-3.1	1.4	38.8	52.0	0.3	4.1
Haiti	44.2	32.5	2.4	0.0	18.2	22.3	-3.6	-7.0	37.7	45.1	1.5	2.1
Honduras	32.3	25.2	1.7	7.2	18.6	20.8	-1.3	1.5	49.1	54.0	4.6	4.4
Jamaica	10.9	8.5	-2.0	1.1	36.0	28.7	4.3	6.7	53.1	62.8	1.7	4.5
Mexico	14.7	8.5	-2.7	1.6	26.9	31.4	-5.9	2.3	58.4	60.1	-3.1	1.0
Nicaragua	24.8	22.7	-8.8	-3.2	21.2	32.3	2.8	-0.8	54.0	45.0	0.5	-0.2
Panama	18.1	10.0	-2.2	7.8	18.3	17.0	4.4	2.6	63.6	73.1	3.9	1.7
Paraguay	35.7	26.0	-6.1	7.0	18.5	25.4	0.6	3.6	45.8	48.6	3.2	3.4
Peru	17.2	11.9	4.5	5.1	43.2	41.5	9.9	8.4	39.6	46.7	8.3	5.6
Suriname	9.2	8.1	3.9	-3.3	34.0	24.5	-2.1	-20.6	56.9	67.4	-0.4	0.5
Trinidad and Tobago	6.5	3.4	3.4	3.4	41.2	40.4	-4.4	-7.8	52.2	56.3	-2.8	-7.8
Uruguay	11.0	10.9	6.7	0.8	23.8	22.0	10.1	10.8	65.1	67.1	5.3	3.3
Venezuela	5.4	5.7	8.3	4.1	51.4	41.5	7.4	2.4	43.2	52.8	6.2	3.4
<b>Latin America</b>	<b>16.1</b>	<b>11.1</b>	<b>-2.5</b>	<b>6.7</b>	<b>33.1</b>	<b>33.1</b>	<b>5.8</b>	<b>1.7</b>	<b>50.8</b>	<b>55.8</b>	<b>2.3</b>	<b>2.6</b>

<sup>1</sup> Agriculture: Agricultural and Livestock production, Hunting and Fishing, and Forestry.<sup>2</sup> Industry: Manufacturing, Construction, Electricity, Gas and Water, and Mining.<sup>3</sup> Services: Commerce, Transport, Communications, Financial, Public Administration and others.

n.a. Not available.

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> 1960-1987  
(Percentages)

TABLE 5

Country	Consumption				Investment				Exports of Goods & Non-Factor Services				Imports of Goods & Non-Factor Services			
	Average Share of GDP		Annual Variation		Average Share of GDP		Annual Variation		Average Share of GDP		Annual Variation		Average Share of GDP		Annual Variation	
	1960-62	1985-87	1986	1987	1960-62	1985-87	1986	1987	1960-62	1985-87	1986	1987	1960-62	1985-87	1986	1987
Argentina	83.3	83.4	7.7	2.0	19.9	11.8	18.2	16.1	8.0	15.1	-7.0	16.1	11.2	10.2	17.4	9.3
Bahamas	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.
Barbados	99.6	77.8	6.4	1.3	19.4	15.4	7.4	2.5	33.4	60.2	-8.2	2.5	52.4	53.4	-7.6	-1.0
Bolivia	73.8	86.2	-0.9	1.7	15.8	10.7	-40.3	35.9	30.4	24.8	12.1	35.9	19.9	21.8	-2.2	12.8
Brazil	86.2	79.2	9.8	2.3	16.7	16.2	23.7	1.8	7.5	11.9	-10.2	1.8	10.5	7.4	26.3	-2.6
Chile	93.5	78.3	3.8	3.8	14.8	15.7	14.1	25.8	12.1	27.4	9.8	25.8	20.4	21.4	9.7	17.0
Colombia	79.9	81.2	2.8	3.9	17.0	17.5	5.1	5.4	16.6	16.9	14.7	5.4	13.5	15.6	2.8	5.0
Costa Rica	86.3	74.7	5.8	3.5	18.2	21.3	14.1	-4.8	21.8	39.8	4.7	-4.8	26.2	35.8	10.8	14.0
Dominican Republic	83.4	81.0	1.3	3.5	9.6	23.0	11.7	39.5	23.2	18.1	1.3	39.5	16.2	22.1	2.3	26.8
Ecuador	88.9	80.5	0.5	1.8	19.0	17.2	2.1	0.3	15.9	24.0	9.3	0.3	23.7	21.8	-0.9	9.5
El Salvador	87.7	91.0	0.5	1.0	13.5	11.8	21.5	-2.4	22.1	20.3	-12.6	-2.4	23.3	23.1	-2.8	0.4
Guatemala	90.7	85.8	1.2	3.7	9.7	8.8	0.2	31.4	14.4	14.1	-14.0	31.4	14.7	8.7	-14.7	47.1
Guyana	56.1	73.8	4.8	-7.7	37.6	23.1	13.3	1.2	106.5	57.4	-6.7	1.2	100.2	54.3	3.7	-9.7
Haiti	85.7	93.2	2.3	-2.5	6.1	19.9	-8.4	-1.8	21.3	23.7	-20.3	-1.8	13.1	36.8	-13.7	1.6
Honduras	83.8	78.3	3.1	5.1	16.3	18.5	-7.1	-1.0	29.0	36.9	4.4	-1.0	29.1	33.8	-0.5	1.5
Jamaica	73.9	93.4	1.3	3.6	26.8	13.9	-17.8	13.0	37.0	45.9	2.4	13.0	37.8	53.3	-4.8	8.4
Mexico	79.4	74.1	-2.0	-1.3	18.1	16.7	-20.4	4.6	10.2	16.4	1.5	4.6	7.7	7.1	-14.4	3.6
Nicaragua	86.4	92.5	-2.5	0.7	15.6	22.3	-1.2	-1.5	24.4	16.4	-17.6	-1.5	26.3	31.1	-14.3	2.8
Panama	81.5	75.2	-0.6	2.5	19.0	16.7	8.6	3.5	34.7	39.3	4.8	3.5	35.2	31.3	-1.7	-3.6
Paraguay	82.3	83.3	3.3	2.0	9.0	21.4	3.7	6.7	19.5	15.4	-4.1	6.7	10.8	20.0	16.6	19.4
Peru	69.9	75.2	12.4	10.6	22.0	16.8	27.7	2.1	26.7	22.4	-8.1	2.1	18.7	14.4	19.0	5.0
Suriname	74.4	96.7	1.0	-6.6	36.0	6.8	-20.4	-6.6	50.9	38.1	-2.9	-6.6	61.4	41.6	-5.5	-6.6
Trinidad and Tobago	63.0	78.5	-0.1	-13.5	14.7	16.8	-0.9	-22.3	36.1	33.5	-1.9	-22.3	13.8	28.7	8.5	-25.4
Uruguay	95.5	86.4	8.3	8.5	12.9	8.6	-0.6	25.3	10.3	23.8	14.7	25.3	18.7	18.7	23.4	10.1
Venezuela	31.6	72.1	6.3	0.2	17.8	15.6	6.8	1.7	66.3	29.3	8.2	1.7	15.7	17.0	6.8	1.7
<b>Latin America</b>	<b>77.8</b>	<b>78.2</b>	<b>5.2</b>	<b>1.6</b>	<b>17.6</b>	<b>15.9</b>	<b>5.6</b>	<b>4.9</b>	<b>18.0</b>	<b>17.2</b>	<b>-1.2</b>	<b>4.9</b>	<b>13.2</b>	<b>11.2</b>	<b>7.4</b>	<b>3.8</b>

<sup>1</sup> GDP = Consumption + Investment + Exports - Imports.

n.a. Not available.

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



AGRICULTURAL SECTOR: DISTRIBUTION AND GROWTH OF VALUE ADDED, 1960-1987  
(Percentages)

TABLE 6

Country	Regional Distribution		Share of GDP		Cumulative Growth Rate		Annual Variation						
	1960-62	1985-87	1960-62	1985-87	1961-70	1971-80	1981	1982	1983	1984	1985	1986	1987
Argentina	14.2	11.4	13.3	13.3	2.4	2.1	1.9	6.9	1.9	3.6	-1.7	-2.8	1.8
Bahamas	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.
Barbados	0.2	0.1	22.1	8.7	0.2	-1.1	-17.2	-2.5	3.9	9.4	-0.5	4.5	-11.2
Bolivia	1.0	1.1	22.8	23.8	2.8	4.4	-0.9	6.9	-16.4	22.9	9.1	-4.7	-0.1
Brazil	30.6	34.4	18.6	10.2	3.0	4.7	8.2	-0.4	-0.3	3.0	10.1	-7.9	14.0
Chile	3.0	2.6	9.9	9.7	1.9	2.2	3.8	-1.2	-2.5	7.5	5.6	8.8	3.2
Colombia	9.1	10.0	29.0	21.6	3.7	4.4	3.2	-1.9	2.8	1.8	1.6	3.3	5.8
Costa Rica	1.0	1.0	25.8	18.6	5.1	2.6	5.1	-4.7	4.0	10.1	-5.5	4.2	-4.0
Dominican Republic	1.7	1.5	30.0	16.3	1.5	3.4	5.5	4.6	3.1	-0.0	-3.5	-0.5	2.9
Ecuador	2.1	2.2	29.3	16.1	3.3	3.0	6.8	2.0	-13.9	10.6	10.0	9.9	7.5
El Salvador	1.5	1.1	32.0	24.2	3.9	3.0	-6.4	-4.7	-3.2	3.3	-1.1	-3.1	2.3
Guatemala	2.8	3.0	29.8	25.7	4.4	4.7	1.2	-3.0	-1.7	1.6	0.4	-0.8	3.6
Guyana	0.3	0.2	26.9	23.5	0.7	0.9	2.3	-1.4	-3.7	3.4	0.0	3.7	-5.8
Haiti	1.1	0.6	44.2	32.5	0.8	1.5	-1.4	-4.2	-3.7	3.5	0.6	2.4	0.0
Honduras	0.8	0.9	32.3	25.2	5.5	3.0	3.8	-0.6	-0.7	1.3	2.9	1.7	7.2
Jamaica	0.6	0.3	10.9	8.5	1.4	0.3	2.3	-7.9	7.2	9.3	-3.4	-2.0	1.1
Mexico	17.2	17.7	14.7	8.5	3.9	3.4	6.1	-2.0	2.0	2.7	3.8	-2.7	1.6
Nicaragua	0.9	0.7	24.8	22.7	6.7	-0.0	9.5	2.8	5.8	-5.3	-4.8	-8.8	-3.2
Panama	0.6	0.6	18.1	10.0	5.4	1.5	8.3	-1.5	3.1	1.7	5.0	-2.2	7.8
Paraguay	1.1	1.4	35.7	26.0	3.0	6.7	10.1	0.4	-2.4	5.9	4.6	-6.1	7.0
Peru	4.7	3.6	17.2	11.9	4.3	-0.6	9.0	3.0	-10.8	11.8	3.7	5.4	4.4
Suriname	0.1	0.1	9.2	8.1	3.4	3.7	13.2	-3.0	-8.8	3.8	1.4	3.9	-3.3
Trinidad and Tobago	0.5	0.2	6.5	3.4	1.3	-1.9	-1.3	3.2	-3.4	0.2	7.5	3.4	3.4
Uruguay	1.4	0.9	11.0	10.9	3.0	0.6	5.5	-7.3	2.1	-6.8	4.5	6.7	0.8
Venezuela	3.5	4.3	5.4	5.7	5.6	3.0	-1.9	3.6	0.4	0.8	8.3	8.3	4.1
<b>Latin America<sup>1</sup></b>	<b>100.0</b>	<b>100.0</b>	<b>16.1</b>	<b>11.1</b>	<b>3.4</b>	<b>3.5</b>	<b>5.3</b>	<b>0.2</b>	<b>-0.1</b>	<b>3.4</b>	<b>4.9</b>	<b>-2.4</b>	<b>6.6</b>

<sup>1</sup> Excludes Bahamas.

n.a. Not available.

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



MANUFACTURING SECTOR: DISTRIBUTION AND GROWTH OF VALUE ADDED, 1960-1987  
(Percentages)

TABLE 7

Country	Regional Distribution		Share of GDP		Cumulative Growth Rate		Annual Variation						
	1960-62	1985-87	1960-62	1985-87	1961-70	1971-80	1981	1982	1983	1984	1985	1986	1987
Argentina	18.3	8.9	21.8	20.8	5.2	1.6	-16.0	-4.7	10.8	4.0	-11.2	12.9	-0.6
Bahamas	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.
Barbados	0.1	0.0	7.8	9.6	6.5	6.2	-3.6	-5.4	2.5	1.9	-9.5	5.1	-6.6
Bolivia	0.4	0.2	10.8	10.2	6.4	6.2	-7.8	-12.4	-4.6	-14.0	-9.3	2.1	3.3
Brazil	33.8	43.1	26.1	25.4	6.8	9.0	-10.4	-0.4	-6.1	6.1	8.3	11.3	1.0
Chile	5.5	2.8	23.0	20.7	5.3	1.1	2.6	-21.0	3.1	9.8	1.2	8.0	5.5
Colombia	5.1	5.0	20.6	21.5	5.7	6.0	-2.6	-1.4	1.1	6.0	3.0	6.6	5.9
Costa Rica	0.4	0.6	14.1	22.3	8.8	7.4	-0.5	-11.4	1.8	10.4	2.0	7.2	4.8
Dominican Republic	0.7	0.8	15.5	17.0	7.4	6.8	2.7	3.3	1.0	-2.4	-7.1	7.0	11.5
Ecuador	0.7	1.2	12.8	17.2	5.0	12.8	8.8	1.5	-1.4	-1.8	0.2	-1.7	0.4
El Salvador	0.6	0.4	15.0	17.4	8.1	3.0	-10.4	-8.4	2.0	1.3	3.7	2.5	3.0
Guatemala	1.0	0.9	13.1	15.8	7.6	6.2	-3.1	-5.2	-1.9	0.5	-0.8	0.7	1.7
Guyana	0.1	0.0	9.4	9.9	2.1	5.1	6.1	-12.9	-16.4	-5.9	-3.1	0.0	-7.5
Haiti	0.3	0.1	13.9	15.4	0.5	8.4	-12.4	-1.6	5.5	-5.9	-2.9	-2.8	-3.8
Honduras	0.2	0.2	10.4	12.9	7.1	6.5	-2.4	-3.6	5.3	8.4	-2.2	0.5	3.9
Jamaica	0.7	0.3	17.2	16.2	5.9	-2.1	0.8	6.9	1.9	-5.0	0.9	3.1	4.7
Mexico	16.1	22.0	17.5	21.1	9.2	7.1	6.4	-2.7	-7.8	5.0	6.0	-5.7	2.0
Nicaragua	0.5	0.4	16.3	26.4	10.0	2.4	3.0	0.1	5.6	0.4	-4.7	2.1	-1.6
Panama	0.3	0.3	10.3	8.9	10.8	3.6	-3.3	2.2	-1.8	-0.5	2.0	2.2	3.4
Paraguay	0.4	0.5	16.0	16.4	6.6	8.3	4.3	-3.7	-4.2	4.5	5.0	-1.4	3.5
Peru	5.3	3.6	24.8	23.4	5.3	3.3	0.7	-1.0	-16.9	5.5	4.9	15.9	11.6
Suriname	0.1	0.1	13.9	11.5	6.9	3.6	2.8	-16.4	-9.5	-3.2	6.5	-1.4	-15.7
Trinidad and Tobago	0.8	0.3	13.9	7.9	2.9	1.7	-6.5	2.3	-1.2	-4.9	-17.1	8.3	-6.9
Uruguay	1.9	0.8	19.7	18.4	1.2	3.3	-4.6	-16.9	-7.0	2.8	-1.6	12.1	11.0
Venezuela	7.0	7.4	13.9	19.8	7.5	5.2	-2.5	4.1	-1.7	4.6	4.8	7.1	2.5
<b>Latin America<sup>1</sup></b>	<b>100.0</b>	<b>100.0</b>	<b>20.5</b>	<b>22.1</b>	<b>6.7</b>	<b>6.4</b>	<b>-4.9</b>	<b>-2.1</b>	<b>-4.2</b>	<b>5.1</b>	<b>4.2</b>	<b>6.3</b>	<b>2.1</b>

<sup>1</sup> Excludes Bahamas.

n.a. Not available.

