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**INTER-AMERICAN DEVELOPMENT BANK
ELEVENTH ANNUAL REPORT
1970**

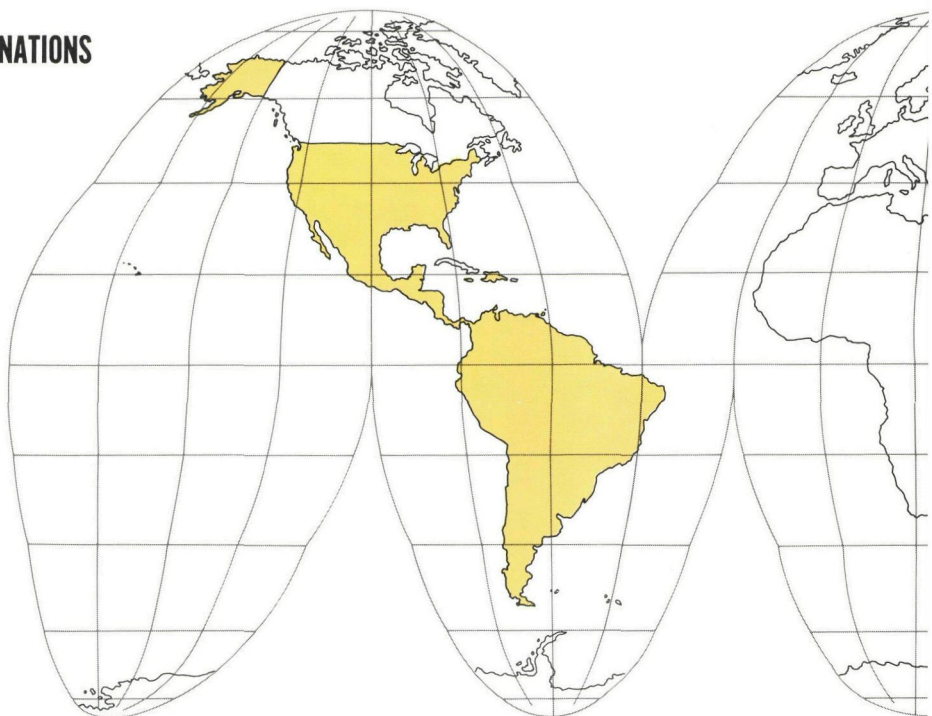


INTER-AMERICAN DEVELOPMENT BANK

ELEVENTH ANNUAL REPORT/1970

ARGENTINA	HONDURAS
BARBADOS	JAMAICA
BOLIVIA	MEXICO
BRAZIL	NICARAGUA
CHILE	PANAMA
COLOMBIA	PARAGUAY
COSTA RICA	PERU
DOMINICAN REPUBLIC	TRINIDAD AND TOBAGO
ECUADOR	UNITED STATES
EL SALVADOR	URUGUAY
GUATEMALA	VENEZUELA
HAITI	

MEMBER NATIONS





INTER-AMERICAN DEVELOPMENT BANK
WASHINGTON, D. C. 20577

PRESIDENT

CABLE ADDRESS
INTAMBANC

March 25, 1971

Mr. Chairman:

Pursuant to Section 2 of the By-Laws of the Bank, the Board of Executive Directors has authorized me to submit the Annual Report of the Bank for 1970 to the Board of Governors.

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

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

Part III contains a separate summary and the financial statements of the Social Progress Trust Fund, which the Bank, as Administrator, presents pursuant to Section 5.04 of the Agreement signed between the United States Government and the Bank. The Bank has separately published "Socio-Economic Progress in Latin America," the Tenth Annual Report of the Social Progress Trust Fund, 1970. That publication contains a presentation of the institutional reforms and social progress achieved by the borrowing countries.

Part IV summarizes the activities carried out by the Bank with other resources which it has mobilized for Latin America's economic and social development from non-member countries.

The report is prefaced by a section on general aspects which summarizes all of the Bank's activities.

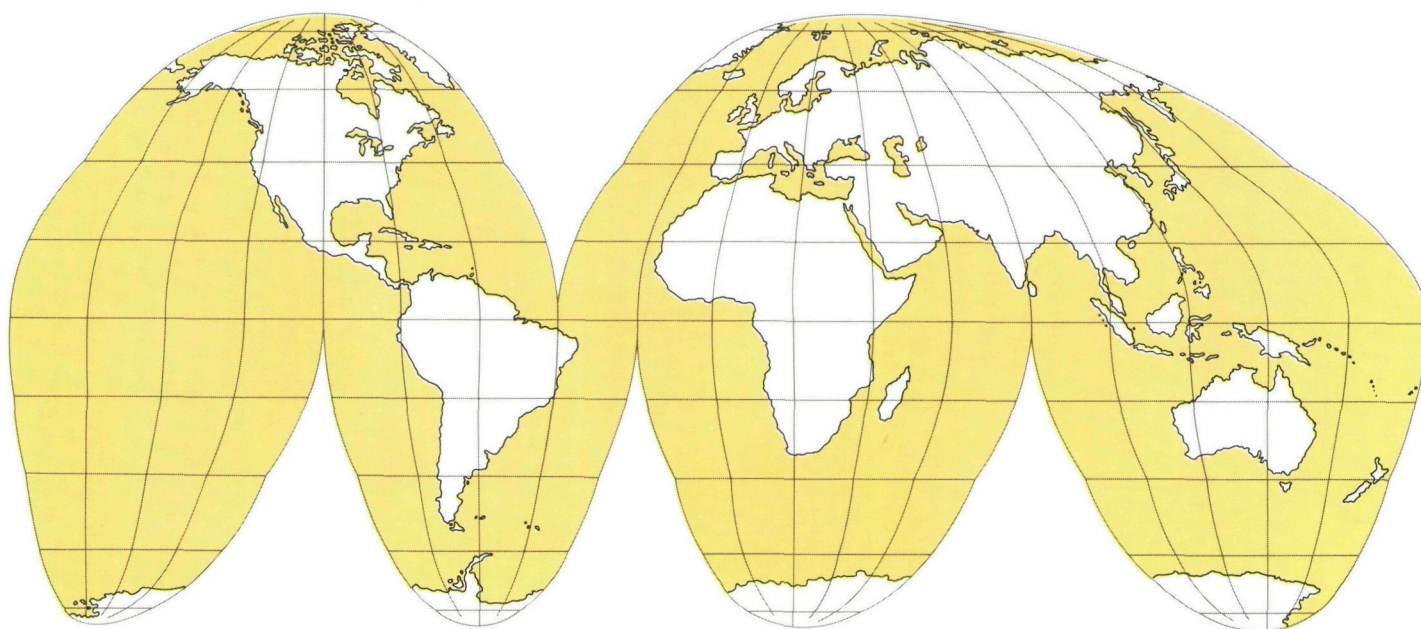
Sincerely yours,

Antonio Ortiz Mena

Chairman, Board of Governors
Inter-American Development Bank

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COMMUNITY WHEAT THRESHER SEPARATES GRAIN FROM STRAW FOR A COOPERATIVE OF ABOUT 175 FARMERS NEAR PATZUN, GUATEMALA. THE COOPERATIVE HAS PURCHASED A TRUCK, TWO TRACTORS AND TWO THRESHERS WITH INTER-AMERICAN BANK CREDIT RESOURCES.

GENERAL ASPECTS

The Inter-American Development Bank began its second decade of operations in 1970 by once again registering significant increases in all aspects of its support for the economic and social growth of its member countries in Latin America.

The Bank posted new records in calendar year 1970 in lending, in disbursements, in repayments on loans and in earnings. This follows a steady pattern of growth and achievement which has characterized the Bank's activities over the past ten years.

Thus, the Bank's lending in its second five years of operations (1966-70) was nearly double that of its first five years (1961-65). Even of more vital significance for Latin America's future growth was the action initiated by the Bank in 1970 to increase its resources, so that it will be able in the next five years to double the lending rate achieved in the 1966-70 period.

THE BANK'S LENDING

During 1970 the Bank authorized 59 loans amounting to a new record total of

\$644 million. This compares with last year's record figure of \$632 million.*

The 1970 lending operations brought the Bank's cumulative loan total as of Dec. 31, 1970, to 622 loans amounting to \$4,069 million, net of cancellations and exchange adjustments.

As has been the pattern in recent years, approximately one-third of this lending volume has been extended from the Bank's hard-loan window—the ordinary capital resources—and about two-thirds from the Bank's soft-loan window—the Fund for Special Operations.

A summary of the loans authorized in 1970 and cumulative totals is shown below by the Bank's various sources of funds:

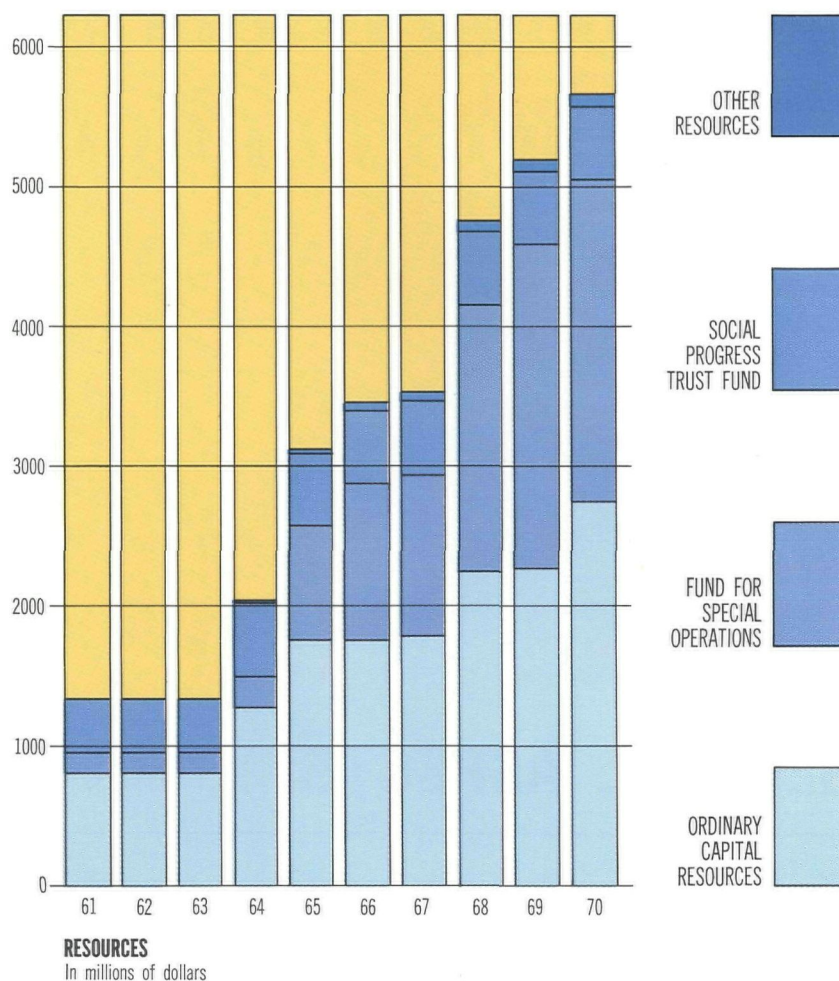
• **ORDINARY CAPITAL RESOURCES:** 18 loans (plus increases in previously authorized export financing credits) amounting to \$194 million, bringing the net cumulative total of ordinary capital loans to 205 for \$1,486 million at year end.

• **FUND FOR SPECIAL OPERATIONS:** 37 loans totaling \$443 million, bringing the net cumulative total of Fund for Special Operations loans to 279 for \$2,022 million.

• **OTHER RESOURCES:** 4 loans amounting to \$7 million, bringing the net cumulative total of loans extended by the Bank from the resources which it administers for Argentina, Canada, Sweden, the United Kingdom and the Vatican to 22 loans amounting to \$66 million.

• **SOCIAL PROGRESS TRUST FUND:** The Bank's cumulative loan portfolio also includes 116 loans amounting to \$495 million authorized from the Social Progress Trust Fund, the special fund which the Bank has administered for the United States Government since 1961 within the framework of the Alliance for Progress. With the exception of a small amount reserved for technical assistance expenditures, the Trust Fund's original resources were all committed by 1965. As of the end of 1970 all but \$2 million of the commitments had been disbursed. Repayments on loans are being rechanneled into new social proj-

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



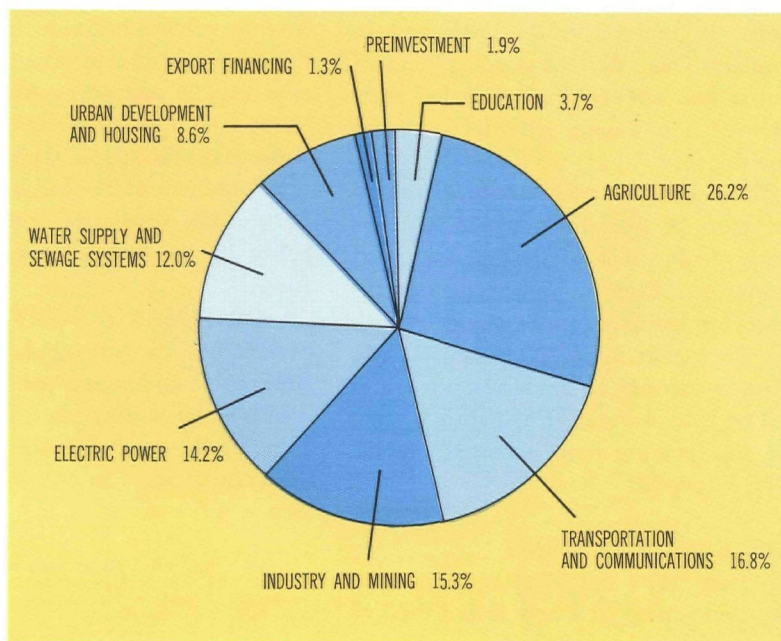
BANK'S RESOURCES, WHICH NOW TOTAL NEARLY \$6 BILLION, ARE TO BE INCREASED TO \$9.5 BILLION BY MEMBER COUNTRIES.

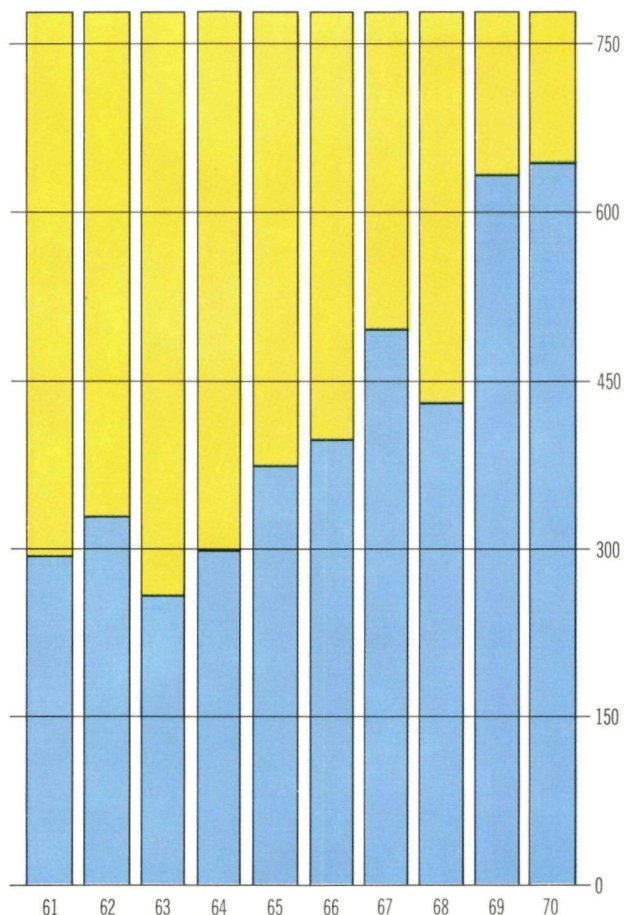
AVERAGE LENDING OF THE BANK HAS RISEN SIGNIFICANTLY DURING 1969 AND 1970.

AGRICULTURE CONTINUES TO BE THE BANK'S LEADING LENDING SECTOR.

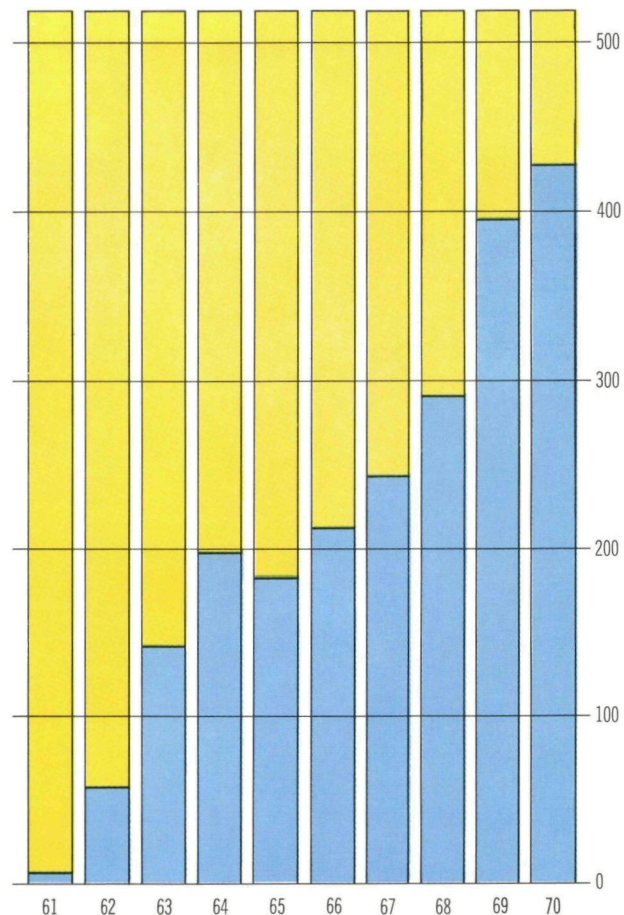
EACH DOLLAR PROVIDED IS MATCHED BY NEARLY TWO OTHERS FROM LATIN AMERICA.

DISTRIBUTION OF LOANS



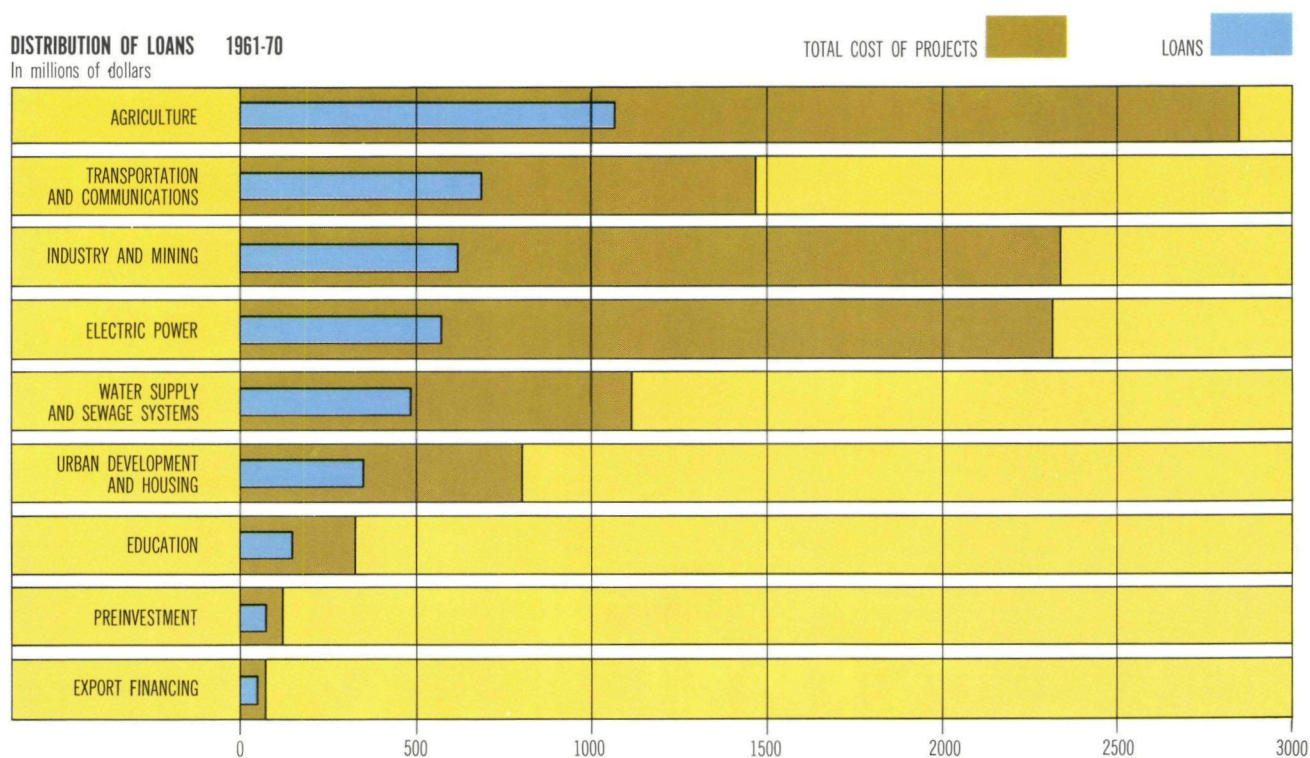


LOAN APPROVALS, BY YEAR
In millions of dollars



DISBURSEMENTS, BY YEAR
In millions of dollars

DISTRIBUTION OF LOANS 1961-70
In millions of dollars



GENERAL ASPECTS

COMPARATIVE YEARLY LENDING, 1968-70
(Expressed in thousands of U.S. dollars)

Country	1968		1969		1970	
	Number of loans	Total	Number of loans	Total	Number of loans	Total
Argentina	3	\$ 40,659	9	\$116,923	6	\$ 79,171
Bolivia	2	9,500	3	14,952	1	530
Brazil	5	65,168	8	143,443	7	161,068
Chile	2	12,300	7	62,465	1	3,000
Colombia	10	112,100	7	55,477	3	23,100
Costa Rica			2	10,000	4	15,600
Dominican Republic	2	23,255	1	7,000	1	4,100
Ecuador	1	3,000	6	17,200	4	32,480
El Salvador	2	3,000	2	10,300	2	3,980
Guatemala			4	34,000		
Haiti					1	5,100
Honduras	1	2,800	1	7,700		
Jamaica					2	10,900
Mexico	6	52,258	9	94,750	7	91,022
Nicaragua	4	7,250	2	7,395	1	12,400
Panama			3	9,800	1	1,700
Paraguay	3	12,400	2	30,400		
Peru	4	22,439	1	9,000	3	58,590
Trinidad & Tobago	2	5,000			2	3,600
Uruguay	3	24,500			7	28,700
Venezuela	5	35,200		201*	4	87,402
Regional					2	22,000
TOTAL	55	\$430,829	67	\$631,506	59	\$644,443

* Increase in export-financing line of credit.

ects through the purchase of participations in appropriate Fund for Special Operations loans.

A comparative look at the Bank's yearly lending in 1968, 1969 and 1970 is shown by countries in the table at the top of this page. Cumulative lending is reflected on a country-by-country basis and on a fund-by-fund basis in the table at the bottom.

Counterpart Funds

In addition to the monies which they contribute to the resources of the Bank as their proportionate share of its funding, the Latin American countries are investing substantially more from their own resources to carry out the development projects which the Bank is helping to finance.

Thus as counterpart to the \$4 billion

in loans authorized by the Bank through 1970, the Latin American countries are providing \$7.4 billion of their own funds, including minor amounts repayable to suppliers and other sources of international financing. Thus the total cost of the projects which the Bank has helped to finance in Latin America now totals \$11.4 billion and the member countries have provided nearly two dollars for every dollar lent by the Bank.

The breakdown on a country-by-country basis is shown in the table on the opposite page.

Disbursements

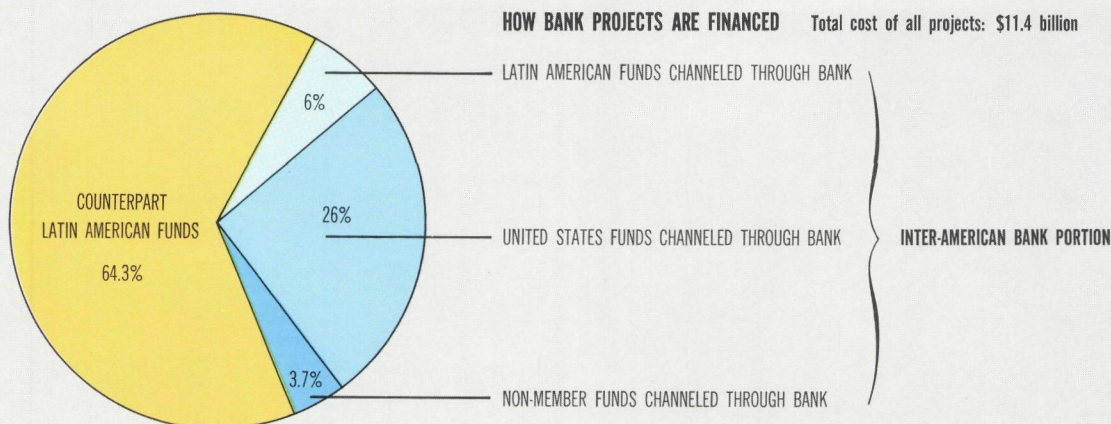
Disbursements on Bank loans in 1970 rose above those of any previous year, amounting to \$428 million, compared with the previous record of \$394 million disbursed in 1969.

As of Dec. 31, 1970, cumulative disbursements had risen to \$2,154 million, an amount which is 53 per cent of the loan volume authorized by the Bank during its 10 years of lending operations.

The 1970 disbursement figure is higher than the yearly loan approvals made by the Bank in any of seven of its ten years of lending activity and speaks well of the progress which the Bank is making

THE BANK'S LENDING, 1961-70
(Expressed in thousands of U.S. dollars)

TOTAL			DETAIL BY FUNDS							
Country	Number of Loans	Amount	Number of Loans	Ordinary Capital Resources	Number of Loans	Fund for Special Operations	Number of Loans	Social Progress Trust Fund	Number of Loans	Other Resources
Argentina	61	\$ 549,561	33	\$ 282,604	23	\$ 222,708	4	\$ 43,500	1	\$ 749
Bolivia	28	102,142			20	82,010	6	14,600	2	5,532
Brazil	77	875,594	36	395,477	28	403,541	10	61,510	3	15,066
Chile	57	297,900	17	102,273	23	151,635	14	34,579	3	9,413
Colombia	55	374,742	21	141,910	22	165,180	9	49,008	3	18,644
Costa Rica	23	61,509	6	15,271	11	34,539	6	11,699		
Dominican Republic	13	58,903	1	6,000	8	44,495	4	8,408		
Ecuador	28	109,675	4	13,836	13	64,362	9	27,449	2	4,028
El Salvador	18	49,581	4	6,958	6	15,483	6	21,952	2	5,188
Guatemala	19	79,416	5	11,292	10	53,804	4	14,320		
Haiti	4	12,260			4	12,260				
Honduras	17	55,005	2	460	10	46,942	5	7,603		
Jamaica	2	10,900			2	10,900		34,996		
Mexico	55	531,478	27	267,916	19	228,031	8	13,035	1	535
Nicaragua	21	75,410	7	19,525	10	42,850	4	12,862		
Panama	16	48,535	1	1,500	12	34,173	3	7,800		
Paraguay	23	98,205	4	6,050	15	83,563	3	45,136	1	792
Peru	37	224,259	13	43,674	12	134,055	10		2	1,394
Trinidad and Tobago	5	8,900			5	8,900				
Uruguay	24	99,835	10	47,888	11	40,247	2	10,500	1	1,200
Venezuela	29	269,000	12	104,939	9	91,200	8	72,861		
Regional	10	75,814	2	18,454	6	50,704	1	2,914	1	3,742
TOTAL	622	\$4,068,624	205	\$1,486,027	279	\$2,021,582	116	\$494,732	22	\$66,283



in putting its funds effectively to work in Latin America, since, depending on their nature, projects normally take anywhere from two to five years to complete.

A summary of disbursements made in 1970, as well as cumulative totals, is shown below by sources of funds:

- **ORDINARY CAPITAL RESOURCES:** \$151 million, bringing the cumulative total to \$893 million.

- **FUND FOR SPECIAL OPERATIONS:** \$245 million, bringing the total to \$752 million.

- **SOCIAL PROGRESS TRUST FUND:** \$23 million, bringing the cumulative total to \$493 million.

- **OTHER RESOURCES:** \$9 million, bringing the total to \$16 million.

The Bank's cumulative disbursements are reflected on a country-by-country and a fund-by-fund basis in the table at the bottom of this page.

MOBILIZATION OF RESOURCES

In order to lend funds for Latin America's development, the Bank must constantly raise resources by obtaining contributions from its own membership, through borrowings from the capital markets of the world, and through arrangements to administer funds provided by member and non-member countries. In this regard 1970 was a good year for the Bank. Not only did the Bank's member countries complete subscribing a \$1-billion increase in the Bank's *callable* capital approved in 1968—an action which enabled the Bank to borrow more funds during the year than in any pre-

HOW BANK PROJECTS ARE FINANCED
(Expressed in thousands of U.S. dollars)

Country	The Bank's Loans	Latin America's Counterpart	Total Cost
Argentina	\$ 549,561	\$1,166,014	\$ 1,715,575
Bolivia	102,142	105,091	207,233
Brazil	875,594	2,749,532	3,625,126
Chile	297,900	587,257	885,157
Colombia	374,742	465,343	840,085
Costa Rica	61,509	71,923	133,432
Dominican Republic	58,903	65,938	124,841
Ecuador	109,675	155,952	265,627
El Salvador	49,581	54,414	103,995
Guatemala	79,416	63,418	142,834
Haiti	12,260	5,273	17,533
Honduras	55,005	50,271	105,276
Jamaica	10,900	8,900	19,800
Mexico	531,478	733,691	1,265,169
Nicaragua	75,410	80,942	156,352
Panama	48,535	43,378	91,913
Paraguay	98,205	68,635	166,840
Peru	224,259	230,557	454,816
Trinidad and Tobago	8,900	10,373	19,273
Uruguay	99,835	94,464	194,299
Venezuela	269,000	463,400	732,400
Regional	75,814	82,612	158,426
TOTAL	\$4,068,624	\$7,357,378	\$11,426,002

THE BANK'S DISBURSEMENTS, 1961-70
(Expressed in thousands of U.S. dollars)

TOTAL		DETAIL BY FUNDS			
Country	Amount	Ordinary Capital Resources	Fund for Special Operations	Social Progress Trust Fund	Other Resources
Argentina	\$ 231,926	\$158,962	\$ 29,085	\$ 43,490	\$ 389
Bolivia	55,824	41,276	14,548		
Brazil	490,584	236,131	190,149	61,510	2,794
Chile	197,222	86,482	73,092	34,222	3,426
Colombia	203,411	90,425	60,206	49,008	3,772
Costa Rica	35,817	13,071	11,291	11,455	
Dominican Republic	36,063	6,000	21,656	8,407	
Ecuador	52,806	8,879	15,570	27,191	1,166
El Salvador	32,920	6,809	951	21,952	3,208
Guatemala	38,513	10,381	13,816	14,316	
Haiti	6,021		6,021		
Honduras	41,453	460	33,391	7,602	
Mexico	283,600	139,928	108,735	34,913	24
Nicaragua	45,331	12,878	19,418	13,035	
Panama	33,901	1,183	19,856	12,862	
Paraguay	50,467	5,901	36,656	7,118	792
Peru	109,354	31,905	31,906	45,035	508
Trinidad and Tobago	592		592		
Uruguay	33,658	19,819	3,489	10,350	
Venezuela	136,997	50,712	13,424	72,861	
Regional	36,988	13,150	20,921	2,902	15
TOTAL	\$2,153,448	\$893,076	\$751,501	\$492,777	\$16,094

GENERAL ASPECTS

vious year—but they also took steps to increase the Bank's resources substantially in the future.

On Dec. 31, 1970, the Bank's member countries formally adopted resolutions, recommended by the Bank's Board of Governors at its Eleventh Annual Meeting held in Punta del Este in April 1970, calling for an increase in the Bank's resources by \$3.5 billion. The additional resources will enable the Bank to target a rate of lending by 1973 of about \$900 million a year.

The resolutions adopted by the Bank's member countries provide for:

- An increase in the ordinary capital resources—the Bank's hard-loan window—of \$2 billion. Of this sum \$400 million would be *paid-in* and the remaining \$1.6 billion would be *callable*. Payment of the *paid-in* capital would be effected, beginning in 1971, over a period of three years for members with subscriptions of more than \$10 million in the *paid-in* capital stock and over a period of five years for the other members. Fifty per cent of each installment to the *paid-in* capital would be paid in gold and/or dollars and 50 per cent in the currency of the member. The *callable* capital would be subscribed by the members in two equal *tranches*, the first in 1971 and the second in 1973. The Latin American members would subscribe \$1,115,440,000 of the total increase, of which \$236,410,000 would be *paid-in* and \$879,030,000 would be *callable*. The United States would subscribe \$823,520,000, of which \$150 million would be *paid-in* and \$673,520,000 would be *callable*. The remaining \$61,040,000 would be available for subscription by new members.

- An increase in the Fund for Special Operations—the Bank's concessional or soft-loan window—of \$1.5 billion. The Latin American share of this increase would be \$500 million, of which sum \$50 million would be due June 30, 1971; \$225 million, June 30, 1972, and \$225 million, June 30, 1973. The United States' share of the increase would be \$1 billion, divided into three installments, of which \$100 million would be due June 30, 1971; \$450 million, June 30,

1972, and \$450 million, June 30, 1973.

The Bank initiated operations with authorized ordinary capital resources of \$850 million, including \$400 million in *paid-in* capital and \$450 million in *callable* capital. This figure was raised to \$3.15 billion through subsequent increases of \$1 billion in the *callable* capital in 1964; \$300 million in both the *callable* and *paid-in* capital to be available for new members, also in 1964; and another \$1 billion in *callable* capital in 1968. With the new increase of \$2 billion provided for in the resolution of Dec. 31, 1970, the Bank's total authorized capital resources would rise to \$5.15 billion, of which \$448,020,000 would be available for new members.

When the Bank began operations the Fund for Special Operations had authorized resources of \$150 million. Through subsequent increases of \$73,158,000 in 1964, \$900 million in 1965 and \$1.2 billion in 1967, and increments provided by new members, this amount rose to \$2,328,009,000. With the new increase provided for in the resolution approved Dec. 31, 1970, the total would rise to \$3,828,009,000.

The new increases will provide the Bank with capital approaching the \$10 billion mark and will enable it to discharge much greater responsibilities in financing Latin America's development progress during the early part of the 70s.

The Bank's Latin American countries provide the bulk—some 93 per cent—of their investment needs from their own savings. However, demand outpaces available resources and many member countries in addition face a heavy burden in servicing their external indebtedness.

Thus, to afford the Bank flexibility to provide capital to its member countries on terms and conditions compatible with their current growth demands, it needs a great volume of resources of both a concessional and a conventional nature.

Increased concessional capital gives the Bank additional means of supporting development without unduly adding to the debt service burden of its member countries. Such capital also enables the Bank to provide funds to such social sectors as education, housing and sanitation, thus

relieving those sectors of the impact of more onerous terms prevailing on the capital markets.

In view of recent capital market conditions, the Bank felt that the time had come to recommend that the Bank's ordinary capital resources be increased not only in its *callable* capital (all previous increases for current members had been of *callable* capital) but also in its *paid-in* capital. The recommended increase in the *paid-in* capital would give the Bank a margin of resources which would help it to maintain its ordinary capital interest rates at reasonable levels. The additional *callable* capital would enable the Bank to borrow funds at times most advantageous to it in relation to rates and terms.

As previously mentioned, the second *tranche*—\$480,765,000—of the \$1-billion increase in the ordinary capital resources which was completely subscribed by the Bank's members in 1970 gave the Bank additional capacity to borrow funds in the world's capital markets.

As a result, in 1970 the Bank raised more funds by borrowings than it had in any previous year of its existence, concluding arrangements to borrow \$187 million. These arrangements included a \$100 million bond issue sold in the United States; an issue for \$27.3 million placed in Germany; a direct loan of \$4 million obtained in Norway; another loan for \$10 million arranged in Japan; a short-term bond issue for \$34.3 million placed primarily in the Bank's Latin American countries, and a short-term borrowing of \$11.4 million in Switzerland. This short-term issue served as a bridging loan for a long-term issue of about \$13.7 million placed in the Swiss market subsequent to the period covered by this report. In addition, during the year the Bank drew down \$5.6 million in Japan, \$3.5 million in Sweden and \$4.6 million in the United Kingdom on borrowings arranged in 1968 and 1969.

As of Dec. 31, 1970, the Bank's outstanding debt, net of repayment, stood at \$915.1 million, of which \$479 million was in the United States, \$361 million was in non-member countries and \$75.1 million was in short-term issues primarily in Latin America.



FIRST BRIDGE EVER TO CONNECT ARGENTINA AND URUGUAY WILL BE BUILT WITH BANK FUNDS, AS WELL AS WITH SPECIAL ARGENTINE RESOURCES CHanneled TO URUGUAY UNDER BANK ADMINISTRATION. RELATED BANK-AIDED PROJECTS WILL ALSO HELP IMPROVE ARGENTINE ROAD NETWORK LEADING TO BRIDGE.

ment was made late in 1970. It amounted to \$1.2 million in Argentine pesos and was extended to Uruguay for a joint project being undertaken by the two countries to build a bridge across the Uruguay River between their respective territories.

LENDING BY SECTORS

Following the trend of recent years a heavy percentage of the Bank's loans in 1970 was concentrated in the agricultural sector, which accounted for more than one-third, or \$236 million, of the Bank's lending during the year. The economic infrastructure sectors of transportation, communications and electric power together received substantially more than another third, or \$265 million, of the Bank's lending. The remainder—\$143 million—was devoted to industry, water supply and sewage systems, urban development, education, preinvestment and export financing. The distribution of the Bank's loans in 1970, as well as on a cumulative basis, is shown in the accompanying table.

Agriculture

The bulk of the Bank's loans for agriculture in 1970 went to Brazil, Mexico, Venezuela and Peru. Other loans in that sector were provided to Colombia, Ecuador, Jamaica, and Trinidad and Tobago.

In Brazil the Bank extended a total of \$77 million in three agricultural loans. The first—one for \$29 million—will finance a broad farm settlement program being carried out in a fertile but sparsely populated area embracing 42,500 square miles between Belo Horizonte in the

During 1970 the Bank continued its policy of seeking concessional funds from non-member countries to channel toward Latin America's development by agreeing to administer a \$2-million Norwegian Development Fund for Latin America. In addition, the Government of Canada increased the resources which it has entrusted to the Bank for administration from \$49.5 to \$59.4 million, and the Government of the Netherlands increased the funds it is assigning to Latin America on a parallel basis with the Bank from \$30 to \$35 million.

In another notable action the Bank in 1970 entered into an agreement with the Government of Argentina under which the latter is providing special loan funds in its own currency to help finance development projects in its neighboring countries of Bolivia, Paraguay and Uruguay. This financing is additional to the contributions which Argentina makes to the Bank as a member and is designed to help provide the local counterpart contributions for specific projects which the Bank may finance in those three countries. The first loan under the arrange-

DISTRIBUTION OF LOANS
(In millions of U.S. dollars)

Sector	1970	1961-70	%
Agriculture	\$236	\$1,067	26
Transportation & Communications	162	685	17
Industry & Mining	47	621	15
Electric Power	103	577	14
Water Supply & Sewage Systems	29	486	12
Urban Development & Housing	29	351	9
Education	14	150	4
Preinvestment	12	79	2
Export Financing	12	53	1
TOTAL	\$644	\$4,069	100



PUMP LIFTS WATER TO IRRIGATE FARMS IN MEXICO. THIS SMALL FACILITY IS ONE OF 2,100 SUCH THROUGHOUT THE COUNTRY BUILT WITH THE HELP OF BANK FINANCING.

State of Minas Gerais and Brazil's capital city, Brasilia. The project will benefit some 1,550 farm families.

The second—\$35 million—will provide credit facilities which will benefit a number of rural cooperatives and 38,000 small- and medium-scale farmers and ranchers throughout the country. In 1965, the Bank granted a similar loan for \$20.5 million under which more than 17,000 credits were extended. A third loan—\$13 million—was made to help Brazil combat foot-and-mouth disease in cattle. The latter is part of an on-going campaign sparked by the Bank to seek to control and eventually eradicate the dread illness throughout South America. The Bank had previously extended similar financing in Argentina, Chile and Paraguay and is considering loans for other countries of the continent.

Mexico obtained \$43.5 million in agricultural loans from the Bank during 1970. In accordance with that nation's development priorities all of these were devoted to irrigation, a sector in Mexico to which the Bank has devoted some

\$270 million since 1961. Of the 1970 loans, \$26 million will help build 665 small-scale facilities benefiting 30,500 families on 100,000 acres of land in seven states of the nation and \$17.5 million will support a project to irrigate 68,700 acres which will help 6,600 families in the State of Hidalgo.

The largest loan package ever made by the Bank—a total of \$75 million in three separate loans—was extended to Venezuela in 1970 to finance a broad program of integrated agricultural development in four major regions of the country. The investment programs will benefit some 63,000 families in 109 farm settlements established under the nation's agrarian reform program.

The Bank lent \$23.3 million in Peru for an irrigation project which will boost production on 74,000 acres of land and benefit 6,500 families; \$4.1 million to help Ecuador prepare 8,500 acres for productive farming; \$6.2 million to assist Jamaica in converting some 4,000 of its small farms into viable agricultural economic units, and \$3.6 million to aid

farmers in Trinidad and Tobago to diversify and expand production for the home market. Of special interest was a \$1-million loan from the Vatican's *Populorum Progressio* Fund, which the Bank administers, to foster the welfare of 700 low-income farmers who will be settled in Colombia's Cauca Valley.

