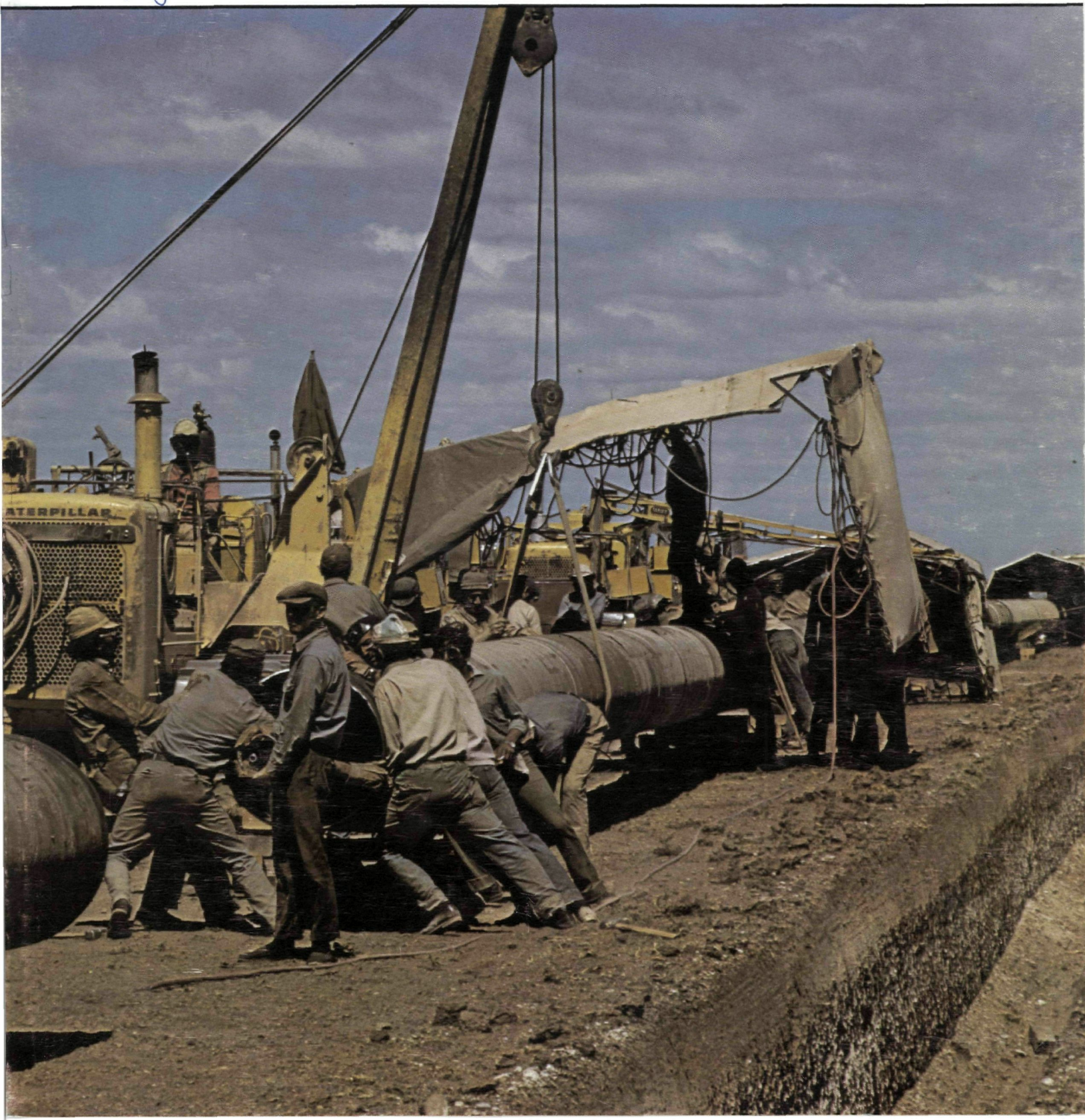


Inter-American Development Bank annual report 1973

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Inter-American Development Bank

annual report 1973





INTER-AMERICAN DEVELOPMENT BANK

Washington, D.C. 20577

February 14, 1974

Mr. Chairman:

Pursuant to Section 2 of the By-Laws of the Bank, I transmit to you the Annual Report of the Bank for 1973, which the Board of Executive Directors of the Bank submits to the Board of Governors.

The Report contains a section on development trends in Latin America, a review of the Bank's activities in 1973 and a description, on a country-by-country basis, of the loans and technical cooperation authorized during the year. Complying with Article III, Section 3(a) of the Agreement Establishing the Bank, separate accounts are presented for various sources of funds.

The audited financial statements show separately the ordinary capital resources, pursuant to the provisions of Article VIII, Section 6(a) of the Agreement Establishing the Bank; the Fund for Special Operations, in accordance with the provisions of Article IV, Section 8(d) of the Agreement, and the Social Progress Trust Fund, pursuant to Section 5.04 of the Agreement signed between the United States Government and the Bank.

The last section of the Report gives a brief summary of all the funds which the Bank administers for member, as well as nonmember, countries.