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



ANNUAL VARIATION IN THE CONSUMER PRICE INDEX<sup>1</sup>, BY COUNTRY, 1961-1988  
(Percentages)

TABLE 8

	1961-70		1971-80		1981-85		1986		1987		1988	
Countries with Relative Price Stability (Annual Rise in Prices of Less Than 5 Per Cent)	El Salvador	0.7			Panama	3.3	Panama	0.0	Haiti	- 11.5	Honduras	3.2
	Guatemala	0.8					Barbados	1.3	Panama	0.9	Haiti	4.1
	Venezuela	1.0					Haiti	3.3	Honduras	2.5	Bahamas	4.2
	Panama	1.3					Honduras	4.4	Barbados	3.3	Barbados	4.8
	Nicaragua	1.7										
	Dominican Rep.	2.1										
	Honduras	2.2										
	Guyana	2.3										
	Costa Rica	2.5										
	Mexico	2.8										
	Haiti	2.9										
	Barbados	3.0										
	Trin. & Tobago	3.1										
	Paraguay	3.4										
	Jamaica	4.2										
	Suriname	4.2										
	Ecuador	4.4										
Countries with Moderate Inflation (Annual Rise in Prices of between 5 and 15 Per Cent)	Bolivia	5.6	Panama	7.1	Bahamas	5.9	Bahamas	5.5	Bahamas	6.0	Trin. & Tobago	7.7
	Bahamas <sup>2</sup>	6.2	Bahamas	7.5	Honduras	6.9	Trin. & Tobago	7.7	Jamaica	6.7	Jamaica	7.3
	Peru	9.7	Honduras	8.2	Suriname	7.0	Guyana	7.9	Trin. & Tobago	10.7	Guatemala	12.1
	Colombia	11.1	Venezuela	8.5	Guatemala	7.7	Dominican Rep.	9.8	Guatemala	12.3	Chile	14.7
			Guatemala	9.7	Barbados	7.8	Venezuela	11.5	Bolivia	14.6	Suriname	14.8
			Suriname	9.9	Haiti	9.1	Costa Rica	11.8				
			Guyana	10.3	Venezuela	11.1						
			Dominican Rep.	10.5	Trin. & Tobago	12.4						
			El Salvador	10.9	El Salvador	14.7						
			Haiti	10.9								
			Costa Rica	11.1								
			Ecuador	12.7								
			Trin. & Tobago	13.2								
			Paraguay	13.4								
			Barbados	14.6								
Countries with High Inflation (Annual Rise Greater Than 15 Per Cent)	Argentina	21.4	Mexico	16.8	Paraguay	15.9	Jamaica	15.1	Dominican Rep.	16.1	Bolivia	16.2
	Chile	27.1	Jamaica	18.5	Jamaica	16.9	Suriname	18.7	Costa Rica	16.8	Panama	18.0
	Brazil	46.2	Bolivia	20.2	Dominican Rep.	16.9	Colombia	18.9	Chile	19.9	El Salvador	20.2
	Uruguay	47.8	Nicaragua	20.4	Guyana	19.7	Chile	19.5	Paraguay	21.8	Costa Rica	20.5
			Colombia	21.3	Chile	21.5	Ecuador	23.0	Colombia	23.3	Paraguay	23.4
			Peru	31.9	Colombia	22.4	Paraguay	31.8	El Salvador	24.9	Colombia	28.1
			Brazil	36.7	Ecuador	28.1	El Salvador	32.0	Venezuela	28.1	Venezuela	29.5
			Uruguay	63.1	Costa Rica	37.4	Guatemala	37.0	Guyana	28.7	Guyana	29.6
			Argentina	141.6	Uruguay	46.0	Ecuador	76.4	Ecuador	29.5	Dominican Rep.	44.2
			Chile	174.1	Mexico	62.4	Peru	78.0	Suriname	53.3	Ecuador	58.3
					Nicaragua	66.9	Mexico	86.2	Uruguay	63.6	Uruguay	62.2
					Peru	104.9	Argentina	90.1	Peru	85.9	Mexico	114.4
					Brazil	153.9	Brazil	145.3	Argentina	131.3	Argentina	342.5
					Argentina	382.4	Bolivia	276.4	Mexico	131.8	Peru	667.9
					Bolivia	2,692.0	Nicaragua	681.5	Brazil	229.7	Brazil	679.1
									Nicaragua	911.9	Nicaragua	8,527.4

<sup>1</sup> Annual averages of monthly consumer price indexes.<sup>2</sup> Average 1967-70. Data for years before 1966 not available.Source: International Monetary Fund, *International Financial Statistics* as well as national sources and IBM estimates.



**LATIN AMERICA: BALANCE OF PAYMENTS SUMMARY<sup>1</sup>, 1985-1987**  
(In Millions of Dollars)

TABLE 9

Country	1985				1986				1987*			
	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	4,895.0	- 962.5	2,254.1	- 977.8	2,459.0	- 2,861.4	1,681.2	874.0	558	- 4,702	1,850	2,209
Bahamas	- 699.8	- 31.9	- 11.4	- 24.5	- 731.4	- 12.0	13.7	- 51.5	- 868	- 136	- 71	63
Barbados	- 258.7	40.3	46.8	- 22.2	- 278.3	- 5.4	49.6	- 20.2	- 307	- 4	33	- 15
Bolivia	160.6	- 282.4	52.2	41.6	- 51.0	- 384.2	388.4	- 131.7	- 188	- 488	321	67
Brazil	12,411.5	- 338.1	311.7	522.9	8,439.8	- 4,390.0	939.0	3,185.2	11,161	- 1,439	2,420	- 1,270
Chile	849.8	- 1,328.1	1,250.9	96.5	1,100.4	- 1,091.0	886.9	251.1	1,229	- 811	993	- 122
Colombia	- 23.4	- 1,809.3	2,235.8	- 154.3	1,890.0	423.5	1,105.1	- 1,358.5	1,447	27	- 146	- 297
Costa Rica	- 63.8	- 291.8	77.7	- 72.4	36.4	- 158.8	117.1	- 81.1	- 139	- 244	140	77
Dominican Republic	- 547.4	- 107.6	- 6.1	- 44.7	- 544.1	- 119.1	187.5	- 59.4	- 827	- 293	90	202
Ecuador	1,293.9	148.6	- 202.9	- 24.4	555.0	- 613.0	620.0	171.6	- 31	- 1,184	1,400	80
El Salvador	- 216.0	- 28.6	32.9	- 27.0	- 117.3	139.0	- 138.8	- 63.4	- 334	137	- 99	- 57
Guatemala	- 12.4	- 240.4	298.5	- 102.1	173.0	- 11.4	54.3	- 110.4	- 338	- 427	315	54
Guyana	5.0	- 96.7	105.4	- 4.6	- 2.4	- 88.5	133.1	- 2.5	44	- 44	41	2
Haiti	- 124.2	- 96.6	26.2	16.3	- 115.6	- 46.2	25.6	15.1	- 112	- 32	89	25
Honduras	- 74.1	- 210.6	274.7	- 11.1	- 1.2	- 155.3	140.0	- 28.3	- 31	- 177	214	- 37
Jamaica	- 435.6	- 304.4	313.7	- 29.3	- 247.9	- 33.7	24.4	24.0	- 374	- 122	324	- 202
Mexico	8,449.7	1,193.0	- 2,116.0	2,762.7	4,576.5	- 1,294.0	1,539.2	9.4	8,433	3,881	785	- 5,522
Nicaragua	- 498.7	- 759.5	848.4	- 19.0	- 479.4	- 693.0	868.6	193.9	- 539	- 721	640	153
Panama	- 747.3	301.4	- 134.4	113.8	- 585.5	454.7	139.8	- 60.5	- 510	358	- 400	42
Paraguay	- 191.5	- 225.5	59.9	109.0	- 162.4	- 358.9	227.4	128.3	- 135	- 350	183	148
Peru	1,167.6	112.7	337.1	- 159.4	- 4.7	- 1,017.1	782.5	288.6	- 344	- 1,317	487	830
Suriname	14.7	- 23.8	22.8	8.4	54.1	- 2.5	- 15.3	24.6	- 7	- 22	- 15	14
Trinidad and Tobago	756.1	- 90.4	20.5	301.3	153.6	- 441.7	- 196.5	721.5	239	- 250	- 26	250
Uruguay	178.2	- 108.1	- 77.4	- 64.4	296.8	91.2	- 13.1	- 287.4	109	- 124	298	- 45
Venezuela	6,789.6	3,085.6	- 1,457.0	- 1,328.1	814.2	- 2,010.8	- 1,703.4	3,933.6	2,057	- 317	- 802	1,122
<b>Latin America</b>	<b>33,079.1</b>	<b>- 2,454.6</b>	<b>4,564.3</b>	<b>907.4</b>	<b>17,227.7</b>	<b>- 14,679.6</b>	<b>7,856.2</b>	<b>7,566.1</b>	<b>20,194.0</b>	<b>- 8,798.8</b>	<b>9,061.6</b>	<b>- 2,228.1</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.

\* Preliminary.

Source: International Monetary Fund, Balance of Payments Tapes, and IDB estimates.



DESTINATION OF LATIN AMERICAN EXPORTS, 1961-63 AND 1984-86  
(Percentages)

TABLE 10

Country	Average 1961-63							Average 1984-86						
	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 <sup>4</sup>
Argentina	9.1	60.1	3.5	0.4	0.4	13.1	13.4	11.2	23.3	4.4	0.7	8.4	20.1	31.9
Bahamas	91.7	5.5	—	1.8	—	1.0	—	83.8	5.8	1.1	2.5	0.1	3.5	3.2
Barbados	6.7	53.5	—	13.8	—	1.2	24.8	49.6	9.2	0.4	2.2	0.2	17.5	20.9
Bolivia	31.7	58.9	2.4	—	—	5.4	1.6	17.5	19.1	0.1	0.3	0.0	57.7	5.3
Brazil	39.3	31.0	2.6	1.6	0.7	6.4	18.4	28.1	23.8	5.9	1.7	8.8	11.1	20.6
Chile	35.7	42.1	6.3	0.1	0.1	8.9	6.8	23.1	30.2	10.2	1.4	0.6	15.2	19.3
Colombia	56.7	24.8	0.8	1.7	—	6.5	9.5	31.3	35.2	4.6	1.4	1.1	10.9	15.5
Costa Rica	57.4	32.1	0.6	0.6	—	5.4	3.9	39.7	24.9	0.7	1.0	0.7	22.6	10.4
Dominican Republic	74.1	14.5	1.9	0.8	0.3	1.4	7.0	81.1	7.9	1.5	1.9	0.0	2.7	4.9
Ecuador	61.0	24.2	4.8	0.6	—	6.8	2.6	52.8	4.2	1.5	0.1	0.1	8.4	32.9
El Salvador	30.7	31.5	20.0	0.5	—	15.4	1.9	45.1	24.6	4.8	2.2	—	18.1	5.2
Guatemala	49.6	27.8	9.4	0.5	0.1	7.5	5.1	39.5	14.9	4.3	0.9	3.6	27.1	9.7
Guyana	18.7	27.5	0.5	28.8	—	13.6	10.9	25.1	43.1	4.1	7.6	0.0	16.1	4.0
Haiti	52.4	36.8	4.8	0.2	—	1.8	4.0	78.6	13.9	0.5	2.1	—	3.0	1.9
Honduras	60.7	13.1	0.8	2.9	—	19.2	3.3	53.1	20.2	8.2	2.3	0.4	5.1	10.7
Jamaica	36.0	29.7	0.2	21.3	—	1.7	11.1	34.5	18.2	1.0	13.3	0.2	20.1	12.7
Mexico	60.6	6.6	6.9	0.8	0.1	4.3	20.7	61.6	9.7	7.4	1.9	1.8	5.7	12.4
Nicaragua	42.6	25.1	20.3	3.3	—	5.3	3.4	12.3	31.5	21.4	8.1	1.8	8.6	16.3
Panama	75.1	6.0	0.5	5.1	—	5.0	8.3	64.5	15.2	0.2	0.3	1.8	12.9	5.1
Paraguay	22.5	26.0	0.1	—	—	30.3	21.1	3.4	31.1	1.4	0.1	0.5	41.3	22.2
Peru	35.4	40.1	7.3	0.5	0.3	9.3	7.1	34.6	22.3	10.6	1.1	0.6	13.7	17.1
Suriname	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	20.3	35.3	6.4	0.2	0.5	16.1	21.2
Trinidad and Tobago	25.7	38.1	0.1	4.8	0.1	5.1	26.1	60.4	14.3	0.3	1.5	0.3	13.0	10.2
Uruguay	13.9	56.3	2.0	0.6	0.4	6.1	20.7	13.7	21.8	2.1	0.9	8.7	32.2	20.6
Venezuela	35.7	16.4	0.6	7.1	—	10.1	30.1	41.2	14.1	2.6	4.2	0.2	11.4	26.3
<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>40.3</b>	<b>18.5</b>	<b>5.3</b>	<b>2.0</b>	<b>3.8</b>	<b>11.4</b>	<b>18.7</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.