Transportation and Communications

The principal highlight of the Bank's lending in the *transportation and communications* sector in 1970—as well as a major breakthrough in Latin America's efforts to unite a continent—was the package of loans amounting to \$38.3 million extended to Argentina (\$33.5 million) and Uruguay (\$4.8 million) to build major highway sections in Argentina's Mesopotamia region and a bridge which will provide the first land link ever to connect Uruguay and Argentina. The highways and the bridge, which will be built 60 miles upstream from the mouth of the Uruguay River, will not only contribute to opening up the three northeast provinces of Argentina to the nation's main current of economic life, but will also provide important arteries of communication which will stretch across the southern half of the continent establishing more direct land communications for the flow of tourism and trade between Brazil, Uruguay, Argentina and Chile. The project exemplifies the increasing concern of the Bank in financing programs which will have the greatest possible impact on a nation's, a region's or a continent's development.

Other transportation and communications loans went to Argentina, Mexico,

Central America, Brazil, Colombia and Ecuador. A \$15-million loan extended to Argentina will provide additional Bank support for a broad 10-year program to provide its principal industrial and residential consuming areas centered around Metropolitan Buenos Aires and other key cities with adequate supplies of gas. In 1969 the Bank provided a \$20-million loan to help build a 354-mile pipeline between fields in the Province of Neuquén and a major supply line at Bahía Blanca. The 1970 loan will expand that line, broaden and update the pipeline which leads from deposits near the Bolivian border to Buenos Aires and improve major distribution systems and other facilities.

Loans of \$36 million extended to Mexico will contribute a second Bank round of financing to support that nation's vast program to criss-cross the nation with feeder roads which will help Mexico's farmers to get their products to market and help improve income levels. In 1966 the Bank lent \$54 million for the construction of some 3,000 miles of such roads. The 1970 loans will help build 653 miles of new roads which will open up land to farming and will improve another 466 miles of existing farm-to-market roads.

A loan of \$20 million will enable the Central American Bank for Economic Integration to finance 258 miles of key links in the major highway system of its five member nations—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Another loan for \$2 million will finance a further expansion of the Port of Acajutla. The original project was

financed with a \$3.2-million loan extended in 1965. Both the 1965 and 1970 loans were extended from the Canadian resources which the Bank administers. Ecuador received an \$18 million loan for the construction of 211 miles of five major highway segments needed for its future progress.

Colombia received \$16.1 million for the construction of a segment of the highway linking the nation's two principal cities, Bogotá and Medellín. The highway will be the first direct, modern road between the two cities and will cut travel time between them in half.

Brazil received an \$8-million loan to help build a new port 10 miles north of Salvador in the State of Bahia, which is located in Brazil's underdeveloped northeast. The port will serve Brazil's largest new industrial park—the Aratú Center—which has been designed to attract new industries to the area.

Electric Power

In the *electric power* sector, the Bank in 1970 lent its support for the third time to the development of Brazil's largest hydroelectric complex—the 4.6-million kilowatt project, on the Paraná River 360 miles from São Paulo, formed by the Ilha Solteira plant (which will have a capacity of 3.2 million kilowatts when complete) and the Jupia plant, 34 miles downstream (which is already operating with a capacity of 1.4 million kilowatts). Through two previous loans, the Bank had extended financing totaling \$47 million for the construction of the two projects. The 1970 loan—the largest individual one ever made by the Bank—

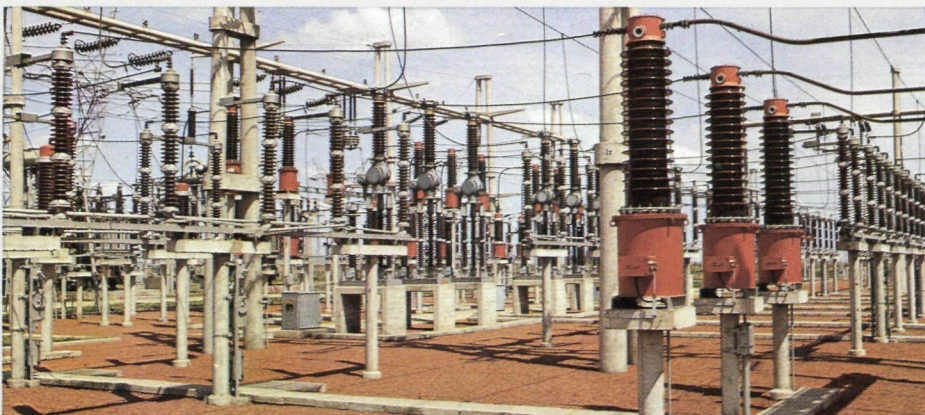
was for \$66.5 million and will help install the transmission network which will carry power from Ilha Solteira to Metropolitan São Paulo, heartland of Brazil's industrial belt, which accounts for half of Brazil's power consumption.

The Bank supported Argentina's drive to bring adequate supplies of electric power to its interior with two loans totaling \$30 million. Some \$9 million of the financing will help provide additional power to the rapidly industrializing Province of Córdoba; the remainder will bring more power to Argentina's less developed provinces in the northwest, in the northeast and in Entre Ríos and San Juan, areas where power consumption is half the national average and where incomes are below the levels of the rest of the nation.

In Costa Rica the Bank also followed a course of helping to bring electric power to less developed areas—this time through a \$3.8-million loan designed to expand power facilities in the Provinces of Guanacaste and Limón, where an average of only 13 per cent of the population enjoys the benefits of electricity. As a result, twice the number of persons in 30 communities in the two provinces will be served with power.

Industry and Mining

One of the principal aims of the Bank's support for *industrial* growth in Latin America has been to provide seed capital which will enable the small- and medium-scale domestic entrepreneurs to prosper and thus contribute to the region's development. Since the individual credit needs of such entrepreneurs are



NEW ELECTRIC POWER SUBSTATION BUILT WITH BANK ASSISTANCE HELPS TO IMPROVE DISTRIBUTION FACILITIES IN THE PROVINCE OF CORDOBA IN ARGENTINA.

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too small to justify direct loans from the Bank, the Bank channels funds to them through Latin American development institutions.

In 1970, the Bank made additional loans for credit facilities to help such enterprises in three nations. In Mexico, which is placing increased reliance on small industry for its development growth, the Bank extended loans totaling \$10 million in 1970 for such facilities. These supplemented loans of \$3, \$5 and \$8 million, respectively, made in 1961, 1963 and 1966. This financing is channeled through Mexico's *Fondo de Garantía y Fomento a la Industria Mediana y Pequeña*, a public credit agency which, since it was established in 1954, has lent nearly \$200 million to build or expand some 5,000 Mexican enterprises.

In Costa Rica the Bank lent \$5.5 million to the *Banco de Costa Rica* for the same purpose. This represented the third such financing, previous credits having been for \$3 million in 1962 and \$4.2 million in 1965. To Uruguay, the Bank lent \$6 million in 1970, which will be channeled through the *Banco de la República Oriental del Uruguay*, for industrial projects as well as for the construction of small hotels which will foster the growth of tourism, a key sector in that nation's development. In 1963 the Bank made a similar industrial loan to Uruguay for \$3 million.

For individual industrial projects in 1970 the Bank lent \$13.7 million to help modernize Uruguay's meat packing industry and thus improve that nation's position as a major meat exporter and provided \$12 million to enable Venezuela's major aluminum manufacturer to double its output from 22,500 to 45,000 metric tons of primary aluminum a year. The firm provides virtually all of Venezuela's needs and, in addition, exports nearly half its production to other South American nations.

Water and Sanitation

Pure water and modern sanitation systems were aspects of Latin America's development scene pioneered by the Bank; a total of more than 4,000 of Latin



THREE WOMEN WEND WAY THROUGH RUINS AND BULLDOZER CLEARS DEBRIS IN HUARAZ, PERU, IN WAKE OF MAY 31 EARTHQUAKE. THE BANK SUPPORTS RECONSTRUCTION EFFORT WITH \$35-MILLION LOAN.



America's cities, towns, communities and rural areas have benefited from the Bank's action in this sector. In 1970 the Bank continued this work, frequently financing a second stage of projects for which it had previously lent money. A loan of \$5.1 million will further improve and expand the water system of Port-au-Prince and its environs in Haiti. The first stage of the project, finished in 1969, was financed with a 1964 loan of \$2.4 million. At present only about 200,000 persons in the region receive water service. Thanks to the new loan, this figure is expected to rise to a half million by 1980.

The twin cities of Valparaíso and Viña del Mar in Chile benefited from portions of a loan extended in 1965 to improve water and sewage systems in 39 Chilean cities. In 1970 the Bank authorized another loan—this time for \$3 million—to provide water and sewage systems for new portions of the cities spreading out into surrounding hills, which are inhabited by low-income families.

Guayaquil, Ecuador, which has a current population of slightly more than 600,000, is one of Latin America's fastest growing cities. Looking to its future needs, the Bank in 1970 approved a loan for \$7.6 million which will enlarge and modernize its obsolete sewage system in order to provide service to 750,000 persons by 1980.

In Costa Rica a loan of \$6.3 million will help the nation to install modern water and sewage systems in the capital, San José, and four other cities—Limón, San Isidro de El General, Liberia and Puntarenas.

The Dominican Republic has embarked on a nation-wide plan to bring pure water systems to 800,000 rural dwellers over the next two decades. A 1968 loan for \$1.9 million financed the program's first stage, which benefited 115 communities. Another loan for \$4.1 million was extended in 1970 to finance projects in an additional 180 small towns.

Urban Growth and Reconstruction

On May 31, 1970, an earthquake, which proved one of the worst natural disasters ever to strike Latin America, devastated a 30,000-square-mile area along Peru's North Central Coast and Andean regions, killing more than 50,000 persons, leaving 400,000 without homes and causing an estimated half billion dollars in damage. In response to this tragedy, the Bank authorized a loan of \$35 million to help reconstruct and rehabilitate devastated areas, which had embraced all of the Department of An-

cash, and parts of the Departments of La Libertad, Huánuco and Lima. Most of the loan is being devoted to housing and urban reconstruction. Other parts are being used in the agricultural, transportation, electric power, water, education and preinvestment sectors.

During the year the Bank also extended a \$12.4-million loan for a broad urban development program in Nicaragua. The loan will help build 3,800 housing units, along with the necessary additional facilities such as schools, clinics, post offices, markets and water and sewage systems, primarily for Managua and secondarily for Masaya, Granada and León.

Education

In the *educational* field, another sector to which the Bank has attached great importance, the Bank lent \$2 million to expand the *Universidad Centroamericana José Simeón Cañas*, a private university in El Salvador established in 1966. The school enrolls 1,000 students, primarily in technical fields. With the help of the loan it hopes to have the facilities to admit 5,000 by the end of the decade.

Jamaica, the Bank's newest member, suffers from a critical shortage of professional and technical personnel, especially in sectors important to its development. A loan of \$4.7 million will enable that nation to create a student loan fund which will contribute to the training of 3,665 students in engineering, agronomy, education, administration and basic sciences.

Uruguay, for its part, received a \$4.5-million loan from the Bank to enable the *Universidad del Trabajo del Uruguay* to double enrollment from 6,800 to 12,800 students in 11 of its 70 schools, thus helping to supply the nation's growing need for middle level technicians and skilled labor.

Finally, the Bank sought to assist in modernizing Latin America's medical teaching programs through a loan of \$2 million which will be used by the Pan American Health and Education Foundation to purchase, publish, distribute and sell textbooks in 22 basic medical subject fields over a five-year period.

Preinvestment

Another major concern of the Bank's lending has been that of providing resources which will enable its member countries to draft general and sectoral development plans as well as carry out the detailed preinvestment planning needed to prepare projects for financing by lending agencies. Acting on this concern the Bank has extended loans to help most of its member countries to establish revolving preinvestment funds. Among the most successful has been Colombia's *Fondo Nacional de Proyectos de Desarrollo*, which was established with the help of Bank financing of \$4.1 million in 1968. In 1970 the Bank lent an additional \$6 million to enable the agency to continue its task of improving the nation's project preparation and thus ensuring the most effective use of domestic and foreign financial resources in development.

In the same vein, the Bank extended a \$1.7 million loan to aid the Republic of Panama in establishing a national preinvestment fund devoted to the execution of regional and sectoral development studies as well as the execution of specific preinvestment studies designed to bring about the financing of high priority development projects in private and public sectors.

During 1970 the Bank also granted a loan—\$530,000—for the execution of a specific feasibility study. The study will enable the Republic of Bolivia to lay down the terms of reference for building a key 124-mile highway section linking the cities of La Paz and Santa Cruz.

Export Financing

In 1963 the Bank adopted an export financing program designed to foster the growth of the capital goods industry in Latin America and increase intra-Latin American trade. Thus far the Bank has helped finance exports worth some \$75 million. During 1970 substantially more—\$12 million—of the Bank's financing was devoted to the program than in any previous year. Brazil and Peru received new loans amounting to \$3 million and \$290,000, respectively, in 1970, and thanks to recoveries on previous loans,

Argentina obtained the use of an additional \$671,000, Brazil of \$6,568,000, Mexico of \$1,522,000 and Venezuela of \$402,000.

PROGRESS ACHIEVED

While loan approvals and disbursement rates speak highly of a development bank's effectiveness, an even more significant statement of its accomplishments is contained in the figures translating loan approvals and disbursements into physical results. In other words, farm acreage in production, factories in operation, power plants on stream, roads paved, ports improved, water and sewage systems constructed, houses built, universities bettered, preinvestment plans drafted and intra-Latin American exports increased.

In 1970 the Bank completed its share in the execution of 68 projects. The total Bank investment in these projects amounted to \$275 million. This brought the total number of projects carried out with the assistance of Bank loans as of Dec. 31, 1970, to 293 out of the Bank's overall total of 622.

Some typical examples of projects which were completed in 1970 were:

- An integrated steel mill built by *Propulsora Siderúrgica, S.A.*, a private corporation near the Port of La Plata, 25 miles south of Buenos Aires. The \$73 million plant began operations with a capacity of 350,000 tons of sheet and flat steel products a year. A Bank loan for \$5.3 million approved in 1969 paid for the technical and professional services required in building the plant.

- Completion, with the help of a \$20 million Bank loan approved in 1965, of the paving of the 500-mile highway in Brazil which leads from the port of Paranaguá in the State of Paraná to the Paraguayan border. The road is exerting major influence on the physical integration of South America, since it provides an all-weather outlet to the sea for Paraguayan products. At the Port of Paranaguá, which has also been modernized with the help of a Bank loan, those products enjoy free port privileges.

- The modernization of Colombia's principal port, Buenaventura, on the



ELECTRONIC COMPONENTS ARE MANUFACTURED IN THIS PORT-AU-PRINCE (HAITI) PLANT, WHICH HAS RECEIVED FINANCING CHanneled BY THE INTER-AMERICAN BANK THROUGH THE NATION'S DEVELOPMENT BANK.

West Coast. Handling 50 per cent of the nation's ocean freight, Buenaventura had been plagued by deficiencies which resulted in ships spending nearly a third of their time in the port waiting for mooring facilities. With the help of a 1963 Bank loan of \$10 million the port has been newly dredged and pier and warehouse facilities have been modernized.

The Bank's total lending through Dec. 31, 1970, is bringing about, or will bring about, the following accomplishments:*

In Agriculture

Improving production on or bringing into production for the first time some 9 million acres of land. As of Dec. 31, 1970, some 5.6 million acres had already been brought into production. In addition, through Latin American development institutions the Bank had provided about 815,000 credits to improve the output and productivity of small- and medium-scale farms and ranches throughout Latin America. Bank lending has also provided financing for more than 100 agricultural cooperatives and eight farm markets.

In Transportation/Communications

Constructing or improving 5,990 miles of highways in Latin America's international highway network and 18,748 miles in the region's farm-to-market grid. As of Dec. 31, 1970, 1,727 miles of main and 7,725 miles of feeder roads had been built.

In addition, Bank loans are building or modernizing 9 major ports in Latin

America and are providing new or improved grain elevator facilities in 6 other ports, and the Bank is helping to build a regional Latin American telecommunications network which for the first time will link all Latin American nations with each other and with the outside world. The feasibility study for the system has been completed by the Bank and three Bank loans are being used to build segments of the network in three of the Bank's individual member countries, as well as the five Central American countries.

In Industry

Building or expanding more than 4,475 private industrial enterprises—ranging from 50 large ones financed directly by the Bank, of which 42 had been completed by the end of 1970, to thousands more of small and medium size financed with loans channeled by the Bank through Latin American development institutions.

In Electric Power

Installing 6.9 million kilowatts of electric power generating facilities and stringing 43,194 miles of transmission lines as well as building distribution lines for 610 communities in Latin America. As of Dec. 31, 1970, units generating 1.3 million kilowatts were in operation, 8,546 miles of distribution lines had been installed and distribution facilities in 180 communities had been completed.

In Water and Sanitation

Building or expanding 3,839 city and rural water systems and 367 sewage sys-

tems. As of Dec. 31, 1970, some 2,978 water and 291 sewage systems had been completed.

In Urban Development

Building 413,031 housing units for low-income families under Bank-financed urban and rural development projects. As of Dec. 31, 1970, some 281,671 units had been completed.

In Education

Modernizing, expanding or improving 563 learning centers—including universities, technical institutes and vocational schools—with special emphasis being placed on improving training in the vast variety of disciplines and basic sciences which Latin America's development demands today. Increasingly the Bank has also sought to broaden the basic technical and vocational skills demanded at the level of the skilled worker or technician employed in the factory, on the farm or ranch, the communications or power field, and other similar fields, if Latin America is to prosper.

In Export Financing

Financing capital goods exports with an invoice value of \$74,839,736 among its Latin American member countries under a program adopted by the Bank in 1963 to stimulate the development of the capital goods industry in the region and foster economic integration in Latin America.

In Preinvestment

Approving 387 credits for the execution of studies of specific develop-

*A loan-by-loan statement as of Dec. 31, 1970, is published by the Bank in a separate volume.

ment projects under loans extended by the Bank to Latin American institutions for the establishment of revolving preinvestment funds. A total of 179 of these studies have been completed. An additional 216 preinvestment studies of individual projects were carried out with other loans made under the Bank's technical assistance program throughout the region.

TECHNICAL ASSISTANCE

While the Bank's technical assistance program is frequently an unsung part of its operations, various examples in the 1970 program put into relief the vital role being played by such activities in the Bank's development mission. A great many of the Bank's loans are accompanied, at the request of the borrower or the instance of the Bank, by technical assistance designed to provide the expertise needed to ensure the successful execution of the project or the permanent improvement of the entity carrying it out. These are spelled out in the Bank's loan announcements as well as in the descriptions of the loans contained in this Annual Report. Other technical assistance is devoted to the preparation of development projects.

In addition to this assistance, however, the Bank devotes a portion of the income of the Fund for Special Operations and of the resources of the Social Progress Trust Fund to grant technical assistance designed to foster Latin American development over a broad spectrum of activities including Latin America's economic integration, for which the Bank has provided leadership since the start of the Decade of the 60s; to provide studies of Latin America's development needs and the preparation of specific projects in such fields as transportation, communications, industry, agriculture and education, and to enable the Bank to provide training at various levels in economic development techniques to thousands of Latin Americans—some brought to Washington for courses carried out by the Bank's Training Division, others given in Latin America. Through these courses the Bank has helped more than 6,400 persons to improve their economic development

skills. Technical assistance has also enabled the Bank to support and improve a number of key institutions working on Latin American development problems.

An example of this activity is the Bank's association with the green revolution, which has helped to raise wheat and rice production dramatically. The wheat revolution was nurtured at Mexico's famed National Agricultural Institute in and around Chapingo. There, Dr. Norman Borlaug, the 1970 Nobel Peace Prize winner, developed over the past quarter of a century of research, the short, productive "miracle" wheat strains which have resulted in vast leaps forward in production in Mexico, in Asia and in Africa. However, outside of Mexico, the green revolution—brought about by that wheat and by rice strains developed in the Philippines—has largely bypassed Latin America, even though two of the four world agricultural centers devoted to increasing the world's food output in order to outpace population growth are located in Latin America.

Through technical assistance extended in 1970 the Bank is contributing to changing this. It extended grant assistance of \$300,000 each to the two Latin American centers—the International Maize and Wheat Center near Chapingo, where Dr. Borlaug is based, and the International Center in Tropical Agriculture, located near Cali, Colombia. The funds will enable the two centers, which are supported by the two respective governments and the Ford and Rockefeller Foundations, to train professionals from Latin America in the new agricultural techniques so that they can apply and spread them throughout their own countries.

In the integration field, the Bank devoted grant technical assistance to help five Central American countries to carry out studies designed to foster joint development of river and ocean basin areas in Central America; to study integrated development possibilities of the Pindopuyango-Tumbes River Basin in Ecuador adjoining Peru, and to investigate the possibility for joint development efforts in Costa Rican-Panamanian border regions.

The Bank also provided assistance to enable the Andean Group to study problems related to the transportation of petrochemical products among its members, as well as the establishment of the petrochemical and electronic industries in the region. The Bank provided support for studies designed to help create conditions for the establishment of a capital market in Central America and financed trade studies being carried out by the Latin American Free Trade Association (LAFTA), as well as giving assistance to strengthen LAFTA's industrial activities.

To Barbados the Bank extended grant technical assistance to carry out additional studies required in the expansion and improvement of Seawell International Airport. Tourism is becoming the most dynamic sector in the nation's economy and an improved airport will provide better facilities for taking care of increased numbers of persons who are visiting the island.

Other technical assistance grants are being made for studies to improve water systems in Port-au-Prince, Haiti, and San Pedro Sula, Honduras, and to revise and improve the Honduran telecommunications plan. With resources from the *Populorum Progressio* Fund, which the Bank administers for the Vatican, the Bank financed technical advice for studies to carry out agrarian reform programs in Ecuador on lands provided by the Catholic Church.

In all the Bank authorized \$20,918,864 in technical assistance in 1970, compared with \$19,909,054 in 1969. The 1970 authorizations included \$15,791,300 in reimbursable assistance—either as a loan or a portion of a loan—and \$5,127,564 in grant aid.

These authorizations brought the Bank's cumulative net technical assistance as of Dec. 31, 1970, to \$151,838,752, of which \$117,767,377 was authorized on a reimbursable basis and \$34,071,375 was provided on a grant basis.

THE BANK'S INCOME

During 1970 the Bank's earnings were higher than those of any previous year in its history.

The net income of the ordinary capital

GENERAL ASPECTS

resources amounted to \$33,049,645 compared with \$20,217,011 in 1969; that of the Fund for Special Operations was \$11,164,092, prior to deducting technical assistance expenses, compared with \$5,937,527 in 1969, and that of the Social Progress Trust Fund was \$10,726,405, before deducting charges for technical assistance and currency adjustments, compared with \$8,990,003 in 1969.

These earnings brought about a substantial increase in the Bank's reserves. As of Dec. 31, 1970, the reserves of the ordinary capital resources had risen to \$124,181,449, compared with \$85,161,716 in 1969, and those of the Fund for Special Operations had increased to \$25,115,551, compared with \$15,375,058 in 1969.

Repayments on loans also were higher than those of any previous year amounting to a total of \$106,728,714, compared with \$80,602,400 in 1969, bringing cumulative total repayments at the end of the year to \$353,605,733.

ECONOMIC INTEGRATION

The concept of an integrated Latin America, only an idea just a decade ago, increasingly weaves its way through much of the Bank's action. Through its loan and technical assistance programs the Bank works to bring about development over broad spaces—economic and geographic.

In 1970, the Bank devoted \$123.7 million in loans and technical assistance for integration.

Slightly more than \$100 million, or about one-sixth of the Bank's 1970 lending, is exerting an integration influence on more than one country. The highways and bridge which will link Argentina and Uruguay, the highways in Central America and a highway in Ecuador, ports in Brazil and El Salvador, tourism in Uruguay, the campaign against foot-and-mouth disease in Brazil (part of a South American-wide campaign), the medical textbook program, the export financing programs in Argentina, Brazil, Mexico, Peru and Venezuela, all contribute to Latin America's economic integration.

Other integration highlights included:

- The virtual completion of the feasi-

bility preinvestment studies of the requirements for installing international connections needed to inter-link the domestic telecommunications systems of individual Latin American countries with each other and the rest of the world. The Bank initiated the project in 1969 with the cooperation of the United Nations Development Programme (UNDP), for which the Bank acts as agent. The studies, which will be completed early in 1971, were carried out in 14 participating countries—Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, Haiti, Panama, Paraguay, Peru, Trinidad and Tobago and Uruguay. During 1971 member countries are expected to seek financing to execute the actual projects.

- The initiation of an inventory of multinational projects of physical infrastructure. The inventory will prove a valuable future tool in efforts to finance multinational projects.

The Bank's integration activities are summarized in the accompanying table.

NEW DEVELOPMENT INITIATIVES

During 1970 the Bank concluded a variety of studies examining the current status of the development process in Latin America as well as seeking new measures to accelerate that process. Among these were an in-depth study of

the development task which Latin America faces today and in the future, a study of measures designed to attract greater participation in Latin America's development by countries not now members and reports regarding the possibility of creating a Latin American investment corporation and broadening the Bank's export financing program.

In April 1970 Raúl Prebisch, Director General of the Latin American Institute for Economic and Social Planning, concluded a study which the Bank had commissioned from him at the suggestion of former Colombian President Carlos Lleras Restrepo. Going beyond original objectives, Dr. Prebisch's report, entitled "Change and Development: Latin America's Great Task," sought to lay down broad development needs and goals for the region.

The study underscored one of Latin America's principal problems as unemployment and underemployment, caused in part by the great migration of rural workers to the cities and their inability to find productive employment there. In order to overcome this problem of "redundant" manpower, the study stated, Latin America needs to accelerate its yearly growth to an unprecedented rate of 8 per cent. To achieve that goal, the region must step up its industrialization, primarily through its own internal sav-

SUPPORT FOR ECONOMIC INTEGRATION, 1960-70
By Fields of Activity
(In millions of U.S. dollars)

	Bank Support	Total Cost of Projects
EXPORT FINANCING	\$ 53.5	\$ 76.4
REGIONAL PROJECTS		
Transportation	310.2	613.8
Electric Power	48.1	94.3
Telecommunications	19.8	42.2
Industry	22.7	36.3
Agriculture	28.6	136.6
Education	4.9	18.9
STUDIES AND PREINVESTMENT		
Sectoral	6.2	9.0
General	0.2	0.2
Transportation	6.7	9.7
Communications	1.2	2.4
Electric Power	1.5	2.3
Industry	0.8	1.8
Agriculture	1.9	4.0
Border and Multinational	0.9	3.5
Training and Research	4.6	10.8
Institutional Support	2.2	6.5
TOTAL	\$514.0	\$1,068.7

ings efforts, increasing its investment coefficient from 18 per cent to 26.5 per cent, and Latin American industry must become more competitive, more efficient and must increasingly seek broader regional and world markets. At the same time the report calls for a greater stake in development for the Latin American people, through a more equitable distribution of income and the productive employment of the region's manpower. From Oct. 5 to 8, 1970, the report was analyzed by participants of Latin America, the United States and Europe at a seminar held in Santiago, Chile, which was co-sponsored by the Bank, the Latin American Institute for Economic and Social Planning and the Society for International Development.

The Bank gave increasing attention during 1970 to the adoption of additional measures designed to assure an increased flow of resources for Latin America's development from non-member countries. At its Eleventh Annual Meeting held in Punta del Este, Uruguay, April 20-24, 1970, the Bank's Board of Governors adopted a resolution establishing a seven-member Committee to examine various alternatives designed to assure an increased flow of resources, on improved conditions, to the Bank from developed countries not presently members of the Institution, including particularly the matter of such countries within the hemisphere. The Committee was made up of the Governors of Argentina, Brazil, Mexico, Nicaragua, the United States, Uruguay and Venezuela.

Implementing the resolution, the Committee met in Mexico City August 3-5,

1970, under the chairmanship of Antonio Ortiz Mena, then Governor for Mexico and Secretary of Finance and Public Credit of that country, to initiate the study. At that meeting the Committee asked the Board of Executive Directors for a Bank staff study regarding the possibilities of:

- Establishing a multinational investment fund to be administered by the Bank.
- Admitting developed countries to the Bank as members or as associate members.
- Providing for the participation of developed non-member countries in a subsidiary organization devoted to the financing of industrial enterprises in Latin America.

Subsequent to the period covered by this Annual Report, the seven-nation Committee met in Caracas, Venezuela, Feb. 4 and 5, 1971, and in Buenos Aires, Argentina, Feb. 28, to give further consideration to the subject.

In 1970 the Bank carried out a pre-feasibility study for the possible creation of a Latin American regional finance corporation which would offer promotional and financial support for Latin American industrial enterprises, principally in the private sector. The study was under consideration by the Bank's Board of Executive Directors at year end.

In 1970 the Bank sponsored a study undertaken by outside consultants to review its export financing program. The comprehensive report prepared by the consultants is under the consideration of the Bank's Board of Directors.

Board of Governors Meeting

In many respects the Eleventh Annual Meeting of the Board of Governors of the Bank held in Punta del Este April 20-24 proved one of the most important ever held by the Bank. While the Governors paused to analyze and hail the Bank's first decade of achievement, they also, as indicated previously, charted new guidelines for the Bank's future by initiating a major replenishment of the Bank's resources by the Bank's own members and starting action designed to result in a greater flow of resources from countries not now members of the Bank.

Through other resolutions, the Governors:

- Instructed the Board of Executive Directors to study an amendment to Article VIII, Section 3, and Annex C of the Agreement Establishing the Inter-American Development Bank in order to permit the number of Executive Directors elected pursuant to paragraph (d) of the Annex to be increased, by one, whenever three or more countries belonging to the same geographical area are admitted to membership in the Bank. A three-man committee had the subject under consideration at year end.

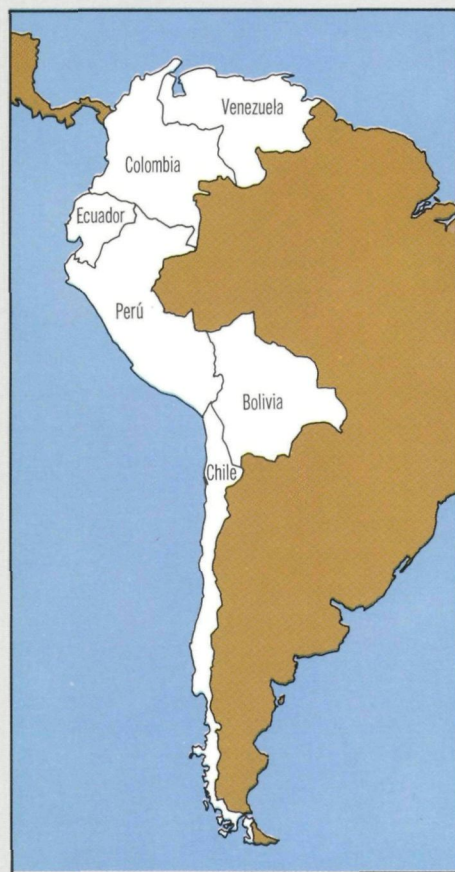
- Approved the financial statements of the ordinary capital resources and the Fund for Special Operations.

- Agreed to hold the Twelfth Annual Meeting of the Board of Governors of the Bank in Lima, Peru. The date for the meeting was subsequently set as May 10-14, 1971.

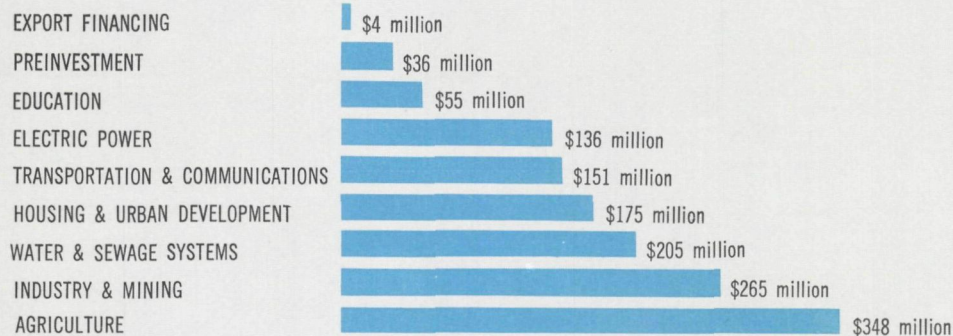
At the Punta del Este Meeting, the Bank also carried out a Round Table



SURVEYOR PEERS THROUGH TRANSIT AS HE PLOTS LINES FOR NEW HIGHWAY LEADING FROM TEGUCIGALPA TO SAN PEDRO SULA IN HONDURAS. A BANK LOAN IS HELPING TO BUILD THE NEW HIGHWAY.



SIX ANDEAN COUNTRIES HAVE RECEIVED A TOTAL OF NEARLY \$1.4 BILLION IN LOANS FROM THE BANK.



to the period covered by this report, Mr. Ortiz Mena was installed in his new post at a special meeting of the Board of Governors which took place in Buenos Aires, Argentina.

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

Mr. Herrera began his public life as an attorney in the Central Bank of Chile in 1947 and simultaneously served as Professor of Economics at the University of Chile. He became Chile's Under-Secretary of Economy and Commerce in 1952, Chile's Finance Minister in 1953, and was General Manager of Chile's Central Bank between 1953 and 1958. He was an Executive Director on the Board of Directors of the International Monetary Fund from 1958 to 1960.

In the resolution accepting Mr. Herrera's resignation, the Board of Governors hailed his "outstanding leadership in conducting the affairs of the Bank during the past decade"—a leadership which has transformed the Bank into the major multilateral technical and financial instrument for fostering the individual

and collective development of the member countries.

During 1970 the following changes also took place in the Board of Executive Directors of the Bank:

- Enrique E. Folcini of Argentina was elected by Argentina and Peru to succeed Daniel Fernández, also of Argentina, on Nov. 19, 1970.
- Julio C. Gutiérrez of Paraguay was elected on July 1, 1970, to succeed Carlos Sanguinetti of Uruguay in representation of Bolivia, Paraguay and Uruguay.
- Guido Valle Antelo of Bolivia was designated as the Alternate Executive Director for Bolivia, Paraguay and Uruguay on July 1, 1970.
- Enrique Peñalosa Camargo of Colombia was designated as the Alternate Executive Director for Chile, Colombia, Trinidad and Tobago and Venezuela on March 16, 1970.

TIES WITH OTHER ENTITIES

The Inter-American Bank is not alone in working for Latin America's progress, and it seeks to closely coordinate its own efforts with those of the score or more of regional and international organizations and bilateral agencies which have responsibilities for fostering the region's development.

Along these lines, throughout 1970 the Bank strengthened its cooperative ties with other development banks: the World Bank group, which is increasingly stressing Latin American projects; the Central American Bank for Economic In-

Discussion regarding the Bank's First Decade of Operations and Perspectives for the Future. The proceedings of the Round Table have been published separately.

MANAGEMENT CHANGES

Felipe Herrera, who was elected the Bank's first President on Feb. 16, 1960, and who was the architect of the Bank's first decade of operations, resigned his position Oct. 11, 1970, to return to university life in his homeland, Chile. Mr. Herrera had been re-elected President of the Bank for successive five-year terms beginning July 1, 1964, and July 1, 1969.

Antonio Ortiz Mena, former Secretary of Finance and Public Credit of Mexico, was elected the new President of the Bank by the Board of Governors on Nov. 27, 1970, at a special meeting held at the Bank's headquarters in Washington, for a five-year term beginning March 1, 1971. On that day, subsequent

tegration, to which the Bank has extended an additional loan of \$20 million; the newly established Andean Development Corporation and the Caribbean Development Bank, to which the Bank has given technical support, and the bilateral United States agencies working in the same endeavors, as well as the International Monetary Fund.

The Bank worked closely in a wide variety of development fields with its fellow inter-American agencies, particularly the Organization of American States (OAS), the Inter-American Economic and Social Council (IAECOSOC), and the Inter-American Committee on the Alliance for Progress (CIAP). The President of the Bank acts as financial advisor to CIAP in connection with development financing, and the Bank participates in

the yearly evaluations carried out by CIAP of the development plans and financing needs of its member countries.

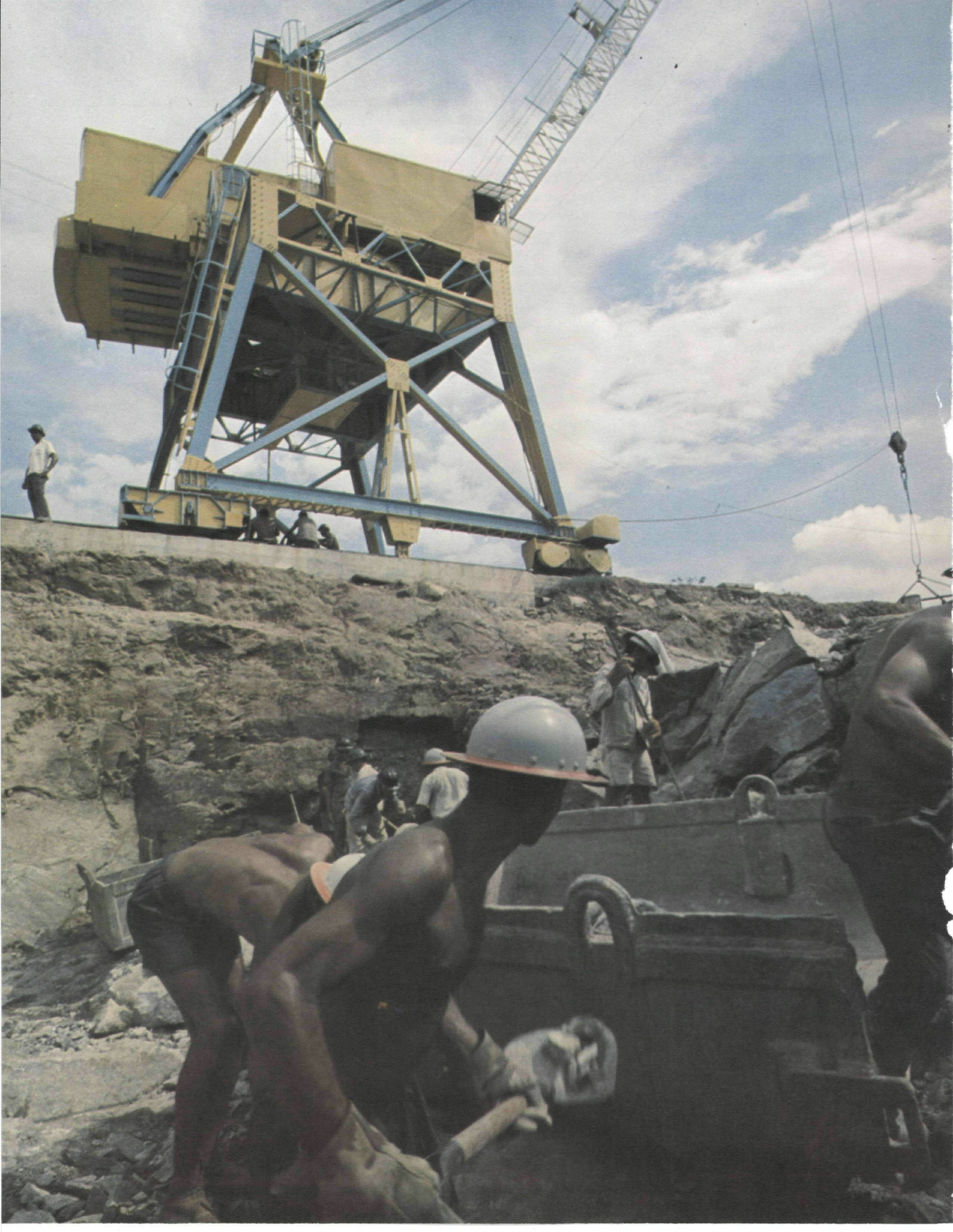
Of particular relevance to the work of the Bank was the Eighth Special Meeting of IAECOSOC held in Caracas, Venezuela, Feb. 3-6, 1970. At this meeting a permanent mechanism for consultation and negotiation on trade and external financing between the Latin American countries and the United States was created. And, in addition to approving recommendations calling for increases in the Bank's resources and an expansion in its export financing program, IAECOSOC took note of an offer of the United States Government to contribute \$15 million for a fund to finance the preparation of development projects for financing by external resources. The Fund would be

administered by the Inter-American Bank, with the cooperation of CIAP in establishing priorities.

To the principal agencies concerned with Latin America's economic integration—the Latin American Free Trade Association, the organs of the Central American Common Market, the Andean Group and the Caribbean Free Trade Association—the Bank continued to extend its close cooperation and, in many cases, its technical assistance throughout 1970. The Bank also sponsored a meeting at its headquarters in September 1970 of representatives of some 20 organizations concerned with Latin American integration problems. At this meeting steps were taken to coordinate the integration activities planned by the various entities for the 1971 year.

BOOSTING TOURISM IS A PRINCIPAL CONCERN OF THE GOVERNMENT OF BARBADOS. SHOWN HERE IS THE DOWNTOWN SECTION OF BRIDGETOWN. BANK IS SUPPORTING THIS AIM.





WORKERS SPUR CONSTRUCTION OF PAULO AFONSO HYDROELECTRIC POWER PLANT ON THE SÃO FRANCISCO RIVER IN BRAZIL'S DEVELOPING NORTH-EAST REGION. FINANCED WITH HELP OF TWO BANK LOANS, THE PROJECT IS INCREASING THE PLANT'S OUTPUT FROM 240,000 TO 915,000 KILOWATTS.

PART I

ORDINARY CAPITAL RESOURCES

Operations/Fiscal Year 1970

RESOURCES

For the third time since the Inter-American Bank was established in 1959, the Bank's member countries acted in 1970 to increase their subscriptions to the ordinary capital resources.

The action was initiated at the Eleventh Annual Meeting in Punta del Este, Uruguay, in April 1970, when the Board of Governors approved a resolution recommending that the Bank's membership take action to put into effect a \$2-billion increase in the ordinary capital resources along with an increase of \$1.5 billion in its Fund for Special Operations.

The increase in the ordinary capital resources would be made in both the Bank's *paid-in* capital—the first such increase in the Bank's history—and in its *callable* capital, with \$400 million of the increase being *paid-in* and \$1.6 billion being *callable*.