Sincerely yours,

Antonio Ortiz Mena
President

Chairman, Board of Governors
Inter-American Development Bank

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THE COVER: Workmen form pyramid as they place gas pipeline in Patagonia Desert in Argentina.

1973 IN BRIEF

The year 1973 was one of continuing accomplishment in the task of the Inter-American Development Bank of fostering the economic and social development of its member countries in Latin America and the Caribbean. Some highlights:

- Highest yearly total of loans: \$884 million, 9.5 per cent higher than the previous record of \$807 million in 1972, bringing the net cumulative total at the end of 1973 to \$6.3 billion. This volume of loans is helping to finance projects whose total cost amounts to nearly \$20 billion.

- Disbursements of \$582 million, 21.5 per cent more than the previous highest total of \$479 million set in 1972, bringing total disbursements at year end to \$3.7 billion.

- Nonreimbursable or contingent recovery technical cooperation of \$6.4 million, a figure also greater than the previous record of \$5.8 million set the year before.

- Highest yearly level of support for the region's economically less developed member countries. These obtained loans amounting to \$316 million (or 36 per cent of the total) compared with \$245 million (or 30 per cent) the previous year. In this regard the Bank exceeded the goals established by the Board of Governors in 1972 when it laid down new policy guidelines for preferential treatment for those countries in the use of the Fund for Special Operations. More than 50 per cent of total Fund loans went to such countries. Six of the economically less developed countries—Bolivia, the Dominican Republic, Ecuador, Guatemala, Haiti and Nicaragua—each received a higher volume of loans than in any previous year.

- Fulfillment of the goal set in 1970 of increasing the Bank's ordinary capital resources by \$2 billion. Subscribed ordinary capital now amounts to \$5.7 billion. Additional progress was also made in the replenishment of the Fund for Special Operations by \$1.5 billion, although \$500 million, to be contributed by the United States, is still pending congressional appropriation. The authorized Fund for Special Operations, including the latter, totals \$4.4 billion.

- The continuation of negotiations to attract additional financial resources by admitting into membership capital-exporting nations from other areas of the world.

- Substantial additional gross borrowings of \$131 million obtained in capital markets, including the Bank's eighth short-term bond issue which was placed in the central banks of the Latin American member countries.

- Sectoral lending which placed heavy stress on the productive sectors of agriculture and industry, the energy field and assistance to education.

Highlights of the Bank's 1973 activities, compared with the previous five years, are shown in the table on the next page. A more complete table showing the Bank's activities in figures from 1960 to 1973 appears on pages 22 and 23.

HIGHLIGHTS IN FIGURES, 1968-73

In Millions of Dollars

	1968	1969	1970	1971	1972	1973
TOTAL RESOURCES						
Subscriptions (End of Year)						
Ordinary Capital Resources	2,260	2,282	2,763	3,466	4,373	5,710
Fund for Special Operations	2,321	2,328	2,328	2,328	3,987	4,384
Social Progress Trust Fund	525	525	525	525	525	525
Other Funds	70	70	81	106	114	125
Total	5,176	5,205	5,697	6,425	8,999	10,744
BORROWINGS						
Outstanding Debt (End of Year)	632	767	915	1,018	1,137	1,260
Annual Borrowings:						
Gross	177	177	187	181	141	131
Net (Increase in debt)	119	135	148	103	119	123
OPERATIONS						
Loans Authorized (Cumulative) ¹						
Ordinary Capital Resources	1,081	1,294	1,486	1,764	2,162	2,652
Fund for Special Operations	1,170	1,582	2,022	2,405	2,687	3,064
Social Progress Trust Fund	499	496	495	494	494	494
Other Funds	48	58	66	82	98	99
Total	2,798	3,430	4,069	4,745	5,441	6,309
Loans Authorized (Annual)						
Ordinary Capital Resources	194	209	194	236	443	453
Fund for Special Operations	210	413	443	400	344	427
Other Funds	27	10	7	16	20	4
Total	431	632	644	652	807	884
Loan Disbursements (Annual)						
Ordinary Capital Resources	113	139	151	201	186	259
Fund for Special Operations	121	192	245	249	279	312
Social Progress Trust Fund	55	59	23	1	—	—
Other Funds	3	5	9	11	14	11
Total	292	395	428	462	479	582
Loan Repayments (Annual)						
Ordinary Capital Resources	40	51	66	74	81	89
Fund for Special Operations	9	12	21	34	45	56
Social Progress Trust Fund	14	18	20	19	21	23
Other Funds	1	1	1	2	1	3
Total	64	82	108	129	148	171
Nonreimbursable Technical Cooperation Authorized (Annual)						
Fund for Special Operations	1	2	2	2	2	3
Social Progress Trust Fund	3	3	3	4	4	3
Total	4	5	5	6	6	6
ADMINISTRATION						
Administrative Expenses ²						
Total — All Funds	22	26	29	34	34	39
Net Income (Less Technical Cooperation Expense)						
Ordinary Capital Resources	14	20	33	24	19	38
Fund for Special Operations	2	5	10	14	22	34
Reserves (End of Period)						
Ordinary Capital Resources	60	85	124	155	186	241
Fund for Special Operations	11	15	25	40	62	95

¹ Net of cancellations and exchange adjustments.