<sup>4</sup> Calculated by difference from 100.0 percent.

n.a. Not available.

Source: International Monetary Fund. Direction of Trade Tapes, November 1988.



ORIGIN OF LATIN AMERICAN IMPORTS, 1961-63 AND 1984-86  
(Percentages)

TABLE 11

Country	Average 1961-63							Average 1984-86						
	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 <sup>4</sup>
Argentina	26.8	39.5	3.9	2.6	—	12.7	14.5	18.2	25.3	7.5	1.2	0.3	35.3	12.2
Bahamas	56.4	22.1	0.2	6.1	—	9.0	—	27.8	9.9	3.3	1.1	5.1	11.9	40.9
Barbados	14.7	44.5	1.8	10.5	—	10.4	18.1	41.5	15.3	4.4	5.5	0.3	23.1	9.9
Bolivia	43.6	27.6	7.3	0.3	—	15.1	6.1	20.1	14.0	6.6	0.8	0.3	52.0	6.2
Brazil	32.3	24.5	4.6	1.7	4.8	15.0	17.1	19.6	15.9	4.9	3.4	18.1	13.7	14.4
Chile	37.9	30.1	2.8	0.1	1.1	19.3	8.7	21.3	16.8	8.2	1.9	2.8	24.1	24.9
Colombia	51.8	26.2	3.2	2.0	—	5.6	11.2	35.2	17.1	9.7	4.1	0.3	22.8	10.8
Costa Rica	47.3	26.4	7.0	3.3	0.1	9.0	6.9	35.6	12.1	9.3	1.9	0.2	32.5	8.4
Dominican Republic	47.4	28.0	6.8	6.0	0.1	2.7	9.0	42.3	7.8	6.6	1.9	0.1	32.4	8.9
Ecuador	43.8	33.5	3.5	3.5	0.1	7.4	8.2	29.4	18.6	12.7	1.9	0.3	21.2	15.9
El Salvador	36.5	29.9	6.9	2.1	—	21.4	3.2	36.0	9.6	4.5	1.0	—	42.1	6.8
Guatemala	47.8	24.9	5.2	2.0	0.1	11.2	8.8	33.4	13.4	5.1	1.0	0.2	36.6	10.6
Guyana	21.2	45.9	2.2	7.6	—	13.0	10.1	24.1	18.8	4.0	2.1	0.0	46.9	4.1
Haiti	57.9	23.2	0.2	2.6	—	2.5	13.6	68.8	11.0	5.4	2.8	0.0	8.5	3.5
Honduras	50.1	15.2	7.7	1.3	—	14.8	10.9	44.1	11.9	6.9	1.1	0.1	28.7	7.2
Jamaica	27.7	43.0	3.4	10.6	—	7.4	7.9	44.2	10.2	4.4	4.6	0.2	23.1	13.3
Mexico	69.1	18.1	1.8	3.2	—	1.3	6.5	66.0	12.1	5.4	1.9	0.1	3.9	10.6
Nicaragua	49.4	21.2	5.9	2.3	—	13.2	8.0	13.8	26.0	4.1	4.2	0.1	32.9	18.9
Panama	47.7	14.8	3.2	1.3	0.2	12.4	20.4	33.2	7.2	8.7	1.0	0.1	28.0	21.8
Paraguay	25.2	24.5	8.3	—	—	22.4	19.6	10.3	15.0	7.6	0.8	8.7	51.0	6.6
Peru	40.3	30.9	5.3	2.3	0.1	13.4	7.7	29.2	19.1	9.7	2.9	0.1	25.4	13.6
Suriname	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	31.4	25.8	2.7	0.5	0.1	25.2	14.3
Trinidad and Tobago	13.3	27.0	1.1	4.8	20.4	26.6	6.8	37.8	18.1	10.1	6.5	0.1	17.7	9.7
Uruguay	19.0	37.8	1.5	1.5	5.3	21.6	13.3	8.3	16.5	2.6	0.8	8.8	41.8	21.2
Venezuela	53.5	28.1	4.1	4.4	0.1	2.6	7.2	46.8	21.5	5.8	3.4	0.1	11.3	11.1
<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>36.9</b>	<b>15.1</b>	<b>6.1</b>	<b>2.6</b>	<b>8.4</b>	<b>17.5</b>	<b>13.4</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.

<sup>4</sup> Calculated by difference from a total of 100.0 percent.

n.a. Not available.

Source: International Monetary Fund. Direction of Trade Tapes, November 1988.



**LATIN AMERICA: GROSS OFFICIAL INTERNATIONAL MONETARY RESERVES, 1980-1988<sup>1</sup>**  
(In Millions of Dollars at End of Period)

TABLE 12

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988
Argentina	6,904.0	3,453.0	2,691.0	2,593.0	2,664.0	4,694.0	4,139.0	1,617.0	1,468.0 (March)
Bahamas	92.3	100.2	113.5	122.0	161.1	182.5	231.5	170.1	174.0 (Aug.)
Barbados	80.7	103.9	125.0	126.6	135.9	143.7	155.6	149.1	134.2 (Aug.)
Bolivia	137.3	134.0	192.0	197.1	289.5	237.8	201.5	97.3	71.6 (July)
Brazil	6,912.0	7,509.0	3,993.0	4,562.0	11,996.0	11,609.0	6,761.0	7,458.0	7,574.0 (April)
Chile	4,086.6	3,873.7	2,470.9	2,603.0	2,843.0	2,990.0	2,351.3	2,503.8	2,788.0 (July)
Colombia	5,356.0	5,505.0	4,794.0	2,926.0	1,790.0	2,192.0	3,394.0	3,376.0	3,820.0 (July)
Costa Rica	199.4	138.6	248.7	311.3	405.0	525.4	549.5	488.9	542.3 (Aug.)
Dominican Republic	274.6	283.9	172.7	202.6	261.4	346.0	383.4	182.2	185.6 (Aug.)
Ecuador	1,030.5	649.9	428.5	768.8	735.5	842.5	768.4	656.8	638.4 (July)
El Salvador	99.5	93.7	130.3	180.0	185.6	199.4	189.5	205.9	160.9 (Aug.)
Guatemala	466.8	171.8	134.3	232.1	296.5	323.0	384.2	309.9	192.9 (Aug.)
Guyana	12.7	6.9	10.6	6.5	5.9	6.5	9.0	8.4	4.2 (June)
Haiti	25.5	31.1	10.4	15.2	19.2	12.6	23.4	24.5	12.5 (July)
Honduras	150.9	102.1	113.3	114.7	129.2	106.9	112.4	106.9	69.3 (Aug.)
Jamaica	105.0	85.2	109.0	63.2	96.9	161.3	98.4	174.3	121.4 (May)
Mexico	3,812.0	4,926.0	1,660.0	4,744.0	7,981.0	4,906.0	5,670.0	12,464.0	14,268.0 (May)
Nicaragua	65.3	112.2	171.9	179.8	n.a.	n.a.	n.a.	n.a.	n.a.
Panama	121.1	119.9	101.0	206.7	215.6	98.0	170.2	77.8	84.8 (Jan.)
Paraguay	766.5	810.0	743.1	684.1	669.2	545.3	460.5	496.4	427.5 (July)
Peru	2,260.8	1,599.8	1,749.9	1,765.4	2,030.4	2,246.6	1,888.9	1,108.0	498.1 (June)
Suriname	191.5	209.3	178.0	78.8	39.8	39.3	39.6	38.9	12.5 (Aug.)
Trinidad and Tobago	2,783.1	3,349.8	3,082.8	2,106.8	1,359.0	1,130.0	475.6	190.1	15.1 (Aug.)
Uruguay	914.2	955.8	559.3	610.2	781.5	821.7	1,160.0	1,346.5	528.0 (June)
Venezuela	7,088.0	8,648.0	10,018.0	11,082.0	12,340.0	13,690.0	9,876.0	9,402.0	7,886.0 (Aug.)
Latin America <sup>2</sup>	43,936.2	42,972.9	34,001.1	36,481.7	47,431.2	48,049.3	39,492.9	42,652.8	n.a.

<sup>1</sup> Includes gold where available, national valuation.

<sup>2</sup> Excludes Nicaragua from 1984.

n.a. Not available.

Source: International Monetary Fund, *International Financial Statistics*, October 1988.

**LATIN AMERICA: NET RESOURCE TRANSFER  
AND EXTERNAL DEBT, 1979-1987**  
(Millions of dollars)

TABLE 13

Year	Capital Account (1)	Investment Income (2)	Net Resource Transfer (3) = (1) + (2)	Disbursed External Debt (4)
1979	26,689	- 14,247	12,442	191,531
1980	34,721	- 18,852	15,869	236,057
1981	49,222	- 27,881	21,341	289,330
1982	30,769	- 39,102	- 8,333	325,618
1983	6,140	- 34,952	- 28,812	354,985
1984	9,814	- 37,306	- 27,492	373,835
1985	4,564	- 36,049	- 31,484	383,892
1986	8,691	- 32,691	- 24,000	399,137
1987*	9,780	- 32,019	- 22,239	414,596

\* Preliminary estimate.

Sources: Columns (1) and (2) IMF, Balance of Payments Tapes and IDB estimates, (4) World Bank and IDB estimates.



LATIN AMERICA: CONTRIBUTION OF MAJOR COMMODITY EXPORTS TO TOTAL VALUE OF  
MERCHANDISE EXPORTS, 1970-1972 AND 1985-1987<sup>1</sup>  
(Percentages)

TABLE 14

Country	First Product			Second Product			Third Product			Total		
	Commodity	1970-72	1985-87	Commodity	1970-72	1985-87	Commodity	1970-72	1985-87	Number of Products	1970-72	1985-87
Argentina	Maize	14.5	8.0	Beef	28.1	6.7	—	—	—	2	42.6	14.7
Bahamas	Petroleum Products	70.6	71.1	—	—	—	—	—	—	1	70.6	71.1
Barbados	Sugar	33.9	10.0	—	—	—	—	—	—	1	33.9	10.0
Bolivia	Natural Gas	4.9	54.2	Tin	57.2	20.5	Petroleum	12.0	—	3	74.1	74.7
Brazil	Coffee	28.0	8.5	—	—	—	—	—	—	1	28.0	8.5
Chile	Copper	70.0	42.9	—	—	—	—	—	—	1	70.0	42.9
Colombia	Coffee	56.6	49.0	Fuel oil	2.5	12.6	—	—	—	2	59.1	61.6
Costa Rica	Coffee	28.5	31.9	Bananas	29.0	20.4	—	—	—	2	57.5	52.3
Dominican Republic	Sugar	49.8	22.2	Dore	—	16.0	Coffee	11.4	10.9	3	61.2	49.1
Ecuador	Petroleum	7.8	49.0	Bananas	47.7	10.6	Coffee	17.0	9.6	3	72.5	73.9
El Salvador	Coffee <sup>2</sup>	46.1	68.1	Cotton <sup>2</sup>	11.6	1.9	—	—	—	2	57.7	70.1
Guatemala	Coffee	33.2	40.4	Cotton	10.2	3.5	—	—	—	2	43.4	43.8
Guyana	Bauxite	33.3	39.8	Sugar	31.0	35.1	—	—	—	2	64.3	74.8
Haiti	Coffee	38.3	23.9	Bauxite	14.4	—	—	—	—	2	52.7	23.9
Honduras	Bananas <sup>2</sup>	44.7	32.8	Coffee <sup>2</sup>	12.9	31.3	—	—	—	2	57.6	64.1
Jamaica	Alumina	38.7	34.5	Bauxite	25.7	16.5	—	—	—	2	64.4	51.1
Mexico	Petroleum	2.0	43.6	—	—	—	—	—	—	1	2.0	43.6
Nicaragua	Coffee	15.3	43.0	Cotton	22.5	22.2	Beef	15.3	3.3	3	53.1	68.5
Panama	Bananas	54.2	22.4	Shrimp	10.5	18.5	Petroleum <sup>3</sup>	19.5	6.0	3	84.2	46.9
Paraguay	Cotton	4.0	32.4	Soybeans	2.2	29.1	Timber	15.1	6.1	3	21.3	67.6
Peru	Copper	21.8	16.4	Fishmeal	27.9	6.8	—	—	—	2	49.7	23.2
Suriname	Alumina <sup>4</sup>	45.2	55.8	Aluminum <sup>4</sup>	16.2	11.9	Bauxite <sup>4</sup>	27.6	11.2	3	89.0	78.9
Trinidad and Tobago	Petroleum	77.4	83.7	—	—	—	—	—	—	1	77.4	83.7
Uruguay	Wool	29.5	19.1	Beef	37.7	14.0	—	—	—	2	67.2	33.2
Venezuela	Petroleum	89.8	79.1	—	—	—	—	—	—	1	89.8	79.1

<sup>1</sup> For each country, products listed are those representing 10 percent or more of total exports in 1970-72 or 1985-87. Products are listed according to their relative importance in 1985-87.

<sup>2</sup> Based on 1985-86 data.

<sup>3</sup> Based on 1985 data.

<sup>4</sup> Based on 1984 data.

Source: International Monetary Fund, *International Financial Statistics*, November 1988.



ANNUAL WORLD MARKET PRICES OF MAIN PRIMARY COMMODITY EXPORTS  
OF LATIN AMERICA IN CURRENT VALUES, 1973-1988

TABLE 15

	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	
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	238.6	75.7	37.7	14.9	234.5	272.2	250.5	224.8	
1988									
I Qtr.	256.5	88.0	43.0	19.6	274.8	...	296.2	223.4	
II Qtr.	244.6	99.7	51.4	20.6	269.8	...	307.9	208.5	
III Qtr.	248.8	122.3	40.7	26.0	257.7	...	303.1	188.7	
	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)
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	199.4	383.4	215.8	164.8	154.3	22.2	27.0	178.3	17.5
1988									
I Qtr.	181.9	477.7	255.0	151.4	150.2	23.5	...	245.1	17.5
II Qtr.	166.0	555.7	302.7	147.1	146.7	22.8	...	242.5	17.4
III Qtr.	143.2	589.3	343.3	130.7	126.3	22.3	...	228.5	17.2

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, International Commodities Market Division, International Economics Department, November 16, 1988.



## 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, 1988

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>
United States .....	976,634	976,769	34.50
Canada .....	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><b>2,825,274</b></u>	<u><b>2,831,214</b></u>	<u><b>100.00</b></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.