The Board of Governors recommended the increase in the *paid-in* capital in order to give the Bank a margin of flexibility for maintaining its ordinary capital loans at reasonable interest rates in the

face of the steadily rising interest rates which had marked the world capital markets in recent years.

The increase in the *callable* capital was recommended to give the Bank greater ability to borrow funds in the markets since such capital constitutes in effect a guarantee for those securities.

On Dec. 31, 1970, the resolution providing for the increase was approved by the required number of member countries needed to put it into effect. The *paid-in* portion of the increase would be effected beginning in 1971 over a period of three years for members whose subscriptions amount to more than \$10 million and over five years for the remaining members. It is to be payable 50 per cent in gold and/or dollars and 50 per cent in the member country's own currency. The increase in the *callable* portion is to be subscribed by the member countries in two equal installments, the first due in the first half of 1971 and the second in the first half of 1973.

The United States' share of the in-

crease is \$823,520,000, of which \$150 million is *paid in* and \$673,520,000 is *callable*; the share of the other member countries is \$1,115,440,000, of which \$236,410,000 is *paid in* and \$879,030,000 is *callable*. The remaining \$61,040,000 is available for subscription by future members of the Bank.

In addition to the action taken by the Bank's member countries to augment the Bank's future capital, they also completed steps in 1970 to subscribe their second and final *tranche* to the increase of \$1 billion in the *callable* capital which had been approved on June 20, 1968. The Bank was originally established with authorized capital of \$850 million in 1959. This was raised to \$2.15 billion in 1965 through a \$1-billion increase in the *callable* capital for the Bank's membership and a \$300 million increase in both *paid-in* and *callable* capital available for new members and to \$3.15 billion through another \$1-billion increase in the *callable* capital in 1968. The new increase would raise the Bank's

ORDINARY CAPITAL RESOURCES

total authorized capital resources to \$5.15 billion, of which \$448,020,000 would be available for new members.

The subscriptions to the ordinary capital resources, including the proposed increases, are shown in the accompanying table on a country-by-country basis.

Thanks to the callable capital, which serves as a guarantee for its borrowings, the Bank has obtained nearly \$1 billion in the world's capital markets, to channel toward Latin America's economic development. That volume has accounted for about one-fourth of the total lending extended by the Bank in its first ten years of operations.

During 1970, the Bank raised more funds in such markets than in any previous year of its activities, borrowing or arranging to borrow a total of \$187 million. These brought the Bank's total borrowings as of Dec. 31, 1970, to \$915.1 million.

The 1970 borrowings included \$100 million in the United States (the first borrowing carried out in that market since 1968); \$27.3 million in Germany; \$4 million in Norway and \$10 million arranged in Japan. In addition, the Bank sold its fifth short-term bond issue,

amounting to \$34.3 million to central banks and other governmental institutions in 13 of its Latin American member countries and Israel, and arranged an \$11.4-million short-term borrowing in Switzerland. In addition, during the year the Bank drew down \$5.6 million in Japan, \$3.5 million in Sweden, and \$4.6 million in the United Kingdom on borrowings arranged in 1968 and 1969.

The Bank's total outstanding debt on Dec. 31, 1970, was composed of \$479.1 million owed in the United States, \$360.9 million owed in non-member countries and \$75.1 million owed in Latin America. These borrowings are summarized in the table on the opposite page.

The new borrowings arranged by the Bank in 1970 included:

UNITED STATES: \$100 million

- A \$100 million public bond issue of its 8 $\frac{5}{8}$ per cent, 25-year bonds due Oct. 1, 1995. The offering, rated Triple A, was issued by a nation-wide group of investment banking houses and commercial banks under the joint management of Lazard Frères & Co., Lehman Brothers and Blyth and Co., Inc. The bonds were priced at 99.25 per cent, plus accrued in-

terest. The bonds are not redeemable prior to April 1, 1983. On that date and through Sept. 30, 1983, they are subject to optional redemption in whole or in part at 103.15 per cent plus accrued interest and at decreasing prices thereafter through 1990 and at par subsequently. A sinking fund commencing in 1983 will retire 75 per cent of the issue prior to maturity at par plus accrued interest.

GERMANY: \$27,322,404

- 100 million Deutsche marks (equivalent to \$27,322,404) borrowed through a public bond issue placed on the market by a syndicate of 33 German banks under the direction of *Deutsche Bank A.G.* and *Dresdner Bank A.G.*, both of Frankfurt, Germany. The 8 $\frac{1}{2}$ per cent, 15-year bonds, were priced at 99 $\frac{1}{2}$ per cent. Dated Sept. 1, 1970, the bonds will have a final maturity on Sept. 1, 1985. The issue will be redeemed at par, through a redemption fund or by lot, in ten annual installments between 1976 and 1985 so that the entire issue will be retired by Sept. 1, 1985. The Bank has the right to redeem all of the bonds on Sept. 1, 1981, or on any subsequent interest payment date.

AUTHORIZED ORDINARY CAPITAL RESOURCES
(Expressed in thousands of U.S. dollars)

COUNTRY	PAID-IN			CALLABLE			Grand Total after Increase	% of Grand Total
	Dec. 31, 1970	Increase	Total after Increase	Dec. 31, 1970	Increase	Total after Increase		
Argentina	\$ 51,570	\$ 51,570	\$103,140	\$ 294,250	\$ 191,110	\$ 485,360	\$ 588,500	12.52
Barbados	2,070	—	2,070	2,070	2,900	4,970	7,040	.15
Bolivia	4,140	4,140	8,280	23,620	15,340	38,960	47,240	1.00
Brazil	51,570	51,570	103,140	294,250	191,110	485,360	588,500	12.52
Chile	14,160	14,160	28,320	80,800	52,480	133,280	161,600	3.44
Colombia	14,150	14,150	28,300	80,730	52,430	133,160	161,460	3.44
Costa Rica	2,070	2,070	4,140	11,810	7,670	19,480	23,620	.50
Dominican Republic	2,760	2,760	5,520	15,760	10,240	26,000	31,520	.67
Ecuador	2,760	2,760	5,520	15,760	10,240	26,000	31,520	.67
El Salvador	2,070	2,070	4,140	11,810	7,670	19,480	23,620	.50
Guatemala	2,760	2,760	5,520	15,760	10,240	26,000	31,520	.67
Haiti	2,070	2,070	4,140	11,810	7,670	19,480	23,620	.50
Honduras	2,070	2,070	4,140	11,810	7,670	19,480	23,620	.50
Jamaica	2,760	2,760	5,520	15,760	10,240	26,000	31,520	.67
Mexico	33,150	33,150	66,300	189,150	122,850	312,000	378,300	8.05
Nicaragua	2,070	2,070	4,140	11,810	7,670	19,480	23,620	.50
Panama	2,070	2,070	4,140	11,810	7,670	19,480	23,620	.50
Paraguay	2,070	2,070	4,140	11,810	7,670	19,480	23,620	.50
Peru	6,910	6,910	13,820	39,430	25,610	65,040	78,860	1.68
Trinidad and Tobago	2,070	2,070	4,140	11,810	7,670	19,480	23,620	.50
United States	150,000	150,000	300,000	1,023,520	673,520	1,697,040	1,997,040	42.47
Uruguay	5,530	5,530	11,060	31,550	20,490	52,040	63,100	1.34
Venezuela	27,630	27,630	55,260	157,650	102,390	260,040	315,300	6.71
Subtotal	388,480	386,410	774,890	2,374,540	1,552,550	3,927,090	4,701,980	100.00
Unassigned	86,520	13,590	100,110	300,460	47,450	347,910	448,020	—
TOTAL	\$475,000	\$400,000	\$875,000	\$2,675,000	\$1,600,000	\$4,275,000	\$5,150,000	—

NORWAY: \$4 million

- \$4 million in a 7½ per cent, 10-year dollar bond issue, purchased for private placement by *Den Norske Creditbank* of Oslo, Norway. The bonds were dated Sept. 1, 1970, and will mature Sept. 1, 1980. The issue will be redeemed by the Bank in five equal annual installments in each of the years 1976 through 1980 so that the issue will be completely repaid on Sept. 1, 1980. The Bank will have the right to redeem all of the bonds on Sept. 1, 1976, or on any subsequent interest payment date.

JAPAN: \$10 million

- 3.6 billion convertible yen (equivalent to \$10 million) in a loan arranged with the Export-Import Bank of Japan. The loan was extended for a term of 15 years, including a three-year grace period, at an interest rate of 7 per cent annually on amounts drawn down. The Bank may effect drawings chargeable to the loan up to March 31, 1972. No drawings were effected on the loan in 1970. The loan will be repaid in 24 semiannual installments beginning Sept. 20, 1973, and ending March 20, 1985.

LATIN AMERICA: \$34,250,000

- On April 15, 1970, the Bank sold its fifth short-term dollar bond issue—\$34,250,000—at par to central banks and other governmental agencies in 13 of the Bank's Latin American member countries and Israel. The bonds, which will mature April 15, 1972, carry an interest rate of 7 per cent per annum. The proceeds were used to refund \$25,350,000 of two-year bonds issued in 1968 which matured April 15, 1970. The remaining \$8.9 million represented a net increase in the new issue. The member countries which participated in the 1970 issue were Argentina, Bolivia, Brazil, Colombia, Chile, the Dominican Republic, Ecuador, Honduras, Mexico, Panama, Peru, Uruguay and Venezuela.

SWITZERLAND: \$11,433,798

- On May 5, 1970, the Bank borrowed 50 million Swiss francs (equivalent to \$11,433,798) from the Swiss National Bank on a short-term basis at an

BORROWINGS AS OF DEC. 31, 1970
(Expressed in U.S. dollars)

Borrowings in	Issues	Original Amount	Outstanding Amount	No. of Outstanding Issues
Austria	2	\$ 11,538,462	\$ 11,401,885	2
Belgium	1	6,000,000	6,000,000	1
Finland	1	1,100,000	1,100,000	1
Germany	7	158,469,945	156,830,601	7
Israel	3	10,500,000	2,500,000	1
Italy	3	72,000,000	72,000,000	3
Japan	3	28,000,000	28,000,000	3
Latin America	5	189,100,000	75,100,000	3
Netherlands	1	8,287,293	8,287,293	1
Norway	1	4,000,000	4,000,000	1
Spain	2	17,500,000	10,937,500	1
Sweden	2	9,665,179	9,665,179	2
Switzerland	3	36,588,154	36,588,154	3
United Kingdom	3	14,513,040	13,546,193	3
United States	7	505,000,000	479,100,000	7
TOTAL	44	\$1,072,262,073	\$915,056,805	39

interest rate of 7¼ per cent. This was subsequently renewed through Feb. 25, 1971, and served as a bridging loan until the Bank entered the Swiss market early in 1971 with a long-term bond issue for 60 million Swiss francs.

In addition to these borrowings the Bank in 1970 raised \$2,245,000 by selling participations without its guarantee in its ordinary capital loans to private commercial banks in the United States. These included participations amounting to \$1,725,000 in loans authorized in 1970 and sales from the Bank's portfolio amounting to \$520,000. As of Dec. 31, 1970, cumulative participations in ordinary capital loans had reached \$50,450,284. A total of 71 commercial banks and other private institutions in the United States, Canada, Europe and Japan, as well as the United Nations Special Fund and the *Instituto Español de Moneda Extranjera* of Spain, have purchased participations in such loans.

The Bank's outstanding borrowings as of Dec. 31, 1970, are shown in the chart on the following page.

LOANS

During 1970 the Bank authorized loans totaling \$194 million from its ordinary capital resources. These authorizations included 18 individual loans plus increases in revolving lines of credit previously extended under the Bank's export financing program.

The 1970 authorizations brought the Bank's cumulative total as of Dec. 31, 1970, from the ordinary capital resources to 205 loans amounting to \$1,486 million, net of cancellations and exchange adjustments.

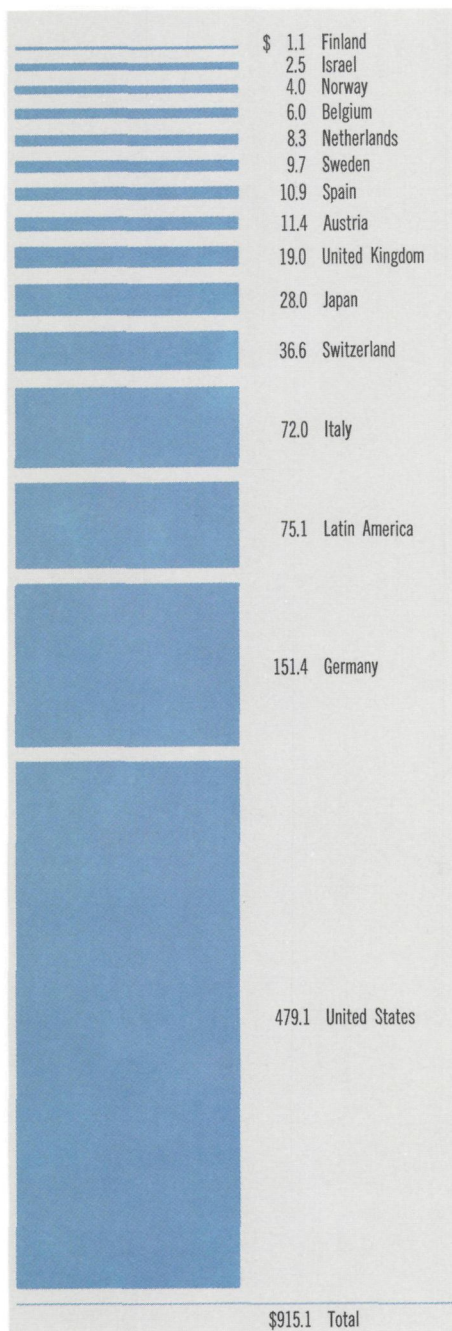
Disbursements on ordinary capital loans during the year totaled \$151 million, bringing total disbursements on such loans as of Dec. 31, 1970, to \$893 million.

The bulk of the loans authorized in 1970 from the ordinary capital resources was extended to Argentina, Brazil, Mexico and Venezuela, with other amounts going to Uruguay, Peru and Costa Rica. Most ordinary capital loans were extended for such productive or infrastructure sectors as industry, agriculture, export financing, transportation and electric power. Many were accompanied by substantial financing from the Fund for Special Operations which contributed to reducing the average interest rate for the total project.

By sectors the loans authorized from the ordinary capital resources in 1970 included 2 loans amounting to \$75 million for *electric power*, 6 loans amounting to \$57 million for *transportation and communications*, 5 loans totaling \$30 million for *industry*, 2 loans totaling \$20 million for *agriculture*, and 3 loans, plus increases in other loans, for a total of \$12 million for *export financing*.

The loans extended for *electric power* included \$9 million (along with \$21

ORDINARY CAPITAL RESOURCES



THE BANK'S OUTSTANDING BORROWINGS TOTAL \$915.1 MILLION IN THE WORLD'S CAPITAL MARKETS

In millions of dollars

expand Argentina's gas distribution system; loans of \$8.5 million and \$8 million (along with \$17 million from the Fund for Special Operations) to help the *Republic of Argentina* expand its northeast highway system and jointly with Uruguay build the first bridge ever to link the two countries; \$8 million to aid the *State of Bahia* to build the first stage of a new port to serve additional industry being attracted to Brazil's underdeveloped northeast region; \$14 million (along with \$22 million from the Fund for Special Operations) to *Nacional Financiera, S.A.*, to help Mexico build or improve 1,120 miles of feeder roads throughout the nation, and \$3.6 million (along with \$1.2 million in Argentina funds) to help the *Republic of Uruguay* finance its share of the bridge which will link it to Argentina.

The five loans extended for *industry* included \$2.2 million (along with \$3.3 million from the Fund for Special Operations) to the *Banco de Costa Rica* to help finance small- and medium-scale industrial projects throughout the country; \$5 million (along with \$5 million from the Fund for Special Operations) to *Nacional Financiera, S.A.*, for the same purpose in Mexico; \$4.5 million (along with \$1.5 million from the Fund for Special Operations) to the *Banco de la República Oriental del Uruguay* not only for similar industrial growth but also to spark tourism development in Uruguay; \$6 million (along with \$7.4 million from the Fund for Special Operations), to the *Banco de la República Oriental del Uruguay* to help modernize Uruguay's meat packing industry, and \$12

million to enable *Aluminio del Caroní, S.A.*, of Venezuela to double its production of primary aluminum.

The two loans extended for *agriculture* included \$11.7 million (along with \$5.8 million from the Fund for Special Operations) to *Nacional Financiera, S.A.*, to help finance an irrigation project in the State of Hidalgo in Mexico and \$8 million (along with loans for \$58.8 million and \$8.2 million from the Fund for Special Operations) to enable the *Republic of Venezuela* to finance a broad program of integrated agricultural development.

The three individual *export financing* credits included \$290,000 to the *Banco Industrial del Perú* to finance exports of Peruvian copper wire, and two others, \$2 million and \$1 million, extended to the *Banco do Brasil S.A.* to broaden Brazilian exports of capital goods. In addition, previously extended revolving lines of credit were increased through repayments by \$671,000 in Argentina, by \$6,568,000 in Brazil, by \$1,522,000 in Mexico, and by \$402,000 in Venezuela.

The Bank's basic interest rate on ordinary capital loans continued at 8 per cent per annum throughout 1970 and the interest rate charged on lines of credit to finance the export of capital goods was maintained at 6½ per cent. In 1970 the Bank also charged a service commission of ½ of 1 per cent on those portions of ordinary capital loans extended from funds borrowed from non-member countries. Interest rates charged included, in all cases, the 1 per cent special commission allocated to the Bank's special reserve. Loans authorized in 1970 from the ordinary capital resources were extended for

million from the Fund for Special Operations) to *Agua y Energía Eléctrica, Empresa del Estado*, for the first stage in a ten-year power expansion program being undertaken throughout Argentina and \$66.5 million extended to *Centrais Eléctricas de São Paulo S.A.* to help install the electric power transmission system, which will connect the giant Ilha Solteira hydroelectric plant with the city of São Paulo, Brazil.

The six *transportation* loans included \$15 million to *Gas del Estado* to help

terms ranging from 12 to 20 years with the exception of lines of credit to finance exports of capital goods which were made for lesser periods.

Individual loans extended from the ordinary capital resources during 1970 are described in the following pages under these categories:

- Electric Power
- Transportation and Communications
- Industry and Mining
- Agriculture and Mining
- Export Financing

ELECTRIC POWER

ARGENTINA

ELECTRIC POWER EXPANSION

\$9 million 20-year 8% loan of May 7, 1970
(\$5.4 million and 1.5 million pounds sterling)

Borrower: **AGUA Y ENERGIA ELECTRICA, EMPRESA DEL ESTADO**

To ensure an adequate electric power supply to Argentina's interior, *Agua y Energía Eléctrica*, a state power corporation, has launched a broad-scale expansion plan which will cost an estimated \$1.2 billion over the next ten years. A key part of this plan provides for interconnecting the power systems of Greater Buenos Aires and the Paraná River coastal region with that of the Province of Córdoba.

During the next decade the demand for electricity in this province is expected to grow by nearly 12 per cent a year, largely as a result of increased industrialization. The industrial sector, including new automotive, aviation and diesel engine factories, consumes more than half the province's electric power output.

This loan will finance 26 per cent of the cost of a \$34-million project designed to meet future power demands of the province through new link-ups with the coastal systems, and to expand a hydroelectric plant in the northern Province of Salta. An additional \$21-million loan from the Fund for Special Operations will help carry out another related project benefiting other parts of the interior.

The project aided with the ordinary capital loan calls for the laying of various 220- and 132-kilovolt lines and the installation of transformer stations and

generators in the Province of Córdoba and the coastal region, and the expansion of the Cabra Corral hydroelectric plant located 50 miles south of Salta.

The loan is guaranteed by the Republic of Argentina.

BRAZIL

ELECTRIC POWER TRANSMISSION

\$66.5 million 20-year 8% loan of Sept. 30, 1970
(\$39.9 million and 97,356,000 Deutsche marks)

Borrower: **CENTRAIS ELETRICAS DE SÃO PAULO S.A.**

The State of São Paulo has some 18 million persons, or 20 per cent of Brazil's population. Thanks to the heavy concentration of industry in the City of São Paulo, however, the state consumes nearly half of the nation's electric power output and its demand is growing at slightly more than 9 per cent a year.

To help cover the state's future power needs, *Centrais Elétricas de São Paulo S.A. (CESP)*, a state electric power enterprise, began constructing the Ilha Solteira dam and hydroelectric plant on the Paraná River 360 miles northwest of São Paulo in 1967.

The plant, which is scheduled to start up in 1974, will have an initial generating capacity of 2.56 million kilowatts and an eventual capacity of 3.2 million. Together with the 1.4-million kilowatt Jupiá power station, located 34 miles downstream, which has been operating since 1969, the Ilha Solteira plant forms part of one of the world's largest hydroelectric complexes. The Inter-American Bank has aided the construction of both dams with two loans totaling some \$47 million.

This loan—the largest one ever made by the Bank—will provide 53 per cent of the \$126-million cost of installing a transmission network to connect the Ilha Solteira plant to the city of São Paulo. Suppliers' credits and local sources will provide the remaining 47 per cent.

The project provides for the installation or construction of:

- A 440-kilowatt, single-circuit transmission line between the Jupiá and Ilha Solteira plants.
- A 440-kilowatt, double-circuit transmission line from the Ilha Solteira plant



BANK LOANS TOTALING \$113.7 MILLION AID CONSTRUCTION OF BRAZIL'S VAST 4.6-MILLION KILOWATT JUPIÁ-ILHA SOLTEIRA HYDROELECTRIC COMPLEX, WHICH WILL PROVIDE ADDITIONAL POWER TO THE SÃO PAULO INDUSTRIAL BELT.

ORDINARY CAPITAL RESOURCES

to a transformer substation at Franco da Rocha near São Paulo.

- A single-circuit power line running 75 miles in a semi-circle around the outskirts of the city.
- Six transformer substations.
- A microwave telecommunications subsystem to interconnect all systems and operating units of *CESP*.

Including this loan, nearly one-third of the Bank's \$875 million in lending to Brazil has been devoted to the electric power sector.

The loan is guaranteed by the Federal Republic of Brazil.

PARTICIPATIONS—National Bank of North America, New York; Marine Midland Bank-Western, Buffalo, New York; The First National Bank of Memphis; Seattle-First National Bank; First Wisconsin National Bank of Milwaukee; *Banco Crédito y Ahorro Ponceño*, Ponce, Puerto Rico, and Central National Bank of Cleveland are participating in the loan for a total of \$900,000.

TRANSPORTATION AND COMMUNICATIONS

ARGENTINA

GAS SUPPLY NETWORK

\$15 million 20-year 8% loan of July 30, 1970 (\$9 million and 26,238,000 Swiss francs)

Borrower: **GAS DEL ESTADO**

During the 1961-68 period, Argentina's consumption of natural gas increased by 18 per cent a year, largely as a result of the installation of two major supply lines which feed Buenos Aires from the north and south. However, many areas of the country continue to face shortages due to peak period demands in the winter months.

To ensure an adequate year-round supply over the next decade, *Gas del Estado*, the government agency handling the bulk of the nation's gas sales, launched an expansion plan in 1969 designed to boost the natural gas supply from 4 million to more than 10 million cubic meters by 1978; the amount of liquid gas tapped will also rise from 610,000 to 1.4 million tons during this period.

This loan will help finance four projects, costing \$85 million, which are part of the plan's first phase. The projects include:



- The expansion of a key supply line in the south which was recently completed with the help of a 1969 Bank loan for \$20 million, and the expansion and renovation of the northernmost facilities of a pipeline which links the Argentine capital to gas deposits near the Bolivian border.

- The expansion of the distribution network serving the Greater Buenos Aires area and the cities of Rosario and La Plata.

- The construction in Buenos Aires of a dock for propane tankers; installation of mobile recovery plants in the cities of Córdoba, Tucumán and Comodoro Rivadavia; expansion of a storage plant in Rosario, and construction of another plant in Córdoba.

- The conversion to remote-control microwave operation of a compressor plant located in the Patagonian region; the plant will serve as an experimental station to determine future automation possibilities for the entire trunk system.

The loan is guaranteed by the Republic of Argentina.

ONE OF THE WORLD'S LARGEST HYDROELECTRIC WORKS—THE 4.6 MILLION-KILOWATT ILHA SOLTEIRA-JUPIÁ COMPLEX—RISES ON THE PARANÁ RIVER, 360 MILES WEST OF SÃO PAULO WITH ASSISTANCE OF BANK LOANS. NEW LOAN FOR \$66.5 MILLION, EXTENDED IN 1970, WILL HELP FINANCE TRANSMISSION NETWORK WHICH WILL CARRY POWER TO SÃO PAULO.

ARGENTINA

HIGHWAY CONSTRUCTION

\$8.5 million 20-year 8% loan of Dec. 17, 1970 (\$4,350,000, \$1,250,000 in Argentine pesos and 1,812.5 million Italian lire)

Borrower: **REPUBLIC OF ARGENTINA**

Separated from major market centers by the Paraná and Uruguay Rivers, Argentina's northeast provinces of Corrientes, Entre Ríos and Misiones have remained virtually isolated from the mainstream of the nation's economic life. The development of these provinces—called the Mesopotamia region—also has been hampered by an inadequate network of trunk and secondary roads.

To overcome this handicap, the national government recently launched a program to build 1,500 miles of main and 700 miles of secondary roads in the Mesopotamia region, and bridges over the Paraná and Uruguay rivers.

This loan will be used by the *Dirección Nacional de Vialidad*, Argentina's roads agency, to finance 21 per cent of the \$41-million cost of constructing or improving 133 miles of trunk highways. Local sources will supply the remaining 79 per cent.

Two other loans, one for \$8 million described below and another for \$17 million from the Fund for Special Operations, will help build secondary roads and the first bridge ever to connect Argentina and Uruguay.

The trunk highway project calls for the construction in Entre Ríos Province of a 68-mile segment of National Route 12 between the towns of Brazo Largo and Guayleaguay, a 45-mile stretch of National Route 14 from Ceibas to the junc-



tion with Provincial Route 20, and a 20-mile connecting road from Route 14 to the Bank-supported Fray Bentos-Puerto Unzué international bridge.

PARTICIPATIONS—Marine Midland Bank-New York and Industrial National Bank of Rhode Island, Providence, are participating in the loan for a total of \$150,000.

ARGENTINA

PUERTO UNZUE-FRAY BENTOS BRIDGE
\$8 million 20-year 8% loan of Dec. 17, 1970
(\$3,810,000, \$1,650,000 in Argentine pesos and 1,587.5 million Italian lire)

Borrower: **REPUBLIC OF ARGENTINA**

At present no direct overland route exists between Argentina and Uruguay, which are separated by the Uruguay River and the vast River Plate estuary. The movement of goods and passengers between the two countries consequently must be made by ship, river ferry or airplane.

This loan, together with two others to Uruguay—\$3.6 million from the ordinary capital resources and \$1.2 million from special Bank-administered Argentine resources—will help build the first bridge ever to connect the two countries. To be located some 60 miles upstream from the mouth of the Uruguay River between the Argentine port of Puerto Unzué and the Uruguayan port of Fray Bentos, the three-mile bridge will provide the first direct road link leading from the southern states of Brazil through Uruguay to Argentina, thus encouraging the growth of tourism and trade throughout the lower River Plate basin area.

The bridge, being built by a joint technical commission, is designed for two-lane traffic and will consist basically of one main span over the navigable channel of the Uruguay River, two smaller spans, 24 secondary spans and two transitional spans, one on each side.

Total cost of the project is estimated at about \$19 million. The Argentine share of the cost, including this loan, amounts to 72 per cent; the Uruguayan share is 28 per cent.

PARTICIPATION—Marine Midland Bank-New York is participating in the loan for a total of \$100,000.

BRAZIL

PORT CONSTRUCTION
\$8 million 20-year 8% loan of Sept. 10, 1970
(\$3,180,000, \$2.7 million in cruzeiros and 9,270,760 Swiss francs)

Borrower: **STATE OF BAHIA**

Brazil's largest new industrial park—the Aratú Center—began operations in 1967 at a site 10 miles north of Salvador in the northeast State of Bahia. The center provides low-cost industrial lots, and necessary auxiliary services, to attract more industry to the developing northeast of Brazil. Nearly 50 enterprises are in the process of being installed in the park.

While the center is near the port of Salvador, Northeast development planners have given high priority to the construction of a new port which would provide better and faster service to the park.

This loan, along with a \$2-million parallel loan provided by the Nether-

NEW ACCESS ROADS OPEN UP ADDITIONAL LANDS TO INTENSIVE FARMING IN MEXICO'S GULF COAST STATE OF TABASCO. INTER-AMERICAN BANK LOANS TOTALING \$30 MILLION ARE SPARKING A BROAD PROGRAM OF FARM SETTLEMENT AND DEVELOPMENT ON 130,000 ACRES OF LAND IN THE STATE.

lands Investment Bank for Developing Countries, will help finance the first stage of the construction of such a port.

The Inter-American Bank loan, which covers 42 per cent of the \$19-million cost of the first stage, will be used to carry out the port construction and such complementary works as electric power facilities and a water supply system. The State of Bahia is contributing 47.5 per cent of the cost, and the Netherlands loan the remaining 10.5 per cent.

To be built in four stages, the new port will have all facilities needed to handle general, bulk and liquid cargo. At the conclusion of the first stage, it will be able to handle about 1 million tons of bulk cargo a year and in subsequent stages over the next seven years its capacity will expand to 12 million tons.

The loan is guaranteed by the Federal Republic of Brazil.

MEXICO

FEEDER ROADS
\$14 million 20-year 8% loan of Dec. 24, 1970
(\$7.2 million, \$2 million in Mexican pesos, 9,150,000 Deutsche marks and 11,898,383 Swedish kronor)

Borrower: **NACIONAL FINANCIERA, S.A.**

In the past decade Mexico's highway network has expanded by about 55 per cent from 27,900 to 43,400 miles. The state highway system, including feeder roads, accounted for the greatest increase, growing from 6,200 to 24,900 miles. Despite this growth, however, a considerable shortage of feeder roads still exists, largely due to increasing transportation demands in the agricultural sector.

To remedy this shortage, the Mexican Government in 1965 launched a nation-

ORDINARY CAPITAL RESOURCES

wide two-stage plan to expand the country's feeder road network. In that year the Bank authorized two loans totaling \$54 million to support the plan's first stage, which called for the construction of 2,950 miles of roads.

This loan, together with another for \$22 million from the Fund for Special Operations, will finance 55.5 per cent of the cost of the second stage; local sources will supply the remaining 44.5 per cent. The four-year program, which will be carried out by the Department of Public Works, provides for the construction of 653 miles of penetration roads to open up new farming areas and the improvement of 466 miles of existing feeder roads.

Completion of the new roads will help integrate presently isolated rural areas into the nation's economic and social life. At the same time, improvement of the feeder roads will encourage increased output and productivity among small-scale farmers by reducing farm-to-market transportation costs.

The loan is guaranteed by the United Mexican States.

PARTICIPATIONS—American Security and Trust Co., Washington, D.C.; Girard Trust Bank, Philadelphia; The Bank of California National Association, San Francisco; Seattle-First National Bank; Marine Midland Bank-New York; Marine Midland Bank-Western, Buffalo, New York, and Union Bank, Los Angeles, are participating in the loan for a total of \$575,000.

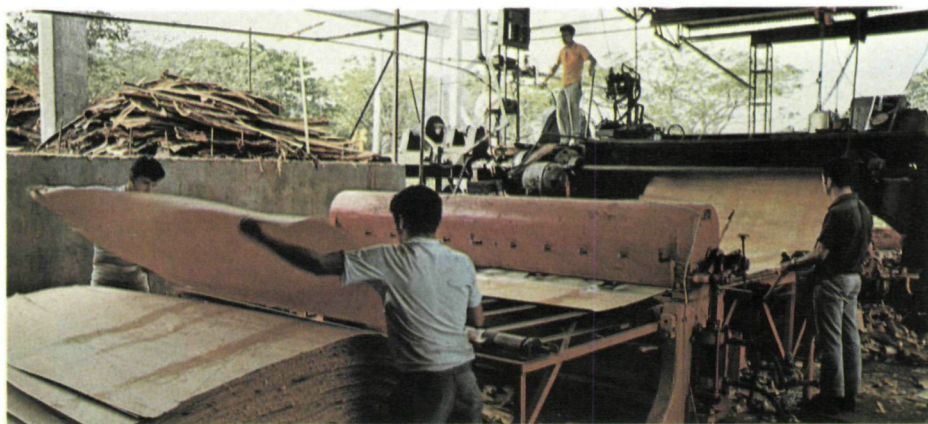
URUGUAY

PUERTO UNZUE-FRAY BENTOS BRIDGE
\$3.6 million 20-year 8% loan of Dec. 17, 1970
(\$1,770,000, \$650,000 in Uruguayan pesos and 6,104,388 Swedish kronor)

Borrower: **REPUBLIC OF URUGUAY**

Argentina and Uruguay, separated by the Uruguay River and the wide River Plate estuary, at present share no overland link. As a result, tourists, including 450,000 Argentines who visit Uruguay yearly, must travel by ship or plane, and nearly all goods passing between the two countries must be ferried or flown across the river.

Recognizing the need for an alternate



PLYWOOD SHEETS ROLL FROM MACHINERY PURCHASED BY THIS SAN JOSE (COSTA RICA) MILL WITH HELP OF \$30,000 IN FINANCIAL ASSISTANCE FROM THE BANK RELENT THROUGH THE BANCO DE COSTA RICA.

road route, the Governments of Uruguay and Argentina have set up a joint technical commission to build a bridge over the Uruguay River.

This loan, together with a \$1.2-million loan from the Argentine resources administered by the Bank, will provide Uruguay's 28 per cent share of the project's total financing. Argentina, with the help of an ordinary capital resources loan, will supply the remaining 72 per cent.

In addition, the loans to Uruguay will help finance the construction of a five-mile connecting road from the bridge to highways leading to the capital city of Montevideo and Atlantic seaside resorts.

INDUSTRY AND MINING

COSTA RICA

INDUSTRIAL CREDIT
\$2.2 million 16-year 8% loan of April 14, 1970
(\$1,320,000 and 550 million Italian lire)

Borrower: **BANCO DE COSTA RICA**

During the 1962-68 period Costa Rica's industrial production expanded at an average rate of 10.6 per cent a year, while the gross national product grew by 8.1 per cent. At the same time, manufacturing output virtually doubled, totaling \$380 million in 1968.

In seeking to maintain this pace of expansion, the *Banco de Costa Rica*, the

state development bank, is encouraging the growth of industries producing consumer goods for export and using a high content of local raw materials. It also seeks to encourage domestic firms to produce intermediate and capital goods replacing imports and supplying foreign markets, particularly within the Central American region.

This loan, together with \$3.3 million from the Fund for Special Operations, will be used by the *Banco de Costa Rica* to provide credits to small- and medium-scale private industries in a continuation of a program begun in 1962 with the help of two previous Inter-American Bank loans totaling \$7.2 million.

A total of 55 per cent of the program's cost will be covered by the Bank's loan. Up to \$150,000 of the loan may be used to provide technical assistance services to strengthen the administrative and accounting operations of the beneficiaries and prepare project feasibility studies.

The loan is guaranteed by the Republic of Costa Rica.

MEXICO

INDUSTRIAL CREDIT
\$5 million 15-year 8% loan of Jan. 22, 1970
(\$2.4 million, 5,856,000 Deutsche marks and \$1 million in Mexican pesos)

Borrower: **NACIONAL FINANCIERA, S.A.**

Since it started operations in 1954, the *Fondo de Garantía y Fomento a la In-*

industria Mediana y Pequeña—a public credit agency for small- and medium-scale industry—has lent more than \$163 million to some 5,000 Mexican enterprises. The bulk of this financing has been devoted to expanding such light industries as foodstuffs, beverages, textiles, footwear and clothing, chemicals, printing, metal products, non-metallic minerals and furniture.

Including this loan and a companion loan for \$5 million from the Fund for Special Operations, the Bank in the past decade has provided the *Fondo* with a total of \$26 million for its credit programs. The agency will channel the two new loans to private firms through banking institutions throughout the nation. As in previous years, a key aim of the program will be to encourage the growth of light industry in regions located outside Mexico's major industrial centers.

Credits of up to \$50,000, with repayment periods of up to 10 years, will be granted to small-scale enterprises, and amounts of up to \$200,000 for up to five years will be extended to medium-sized industries.

The Bank's financing will cover 40 per cent of the \$25-million cost of the program; the remaining 60 per cent will come from local sources.

The loan is guaranteed by the United Mexican States.

URUGUAY

INDUSTRIAL CREDIT AND HOTEL CONSTRUCTION

\$4.5 million 15-year 8% loan of March 5, 1970
(\$2.7 million and 6,588,000 Deutsche marks)

Borrower: **BANCO DE LA REPUBLICA ORIENTAL DEL URUGUAY**

Industry and tourism are key factors in the Uruguayan economy. The industrial sector accounts for about 22 per cent of the nation's gross domestic product and employs one-fifth of its working population, while tourism generates 17 per cent of its foreign exchange earnings.

This loan, together with \$1.5 million from the Fund for Special Operations, will provide credit to build and expand small- and medium-sized industrial plants throughout the country. In addition, up to \$1.5 million of the two loans will be used to renovate some 70 small hotels

and motels in the coastal resort area between Montevideo and the Brazilian border.

Estimates indicate that the program will increase gross output in light and medium industries by \$13 million and generate some \$3 million in foreign exchange.

The two Inter-American Bank loans will cover 60 per cent of the program's \$10-million cost; the *Banco de la República Oriental del Uruguay*, a public development bank, and the beneficiaries will contribute the remaining 40 per cent.

The loan is guaranteed by the Republic of Uruguay.

URUGUAY

EXPANSION OF MEAT-PACKING INDUSTRY

\$6 million 15-year 8% loan of Sept. 30, 1970
(\$3.6 million and 10,495,200 Swiss francs)

Borrower: **BANCO DE LA REPUBLICA ORIENTAL DEL URUGUAY**

Approximately 90 per cent of Uruguay's territory is devoted to livestock production, an activity which generates a fourth of the gross national product and accounts for 86 per cent of the nation's sales abroad. Uruguay's livestock production, however, has remained at a standstill in recent years, due to low prices and high marketing costs.

To overcome this handicap, the Government of Uruguay launched a program in 1969 to encourage investments designed to modernize the meat-packing industry and improve Uruguay's position as a major meat-exporting country through the increased sale of special cuts and boned and frozen meats, products with a relatively high export value.

This loan, along with \$7.4 million from the Fund for Special Operations, will finance 57 per cent of the \$23.6-million cost of the program's first stage. Works include the modernization of 11 small meat-packing plants located throughout the country, construction of a new packinghouse at the port of Fray Bentos, and the installation of a refrigeration chamber and a by-products plant in the Montevideo area.

The loan is guaranteed by the Republic of Uruguay.

VENEZUELA

ALUMINUM PLANT EXPANSION

\$12 million 12-year 8% loan of Dec. 29, 1970
(\$7.2 million and 17,568,000 Deutsche marks)

Borrower: **ALUMINIO DEL CARONI, S.A.**

Under the impetus of import substitution incentives, Venezuela's manufacturing sector has grown rapidly in the past decade. However, possibilities for further expansion, particularly in such fields as petrochemicals and metals, now lie more in the international than in the domestic market.

This loan will help a Venezuelan aluminum manufacturer—*Aluminio del Caroní, S.A. (ALCASA)*—to double its yearly output of primary aluminum from 22,500 to 45,000 metric tons and increase its capacity to manufacture aluminum foil from 1,300 to 2,000 metric tons a year.

ALCASA, which operates plants in the States of Bolívar and Carabobo, is jointly owned by the *Corporación Venezolana de Fomento*, Venezuela's national development corporation, and Reynolds International Inc. Operating almost at full capacity, the firm now supplies 90 per cent of the nation's aluminum and in 1970 exported 11,600 metric tons of aluminum to neighboring Colombia and other countries, particularly in the Andean common market.

The Bank's loan will finance 49.6 per cent of the \$24-million cost of the company's current expansion program, and the remainder will be provided by the borrower.

The loan is guaranteed by the *Corporación Venezolana de Fomento*.

AGRICULTURE

MEXICO

IRRIGATION

\$11.7 million 20-year 8% loan of Nov. 5, 1970
(\$6,326,000, \$1,157,000 in Mexican pesos, 11,094,301 Swiss francs and 700,000 pounds sterling)

Borrower: **NACIONAL FINANCIERA, S.A.**

Mexico's central State of Hidalgo has one of the lowest per capita income levels in the nation. This is largely due to the area's dry climate and inadequate use of modern techniques in the agricultural sector, which employs the bulk of the

ORDINARY CAPITAL RESOURCES

state's working population and is its main economic activity.

This loan, together with another for \$5.8 million from the Fund for Special Operations, will help support a project to irrigate some 68,700 acres of land and develop agriculture in the State of Hidalgo. Benefiting about 6,620 low-income farmers, the project represents the first stage of the Central Water Plan for the Valley of Mexico and the Lerma and Pánuco River basins.

The project calls for the construction of irrigation facilities, drainage systems and service roads; the purchase of maintenance machinery and equipment, and the provision of extension services to farmers.

The total cost of the project is \$37 million, of which the Bank's financing will cover some 47 per cent and local sources the remaining 53 per cent.

The loan is guaranteed by the United Mexican States.

VENEZUELA

IRRIGATION AND GRAIN STORAGE FACILITIES

\$8 million 20-year 8% loan of May 28, 1970 (\$4.8 million, 5,124,000 Deutsche marks and 750,000 pounds sterling)

Borrower: **REPUBLIC OF VENEZUELA**

This loan, along with two others totaling \$67 million from the Fund for Special Operations, will help support a massive rural development effort in Venezuela called the Integrated Agricultural Development Program. Carried out in four key agricultural regions covering 38,130 square miles and embracing 845,000 rural dwellers, the program primarily will benefit 109 farm settlements established under the nation's agrarian reform plan. Another 525 settlements will receive indirect benefits.

The entire \$75-million financial package—the largest ever approved by the Bank—will finance about 41 per cent of the program's total cost, estimated at \$181 million. Specifically, the ordinary capital portion of the financing will help

construct three medium-sized irrigation systems and build or expand terminal grain warehouses to provide 74,000 metric tons of additional storage capacity for the benefited regions.

Other assistance, such as land preparation, drainage and flood control, road building, agricultural training, research and extension and the provision of farm credit, will be partly financed with the Bank's two other loans.

EXPORT FINANCING

BRAZIL

CAPITAL GOODS EXPORTS

\$1 million 6½% line of credit of Feb. 26, 1970
Borrower: **BANCO DO BRASIL S.A.**

CAPITAL GOODS EXPORTS

\$2 million 6½% line of credit of Dec. 10, 1970
Borrower: **BANCO DO BRASIL S.A.**

In 1964, 1967 and 1969 the *Banco do Brasil S.A.* received three revolving lines of credit totaling \$6 million from the Inter-American Bank to finance the export



BUILDERS STUDY PLANS AT THIS \$54 MILLION PETROCHEMICAL COMPLEX BEING BUILT IN MORON, VENEZUELA, WITH BANK SUPPORT. THE COMPLEX IS EXPECTED TO PRODUCE ENOUGH FERTILIZER TO MEET VENEZUELA'S EXPECTED DEMAND THROUGH 1985.

of Brazilian capital goods to other Latin American member countries. These lines were given under a Bank program designed to stimulate the growth of the capital goods industries and promote economic integration through increased intraregional trade.

During 1970 the volume of applications for new credits received by the *Banco do Brasil* was such that the Inter-American Bank granted it two additional lines, one for \$1 million, and another for \$2 million. As of Dec. 31, 1970, these revolving lines, plus the previous three, had risen to \$20.9 million and had helped to finance export credits to 14 Latin American countries.

These exports have included bus bodies, automobile and truck chassis, jeeps, forklifts, power shovels, tractors, lathes, dies for automotive parts, machinery for the paper and cellulose industry and highway construction machines.

The new lines of credit will be used by the *Banco do Brasil* in discounting at the Inter-American Bank credit documents which it issues in the medium-term (180 days to five years) financing of Brazilian exports of capital goods to other Latin American member countries. Up to 85 per cent of the export credit may be refinanced by the Inter-American Bank.

PERU

COPPER WIRE EXPORTS

\$290,000 6½% line of credit of Sept. 9, 1970
Borrower: **BANCO INDUSTRIAL DEL PERU**

Industrial development and the export of manufactured capital goods hold a high priority within Peru's national de-

velopment strategy. While industrial exports fell in 1967 to their lowest level of the decade, they have shown increasing improvement since, thanks in part to export promotion and credit mechanisms.

This line of credit will contribute to this improvement by helping a Peruvian manufacturer, *Pirelli Peruana Industria de Conductores Eléctricos, S.A.*, to finance the export of Peruvian-made insulated copper wire to Chile. The manufacture of this product, not previously exported by Peru, involves the use of advanced technology.

The importer is the *Compañía Telefónica de Chile*, a Chilean enterprise which will use the copper wire conductors in its telephone lines. The credit, made for a term of five years, amounts to 70 per cent of the invoice value of the materials exported.

This is the second time Peru has made use of the Bank's export-financing assistance. A total of \$269,800 was used from a previous line, authorized in 1965, in financing the export of 10 fishing boats to Panama with an invoice value of \$699,200.

FINANCIAL HIGHLIGHTS

The *net income* of the Bank's ordinary capital resources in 1970 amounted to \$33,049,645, compared with \$20,217,011 in 1969.

The *gross income* included \$31,429,222 derived from interest on loans, \$5,954,723, derived from commitment charges, \$5,970,088 derived from the 1 per cent commission charged on loans and which is allocated to the Bank's

special reserve, \$50,334,220 derived from investments and \$4,362,023 from other sources.

As of Dec. 31, 1970, the total *reserves* of the ordinary capital resources, including the *general reserve* and the *special reserve*, had risen to \$124,181,449, compared with \$85,161,716 in 1969.

The *general reserve*, made up of net earnings, amounted to \$98,533,999, as of Dec. 31, 1970, compared with \$65,484,354 in 1969. The *special reserve* had risen to \$25,647,450 at the end of 1970, compared with \$19,677,372 in 1969.

The total *administrative expenses* of the Bank chargeable to the ordinary capital resources in 1970 amounted to \$10,542,328, compared with \$9,295,849 in 1969, and the interest paid by the Bank on its funded debt and the amortization of debt discount and expenses in 1970 were \$48,488,215 compared with \$41,263,184 in 1969.

As of Dec. 31, 1970, the Bank's *funded debt* was \$915,056,805, compared with \$767,162,676 in 1969.

Disbursements on loans extended from the ordinary capital resources in 1970 amounted to \$151,145,383, compared with \$139,165,929 in 1969. This brought cumulative disbursements from the ordinary capital resources as of Dec. 31, 1970, to \$893,076,986.

In 1970 borrowers *repaid* \$66,251,896 on ordinary capital loans, compared with \$51,184,383 in 1969. These brought total repayments at the end of the year to \$219,712,664.

The audited financial statements of the ordinary capital resources are contained in the following pages.

OPINION OF INDEPENDENT ACCOUNTANTS

Board of Governors
Inter-American Development Bank

In our opinion, the accompanying financial statements (Appendices I-1 to I-7) present fairly, in terms of United States currency, the financial position of Inter-American Development Bank—Ordinary Capital at December 31, 1970, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.
PRICE WATERHOUSE & CO.

Washington, D.C.
February 10, 1971

ORDINARY CAPITAL

FINANCIAL STATEMENTS

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Statement of Currencies and Demand Obligations Held by the Bank	I-6
Notes to Financial Statements	I-7

ORDINARY CAPITAL RESOURCES

APPENDIX I-1

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

BALANCE SHEET

DECEMBER 31, 1970 AND DECEMBER 31, 1969

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-7

ASSETS	1970		1969	
Due from banks (Appendix I-6) (Note B)				
Unrestricted				
Member currencies	\$	30,251,372	\$	24,067,159
Non-member currencies		953,505		3,153,873
Restricted				
Member currencies		7,852,870		8,687,173
		\$ 39,057,747		\$ 35,908,205
Investments				
United States Government obligations (at amortized cost-face amount 1970—\$17,400,000; 1969—\$13,000,000)		17,044,898		12,539,044
Time deposits				
United States dollars		407,470,000		350,027,204
Non-member currencies		219,929,480		188,938,725
Accrued interest		23,057,098		22,643,385
		667,501,476		574,148,358
Loans outstanding held by Bank (Appendix I-4) (Note G)				
Total loans approved by Bank since inception, less cancellations		1,486,027,054		1,294,109,370
Less principal repayments and loans sold or agreed to be sold		242,247,155		178,405,891
Less undisbursed balance of approved loans held by Bank		582,272,158		539,543,834
		661,507,741		576,159,645
Accrued charges on loans held by Bank (Note G)		11,362,132		9,099,459
Due from members (Appendix I-5)				
Capital subscriptions receivable in member currencies		2,346,000		3,864,000
Non-negotiable, non-interest-bearing demand obligations, denominated in members' currencies		10,049,783		13,845,301
		12,395,783		17,709,301
Other assets				
Receivable from the sale of bonds (Appendix I-3)		4,962,500		
Land and building at cost—less accumulated depreciation 1970, \$966,777; 1969—\$820,326 (Appendix II-7, Note E)		9,047,688		9,194,139
Unamortized funded debt discount and expense (Amortized over the life of the issues)		14,571,902		13,420,311
Miscellaneous		1,431,541		1,384,405
Special reserve assets (Note D)		25,647,450		19,677,362
Staff Retirement Plan assets (Segregated and held in trust)		14,009,115		12,008,009
Total assets		\$1,461,495,075		\$1,268,709,194

BALANCE SHEET

DECEMBER 31, 1970 AND DECEMBER 31, 1969

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-7

LIABILITIES, RESERVES AND SPECIAL FUND AND CAPITAL		1970	1969
Liabilities			
Accrued interest on borrowings		\$ 12,847,386	\$ 9,876,900
Accrued expenses and accounts payable		1,199,006	775,741
Mortgage payable		3,831,963	3,988,085
Funded debt (Appendix I-3)		915,056,805	767,162,676
Reserves and special fund			
Special Reserve (Note D)		25,647,450	19,677,362
Staff Retirement Plan Reserve (Note J)		14,009,115	12,008,009
Fund for Special Supervision and Inspection of loans (Note I)		1,889,351	1,256,067
Capital			
Capital Stock (Appendix I-5)			
Authorized 315,000 shares of \$10,000 par value each			
Subscribed shares 1970—276,302; 1969—228,225½	\$2,763,020,000		\$2,282,255,000
Less—Callable portion	2,374,540,000		1,893,775,000
	388,480,000		388,480,000
General reserve (Appendix I-2) (Notes C, F and G)	98,533,999	487,013,999	65,484,354
			453,964,354
Contingent liability (Note H)			
Total liabilities, reserves and special fund and capital		<u>\$1,461,495,075</u>	<u>\$1,268,709,194</u>

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

STATEMENT OF INCOME AND EXPENSES AND GENERAL RESERVE

FOR THE YEARS ENDED DECEMBER 31, 1970 AND DECEMBER 31, 1969

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-7

Income	1970		1969	
From loans (Note G)				
Interest	\$31,429,222		\$25,880,984	
Commitment charges	5,954,723		3,973,481	
Commissions (Note D)	5,970,088	\$43,354,033	4,990,078	\$34,844,543
From investments		50,334,220		38,957,051
From other sources		4,362,023		1,879,383
Gross income		98,050,276		75,680,977
Deduct commissions allocated to Special Reserve (Note D)		5,970,088		4,990,078
Gross income less reserve deduction		92,080,188		70,690,899
Expenses				
Administrative expenses (Notes E and J)				
Board of Governors				
Annual meeting	172,322		109,143	
Board of Executive Directors				
Salaries	236,106		201,798	
Other compensation and benefits	57,230		47,132	
Travel	62,426		59,122	
Review and evaluation group	70,168		63,371	
Staff				
Salaries	4,703,039		4,363,756	
Other compensation and benefits	1,632,360		1,491,292	
Travel	545,612		548,378	
Other administrative expenses				
Communications	283,570		278,126	
Office occupancy	701,372		604,489	
Publications and printing	127,881		108,584	
Supplies and equipment	292,319		253,163	
Contractual services	373,977		231,901	
Miscellaneous (Note G)	263,373		325,907	
Field offices				
Salaries	389,514		354,524	
Other	919,794		844,121	
	10,831,063		9,884,807	
Depreciation (Appendix II-7, Note E)	62,974		67,367	
	10,894,037		9,952,174	
Less amounts charged to Social Progress Trust Fund for indirect and overhead expenses by Bank as Administrator (Appendix III-6, Note B)	351,709		656,325	
Total administrative expenses including depreciation	10,542,328		9,295,849	
Funded debt expense	48,488,215	59,030,543	41,263,184	50,559,033
Income before special addition		33,049,645		20,131,866
Addition to income arising from retroactive adjustment of rate used in charging Social Progress Trust Fund for indirect and overhead expenses (Appendix III-6, Note B)				85,145
Net income (Notes C, F and G)		33,049,645		20,217,011
General reserve beginning of year		65,484,354		45,267,343
General reserve end of year (Notes C, F and G)		\$98,533,999		\$65,484,354

FUNDED DEBT OF THE BANK

DECEMBER 31, 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-7

Payable in	Interest rate range	Due Dates	Principal Outstanding (1)
Austrian Schillings	6¾%	1980-1981	\$ 11,401,885
Belgian Francs	7%	1982	6,000,000
Deutsche Marks	5½%-8½%	1979-1985	156,830,601
Italian Lire	5%-6%	1982-1989	72,000,000
Japanese Yen (2)	5%-6½%	1981-1983	20,000,000
Netherlands Guilders	7%	1988	8,287,293
Pounds Sterling	5½%-8¾%	1975-1989	13,546,193
Swiss Francs	5½%-7¼%	1971-1983	36,588,154
Swedish Kronor	7½%-8%	1979-1980	9,665,179
United States Dollars (3)	4¼%-8½%	1971-1995	580,737,500
TOTAL: (4)			\$915,056,805

(1) Sinking fund requirements and funded debt maturities for each of the five years subsequent to December 31, 1970 are approximately equivalent to the following:

Period ending	Amount
December 31, 1971	\$ 73,000,000(5)
December 31, 1972	58,000,000(5)
December 31, 1973	28,000,000
December 31, 1974	28,000,000
December 31, 1975	39,000,000
Total	<u>\$226,000,000</u>

(2) In December 1970, the Bank signed an agreement which provides that the Bank may borrow up to the dollar equivalent of an additional \$10,000,000 in Japanese yen not included above.

(3) Includes \$5,000,000 obligated for sale on January 13, 1971, under delayed delivery contracts—proceeds \$4,962,500.

(4) Subsequent to December 31, 1970, the Bank has borrowed in non-member countries the equivalent of approximately US\$31,700,000 at interest rates ranging from 6¾% to 8½%.

(5) Includes short-term borrowings principally from central banks of Latin American members, of which US\$43,350,000 matures in 1971 and US\$34,250,000 matures in 1972.

ORDINARY CAPITAL RESOURCES

APPENDIX I-4

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

SUMMARY STATEMENT OF LOANS

DECEMBER 31, 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-7

Member in whose territory loans have been made (1)	Total loans approved by Bank since inception, less cancellations (2)	Principal repayments to Bank	Loans sold or agreed to be sold	Approved loans held by Bank			Currency in which outstanding portion of approved loans held by Bank is repayable		
				Total	Undisbursed	Outstanding	United States dollars	Member's currency	Non-member currency
Argentina	\$ 282,603,060	\$ 38,284,137	\$ 7,502,679	\$ 236,816,244	\$119,170,224	\$117,646,020	\$ 70,474,552	\$ 20,352,949	\$ 26,818,519
Brazil	395,477,180	45,112,192	5,295,094	345,069,894	157,599,337	187,470,557	150,731,603	21,866,120	14,872,834
Chile	102,272,958	22,522,143	5,978,600	73,772,215	15,790,838	57,981,377	38,886,993	5,812,562	13,281,822
Colombia	141,910,511	15,699,525	3,743,554	122,467,432	51,485,997	70,981,435	53,002,790	4,794,089	13,184,556
Costa Rica	15,271,114	3,826,246	1,530,421	9,914,447	2,200,000	7,714,447	6,857,812	627,739	228,896
Dominican Republic	6,000,000	1,337,318	200,000	4,462,682		4,462,682	2,565,759	1,104,444	792,479
Ecuador	13,836,330	939,006	257,143	12,640,181	4,957,659	7,682,522	7,143,802	516,696	22,024
El Salvador	6,958,163	1,621,651	250,500	5,086,012	148,640	4,937,372	4,036,363	576,000	325,009
Guatemala	11,291,666	3,693,336	725,000	6,873,330	910,613	5,962,717	5,390,618	572,099	
Honduras	460,474	400,474	60,000						
Mexico	267,915,714	28,935,088	8,527,345	230,453,281	126,472,503	103,980,778	69,276,456	11,621,141	23,083,181
Nicaragua	19,525,082	1,575,485	1,999,834	15,949,763	6,306,502	9,643,261	9,085,448	117,363	440,450
Panama	1,500,000	69,580		1,430,420	317,134	1,113,286	696,729	416,557	
Paraguay	6,049,996	1,668,030	429,286	3,952,680	148,734	3,803,946	2,777,408	592,697	433,841
Peru	43,673,917	6,516,978	3,920,125	33,236,814	11,769,351	21,467,463	14,680,787	2,705,238	4,081,438
Uruguay	47,887,735	6,654,347	951,395	40,281,993	28,068,709	12,213,284	10,851,506	1,170,350	191,428
Venezuela	104,938,654	12,657,134	8,079,308	84,202,212	51,621,558	32,580,654	20,690,866	8,375,948	3,513,840
Regional	18,454,500	284,201	1,000,000	17,170,299	5,304,359	11,865,940	7,549,568		4,316,372
Total	\$1,486,027,054	\$191,796,871	\$50,450,284	\$1,243,779,899	\$582,272,158(3)	\$661,507,741	\$474,699,060	\$ 81,221,992	\$105,586,689

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

(2) All of the loans have been approved by the Bank, but certain loans have not

become effective and disbursements thereunder will not begin until the borrower and guarantor, if any, take certain action and furnish certain documents to the Bank.

(3) Of the undisbursed balances the Bank has entered into irrevocable commitments to disburse approximately \$30,500,000.

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

DECEMBER 31, 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix I-7

Member	Shares	Percent of total	Total subscribed capital (1)	Amount received or to be received		Non-negotiable, non-interest-bearing demand obligations	Callable portion of subscribed capital	Number of votes	Percent of total
				United States dollars	Member currency				
Argentina	34,582	12.52	\$ 345,820,000	\$ 25,785,000	\$ 23,285,000	\$ 2,500,000	\$ 294,250,000	34,717	12.42
Barbados (2)	414	.15	4,140,000	1,035,000	628,000	407,000	2,070,000	549	.19
Bolivia	2,776	1.01	27,760,000	2,070,000	370,000	1,700,000	23,620,000	2,911	1.04
Brazil	34,582	12.52	345,820,000	25,785,000	25,785,000		294,250,000	34,717	12.42
Chile	9,496	3.44	94,960,000	7,080,000	7,080,000		80,800,000	9,631	3.45
Colombia	9,488	3.43	94,880,000	7,075,000	7,075,000		80,730,000	9,623	3.44
Costa Rica	1,388	.50	13,880,000	1,035,000	1,035,000		11,810,000	1,523	.55
Dominican Republic	1,852	.67	18,520,000	1,380,000	1,380,000		15,760,000	1,987	.71
Ecuador	1,852	.67	18,520,000	1,380,000	1,380,000		15,760,000	1,987	.71
El Salvador	1,388	.50	13,880,000	1,035,000	1,035,000		11,810,000	1,523	.55
Guatemala	1,852	.67	18,520,000	1,380,000	1,380,000		15,760,000	1,987	.71
Haiti	1,388	.50	13,880,000	1,035,000	1,035,000		11,810,000	1,523	.55
Honduras	1,388	.50	13,880,000	1,035,000	1,035,000		11,810,000	1,523	.55
Jamaica (3)	1,852	.67	18,520,000	1,380,000	578,000	802,000	15,760,000	1,987	.71
Mexico	22,230	8.05	222,300,000	16,575,000	16,575,000		189,150,000	22,365	8.00
Nicaragua	1,388	.50	13,880,000	1,035,000	1,035,000		11,810,000	1,523	.55
Panama	1,388	.50	13,880,000	1,035,000	1,035,000		11,810,000	1,523	.55
Paraguay	1,388	.50	13,880,000	1,035,000	1,035,000		11,810,000	1,523	.55
Peru	4,634	1.68	46,340,000	3,455,000	3,455,000		39,430,000	4,769	1.70
Trinidad and Tobago	1,388	.50	13,880,000	1,035,000	135,000	900,000	11,810,000	1,523	.55
United States	117,352	42.47	1,173,520,000	150,000,000			1,023,520,000	117,487	42.05
Uruguay	3,708	1.34	37,080,000	2,765,000	2,765,000		31,550,000	3,843	1.37
Venezuela	18,528	6.71	185,280,000	13,815,000	10,074,217	3,740,783	157,650,000	18,663	6.68
Total	276,302	100.00	\$2,763,020,000	\$269,240,000	\$109,190,217	\$10,049,783	\$2,374,540,000	279,407	100.00

(1) The authorized Ordinary Capital of the Bank is \$3,150,000,000 in terms of United States dollars of the weight and fineness in effect on January 1, 1959, consisting of 315,000 shares having a par value of \$10,000 each. Of the authorized capital \$475,000,000 is "paid-in" capital and \$2,675,000,000 is "callable" capital. The authorized capital includes an increase of \$1,000,000,000 in callable capital approved in 1968 and subscribed in two equal installments, the first in 1968 and the second in 1970. All member countries have subscribed to their respective quotas of each installment, raising the total subscribed capital to \$2,763,020,000 of which \$388,480,000 is "paid-in" capital and \$2,374,540,000 is "callable" capital.

On December 31, 1970 the Board of Governors approved a resolution providing for an increase of the authorized Ordinary Capital of the Bank from \$3,150,000,000 to \$5,150,000,000. Such increase would consist of \$400,000,000 of authorized paid-in capital and \$1,600,000,000 of authorized callable capital. The subscriptions to the increase of paid-in capital would be paid in three equal annual installments beginning in 1971, except that for members whose paid-in capital subscription to the increase was \$10,000,000 or less, payment would be permitted in five equal annual installments beginning in 1971. The subscriptions to the increase of callable capital would be made in two equal installments, the first in 1971 and the second in 1973.

The subscribed "paid-in" capital has been or is to be paid 50% in gold and/or

United States dollars and 50% in the currency of the respective member except that non-negotiable, non-interest-bearing demand obligations have been accepted or will be accepted, as permitted under the provisions of Article V, Section 4 of the Agreement, in lieu of part of the payment required to be made in the member's currency. The subscribed "callable" portion of the authorized Ordinary Capital shall be called only when required to meet the obligations of the Bank created by borrowing or by guaranteeing loans with respect to the Ordinary Capital and is payable at the option of the member either in gold, United States dollars or the currency required to discharge the obligation of the Bank for the purpose for which the call is made.

(2) Barbados became a member in March 1969 and has paid US\$414,000 and member currency equivalent to \$414,000. The balance of the paid-in capital subscription is to be paid in installments of US\$207,000 and member currency equivalent to \$207,000 in each of the years 1971 through 1973.

(3) Jamaica became a member in December 1969 and has paid US\$828,000 and member currency equivalent to \$828,000. The balance of the paid-in capital subscription is to be paid in installments of US\$552,000 and member currency equivalent to \$552,000 in 1971.

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL

STATEMENT OF CURRENCIES AND DEMAND OBLIGATIONS HELD BY THE BANK

DECEMBER 31, 1970

See Notes to Financial Statements—Appendix I-7

Member	Unit of currency	Due from banks		Non-negotiable, non-interest-bearing demand obligations		Total	
		Amount in local currency	Expressed in United States dollars	Amount in local currency	Expressed in United States dollars	Amount in local currency	Expressed in United States dollars
Argentina	Peso	24,961,327	\$ 6,240,332	10,000,000	\$ 2,500,000	34,961,327	\$ 8,740,332
Barbados	E.C. Dollar	13,651	6,826	814,000	407,000	827,651	413,826
Bolivia	Peso Boliviano	725,692	61,112	20,187,500	1,700,000	20,913,192	1,761,112
Brazil	Cruzeiro	37,330,556	7,728,129			37,330,556	7,728,129
Chile	Escudo	23,802,229	1,949,404			23,802,229	1,949,404
Colombia	Peso	54,806,017	3,244,568			54,806,017	3,244,568
Costa Rica	Colon	3,235,521	487,284			3,235,521	487,284
Dominican Republic	Peso	172,280	172,280			172,280	172,280
Ecuador	Sucre	14,592,256	585,359			14,592,256	585,359
El Salvador	Colon	1,082,104	432,841			1,082,104	432,841
Guatemala	Quetzal	507,007	507,007			507,007	507,007
Haiti	Gourde	4,562,067	912,413			4,562,067	912,413
Honduras	Lempira	1,598,495	799,247			1,598,495	799,247
Jamaica	Jamaican Dollar	19,304	23,165	668,334	802,000	687,638	825,165
Mexico (1)	Peso	98,160,867	7,852,870			98,160,867	7,852,870
Nicaragua	Cordoba	5,061,614	723,088			5,061,614	723,088
Panama	Balboa	392,202	392,202			392,202	392,202
Paraguay	Guarani	31,339,290	248,725			31,339,290	248,725
Peru	Sol	43,219,892	1,101,089			43,219,892	1,101,089
Trinidad and Tobago	T.T. Dollar	11,554	5,777	1,800,000	900,000	1,811,554	905,777
United States	Dollar	456,142	456,142			456,142	456,142
Uruguay	Peso	297,903,174	1,191,613			297,903,174	1,191,613
Venezuela	Bolivar	13,444,454	2,982,769	16,833,522	3,740,783	30,277,976	6,723,552
			38,104,242		10,049,783		48,154,025
Non-Member							
Belgium	Belgian Franc	69,850	1,397			69,850	1,397
England	Pound Sterling	1,365	3,276			1,365	3,276
Germany	Deutsche Mark	1,773,898	484,672			1,773,898	484,672
Italy	Lira	182,054,506	291,287			182,054,506	291,287
Japan	Japanese Yen	25,451,322	70,698			25,451,322	70,698
Netherlands	Netherland Guilder	1,886	521			1,886	521
Sweden	Swedish Kronor	5,712	1,104			5,712	1,104
Switzerland	Swiss Franc	439,704	100,550			439,704	100,550
			953,505				953,505
Total expressed in United States dollars			\$39,057,747		\$10,049,783		\$49,107,530

(1) In accordance with the provisions of Article V, Section 1 of the Agreement the use of these funds by the Bank or any recipient from the Bank has been restricted

by the member to making payments for goods and services produced in its territory.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1970

Note A—Translation of Currencies

Amounts in member currencies other than United States dollars have been translated into United States dollars at the rates at which the amounts were received or loaned by the Bank, except for the undisbursed balances and accrued charges on certain loans denominated in member currencies other than United States dollars, which have been translated into United States dollars at the approximate market rates of exchange existing at December 31, 1970. The non-member currency proceeds of the funded debt have been translated into United States dollars at par value rates of exchange. Amounts of loans approved and loans sold or agreed to be sold which are denominated in other non-member currencies have been translated into United States dollars at the approximate market rates of exchange existing at December 31, 1970. No representation is made that any of such currencies is convertible into any other of such currencies at any rate or rates.

Note B—Maintenance of Value on Currencies Held by Bank

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

Note C—General Reserve

Pursuant to actions of the Board of Governors the net income from the Ordinary Capital resources of the Bank has been allocated to a general reserve for possible future losses and,

until further action by the Board of Governors, the net income of each year is to be allocated automatically to such reserve.

Note D—Special Reserve

The amount of commissions received by the Bank on loans made out of the Ordinary Capital resources is required under Article III,

	1970	1969
Due from Banks	\$ 263,036	\$ 140,451
Investments in United States Government obligations (at cost or amortized cost—face amount 1970—\$24,209,000; 1969—\$18,354,000)	23,673,183	18,022,287
Accrued loan commissions	1,711,231	1,514,624
Total	<u>\$25,647,450</u>	<u>\$19,677,362</u>

Note E—Allocation of Administrative Expenses

Article III, Section 3 (b) of the Agreement provides: "Expenses pertaining directly to ordinary operations shall be charged to the ordinary capital resources of the Bank. Expenses pertaining directly to special operations shall be charged to the resources of the Fund [for Special Operations]. Other expenses shall be charged as the Bank determines". For each of the years through 1970, expenses which have been deemed to be not identifiable as pertaining directly to either the Ordinary Capital or the Fund for Special Operations have been distributed pursuant to the decisions of the Board of Executive Directors. During 1969 such expenses have been charged 46% to the income of the Ordinary Capital and 54% to the income of the Fund for Special Operations and during 1970 such expenses have been charged 43% to the income of the Ordinary Capital and 57% to the income of the Fund for Special Operations.

Note F—Technical Assistance

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

At December 31, 1970 the amount approved by the Bank for expenditures in the future for technical assistance projects was \$2,538,853. Pursuant to resolutions of the Board of Executive Directors all technical assistance expenditures after January 1, 1963 are to be charged first to the net income of the Fund for

Section 13 of the Agreement to be set aside as a special reserve to be kept available for meeting the Bank's obligations created by borrowing or by guaranteeing loans. On all loans granted to date the rate of commission is 1% per annum. The special reserve assets at December 31, 1970 and 1969 consist of the following:

Special Operations, including income accumulated in the general reserve of that Fund, and thereafter to the net income of the Ordinary Capital.

Note G—Loans Outstanding Held by Bank

One of the Bank's borrowers, a private enterprise in Brazil, defaulted on the interest and principal payments due June 15, 1966, on two loans. The Bank instituted foreclosure proceedings in November 1966, under the first mortgages held by the Bank on the plant, equipment and forest lands to secure its claim against the borrower. The total amount of these loans as of that date was the equivalent of US\$8,400,345, including the unpaid principal amount of US\$7,981,692 and accrued interest of US\$418,653 from December 15, 1965. The Brazilian court of the first instance authorized the seizure of the mortgaged property, and on June 30, 1967, upheld the Bank's right to foreclose on the properties. In December 1968 the Supreme Court of Brazil upheld the Bank's right to foreclose on the properties. Steps are being taken before the court of the first instance to fulfill the necessary procedures to effectuate the sale of the property at public auction. The amount to be obtained from the sale or other disposition of the properties cannot be determined at this time.

Costs and expenses associated with these loans are being charged to expense as incurred. In the years ended December 31, 1969 and December 31, 1970 the amounts so charged were \$208,900 and \$159,818, respectively.

ORDINARY CAPITAL RESOURCES

INTER-AMERICAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1970

(Continued)

Note H—Contingent Liability

In 1966 the Bank sold a participation in the amount of \$400,000 in one of its loans on which the payment of both interest and principal is unconditionally guaranteed by the Bank. The participation bears interest at 4¾% per annum and is repayable in 24 semi-annual installments with the final payment due May 16, 1978. The outstanding balance at December 31, 1970 is \$250,006.

Note I—Fund for Special Supervision and Inspection of Loans

In accordance with the loan contracts borrowers have agreed to special charges to cover costs of extraordinary supervision and inspection services performed in connection with

projects financed under the loans. Beginning in 1966 the Bank established a special fund in each of the separate "windows" of the Bank (Ordinary Capital, Fund for Special Operations and Social Progress Trust Fund) to accumulate the amounts charged under the special provisions of the loans. Each loan is charged pursuant to the contract and the offsetting credit is accumulated in an account called "Fund for Special Supervision and Inspection of loans". Expenses associated with supervision and inspection of these loans which are over and above those normally and routinely performed by the Bank are charged to the respective accounts. There follows a summary of transactions in the Ordinary Capital account for 1970 and 1969:

	1970	1969
Balance beginning of period	\$1,256,067	\$ 994,524
Charges against loans	1,447,179	962,543
Less expenses:		
Salaries of specialists	\$283,811	\$287,420
Other compensation and benefits	102,000	96,587
Travel	117,394	75,134
Contractual services	149,998	114,054
Miscellaneous	160,692	127,805
	813,895	701,000
Balance end of period	<u>\$1,889,351</u>	<u>\$1,256,067</u>

Note J—Staff Retirement Plan

The Bank has a Staff Retirement Plan for the benefit of its employees which became effective as of February 1, 1961 and was last amended as of December 2, 1970. Every staff member under 65 becomes a participant as a condition of service. Each participant contributes a percentage of his remuneration to the Plan and the Bank contributes all operating expenses of the Plan and that part of the actuarial cost not

provided by the contributions of participants. All contributions by the Bank are charged to administrative expense. Contributions to the Plan during 1970 by the Bank—Ordinary Capital and the Bank—Fund for Special Operations were \$742,339 and \$984,031 respectively. There was no unfunded liability as of December 31, 1969 the latest date through which actuarial computations have been made for the Plan.

PART II

FUND FOR SPECIAL OPERATIONS

Operations/Fiscal Year 1970



AGRARIAN REFORM PROGRAM IS FOSTERED IN VENEZUELA WITH HELP OF INTER-AMERICAN BANK FINANCING. A LOAN EXTENDED IN 1962 HELPED IMPROVE THIS FARM SETTLEMENT. COTTON PICKER WAS FINANCED WITH COUNTERPART FUNDS FROM VENEZUELA'S AGRICULTURAL DEVELOPMENT BANK.

PART II

FUND FOR SPECIAL OPERATIONS

Operations/Fiscal Year 1970

RESOURCES

One of the major reasons for the growth and success of the Inter-American Bank over the past decade has been the timely support which the Bank has received from its member countries in replenishing its concessional loan window—the Fund for Special Operations.

Thanks to this support the Bank has constantly been able to increase the loans it extends to Latin America on the concessional, long-term basis which contributes most effectively to their development without exerting an excessive burden on their debt servicing and balance-of-payments situation.

Established in 1959 with original resources of some \$150 million, the Fund has been replenished three times: first by \$73,158,000 in 1964, then by \$900 million in 1965, and finally by \$1.2 billion in 1967.

At the Bank's Eleventh Annual Meeting held in Punta del Este, Uruguay, in April 1970, the Board of Governors rec-

ommended once again that the Fund for Special Operations be substantially augmented, this time by a total of \$1.5 billion. As a result of this recommendation, the member countries voted to put the requisite resolution into effect on Dec. 31, 1970.

The increase in the Fund would be contributed in each of the member country's own currency in three annual installments, the first amounting to \$150 million to be contributed by June 30, 1971, and the remaining two in equal installments of \$675 million each before June 30, 1972, and June 30, 1973, respectively.

The United States' share of the increase in the Fund for Special Operations would be \$1 billion. The Latin American contribution would be \$500 million.

The present subscriptions to the Fund for Special Operations as well as the new increases are shown in the table on the following page.

LOANS

During 1970 the Bank authorized 37 loans totaling \$443 million from the Fund for Special Operations, bringing the net cumulative lending from the Fund as of Dec. 31, 1970, to 279 loans for \$2,022 million, net of cancellations and exchange adjustments.

Disbursements on loans from the Fund for Special Operations amounted to \$245 million, bringing cumulative disbursements as of Dec. 31, 1970, to \$752 million.

As befits the purpose of the Fund, most of the loans were made to help finance projects which benefit, either in social or economic development fields, broad sectors of the population who had previously enjoyed little such support. While much of the concessional funds went to countries of relatively little development within Latin America, much also went to those classified as more de-

FUND FOR SPECIAL OPERATIONS

veloped. However, when this occurred the financing was directed to projects of a social nature in such fields as sanitation, housing and education, or it provided support for depressed sectors and areas.

In this context, the Bank placed substantial emphasis in 1970 on lending in the farm and transportation sectors.

By sectors, the 37 loans authorized from the Fund for Special Operations during the year included 12 for \$213 million for *agriculture*, 5 for \$93.1 million for *transportation and communications*, 2 for \$47.4 million for *urban development and housing*; 5 for \$26.1 million for *water and sewage systems*; 2 for \$24.8 million for *electric power*; 4 for \$17.2 million for *industry*; 4 for \$13.2 million for *education*, and 3 amounting to \$8.2 million for *preinvestment*.

The 12 *agricultural* loans included \$29 million to the *Federal Republic of Brazil* to encourage rural development and settlement in a vast unsettled portion of the State of Minas Gerais; \$35 million also to the *Federal Republic of Brazil* for a country-wide farm credit program designed to aid small- and medium-scale farmers and ranchers; \$13 million also to the *Federal Republic of Brazil* to combat foot-and-mouth disease in cattle in seven Brazilian states; \$4.1 million to the *Instituto Ecuatoriano de Recursos Hidráulicos* to prepare new lands for farming by small- and medium-scale farmers; \$6.2 million to help *Jamaica* finance a farm improvement program designed to create 4,000 additional viable farms; \$26 million to *Nacional Financiera, S.A.*, to

FUND FOR SPECIAL OPERATIONS
(Expressed in thousands of U.S. dollars)

Country	Contributions as of Dec. 31, 1970	Increase	Total After Increase
Argentina	\$ 115,086	\$ 108,981	\$ 224,067
Barbados	414	392	806
Bolivia	9,240	8,750	17,990
Brazil	115,086	108,981	224,067
Chile	31,599	29,923	61,522
Colombia	31,578	29,903	61,481
Costa Rica	4,620	4,374	8,994
Dominican Republic	6,159	5,834	11,993
Ecuador	6,159	5,834	11,993
El Salvador	4,620	4,374	8,994
Guatemala	6,159	5,834	11,993
Haiti	4,620	4,374	8,994
Honduras	4,620	4,374	8,994
Jamaica	6,159	5,834	11,993
Mexico	73,989	70,064	144,053
Nicaragua	4,620	4,374	8,994
Panama	4,620	4,374	8,994
Paraguay	4,620	4,374	8,994
Peru	15,414	14,596	30,010
Trinidad and Tobago	4,620	4,374	8,994
United States	1,800,000	1,000,000	2,800,000
Uruguay	12,342	11,687	24,029
Venezuela	61,665	58,395	120,060
TOTAL	\$2,328,009	\$1,500,000	\$3,828,009

enable Mexico to carry out a variety of small and medium irrigation works in seven northeast states; \$5.8 million (along with \$11.7 million from the ordinary capital resources) also to *Nacional Financiera, S.A.*, to help Mexico carry out an irrigation project in the State of Hidalgo; \$23.3 million to help the *Republic of Peru* build and expand irrigation systems and encourage agricultural development benefiting low-income farmers throughout Peru; \$2.9 million and \$700,000 to help *Trinidad and Tobago* carry out a program to benefit small- and medium-sized farms, and \$58.8 million and \$8.2 million (along with \$8 million from the ordinary capital resources) to help the *Republic of Venezuela* carry out

an integrated agricultural development program in four major sections of the nation.

The five *transportation and communications* loans included \$17 million (along with \$8.5 million and \$8 million from the ordinary capital resources) to help the *Republic of Argentina* expand its northeast highway system and build its first bridge link to Uruguay; \$16.1 million to enable the *Republic of Colombia* to build a key section of highway linking the nation's two principal cities, Bogotá and Medellín; \$18 million to help the *Republic of Ecuador* build and improve 211 miles of major highway segments; \$22 million (along with \$14 million from the ordinary capital re-



CATTLE HERDS RUN FROM CORRAL TO PASTURE LANDS ON THIS RANCH IN NICARAGUA. WITH LESS THAN \$50,000 IN INTER-AMERICAN BANK FUNDS, OWNER, WHO HAS 900 HEAD OF CATTLE, HAS BEEN ABLE TO UPGRADE HIS HERD AND IMPROVE HIS TECHNOLOGY.

sources) to *Nacional Financiera, S.A.*, to enable Mexico to build 1,100 miles of feeder roads, and \$20 million to the *Central American Bank for Economic Integration* for the construction of 258 miles of key highway projects throughout the five Central American countries.

The two loans classified in the *urban development and housing* sectors included a \$12.4-million loan to enable the *Republic of Nicaragua* to carry out a broad urban development program and a \$35-million loan to the *Republic of Peru* to help rehabilitate regions of the country devastated by the earthquake which ravaged the country May 31, 1970. While most of the Peruvian loan is being devoted to the urban development sector, important parts of it will help rehabilitation programs in the agricultural, transportation, electric power, water, education and preinvestment sectors.

The five loans devoted to *water supply and sewage systems* included \$3 million to the *Municipalities of Valparaíso and Viña del Mar* to help improve their water supply and sewage systems; \$6.3 million to the *Servicio Nacional de Acueductos y Alcantarillado* to improve water supply and sewage systems in five major cities in Costa Rica; \$4.1 million to help the Dominican Republic to build rural water supply systems in 180 rural communities; \$7.6 million to the *Municipality of Guayaquil* to improve and expand its sewage system, and \$5.1 million to the *Banque Nationale de la République d'Haiti* to finance the second stage of a program to improve the water system of Port-au-Prince and adjacent areas.

The two *electric power* loans included \$21 million (along with \$9 million from the ordinary capital resources) to *Agua y Energía Eléctrica, Empresa del Estado* to help expand power distribution systems throughout Argentina's interior and \$3.8 million to help the *Instituto Costarricense de Electricidad* to expand power distribution systems in two outlying provinces of Costa Rica.

The four *industrial* loans included \$3.3 million (along with \$2.2 million from the ordinary capital resources) to the *Banco de Costa Rica* to provide cred-

its to small- and medium-private enterprises in Costa Rica; \$5 million (along with \$5 million from the ordinary capital resources) to *Nacional Financiera, S.A.*, to encourage the growth of small and medium industries in Mexico; \$1.5 million (along with \$4.5 million from the ordinary capital resources) to the *Banco de la República Oriental del Uruguay* to encourage industrial growth and tourism in Uruguay; and \$7.4 million (along with \$6 million from the ordinary capital resources) also to the *Banco de la República Oriental del Uruguay*, to help Uruguay modernize its meat packing industry.

The four *education* loans included \$2 million to help improve and expand teaching facilities at the *Universidad Centroamericana José Simeón Cañas* in San Salvador, El Salvador; \$4.7 million to help *Jamaica* finance a student loan fund for higher education; \$4.5 million to the *Republic of Uruguay* to enable the *Universidad del Trabajo del Uruguay* to expand its technical education program, and \$2 million to the *Pan American Health and Education Foundation* to finance the distribution of low-cost medical textbooks throughout Latin America.

The three preinvestment loans included \$530,000 to enable the *Republic of Bolivia* to complete a feasibility study for the reconstruction of a key segment of the road between La Paz and Santa Cruz; \$6 million to enable the *Republic of Colombia* to continue and expand its preinvestment studies program, and \$1.7 million to help the *Republic of Panama* to establish a similar preinvestment fund.

The rates of interest charged in 1970 on loans extended from the Fund for Special Operations continued at 2¼ per cent and 3½ per cent per annum, depending on the nature of the project. In addition a service charge of ¾ of 1 per cent payable in U.S. dollars was applied to all such loans. Loans from the Fund were granted for terms ranging from 15 to 30 years.

Loans authorized from the Fund for Special Operations are described below under the following categories:

- Agriculture
- Transportation and Communications

- Urban Development
- Water and Sewage Systems
- Electric Power
- Industry and Mining
- Education
- Preinvestment

AGRICULTURE

BRAZIL

RURAL DEVELOPMENT

\$29 million 20-year 2¼% loan of April 9, 1970 (\$20 million and \$9 million in cruzeiros)

Borrower: **STATE OF MINAS GERAIS**

Between the Brazilian capital of Brasília and the industrial and mining center of Belo Horizonte lies a fertile but sparsely populated area embracing some 42,500 square miles. Located in the northwest corner of the State of Minas Gerais, this region has remained virtually undeveloped due, in large part, to a shortage of roads and electric power, the use of rudimentary farming methods and the lack of community services for settlers.