# ORDINARY CAPITAL

## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors  
Inter-American Development Bank

In our opinion, the financial statements appearing on pages 122 through 132 present fairly, in all material respects, the financial position of the Inter-American Development Bank—Ordinary Capital at December 31, 1988 and 1987, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Bank's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

  
PRICE WATERHOUSE

Washington, D.C.  
February 16, 1989



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

## BALANCE SHEET

Expressed in thousands of United States dollars—Note B

	December 31,			
	1988		1987	
ASSETS				
Cash and investments				
Cash (Note D) .....	\$ 175,604		\$ 190,511	
Investments (Note E).....	<u>3,940,783</u>	\$ 4,116,387	<u>4,792,945</u>	\$ 4,983,456
Loans outstanding (Note F) (Appendix I-1)				
Total loans approved, less cancellations .....	28,461,485		28,653,339	
Less undisbursed balance of approved loans .....	(8,309,921)		(9,288,437)	
Less principal collected and loans sold or agreed to be sold .....	<u>(5,809,913)</u>		<u>(5,246,049)</u>	
	14,341,651		14,118,853	
Allowance for loan losses .....	<u>(50,000)</u>	14,291,651	<u>—</u>	14,118,853
Accrued interest and other charges				
On investments .....	54,903		87,524	
On loans .....	<u>369,704</u>	424,607	<u>421,574</u>	509,098
Receivable from members (Note J)				
Capital subscriptions .....	446		446	
Non-negotiable, non-interest bearing demand obligations .....	494,124		670,955	
Amounts required to maintain value of currency holdings .....	<u>5,777</u>	500,347	<u>5,777</u>	677,178
Other assets				
Property (Note G) .....	242,462		245,587	
Unamortized borrowing costs .....	137,461		168,317	
Miscellaneous .....	<u>11,817</u>	391,740	<u>8,007</u>	421,911
Special Reserve assets (Note H) .....		712,934		580,777
Total assets .....		<u>\$20,437,666</u>		<u>\$21,291,273</u>



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note B

	December 31,	
	1988	1987
<b>LIABILITIES AND CAPITAL</b>		
<b>Liabilities</b>		
Borrowings (Note I) (Appendix I-2) . . . . .	\$14,265,595	\$15,224,478
Less unamortized discount . . . . .	(44,885)	(50,976)
	<u>14,220,710</u>	<u>15,173,502</u>
Accrued interest on borrowings . . . . .	378,332	415,041
Accounts payable and accrued expenses . . . . .	167,923	220,488
Advance payments of capital . . . . .	<u>808</u>	<u>60</u>
	\$14,767,773	\$15,809,091
<b>Capital</b>		
Capital Stock (Note J) (Appendix I-3)		
Subscribed 2,825,274		
shares . . . . .	34,082,502	34,082,502
Less callable portion . . . . .	(31,482,410)	(31,482,410)
	<u>2,600,092</u>	<u>2,600,092</u>
General Reserve (Note K) . . . . .	2,356,867	2,301,313
Special Reserve (Note H) . . . . .	<u>712,934</u>	<u>580,777</u>
	5,669,893	5,482,182
<b>Commitments (Note F)</b>		
Total liabilities and capital . . . . .	<u>\$20,437,666</u>	<u>\$21,291,273</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,	
	1988	1987
<b>Income</b>		
Loans (Note F)		
Interest .....	\$ 980,416	\$ 989,198
Credit commissions .....	83,992	83,484
Special commissions .....	134,779	48,663
Supervision and inspection fees .....	22,122	24,082
	1,221,309	1,145,427
Investments .....	328,592	343,828
Other (Note I) .....	(3,275)	(2,995)
Total income .....	1,546,626	1,486,260
<b>Expenses</b>		
Borrowing expenses .....	1,163,574	1,110,987
Provision for loan losses (Note F) .....	50,000	—
Administrative expenses .....	94,650	92,821
Total expenses .....	1,308,224	1,203,808
<b>Net income</b> .....	238,402	282,452
Allocation to Special Reserve (Note H) .....	(134,779)	(73,790)
Addition to General Reserve for the year .....	103,623	208,662
<b>General Reserve beginning of year</b> .....	2,301,313	2,032,131
Translation adjustments (Note K) .....	(48,069)	60,520
<b>General Reserve end of year</b> .....	\$2,356,867	\$2,301,313



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

## STATEMENT OF CASH FLOWS

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1988	1987
<b>Cash Flows from financing activities</b>		
Borrowings (excluding related costs):		
Gross proceeds from borrowings	\$ 901,942	\$ 1,223,185
Repayment of borrowings	(833,150)	(633,057)
Participations:		
Sales of loans to participants	32,673	47,982
Repayments to participants	(76,518)	(66,946)
Capital:		
Collections of receivables from members	177,579	173,875
Reduction of capital lease obligation	—	(130,500)
Net cash provided by financing activities	<u>202,526</u>	<u>614,539</u>
<b>Cash flows from investing activities</b>		
Lending (excluding related income):		
Loan disbursements	(1,942,416)	(1,574,386)
Loan collections	849,646	646,173
Net cash used for lending activities	(1,092,770)	(928,213)
Purchase of property	(3,854)	(7,742)
Investments of the Special Reserve	(104,501)	(70,389)
Miscellaneous assets and liabilities	1,345	6,422
Net cash used for investing activities	<u>(1,199,780)</u>	<u>(999,922)</u>
<b>Cash flows from operating activities</b>		
Loan income collections	1,213,145	1,073,084
Interest and other costs of borrowings	(1,153,622)	(1,119,329)
Income from investments	358,335	346,553
Other income	538	707
Administrative expenses	(88,706)	(88,504)
Net cash provided by operating activities	<u>329,690</u>	<u>212,511</u>
Effect of exchange rate fluctuations on cash and investments	(199,505)	611,868
Net increase (decrease) in cash and investments	<u>\$ (867,069)</u>	<u>\$ 438,996</u>
<b>Reconciliation of net income to net cash provided by operating activities:</b>		
Net income	\$ 238,402	\$ 282,452
Difference between amounts accrued and amounts paid or collected for:		
Loan income	(8,164)	(72,343)
Investment income	29,743	2,725
Other income	(3,822)	—
Interest and other costs of borrowings	17,587	(5,393)
Administrative expenses, including depreciation	5,944	5,070
Provision for loan losses	50,000	—
Net cash provided by operating activities	<u>\$ 329,690</u>	<u>\$ 212,511</u>
<b>Supplemental disclosure of noncash activities</b>		
Increase (decrease) resulting from exchange rate fluctuations:		
Borrowings	\$(1,027,675)	\$ 2,518,985
Loans outstanding	(914,355)	2,006,247

**ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1988 and 1987

**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.

**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.

**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 180 days; 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 are 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 1988 such expenses were charged 56.1% to the ordinary capital and 43.9% to the Fund for Special Operations (1987 - 55.4% and 44.6%, 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).

**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 \$155,536,000 (1987-\$141,886,000) in the non-convertible currencies of regional borrowing members, of which \$70,204,000 (1987-\$64,965,000) 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,	
	1988	1987
	(in thousands)	
Obligations issued or guaranteed by governments or issued by United States Agencies	\$ 435,016	\$1,320,234
Time deposits and other obligations of banks	3,505,767	3,472,711
	<u>\$3,940,783</u>	<u>\$4,792,945</u>

The average return on investments was 6.56% in 1988 and 6.56% in 1987.



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1988 and 1987

## 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. The Bank has a policy of not rescheduling loan repayments.

Pursuant to the policy described in Note B, loans made to or guaranteed by Panama and Nicaragua were placed in a nonaccrual status on March 25 and May 6, 1988, respectively. The aggregate principal outstanding at December 31, 1988 was \$300,643,000 for Panama, at an average interest rate of 9.03% of which \$30,154,000 was overdue, and \$72,173,000 for Nicaragua, at an average interest rate of 9.27% of which \$2,429,000 was overdue. Placing these loans in a nonaccrual status resulted in a reduction in loan income for the year ended December 31, 1988 of \$48,653,000.

In consideration of the delays in payments which have required the application of the nonaccrual policy as indicated above, the Bank has commenced in 1988 to provide for the possibility of loan losses, and accordingly, a provision of \$50,000,000 has been charged to 1988 income.

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; 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 \$99,367,000 at December 31, 1988.

The average interest rate on loans outstanding, which includes the special commission (Note H), was 8.14% in 1988 (1987-8.49%). 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 8.92% in 1988 and 9.37% in 1987. The average interest rate on loans outstanding and the average return on loans excluding those in nonaccrual status was 8.46% and 9.27%, respectively, in 1988.

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 1988, the IFF paid \$7,683,000 of such interest on behalf of borrowers (1987—\$5,865,000). 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,	
	1988	1987
	(in thousands)	
Land, buildings, improvements and equipment, at cost . . . . .	\$266,369	\$262,515
Less—accumulated depreciation . . . . .	23,907	16,928
	<u>\$242,462</u>	<u>\$245,587</u>

## Note H—Special Reserve

The amount of special commissions earned by the Bank on loans made out of the ordinary capital resources is 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), 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,	
	1988	1987
	(in thousands)	
Balance beginning of year . . . . .	\$580,777	\$505,311
Allocation of special commissions . . . . .	\$134,779	\$ 48,663
Allocation of net income . . . . .	—	25,127
Translation adjustments . . . . .	(2,622)	73,790
Balance end of year . . . . .	<u>\$712,934</u>	<u>\$648,920</u>

ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1988 and 1987

The Special Reserve assets consist of the following:

	December 31,	
	1988	1987
	(in thousands)	
Investments		
United States Government and Agencies obligations, at amortized cost which approximates market .....	\$667,029	\$562,528
Accrued loan commissions .....	45,905	18,249
	<u>\$712,934</u>	<u>\$580,777</u>

Note I—Borrowings

The borrowings of the Bank 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 1988 and 1987 the average cost of borrowings outstanding was 8.19% and 8.29%, 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, 1988 are as indicated in Appendix I-2.

Losses of \$7,635,000 in 1988 (1987 - \$2,949,000) 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. 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 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

The Agreement provides that the ordinary capital be expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1959. The Second Amendment to the Articles of Agreement of the International Monetary Fund eliminated par values of currencies in terms of gold effective April 1, 1978, and consequently the General Counsel of the Bank has rendered an opinion that 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, 1988 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, 1988, subscribed capital would have totalled \$38,019,712,000, consisting of \$2,900,454,000 of "paid-in" capital and \$35,119,258,000 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, 1988 see Appendix I-3.



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

## NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1988 and 1987

## 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, 1988, 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, 1987 and 1988:

	Subscribed capital			
	Amount (in thousands)			
	Shares	Paid-in	Callable	Total
Balance at January 1, 1987	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 and 1988	<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,	
	1988	1987
	(in thousands)	
Cumulative adjustments, beginning of year	\$ 41,289	\$(19,231)
Translation adjustments for the year	(48,069)	60,520
Cumulative adjustments, end of year	<u>\$ (6,780)</u>	<u>\$ 41,289</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 contributions to the Plan during 1988 and 1987 were \$17,368,000 and \$17,400,000, 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.

Any and all contributions made to the Plan by the Bank shall be irrevocable, and shall be held by the Bank in the Retirement Fund, to be used in accordance with the provi-

sions of the Plan, and neither such contributions or any income therefrom shall be used for, or diverted to, purposes other than the exclusive benefit of participants and retired participants or their beneficiaries or estates under the Plan, prior to the satisfaction of all liabilities with respect thereto.

A comparison of accumulated plan benefits and plan net assets at December 31, 1987 (the date of the latest actuarial evaluation) and at December 31, 1986 is shown below:

	December 31,	
	1987	1986
Actuarial present value of accumulated plan benefits based on assumed rate of return of 8 1/2% in 1987 (1986–7 3/4%):		
Vested	\$230,460,000	\$229,272,000
Nonvested	32,184,000	34,871,000
	<u>\$262,644,000</u>	<u>\$264,143,000</u>
Net assets available for benefits	<u>\$406,013,000</u>	<u>\$368,611,000</u>

## Note M—Subsequent Event

Pursuant to the policy described in Note B, loans made to or guaranteed by Peru were placed in a nonaccrual status on February 16, 1989. The aggregate principal outstanding at that date was approximately \$632,000,000, at an average interest rate of 8.52%, of which \$18,657,000 was overdue. Accrued income on such loans at December 31, 1988 and not yet collected as of February 16, 1989 amounted to approximately \$37,500,000 which will be recorded as a reduction of 1989 income.

ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

## SUMMARY STATEMENT OF LOANS—NOTE F

December 31, 1988 and 1987

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		Outstanding 1987
						Freely convertible currencies	Other currencies	
Argentina .....	\$ 3,735,233	\$ 886,731	\$118,121	\$1,207,619	\$ 1,522,762	\$ 1,468,861	\$ 53,901	\$ 1,534,339
Bahamas .....	118,638	3,289	—	115,000	349	349	—	562
Barbados .....	84,087	6,805	—	36,661	40,621	40,388	233	35,128
Bolivia .....	643,217	30,057	14,000	355,927	263,233	257,841	5,392	187,686
Brazil .....	4,990,405	1,451,103	59,740	841,730	2,637,832	2,540,085	97,747	2,702,096
Chile .....	2,778,526	228,247	121,580	691,279	1,737,420	1,719,486	17,934	1,634,492
Colombia .....	3,165,654	359,878	172,705	1,234,341	1,398,730	1,384,323	14,407	1,346,532
Costa Rica .....	717,308	47,474	1,520	385,687	282,627	282,627	—	275,481
Dominican Republic .....	295,953	7,893	200	147,915	139,945	139,945	—	131,162
Ecuador .....	1,380,884	91,920	103,257	652,287	533,420	531,700	1,720	472,717
El Salvador .....	294,841	51,609	15,251	23,377	204,604	202,641	1,963	228,153
Guatemala .....	539,020	51,809	40,725	178,898	267,588	265,910	1,678	246,796
Guyana .....	103,969	2,118	—	39,481	62,370	62,370	—	57,659
Honduras .....	307,640	7,598	18,060	67,691	214,291	214,291	—	202,438
Jamaica .....	333,618	41,276	—	102,337	190,005	186,622	3,383	192,974
Mexico .....	4,496,055	1,053,452	22,186	571,858	2,848,559	2,818,408	30,151	2,965,927
Nicaragua .....	95,283	18,960	1,794	2,356	72,173	72,173	—	64,708
Panama .....	535,872	43,809	58,000	133,420	300,643	299,772	871	321,624
Paraguay .....	166,730	17,035	429	26,337	122,929	121,073	1,856	125,177
Peru .....	1,015,435	148,015	128,513	106,637	632,270	622,513	9,757	626,467
Suriname .....	18,815	—	—	16,866	1,949	1,949	—	894
Trinidad and Tobago .....	85,571	309	—	77,350	7,912	7,912	—	314
Uruguay .....	569,824	64,817	13,951	278,768	212,288	211,983	305	195,757
Venezuela .....	1,122,789	148,550	5,768	744,159	224,312	224,312	—	108,258
Regional .....	866,118	150,359	1,000	291,940	422,819	422,819	—	461,512
Total 1988 .....	<u>\$28,461,485</u>	<u>\$4,913,113</u>	<u>\$896,800</u>	<u>\$8,309,921</u>	<u>\$14,341,651</u>	<u>\$14,100,353</u>	<u>\$241,298</u>	
Total 1987 .....	<u>\$28,653,339</u>	<u>\$4,348,934</u>	<u>\$897,115</u>	<u>\$9,288,437</u>		<u>\$13,875,582</u>	<u>\$243,271</u>	<u>\$14,118,853</u>

The freely convertible currencies in which the outstanding portion of approved loans is collectible are as follows:

Currencies	1988	1987
Austrian schillings .....	\$ 28,052	\$ 38,509
Belgian francs .....	76	247
British pounds sterling .....	431,060	445,939
Canadian dollars .....	42,670	48,167
European currency units .....	66,568	75,044
French francs .....	5,705	8,400
German marks .....	2,134,763	2,269,374
Italian lire .....	2,516	4,790
Japanese yen .....	3,288,253	3,133,365
Netherlands guilders .....	669,700	694,585
Spanish pesetas .....	1,696	2,265
Swedish kronor .....	2,259	4,017
Swiss francs .....	2,931,603	3,240,839
Trinidad and Tobago dollars .....	2,428	3,207
United States dollars .....	4,474,783	3,886,897
Venezuelan bolivars .....	18,112	19,821
Yugoslav dinars .....	109	116
	<u>\$14,100,353</u>	<u>\$13,875,582</u>



ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

## APPENDIX I-2

## STATEMENT OF BORROWINGS—NOTE I

December 31, 1988 and 1987

Expressed in thousands of United States dollars—Note B

Payable in	December 31, 1988			December 31, 1987
	Principal outstanding	Weighted average cost (%)	Due dates	Principal outstanding
Austrian schillings	\$ 48,913	8.59	1989/91	\$ 54,787
British pounds sterling	717,970	11.03	1991/15	742,561
European currency units	117,258	10.12	1993	130,335
German marks	2,342,302	7.98	1989/01	2,750,553
Japanese yen	4,135,646	7.07	1989/17	4,220,285
Netherlands guilders	980,245	8.53	1990/99	1,144,373
Swiss francs	2,584,907	6.00	1989/05	3,038,063
Trinidad and Tobago dollars	2,353	8.34	2002	2,771
United States dollars	3,336,001	10.37	1989/11	3,140,750
Total	<u>\$14,265,595</u>	<u>8.13</u>		<u>\$15,224,478</u>

Sinking fund requirements and maturities subsequent to December 31, 1988 are approximately equivalent to the following:

Year	Amount
1989	\$ 778,529
1990	580,746
1991	1,117,111
1992	1,635,421
1993	1,424,539
1994/98	5,420,276
1999/03	1,942,189
2004/08	529,422
2009/13	363,568
2014/17	473,794
	<u>\$14,265,595</u>

ORDINARY CAPITAL  
INTER-AMERICAN DEVELOPMENT BANK

## APPENDIX I-3

## STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK—NOTE J

December 31, 1988 and 1987

Expressed in thousands of United States dollars—Note B

Members	Shares	Paid-in portion of subscribed capital		Callable portion of subscribed capital	Total
		Freely convertible currencies	Other currencies		
Argentina .....	328,361	\$ 201,677	\$104,059	\$ 3,655,424	\$ 3,961,160
Austria .....	2,242	2,075	—	24,971	27,046
Bahamas .....	6,344	5,947	4,054	66,529	76,530
Barbados .....	3,927	2,950	1,755	42,668	47,373
Belgium .....	5,313	5,079	—	59,014	64,093
Bolivia .....	26,360	16,189	8,360	293,443	317,992
Brazil .....	328,361	201,677	104,059	3,655,424	3,961,160
Canada .....	124,025	119,778	—	1,376,390	1,496,168
Chile .....	90,162	55,323	28,566	1,003,775	1,087,664
Colombia .....	90,096	55,311	28,554	1,003,002	1,086,867
Costa Rica .....	13,175	8,094	4,162	146,680	158,936
Denmark .....	2,388	2,232	—	26,576	28,808
Dominican Republic .....	17,591	10,784	5,574	195,849	212,207
Ecuador .....	17,591	10,784	5,574	195,849	212,207
El Salvador .....	13,175	8,094	4,162	146,680	158,936
Finland .....	2,242	2,075	—	24,971	27,046
France .....	27,300	25,502	—	303,830	329,332
Germany .....	27,960	26,093	—	311,200	337,293
Guatemala .....	17,591	10,784	5,574	195,849	212,207
Guyana .....	4,886	4,042	2,569	52,331	58,942
Haiti .....	13,175	8,094	4,162	146,680	158,936
Honduras .....	13,175	8,094	4,162	146,680	158,936
Israel .....	2,209	2,063	—	24,585	26,648
Italy .....	27,300	25,502	—	303,830	329,332
Jamaica .....	17,591	10,784	5,574	195,849	212,207
Japan .....	30,454	28,410	—	338,970	367,380
Mexico .....	211,075	129,658	66,904	2,349,728	2,546,290
Netherlands .....	4,150	3,836	—	46,227	50,063
Nicaragua .....	13,175	8,094	4,162	146,680	158,936
Norway .....	1,607	1,496	—	17,890	19,386
Panama .....	13,175	8,094	4,162	146,680	158,936
Paraguay .....	13,175	8,094	4,162	146,680	158,936
Peru .....	44,000	27,047	13,957	489,787	530,791
Portugal .....	719	640	—	8,034	8,674
Spain .....	27,300	25,502	—	303,830	329,332
Suriname .....	2,679	2,846	2,232	27,239	32,317
Sweden .....	4,650	4,439	—	51,656	56,095
Switzerland .....	6,096	5,658	—	67,881	73,539
Trinidad and Tobago .....	13,175	8,094	4,162	146,680	158,936
United Kingdom .....	27,300	25,502	—	303,830	329,332
United States .....	976,634	856,878	—	10,924,680	11,781,558
Uruguay .....	35,206	21,654	11,171	391,881	424,706
Venezuela .....	175,922	137,885	33,331	1,951,007	2,122,223
Yugoslavia .....	2,242	2,075	—	24,971	27,046
Total 1988 and 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>



## FUND FOR SPECIAL OPERATIONS

### REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors  
Inter-American Development Bank

In our opinion, the financial statements appearing on pages 134 through 141 present fairly, in all material respects, the financial position of the Inter-American Development Bank—Fund for Special Operations at December 31, 1988 and 1987, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Bank's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

  
PRICE WATERHOUSE

Washington, D.C.  
February 16, 1989

FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK

## BALANCE SHEET

Expressed in thousands of United States dollars—Note A

	December 31,				
	1988		1987		
ASSETS					
Cash and investments					
Cash (Note C) .....	\$ 872,188		\$ 883,960		
Investments (Note D) .....	<u>884,972</u>	\$1,757,160	<u>779,991</u>	\$1,663,951	
Loans outstanding (Note E) (Appendix II-1)					
Total loans approved, less cancellations .....	9,735,963		9,674,184		
Less undisbursed balance of approved loans .....	(1,660,557)		(1,912,034)		
Less principal collected and loans sold or agreed to be sold .....	<u>(2,531,549)</u>		<u>(2,310,299)</u>		
	5,543,857		5,451,851		
Allowance for loan losses .....	<u>(50,000)</u>	5,493,857	<u>—</u>	5,451,851	
Accrued interest and other charges					
On investments .....	5,526		7,837		
On loans .....	<u>35,535</u>	41,061	<u>42,054</u>	49,891	
Receivable from members					
Contribution quotas (Note F) (Appendix II-2) .....	100,767		106,783		
Non-negotiable, non-interest bearing demand obligations (Note F) .....	1,604,523		1,740,391		
Amounts required to maintain value of currency holdings (Note B) .....	<u>114,990</u>	1,820,280	<u>114,990</u>	1,962,164	
Property, improvements and equipment, at cost less accumulated depreciation \$528; 1987—\$442 .....					
		1,467		1,553	
Other assets .....		<u>9,221</u>		<u>13,240</u>	
Total assets .....		<u>\$9,123,046</u>		<u>\$9,142,650</u>	
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued expenses .....	\$ 3,285		\$ 5,421		
Undisbursed technical cooperation projects and other financings .....	<u>102,580</u>	\$ 105,865	<u>94,450</u>	\$ 99,871	
Fund balance					
Contribution quotas authorized and subscribed (Notes B and F) (Appendix II-2) .....	8,457,907		8,476,234		
General Reserve (Note G) .....	<u>559,274</u>	9,017,181	<u>566,545</u>	9,042,779	
Commitments (Notes E and G)					
Total liabilities and fund balance .....		<u>\$9,123,046</u>		<u>\$9,142,650</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,	
	1988	1987
<b>Income</b>		
Loans (Note E)		
Interest .....	\$ 98,422	\$105,554
Credit commissions .....	5,691	5,548
Service charges .....	3,746	4,721
Supervision and inspection fees .....	3,350	3,775
	<u>111,209</u>	<u>119,598</u>
Investments .....	61,581	47,982
Other .....	1,264	605
Total income .....	<u>174,054</u>	<u>168,185</u>
<b>Expenses</b>		
Provision for loan losses (Note E) .....	50,000	—
Administrative expenses .....	73,919	74,545
Total expenses .....	<u>123,919</u>	<u>74,545</u>
<b>Income before technical cooperation expense</b> .....	50,135	93,640
Technical cooperation expense .....	<u>41,755</u>	<u>39,608</u>
Net income .....	8,380	54,032
General Reserve beginning of year .....	566,545	527,755
Translation adjustments (Note G) .....	(151)	258
Allocation to Intermediate Financing Facility Account (Note G) .....	(15,500)	(15,500)
General Reserve end of year .....	<u>\$559,274</u>	<u>\$566,545</u>

**FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK**

**STATEMENT OF CASH FLOWS**

Expressed in thousands of United States dollars—Note A

	Years ended December 31,	
	1988	1987
<b>Cash flows from financing activities</b>		
Capital:		
Collections of receivables from members .....	\$126,233	\$266,168
Participations:		
Sales of loans to participant .....	8,114	8,888
Repayments to participant .....	(18,456)	(22,270)
Net cash provided by financing activities .....	<u>115,891</u>	<u>252,786</u>
<b>Cash flows from investing activities</b>		
Lending (excluding related income):		
Loan disbursements .....	(320,924)	(290,009)
Loan collections .....	<u>232,395</u>	<u>204,589</u>
Net cash used for lending activities .....	(88,529)	(85,420)
Miscellaneous assets and liabilities .....	8,871	2,936
Net cash used for investing activities .....	<u>(79,658)</u>	<u>(82,484)</u>
<b>Cash flows from operating activities</b>		
Loan income collection .....	117,643	111,181
Income from investments .....	63,799	44,250
Other income .....	1,264	605
Administrative expenses .....	(73,904)	(74,467)
Technical cooperation and other financings .....	<u>(33,625)</u>	<u>(33,296)</u>
Net cash provided by operating activities .....	<u>75,177</u>	<u>48,273</u>
Transfer to the Intermediate Financing Facility Account .....	<u>(15,500)</u>	<u>(15,500)</u>
Effect of exchange rate fluctuations on cash and investments .....	<u>(2,701)</u>	<u>6,631</u>
Net increase in cash and investments .....	<u>\$ 93,209</u>	<u>\$209,706</u>
<b>Reconciliation of net income to net cash provided by operating activities:</b>		
Net income .....	\$ 8,380	\$ 54,032
Difference between amounts accrued and amounts paid or collected for:		
Loan income .....	6,434	(8,417)
Investment income .....	2,218	(3,732)
Administrative expenses .....	15	78
Technical cooperation and other financings .....	8,130	6,312
Provision for loan losses .....	<u>50,000</u>	<u>—</u>
Net cash provided by operating activities .....	<u>\$ 75,177</u>	<u>\$ 48,273</u>
<b>Supplemental disclosure of noncash activities</b>		
Increases (decreases) resulting from exchange rate fluctuations:		
Due from members .....	\$ (17,769)	\$ 47,549
Contribution quotas .....	(20,445)	54,046



**FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1988 and 1987

**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 180 days; 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 are 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 1988, such expenses were charged 43.9% to the Fund for Special Operations and 56.1% to the ordinary capital (1987—44.6% and 55.4%, respectively).

**Technical cooperation**

All non-reimbursable technical cooperation projects as well as certain reimbursable financings which may not be fully recovered are charged to income at the time of approval.

**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 increases in contribution quotas. Likewise, and subject to the same terms of contribution quota increases, 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, 1988, 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" represent amounts due from member countries for maintenance of value adjustments resulting from the changes in the values of currencies in 1972 and 1973. Such amounts include \$12,602,000 for which payment responsibility has not been assigned as they relate 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.

**Note C—Restricted Currencies**

Cash includes \$868,859,000 (1987—\$818,138,000) in the non-convertible currencies of regional borrowing members, of which \$90,442,000 (1987—\$97,052,000) has been restricted by one of the members to be used for making payments for goods and services produced in its territory, in accordance with provisions of the Agreement.

**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:



**FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK**

**NOTES TO FINANCIAL STATEMENTS (continued)**

December 31, 1988 and 1987

	December 31,	
	1988	1987
	(in thousands)	
Obligations of governments and United States Agencies	\$441,469	\$299,077
Time deposits and other obligations of banks	443,503	480,914
	<u>\$884,972</u>	<u>\$779,991</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. The Bank has a policy of not rescheduling loan repayments.

Pursuant to the policy described in Note A, loans made to or guaranteed by Panama and Nicaragua were placed in a nonaccrual status on March 25 and May 6, 1988, respectively. The aggregate principal outstanding at December 31, 1988 was \$197,368,000 for Panama, of which \$6,044,000 was overdue, and \$253,177,000 for Nicaragua, of which \$4,994,000 was overdue. Placing these loans in a nonaccrual status resulted in a reduction in loan income for the year ended December 31, 1988 of \$9,762,000.

In consideration of the delays in payments which have required the application of the nonaccrual policy as indicated above, the Bank has commenced in 1988 to provide for the possibility of loan losses, and accordingly, a provision of \$50,000,000 has been charged to 1988 income.

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; 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 \$85,085,000 at December 31, 1988.