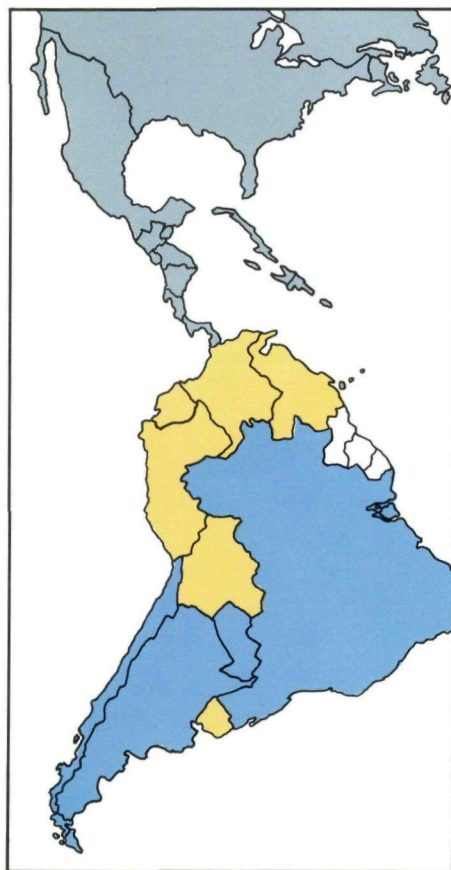
Improvements in the region's infrastructure and farm operations—especially the irrigation system tapping waters of the São Francisco River—are expected to attract more settlers in the near future. They will also encourage increased output of such products as citrus fruits, pineapples, corn, soybeans, rice and pork.

This loan will help finance a program designed to settle 1,550 farm families on six demonstration centers in the region, provide irrigation systems, construct an access road network, install power lines and build community centers.

Up to \$2,071,700 of the loan will be used for technical assistance to start a research and farm training center, provide extension services and carry out irrigation and marketing studies. In addition, the administrative and accounting organization of the *Fundação Rural Mineira*, the agricultural agency in charge of the program, will be strengthened.

Fifty-two per cent of the \$56-million cost of the program will be covered by the Bank's loan, and the remaining 48 per cent will be provided by local sources.

The loan is guaranteed by the Federal Republic of Brazil.



CAMPAIGN TO COMBAT FOOT-AND-MOUTH DISEASE IN LATIN AMERICA IS BEING FOSTERED BY THE INTER-AMERICAN BANK.



hicles and breeding livestock, and build or install sheds, wells, water tanks, stables, silos and small food-processing plants. The program, which will also be aided by rural extension agents, will be directed toward areas given high priority in Brazil's National Agricultural Development Plan.

In 1965 the Bank approved a \$20.5-million loan for a similar program, under which more than 17,000 credits to rural producers have been approved.

BRAZIL

FOOT-AND-MOUTH DISEASE CAMPAIGN

\$13 million 20-year 2¼% loan of June 18, 1970 (\$10.5 million and \$2.5 million in cruzeiros)

Borrower: **FEDERAL REPUBLIC OF BRAZIL**

In 1968 the Inter-American Bank initiated a policy of providing financial support to its member nations to help them step up their efforts to control and eventually eradicate foot-and-mouth disease. Counting this \$13-million loan to Brazil, the Bank has now channeled \$28.6 million toward ridding the dreaded virus from the South American continent, the Western Hemisphere's remaining infected region. Bank-supported programs are now underway in Argentina, Brazil, Chile and Paraguay.

This loan will help finance the \$67-million first stage of Brazil's nationwide campaign, initially to be carried out in seven key cattle-producing states—Bahia, Espírito Santo, Minas Gerais, Paraná, Rio Grande do Sul, Santa Catarina and São Paulo. These states account for two-thirds of the nation's estimated 65 million head of livestock.

The first stage, spanning a four-year period, calls for the compulsory and periodically repeated vaccination of cattle over the age of four months, the improvement of sanitary and disinfection measures, the expansion of laboratories for vaccine storage and analysis and the construction of border quarantine stations. Up to \$946,000 of the loan will also be used for technical assistance to train campaign personnel.

In subsequent stages extending to 1985, the campaign will enter an eradication phase covering all Brazil. In the decade ahead the program is expected to diminish economic losses due to the disease, which were estimated at \$671 million in the 1960-68 period. The agency in charge of the program is the *Coordenação do Combate à Febre Aftosa* of the Ministry of Agriculture.

ECUADOR

FARM DEVELOPMENT AND IRRIGATION

\$4.1 million 20-year 3¼% loan of Sept. 10, 1970 (\$3.4 million and \$700,000 in sucres)

Borrower: **INSTITUTO ECUATORIANO DE RECURSOS HIDRÁULICOS**

This loan will help Ecuador carry out a project to prepare some 8,500 acres of land for productive farming located in Ecuador's northern Province of Carchi near the Colombian border. About 4,400 acres in the project area are currently cultivated but at near-subsistence levels.

To change this the *Instituto Ecuatoriano de Recursos Hidráulicos (INERHI)*, an irrigation agency which operates under the Ministry of Agriculture, has launched a \$6-million project, called the Montúfar Project. Irrigation facilities

BRAZIL

FARM CREDIT

\$35 million 20-year 3¼% loan of April 19, 1970 (\$19 million and \$16 million in cruzeiros)

Borrower: **FEDERAL REPUBLIC OF BRAZIL**

About half of Brazil's population is engaged in agricultural activities, yet this sector's share of the nation's gross domestic product amounted to only 27 per cent in 1968. Moreover, food demands in 1969 increased by 4.8 per cent, while the growth of farm output was only 4.5 per cent. This lag has led the government to place increased emphasis on providing credit for machinery, equipment and on-farm improvements.

This loan will help finance the first stage of a \$100-million credit program which will benefit rural cooperatives and 38,000 small- and medium-sized farms and ranches. The loan proceeds, which will cover half the cost of the \$70-million first stage, will be channeled to the beneficiaries by Brazil's Central Bank.

Credits will be used to prepare land; purchase seed, machinery, equipment, ve-

will be built to tap waters of the Apaquí River, farm credit and extension services will be provided to farmers, and a reorganization of the land tenure system in the area will be carried out. Up to \$375,000 of the loan has been earmarked to improve *INERHI's* administrative and financial operations, complete a water feasibility study for another highland area and carry out irrigation studies in the southern Province of El Oro.

This loan will finance 68 per cent of the project's cost; the remainder will come from local sources.

As a result of the execution of the project, yields of such crops as potatoes, peas, wheat, lentils, barley and beans are expected to rise sharply and lead to an increase in the area's gross output of from \$98,200 yearly to approximately \$2.4 million. Products will be sold both locally in the province and across the border in Colombia.

The loan is guaranteed by the Republic of Ecuador.

JAMAICA

FARM IMPROVEMENTS

\$6.2 million 20-year 2¼% loan of Sept. 2, 1970 (\$5.8 million and \$400,000 in Jamaican dollars)

Borrower: **JAMAICA**

Of some 160,000 small farms (those under 100 acres) on the island of Jamaica, approximately 115,000 are of less than five acres; 41,000 are between 5 and 25 acres, and 4,000 have from 25 to 100 acres. The Jamaican Government has determined that in general only those farms with more than five acres can become economically viable units, and in 1970 launched a program to help them reach this development level.

Through a Self-Supporting Farmers Development Program, being carried out by the Ministry of Rural Land Development, and whose first stage is being financed with this loan, 3,600 existing and 320 new farms will receive financial, marketing, research and extension assistance over the next four years. Most of the benefited farms are in the 5-to-25-

acre class. An increase in the production and productivity of these farms will have a favorable impact on the diversification efforts of Jamaica's farm sectors—currently dedicated to such crops as sugar, copra and banana—and partially reduce the country's food imports.

This loan, which is the first extended to Jamaica since it became the Bank's 23rd member in 1969, will provide 52.5 per cent of the \$11.8 million cost of the program's first stage; the Government of Jamaica will put up 31.4 per cent and the beneficiaries will contribute the remaining 16.1 per cent. Up to \$324,000 of the loan will finance technical assistance services connected with the execution of the program.

MEXICO

SMALL-SCALE IRRIGATION

\$26 million 25-year 3% loan of May 14, 1970 (\$14,190,000 and \$11,810,000 in Mexican pesos)

Borrower: **NACIONAL FINANCIERA, S.A.**

Since it began operations in 1960 the Bank has lent Mexico more than \$270 million for small- and large-scale irrigation projects. These works—many of them completed—are being carried out at a cost of about \$680 million and will provide water for some 1.8 million acres of land throughout the country.

This loan will help support Mexico's Small-Scale Irrigation Plan for the seven northeast states, which cover one-third of the nation's territory. A total of 665 irrigation facilities will be constructed or rebuilt in Coahuila, Chihuahua, Durango, Nuevo León, San Luis Potosí, Tamaulipas and Zacatecas. These

RICE HARVESTING IN PANAMA IS BEING MODERNIZED WITH THE SUPPORT OF BANK LOANS CHanneled TO FARMERS THROUGH RURAL CREDIT BRANCHES OF THE NATION'S ECONOMIC DEVELOPMENT INSTITUTE.



SOME \$270 MILLION IN BANK LOANS ARE HELPING TO BOOST TOTAL IRRIGATED FARMLAND THROUGHOUT MEXICO.

works will bring water to approximately 100,000 acres of arid and semi-arid land and will benefit some 35,000 low-income farm families. As a result of the projects, rural living standards will be notably improved, particularly in the vast Ixtlera-Candelillera desert area, which spans three states and whose 4 million inhabitants earn a yearly average of \$20 per person.

The total cost of the program is estimated at \$53.6 million, of which this loan will cover 48.5 per cent and local sources the remainder.

In 1967 the Bank channeled \$13 million for small-scale irrigation projects in the northeast region which have helped bring 85,000 acres under cultivation.

The loan is guaranteed by the United Mexican States.

MEXICO

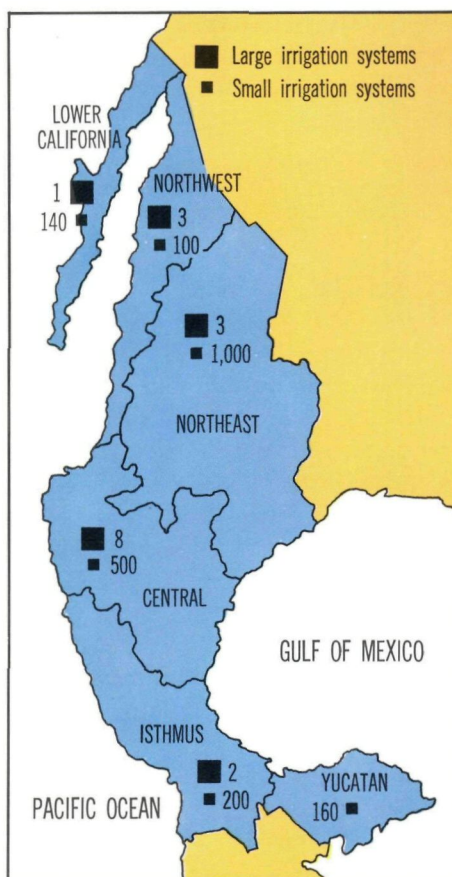
IRRIGATION AND FARM DEVELOPMENT

\$5.8 million 20-year 4% loan of Nov. 5, 1970 (\$4,134,000 and \$1,666,000 in Mexican pesos)

Borrower: **NACIONAL FINANCIERA, S.A.**

This loan, plus another for \$11.7 million from the ordinary capital resources, is helping to finance an irrigation and farm development project being carried out in Mexico's State of Hidalgo. The project is the first stage of the nation's Central Water Plan, which seeks to fully utilize the water resources of the Valley of Mexico and the Lerma and Pánuco river basins.

The works call for the construction of canals, distribution systems, service roads and other facilities, and the preparation of lands for farming. The new fa-



cilities will tap waters of the Tula River to serve the farmland areas of Acayutlán, Tunititlán, Chilcuautla, Valle de Alfajayucán, Xochitlán and Bojay in the western part of the State.

By helping to increase farm production and improve family incomes and living conditions, the project will speed development in a region where unemployment and subsistence-level farming are currently widespread.

The loan is guaranteed by the United Mexican States.

PERU

IRRIGATION AND FARM DEVELOPMENT

\$23.3 million 25-year 2¼% loan of Nov. 5, 1970 (\$12,640,000 and \$10,660,000 in soles)

Borrower: **REPUBLIC OF PERU**

Within its national development plans, the Government of Peru has given high priority to agricultural development, particularly in such areas as irrigation and improved technology.

This loan will help finance a program to build and expand small- and medium-scale irrigation systems throughout

the country, improve farm facilities and provide credit and technical aid to farmers. Objectives of the program are to boost production on some 74,100 acres of land and raise the living standards of about 5,500 rural families. Particular emphasis will be given to increasing the output of such locally marketable foods as vegetables, potatoes, cereals, fruits and meats.

Of the 17 irrigation projects initially selected, ten will be carried out in the mountain region, six along the arid coastal strip, and one in the eastern jungle region. In addition to the irrigation works, the program provides for the construction of access roads, installation of fences, land improvement and the granting of credits to pay for seeds, fertilizers, pesticides, fruit planting, livestock and farm machinery, equipment and buildings.

This loan will cover 62 per cent of the program's \$37.6-million cost, and local sources will put up the remaining 38 per cent. Up to \$50,000 of the loan will finance technical assistance services to train Ministry of Agriculture staff members in the field of water resources and irrigation and to develop a procedural model for the improved use of irrigation systems.

TRINIDAD AND TOBAGO

AGRICULTURAL DIVERSIFICATION

\$2.9 million 20-year 2¼% loan of April 9, 1970 (\$2.4 million and \$500,000 in Trinidad and Tobago dollars)

Borrower: **TRINIDAD AND TOBAGO**

Agricultural activity in Trinidad and Tobago is heavily concentrated in the production of export crops, especially sugar, which accounts for about half the nation's farm sales. And since food output for local consumption is inadequate, such commodities as fruits, vegetables, pork and poultry must be imported to satisfy demand.

This loan, along with another for \$700,000 described below will help support a nationwide credit program to expand and diversify crop livestock production geared to the domestic market. The program, which will be carried out by the Agricultural Development Bank, will

benefit small and intermediate holdings and will cost an estimated \$9.6 million; the Bank loans will provide 37.5 per cent of this sum and local sources will contribute the remaining 62.5 per cent.

TRINIDAD AND TOBAGO

AGRICULTURAL DIVERSIFICATION

\$700,000 20-year 3¼% loan of April 9, 1970
(\$600,000 and \$100,000 in Trinidad and Tobago dollars)

Borrower: **TRINIDAD AND TOBAGO**

This loan, together with the above-mentioned \$2.9-million loan, will contribute to Trinidad and Tobago's current efforts to expand and diversify agricultural production, particularly on small- and medium-size farms. It is expected that 90 per cent of those receiving credit will be farmers with holdings ranging in size from 5 to 50 acres; the remaining 10 per cent will be those with farms ranging from 50 to 100 acres.

Under the program, up to \$251,000 of the Bank's contribution will be devoted to technical assistance, including the training of farm extension agents of the ministry of Agriculture, Lands and Fisheries, and of senior credit analysts of the Agricultural Development Bank, the agency in charge of the program.

VENEZUELA

AGRICULTURAL DEVELOPMENT

\$58.8 million 20-year 4% loan of May 28, 1970
(\$33,420,000 and \$25,380,000 in bolivars)

Borrower: **REPUBLIC OF VENEZUELA**

In recent years Venezuela's agrarian reform efforts have increasingly become oriented toward consolidating rural settlements through integrated projects which

call for investments in a wide variety of fields.

This loan, along with the \$8.2-million loan described below and another for \$8 million from the ordinary capital resources, will help finance such an integrated program, whose main objective is to raise the farm output and living standards of some 63,000 low-income rural families.

Specifically, this loan will directly benefit about 13,000 families living on 365,000 acres of land in four major development regions of Venezuela. Projects to be financed include land preparation; drainage and flood control; construction of small irrigation systems; installation of grain processing plants; provision of farm credit and the building or repair of 300 miles of internal access roads and 775 miles of farm-to-market roads.

The Bank's other two loans will help carry out farm research and extension projects, construct granaries, train agricultural workers and technicians, and provide technical assistance services to the agencies in charge of the program.

VENEZUELA

FARM RESEARCH, EXTENSION AND TRAINING

\$8.2 million 20-year 3% loan of May 28, 1970
(\$5,965,000 and \$2,235,000 in bolivars)

Borrower: **REPUBLIC OF VENEZUELA**

This loan is the third in a three-loan package amounting to \$75 million which is helping Venezuela carry out a broad-scale integrated agricultural development program. It will be devoted to three sub-programs for the construction of three regional agricultural research centers and

the reorganization of two other centers; the establishment of 200 farm extension agencies to aid farmers, and the training of 3,700 agency administrators, professionals, technical personnel and rural farm leaders in a wide variety of courses related to agriculture.

In addition, up to \$1,490,000 of the loan will help cover the cost of technical assistance to strengthen the administrative and operational efficiency of four of the governmental agencies carrying out the program: the Ministry of Agriculture, the National Agrarian Institute, the *Banco Agrícola y Pecuário* (a public farm-sector bank) and the *Fundación para la Capacitación e Investigación Aplicadas a la Reforma Agraria* (a private foundation for agrarian reform instruction).

TRANSPORTATION AND COMMUNICATIONS

ARGENTINA

SECONDARY ROADS

\$17 million 25-year 3¼% loan of Dec. 17, 1970
(\$5.5 million and \$11.5 million in Argentine pesos)

Borrower: **REPUBLIC OF ARGENTINA**

In recent years the economic growth of Argentina's northeast provinces of Corrientes, Entre Ríos and Misiones, whose per capita income is less than half the national average, has remained at a standstill. This is largely due to the shortage of paved roads and the relative isolation of the region, which is separated from major ports and market centers by the Paraná and Uruguay rivers.

To remedy this situation, the national government has begun a program to build 1,500 miles of trunk highways and



INTENSIVE TRUCK FARMING IN TRINIDAD AND TOBAGO IS BEING SUPPORTED BY INTER-AMERICAN BANK LOANS CHanneled THROUGH THE NATION'S AGRICULTURAL DEVELOPMENT BANK. PROGRAM IS HELPING THE NATION TO REDUCE ITS DEPENDENCY ON A ONE-CROP (SUGAR CANE) ECONOMY.



POWER SHOVEL LOADS DIRT AS WORK GOES FORWARD, WITH BANK ASSISTANCE, ON CONSTRUCTION OF RURAL ROADS IN COSTA RICA. ROAD SHOWN WILL PROVIDE ALL-WEATHER TRANSIT BETWEEN THE PORT OF QUEPOS AND THE CAPITAL, SAN JOSE.

700 miles of secondary roads in the three provinces, and bridges over the Paraná and Uruguay rivers.

This loan will finance 57 per cent of the \$29.7-million cost of building 379 miles of secondary roads in the region; local sources will supply the remaining 43 per cent. Two additional loans to Argentina, totaling \$16.5 million from the ordinary capital resources, were earmarked for a trunk highway project in Entre Ríos Province and the joint Argentine-Uruguayan construction of a bridge over the Uruguay River.

The *Dirección Nacional de Vialidad*, the roads agency of the Department of Public Works and Transportation, will be in charge of building the secondary highways. Completion of these provincial roads will link outlying rural areas to major markets and river ports by providing access to trunk routes and key bridges and underwater tunnel crossings spanning the Paraná and Uruguay rivers.

COLOMBIA

HIGHWAY CONSTRUCTION

\$16.1 million 25-year 3¼% loan of June 18, 1970 (\$15.8 million and \$300,000 in Colombian pesos)

Borrower: **REPUBLIC OF COLOMBIA**

Not one direct modern highway links Colombia's two largest cities, Bogotá and

Medellín. Instead, the cities are connected overland by three circuitous routes over which travel time averages between 22 and 29 hours.

With the help of World Bank financing authorized in 1968, the Colombian Government began the construction of a more direct highway, 258 miles long. That route links Medellín and Santuario (east of Medellín) with Puerto Triunfo (on the Magdalena River) and Bogotá. The World Bank is financing the Medellín-Santuario portion of the new route.

This loan will help build the Santuario-Puerto Triunfo section. The loan, which covers 41.6 per cent of the project's \$38.7-million cost, will also finance the construction of a small access road and five temporary bridges to be used during the work.

When completed, the project will reduce travel time by about half. The new route will also provide access to large areas of virtually untapped forests and potentially rich farmland in the middle Magdalena Valley region.

In addition to serving as an outlet for goods produced in the areas adjacent to the highway, the new route will speed communication between central Colombia and market centers located toward the Venezuelan border.

ECUADOR

HIGHWAY CONSTRUCTION

\$18 million 25-year 3¼% loan of Sept. 10, 1970 (\$16.8 million and \$1.2 million in sucres)

Borrower: **REPUBLIC OF ECUADOR**

The economic and social development of Ecuador, a country of varied topography and striking regional differences, has been hindered by the lack of a modern highway system. Although a system exists between most populated areas, the poor quality of roads makes travel slow even in good weather and frequently impossible in bad.

To overcome transportation handicaps, Ecuador's present national road plan stresses the linking of rural communities and large towns by all weather roads, the connection of urban centers to trunk highways and sea ports, the improvement of highways between the central mountain region and the coast, and the construction of roads penetrating the eastern jungle region.

This loan will cover 62 per cent of the \$29.1-million cost to build and improve 211 miles of five key highway stretches along the following routes:

- From the towns of Ambato and Baños in the central mountain region to Puyo, located on the eastern jungle slope.
- From Puyo to Macas, also in the eastern region; this route, which will form part of the five-nation Bolivarian Highway skirting the western rim of the Amazon basin, will open up a 765,700-acre area suitable for farming and ranching.

- From Yaguachi to Milagro, both coastal towns.

- From Boliche to Puerto Inca, located in an agriculturally important area southeast of Guayaquil, the nation's major port and largest city.

- From La Avanzada to El Pache, located in the southwest; rebuilding of this road will help rehabilitate an area severely affected by drought and soil erosion.

Up to \$128,000 of the loan will finance technical assistance to aid the Ministry of Public Works and Communications strengthen its operations and to help train personnel in highway maintenance and road programs.

MEXICO

FEEDER ROADS

\$22 million 25-year 4% loan of Dec. 24, 1970 (\$12,840,000 and \$9,160,000 in Mexican pesos)

Borrower: **NACIONAL FINANCIERA, S.A.**

This loan, along with \$14 million from the ordinary capital resources, will help Mexico's Department of Public Works build and improve some 1,120 miles of feeder roads throughout the nation.

The program represents the second stage of a nationwide plan begun in 1965 to build more than 4,000 miles of such roads. The first stage, aided with two Bank loans totaling \$54 million, helped finance the construction of 2,950 miles of roads in rural areas.

Despite the considerable expansion of Mexico's secondary road network in the past decade, the demand for more access roads has grown at an even faster pace. The increased needs stem mostly from the growth and spread of the agricultural sector, which currently generates 15 per cent of the gross national product and employs about half the nation's working population.

Construction of the roads aided with this loan will help tap the agricultural resources of many previously isolated farm areas by linking rural communities to market centers.

The loan is guaranteed by the United Mexican States.

REGIONAL

CENTRAL AMERICAN HIGHWAYS

\$20 million 30-year 3¼% loan of Dec. 29, 1970

Borrower: **CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION**

In recent years trade among the five Central American countries—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua—has spiraled, rising in value from \$33 million in 1960 to \$259 million in 1968. Much of this growth has been due to the creation of the Central American Common Market and the liberalization of trade regulations. Increased expansion of such trade, however, will depend largely on the improvement of the region's infrastructure facilities, especially its highway network.

This loan will be used to help overcome this handicap by helping the Central American Bank for Economic Integration (CABEI) to finance the first stage of a program to build or improve 386 miles of highways throughout Central America. The first stage, which calls for work on 258 miles of key highway stretches, will cost an estimated \$25 million. The Inter-American Bank loan will provide 80 per cent of this amount and CABEI and its Central American Fund for Economic Integration will supply the remaining 20 per cent.

An estimated two-thirds of these resources, which will be lent to the participating governments or national agencies, will be used to construct new highways and complete others already underway; the remaining one-third will be devoted to improvements on selected sections of the Pan American Highway.

URBAN DEVELOPMENT

NICARAGUA

URBAN DEVELOPMENT

\$12.4 million 25-year 2¼% loan of Aug. 6, 1970 (\$7,930,000 and \$4,470,000 in cordobas)

Borrower: **REPUBLIC OF NICARAGUA**

The population of Nicaragua has grown by 3 per cent annually in recent years. The urban sector has grown even more—at 4.2 per cent—and Managua, the capital city, has registered a hefty 6 per cent growth rate. As a result of

rapid urban growth, housing has become increasingly tight, and such basic facilities as sewer systems, schools and streets have become inadequate. For this reason, the Government of Nicaragua has attached high priority to integrated urban improvement projects, especially in low-income sections of the population.

This loan will finance 57 per cent of the cost of a \$22-million urban improvement program, which will primarily benefit Managua and secondarily such other cities as Masaya, Granada and León. Under the program, a total of 3,800 low-cost housing units for 22,000 persons living in the nation's major cities will be built; schools, clinics, post offices and markets will be constructed; the sewage collection, treatment and disposal system of Managua will be expanded, and urban planning agencies will be strengthened. A total of \$230,000 of the loan will be devoted to technical aid aspects of the program.

The housing units will benefit low-income families and to a considerable extent will be built with local funds from private and public sources. Expansion of the Managua sewage system, moreover, will provide service for 893,000 inhabitants—the population projected by 1995.

The program is being carried out by the Housing Bank of Nicaragua and the Ministry of Public Works.

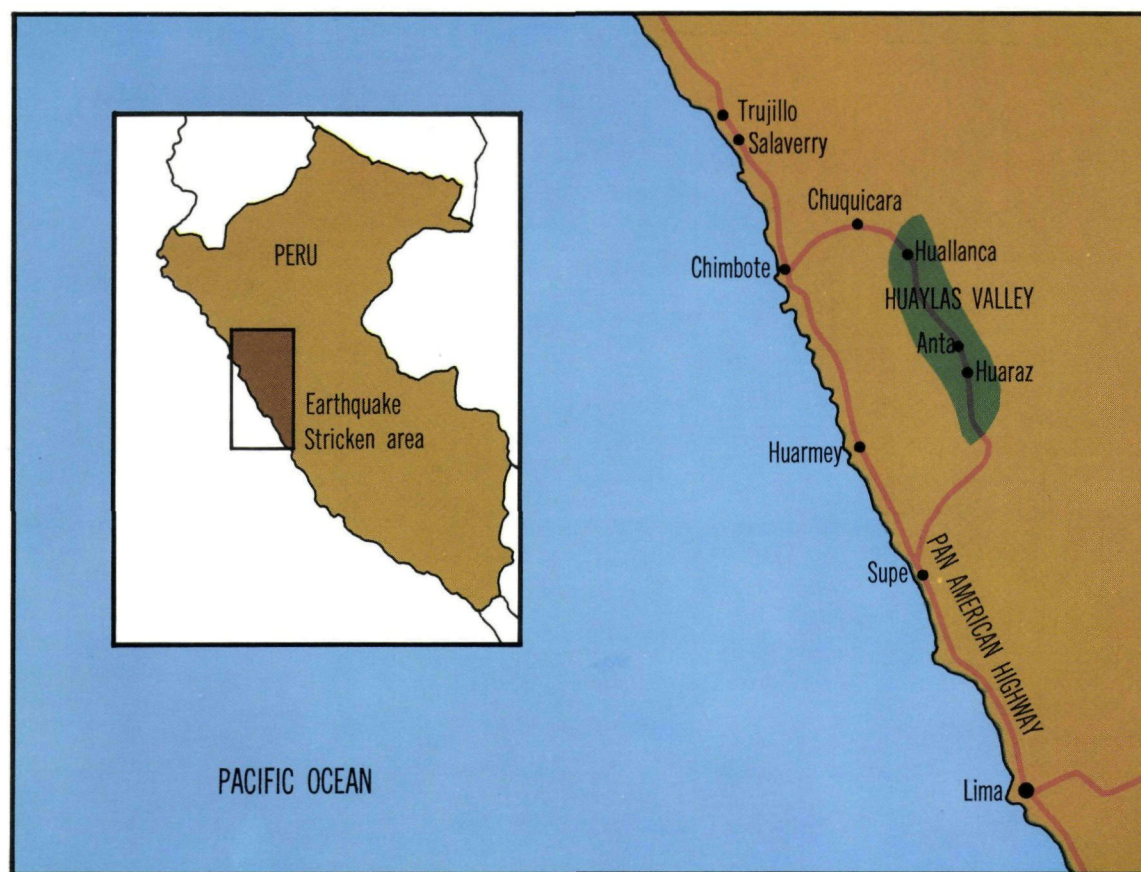
PERU

EARTHQUAKE AREA RECONSTRUCTION

\$35 million 30-year 2¼% loan of July 27, 1970 (\$23.5 million and \$11.5 million in soles)

Borrower: **REPUBLIC OF PERU**

On May 31, 1970, one of the worst earthquakes ever recorded in Latin America struck the north central coast and Andean regions of Peru. Within minutes an estimated 50,000 persons perished and another 400,000 were left homeless. Property losses in the devastated area, which included the Department of Ancash and large portions of the Departments of La Libertad, Huánuco and Lima, totaled more than \$500 million. Damage was especially severe in the agriculturally important Huaylas Valley, where avalanches buried several towns,



IN WAKE OF PERU'S DEVASTATING 1970 EARTHQUAKE, THE INTER-AMERICAN BANK APPROVED \$35 MILLION TO HELP RECONSTRUCT ROADS, PORTS AND INLAND TOWNS IN THE COUNTRY'S NORTH-CENTRAL REGION.

and in the port city of Chimbote, the heart of the nation's fish catching and processing industry.

In the wake of the disaster, the Inter-American Bank moved quickly to explore what it could do to help Peru overcome the ravages of the earthquake. A Bank mission visited the stricken area early in June, and late in July the Bank approved a \$35-million loan to help the nation carry out a broad-scale reconstruction and rehabilitation program in the affected region.

The program, which will be carried out by a commission set up by the Peruvian Government to aid the 31,000-square-mile area, involves projects in the fields of transportation and communica-

tions, agriculture, water supply, sewage systems, electric power, housing and education.

Specifically, this loan will help the commission to:

- Prepare project studies for aid programs.
- Rehabilitate the ports of Chimbote, Huarmey, Salaverry and Supe; complete the construction of the Anta Airport in the Huaylas Valley, and rebuild 62 miles of the Pan American Highway and 42 miles of connecting roads between the towns of Huallanca and Chuquicara.
- Rebuild and repair irrigation systems.
- Rebuild electric power systems, the power plant of Cañón del Pato and transmission lines and substations in Chimbote and the Huaylas Valley.
- Provide credit for housing construction.
- Rebuild and repair drinking water systems and drainage and sewage facilities.
- Repair university and technical edu-

cation facilities in Chimbote and Trujillo.

These projects will be carried out at a cost of \$52.5 million. The Bank loan will provide two-thirds of this amount and local sources will contribute the remainder.

WATER AND SEWAGE SYSTEMS

CHILE

WATER AND SEWAGE FACILITIES

\$3 million 25-year 2¼% loan of March 12, 1970 (\$1.5 million and \$1.5 million in escudos)

Borrower: **MUNICIPALITIES OF VALPARAISO AND VIÑA DEL MAR**

About half a million persons live in the twin Chilean cities of Valparaíso and Viña del Mar. As both areas have grown, level land available for construction has become scarce and development has spread into the surrounding hillside communities, which are occupied mostly by low-income families.

To help provide these inhabitants with adequate drinking water and sewage



RECONSTRUCTION WORK PROCEEDS IN PERU IN THE WAKE OF DEVASTATING EARTHQUAKE. A WOMEN'S COOPERATIVE WEAVES CLOTH AND TEMPORARY BRIDGE IS STRUNG AT THE SITE OF DAMAGED HYDROELECTRIC PLANT AT HUALLANCA. BANK LOAN OF \$35 MILLION SUPPORTS RECONSTRUCTION.



services, a municipal sanitation board of both cities has embarked on a program to install sewer mains, water distribution systems and household connections.

This loan will cover 54 per cent of the program cost, estimated at \$5,550,000, and local sources will provide the remaining 46 per cent. Once completed, the new and expanded facilities are expected to benefit some 78,000 persons living on 2,400 acres of land. Portions of a 1965 \$15-million Bank loan, which benefited 39 Chilean cities, were also channeled toward the sanitation systems of the two cities.

The loan is guaranteed by the Republic of Chile.

COSTA RICA

WATER SUPPLY AND SEWAGE SYSTEMS

\$6.3 million 30-year 2¼% loan of Dec. 24, 1970 (\$4 million and \$2.3 million in Costa Rican colones)

Borrower: **SERVICIO NACIONAL DE ACUEDUCTOS Y AL-CANTARILLADO**

Despite increased government efforts in the past decade to install modern water supply and sewage systems in all com-

FUND FOR SPECIAL OPERATIONS

munities, Costa Rica continues to face a serious shortage of these services. This is largely due to the fast growing needs of a national population which is expanding by about 3.4 per cent a year, one of the highest growth rates in Latin America.

This loan will help finance a program designed to eliminate the bulk of these shortages in five Costa Rican cities, including the nation's capital, San José. Total cost of the program, which will be carried out by the *Servicio Nacional de Acueductos y Alcantarillado*, the nation's water and sanitation agency, is estimated at \$10 million. The loan will cover 63 per cent of this amount and local sources will contribute the remaining 37 per cent.

In San José, the works include the installation of sewer mains, catch basins and household connections which will benefit 80 per cent of the city's present population of 384,000 persons.

The four other cities included in the program are Limón, San Isidro de El General, Liberia and Puntarenas. In Liberia, Limón and Puntarenas, water supply facilities benefiting 80 per cent of the population will be installed or expanded, and improvements in their sewage systems will satisfy the needs of about half their combined populations. In San Isidro de El General, drinking water systems will be installed to serve most of the city's 28,000 inhabitants, and a complete sewage system will be built to serve half this number.

The loan is guaranteed by the Republic of Costa Rica.

DOMINICAN REPUBLIC

RURAL WATER SUPPLY

\$4.1 million 20-year 2¼% loan of Dec. 29, 1970 (\$2.4 million and \$1.7 million in Dominican pesos)

Borrower: DOMINICAN REPUBLIC

Only about one-third of the Dominican Republic's population of 4.2 million is supplied with piped drinking water. Moreover, while this service reaches 75 per cent of the nation's urban dwellers, only 15 per cent of the rural population is provided with water from such systems.

To improve this situation, the *Instituto Nacional de Aguas Potables y Alcantarillados (INAPA)*, a public water supply and sewage agency, launched the National Rural Water Supply Plan in 1968. This plan will benefit some 800,000 persons over the next two decades. A 1967 Bank loan for \$1,950,000 helped carry out the plan's first stage, which has so far benefited 150,000 persons in 115 rural communities.

This new loan will finance 61 per cent of the \$6.7-million cost of the second stage; *INAPA* will provide 29 per cent and the participating communities will supply the remaining 10 per cent.

Under the program water supply systems will be built in 180 small towns with a total population of about 204,000 persons. Designed to serve an eventual population of 345,000, the systems will include facilities for tapping ground or surface water, distribution lines, public fountains and household connections. In addition, treatment plants will be constructed in 80 of the communities.

ECUADOR

GUAYAQUIL SEWAGE PROJECT

\$7.6 million 25-year 2¼% loan of Sept. 10, 1970 (\$7.1 million and \$500,000 in sucres)

Borrower: MUNICIPALITY OF GUAYAQUIL

Guayaquil, Ecuador's largest city and port, has grown rapidly in recent years, largely as a result of an inflow of people from surrounding rural areas. This influx, mostly from low-income sectors, has compelled the city and national governments to adopt emergency measures to provide basic community services in the new areas.

This loan will help the city government to solve one of its most serious problems: the inadequate size and poor operating condition of its sewage system. It will help finance 65.5 per cent of the cost of the first stage of a master plan designed to cover the city's sewage disposal needs in this decade. Completion of the \$11.6-million first stage project will ensure adequate service to 450,000 persons, or two-thirds of Guayaquil's present population. Subsequent expansion

of the system will ultimately bring service to an estimated total city population of 750,000 persons by 1980.

The project, which will initially benefit areas with the poorest sanitary conditions, calls for the construction or installation of collectors, pumping stations, treatment plants, underwater discharge systems and household connections, and inspection and repair of existing sewers. Up to \$170,000 of the loan will finance technical aid to help organize a municipal sewage company, prepare a service rates system and study the city's storm drains.

The loan is guaranteed by the Republic of Ecuador.

HAITI

PORT-AU-PRINCE WATER SYSTEM

\$5.1 million 27-year 2¼% loan of June 18, 1970 (\$4,840,000 and \$260,000 in gourdes)

Borrower: BANQUE NATIONALE DE LA REPUBLIQUE D'HAITI

In 1964 the Bank extended a loan of \$2,360,000 to help finance the first stage of a program to improve and expand the water supply system of Haiti's capital Port-au-Prince, Petionville and adjacent communities. That stage was completed in 1969.

This new loan will help finance the second stage, which is designed to meet the metropolitan area's needs for pure water up to 1980, when the area's population is expected to reach a half million. At present only half of the 400,000 persons living in the Port-au-Prince area receive drinking water service.

The project will ease a water supply shortage in the area and improve health conditions in the city. In addition, it will foster conditions favorable to the growth of industry, tourism and trade.

The second stage, being carried out at a cost of \$6,350,000, provides for the drilling of six additional wells, the expansion of the distribution network, the construction of storage tanks, and the installation of pumping stations and public fountains, hydrants, household connections and meters.

A total of \$72,000 of the loan will be devoted to technical assistance designed



FARM WOMEN WALK TO MARKET NEAR SITE OF NEW WATER RESERVOIR BUILT IN PORT-AU-PRINCE, HAITI, WITH HELP OF BANK FINANCING.

to strengthen the administration of the *Centrale Autonome Metropolitaine d'Eau Potable*, the agency in charge of the city's water supply.

The loan is guaranteed by the Republic of Haiti.

ELECTRIC POWER

ARGENTINA

ELECTRIC POWER EXPANSION

\$21 million 20-year 3¼% loan of May 7, 1970 (\$14 million and \$7 million in Argentine pesos)

Borrower: **AGUA Y ENERGIA ELECTRICA, EMPRESA DEL ESTADO**

This loan will be used to help expand and improve the electric power networks of large parts of Argentina's northwest and northeast regions and of the provinces of Entre Ríos and San Juan. Power consumption in these relatively less developed areas—served mostly by the state agency *Agua y Energía Eléctrica*—is less than half the national average. Moreover their per capita gross product is far below that of the nation as a whole.

In the northeast provinces of Chaco and Corrientes, the project calls for the installation of a 15,000-kilowatt turbo-generator in Barranqueras, a gas turbine plant in the city of Corrientes, transformer stations in Barranqueras and Roque Saenz Peña, and a transmission line between these two cities.

In the northwest provinces of Jujuy, Salta, Santiago del Estero and Tucumán, a thermoelectric plant in the city of Tucumán will be expanded, rural distribution networks will be improved, and the

power grids of Salta and Jujuy provinces will be linked to the Cabra Corral hydroelectric dam in Salta. Expansion of the latter plant is being aided with a \$9-million companion loan extended from the Bank's ordinary capital resources.

In addition, the primary and secondary networks of the Tulum Valley in San Juan Province and the power generation and transmission system serving the cities of Concepción del Uruguay and Paraná in Entre Ríos Province will be expanded.

The loan is guaranteed by the Republic of Argentina.

COSTA RICA

ELECTRIC POWER DISTRIBUTION

\$3.8 million 30-year 3¼% loan of Sept. 17, 1970 (\$3.2 million and \$600,000 in Costa Rican colones)

Borrower: **INSTITUTO COSTARRICENSE DE ELECTRICIDAD**

Costa Rica's installed generating capacity is the highest in Central America. However, 94 per cent of the electric power output is used in the central highland region, where some two-thirds of the nation's population lives. In the rest of the country an average of only 13 per cent of the inhabitants receive electricity. For this reason, the *Instituto Costarricense de Electricidad (ICE)*, the state power agency, has launched a program to extend the electric power network outside the central region to the nation's less developed areas.

This loan will help *ICE* expand the power distribution systems in the Pacific coast Province of Guanacaste and the Caribbean coast Province of Limón. As a

result of the projects, the number of persons receiving electricity in 30 communities will rise from 34,000 to nearly 60,000, while the amount of power distributed will virtually double.

In the Province of Guanacaste, one substation will be expanded, three others and an office, workshop and warehouse building will be built, and two 500-kilowatt diesel generators will be installed. In addition, transmission and distribution lines will be installed to serve 15 towns on the Nicoya Peninsula.

The Limón Province project calls for the installation of a 300-kilowatt diesel generator and five 488-kilowatt diesel units, construction of a booster substation and an office and maintenance building, and the installation of transmission and distribution lines.

Total cost of the projects is \$5,414,000, of which the loan will provide 70 per cent and local sources the remaining 30 per cent.

The loan is guaranteed by the Republic of Costa Rica.

INDUSTRY AND MINING

COSTA RICA

INDUSTRIAL CREDIT

\$3.3 million 16-year 3¼% loan of April 14, 1970 (\$3.2 million and \$100,000 in Costa Rican colones)

Borrower: **BANCO DE COSTA RICA**

This loan, along with \$2.2 million from the ordinary capital resources, will help finance a \$10-million credit program to foster the growth of small- and medium-scale industries in Costa Rica.

About 60 per cent of the loan pro-

STUDENTS PORE OVER BOOKS IN LIBRARY OF EL SALVADOR'S NATIONAL UNIVERSITY, WHICH HAS BEEN IMPROVED WITH BANK FINANCING. A 1970 LOAN WILL SIMILARLY IMPROVE A PRIVATE UNIVERSITY.

ceeds will be channeled toward the improvement or expansion of consumer goods industries which use a high percentage of local natural resources and mainly produce export items. These include such goods as textiles, foodstuffs, furniture, footwear and apparel. The remaining 40 per cent will be lent to firms producing such intermediate goods as leather, chemicals, basic metals and non-metallic mineral products. All of the credits will be granted to finance fixed investments and working capital.

Within five years from the start of operations, the program is expected to generate some 1,300 new jobs and boost the value of manufacturing output in the country by \$31 million, or 8.2 per cent over the 1968 figure.

The loan is guaranteed by the Republic of Costa Rica.

MEXICO

INDUSTRIAL CREDIT

\$5 million 15-year 4% loan of Jan. 22, 1970 (\$3 million and \$2 million in Mexican pesos)
Borrower: **NACIONAL FINANCIERA, S.A.**

This loan, along with another \$5 million from the ordinary capital resources, will help finance a \$25-million credit program for small- and medium-sized industries in Mexico.

These enterprises have been a key factor in Mexico's rapid industrial growth over the past decade. Accounting for more than one-third of the nation's industrial output, they have helped integrate the industrial sector by providing large-scale manufacturers with a ready supply of intermediate goods. Moreover,



through intensive use of manpower, they have promoted a better distribution of income among the working population.

The Bank-supported program is expected to create some 5,800 new jobs, primarily in areas outside the major industrial centers. Industries participating in the credit program are expected to generate at least \$5.3 million more a year for the gross national product.

The loan is guaranteed by the United Mexican States.

URUGUAY

INDUSTRIAL CREDIT AND HOTEL CONSTRUCTION

\$1.5 million 15-year 3¼% loan of March 5, 1970 (\$1,470,000 and \$30,000 in Uruguayan pesos)

Borrower: **BANCO DE LA REPUBLICA ORIENTAL DEL URUGUAY**

This loan, plus \$4.5 million from the ordinary capital resources, will be devoted to the expansion of small- and medium-sized industries in Uruguay and to the renovation and construction of small hotels along the nation's resort coast.

Through the granting of medium- and long-term credits, the program aims to boost the output of export goods, promote the substitution of imports, create more jobs and foster the geographic decentralization of industrial enterprises.

This is the second financing made by the Bank to benefit tourism in Latin America. The first—\$4 million to Paraguay in 1969—was also extended for in-

dustrial projects and small-hotel construction.

The loan is guaranteed by the Republic of Uruguay.

URUGUAY

EXPANSION OF MEAT-PACKING INDUSTRY

\$7.4 million 15-year 3¼% loan of Sept. 30, 1970 (\$4 million and \$3.4 million in Uruguayan pesos)

Borrower: **BANCO DE LA REPUBLICA ORIENTAL DEL URUGUAY**

This loan, together with a \$6-million loan from the ordinary capital resources, will help Uruguay carry out the first stage of a program to modernize the nation's meat-packing industry. Specifically, this calls for:

- The modernization of 11 small meat-packing plants, with an average daily slaughtering capacity of from 400 to 500 head of livestock, located in the Departments of Canelones, Colonia, Maldonado, Montevideo, Salto and Tacuarembó.

- The construction of a meat packing-house at the port of Fray Bentos which will replace the existing plant and will have a slaughtering capacity of from 600 to 800 head of livestock daily.

- The installation of a refrigeration chamber in Montevideo and a by-products processing plant located in the Department of Canelones.

- The provision of technical assistance to reorganize the administrative and accounting operations of the new Fray

Bentos plant. Up to \$100,000 of this loan will be devoted to this aspect.

The loan is guaranteed by the Republic of Uruguay.

EDUCATION

EL SALVADOR

UNIVERSITY EXPANSION

\$2 million 25-year 2¼% loan of July 9, 1970
(\$1.5 million and \$500,000 in Salvadoran colones)

Borrower: **UNIVERSIDAD CENTROAMERICANA JOSÉ SIMEÓN CAÑAS**

In the past decade El Salvador's university enrollment grew by about 16 per cent annually, while the number of applicants for admission rose by some 27 per cent. Moreover, this gap between enrollment capacity and admission demand is expected to widen in the near future. By 1974, for example, the country will need an estimated 6,300 university graduates—or more than double the annual number available in recent years—to fill new jobs in managerial and technical fields.

This loan will help finance the expansion of the *Universidad Centroamericana José Simeón Cañas*, a private university established in the capital city of San Salvador in 1966. The school currently enrolls more than 1,000 students, primarily in technical fields, and expects to admit some 5,000 by the end of the decade.

The program will cost an estimated \$3,540,000 and includes the construction of buildings and athletic facilities, the expansion and training of teaching staff, and the provision of financial aid to students. A total of \$111,600 of the loan will also be used to cover technical assistance costs.

The loan is guaranteed by the *Banco Central de Reserva de El Salvador*.

JAMAICA

STUDENT LOAN FUND

\$4.7 million 25-year 2¼% loan of Dec. 29, 1970
(\$4 million and \$700,000 in Jamaican dollars)

Borrower: **JAMAICA**

At present a critical shortage of professional and technical personnel exists in Jamaica, particularly in key development

sectors. To help ensure a greater future supply of university graduates in priority fields, the Government of Jamaica recently drew up a plan to establish a loan fund for its students.

Initially the fund will finance the undergraduate and advanced study of 3,665 students in such fields as engineering, agriculture, teacher training, administration and the basic sciences. It will be organized on a permanent basis and will benefit primarily students enrolled at the University of West Indies, the College of Arts, Science and Technology, and the Jamaican School of Agriculture.

This loan will cover 59 per cent of the fund's cost over the next four years, which is estimated at \$8 million; Jamaican sources will supply the remaining 41 per cent. The program will be carried out under the supervision of the Ministry of Finance and Planning, and the Bank of Jamaica will serve as financial agent.

Loans extended under the program will be made at relatively low-interest rates to students enrolled in priority fields. According to estimates, the fund will benefit about half of the Jamaican students now enrolled at the three participating schools.

URUGUAY

TECHNICAL EDUCATION

\$4.5 million 25-year 2¼% loan of July 23, 1970
(\$3.9 million and \$600,000 in Uruguayan pesos)

Borrower: **REPUBLIC OF URUGUAY**

The *Universidad del Trabajo del Uruguay (UTU)* is the major public institution for training technicians and skilled workers in Uruguay. Its 79 schools scattered throughout the country enroll some 36,000 students specializing in agriculture, industrial trades, construction, crafts, business administration and secretarial training. In recent years, however, the *UTU* has not been able to satisfy the national demand for more and better trained technical personnel due largely to limitations in its teaching staff and physical facilities.

This loan will finance 62 per cent of the \$7.3-million cost of building four *UTU* technical institutes and an agricultural teacher-training center, and expand-

ing four agrarian schools and two industrial arts centers. New equipment, including a fishing vessel for maritime and naval building instruction, will be purchased, and a broad technical assistance program will be undertaken to improve the teaching, administration and accounting activities of the *UTU* system. A total of \$334,000 of the loan will be devoted to the technical aid aspects of the program.

Investments will be directed mainly toward satisfying the need for technicians and operators at the intermediate level, and for skilled labor in the basic sectors of the industrial economy. Within four years the program is expected to boost enrollment in the participating schools from the current 6,800 students to 12,800.

REGIONAL

MEDICAL TEXTBOOK PROGRAM

\$2 million 25-year 3% loan of Nov. 19, 1970

Borrower: **PAN AMERICAN HEALTH AND EDUCATION FOUNDATION**

One of the major factors hampering the modernization of medical teaching in Latin America is a shortage of low-cost textbooks for students. Moreover, many textbooks now used in the region are obsolete. New ones are issued infrequently and then they are printed in limited numbers. As a result, many students must rely on such makeshift teaching aids as notes taken in class and mimeographed copies of lectures.

To overcome this handicap, the Pan American Health and Education Foundation (PAHEF), a non-profit organization established in 1968 to promote education in the field of health, has initiated a program to purchase, publish and distribute modern medical textbooks in Spanish and Portuguese for use in the Bank's Latin American member countries.

PAHEF, which works closely with the Pan American Health Organization (PAHO), will sell to students, at minimal cost, books in 22 basic subject fields during the first five years of the program's operation. A committee of Latin American medical authorities will review and select texts to be published.

Up to \$25,000 of the loan will be devoted to technical assistance to strengthen accounting and administrative aspects of the program and to contract textbook publishing consultants.

The loan is guaranteed by an irrevocable letter of credit opened by a commercial bank in the United States.

PREINVESTMENT

BOLIVIA

HIGHWAY STUDIES

\$530,000 15-year 3¼% loan of Sept. 17, 1970
(\$395,000 and \$135,000 in Bolivian pesos)

Borrower: **REPUBLIC OF BOLIVIA**

Bolivia's two major development centers are the cities of La Paz and Santa Cruz, which form an east-west axis across the center of the nation. Nonetheless, the two principal highway systems of the nation lie north-south from the two cities and there is no first-class road uniting the two cities.

In recent years the Bolivian government has begun paving the entire length of the main highway linking these cities in order to sharply cut travel time along the route and speed the development of the eastern region, an area of great stock-raising potential and the site of major petroleum and gas deposits. A paved road between Cochabamba and Santa Cruz will be completed in 1971, and the La Paz-Oruro section is also being rebuilt.

Still unpaved, however, is a 124-mile-long section lying between the mining center of Oruro and Quillacollo, 12 miles west of Cochabamba. This loan will finance 83 per cent of the \$640,000-cost of completing a feasibility study and preparing design plans for this segment.

COLOMBIA

PREINVESTMENT FUND

\$6 million 20-year 3¼% loan of Oct. 22, 1970
(\$3 million and \$3 million in Colombian pesos)

Borrower: **REPUBLIC OF COLOMBIA**

In 1968 the Bank approved two loans totaling \$4.1 million to help the Government of Colombia establish a preinvest-

ment fund to aid national planning efforts. Called the *Fondo Nacional de Proyectos de Desarrollo (FONADE)*, the fund has since become the keystone of the nation's planning system. Its operations have especially helped improve project preparation and the channeling of domestic and foreign resources into productive investments.

This loan will cover 64 per cent of the \$9.4-million cost of a program to continue *FONADE's* preinvestment studies activities in such priority fields as electric power, industry, transportation, communications, agriculture, education and urban development. The additional resources will greatly strengthen the agency's financial and operational capacity, enabling it to meet at least part of the preinvestment demands in the near future and to maintain a continuing flow of investment opportunities to local and international financing agencies.

Under the program, technical and economic feasibility studies of specific projects will be undertaken, including supplementary studies of feasible projects requiring more background material. In addition, sectoral and subsectoral studies of a more general nature will be carried out.

PANAMA

PREINVESTMENT FUND

\$1.7 million 15-year 3¼% loan of Aug. 6, 1970
(\$1,280,000 and \$420,000 in balboas)

Borrower: **REPUBLIC OF PANAMA**

The Government of Panama through its planning office has prepared a public investment program designed to help achieve the nation's development goals. While the projects included in the program require substantial investments, many of them lack feasibility studies. This loan will help Panama establish a national Preinvestment Fund designed to correct this situation by financing the needed studies, which in turn may be used in seeking financing from domestic and international lending agencies to carry out the projects.

The loan will provide 70 per cent of the Fund's initial resources of \$2.4 million, which will be disbursed through the

Banco Nacional de Panamá, the Fund's financial agent.

Up to 30 per cent of the fund's initial resources may be used to support general studies of a regional or sectoral nature, designed to help Panama establish development priorities. The remainder will be used to finance studies of specific development projects of high priority, both in the private and public sectors.

TECHNICAL ASSISTANCE

During 1970 the Inter-American Bank authorized \$17,617,614 in technical assistance from the Fund for Special Operations. Of this sum \$15,661,300 was extended on a reimbursable basis and \$1,956,314 was furnished on a grant basis.

The 1970 authorizations brought the cumulative net total of technical assistance extended from the Bank's own resources, both the Fund and the ordinary capital resources, during the first decade of its existence to \$118,945,602 of which \$105,769,626 was authorized on a reimbursable basis and \$13,175,976 was made on a grant basis.

Following is a summary description of each of the technical assistance commitments made by the Bank from its own resources, first at a country level and then at a regional level.

Country Activities

BARBADOS—On Feb. 12 the Bank made a grant of \$70,000 to hire consultants who will assist the *Government of Barbados* in the preparation of engineering studies for the expansion of Seawell International Airport.

On Dec. 24 the Bank extended \$95,000 to the *Barbados Development Bank* to provide technical assistance designed to improve its administrative and financial policies and procedures.

BOLIVIA—On Sept. 17 the Bank approved a loan of \$530,000 to the *Republic of Bolivia* for economic and technical feasibility studies needed in the construction of a highway segment between La Paz and Santa Cruz.

BRAZIL—Up to \$2,071,700 of a \$29 million loan extended April 9 to the



SEAWELL INTERNATIONAL AIRPORT IN BARBADOS NEEDS EXPANSION IN ORDER TO HANDLE INCREASED NUMBER OF TOURISTS. TECHNICAL ASSISTANCE PROVIDED BY THE BANK IS PROVIDING THE PLANNING NEEDED FOR THAT EXPANSION.

State of Minas Gerais, will be devoted to technical assistance related to the execution of various studies, to a research and training center, to farm extension services and to training programs and fellowships.

A technical assistance grant of \$22,500 extended April 13, together with an equal sum from the Social Progress Trust Fund, will be used by the *State of Pernambuco* to train 24 experts in identifying and evaluating projects as part of the overall plan for the industrial development of Northeast Brazil.

On June 18 the Bank approved the use of \$946,000 of a \$13-million loan extended to the *Federal Republic of Brazil* to strengthen the *Coordenação do Combate à Febre Aftosa*, the agency carrying out Brazil's campaign against foot-and-mouth disease. The funds will be used to provide additional training for the technical personnel waging the campaign.

Finally, on Dec. 31, the *Federal Republic of Brazil* received \$47,000 on a contingent recovery basis to finance a

study being carried out by the United Nations Food and Agriculture Organization (FAO) of an investment program for Brazil's fishing industry.

COLOMBIA—On Oct. 22 the Bank approved a \$6 million loan to the *Republic of Colombia* to enable its national preinvestment agency, the *Fondo Nacional de Proyectos de Desarrollo*, to expand its activities in preparing development projects.

On Dec. 31 the Bank allocated \$32,500 to the *Banco de la República* to enable it to carry out a training program designed to strengthen the capital market of Colombia.

ECUADOR—Up to \$170,000 of a \$7.6 million loan extended Sept. 10 to the *City of Guayaquil* will be used to help organize a municipal sewage agency, to improve the rate structure and to carry out a study of the city's drainage system.

On Sept. 10 the Bank approved the use of up to \$128,000 in an \$18-million loan extended to the *Republic of Ecuador* to strengthen the operations of the *Ministry of Public Works and Communications* and to train personnel in highway maintenance.

Up to \$375,000 of a \$4.1-million loan extended Sept. 10 to the *Instituto Ecuatoriano de Recursos Hidráulicos (INERHI)*, Ecuador's water resources agency, will be used to finance studies of programs designed to irrigate some 8,500

acres of farm land, improve existing irrigation systems and strengthen the accounting and administrative structure of *INERHI*.

On Dec. 3 the Bank approved \$87,500 in technical assistance to *INERHI* on a contingent recovery basis to help finance a project designed to provide basic information on the feasibility of the joint development by Ecuador and Peru of the Pindo-Puyango-Tumbes River Basin.

EL SALVADOR—Up to \$111,600 of a \$2-million loan extended July 9 to the *Universidad Centroamericana José Siméon Cañas*, a private Salvadoran university, will be used to hire consultants on library organization; administration and accounting, and planning, organizing and equipping industrial engineering laboratories.

HAITI—On June 11 the Bank granted \$88,000 to the *National Development and Planning Council* of Haiti to enable it to hire consulting engineers to carry out the studies necessary to prepare ground and rain water drainage and collection systems in Port-au-Prince and its environs.

Another grant of \$72,000, accompanied a \$5.1-million loan extended to the *Banque Nationale de la République d'Haiti* to improve the water system of Port-au-Prince. The technical assistance grant will be used to strengthen the administrative structure of the *Centrale Au-*

FUND FOR SPECIAL OPERATIONS

tonome Metropolitaine d'Eau Potable, the agency carrying out the project.

HONDURAS—On Nov. 9 the Bank extended \$47,000 on a contingent recovery basis to the *Republic of Honduras* to finance an evaluation of the Honduran National Telecommunications Plan undertaken in 1964.

JAMAICA—On Sept. 2 the Bank granted a \$6.2-million loan to *Jamaica* to enable its *Ministry of Rural Land Development* to carry out the first stage of a national farm improvement program. Up to \$324,000 of this loan will be used to hire consultants who will study means of strengthening the Development Services Division of the Ministry and the nation's Agricultural Credit Board.

On Dec. 29 the Bank allocated \$47,000 to the *Ministry of Finance and Planning* of *Jamaica* for a study of the construction industry in that country.

NICARAGUA—Up to \$200,000 of a \$12.4-million loan extended Aug. 6 to the *Republic of Nicaragua* will be used by its national urban affairs office to carry out planning studies on urban develop-

ment programs in that nation. An additional \$30,000 of the loan will be used by the *Banco de la Vivienda de Nicaragua*, the nation's housing bank, to carry out studies designed to improve housing for low-income families.

PANAMA—The Bank granted \$28,000 May 12 to the *Banco Nacional de Panamá* to hire a consulting firm to advise it on ways of administering industrial credits and strengthening internal administrative structures.

On Aug. 6 the Bank made a \$1.7-million loan to help the *Republic of Panama* to establish a national preinvestment fund devoted to general development studies and the drafting of specific projects.

PERU—Up to \$825,000 of a \$35 million loan extended July 27 to the *Republic of Peru* for reconstruction and rehabilitation of earthquake-devastated areas will be devoted to technical assistance aspects of the program.

On July 31 the Bank made a \$39,600 technical assistance grant to the *Comisión Nacional de Valores*, Peru's newly estab-

lished securities commission, to hire consultants who will help organize the initial operations of the agency.

Up to \$50,000 of a \$23.3-million loan made Nov. 5 to the *Republic of Peru* will be used to train Ministry of Agriculture staff members in the field of water resources and irrigation and to develop a model for the improved use of irrigation systems.

TRINIDAD AND TOBAGO—On April 9 the Bank extended a loan for \$700,000 to *Trinidad and Tobago* to help expand farm output. Up to \$132,400 of the loan will be used to hire consultants to help strengthen the nation's agricultural development bank and its credit union activities. Another \$31,600 will be channeled to the country's central marketing agency for consulting services on the warehousing, marketing, and transporting of agricultural products. Finally the *Ministry of Agriculture, Land and Fisheries* will receive \$87,000 from the loan to pay for graduate training courses for specialists now working in the Ministry.



ADDITIONAL HOUSES LIKE THESE WILL RISE IN MANAGUA AND OTHER NICARAGUAN CITIES THANKS TO NEW URBAN DEVELOPMENT LOAN APPROVED BY BANK IN 1970.

URUGUAY—On July 23 the Bank granted a \$4.5 million loan to the *Republic of Uruguay* to be used by its *Universidad del Trabajo del Uruguay (UTU)*, the nation's technical education institution, in expanding its facilities. Up to \$334,000 of the loan will be for studies of the administrative and accounting structures of *UTU* and to give advice on the activities of its maritime industry institute.

Up to \$100,000 of a \$7.4-million loan extended Sept. 30 to the *Banco de la República Oriental del Uruguay* to modernize the nation's meat packing industry will provide technical assistance to improve the administrative and accounting functions of a new plant at Fray Bentos.

VENEZUELA—On May 28 the Bank extended an \$8.2-million loan to the *Republic of Venezuela*, to enable it to carry out a broad program of integrated agricultural development. The loan contains four separate technical assistance allocations amounting to a total of \$1,490,000, including:

- \$200,000 to improve the operations of the *Instituto Agrario Nacional*, the nation's agricultural extension agency.
- \$200,000 to strengthen the operations of the *Banco Agrícola y Pecuário*, a bank which finances agricultural and fisheries projects.
- \$795,000 to be used by the *Ministry of Agriculture* to hire agricultural and research experts who will train Venezuelan technicians. Another \$295,000 will enable the *Fundación para la Capacitación e Investigación Aplicada a la Reforma Agraria*, an agrarian reform agency, to hire advisors to strengthen its training programs.

Other Activities

In addition to the technical assistance extended at the national level in 1970, the Bank authorized several grants to finance activities connected with Latin American integration, general and specific development studies, training programs, conferences and seminars and other purposes associated with Latin America's economic and social development.

INTEGRATION—Technical assistance designed to foster Latin America's economic integration process included these projects:

- An \$8,000 allocation made Feb. 24 to partially finance an evaluation, being carried out jointly with the *International Coffee Organization*, of the national coffee policies of member nations common to both organizations.
- A \$25,000 grant authorized March 23 to contribute partial financing for a regional conference sponsored by the *University of Chile* at Viña del Mar to examine economic cooperation among countries surrounding the Pacific Ocean, with special emphasis on the members of the Andean Group.
- A \$25,000 grant authorized July 23 to help finance a study being conducted by the *Permanent Secretariat of the General Treaty for Central American Integration (SIECA)* on the multinational development of watershed basins in the region.
- A \$20,000 grant was made Aug. 24 to assist in the identification of possible development projects for the *Andean Development Corporation*, the regional development bank of the Andean Group.
- A \$310,000 grant extended Sept. 8 is providing partial financing for a cooperative program being carried out by the Bank and *Israel* under which Israeli technicians will provide expertise in various member countries on agricultural development programs. *Israel* is contributing \$110,000 to the joint program.
- A \$24,000 grant made Oct. 28 to the *Central American Bank for Economic Integration* is being used to hire a consultant who will examine the statistics and census-taking procedures of Central American countries and make suggestions on ways of improving them.
- Up to \$25,000 of a \$2-million loan extended to the *Pan American Health and Education Foundation* Nov. 19 will be used to hire consultants to provide advice on a program of providing low-cost textbooks to medical students throughout Latin America.
- A \$270,000 grant Dec. 2 was authorized to finance continued activities during 1971 of the Bank's *Institute for*

Latin American Integration in Buenos Aires.

GENERAL AND SPECIFIC STUDIES—In this field, the Bank authorized the following operations:

- A sum of \$98,200 allocated June 25 for a continuation of the substantive study undertaken in 1968 by Raúl Prebisch, Director General of the Latin American Institute for Economic and Social Planning, on problems related to financing the development of Latin America.
 - A sum of \$16,500 authorized July 6 for a study being carried out in cooperation with *FAO* of the regional and extra-regional markets for Latin American fish products.
 - A total of \$46,000 was allocated Oct. 19 to finance a survey of agricultural research agencies in the Bank's member countries.
 - A \$45,000 allocation made Nov. 17 to partially finance a study by the *Junta del Acuerdo de Cartagena*, the Andean Group Secretariat, of the regional development potential for the pharmaceutical, chemical, machine and office equipment, steel and other basic metallurgical industries in the Andean nations.
 - A \$30,000 allocation authorized Dec. 29 will contribute to the execution of a study of ways of improving the effectiveness of the organizations responsible for establishing the scientific and technological policies of the Bank's member nations. The study is being carried out in cooperation with *UNESCO*.
- TRAINING**—The Bank conducts training courses at its headquarters for officials of Latin American development agencies and also co-sponsors training activities with other Latin American agencies. During 1970 the Bank made the following allocations for courses in the fields of development financing and project preparation and evaluation:
- *Development Financing*: A \$13,014 grant authorized April 7 is helping to finance the publication by *FAO* of the proceedings of a regional meeting on the forestry, cellulose and paper industries of Latin America held in May in Mexico City. A \$5,500 grant authorized May 25 enabled the *Banco Industrial del Perú* to send two legal advisors to study credit

and insurance systems in the United States, Canada and Europe.

• *Project preparation and evaluation:* A \$13,500 grant, plus an equal sum from the Social Progress Trust Fund, authorized Nov. 9 provided scholarships for officers of development institutions for training courses provided by the Bank on its procedures and development banking in general. The Bank allocated \$64,525 Nov. 25 to organize two seminars, one in Washington and another in Latin America, on the identification, preparation and evaluation of tourist projects in its member countries.

CONFERENCES AND SEMINARS
—In 1970 the Bank authorized the following funds to sponsor conferences and seminars related to Latin American development efforts:

On March 9 the Bank allocated \$46,500 for a Round Table discussion held at the Eleventh Annual Meeting of its Board of Governors on the Bank's first decade and perspectives for the future, held at Punta del Este, Uruguay, in April 1970. Also on March 9 the Bank allocated \$22,500, together with an equal sum from the Social Progress Trust Fund, to conduct a seminar held in Washington on the Bank's organization, policies and procedures and on other sources of external financing.

The Bank contributed \$10,000 March 9 to help finance the first Latin American Conference on population held at the *Colegio de México* in Mexico City.

The Bank contributed \$12,000 July 6 toward the cost of the Eighth Inter-American Planning Congress of the *Inter-American Planning Society* held in September 1970 at Salvador, Brazil. On Sept. 28 the Bank sponsored a seminar in Washington at the cost of \$12,500 for

the presidents and directors of national development foundations in 15 of its member nations.

The Bank contributed \$4,000 Oct. 19 toward the cost of a symposium held in Madrid on development and integration in Latin America, carried out under the joint auspices of the Bank and the *Institute of Hispanic Culture*.

On Nov. 17 the Bank allocated \$20,300 for a seminar in Rome on private foreign investment in Latin America conducted jointly with the OAS and the *Italo-Latin American Institute*.

A \$21,500 allocation, together with an equal sum from the Social Progress Trust Fund, made Dec. 1 will be used to carry out a seminar on the Bank and other external financial sources for development bankers from the member nations in Washington.

On Dec. 1 the Bank authorized \$20,700, together with an equal sum from the Social Progress Trust Fund, for a seminar being conducted by the Bank on sources of external financial assistance for participants employed in the national development agencies of Barbados, Jamaica, and Trinidad and Tobago.

On Dec. 15 the Bank authorized \$40,975 for a seminar on project administration to be conducted by the Bank in Washington during the first quarter of 1971.

On Dec. 24 the Bank allocated \$30,000 to the *Latin American Council on Social Sciences*, together with \$100,000 from the Social Progress Trust Fund, to finance a program leading to the establishment of post-graduate courses in the social sciences in Latin America.

On Dec. 31 the Bank allocated \$25,000 to partially finance a conference

on the production and marketing of rice in Cali, Colombia, in 1971 under the joint sponsorship of the *International Center for Tropical Agriculture*.

FINANCIAL HIGHLIGHTS

The *net income* of the Fund for Special Operations in 1970 was \$11,164,092 before deducting charges for technical assistance expenses, which amounted to \$1,423,599. These figures compared with net income of \$5,937,527 and technical assistance expenses of \$1,282,310 in 1969.

The *gross income* from the Fund for Special Operations in 1970 amounted to \$24,927,424, compared with \$16,579,846 in 1969. The 1970 income included \$15,795,925 derived from interest on loans; \$6,190,452 from commitment charges, \$2,516,892 from commissions, \$253,364 from investments and \$170,791 from other sources.

As of Dec. 31, 1970, the *general reserve* of the Fund for Special Operations had risen to \$25,115,551 compared with \$15,375,058 at the end of 1969.

Total *administrative* expenses chargeable to the Fund for Special Operations in 1970 were \$13,763,332, compared with \$10,667,751 in 1969.

Disbursements on loans from the Fund for Special Operations in 1970 amounted to \$244,579,350, compared with \$192,289,855 in 1969. These brought cumulative disbursements on such loans as of Dec. 31, 1970, to \$751,500,311.

Repayments on loans amounted to \$20,667,491, compared with \$11,912,336 in 1969, bringing total repayments at the end of the year to \$57,320,698.

The audited financial statements of the Fund for Special Operations are contained in the following pages.

OPINION OF INDEPENDENT ACCOUNTANTS

Board of Governors
Inter-American Development Bank

In our opinion, the accompanying financial statements (Appendices II-1 to II-7) present fairly, in terms of United States currency, the financial position of Inter-American Development Bank—Fund for Special Operations at December 31, 1970, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse
PRICE WATERHOUSE & CO.

Washington, D.C.
February 10, 1971

FUND FOR SPECIAL OPERATIONS

FINANCIAL STATEMENTS

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FUND FOR SPECIAL OPERATIONS

APPENDIX II-1

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS

BALANCE SHEET

DECEMBER 31, 1970 AND DECEMBER 31, 1969

Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

ASSETS	1970		1969	
Due from banks (Appendix II-6) (Note B)				
Unrestricted member currencies	\$ 165,608,577		\$ 171,477,089	
Restricted member currencies	44,722,422	\$ 210,330,999	57,506,756	\$ 228,983,845
Investments				
United States Government obligations (at amortized cost-face amount 1970—\$4,000,000; 1969—\$3,400,000)		3,918,737		3,348,917
Loans outstanding held by Bank (Appendix II-4)				
Total loans approved by Bank since inception, less cancellations	2,021,582,484		1,581,557,430	
Less principal repayments and loans sold (Appendix III-6, Note D)	147,431,568		103,071,766	
Less undisbursed balance of approved loans held by Bank	1,270,082,173	604,068,743	1,074,636,469	403,849,195
Accrued charges on loans held by Bank		7,141,418		4,672,757
Due from members (Appendix II-5)				
Contribution quotas receivable in member currencies	4,336,200		6,043,200	
Non-negotiable, non-interest-bearing demand obligations denominated in members' currencies including the following restricted amounts: 1970—US\$1,297,941,000; 1969—US\$1,460,751,000 (Appendix II-6) (Note C)	1,526,208,300	1,530,544,500	1,702,311,094	1,708,354,294
Other assets		363,833		332,095
Total assets		<u>\$2,356,368,230</u>		<u>\$2,349,541,103</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accrued expenses and accounts payable	\$ 252,475		\$ 593,860	
Special letters of credit (Note C)	57,866		3,496,876	
Special funds				
Funds held in trust (Note G)	754,898		437,299	
Fund for Special Supervision and Inspection of loans (Note H)	2,178,440		1,629,010	
Fund balance				
Contribution quotas authorized and subscribed (Appendix II-5) (Note D)	\$2,328,009,000		\$2,328,009,000	
General reserve (Appendix II-2) (Note F)	25,115,551	2,353,124,551	15,375,058	2,343,384,058
Total liabilities and Fund balances		<u>\$2,356,368,230</u>		<u>\$2,349,541,103</u>

STATEMENT OF INCOME AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 1970 AND DECEMBER 31, 1969

Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

Income	1970		1969	
From loans				
Interest	\$15,795,925		\$10,291,721	
Commitment charges	6,190,452		4,962,390	
Commissions	2,516,892	\$24,503,269	1,081,219	\$16,335,330
From investments		253,364		114,445
From other sources		170,791		130,071
Gross income		24,927,424		16,579,846
Expenses				
Administrative expenses (Note E) (Appendix I-7, Note J)				
Board of Governors				
Annual meeting	228,426		128,124	
Board of Executive Directors				
Salaries	312,978		236,894	
Other compensation and benefits	75,863		55,328	
Travel	82,750		69,404	
Review and evaluation group	93,014		74,392	
Staff				
Salaries	6,234,261		5,122,670	
Other compensation and benefits	2,163,826		1,750,647	
Travel	723,254		643,749	
Other administrative expenses				
Communications	376,365		326,959	
Office occupancy	929,726		709,617	
Publications and printing	169,516		127,468	
Supplies and equipment	387,493		297,191	
Contractual services	495,737		272,232	
Miscellaneous	137,270		137,355	
Field offices				
Salaries	516,332		416,180	
Other	1,219,262		990,925	
	14,146,073		11,359,135	
Charge equivalent to depreciation (Note E)	83,477		79,084	
	14,229,550		11,438,219	
Less amounts charged to Social Progress Trust Fund for indirect and overhead expenses by Bank as Administrator (Appendix III-6, Note B)	466,218		770,468	
Total administrative expenses including depreciation		13,763,332		10,667,751
Income before special addition		11,164,092		5,912,095
Addition to income arising from retroactive adjustment of rate used in charging Social Progress Trust Fund for indirect and overhead expenses (Appendix III-6, Note B)				25,432
Net income		\$11,164,092		\$ 5,937,527

STATEMENT OF DISPOSITION OF NET INCOME AND CHANGES IN GENERAL RESERVE

	1970	1969
Net income	\$11,164,092	\$ 5,937,527
Disposition:		
Technical assistance (Appendix II-3)	1,423,599	1,282,310
Addition to general reserve (Note F)	9,740,493	4,655,217
General reserve beginning of year	15,375,058	10,719,841
General reserve end of year (Note F)	\$25,115,551	\$15,375,058

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS

STATEMENT OF TECHNICAL ASSISTANCE EXPENSE ⁽¹⁾

YEAR ENDED DECEMBER 31, 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

Barbados	\$ 15,000
Bolivia	3,583
Guatemala	57,932
Haiti	16,121
Honduras	30,319
Trinidad and Tobago	35,000
Central American Bank for Economic Integration	7,544
Integration—Miscellaneous	5,153
Intern training in the Bank and Fellowships	35,104
Substantive studies	143,281
Institute for Latin American Integration (Note G)	270,000
Preinvestment Fund	192,449
Courses and seminars	262,854
Miscellaneous	383,981
	<u>1,458,321</u>
Less refunds and adjustments for prior years	34,722
	<u>\$1,423,599</u>

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

At December 31, 1970 the amount approved by the Bank for expenditures in the future for technical assistance projects was \$2,538,853. Pursuant to resolutions of the Board of Executive Directors all technical assistance expenditures after January 1,

1963 are to be charged first to the net income of the Fund for Special Operations, including such income accumulated in the general reserve of that Fund, and thereafter to the net income of the Ordinary Capital.

The accumulated technical assistance expenditures made by the Fund as of December 31, 1970 include \$285,499 which may be reimbursed to the Fund if loans are granted as a result of the respective technical assistance projects.

SUMMARY STATEMENT OF LOANS

DECEMBER 31, 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

Member in whose territory loans have been made (1)	Total loans approved by Bank since inception, less cancellations (2)	Principal repayments to Bank	Loans sold	Approved loans held by Bank			Currency in which outstanding portion of approved loans held by Bank is repayable	
				Total	Undisbursed	Outstanding	United States dollars	Member's currency
Argentina	\$ 222,708,325	\$ 1,206,882	\$ 5,900,000	\$ 215,601,443	\$ 193,623,633	\$ 21,977,810	\$ 1,180,464	\$ 20,797,346
Bolivia	82,010,000	14,160,271	1,930,000	65,919,729	40,734,371	25,185,358	9,180,853	16,004,505
Brazil	403,541,140	11,076,572	22,290,000	370,174,568	213,392,161	156,782,407	15,196,961	141,585,446
Chile	151,635,503	4,534,998	8,799,522	138,300,983	78,543,365	59,757,618	994,737	58,762,881
Colombia	165,180,690	2,011,743	9,008,074	154,160,873	104,974,830	49,186,043	1,269,231	47,916,812
Costa Rica	34,538,471	608,158	1,936,278	31,994,035	23,247,486	8,746,549		8,746,549
Dominican Republic	44,494,500	347,504	1,531,481	42,615,515	22,838,010	19,777,505		19,777,505
Ecuador	64,361,892	3,453,893		60,907,999	48,792,221	12,115,778	3,864,000	8,251,778
El Salvador	15,482,728	7,684		15,475,044	14,531,906	943,138	118,595	824,543
Guatemala	53,804,374	348,996	1,520,000	51,935,378	39,988,286	11,947,092		11,947,092
Haiti	12,260,000	1,072,383		11,187,617	6,239,215	4,948,402		4,948,402
Honduras	46,941,603	2,819,602	3,058,776	41,063,225	13,550,596	27,512,629	13,537,074	13,975,555
Jamaica	10,900,000			10,900,000	10,900,000			
Mexico	228,031,136	2,211,782	5,070,000	220,749,354	119,295,734	101,453,620	74,461,884	26,991,736
Nicaragua	42,850,000	1,811,435	5,480,000	35,558,565	23,431,552	12,127,013		12,127,013
Panama	34,173,290	1,800,877	6,970,000	25,402,413	14,317,587	11,084,826	2,330,374	8,754,452
Paraguay	83,563,192	4,437,729	200,000	78,925,463	46,907,274	32,018,189	16,420,763	15,597,426
Peru	134,054,713	827,095	11,070,000	122,157,618	102,149,100	20,008,518	169,412	19,839,106
Trinidad and Tobago	8,900,000	20,377		8,879,623	8,308,261	571,362		571,362
Uruguay	40,247,000	386,956	470,000	39,390,044	36,758,478	2,631,566		2,631,566
Venezuela	91,200,000	182,825	7,280,000	83,737,175	77,775,844	5,961,331	1,091,538	4,869,793
Central American Countries—Central American Bank for Economic Integration	50,703,927	1,589,675		49,114,252	29,782,263	19,331,989	11,419,791	7,912,198
Total	\$2,021,582,484	\$54,917,437	\$92,514,131	\$1,874,150,916	\$1,270,082,173(3)	\$604,068,743	\$151,235,677	\$452,833,066

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

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

(3) Of the undisbursed balances the Bank has entered into irrevocable commitments to disburse approximately \$21,000,000.

INTER-AMERICAN DEVELOPMENT BANK—FUND FOR SPECIAL OPERATIONS

STATEMENT OF CONTRIBUTION QUOTAS

DECEMBER 31, 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix II-7

Member	Percent of total	Total subscribed quota (1)	Contributions received		Non-negotiable, non-interest-bearing demand obligations	Contribution quotas receivable
			United States dollars	Member currency		
Argentina	4.94	\$ 115,086,000	\$ 7,735,500	\$ 13,850,500	\$ 93,500,000	
Barbados (2) .....	.02	414,000	82,800	5,400	77,400	\$ 248,400
Bolivia .....	.40	9,240,000	621,000	1,809,000	6,810,000	
Brazil	4.94	115,086,000	7,735,500	107,350,500		
Chile	1.36	31,599,000	2,124,000	29,475,000		
Colombia	1.36	31,578,000	2,122,500	29,455,500		
Costa Rica .....	.20	4,620,000	310,500	4,309,500		
Dominican Republic .....	.26	6,159,000	414,000	5,745,000		
Ecuador .....	.26	6,159,000	414,000	5,745,000		
El Salvador .....	.20	4,620,000	310,500	4,309,500		
Guatemala .....	.26	6,159,000	414,000	5,745,000		
Haiti .....	.20	4,620,000	310,500	310,500	3,999,000	
Honduras .....	.20	4,620,000	310,500	4,309,500		
Jamaica (3) .....	.26	6,159,000	165,600	29,000	2,269,000	3,695,400
Mexico	3.18	73,989,000	4,972,500	69,016,500		
Nicaragua .....	.20	4,620,000	310,500	4,309,500		
Panama .....	.20	4,620,000	310,500	2,545,500	1,764,000	
Paraguay .....	.20	4,620,000	310,500	757,500	3,552,000	
Peru .....	.66	15,414,000	1,036,500	5,877,500	8,500,000	
Trinidad and Tobago (4) .....	.20	4,620,000	248,400	172,900	3,806,300	392,400
United States	77.32	1,800,000,000	459,559,000		1,340,441,000	
Uruguay .....	.53	12,342,000	829,500	1,012,500	10,500,000	
Venezuela	2.65	61,665,000	4,144,500	6,530,900	50,989,600	
Total	100.00	\$2,328,009,000	\$ 494,792,800	\$ 302,671,700	\$1,526,208,300	\$ 4,336,200

(1) As of December 31, 1970 the authorized and subscribed contribution quotas of the Fund for Special Operations amounted to \$2,328,009,000. Non-negotiable, non-interest-bearing demand obligations have been accepted as permitted under the provisions of Article V, Section 4 of the Agreement in lieu of part of the payment required to be made in the member's currency.

On December 31, 1970 the Board of Governors approved a resolution providing for an increase of \$1,500,000,000 in the authorized contribution quotas of members in the Fund for Special Operations. The contributions of the member countries would be paid in the currencies of the respective members in three installments, the first of 10% in 1971, and the balance in two equal installments in 1972 and 1973, respectively.

(2) Barbados became a member in March 1969 and has paid US\$82,800 and member currency equivalent to \$82,800. The balance of the contribution quota is to be paid in annual installments of US\$41,400 and member currency equivalent to \$41,400 in each of the years 1971 through 1973.

(3) Jamaica became a member in December 1969 and has paid US\$165,600 and member currency equivalent to \$2,298,000. The balance of the contribution quota is to be paid in annual installments of US\$82,800 and member currency equivalent to \$1,149,000 in each of the years 1971 through 1973.

(4) Trinidad and Tobago became a member in July 1967 and the balance of the contribution quota is payable in 1971.