**Note F—Contribution Quotas Authorized and Subscribed**

Non-negotiable, non-interest bearing demand obligations have been or will be accepted in lieu of part of the payment of the members' contribution quotas. The Canadian contribution quota is being increased by collections of principal, inter-

est 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, 1988. 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, 1987 and 1988:

	Contribution quotas subscribed
Balance at January 1, 1987	\$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	54,046,000
Balance at December 31, 1987	8,476,234,000
Contributions by Canada—	
Trust Fund collections	2,118,000
Decrease in the U.S. dollar equivalence of contributions approved in 1983 due to exchange rate fluctuations	(20,445,000)
Balance at December 31, 1988	<u>\$8,457,907,000</u>

At December 31, 1988 the cumulative increase in the U.S. dollar equivalence of contribution quotas approved in 1983 because of exchange rate fluctuations was \$56,796,000; 1987—\$77,241,000.

**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 1988 and 1987 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



FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 1988 and 1987

the years 1989 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 (charges) as follows:

	Years ended December 31,	
	1988	1987
	(in thousands)	
Cumulative adjustments, beginning of year	\$546	\$288
Translation adjustments for the year	(151)	258
Cumulative adjustments, end of year	<u>\$395</u>	<u>\$546</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 1988 and 1987 were \$17,368,000 and \$17,400,000, 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.

Any and all contributions made to the Plan by the Bank shall be irrevocable, and shall be held by the Bank in the Retirement Fund, to be used in accordance with the provisions of the Plan, and neither such contributions or any in-

come therefrom shall be used for, or diverted to, purposes other than the exclusive benefit of participants and retired participants or their beneficiaries or estates under the Plan, prior to the satisfaction of all liabilities with respect thereto.

A comparison of accumulated plan benefits and plan net assets at December 31, 1987 (the date of the latest actuarial evaluation) and at December 31, 1986 is shown below:

	December 31,	
	1987	1986
Actuarial present value of accumulated plan benefits based on assumed rate of return of 8 1/2% in 1987 (1986—7 3/4%):		
Vested	\$230,460,000	\$229,272,000
Nonvested	<u>32,184,000</u>	<u>34,871,000</u>
	<u>\$262,644,000</u>	<u>\$264,143,000</u>
Net assets available for benefits	<u>\$406,013,000</u>	<u>\$368,611,000</u>

**Note I—Subsequent Event**

Pursuant to the policy described in Note A, loans made to or guaranteed by Peru were placed in a nonaccrual status on February 16, 1989. The aggregate principal outstanding at that date was approximately \$267,000,000, of which \$6,808,000 was overdue. Accrued income on such loans at December 31, 1988 and not yet collected as of February 16, 1989 amounted to approximately \$3,900,000 which will be recorded as a reduction of 1989 income.

FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK

## APPENDIX II-1

## SUMMARY STATEMENT OF LOANS—NOTE E

December 31, 1988 and 1987

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	Undisbursed	Outstanding	Currency in which outstanding portion of approved loans is collectible		Outstanding 1987
						Freely convertible currencies	Other currencies	
Argentina .....	\$ 519,447	\$ 178,154	\$ 29,709	\$ 78,848	\$ 232,736	\$ 21,623	\$ 211,113	\$ 219,057
Barbados .....	41,866	4,591	—	4,739	32,536	30,063	2,473	32,237
Bolivia .....	670,571	79,848	4,417	123,720	462,586	375,854	86,732	454,446
Brazil .....	1,195,225	529,823	53,169	92,326	519,907	32,657	487,250	527,210
Chile .....	203,442	136,312	7,298	—	59,832	16,078	43,754	67,427
Colombia .....	669,375	200,750	8,013	59,858	400,754	220,378	180,376	419,269
Costa Rica .....	353,037	60,687	3,238	33,722	255,390	222,569	32,821	253,642
Dominican Republic ..	539,880	58,466	18,618	54,462	408,334	358,170	50,164	400,923
Ecuador .....	797,473	68,086	17,900	288,442	423,045	365,471	57,574	400,650
El Salvador .....	554,036	28,196	15,776	196,515	313,549	269,319	44,230	299,149
Guatemala .....	527,695	51,916	13,390	169,669	292,720	250,497	42,223	271,131
Guyana .....	145,375	789	400	51,460	92,726	89,869	2,857	91,335
Haiti .....	287,565	17,282	2,386	109,336	158,561	130,023	28,538	152,522
Honduras .....	614,378	59,986	19,700	147,588	387,104	339,387	47,717	360,904
Jamaica .....	177,006	25,894	—	27,877	123,235	104,402	18,833	117,044
Mexico .....	566,091	299,322	2,628	28,827	235,314	86,372	148,942	242,292
Nicaragua .....	312,515	35,948	23,390	—	253,177	233,897	19,280	254,449
Panama .....	285,613	56,918	13,049	18,278	197,368	155,965	41,403	197,343
Paraguay .....	426,164	89,156	1,143	95,029	240,836	153,693	87,143	230,992
Peru .....	415,380	117,449	18,672	12,212	267,047	147,074	119,973	273,947
Suriname .....	2,955	—	—	2,698	257	—	257	105
Trinidad and Tobago ..	27,314	9,027	—	8,143	10,144	1,020	9,124	10,198
Uruguay .....	104,688	34,400	2,863	33,376	34,049	17,823	16,226	28,546
Venezuela .....	101,393	61,275	21,782	—	18,336	18,220	116	21,836
Regional .....	197,479	49,569	—	23,596	124,314	91,313	33,001	125,197
Unallocated .....	—	—	164	(164)	—	—	—	—
Total 1988 .....	<u>\$9,735,963</u>	<u>\$2,253,844</u>	<u>\$277,705</u>	<u>\$1,660,557</u>	<u>\$5,543,857</u>	<u>\$3,731,737</u>	<u>\$1,812,120</u>	
Total 1987 .....	<u>\$9,674,184</u>	<u>\$2,025,874</u>	<u>\$284,425</u>	<u>\$1,912,034</u>		<u>\$3,623,555</u>	<u>\$1,828,296</u>	<u>\$5,451,851</u>

The freely convertible currencies in which the outstanding portion of approved loans is collectible are as follows:

Currencies	1988	1987	Currencies	1988	1987
Austrian schillings .....	\$ 6,529	\$ 6,478	Italian lire .....	36,406	36,832
Belgian francs .....	23,784	19,759	Japanese yen .....	132,664	125,030
British pounds sterling .....	123,555	110,112	Netherlands guilders .....	14,595	14,556
Canadian dollars .....	234,806	224,581	Portuguese escudos .....	3,105	3,116
Danish kroner .....	7,453	7,370	Spanish pesetas .....	125,821	117,201
Finnish markkas .....	5,754	5,702	Swedish kronor .....	18,422	14,257
French francs .....	107,761	94,566	Swiss francs .....	27,162	27,212
German marks .....	125,053	116,851	United States dollars .....	2,673,382	2,636,377
Israeli shekels .....	50	1,225	Venezuelan bolivars .....	55,486	51,958
			Yugoslav dinars .....	9,949	10,372
			Total .....	<u>\$3,731,737</u>	<u>\$3,623,555</u>



FUND FOR SPECIAL OPERATIONS  
INTER-AMERICAN DEVELOPMENT BANK

## APPENDIX II-2

## STATEMENT OF CONTRIBUTION QUOTAS—NOTES B AND F

December 31, 1988 and 1987

Expressed in thousands of United States dollars—Note A

Members	Contribution quotas authorized and subscribed					Contribution quotas receivable from members 1988
	Subject to maintenance of value		Not subject to maintenance of value	Total 1988	Total 1987	
	Before adjustments	Adjustments				
Argentina .....	\$ 402,819	\$ 28,935	\$ 42,711	\$ 474,465	\$ 479,451	\$ —
Austria .....	10,955	—	2,712	13,667	13,993	837
Bahamas .....	8,800	—	908	9,708	9,708	—
Barbados .....	1,403	42	124	1,569	1,569	—
Belgium .....	27,098	—	6,036	33,134	33,898	—
Bolivia .....	32,535	9,057	3,264	44,856	44,856	—
Brazil .....	402,819	60,071	40,000	502,890	502,890	—
Canada .....	192,439	12,577	40,151	245,167	239,736	—
Chile .....	111,440	21,706	11,240	144,386	144,386	—
Colombia .....	111,385	19,327	11,240	141,952	141,952	—
Costa Rica .....	16,215	3,704	1,612	21,531	21,531	—
Denmark .....	11,692	—	2,653	14,345	14,683	—
Dominican Republic .....	21,721	6,557	2,188	30,466	30,466	—
Ecuador .....	21,721	3,952	2,188	27,861	27,861	—
El Salvador .....	16,215	1,757	1,612	19,584	19,584	—
Finland .....	10,955	—	1,983	12,938	12,937	—
France .....	133,396	—	27,500	160,896	164,599	—
Germany .....	136,692	—	33,774	170,466	174,712	10,417
Guatemala .....	21,721	5,726	2,188	29,635	29,635	—
Guyana .....	6,980	—	700	7,680	7,680	—
Haiti .....	16,215	2,299	1,612	20,126	20,126	—
Honduras .....	16,215	5,964	1,612	23,791	23,791	—
Israel .....	10,794	—	2,227	13,021	13,321	—
Italy .....	133,396	—	25,962	159,358	162,389	—
Jamaica .....	21,721	2,569	2,188	26,478	26,478	—
Japan .....	148,825	—	50,625	199,450	200,623	—
Mexico .....	259,249	15,041	28,000	302,290	302,290	—
Netherlands .....	20,261	—	4,942	25,203	25,820	—
Nicaragua .....	16,215	4,420	1,604	22,239	22,239	—
Norway .....	11,692	—	2,126	13,818	13,818	—
Panama .....	16,215	5,842	1,612	23,669	23,669	—
Paraguay .....	16,215	8,504	1,612	26,331	26,331	—
Peru .....	54,492	13,232	5,536	73,260	73,260	—
Portugal .....	4,994	—	642	5,636	5,636	—
Spain .....	133,396	—	27,915	161,311	162,691	—
Suriname .....	5,280	—	536	5,816	5,816	56
Sweden .....	23,729	—	5,029	28,758	29,040	—
Switzerland .....	29,752	—	7,343	37,095	38,393	—
Trinidad and Tobago .....	16,215	1,403	1,612	19,230	19,230	—
United Kingdom .....	133,396	—	28,888	162,284	163,273	—
United States .....	4,100,000	243,553	290,000	4,633,553	4,633,553	89,457
Uruguay .....	43,502	3,674	4,380	51,556	51,556	—
Venezuela .....	250,060	12,109	28,000	290,169	290,169	—
Yugoslavia .....	10,955	—	2,712	13,667	13,993	—
Total, before unallocated amount	7,191,785	492,021	761,499	8,445,305	8,463,632	100,767
Unallocated (Note B) .....		12,602		12,602	12,602	
Total 1988 .....	<u>\$7,191,785</u>	<u>\$504,623</u>	<u>\$761,499</u>	<u>\$8,457,907</u>		<u>\$100,767</u>
Total 1987 .....	<u>\$7,189,668</u>	<u>\$504,623</u>	<u>\$781,943</u>		<u>\$8,476,234</u>	<u>\$106,783</u>





## INTERMEDIATE FINANCING FACILITY ACCOUNT

### REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors  
Inter-American Development Bank

In our opinion, the financial statements appearing on pages 144 through 146 present fairly, in all material respects, the financial position of the Inter-American Development Bank—Intermediate Financing Facility Account at December 31, 1988 and 1987, and the changes in its fund balance for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Bank's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

  
PRICE WATERHOUSE

Washington, D.C.  
February 16, 1989

**INTERMEDIATE FINANCING FACILITY ACCOUNT**  
**INTER-AMERICAN DEVELOPMENT BANK**

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note B

	December 31,	
	1988	1987
<b>ASSETS</b>		
Cash and investments		
Cash .....	\$ 626	\$ 1,049
Investments, at amortized cost which approximates market		
Obligations issued or guaranteed by governments or issued by United States Agencies .....	\$ 14,672	\$ 32,405
Time deposits and other obligations of banks .....	<u>182,902</u>	<u>154,575</u>
Total cash and investments .....	198,200	186,980
Accrued income on investments .....	<u>1,748</u>	<u>1,428</u>
Total assets .....	<u><u>\$199,948</u></u>	<u><u>\$189,457</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable and accrued expenses .....	\$ —	\$ —
Fund balance .....	199,948	189,457
Commitments (Note D)		
Total liabilities and fund balance .....	<u><u>\$199,948</u></u>	<u><u>\$189,457</u></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,	
	1988	1987
<b>Additions</b>		
Allocation from Fund for		
Special Operations (Note A) .....	\$ 15,500	\$ 15,500
Income from investments .....	12,070	9,902
Total additions .....	27,570	25,402
<b>Deductions</b>		
Interest paid on behalf of ordinary		
capital borrowers (Note D) .....	7,683	5,865
<b>Increase for the year .....</b>	<b>19,887</b>	<b>19,537</b>
<b>Fund balance beginning of year .....</b>	<b>189,457</b>	<b>146,667</b>
Translation adjustments (Note C) .....	(9,396)	23,253
<b>Fund balance end of year .....</b>	<b>\$199,948</b>	<b>\$189,457</b>

**INTERMEDIATE FINANCING FACILITY ACCOUNT  
INTER-AMERICAN DEVELOPMENT BANK**
**NOTES TO FINANCIAL STATEMENTS**

December 31, 1988 and 1987

**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 1989 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 (charges) as follows:

	Years ended December 31,	
	1988	1987
	(in thousands)	
Cumulative adjustments, beginning of year	\$42,023	\$18,770
Translations adjustments for the year	(9,396)	23,253
Cumulative adjustments, end of year	<u>\$32,627</u>	<u>\$42,023</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, 1988 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	\$ 3,517	\$ 20,310
Costa Rica	8,399	74,483
Dominican Republic	5,376	11,960
Ecuador	37,455	28,627
El Salvador	22,989	8,701
Guatemala	6,234	15,729
Guyana	41,279	3,805
Honduras	15,402	6,552
Jamaica	30,569	70,654
Panama	750	46,384
Paraguay	38,775	20,000
Suriname	868	11,945
Trinidad and Tobago	1,410	34,112
Uruguay	611	11,399
	<u>\$213,634</u>	<u>\$364,661</u>



## SOCIAL PROGRESS TRUST FUND

### REPORT OF INDEPENDENT ACCOUNTANTS

Inter-American Development Bank  
Administrator of the Social Progress Trust Fund

In our opinion, the financial statements appearing on pages 148 through 152 present fairly, in all material respects, the financial position of the Social Progress Trust Fund, which is administered by the Inter-American Development Bank, at December 31, 1988 and 1987, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Bank's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