STATEMENT OF CURRENCIES AND DEMAND OBLIGATIONS HELD BY THE BANK

DECEMBER 31, 1970

See Notes to Financial Statements—Appendix II-7

Member	Unit of currency	Due from banks		Non-negotiable, non-interest-bearing demand obligations		Total	
		Amount in local currency	Expressed in United States dollars	Amount in local currency	Expressed in United States dollars	Amount in local currency	Expressed in United States dollars
Argentina	Peso	30,384,046	\$ 7,596,012	374,000,000	\$ 93,500,000	404,384,046	\$ 101,096,012
Barbados	E.C. Dollar	12,800	6,400	154,800	77,400	167,600	83,800
Bolivia	Peso Boliviano	115,611,673	9,735,314	80,868,750	6,810,000	196,480,423	16,545,314
Brazil	Cruzeiro	341,192,838	70,633,432			341,192,838	70,633,432
Chile	Escudo	292,392,845	23,946,998			292,392,845	23,946,998
Colombia	Peso	213,137,006	11,904,425			213,137,006	11,904,425
Costa Rica	Colon	23,917,853	3,610,036			23,917,853	3,610,036
Dominican Republic	Peso	5,624,937	5,624,937			5,624,937	5,624,937
Ecuador	Sucre	87,874,934	3,519,646			87,874,934	3,519,646
El Salvador	Colon	9,915,777	3,966,311			9,915,777	3,966,311
Guatemala	Quetzal	2,158,606	2,158,606			2,158,606	2,158,606
Guatemala (1)	Quetzal	1,090,201	1,090,201			1,090,201	1,090,201
Haiti	Gourde	7,754,761	1,550,952	19,995,000	3,999,000	27,749,761	5,549,952
Honduras	Lempira	7,806,918	3,903,459			7,806,918	3,903,459
Jamaica	Jamaican Dollar	24,167	29,000	1,890,833	2,269,000	1,915,000	2,298,000
Mexico (1)	Peso	542,042,404	43,363,392			542,042,404	43,363,392
Nicaragua	Cordoba	35,139,460	5,019,923			35,139,460	5,019,923
Panama	Balboa	1,941,691	1,941,691	1,764,000	1,764,000	3,705,691	3,705,691
Paraguay	Guarani	221,444,623	1,757,498	447,552,000	3,552,000	668,996,623	5,309,498
Peru	Sol	209,001,195	5,411,736	328,950,000	8,500,000	537,951,195	13,911,736
Trinidad and Tobago	T.T. Dollar	146,046	72,546	7,612,000	3,806,300	7,758,046	3,878,846
United States	Dollar	259,410	259,410	42,500,000	42,500,000	42,759,410	42,759,410
United States (Note C)	Dollar	268,829	268,829	1,297,941,000	1,297,941,000	1,298,209,829	1,298,209,829
Uruguay	Peso	201,648,010	806,592	2,625,000,000	10,500,000	2,826,648,010	11,306,592
Venezuela	Bolivar	9,691,440	2,153,653	229,453,200	50,989,600	239,144,640	53,143,253
Total expressed in United States dollars			\$210,330,999		\$1,526,208,300		\$1,736,539,299

(1) In accordance with the provisions of Article V, Section 1 of the Agreement the use of these funds by the Bank or any recipient from the Bank has been restricted

by the member to making payments for goods and services produced in its territory.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1970

Note A—Translation of Currencies

Amounts in member currencies other than United States dollars have been translated into United States dollars at the rates at which the amounts were received or loaned by the Bank, except for the undisbursed balances and accrued charges on certain loans denominated in member currencies other than United States dollars, which have been translated into United States dollars at the approximate market rates of exchange existing at December 31, 1970. No representation is made that any of such currencies is convertible into any other such currencies at any rate or rates.

Note B—Maintenance of Value on Currencies Held by Bank

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

Note C—Restrictions on United States Contributions and Special Letters of Credit

In accordance with the provisions of Article V, Section 1 of the Agreement the United States has specified that \$1,650,000,000 of its contributions to the Fund for Special Operations shall be restricted to making payments for the acquisition of goods or services from the United States, for the acquisition of goods or services of local origin in the country in which the project is located, or for the acquisition of goods or services produced in other countries which are members of the Bank if

in the judgment of the Bank such transaction would be advantageous to the borrower. With respect to the use of funds in the countries where the projects are located to cover the indirect costs of imported goods and services the related dollars are disbursed under a special letter of credit procedure whereby the equivalent in local currency is provided to the borrowers for use under the loan contract and the dollars are utilized to purchase goods and services from the United States for export to the respective countries.

At the request of the Bank special letters of credit have been opened by commercial banks in the United States in favor of certain banks in member countries which have been designated to advance local currencies to borrowers. Advances have been made to borrowers by several banks in member countries upon receipt of advices that the relative special letters of credit had been opened without corresponding disbursements by the Bank to the respective commercial banks in the United States. Under the terms of the loan agreements these advances have been charged to the respective loans. As of December 31, 1970 the Bank's liability for advances made under the special letter of credit procedure amounts to \$57,866.

Note D—Voting Rights

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

Note E—Allocation of Administrative and Depreciation Expenses

Article III, Section 3 (b) of the Agreement provides: "Expenses pertaining directly to ordinary operations shall be charged to the ordinary capital resources of the Bank. Expenses pertaining directly to special operations shall be charged to the resources of the Fund [for Special Operations]. Other expenses shall be charged as the Bank determines". For each of the years through 1970, expenses which have been deemed to be not identifiable as pertaining directly to either the Ordinary Capital or the Fund for Special Operations have been distributed pursuant to the decisions of the

Board of Executive Directors. During 1969 such expenses have been charged 46% to the income of the Ordinary Capital and 54% to the income of the Fund for Special Operations and during 1970 such expenses have been charged 43% to the income of the Ordinary Capital and 57% to the income of the Fund for Special Operations.

In 1964 the Bank purchased the twelve story building in Washington, D.C. in which its principal offices are located. The cost of the land and building less the reserve for depreciation is included in the assets of the Ordinary Capital of the Bank. In accordance with the expense allocation formula specified by the Board of Executive Directors, a charge equivalent to depreciation has been made against the income of the Fund for Special Operations.

Note F—General Reserve

Pursuant to actions of the Board of Governors the income of the Fund for Special Operations, after deduction of technical assistance expenditures, has been allocated to a general reserve for possible future losses and future net income less technical assistance expenditures is, until further action by the Board of Governors, to be allocated automatically to such reserve each year.

Note G—Institute for Latin American Integration

In 1964 the Board of Executive Directors approved a resolution which authorized the creation, as a dependency of the Bank, of the Institute for Latin American Integration to study the various economic, technical, legal and institutional measures required to strengthen the process of Latin American integration and to provide training in this field. The resolution specified that the Institute be located in Buenos Aires, Argentina. The Institute was established in 1965 and began its operations in Buenos Aires in the offices provided for its headquarters by the Government of Argentina as part of that country's contribution to the Institute.

In June 1968 the Board of Executive Directors approved resolutions which authorized contribution of up to \$270,000 to be made as a technical assistance operation of the Bank—

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1970

(Continued)

Fund for Special Operations, a contribution of up to \$270,000 to be made as a technical assistance operation of the Social Progress Trust Fund and established contribution quotas of up to \$302,000 for 19 members of the Bank in each of the years 1969 through 1971 to finance the operations of the Institute. The Government of Argentina is to provide the funds necessary to cover the expenses of maintenance and annual salaries and related expenses of local administrative personnel of the Institute as its contribution during the three year period. The contributions by member countries to finance the operations of the Institute are not treated as contributions to the resources of the Bank.

The Institute maintains financial records and books of account separate from those maintained by the Bank and is subject to a separate accounting. Accordingly the assets, liabilities and results of operations of the Institute are not included in the accompanying financial statements. The Bank—Fund for Special Operations, however, handles certain transactions for the Institute and during 1970 received \$786,683 in behalf of the Institute from the following sources: \$270,000 of its own funds transferred to funds held in trust as the Bank's contribution, \$270,000 paid by the Social Progress Trust Fund as its contribution, \$236,000 paid by fourteen members of the Bank, not including Argentina and the United

States, as their contributions and refunds of \$10,683. Of the amounts held as of January 1, 1970 plus the additional amounts received in behalf of the Institute in 1970, the Bank disbursed directly to the Institute or in its behalf \$755,366 and the remaining \$139,416 is held for the Institute at December 31, 1970 and is included in funds held in trust in the accompanying financial statements.

Note H—Fund for Special Supervision and Inspection of Loans

In accordance with the loan contracts borrowers have agreed to special charges to cover costs of extraordinary supervision and inspection services performed in connection with projects financed under the loans. Beginning in 1966 the Bank established a special fund in each of the separate "windows" of the Bank (Ordinary Capital, Fund for Special Operations and Social Progress Trust Fund) to accumulate the amounts charged under the special provisions of the loans. Each loan is charged pursuant to the contract and the offsetting credit is accumulated in an account called "Fund for Special Supervision and Inspection of loans". Expenses associated with supervision and inspection of these loans which are over and above those normally and routinely performed by the Bank are charged to the respective accounts. There follows a summary of the transactions in the Fund for Special Operations account for 1970 and 1969:

	1970	1969
Balance beginning of period	\$1,629,010	\$ 941,326
Charges against loans	3,249,713	2,885,164
Less expenses:		
Salaries of specialists	\$902,803	\$745,036
Other compensation and benefits	309,527	260,806
Travel	341,659	291,667
Contractual services	677,792	524,139
Miscellaneous	468,502	375,832
	2,700,283	2,197,480
Balance end of period	<u>\$2,178,440</u>	<u>\$1,629,010</u>



PLEASURE BRIGHTENS THIS FACE AS WATER
GUSHES FROM FAUCET IN RURAL COMMUNITY NEAR
CUZCO HIGH IN THE ANDEAN MOUNTAINS OF
PERU. MORE THAN 300 SIMILAR RURAL WATER SUP-
PLY SYSTEMS, FINANCED BY THE BANK, ARE BEN-
EFITING LOW-INCOME PERSONS IN THE NATION.

PART III

SOCIAL PROGRESS TRUST FUND

Operations/Fiscal Year 1970

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

RESOURCES

More than a decade has passed since U.S. President Dwight D. Eisenhower enunciated in his Newport Declaration in July 1960 that the United States was prepared to cooperate with the Latin American countries in practicable ways to make faster progress in meeting their needs for social as well as economic development.

The declaration was the outgrowth of inter-American concern for seeking solutions to Latin America's pressing social development problems as well as to its economic matters.

This concern was originally dramatized by Brazilian President Juscelino Kubitschek, who in his 1958 call for an "Operation Pan America" sought to alert the hemisphere to the need for taking new measures for economic and social cooperation. As a result of this call, representatives of the American Republics discussed what might be done in Washington at the First and Second Meetings of the Special Committee to Study the Formulation of New Measures for Economic Cooperation. Subsequent to

the Newport Declaration, at the Third Meeting of the Committee held in Bogotá in September 1960, a wide-ranging series of measures designed to foster social development programs in the hemisphere were adopted. To support these measures, the United States pledged to establish a Special Inter-American Fund for Social Development, with the Inter-American Bank becoming the primary mechanism for its administration.

The purpose of the Special Fund was "to contribute capital resources and technical assistance on flexible terms and conditions, including repayment in local currency and relending of repaid funds in accordance with appropriate and selective criteria in the light of the resources available, to support the efforts of the Latin American countries that are prepared to initiate or expand effective institutional improvements and to adopt measures to employ efficiently their own resources with a view toward achieving greater social progress and more balanced economic growth."

In 1961 U.S. President John F. Kennedy called on the nations of the hemisphere to join in an Alliance for Progress designed to satisfy the basic needs of the American peoples for homes, work and land, health and schools. As part of this program he requested, and the U.S. Congress in June 1961 appropriated, \$500 million for the establishment of a "Special Inter-American Fund for Social Progress."

Of that sum \$394 million was assigned to the Social Progress Trust Fund which was entrusted to the Bank in administration. Subsequently in 1964 this amount was augmented by \$131 million to raise the total to \$525 million.

In 1965 the Bank's member countries decided to multilateralize social development assistance from then on by having such aid channeled through the Bank's Fund for Special Operations. To enable the Fund to take care of such projects and expand its activities in economic areas as well, the member countries substantially increased their yearly contributions to



SELF-HELP BUILDS HOUSES AT COLONIA EL MANCHIN PROJECT IN ANTIGUA, GUATEMALA. FAMILIES WHO WILL LIVE IN THESE HOMES HELP BUILD THEM AT NIGHT AND DURING WEEKENDS.

the Fund for Special Operations. Since then, new lending in social fields has been channeled through the Fund for Special Operations.

By the end of 1970 virtually all of the original resources authorized in loans from the Social Progress Trust Fund had been disbursed and less than \$2 million committed to loans remained undisbursed on Dec. 31, 1970. A small amount of the original resources was still available for technical assistance projects.

As of Dec. 31, 1970, total commitments from the Social Progress Trust Fund stood at 116 loans amounting to \$495 million, net of cancellations and exchange adjustments.

Repayments on Social Progress Trust Fund loans are being rechanneled by the Bank into other social projects through the purchase of participations in loans authorized with the resources of the Fund for Special Operations, which comply with the provisions of the Trust Fund Agreement.

During 1970 the Bank authorized the use of \$26,177,845 in dollars and other

member currencies from the Trust Fund to purchase participations in such loans. These purchases brought the cumulative total of such participations as of Dec. 31, 1970, to \$90,110,870 net of repayments. This mechanism frees resources of the Fund for Special Operation for other loans.

Under the terms of the Trust Fund Agreement, the Bank, as administrator, publishes a separate report on the measures taken by the Latin American countries to carry out the objectives spelled out in the Act of Bogotá and the Charter of Punta del Este. The 1970 Report is being published separately under the title of "Socio-Economic Progress in Latin America."

TECHNICAL ASSISTANCE

During 1970 the Inter-American Bank authorized \$3,133,250 in technical assistance from the Social Progress Trust Fund, compared with \$3,659,702 in 1969.

The 1970 commitments brought the net cumulative technical assistance authorized from the Trust Fund to

\$25,941,447, of which \$5,084,048 was extended on a reimbursable basis and \$20,857,399 was made on a grant or a contingent recovery basis.

Following is a summary description of each of the technical assistance commitments, first those at a country level and then those of a general nature or at a regional level.

Country Activities

BRAZIL—On April 13 the Bank extended \$22,500, together with an equal sum from the Fund for Special Operations, to be used by the *State of Pernambuco* to train 24 experts in identifying and evaluating projects as part of the overall plan for the industrial development of Northeast Brazil.

On Nov. 19 the Bank extended \$135,900 on a contingent recovery basis to the *State of Bahia* to prepare a development plan for the economically important region called the Reconcavo surrounding Salvador. Brazil's *Ministry of the Interior* received a \$47,000 grant Dec. 7 to carry out a study course designed to train technicians on methods related to the organization and execution of irrigation projects.

On Dec. 29 the Bank authorized \$12,000 to enable the *International Relations Institute of Brazil* to carry out research on Brazilian professionals living abroad who have not returned to their homeland.

CHILE—On April 13 the Bank granted \$20,000 on a contingent recovery basis to Chile's *Ministeries of Agriculture and Public Works and Transportation* to be used for consulting services

connected with the identification of irrigation projects which might qualify for international financing.

COSTA RICA—The *Ministry of Agriculture* received \$22,000 on a contingent recovery basis March 30 for advice connected with the analysis of statistics and other data which will help the Ministry improve its development services. Also on March 30 the *Government of Costa Rica* received a \$42,000 grant for advisory services related to the development of forestry, fisheries and macadamia nut production.

GUATEMALA—On Dec. 15 *Guatemala City* received a \$45,000 grant to hire consultants on urban development planning for its greater metropolitan area. The *Instituto Nacional de Transformación Agraria* received \$48,000 on a contingent recovery basis Dec. 22 to finance a basic inventory of the natural resources of northern Guatemala.

HONDURAS—On July 9 the *City of San Pedro Sula* received \$100,000 on a contingent recovery basis to hire consultants to prepare a plan to improve and

expand the city's water supply, street drainage and sewer and transportation systems.

NICARAGUA—On Feb. 2 the *Government of Nicaragua* received a \$25,000 grant to survey and strengthen its farm research, extension and training services.

PERU—On Dec. 24 the Bank allocated \$100,000 on a contingent recovery basis to the *Consejo Nacional de la Universidad Peruana* to enable it to formulate a plan for the development of Peru's university system.

PARAGUAY—The *Instituto de Bienestar Rural* received \$45,000 on a contingent recovery basis Aug. 24 to finance a study designed to strengthen and reorganize its administrative, accounting, technical and financial functions.

VENEZUELA—On May 12 the *Oficina Central de Coordinación y Planificación* received a \$47,000 grant for consulting services related to the nation's decision-making process on development and its preinvestment activities affecting both the public and private sectors.

Other Activities

During 1970 the Bank authorized a variety of allocations from the Social Progress Trust Fund for technical assistance projects in the fields of economic integration, preinvestment studies, research, training, seminars and other development activities.

INTEGRATION—The Bank authorized the following grants to finance activities to foster the economic integration of Latin America:

- A \$40,000 allocation made April 13 to finance a study by the *Latin American Free Trade Association (LAFTA)* of ways of encouraging intra-LAFTA zonal trade and stimulating market potentials in its member countries.

- A total of \$15,000 was authorized April 13 for a study for the *Andean Group* on the problem of transporting petrochemical products among its member nations.

- A \$40,000 grant extended April 13 will enable the *Central American Bank for Economic Integration* to conduct a study looking to the establishment of an



TECHNOLOGY IMPROVES TREES AT INTER-AMERICAN INSTITUTE OF AGRICULTURAL SCIENCES IN TURRIALBA, COSTA RICA, WHICH HAS BEEN SUPPORTED UNDER BANK'S TECHNICAL ASSISTANCE PROGRAM. EXPERTS FIND CONTAINERS WITH NO BOTTOMS PRODUCE BETTER PLANTS.

integrated Central American capital market.

- A \$45,000 allocation June 22 was extended to finance a study by the *Andean Group Secretariat* of the petrochemical and electrical sectors within the context of the group.

- A \$25,000 allocation was made June 22 to strengthen the Industrial Affairs Department of *LAFTA*.

- A total of \$8,000 was allocated July 6 to help finance the *Fourth Meeting of the Technical Assistance Coordinating Committee* of representatives of the organizations concerned with Latin America's integration.

- A \$75,000 allocation, together with \$25,000 from the Fund for Special Operations, was made July 23 to the *Permanent Secretariat of the General Treaty for Central American Economic Integration (SIECA)* for feasibility studies on the multinational development of watershed basins in the region.

- A \$150,000 allocation was extended July 23 to finance agricultural development and physical integration studies by *SIECA* in the Central American region.

- A \$44,000 grant extended July 31 will finance a study of the joint development possibilities of the border regions between *Costa Rica* and *Panama*.

- A \$5,000 grant Aug. 24 provided additional support to the *Republic of Panama* for a study of the possible incorporation of Panama into the Andean Group.

- A \$20,000 grant was extended Aug. 24, together with a similar sum from the Fund for Special Operations, to assist in the identification of possible development projects by the *Andean Development Corporation*.

- An \$88,400 grant Dec. 17 is financing a study by the *Latin American Demographic Center* to plot expected population growth of Latin American cities with more than 50,000 inhabitants.

- A \$270,000 allocation was extended Dec. 24, together with a similar sum from the Fund for Special Operations, to finance the continued activities of the Bank's *Institute for Latin American Integration* during 1971.

TRAINING—The following authori-

zations were approved in 1970 for training activities conducted by the Bank's Training Division:

- *Development Financing*: A \$30,000 grant Feb. 2 was extended to cover scholarships for Latin American professionals studying municipal government at the *Latin American School of Political Sciences and Administration* during 1970. A \$40,000 allocation authorized March 9 is being devoted to the preparation of a training manual on the Bank. On July 23 the Bank extended a grant of \$300,000 to train over a three-year period, experts from the Bank's member countries in the latest techniques of the "Green Revolution" at the *International Center for the Improvement of Wheat and Maize* in Mexico. A \$300,000 grant was authorized July 23 to finance a training program in beef and pork production for professionals from the Bank's member countries over a three-year period at the *International Center of Tropical Agriculture* in Colombia.

On Dec. 17 the Bank allocated \$176,500 to finance the establishment of graduate courses in the field of development banking to benefit professionals from institutions in the member countries and from the Bank itself to be carried out by *The American University*.

- *Loan Administration*: A total of \$39,500 was allocated April 13 to finance scholarships in the field of development and project administration at the *Inter-American School for Public Administration*, operated by the *Getulio Vargas Foundation* of Brazil.

- *Project Preparation and Evaluation*: An allocation of \$13,500 made Nov. 9 was used to finance scholarships for professionals from Latin American development organizations to attend a Bank seminar on topics related to the preparation, evaluation and administration of development projects. A similar sum for this purpose was extended from the Fund for Special Operations. On Dec. 24 the Bank allocated \$416,450 to finance seminars and courses on the preparation and evaluation of agricultural projects and other training programs designed to strengthen agricultural research and extension services in the member countries. The

courses are been carried out at the *Inter-American Institute of Agricultural Sciences* in Turrialba, Costa Rica. On Dec. 29 the Bank allocated \$39,800 to assist the *Pan American Development Foundation* to provide assistance to the national development foundations of the member countries in identifying and preparing potential regional development products.

CONFERENCES AND SEMINARS—In 1970 the Bank authorized the following allocations to help sponsor conferences and seminars related to Latin American development efforts:

On March 9 the Bank allocated \$22,500 to sponsor the fifteenth seminar held in Washington on the IDB and other sources of external financial assistance. A similar sum was extended from the Fund for Special Operations. On April 7 the Bank allocated \$43,000 for a meeting held in Washington to draft plans for a conference held subsequently in Santiago, Chile, in 1970 on marginal underdevelopment in both rural and urban centers in Latin America. On July 6 the Bank extended \$33,000 to finance a seminar to be conducted by the *Latin American Demographic Center* in Santiago, Chile, in 1971 for high level Latin American urban planners.

On Dec. 1 the Bank allocated \$20,700, together with an equal sum from the Fund for Special Operations, for a seminar being conducted by the Bank on sources of external financial assistance for professionals employed in the national development agencies of Barbados, Jamaica, and Trinidad and Tobago.

Also, on Dec. 1, the Bank allocated \$21,500, together with an equal sum from the Fund for Special Operations, to carry out a seminar on the Bank and other external financial sources for development bankers from the member nations in Washington.

On Dec. 24 the Bank allocated \$100,000 to the *Latin American Council on Social Sciences*, together with \$30,000 from the Fund for Special Operations, to finance a program leading to the establishment of post-graduate courses in the social sciences in the member nations.



STUDENTS LISTEN TO LECTURE AT UNIVERSITY OF HONDURAS. BANK FINANCING HAS HELPED BUILD NEW BUILDINGS AT THREE CAMPUS LOCATIONS.

FINANCIAL HIGHLIGHTS

The income of the Social Progress Trust Fund in 1970 amounted to \$10,726,405, in excess of administrative expenses, before deducting charges for technical assistance costs amounting to \$2,559,718. These figures compared with \$8,990,003 in income and \$1,988,844 in technical assistance expenses for 1969.

Gross income for the year was \$12,067,937 of which \$7,095,589 was

derived from interest on loans, \$3,083,905 was gained from service charges on loans and \$1,888,443 came from income received from participations taken in loans from the Fund for Special Operations.

Administrative expenses chargeable to the Trust Fund in 1970 amounted to \$1,341,532, compared with \$2,231,537 in 1969.

Disbursements on loans from the Trust Fund in 1970 were \$23,241,416

compared with \$58,527,066 in 1969. These disbursements brought the cumulative total on such loans as of Dec. 31, 1970, to \$492,777,351.

Repayments by borrowers on loans during 1970 amounted to \$19,809,327, compared with \$17,505,681 in 1969 and brought total repayments as of Dec. 31, 1970, to \$76,572,371.

The audited financial statements of the Social Progress Trust Fund are contained in the following pages.

OPINION OF INDEPENDENT ACCOUNTANTS

INTER-AMERICAN DEVELOPMENT BANK
ADMINISTRATOR OF THE SOCIAL PROGRESS TRUST FUND

In our opinion, the accompanying financial statements (Appendices III-1 to III-6) present fairly, in terms of United States currency, the financial position at December 31, 1970, of the Social Progress Trust Fund which is administered by the Inter-American Development Bank, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.
PRICE WATERHOUSE & CO.

Washington, D.C.
February 10, 1971

SOCIAL PROGRESS TRUST FUND

FINANCIAL STATEMENTS

APPENDIX

Balance Sheet	III-1
Statement of Income and Expenses	III-2
Statement of Technical Assistance Expense	III-3
Summary Statement of Loans	III-4
Statement of Currencies Held by the Bank	III-5
Notes to Financial Statements	III-6

SOCIAL PROGRESS TRUST FUND**APPENDIX III-1**

ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

DECEMBER 31, 1970 AND DECEMBER 31, 1969

Expressed in United States Dollars—See Notes to Financial Statements—Appendix III-6

ASSETS	1970		1969	
Due from banks (Appendix III-5) (Note A)				
United States dollars	\$ 68,175		\$ 69,354	
Currencies other than United States dollars	13,896,792	\$ 13,964,967	11,675,485	\$ 11,744,839
Loans outstanding (Appendix III-4)				
Total loans approved since inception, less cancellations	494,731,421		496,198,690	
Less principal repayments	76,572,371		56,763,044	
Less undisbursed balance	1,954,071	416,204,979	26,662,755	412,772,891
Participations in loans made from Fund for Special Operations (Note D)		90,110,870		66,418,559
Accrued charges on loans and participations		2,928,566		2,818,723
Available from United States Government (Note B)		18,830,000		40,010,000
Other assets		101,870		336,797
Total assets		<u>\$542,141,252</u>		<u>\$534,101,809</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accrued expenses and accounts payable		\$ 652,713		\$ 479,582
Special letters of credit		69,026		236,488
Fund balance				
Fund established by United States Government (Note B)	\$525,000,000		\$525,000,000	
Cumulative excess of income at beginning of year	8,385,739		1,595,726	
Excess of income over expenses during the year (Appendix III-2)	8,033,774	541,419,513	6,790,013	533,385,739
Total liabilities and Fund balance		<u>\$542,141,252</u>		<u>\$534,101,809</u>

STATEMENT OF INCOME AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 1970 AND DECEMBER 31, 1969

Expressed in United States Dollars—See Notes to Financial Statements—Appendix III-6

	1970	1969
Income		
From loans		
Interest	\$ 7,095,589	\$ 6,709,234
Service charges	3,083,905	2,892,015
From participations (Note D)	1,888,443	1,620,291
Gross income	12,067,937	11,221,540
Administrative expenses		
Salaries (Note B)	\$256,758	\$ 470,375
Professional services	37,777	26,940
Travel	25,617	54,257
Review and evaluation group	13,113	19,778
Printing	92,041	83,208
Field offices (includes salaries 1970 \$95,506—1969 \$145,795)	98,037	150,031
Miscellaneous	262	155
Indirect and overhead expenses (Note B)		
Paid or payable to Bank—Ordinary Capital (Appendix I-2)	351,709	656,325
Paid or payable to Bank—Fund For Special Operations (Appendix II-2)	466,218	770,468
Total administrative expenses	1,341,532	2,231,537
Excess of income over administrative expenses	10,726,405	8,990,003
Technical assistance and special charges		
Technical assistance (Appendix III-3)	2,559,718	1,988,844
Adjustments in United States dollar equivalents of Latin American currencies held by the Trust Fund (increase) (Note A)	(93,037)	(41,297)
Special charge arising from retroactive adjustment of rate allowed in charging indirect and overhead expenses (Note B)		110,577
Transfer to Fund for Special Supervision and Inspection of loans (Note C)	225,950	141,866
Excess of income over expenses	\$ 8,033,774	\$ 6,790,013

STATEMENT OF TECHNICAL ASSISTANCE EXPENSE ⁽¹⁾

YEAR ENDED DECEMBER 31, 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix III-6

Barbados	\$ 65,500
Chile	5,000
Costa Rica	27,000
Ecuador	12,710
El Salvador	6,500
Guatemala	2,440
Haiti	18,942
Honduras	7,212
Paraguay	97,914
Central American Bank for Economic Integration	22,632
Intern training in the Bank and Fellowships	141,221
Substantive studies	227,331
Institute for Latin American Integration	270,000
Preinvestment Fund	704,803
Courses and seminars	738,910
Miscellaneous	336,521
	<u>2,684,636</u>
Less refunds and adjustments for prior years	124,918
	<u>\$2,559,718</u>

(1) Under the provisions of the Agreement the Bank as Administrator may provide technical advice and assistance to Latin American member countries and their nationals. At December 31, 1970 the amount approved by the Bank as Administrator for technical assistance projects but not yet disbursed was \$5,317,174. The accumulated technical

assistance expenditures made by the Bank as Administrator as of December 31, 1970 include \$427,877 which may be reimbursed to the Bank as Administrator if loans are granted as a result of the technical assistance projects.

SUMMARY STATEMENT OF LOANS

DECEMBER 31, 1970

Expressed in United States Dollars—See Notes to Financial Statements—Appendix III-6

Countries in which loans have been made (1)	Total loans approved since inception, less cancellations	Principal repayments (2)	Approved loans held by Trust Fund		
			Total	Undisbursed	Outstanding (2)
Argentina	\$ 43,500,000	\$ 6,745,608	\$ 36,754,392	\$ 9,655	\$ 36,744,737
Bolivia	14,600,000	1,993,121	12,606,879	52,316	12,554,563
Brazil	61,509,930	6,812,697	54,697,233		54,697,233
Chile	34,580,447	4,915,565	29,664,882	358,059	29,306,823
Colombia	49,008,171	7,427,059	41,581,112		41,581,112
Costa Rica	11,699,676	1,332,452	10,367,224	244,527	10,122,697
Dominican Republic	8,406,759	1,190,061	7,216,698		7,216,698
Ecuador	27,448,501	2,975,015	24,473,486	257,685	24,215,801
El Salvador	21,952,428	1,993,404	19,959,024		19,959,024
Guatemala	14,319,660	1,461,495	12,858,165	3,935	12,854,230
Honduras	7,602,153	1,040,798	6,561,355		6,561,355
Mexico	34,995,804	5,726,685	29,269,119	83,101	29,186,018
Nicaragua	13,035,000	1,793,547	11,241,453		11,241,453
Panama	12,862,000	1,740,200	11,121,800		11,121,800
Paraguay	7,800,000	597,202	7,202,798	682,395	6,520,403
Peru	45,135,907	5,787,984	39,347,923	100,865	39,247,058
Uruguay	10,500,000	584,478	9,915,522	149,717	9,765,805
Venezuela	72,860,722	21,400,666	51,460,056		51,460,056
Central American Countries— Five Universities	2,914,263	1,054,334	1,859,929	11,816	1,848,113
Total	\$494,731,421	\$76,572,371	\$418,159,050	\$ 1,954,071(3)	\$416,204,979

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

(2) Loan disbursements have been made in United States dollars except for certain loans for which disbursements have been made in the national currencies of the bor-

rowers. In accordance with the provisions of practically all loan agreements, repayments may be made in the national currency of the borrower at the approximate market rate of exchange existing at the date of repayment or in United States dollars at the election of the borrower.

(3) The Bank as Administrator has entered into irrevocable commitments to disburse approximately \$309,000.

SOCIAL PROGRESS TRUST FUND

ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF CURRENCIES HELD BY THE BANK

DECEMBER 31, 1970

See Notes to Financial Statements—Appendix III-6

Country	Unit of currency	Due from banks	
		Amount in local currency	Expressed in United States dollars
Argentina	Peso	681,118	\$ 170,281
Bolivia	Peso Boliviano	715,916	60,288
Brazil	Cruzeiro	205,480	41,511
Chile	Escudo	3,269,136	227,973
Colombia	Peso	412,629	21,570
Costa Rica	Colon	152,360	22,911
Dominican Republic	Peso	323,315	323,315
Ecuador	Sucre	869,199	34,768
El Salvador	Colon	6,964,324	2,785,730
Guatemala	Quetzal	18,424	18,424
Honduras	Lempira	193,535	96,768
Mexico	Peso	567,243	45,379
Nicaragua	Cordoba	1,630,445	232,921
Panama	Balboa	79,611	79,611
Paraguay	Guarani	4,116,501	27,355
Peru	Sol	8,383,702	193,262
United States	Dollar	68,175	68,175
Uruguay	Peso	72,495,385	289,981
Venezuela	Bolivar	41,511,346	9,224,744
Total expressed in United States dollars			<u>\$13,964,967</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1970

Note A—Translation of Currencies

Amounts in currencies other than United States dollars have been translated into United States dollars at the approximate market rates of exchange existing at December 31, 1970 except for loan disbursements made in the national currencies of the borrowers, which have been translated into United States dollars at the rates at which the amounts were loaned. No representation is made that any of such currencies is convertible into any other of such currencies at any rate or rates.

Note B—Social Progress Trust Fund Agreement

In 1961 the Government of the United States of America and the Inter-American Development Bank entered into an Agreement whereby the Bank became Administrator of the Social Progress Trust Fund.

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

(a) Salary costs of time which is spent on work for the Trust Fund by the professional staff, exclusive of department and division heads and assistant heads, of the Operations, Technical and Legal Departments of the Bank, including the divisions within those departments,

(b) all other expenses clearly identifiable as having been incurred on behalf of the Trust Fund, and

(c) indirect and overhead expenses of the Bank at the rate of \$1.80 per \$1.00 of salary costs charged to the Trust Fund per (a) above, subject to adjustment at the end of each accounting period.

At the request of the Bank, the Government of the United States agreed to adjustments in the rate used in charging indirect and overhead expenses. In 1966 an increase in the rate to \$2.25 per \$1.00 of salary costs charged to the Trust Fund was accepted. The increased rate was applicable to the year 1964 and the Bank has continued to use such rate (\$2.25) in charging indirect and overhead expenses for the years 1965 through 1970.

The actual rates for indirect and overhead expenses of the Bank have been settled with the Government of the United States through 1966. The rates charged for indirect and overhead expenses for the years 1967 through 1970 have not been settled with the Government of the United States. The amount of any adjustment and the period to which it may be applied cannot be determined at this time.

Note C—Fund for Special Supervision and Inspection of Loans

In accordance with the loan contracts borrowers have agreed to special charges to cover costs of extraordinary supervision and inspection services performed in connection with projects financed under the loans. Beginning in 1966 the Bank established a special fund in each of the separate "windows" of the Bank (Ordinary Capital, Fund for Special Operations and Social Progress Trust Fund) to accumulate the amounts charged under the special provisions of the loans. Each loan is

charged pursuant to the contract and the offsetting credit is accumulated in an account called "Fund for Special Supervision and Inspection of loans". Expenses associated with supervision and inspection of these loans which are over and above those normally and routinely performed by the Bank are charged to the respective accounts.

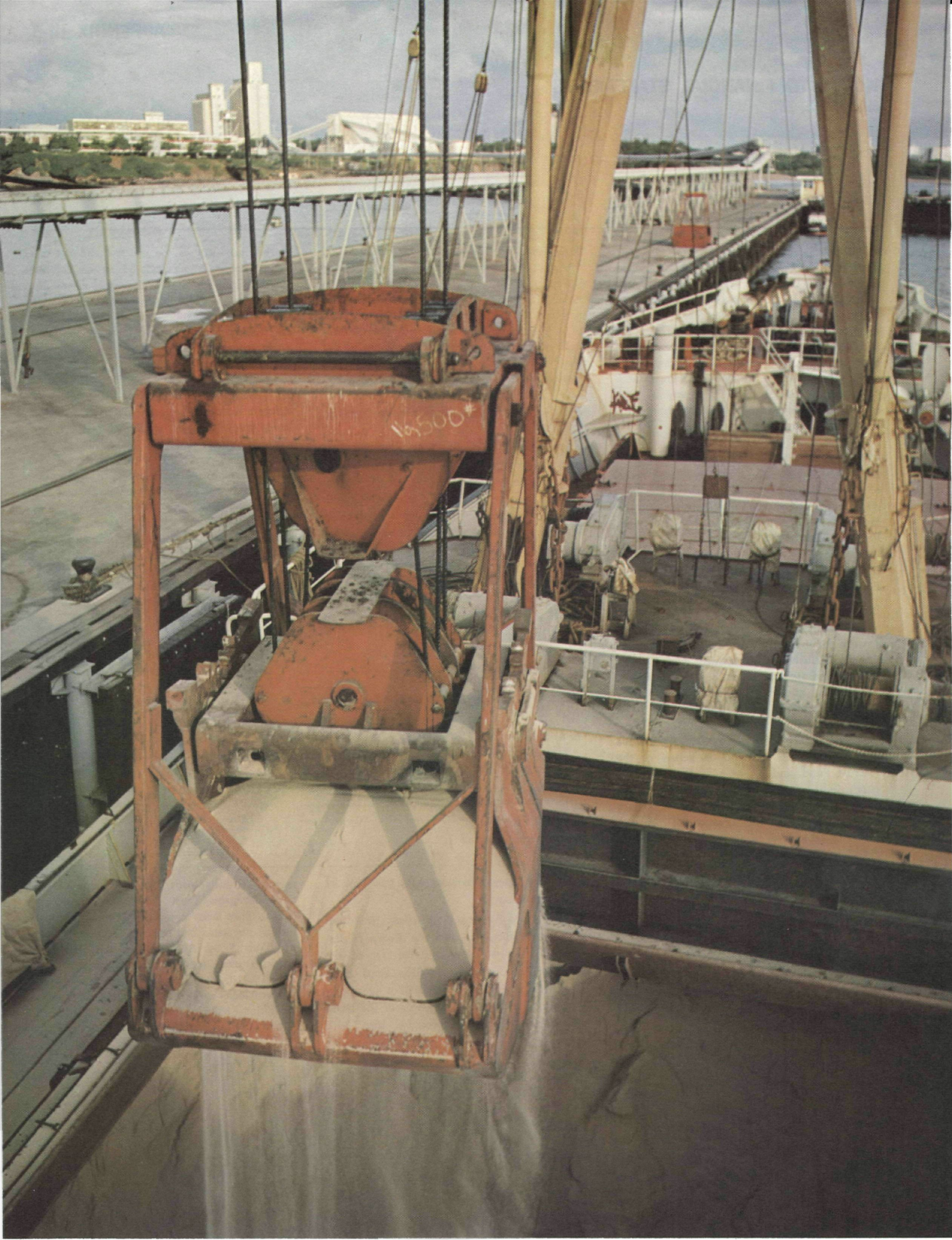
In 1969 it was determined that amounts charged under the special provisions of the loans would not be sufficient to cover the costs of supervision and inspection services performed in connection with projects financed under the loans. Accordingly, with the approval of the Board of Executive Directors, in the fiscal years 1969 and 1970 the amounts of \$141,866 and \$225,950, respectively, were transferred from the annual income of the Trust Fund to the Fund for Special Supervision and Inspection of loans. There follows a summary of the transactions in the Social Progress Trust Fund account for 1970 and 1969:

	1970	1969
Balance beginning of period	—0—	\$228,549
Charges against loans	\$ 34,340	97,120
Transfer from income of Trust Fund	225,950	141,866
	<u>260,290</u>	<u>467,535</u>
Less expenses:		
Salaries of specialists	\$93,402	\$188,047
Other compensation and benefits	32,802	64,789
Travel	37,989	49,522
Contractual services	35,211	59,419
Miscellaneous	60,886	105,758
	<u>260,290</u>	<u>467,535</u>
Balance end of period	<u>—0—</u>	<u>—0—</u>

Note D—Participations in Loans made from Fund for Special Operations

By resolution approved in April 1967 and amended in October 1968 the Board of Executive Directors authorized the use of the resources of the Social Progress Trust Fund to participate in the dollar and/or local currency portions of loans made from the Fund for Special Operations provided that, with

respect to such loans, the provisions of the Social Progress Trust Fund Agreement have in substance been complied with as fully as though the loans had been made initially from the Trust Fund. At December 31, 1970 such participations totaled the equivalent of \$90,110,870. Participations in the dollar portions of loans made from the Fund for Special Operations have not been taken since March 1970.



AMMONIUM SULFATE SPRINKLES OUT OF POWER
BUCKET AS IT IS UNLOADED FROM A SHIP AT
PORT OF ACAJUTLA, EL SALVADOR. THE CHEMICAL
WILL BE USED IN FERTILIZER PRODUCTION. PIER
WAS BUILT AND PORT WAS MODERNIZED WITH
BANK-ADMINISTERED CANADIAN RESOURCES.

PART IV

OTHER RESOURCES

Operations/Fiscal Year 1970

RESOURCES

The Inter-American Bank achieved notable success in its first decade of activities—the 60s—in attracting funds for Latin America's development from non-member countries. Looking to the future, the Bank began its second decade—the 70s—by making increased efforts to find additional formulas for bringing about closer cooperation between such countries and the region.

These new efforts were given impetus in 1970 by the Bank's Board of Governors. At its Eleventh Annual Meeting in Punta del Este, Uruguay, the Board approved a resolution April 24 calling on the Bank to evaluate "all possible avenues leading to an increase in the flow of resources available for economic and social development of the member countries of the Bank, consistent with the maintenance of its regional character."

For that purpose, the Board resolved to establish a committee which would examine various alternatives "to assure an increased flow of resources, on improved

conditions, to the Bank from developed countries not presently members of the institution, including particularly the matter of such countries within the hemisphere."

As a result of that resolution, a committee consisting of Argentina, Brazil, Mexico, Nicaragua, the United States, Uruguay and Venezuela was appointed to carry out the study. The committee met Aug. 3-5, 1970, in Mexico City under the chairmanship of Antonio Ortiz Mena, then Secretary of the Treasury and Public Credit of Mexico, to initiate a study of the various alternatives designed to ensure an increased flow of resources from non-member countries to the Bank.

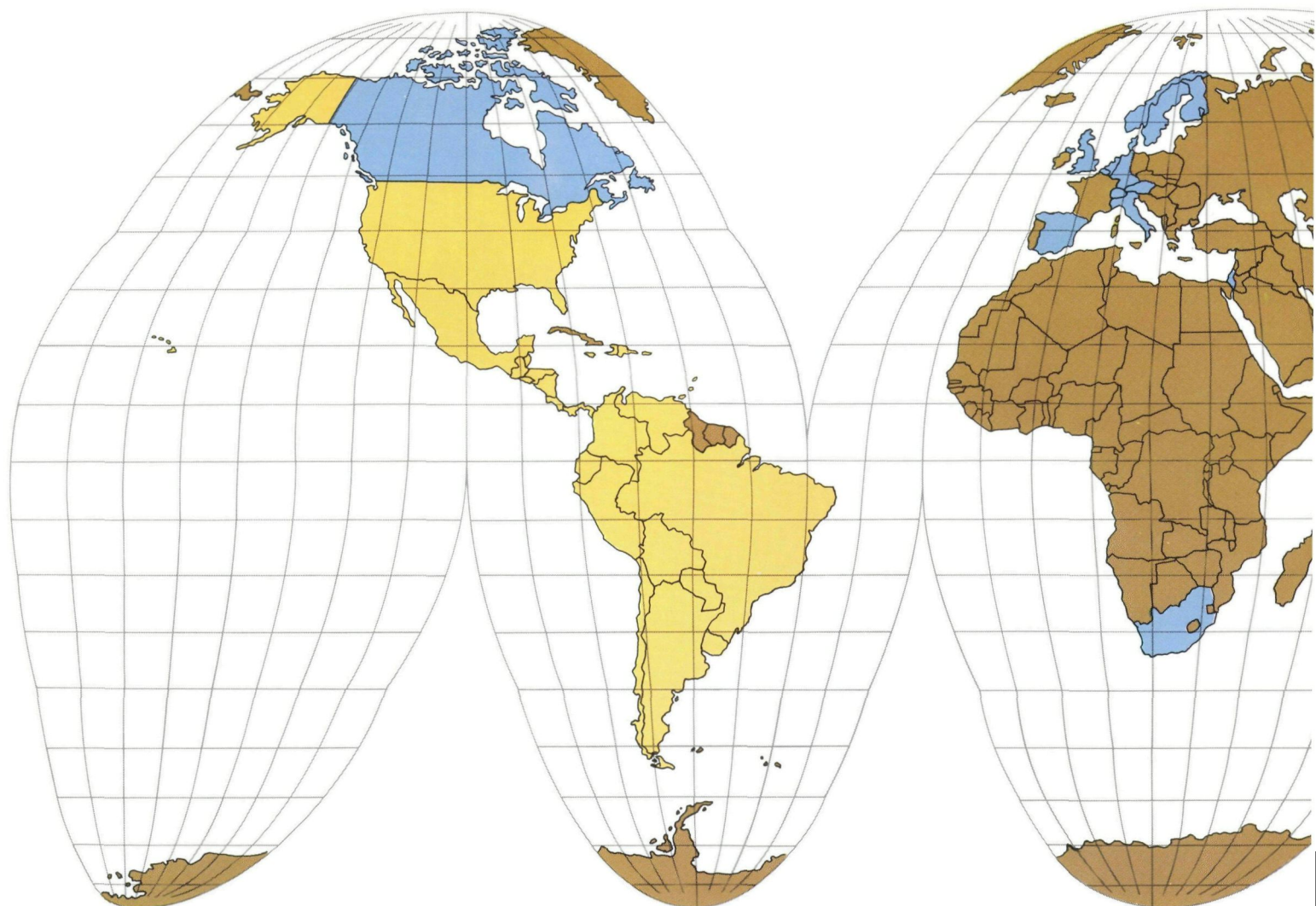
At the Mexico City meeting the committee manifested appreciation for the results achieved to then by the Bank in obtaining resources from non-member countries and expressed the view that any new formula of cooperation should involve measures beyond those already undertaken and that such a formula should re-

spect the regional character of the Bank.

The Committee of the Board of Governors also requested the Bank's Board of Executive Directors to instruct the staff to carry out a comparative study of various alternatives, including the establishment of a multinational investment fund to be administered by the Bank; the admission of developed countries into the Bank as members or associate members, and the participation of developed countries in a subsidiary financial corporation devoted to fostering industrial development in Latin America and expanding exports in the area. The possibility of creating the latter entity had been under scrutiny by the Board of Directors throughout 1970.

Subsequent to the close of the period covered by this Annual Report, the committee met again in Caracas, Venezuela, Feb. 4 and 5, 1971, and in Buenos Aires Feb. 28, 1971.

Throughout its first decade of operations the Bank sought both through indi-



vidual country negotiations and through discussions carried out in such multilateral forums as the Development Assistance Committee (DAC), the Organization for Economic Cooperation and Development (OECD) and the European Economic Community (EEC), to raise capital for Latin America.

As a result of its efforts the Bank succeeded in mobilizing more than \$500 million by the end of 1970. Most of these funds were raised through the sale of bonds or through direct borrowings. In addition the Bank has garnered considerable resources which it administers in trust for six non-member states, has agreed to cooperate with two countries in parallel and independent financing arrangements and has sold participations in its loans in 10 nations.

Within this context the Bank increased its lendable resources during 1970 by a total of \$69 million raised in non-member countries. This brought to \$550 million the total amount of funds which the Bank has obtained for Latin America's development in non-member countries through Dec. 31, 1970. The total of these resources have included \$381 million raised by the Bank through bond sales and direct loans; \$85 million in trust fund resources which the Bank administers; \$50 million through parallel financing arrangements, and \$35 million through various other arrangements.

During 1970 the Bank raised \$52 million through bond issues or direct loans from non-member countries, including: \$27 million in Germany, \$4 million in Norway, \$10 million in Japan and \$11

million in a short-term issue arranged in Switzerland.

During 1970 the Norwegian Government also entrusted a \$2-million Development Fund for Latin America to the Bank; the Government of Canada increased the resources which it is providing for Latin American development through the Bank from \$49 to \$59 million, and the Government of the Netherlands increased the resources which it is channeling toward Latin American development on a parallel basis with the Bank from \$30 to \$35 million.

During 1970 the Bank also entered into negotiations with France, looking to the entry of the Bank into the French capital market and subsequent to the close of the period covered by this Annual Report the Bank announced that it had



AUSTRIA	GERMANY	NETHERLANDS	SWEDEN
BELGIUM	ISRAEL	NORWAY	SWITZERLAND
CANADA	ITALY	SOUTH AFRICA	UNITED KINGDOM
FINLAND	JAPAN	SPAIN	VATICAN

SIXTEEN NON-MEMBER STATES ARE CHANNELING SOME \$540 MILLION TOWARD LATIN AMERICA'S DEVELOPMENT THROUGH THE INTER-AMERICAN BANK. IN ADDITION, THE UNITED NATIONS DEVELOPMENT PROGRAMME AND THE INTER-GOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION HAVE ALSO PROVIDED FUNDS TO THE BANK FOR THE REGION'S GROWTH

obtained authorization from the French Government to borrow up to 200 million francs (equivalent to \$36 million) in that market over the next two years.

During 1970 the Government of Switzerland made an agreement with the Bank under which it granted the same legal status to the Bank and agreed to give the same preferential tax treatment to future Bank bond issues as that enjoyed by the World Bank. The action represents a significant reduction in the cost of Inter-American Bank bond issues in the Swiss market.

During 1970 the Bank also entered into an agreement with one of its own members—Argentina—under which that country is providing special loan funds in its own currency to help finance development projects in its neighboring coun-

tries of Bolivia, Paraguay and Uruguay. This financing is additional to the contributions which Argentina makes to the Bank as a member and is designed to help provide the local counterpart contributions for specific projects which the Bank may finance in those three countries. The first loan under the arrangement was made late in 1970. It amounted to \$1.2 million in Argentine pesos and was extended to Uruguay for a joint effort being undertaken by the two countries to build a bridge across the Uruguay River between Argentina and Uruguay.

The arrangements the Bank has entered into with non-member countries up to Dec. 31, 1970, include:

- Borrowings, including bond sales and direct loans, totaling \$381 million in Aus-

tria, Belgium, Finland, Germany, Israel, Italy, Japan, the Netherlands, Norway, South Africa, Spain, Sweden, Switzerland and the United Kingdom. All of these funds have been incorporated into the Bank's ordinary capital resources.

- Funds under administration totaling the equivalent of \$85 million through agreements with Canada, Germany, Norway, Sweden, the United Kingdom and the Vatican. The figure also includes a Bank-administered loan of \$1.3 million extended by the Inter-Governmental Committee for European Migration to a farm colonization project in Brazil.

- Parallel or independent financing arrangements with Canada and the Netherlands totaling the equivalent of \$50 million.

- Sales of participations in Bank loans

OTHER RESOURCES

and other similar arrangements totaling the equivalent of \$35 million in Belgium, Canada, Finland, Germany, Italy, Japan, the Netherlands, Spain, Switzerland and the United Kingdom, as well as to the United Nations Development Fund.

All of these arrangements are summarized in the accompanying table.

In order to give an overall view of the Bank's total relations with non-member countries, a brief summary of all such arrangements on a cumulative basis is given below:

Bond Issues and Loans

The \$381 million raised by the Bank through the sale of bonds and direct loans in non-member countries includes:

AUSTRIA—Two bond issues for a total of 300 million Austrian schillings (\$11,538,462), including 150 million schillings (\$5,769,231) sold in 1968 and another 150 million schillings (\$5,769,231) in 1969.

BELGIUM—A bond issue of 300 million Belgian francs (\$6 million) sold in 1967.

FINLAND—A direct loan of \$1.1 million obtained in 1968 from the Bank of Finland. In addition, in 1968 the Finnish Export Credit Ltd. earmarked up to \$10 million in favor of the Bank to be drawn down as Bank loans generate purchases in Finland. At the end of 1970 the agreement was renewed for an additional period ending Dec. 31, 1972.

GERMANY—Four public bond issues and two privately placed loans equivalent to \$153 million. These included one bond issue of 60 million Deutsche marks (\$16,393,444) in 1964 and three public bond issues for 100 million Deutsche marks (\$27,322,404) each, in 1968, 1969 and 1970, and two private placements of 100 million Deutsche marks (\$27,322,404), both obtained in 1969.

ISRAEL—The purchases in 1966, 1968 and 1970, in the aggregate amount of \$10.5 million, of short-term bond issues placed by the Bank primarily in Latin America.

ITALY—Three bond issues equivalent to \$72 million, composed of 15 billion

FINANCIAL ARRANGEMENTS WITH NON-MEMBER COUNTRIES AND OTHER SOURCES
(Expressed in the thousands of U.S. dollars)

TOTAL		DETAIL BY ARRANGEMENTS			
Country	Amount	Bond Issues and Loans	Parallel and Independent Financing	Participations and others	Funds under Administration
Austria	\$ 11,538	\$ 11,538			
Belgium	6,896	6,000		\$ 896	
Canada	76,783		\$14,851	2,526	\$59,406
Finland	11,100	1,100		10,000	
Germany	162,105	153,005		105	8,995
Israel	10,500	10,500			
Italy	72,870	72,000		870	
Japan	38,175	30,000		8,175	
Netherlands	43,387	8,287	35,000	100	
Norway	6,000	4,000			2,000
South Africa	2,500	2,500			
Spain	20,000	12,500		7,500	
Sweden	14,665	9,665			5,000
Switzerland	36,997	36,589		408	
United Kingdom	31,381	22,856		1,275	7,250
Vatican	1,007				1,007
ICEM	1,250				1,250
UN Development Fund	3,195			3,195	
TOTAL	\$550,349	\$380,540	\$49,851	\$35,050	\$84,908

lire (\$24 million) in each of the years 1962, 1966 and 1969.

JAPAN—Three borrowings totaling \$30 million, including loans of 3.6 billion yen (\$10 million) each in 1966, 1968 and 1970.

NORWAY—A bond issue for \$4 million sold in 1970.

THE NETHERLANDS—A bond issue of 30 million guilders (\$8,287,293) sold in 1968.

SOUTH AFRICA—The purchase of \$2.5 million in a 1968 bond issue sold in the United States.

SPAIN—A direct loan of \$12.5 million obtained in 1965 from the *Instituto Español de la Moneda Extranjera*.

SWEDEN—A direct loan of 50 million Swedish kronor (\$9,665,178) arranged in 1969.

SWITZERLAND—Two bond issues for 110 million Swiss francs (\$25,154,356) including 50 million Swiss francs (\$11,433,798) in 1966 and 60 million Swiss francs (\$13,720,558) in 1968. In addition, the Swiss National Bank in 1970 extended a direct loan of 50 million Swiss francs (\$11,433,798) to the Bank. This served as a bridging loan for the 60-million Swiss franc issue (\$13,720,558) sold by the Bank in 1971 subsequent to the period covered by this report.

UNITED KINGDOM—Bond issues and direct borrowings totaling the equivalent of \$22,856,801. These have included a bond issue of 3 million

pounds sterling (\$7.2 million) in 1964 and direct borrowings of 20 million Deutsche marks (\$5,464,481) in 1969, 1,121,800 pounds sterling (\$2,692,320) arranged in 1969, 2.5 million pounds sterling (\$6 million) arranged in 1969 and \$1.5 million in dollars arranged in 1969.

Subsequent to the period covered by this report the Government of France authorized the Bank to borrow up to 200 million francs (\$36 million) in the French capital market over the next two years. The first part of that amount—100 million francs (\$18 million)—was placed on Feb. 22, 1971.

Parallel Financing

The Bank has entered into arrangements with Canada and the Netherlands under which it is helping to channel \$50 million for Latin America's development provided by those two countries under parallel or independent financing arrangements. These include:

CANADA—Under an agreement entered into June 20, 1965, Canada's Export Development Corporation has earmarked 15 million Canadian dollars (\$14,851,485) for loans for economic development projects in Latin America in cooperation with the Bank. Through Dec. 31, 1970, loans for \$3.8 million had been approved under this arrangement.

THE NETHERLANDS—Under an agreement entered into on Sept. 30, 1965, the Bank and the Netherlands cooperate on a parallel or an independent basis in financing economic development projects in Latin America. Originally established with resources totaling 36 million guilders (\$10 million), the fund has been periodically augmented at the rate of \$5 million a year so that by the end of 1970 it amounted to \$35 million. The funds are lent by the Netherlands Investment Bank for Developing Countries (*De Nederlandse Investeringsbank voor Ontwikkelingslanden N.V.*). Through Dec. 31, 1970, loans totaling \$24,274,445 had been approved under this arrangement.

Participations

The Bank has mobilized a total of \$35 million from the sale of participations in loans from its ordinary capital resources and the Fund for Special Operations and through other arrangements with private commercial banks and other financial sources. These included:

BELGIUM—\$895,536 in participations by private commercial banks.

CANADA—\$2,526,000 in participations by private commercial banks.

FINLAND—\$10 million in a pledge in proportion to the purchases made by the Bank in Finland under Bank loans through 1972.

GERMANY—\$105,000 in participations by private commercial banks.

ITALY—\$870,000 in participations by private commercial banks.

JAPAN—\$8 million in purchases by the Bank of Tokyo Ltd., in maturities from the Bank's ordinary capital loan portfolio and \$175,000 in participations by private commercial banks in Japan.

THE NETHERLANDS—\$100,000 in participations by private commercial banks.

SPAIN—\$7.5 million in an agreement by the *Instituto Español de Moneda Extranjera* to purchase participations in Bank loans contingent on procurement generated in Spain. Of that amount \$400,000 have been utilized.

SWITZERLAND—\$407,883 in participations by private commercial banks.



THE UNITED NATIONS DEVELOPMENT FUND—\$3,194,989 in participations in ordinary capital and Fund for Special Operations loans.

Funds in Administration

A general description of the funds administered for each of the countries and a summary of the loans and technical assistance approved from those funds during 1970 follows:

ARGENTINA—Under an agreement signed between the Inter-American Bank

SPILLWAY TOWER FOR WATER SUPPLY SYSTEM OF SÃO PAULO IS BEING BUILT WITH HELP OF BANK AND SWEDISH RESOURCES. IMPROVEMENT PROJECT WILL BRING WATER SYSTEM TO AN ADDITIONAL 2 MILLION PERSONS IN THE METROPOLITAN AREA.

and the Government of Argentina on Nov. 24, 1970, the Government of Argentina agreed to provide special funds in its own currency to help finance development projects in its sister republics of Bolivia, Paraguay and Uruguay. Under the agreement, in addition to the contributions which Argentina makes to the Bank as a member, that nation will make financing available in its own currency to help provide the local contribution for specific projects which the Bank may finance in those countries. The additional funds will be used exclusively to supplement the local contributions of borrowers when such supplementary financing is needed to make projects financially viable. The financing will be utilized by the borrowing country for expenditures in Argentina. Rates of interest are comparable to those charged by the Bank. During 1970 one loan was authorized by Argentina under this arrangement for the construction of a bridge across the Uruguay River. The loan is described below.

CANADA — Under an agreement signed by the Canadian International Development Agency and the Bank Dec. 4, 1964, the Bank is administering Canadian aid resources to finance economic, technical and educational assistance projects in Latin America. Originated with 10 million Canadian dollars, the total of such resources as of Dec. 31, 1970, was 60 million Canadian dollars (\$59 million). The Canadian resources are used for making loans for periods ranging up to 50 years at concessional or no interest rates. The proceeds of the loans are used to purchase goods and services in Canada. During 1970 the Bank approved two loans totaling 4.8 million Canadian dollars (\$4.7 million) from the Canadian Fund. This brought the total loans extended from the Canadian resources to 16 amounting to \$53,436,634. The loans extended in 1970 are described below.

GERMANY — Under an agreement signed Aug. 10, 1961, and supplemented by subsequent protocols, the Federal Republic of Germany has participated with the United States and the Bank in a program to finance the rehabilitation of Bolivia's tin mines. The German funds

have been provided through the *Kreditanstalt für Wiederaufbau*, the agency in charge of the Nation's foreign aid program. As of Dec. 31, 1970, these funds totaled \$8,994,536. They were lent by the Bank for terms ranging up to 10 years at an interest rate of 4 per cent per annum.

NORWAY—Through an agreement signed June 26, 1970, the Inter-American Bank entered into an arrangement to administer a \$2-million Norwegian Development Fund for Latin America. The resources will be used by the Bank in extending loans to finance projects promoting the economic and social development of the Bank's Latin American member countries for maturities ranging up to 30 years with grace periods of up to seven years. Loans from the Fund will be made on an untied basis. However, Norwegian suppliers will have an opportunity to bid on goods and services supplied with loan proceeds. The loans will bear interest of 2½ per cent per annum.

SWEDEN—On Dec. 27, 1966, the Bank entered into an agreement with the Government of Sweden to administer a \$5-million Swedish Development Fund for Latin America. Loans from the fund are extended in conjunction with ordinary capital resources loans and are untied. However, Swedish suppliers are given adequate opportunity to bid on goods and services supplied with the loan proceeds. The entire \$5 million was lent during 1968 at 2 per cent interest for a period of 25 years to help finance a project to expand and improve the water supply system of São Paulo, Brazil.

UNITED KINGDOM—On April 18, 1966, the Government of the United Kingdom signed an agreement with the Bank under which the Bank administers certain United Kingdom funds to finance economic assistance projects in Latin America. The Bank has used these resources for making loans for terms ranging from 10 to 25 years at interest rates determined in each case. The proceeds are used to purchase goods and services in the United Kingdom.

THE VATICAN—On March 25, 1969, the Bank entered into an agreement with the Holy See to administer

a development fund designed to benefit low-income sectors in Latin America, initially in the field of agrarian reform. Known as the *Populorum Progressio* Fund, it will be devoted to providing loans and technical assistance in the fields of agrarian reform, overall human well-being, workers organizations and other areas of social and economic reform and general improvement. The initial \$1 million contributed to the Fund was extended for an agrarian reform project in Colombia and is described below. Established with \$1 million by the Holy See, the Fund has been augmented with three contributions from individuals amounting to \$7,000. Loans from the Fund may be made interest free for maturities ranging up to 50 years with appropriate grace periods.

LOANS

During 1970 the Inter-American Bank authorized four loans for the equivalent of \$7 million from the special resources which it administers. This brought the net cumulative total of such loans to 22 for \$66 million. Disbursements from these loans during 1970 totaled \$9 million, bringing total cumulative disbursements on loans extended from such resources to the equivalent of \$16 million.

The four loans authorized in 1970 are described below:

TRANSPORTATION AND COMMUNICATIONS

EL SALVADOR—CANADIAN RESOURCES

ACAJUTLA PORT EXPANSION
\$1,980,198 35-year interest-free loan of April 14, 1970
(2 million Canadian dollars)

Borrower: **COMISION EJECUTIVA PORTUARIA AUTONOMA**

In 1965 the Bank approved a \$3-million loan from the Canadian resources which it administers to expand the mooring, storage and loading facilities of the Port of Acajutla, El Salvador's major overseas trade outlet. Currently equipped to handle two ocean-going ships at one time, the port soon will be able to berth six vessels, covering cargo traffic needs up to 1975.

This new loan will be used to increase the port's efficiency and provide an additional berth through the extension of the outer pier, which also serves as a jetty. The longer breakwater, which will boost handling capacity by 20 per cent, will further protect the port from harmful wave action and unpredictable storms.

The loan will finance 47.5 per cent of the cost of the extension project. Up to \$278,000 of the financing will be used to cover additional costs for the initial expansion aided with the previous Canadian loan. All proceeds of the present loan will be used by the *Comisión Ejecutiva Portuaria Autónoma*, the port authority, to procure goods and services in Canada.

The loan is guaranteed by the Republic of El Salvador.

URUGUAY—ARGENTINE RESOURCES

PUERTO UNZUE-FRAY BENTOS BRIDGE
\$1.2 million 20-year 8% loan of Dec. 17, 1970
(\$1.2 million in Argentine pesos)

Borrower: **REPUBLIC OF URUGUAY**

This loan marks the first time a Latin American member nation—Argentina—has made available through the Bank resources in its own currency to help provide the local counterpart funds for a project in a neighboring country.

This loan, extended from these special resources, will be used to help Uruguay supply the local financing—46.2 per cent—to build the first bridge linking it to Argentina. The remaining 53.8 per cent of Uruguay's \$6.7-million share of the project's cost will be covered by a \$3.6-million loan from the ordinary capital resources.

Construction of the bridge will be carried out jointly by both countries at a total cost of about \$18,680,000, of which Uruguay will provide 28.3 per cent and Argentina the remainder.

The loan will also help the Highway Department of Uruguay's Ministry of Public Works to construct a five-mile access road linking the bridge and Argentina to trunk routes which skirt the country's resort coast and run north to the southern states of Brazil.



SOME 20 SEA AND RIVER PORTS IN SEVEN LATIN AMERICAN COUNTRIES ARE BEING MODERNIZED WITH THE HELP OF \$70 MILLION IN BANK LOANS.

PREINVESTMENT

ECUADOR—CANADIAN RESOURCES

GUAYAS RIVER BASIN STUDIES
\$2,780,198 50-year interest-free loan of Dec. 10, 1970
(2,808,000 Canadian dollars)

Borrower: **COMISION DE ESTUDIOS PARA EL DESARROLLO DE LA CUENCA DEL RIO GUAYAS**

The Guayas River basin, which covers some 13,000 square miles of lowlands north of Guayaquil, Ecuador's largest port and city, has one of the richest agricultural potentials within South America's Pacific coast watershed. Until recently, however, few studies had been carried out of the development possibilities of the basin.

In response to the need for studies, the *Comisión de Estudios para el Desarrollo de la Cuenca del Río Guayas* (CEDEGE), a public agency in charge of Guayas basin studies, was established in 1965. That year CEDEGE received its first loan for 1,260,000 Canadian dollars (\$1,247,525) from the Bank-administered Canadian resources to carry out

technical studies of the Guayas basin.

This loan will help continue the study program begun with the earlier loan. It will be used to finance 70.3 per cent of the \$3.7-million cost of executing feasibility studies of two specific projects. One is an irrigation and farm development project which will benefit the 24,700-acre Babahoyo area some 40 miles north of Guayaquil. The other includes flood control, irrigation and electric power works which will benefit about 494,000 acres of lowlands along the Daule, Macul, Vines and Babahoyo rivers.

Particular attention is being paid in the studies to such areas as water resources, land tenure, aerophotogrammetry and mapping, geological research, marketing, soil analysis and investment planning.

Up to \$130,000 of the loan will be used to finance technical assistance services designed to strengthen CEDEGE's operational and administrative capacity.

The loan is guaranteed by the Republic of Ecuador.

AGRICULTURE

COLOMBIA—POPULORUM PROGRESSIO FUND

PILOT SETTLEMENT PROJECT

\$1 million 50-year interest-free loan of March 12, 1970

Borrower: **INSTITUTO COLOMBIANO DE LA REFORMA AGRARIA**

The most widespread type of farm operation in Colombia is the *minifundio* or dwarf holding. As of 1960 these small plots accounted for two-thirds of the nation's farms, yet represented only 5.5 per cent of its farmland. *Minifundios* and the lack of modern know-how among the sharecroppers and tenant farmers who work them, consequently contribute to lower levels of agricultural efficiency and productivity.

Continuing its efforts to aid small-scale farmers and promote better land distribution, the *Instituto Colombiano de la Reforma Agraria (INCORA)*, the government's agrarian reform agency, has launched a pilot project to settle 700 farm families in the Cauca Department of southwest Colombia. Some 37,050 acres of land will be parceled out, cooperative farm management groups will be

formed, technical assistance will be provided and a literacy drive will be undertaken for 4,300 adults. As a result of the project, the benefited farmers within six years are expected to double their yearly income.

This loan, the first to be granted from the *Populorum Progressio* Fund entrusted to the Bank by the Holy See, will cover one-fourth of the project's \$4-million cost; the remaining 75 per cent will be provided by local sources.

The pilot farm settlement project will be administered by *INCORA* through a special fund called the *Fondo Colombiano de Desarrollo Campesino Paulo VI*, which has a directing council made up of four members designated by the Catholic Church in Colombia.

The loan is guaranteed by the Republic of Colombia.

TECHNICAL ASSISTANCE

On Nov. 24 the Bank granted \$38,000 in technical assistance from the *Populorum Progressio* Fund, which it administers for the Vatican, to the *Central Ecuatoriana de Servicios Agrícolas (CESA)*, Ecuador's agrarian reform and farm serv-

ices bureau. *CESA* is using the grant to carry out studies which will enable it to seek outside financing for the agrarian reform programs which it is carrying out on lands provided by the Roman Catholic Church in Ecuador.

On Dec. 10, the Bank extended a loan for the equivalent of \$2.6 million from the funds which it administers for the Government of Canada. Up to the equivalent \$130,000 of this loan will be used to hire experts who will advise on ways of modernizing and fortifying the operational and administrative capacity of the borrower, the *Comisión de Estudios para el Desarrollo de la Cuenca del Río Guayas*, an independent agency established in 1965 to promote the development of the Guayas River Basin and the adjacent Santa Elena Peninsula.

These grants bring the cumulative total of technical assistance extended from the resources administered by the Bank for non-member countries to \$6,951,703, including \$230,000 from Swedish funds, \$6,683,703 from Canadian funds, and the above-described \$38,000 grant extended from the *Populorum Progressio* Fund.



VATICAN'S POPULORUM PROGRESSIO FUND,
ADMINISTERED BY THE BANK, IS BEING USED TO
PROVIDE TECHNICAL ASSISTANCE FOR AGRARIAN
REFORM PROGRAMS IN ECUADOR. PREVIOUS BANK
LENDING HAS HELPED ECUADOR'S NATIONAL
INSTITUTE OF AGRARIAN RESEARCH TO IMPROVE
RICE PRODUCTION.

INSTITUTE FOR LATIN AMERICAN INTEGRATION

During 1970 the Institute for Latin American Integration (INTAL), a permanent unit of the Bank established in 1965 and based in Buenos Aires, Argentina, carried out an intensive program of training, research, advisory and information activities.

ADVISORY BOARD

The Advisory Board of INTAL met twice during the year. The seventh meeting was held in April at the Institute's headquarters, and the eighth meeting, at which the 1971 plan of operations was approved, was held in October in Washington, D.C.

TRAINING

The Institute's training programs included one course at the regional level; two courses at the national level; three courses focusing on specific sectors related to Latin America's integration, and participation in various seminars, courses and meetings organized by agencies concerned with the integration process. These were:

Sixth Regional Course on Latin American Integration—Held at the Institute's headquarters, Aug. 18-Nov. 27, this course was offered to 35 participants from the public, private and university sectors.

Seminar on Mexico and Latin American Integration—This seminar, held Sept. 28-Oct. 16, in Mexico City, was sponsored by the Colegio de México and INTAL and was supported also by Mexico's Department of Industry and Trade. The 45 participants

came from the Mexican public, private, university and labor sectors.

Seminar on the English-Speaking Caribbean Countries and Regional Development—Held in Kingston, Jamaica, Dec. 7-18, this seminar was sponsored by INTAL and the Caribbean Association of Universities and Research Institutes and received the support of the Caribbean Free Trade Association. The 27 participants analyzed the main characteristics of economic integration.

Fourth Course on Tax Policy and Administration—Since 1966 the Institute, in cooperation with the Inter-American School of Public Administration (EIAP) of the Getulio Vargas Foundation, has held a course each year on tax policy and administration. A total of 35 tax experts attended the 1970 course in Rio de Janeiro.

Fifth Course on Customs Policy and Administration—This course was held Aug. 17-Nov. 14 for 34 participants, also in Rio de Janeiro.

Subregional Courses on Tariffs—Organized jointly by INTAL and EIAP, these two courses were designed to help customs officials interpret and apply the tariff norms of the Brussels Council on Customs Cooperation. One course was held in Caracas, Venezuela, for officials from eight countries; the other course was held in Asunción, Paraguay, and was attended by officials from five countries.

Seminar for Argentine Journalists on Latin American Integration—Held at

INTAL headquarters, Dec. 15-18, this seminar was attended by 19 representatives of Argentina's press, television and radio media.

Training in the Labor Sector—The Fifth Course of the Inter-American Training Program for Women Leaders, organized by the Inter-American Commission of Women, was offered to 30 participants, Jan. 22-Feb. 27, in Quito, Ecuador. Another 30 participants attended the Second Seminar for Transportation Workers, held in Caracas, May 16-June 13, which was organized by the Humberto Valdez Latin American Social Studies Institute of the Latin American Confederation of Christian Workers (CLASC). During the week of July 9-15, 120 labor leaders met in Lima to hold a seminar on the Worker's Role in the Andean Subregional Integration Process, organized by the Confederation of Workers of Peru and sponsored by the Inter-American Regional Organization of Workers (ORIT). In addition, 25 persons attended the Second Ecuadorian Seminar on Labor Participation in the Andean Group held in Quito, Aug. 3-8, under the sponsorship of the Ecuadorian Confederation of Free Labor Organizations and the Ecuadorian Institute of Labor Studies.

INTAL also participated in the Twenty-Second Regular Course of ORIT, held in Cuernavaca, Mexico, and attended by 23 persons, and in the First Latin American Course for Textile, Garment and Leather Workers, organized by CLASC in Lima Nov. 9-Dec. 5 for 25 persons.

RESEARCH

During 1970 the Institute continued its study and evaluation of economic relations within the region. In the first stage of the project, which focused on member countries of the Latin American Free Trade Association (LAFTA), primary source material on regional exports in 1966 and 1967 was compiled, and figures on national production were updated.

INTAL also continued to identify firms in the region which export "selected manufactured products." The number of such firms included in the survey greatly exceeded the expected total. These amounted to about 650 firms, all exporting a minimum of \$100,000 of selected manufactured products; 500 of the firms are based in 10 LAFTA member countries (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela).

In mid-1970, various aspects of the production and marketing of automobile parts in Latin America were studied. The project focused on possible complementation agreements between Argentina and Brazil.

INTAL also began a comparative study of certain aspects of labor legislation in Argentina, Brazil, Chile and Uruguay. The study will be presented, early in 1971, at a series of labor law workshops organized by the *Universidad Nacional de Rosario* of Argentina.

The Institute participated in a research project on national development strategies and economic integration, held jointly by the Latin American Institute for Economic

and Social Planning and the Latin American Demographic Center. The study analyzes the implications for Latin American countries of specialization by different industries within the scheme of integration. Argentina's industrial specialization is also being studied by INTAL in cooperation with the Economic Research Center of the Torcuato Di Tella Institute in Buenos Aires.

The Inter-American Bank and the *Banco Industrial del Perú* have agreed to study the effects of regional and subregional integration on Peru's national economy. The project, which INTAL will help carry out, includes a study of conditions in LAFTA member countries which may favorably affect the export of certain Peruvian goods.

ADVISORY SERVICES

The Cartagena Group Agreement—This group requested the cooperation of INTAL to gather materials in the preparation of regulations regarding policies on foreign investment. Basically, the technical assistance included an analysis of legislation about such investment, industrial property and technological improvements in Argentina, Brazil, Mexico and Venezuela.

The Permanent Secretariat of the General Treaty for Central American Economic Integration—The Secretariat requested that INTAL carry out legal studies on multinational firms and solutions to conflicts stemming from the application of free trade regulations. The studies are to be completed early in 1971.

Assistance to an Argentine Government Agency—A sociological study on "The Integration of Working Migrant Women from Countries Bordering Argentina" was carried out during 1970, at the request of the National Office for Women, of Argentina's Department of Labor.

Countries of Relative Economic Underdevelopment—A study was begun to identify existing obstacles facing countries of relative economic underdevelopment in securing preferential treatment within the LAFTA region. Emphasis was given to the preparation of a methodological design which could be applied to a given country as a pilot study.

INFORMATION

Within its ALALC-BID-INTAL series, the Institute in 1970 published "The Marine Industry in LAFTA," prepared by the Ibero-American Merchant Marine Studies Institute.

The BID/INTAL series included the following works: "Ecuador and Latin America's Economic Integration"; "Corporate Regulations in LAFTA Countries," and "National Development and Regional Integration in Latin America."

As part of its Study Series, INTAL published "Projects of Multinational Physical Infrastructure: Legal-Administrative Formulas."

Throughout the year, the Institute also published its monthly publication *Boletín de la Integración* and its two biannual publications, *Derecho de la Integración* and *Revista de la Integración*.

GOVERNORS AND ALTERNATE GOVERNORS

COUNTRY	GOVERNOR	ALTERNATE
ARGENTINA	Aldo Ferrer	Daniel Fernández
BARBADOS	P. M. Greaves	Valerie T. McComie
BOLIVIA	Flavio Machicado	
BRAZIL	Antonio Delfim Netto	Ernane Galvêas
CHILE	Américo Zorrilla	
COLOMBIA	Alfonso Patiño Roselli	Germán Botero de los Ríos
COSTA RICA	Claudio Alpízar V.	Claudio A. Volio
DOMINICAN REPUBLIC	Diógenes H. Fernández	Luis María Guerrero Gómez
ECUADOR	Alonso Salgado Guevara	Alfonso Arroyo Robelly
EL SALVADOR	Armando Interiano	Guillermo Hidalgo Qüehl
GUATEMALA	Jorge Lamport Rodil	Augusto Contreras Godoy
HAITI	Antonio André	Edouard Francisque
HONDURAS	Manuel Acosta Bonilla	Roberto Ramírez
JAMAICA	Edward Seaga	G. Arthur Brown
MEXICO	Hugo B. Margáin	Ernesto Fernández Hurtado
NICARAGUA	Juan José Martínez L.	Roberto Incer Barquero
PANAMA	Gabriel Castro S.	Carlos Valencia
PARAGUAY	César Barrientos	César Romeo Acosta
PERU	Francisco Morales Bermúdez	José Luis Brousset Escobar
TRINIDAD AND TOBAGO	Francis C. Prevatt	Dodderidge Alleyne
UNITED STATES	John B. Connally	Nathaniel Samuels
URUGUAY	José Carlos Pena	Felisberto V. Carámbula
VENEZUELA	Luis Enrique Oberto	Carlos Emmanuelli Llamozas

As of March 25, 1971

EXECUTIVE DIRECTORS AND ALTERNATES

		NUMBER OF VOTES	PER- CENTAGE
Raul Barbosa	Elected by:		
BRAZIL	Brazil	34,717	12.42
Federico Intriago (Alternate)	Ecuador	1,987	.71
ECUADOR		36,704	13.13
Lempira E. Bonilla	Elected by:		
HONDURAS	Costa Rica	1,523	.55
José Luis Montiel (Alternate)	El Salvador	1,523	.55
NICARAGUA	Guatemala	1,987	.71
	Haiti	1,523	.55
	Honduras	1,523	.55
	Nicaragua	1,523	.55
		9,602	3.46
Henry J. Costanzo	Appointed by:		
UNITED STATES	United States	117,487	42.05
Reuben Sternfeld (Alternate)			
UNITED STATES			
Enrique E. Folcini	Elected by:		
ARGENTINA	Argentina	34,717	12.42
Armando Prugue (Alternate)	Peru	4,769	1.70
PERU		39,486	14.12
Julio C. Gutiérrez	Elected by:		
PARAGUAY	Bolivia	2,911	1.04
Guido Valle-Antelo (Alternate)	Paraguay	1,523	.55
BOLIVIA	Uruguay	3,843	1.37
		8,277	2.96
Jesús Rodríguez y Rodríguez	Elected by:		
MEXICO	Barbados	549	.19
Eduardo McCullough (Alternate)	Dominican Republic	1,987	.71
PANAMA	Jamaica	1,987	.71
	Mexico	22,365	8.00
	Panama	1,523	.55
		28,411	10.16
Ildegar Pérez Segnini	Elected by:		
VENEZUELA	Chile	9,631	3.45
Enrique Peñalosa (Alternate)	Colombia	9,623	3.44
COLOMBIA	Trinidad and Tobago	1,523	.55
	Venezuela	18,663	6.66
		39,440	14.12
TOTAL		279,407	100.00

As of March 25, 1971

PRINCIPAL OFFICERS OF THE BANK

PresidentAntonio Ortiz Mena
Executive Vice PresidentT. Graydon Upton

OPERATIONS DEPARTMENT

ManagerJoão Oliveira Santos
Deputy Manager for LoansGuillermo Moore
Division DirectorManuel Valderrama
Division DirectorPaul J. Colcaire
Acting Division DirectorMaxwell Obst

Deputy Manager for Project AnalysisJames A. Lynn
Division DirectorsFerruccio Accame
William A. Carter
Mario Lima
José Irineu Cabral

Deputy Manager for Loan AdministrationAlfredo E. Hernández
Division DirectorsJoão de Mesquita Lara
Luis Buitrago
Freeborn G. Jewett, Jr.

FINANCIAL DEPARTMENT

ManagerMerlyn N. Trued
Treasurer and Deputy ManagerJosé Epstein

TECHNICAL DEPARTMENT

ManagerCecilio J. Morales
Deputy ManagerPedro Irañeta
Director, Economic and Social Development
DivisionJohn S. deBeers
Director, Division of Special StudiesGuy A. Douyon
Director, Training DivisionMauricio Herman
Director, Technical Assistance Division ...Beatriz R. Harretche

LEGAL DEPARTMENT

General CounselElting Arnold
Assistant General CounselsJosé R. Chiriboga
Arnold H. Weiss

ADMINISTRATIVE DEPARTMENT

ManagerAlfonso Grados
Director, Division of AdministrationFausto Ruggiero
Director, Budget and Administrative
Accounting DivisionWilliam L. Taylor
Director, Personnel DivisionWeston A. Williams

SECRETARIAT DEPARTMENT

Secretary of the BankJorge Hazera
Deputy SecretaryArturo Calventi
Director, Division of InformationJoaquín E. Meyer

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Program AdvisorAlfred C. Wolf
Integration AdvisorJosé C. Cárdenas

Representative in EuropeEnrique Pérez Cisneros
Auditor GeneralWilliam C. Willard
Director, Institute for Latin American
IntegrationFelipe Tami

As of March 25, 1971

CHANNELS OF COMMUNICATIONS AND DEPOSITORIES

MEMBER COUNTRY	CHANNEL OF COMMUNICATION	DEPOSITORY
ARGENTINA	Banco Central de la República Argentina	Banco Central de la República Argentina
BARBADOS	Ministry of Finance	East Caribbean Currency Authority
BOLIVIA	Banco Central de Bolivia	Banco Central de Bolivia
BRAZIL	Banco Central do Brasil	Banco Central do Brasil
CHILE	Ministerio de Hacienda	Banco Central de Chile
COLOMBIA	Banco de la República	Banco de la República
COSTA RICA	Banco Central de Costa Rica	Banco Central de Costa Rica
DOMINICAN REPUBLIC	Banco Central de la República Dominicana	Banco Central de la República Dominicana
ECUADOR	Banco Central del Ecuador	Banco Central del Ecuador
EL SALVADOR	Banco Central de Reserva de El Salvador	Banco Central de Reserva de El Salvador
GUATEMALA	Banco de Guatemala	Banco de Guatemala
HAITI	Banque Nationale de la République d'Haiti	Banque Nationale de la République d'Haiti
HONDURAS	Ministerio de Economía y Hacienda	Banco Central de Honduras
JAMAICA	Ministry of Finance and Planning	Bank of Jamaica
MEXICO	Banco de México, S.A.	Banco de México, S.A.
NICARAGUA	Banco Central de Nicaragua	Banco Central de Nicaragua
PANAMA	Ministerio de Hacienda y Tesoro	Banco Nacional de Panamá
PARAGUAY	Banco Central del Paraguay	Banco Central del Paraguay
PERU	Banco Central de Reserva del Perú	Banco Central de Reserva del Perú
TRINIDAD AND TOBAGO	Ministry of Finance	Central Bank of Trinidad and Tobago
UNITED STATES	Treasury Department	Federal Reserve Bank of New York
URUGUAY	Ministerio de Economía y Finanzas	Banco Central del Uruguay
VENEZUELA	Ministerio de Hacienda	Banco Central de Venezuela

As of March 25, 1971

FIELD REPRESENTATIVES

ARGENTINA Carlos A. Paz	DOMINICAN REPUBLIC Rodolfo Korenjak	NICARAGUA Duncan McKay
BARBADOS César G. Atala	ECUADOR Alberto Ibáñez	PANAMA Emilio Ortiz de Zevallos
BOLIVIA Francisco Albornoz	EL SALVADOR Justo Carrillo Hernández	PARAGUAY Roderic D. O'Connor
BRAZIL Ewaldo Correia Lima	GUATEMALA Julio Sanjinés Goytia	PERU Julio Solsona Flores
CHILE Alfonso Rochac	HAITI Digby Solomon	TRINIDAD AND TOBAGO César G. Atala
COLOMBIA Walter Pitarque	HONDURAS Germán Rovira	URUGUAY Oscar Schnake
COSTA RICA Acting, Felipe Vera La Rosa	JAMAICA César G. Atala	VENEZUELA Acting, Hugo Romero
	MEXICO Guillermo Atria	LAFTA Mario Mendivil

As of March 25, 1971

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Angle des Rues Magasins de l'Etat
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Avenida Balboa y Calle 40
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Panamá 5

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18 de julio 1455—Piso 5
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