  
PRICE WATERHOUSE

Washington, D.C.  
February 16, 1989

**SOCIAL PROGRESS TRUST FUND  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK**

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note B

	December 31,	
	1988	1987
<b>ASSETS</b>		
Cash and investments		
Cash .....	\$ 6,537	\$ 9,308
Investments, at amortized cost which approximates market		
United States Government and Agencies obligations .....	\$ 15,353	\$ 17,445
Time deposits and other obligations of banks .....	2,500	1,050
Total cash and investments .....	24,390	27,803
Participations in loans made from Fund for Special Operations (Note C) .....	155,784	166,199
Loans outstanding (Note D) (Appendix IV-1)		
Total loans approved, less cancellations .....	537,885	537,886
Less principal collections .....	(462,740)	(451,430)
Less undisbursed balance .....	(3,837)	(6,400)
Total loans .....	71,308	80,056
Allowance for losses on loans and participations .....	(3,000)	—
Accrued interest and other charges		
On investments .....	3	—
On participations .....	744	905
On loans .....	88	506
Total accrued interest and other charges .....	835	1,411
Other assets .....	200	142
Total assets .....	<u>\$249,517</u>	<u>\$275,611</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable and accrued expenses .....	\$ 679	\$ 2,175
Undisbursed technical cooperation projects and other financings .....	45,598	47,652
Total liabilities .....	\$ 46,277	\$ 49,827
Fund balance		
Fund established by the United States Government (Note A) .....	525,000	525,000
Accumulated excess of expenses over income .....	(195,221)	(187,642)
Amounts returned to the United States Government (Note E) .....	(126,539)	(111,574)
Total liabilities and fund balance .....	<u>\$249,517</u>	<u>\$275,611</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,	
	1988	1987
<b>Income</b>		
Loans (Note D) .....	\$ 1,405	\$ 1,786
Participations (Note C) .....	2,449	2,893
Investments .....	<u>1,353</u>	<u>1,182</u>
Total income .....	5,207	5,861
<b>Expenses</b>		
Administrative expenses (Note A)		
Direct expenses .....	\$ 353	\$ 346
Indirect and overhead expenses charged by administrator .....	<u>937</u>	<u>943</u>
Total administrative expenses .....	1,290	1,289
Provision for losses on loans and participations (Note D) ....	3,000	—
Translation adjustments .....	<u>1,326</u>	<u>1,548</u>
	5,616	2,837
<b>Income (loss) before technical cooperation   expense .....</b>	(409)	3,024
<b>Technical cooperation expense .....</b>	<u>7,170</u>	<u>11,088</u>
<b>Excess of expenses over income .....</b>	(7,579)	(8,064)
<b>Accumulated excess of expenses over income   beginning of year .....</b>	<u>(187,642)</u>	<u>(179,578)</u>
<b>Accumulated excess of expenses over income   end of year .....</b>	<u><u>\$(195,221)</u></u>	<u><u>\$(187,642)</u></u>

**SOCIAL PROGRESS TRUST FUND  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK**

**STATEMENT OF CASH FLOWS**

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1988	1987
<b>Cash flows from investing activities</b>		
Lending (excluding related income):		
Loan disbursements	\$ (2,562)	\$ —
Loan collections	11,310	11,972
Purchases of participations in loans	(8,114)	(8,888)
Collections of participations	18,456	22,270
Other assets and liabilities	(1,709)	1,423
Net cash provided by investing activities	<u>17,381</u>	<u>26,777</u>
<b>Cash flows from operating activities</b>		
Loan income collections	1,823	1,671
Income on participations	2,610	2,804
Income from investments	1,350	1,182
Administrative expenses	(1,062)	(1,168)
Technical cooperation and other financings	(9,224)	(12,652)
Net cash used for operating activities	<u>(4,503)</u>	<u>(8,163)</u>
Refunded to the U.S. Government	<u>(14,965)</u>	<u>(15,135)</u>
Effect of exchange rate fluctuations on cash and investments	<u>(1,326)</u>	<u>(1,548)</u>
Net increase (decrease) in cash and investments	<u>\$ (3,413)</u>	<u>\$ 1,931</u>
<b>Reconciliation of excess of expenses over income to net cash used for operating activities</b>		
Excess of expenses over income	\$ (7,579)	\$ (8,064)
Difference between amounts accrued and amounts paid or collected for:		
Loan income	418	(115)
Participation income	161	(89)
Investment income	(3)	—
Administrative expenses	228	121
Technical cooperation and other financings	(2,054)	(1,564)
Provision for losses on loans and participations	3,000	—
Translation adjustments	<u>1,326</u>	<u>1,548</u>
Net cash used for operating activities	<u>\$ (4,503)</u>	<u>\$ (8,163)</u>



**SOCIAL PROGRESS TRUST FUND  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1988 and 1987

**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, 1988, 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 \$2.88 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 United States dollars, 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 180 days; 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 are charged against income.

**Technical cooperation**

All non-reimbursable technical cooperation projects as well as certain reimbursable financings which may not be fully recovered are charged to income at the time of approval.

**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 purchase participations in 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. The Bank as Administrator has a policy of not rescheduling loan repayments.

Loans approved are disbursed to borrowers in accordance with the requirements of the project being financed; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank.

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.

Pursuant to the policy described in Note B, loans made to or guaranteed by Panama and Nicaragua were placed in a nonaccrual status on March 25 and May 6, 1988, respectively. The aggregate principal outstanding of loan and participations at December 31, 1988 was \$10,673,000 for Panama, of which \$998,000 was overdue, and \$17,063,000 for Nicaragua, of which \$227,000 was overdue. Placing these loans and participations in a nonaccrual status resulted in a reduction in income for the year ended December 31, 1988 of \$259,000.

In consideration of the delays in payments which have required the application of the nonaccrual policy as indicated above, the Bank as Administrator has commenced in 1988 to provide for the possibility of losses on loans and participations, and accordingly, a provision of \$3,000,000 has been charged to 1988 income.



**SOCIAL PROGRESS TRUST FUND  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK**

**NOTES TO FINANCIAL STATEMENTS** (continued)

December 31, 1988 and 1987

**Note E—Amounts returned to the United States  
Government**

The Bank as Administrator has returned to the Government of the United States the equivalent of \$126,539,000 of the assets of the Trust Fund during the years 1980–1988 (1988—\$14,965,000; 1987—\$15,135,000) for use in financing social development projects of the Inter-American Foundation, and will return up to the equivalent of \$44,148,000 during the years 1989 through 1991.

**Note F—Subsequent Event**

Pursuant to the policy described in Note B, loans made to or guaranteed by Peru were placed in a nonaccrual status on February 16, 1989. The aggregate principal outstanding on loans and participations at that date was approximately \$17,860,000, of which \$368,000 was overdue. Accrued income on such loans at December 31, 1988 and not yet collected as of February 16, 1989 amounted to approximately \$290,000 which will be recorded as a reduction of 1989 income.

**SOCIAL PROGRESS TRUST FUND  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK**

**APPENDIX IV-1**

**SUMMARY STATEMENT OF LOANS—NOTE D**

December 31, 1988 and 1987

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 1987
Argentina .....	\$ 45,900	\$ 41,998	\$ 487	\$ 3,415	\$ 2,634
Bolivia .....	20,647	13,470	3,350	3,827	3,975
Brazil .....	61,510	52,736	—	8,774	10,858
Chile .....	34,352	34,352	—	—	—
Colombia .....	49,008	46,926	—	2,082	2,559
Costa Rica .....	11,700	11,054	—	646	895
Dominican Republic .....	8,407	7,932	—	475	723
Ecuador .....	27,449	23,388	—	4,061	5,463
El Salvador .....	37,688	18,660	—	19,028	20,401
Guatemala .....	28,313	13,890	—	14,423	15,450
Honduras .....	7,602	7,440	—	162	388
Mexico .....	34,927	30,912	—	4,015	4,794
Nicaragua .....	13,035	12,466	—	569	708
Panama .....	12,862	12,075	—	787	787
Paraguay .....	7,799	6,678	—	1,121	1,269
Peru .....	45,108	42,842	—	2,266	2,628
Uruguay .....	10,350	9,227	—	1,123	1,557
Venezuela .....	72,861	72,861	—	—	—
Regional .....	8,367	3,833	—	4,534	4,967
Total 1988 .....	<u>\$537,885</u>	<u>\$462,740</u>	<u>\$3,837</u>	<u>\$71,308</u>	
Total 1987 .....	<u>\$537,886</u>	<u>\$451,430</u>	<u>\$6,400</u>		<u>\$80,056</u>



# VENEZUELAN TRUST FUND

## REPORT OF INDEPENDENT ACCOUNTANTS

Inter-American Development Bank  
Administrator of the Venezuelan Trust Fund

In our opinion, the financial statements appearing on pages 154 through 157 present fairly, in all material respects, the financial position of the Venezuelan Trust Fund, which is administered by the Inter-American Development Bank, at December 31, 1988 and 1987, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Bank's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

  
PRICE WATERHOUSE

Washington, D.C.  
February 16, 1989

**VENEZUELAN TRUST FUND  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK**

**BALANCE SHEET**

Expressed in thousands of United States dollars—Note B

	December 31,	
	1988	1987
<b>ASSETS</b>		
<b>Cash and temporary investments</b>		
Cash .....	\$ 2,719	\$ 40
Temporary investments, at amortized cost which approximates market United States Government and Agencies obligations .....	\$ 18,060	\$ 9,849
Time deposits and other obligations of banks .....	81,250	112,147
Total cash and temporary investments .....	99,310	121,996
	102,029	122,036
<b>Loans outstanding (Note C) (Appendix V-1)</b>		
Total loans approved, less cancellations .....	778,699	724,993
Less undisbursed balance .....	(10,007)	(17,903)
Less principal collected .....	(485,345)	(422,875)
	283,347	284,215
Allowance for loan losses .....	(5,000)	—
	278,347	284,215
<b>Investment in equities, at cost .....</b>	<b>1,535</b>	<b>1,535</b>
<b>Accrued interest and other charges</b>		
On temporary investments .....	1,533	2,146
On loans .....	7,034	9,342
Total assets .....	<u>\$390,478</u>	<u>\$419,274</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts payable .....	\$ 450	\$ 78
<b>Fund balance</b>		
Fund established by the Venezuelan Investment Fund (Note A) .....	\$429,655	\$429,655
Accumulated earnings .....	487,444	469,581
Translation adjustments (Note B) .....	(8,330)	(8,330)
Less amounts returned to the Venezuelan Investment Fund (Note A) .....	(518,741)	(471,710)
Total liabilities and fund balance .....	<u>\$390,478</u>	<u>\$419,274</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,	
	1988	1987
<b>Income</b>		
Loans (Note C) .....	\$ 16,904	\$ 22,702
Temporary investments .....	7,514	8,030
Total income .....	<u>24,418</u>	<u>30,732</u>
<b>Expenses</b>		
Provision for loan losses (Note C) .....	5,000	—
Direct and indirect expenses (Note A) .....	1,508	1,708
Commission on temporary investments (Note A) .....	47	54
Total expenses .....	<u>6,555</u>	<u>1,762</u>
Net income .....	17,863	28,970
Accumulated earnings beginning of year .....	<u>469,581</u>	<u>440,611</u>
Accumulated earnings end of year .....	<u>\$487,444</u>	<u>\$469,581</u>

**STATEMENT OF CASH FLOWS**

Expressed in thousands of United States dollars—Note B

	Years ended December 31,	
	1988	1987
<b>Cash flows from investing activities</b>		
Lending (excluding related income):		
Loan disbursements .....	\$(61,603)	\$(55,214)
Loan collections .....	<u>62,471</u>	<u>62,456</u>
Net cash provided by lending activities .....	868	7,242
Other assets and liabilities .....	317	(374)
Net cash provided by investing activities .....	<u>1,185</u>	<u>6,868</u>
<b>Cash flows from operating activities</b>		
Loan income collections .....	19,212	22,786
Income from temporary investments .....	8,127	8,771
Administrative expenses .....	<u>(1,500)</u>	<u>(1,662)</u>
Net cash provided by operating activities .....	<u>25,839</u>	<u>29,895</u>
Refunded to the Venezuelan Investment Fund .....	<u>(47,031)</u>	<u>(49,415)</u>
Net increase (decrease) in cash and temporary investments .....	<u>\$(20,007)</u>	<u>\$(12,652)</u>
<b>Reconciliation of net income to net cash provided by operating activities:</b>		
Net income .....	\$ 17,863	\$ 28,970
Difference between amounts accrued and amounts paid or collected for:		
Loan income .....	2,308	84
Investment income .....	613	741
Administrative expenses .....	55	100
Provision for loan losses .....	<u>5,000</u>	<u>—</u>
Net cash provided by operating activities .....	<u>\$ 25,839</u>	<u>\$ 29,895</u>

**VENEZUELAN TRUST FUND  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1988 and 1987

**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. The initial resources of the Trust Fund were \$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 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. 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 1988 were \$47,031,000, comprised of \$43,256,000 and Bs. 54,739,000 (1987—\$49,415,000, comprised of \$45,306,000 and Bs. 59,583,000).

**Note B—Translation of Currencies**

The accounting records are maintained and the financial statements are expressed in United States dollars. The Venezuelan Bolivar, which is the only other currency of the Fund, is translated into United States dollars at the rate of exchange of Bs. 14.50 to \$1 designated by the Venezuelan Government for transactions of the Fund, which remained unchanged during 1987 and 1988.

**Note C—Loans Outstanding**

Loans approved are disbursed to borrowers in accordance with the requirements of the project being financed; 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 180 days; 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 are charged against income. The Bank as Administrator has a policy of not rescheduling loan repayments.

Pursuant to the policy described above, loans made to or guaranteed by Panama and Nicaragua were placed in a nonaccrual status on March 25 and May 6, 1988, respectively. The aggregate principal outstanding at December 31, 1988 was \$18,573,000 for Panama, of which \$1,198,000 was overdue and \$33,183,000 for Nicaragua, of which \$3,858,000 was overdue. Placing these loans in a nonaccrual status resulted in a reduction in loan income for the year ended December 31, 1988 of \$5,398,000.

In consideration of the delays in payments which have required the application of the nonaccrual policy as indicated above, the Bank, as Administrator, has commenced in 1988 to provide for the possibility of loan losses, and accordingly, a provision of \$5,000,000 has been charged to 1988 income.

**Note D—Subsequent Event**

Pursuant to the policy described in Note C, loans made to or guaranteed by Peru were placed in a nonaccrual status on February 16, 1989. The aggregate principal outstanding at that date was approximately \$12,936,000, of which \$2,004,000 was overdue. Accrued income on such loans at December 31, 1988 and not yet collected as of February 16, 1989 amounted to approximately \$480,000 which will be recorded as a reduction of 1989 income.



VENEZUELAN TRUST FUND  
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

APPENDIX V-1

## SUMMARY STATEMENT OF LOANS—NOTE C

December 31, 1988 and 1987

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 1987
Argentina.....	\$ 2,577	\$ 2,577	\$ —	\$ —	\$ —
Bahamas.....	2,035	656	—	1,379	1,510
Barbados.....	18,659	15,241	1,971	1,447	1,732
Bolivia.....	27,616	5,815	10	21,791	17,822
Brazil.....	51,721	51,721	—	—	6
Chile.....	1,791	1,791	—	—	—
Costa Rica.....	76,137	51,511	—	24,626	22,908
Dominican Republic.....	54,815	11,789	1,351	41,675	43,590
Ecuador.....	52,811	19,280	—	33,531	34,993
El Salvador.....	72,174	51,229	741	20,204	19,961
Guatemala.....	32,483	10,771	864	20,848	22,408
Guyana.....	8,000	1,500	2,000	4,500	4,929
Haiti.....	7,948	4,272	—	3,676	3,921
Honduras.....	47,553	13,861	1,902	31,790	33,688
Jamaica.....	85,640	76,863	—	8,777	8,445
Nicaragua.....	37,656	4,473	—	33,183	32,574
Panama.....	23,767	4,194	1,000	18,573	18,573
Peru.....	158,362	145,426	—	12,936	12,497
Trinidad and Tobago.....	3,676	2,676	168	832	832
Uruguay.....	8,940	8,940	—	—	—
Regional.....	4,338	759	—	3,579	3,826
Total 1988.....	<u>\$778,699</u>	<u>\$485,345</u>	<u>\$10,007</u>	<u>\$283,347</u>	
Total 1987.....	<u>\$724,993</u>	<u>\$422,875</u>	<u>\$17,903</u>		<u>\$284,215</u>

Loans approved, less cancellations, include short and medium term lines of credit for export financing to the following countries at December 31, 1988:

Argentina.....	\$ 2,577
Barbados.....	16,957
Bolivia.....	7,214
Brazil.....	51,721
Chile.....	1,791
Costa Rica.....	54,000
Dominican Republic....	4,815
El Salvador.....	50,181
Guatemala.....	1,000
Guyana.....	2,000
Haiti.....	3,117
Honduras.....	7,275
Jamaica.....	79,565
Nicaragua.....	1,000
Panama.....	1,000
Peru.....	146,000
Trinidad and Tobago...	3,676
Uruguay.....	8,940
Total.....	<u>\$442,829</u>

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## GOVERNORS AND ALTERNATE GOVERNORS

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Country	Governor	Alternate
ARGENTINA	Juan Vital Sourrouille	José Luis Machinea
AUSTRIA	Ferdinand Lacina	Othmar Haushofer
BAHAMAS	Lynden Pindling	Ethlyn C. Isaacs
BARBADOS	L. Erskine Sandiford	Winston Cox
BELGIUM	Ph. Maystadt	Jean-Pierre Arnoldi
BOLIVIA	Fernando Romero Moreno	Jacques Trigo
BRAZIL	Mailson Ferreira da Nóbrega	Elmo de Araujo Camões
CANADA	Joe Clark	Frederick W. Gorbet
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	Ole Loensmann Poulsen	Sten Lilholt
DOMINICAN REPUBLIC	Roberto B. Saladín Selin	Manuel E. Gómez Pieterz
ECUADOR	Jorge Gallardo Zavala	Edison Ortiz Durán
EL SALVADOR	Remo Bardi Cevallos	Mauricio Antonio Gallardo
FINLAND	Kai Helenius	Osmo Sarmavuori
FRANCE	Pierre Bérégovoy	Jean-Claude Trichet
GERMANY	Volkmar Koehler	Hans Tietmeyer
GUATEMALA	Rodolfo Paiz Andrade	
GUYANA	Carl B. Greenidge, M.P.	Haslyn Parris
HAITI		
HONDURAS	Reginaldo Panting P.	Gonzalo Carías Pineda
ISRAEL	Michael Bruno	Gad Arbel
ITALY	Giuliano Amato	Lamberto Dini
JAMAICA	Seymour Mullings	Harold W. Milner
JAPAN	Tatsuo Murayama	Satoshi Sumita
MEXICO	Pedro Aspe	José Angel Gurría Treviño
NETHERLANDS	H. Onno Ruding	P. Bukman
NICARAGUA	Joaquín Cuadra Chamorro	Pedro Antonio Blandón Lanzas
NORWAY	Arne Arnesen	Bernt H. Lund
PANAMA	Gustavo R. González J.	Orville K. Goodin L.
PARAGUAY		
PERU	Carlos Rivas Dávila	Pedro Coronado Labó
PORTUGAL	Miguel Cadilhe	Luis Gomes Moreno
SPAIN	Carlos Solchaga	Apolonio Ruiz Ligero
SURINAME	Subhas Ch. Mungra	André E. Lisse
SWEDEN	Michael Sohlman	Carl Johan Groth
SWITZERLAND	Pierre-Louis Girard	Pietro Veglio
TRINIDAD AND TOBAGO	Arthur N.R. Robinson, M.P.	Winston Dookeran, M.P.
UNITED KINGDOM	Christopher Patten, M.P.	J.L.F. Buist
UNITED STATES	Nicholas F. Brady	W. Allen Wallis
URUGUAY	Ricardo Zerbino	Ariel Davrieux
VENEZUELA	Miguel Rodríguez Faundes	Eduardo Quintero
YUGOSLAVIA	Svetozar Rikanović	Boris Skapin



## EXECUTIVE DIRECTORS AND ALTERNATE EXECUTIVE DIRECTORS

		<u>Number of Votes</u>	<u>Percentage of voting power</u>
Luiz Barbosa BRAZIL Gustavo Darquea Espinosa (Alternate) ECUADOR	Elected by: Brazil Ecuador Suriname	352,345	12.32
Alberto Benítez Bonilla EL SALVADOR Marta Julia Cox (Alternate) HONDURAS	Elected by: Costa Rica El Salvador Guatemala Haiti Honduras Nicaragua	85,068	2.98
Tulio De Andrea PERU Manuel José Cárdenas (Alternate) COLOMBIA	Elected by: Colombia Peru	135,639	4.74
Juan José Díaz Pérez PARAGUAY Juan L. Cariaga (Alternate) BOLIVIA	Elected by: Bolivia Paraguay Uruguay	75,855	2.65
José Luis Flores Hernández MEXICO Mario Reed Vittini (Alternate) DOMINICAN REPUBLIC	Elected by: Dominican Republic Mexico	231,107	8.08
William M. McWhinney CANADA Kenneth J. Harley (Alternate) CANADA	Elected by: Canada	125,337	4.38
Larry K. Mellinger UNITED STATES	Appointed by: United States	989,287	34.57
Sonia Pérez Rodríguez VENEZUELA Roberto Leyton (Alternate) PANAMA	Elected by: Panama Venezuela	191,162	6.68
George Lincoln Reid BARBADOS Horace Barber (Alternate) JAMAICA	Elected by: Bahamas Barbados Guyana Jamaica Trinidad and Tobago	47,034	1.65
Jorge Sakamoto ARGENTINA Benjamín Mira (Alternate) CHILE	Elected by: Argentina Chile	422,766	14.77
Richard C. Samuel UNITED KINGDOM Franciscus Godts (Alternate) BELGIUM	Elected by: Belgium Denmark Finland Germany Italy Netherlands Norway Sweden United Kingdom	105,891	3.70
Julio Viñuela Díaz SPAIN Hugo Bruggmann (Alternate) SWITZERLAND	Elected by: Austria France Israel Japan Portugal Spain Switzerland Yugoslavia	100,577	3.51

External Review and Evaluation Office  
José Manuel Casanova, Director

As of February 13, 1989

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## ***PRINCIPAL OFFICERS OF THE BANK***

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President	Enrique V. Iglesias
Executive Vice President	James W. Conrow
Controller	Alberto Pico
Deputy Controllers	Carlos Eduardo Guedes Carlos M. González
Auditor General	William L. Taylor
External Relations Advisor	Margaret Daly Hayes
Chief, Office of the President	Oscar Rodríguez Rozic
<b>Operations Department</b>	
Manager	Rubens Vaz da Costa
Deputy Manager—Region I	Abayubá Morey Rolando
Deputy Manager—Region II	Ronald P. Brousseau
Deputy Manager—Region III	Rodrigo E. Moscoso
<b>Finance Department</b>	
Manager	Edgar J. Roberts
Deputy Manager—Treasurer	L. Enrique García
<b>Economic and Social Development Department</b>	
Manager	Miguel Urrutia
Deputy Manager for Economic and Social Studies	Jorge Ruiz Lara
Deputy Manager for Technical Cooperation	Juan Pablo Pérez-Castillo
Deputy Manager for Integration	Felix Peña
<b>Project Analysis Department</b>	
Manager	Jorge D. Ferraris
Deputy Manager for Infrastructure, Energy and Industry	Julio E. Heurtematte
Deputy Manager for Agricultural and Social Development	Leonardo A. Da Silva
<b>Legal Department</b>	
General Counsel	Jerome I. Levinson
Deputy General Counsels	Sara Ordóñez Noriega Freeborn G. Jewett, Jr.
<b>Plans and Programs Department</b>	
Manager	Ciro De Falco
Deputy Manager	Richard Fletcher
<b>Administrative Department</b>	
Manager	Keith A. Bezanson
Deputy Manager, Budget and Services	Charles T. Brannan
Deputy Manager, Human Resources Administration	Weston A. Williams
<b>Secretariat Department</b>	
Secretary	Jorge C. Elena
Deputy Secretary	Carlos Alurralde
<b>Special Representative in Europe</b>	Rodolfo Silva



## 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	Ministere 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	Ministere de l'Économie, des Finances et du Budget	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	Banco de Portugal
SPAIN	Ministerio de Economía y Hacienda	Banco de España
SURINAME	Centrale Bank van Suriname	Centrale Bank van Suriname
SWEDEN	Ministry of 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 February 13, 1989

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## FIELD OFFICES AND REPRESENTATIVES

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**ARGENTINA, Marcelo N. Ribeiro**  
Esmeralda 130, Piso 19  
Casilla de Correo 181, Sucursal 1  
Buenos Aires

**BAHAMAS, Johann Schmälzle**  
IBM Building, 4th Floor  
P.O. Box N-3743, Nassau

**BARBADOS, Daniel B. Robinson**  
Maple Manor, Hastings  
P.O. Box 402, Christ Church

**BOLIVIA, Francisco R. Albergucci**  
Edificio BISA, Piso 5  
Avenida 16 de julio 1628  
Casilla 5872, La Paz

**BRAZIL, William A. Ellis**  
Setor Comercial Sul (SCS)  
Quadra 3 No. 40  
Edificio Planalto, 2° Andar  
70300 Brasília D.F.

**CHILE, Carlos Montero**  
Avenida Pedro de Valdivia 0193, Piso 11  
Casilla 16611, Correo 9, Providencia  
Santiago

**COLOMBIA, Roberto Spitale**  
Avenida 40A No. 13-09, Piso 8  
Apartado Aéreo 12037, Bogotá

**COSTA RICA, José B. Villegas**  
Edificio Centro Colón, Piso 12  
Paseo Colón, entre Calles 38 y 40  
San José

**DOMINICAN REPUBLIC, Nelson R. Ocampo**  
Avenida Winston Churchill Esquina  
Calle Luis F. Thomen, Torre BHD  
Apartado Postal 1386  
Santo Domingo

**ECUADOR, Manuel R. Aristy**  
Avenida Amazonas 477 y Roca  
Edificio Banco de los Andes, Piso 9  
Apartado Postal 9041, Sucursal 7  
Quito

**EL SALVADOR, Lucio Paz**  
Condominio Torres del Bosque, Piso 10  
Colonia La Mascota  
Apartado Postal (01)199, San Salvador

**GUATEMALA, Robert H. Bellefeuille**  
Edificio Geminis 10  
12 Calle 1-25, Zona 10, Nivel 19  
Apartado Postal 935, Guatemala

**GUYANA, Vladimir R. Radovic**  
47-High Street, Kingston  
P.O. Box 10867, Georgetown

**HAITI, Charles T. Greenwood**  
Batiment de la Banque Nationale de Paris  
Deuxième étage  
Angle de la Rue Lamarre et Calve  
Boîte postale 1321, Port-au-Prince

**HONDURAS, Carlos E. Schroeder**  
Boulevard Morazan,  
Edificio Los Castaños, Piso 5 y 6  
Colonia los Castaños  
Apartado Postal C-73, Tegucigalpa

**JAMAICA, Alberto Quevedo Toro**  
40-46 Knutsford Boulevard, 6th Floor  
P.O. Box 429, Kingston, 10

**MEXICO, Alejandro Scopelli R.**  
Paseo de la Reforma 379, Piso 7  
Colonia Cuauhtemoc  
Delegación Cuauhtemoc  
06500 Mexico, D.F.

**NICARAGUA, Paulo S. Romero, Acting**  
Edificio BID  
Kilómetro 4-1/2 Carretera a Masaya  
Apartado Postal 2512, Managua

**PANAMA, Carlos M. Villar**  
Avenida Samuel Lewis  
Edificio Banco Unión, Piso 14  
Apartado Postal 7297, Panama 5

**PARAGUAY, Ricardo E. Espinosa**  
Edificio Aurora I, Pisos 2 y 3  
Calle Caballero Esquina Eligio Ayala  
Casilla 1209, Asunción

**PERU, Antonio L. Marchesini-Torres**  
Paseo de la República 3245, Piso 14  
Apartado Postal No. 3778  
San Isidro, Lima 100

**SURINAME, José Airton Teixeira**  
6th Floor Hakrinback NV  
Dr. Sophie Redmondstraat 11-13  
Paramaribo

**TRINIDAD AND TOBAGO, Garnet R. Woodham**  
Tatil Building, 11 Maraval Road  
P.O. Box 68, Port of Spain

**URUGUAY, Jorge Camarena**  
Andes 1365, Piso 13  
Casilla de Correo 5029, Sucursal 1  
Montevideo

**VENEZUELA, Luis Buitrago**  
Edificio Cremerca, Piso 3  
Avenida Venezuela, El Rosal  
Caracas 1060

**INSTITUTE FOR THE INTEGRATION OF LATIN AMERICA,**  
Eduardo Zalduendo, Director  
Esmeralda 130, Piso 16  
Casilla de Correo 39, Sucursal 1  
Buenos Aires

**SPECIAL REPRESENTATIVE IN EUROPE**  
Rodolfo Silva, 17 Avenue Matignon  
75008 Paris, France

**UNITED KINGDOM, Héctor E. Luisi**  
Morgan House  
1 Angel Court  
London EC2R 7HJ



**Inter-American Development Bank**  
1300 New York Ave., N.W.  
Washington, D.C. 20577