² Including loan supervision and inspection expenses.

Note: These figures reflect adjustments in U.S. dollar equivalent of nonmember currencies.



DEVELOPMENT TRENDS

In addition to the brief description of development trends in Latin America contained in this Annual Report, the Inter-American Bank annually publishes a comprehensive survey entitled "Economic and Social Progress in Latin America," which contains a detailed regional as well as country-by-country review of economic and social trends in the region.

STAGGERED LINE OF WORKMEN excavate during early stages of construction of the 150,000-kilowatt Pisayambo I hydro-electric plant, which will supply northern Ecuador with power. Project is another Bank-financed electric power project.

During 1973 Latin America achieved an economic growth rate of nearly 7 per cent. This rate represented a continuation of the accelerated development initiated in the region in 1968.

The favorable trend resulted largely from an expansion of domestic investment, an increase and diversification of exports and substantial long-term capital flows from abroad. An important role in this regard has also been played by the strengthening of the institutional mechanisms which formulate and implement economic policies.

Manufacturing, construction and electric power have been the most buoyant sectors in the growth of Latin America's economy in recent years. The agricultural sector, on the other hand, has grown at a rate insufficient to maintain the per capita output level which prevailed in 1966. This is a serious shortcoming given

the importance of agriculture to most of the Latin American economies, both in terms of its contribution to the gross product and as a source of employment.

Partly due to the inadequate growth of the agricultural sector, the rise in price levels, which has prevailed in the world in recent years, was particularly severe in Latin America in 1973 when inflationary pressures, already quite strong in 1972 and prior years, worsened. The attainment of greater price stability is made more difficult in the immediate future due to the increase in oil prices and its impact on production costs in all countries.

From 1969 to 1972, the ratio of capital outlays to gross domestic product rose significantly in more than one-half of the Latin American countries, as well as in the region as a whole. On the other hand the ratio between savings and the gross domestic product fell for the region as a

DEVELOPMENT TRENDS

whole, as well as for nearly two-thirds of the countries, individually.

The contribution of the external sector has been favorable to the region's development in recent years. Between 1970 and 1972, Latin America's import of goods expanded by 40 per cent over the preceding three years, even as the region's external financial position became stronger. During the period, exports increased about 30 per cent, as Latin American exports in general benefited from increases in the prices of primary products, especially in 1973. On the other hand, the net inflow of long-term foreign capital amounted to \$11,453 million in the 1970-72 period, an amount which offset the \$11,636 million deficit recorded in the current account of the balance of payments. International monetary reserves soared from \$5,640 million at the end of 1970 (that is, 6.1 per cent of the world total) to an unprecedented \$13,900 million (or 7.2 per cent of the world total) in October 1973.

Within the transitional stage through which it is going, Latin America's integration movement also advanced in 1973. New measures were adopted in each of the regional integration schemes. In addition, intrazonal trade in each of the regional groups continued to expand significantly in 1972 and this trend is expected to have persisted in 1973 as a result of new trade agreements and progress in the ongoing negotiations to reshape the integration schemes.

In recent years, Latin America has continued to make notable progress in the fields of health, education and the basic social services, such as water supply and sewage facilities. However, serious problems remain. These are largely associated with the continuing high rates of population growth, the accelerating migration from the countryside to the city, unemployment and the lagging rural sector.

To some extent, Latin America's accelerated economic growth in recent years was generated by the prosperity prevailing in the industrialized countries and from international trade. Towards the end of



NATURAL GAS PRODUCED in Bolivia supplies home and industry in Argentina. Bank loan approved in 1971 helped finance a pipeline which carries gas from Bolivia to the Argentine border.

1973, however, circumstances—particularly the shortage and soaring prices of oil—occurred which raise serious questions about how the economies of most of the Latin American countries will perform in 1974.

The continuance of current oil price levels will generate a large inflow of foreign exchange for the region's exporters of petroleum and natural gas, but most Latin American countries are, in fact, net importers of oil and its byproducts. Higher oil prices will place a heavy burden on the balance of payments of those countries and, in turn, will dampen their current growth rates. Moreover, these effects will be felt even more if the energy crisis causes a reduction in the growth rates of the industrialized countries and a cutback in international capital flows as a result of the balance-of-payments difficulties which many of these countries might face. Such a situation could adversely affect the market for a

series of primary export products from Latin America, especially those used as inputs in world-wide manufacturing.

At the moment it is impossible to foresee with any degree of assurance the future evolution of the energy crisis and its impact on the international economy. Assumptions that can be made at this point are too broad to permit a reliable analysis of possible effects of the situation on the international stage. It is clear, however, that the maintenance of the dynamic development performance shown by most of the Latin American countries in the past five years will depend largely on the continuation of favorable world market conditions and on the inflow of external financing.

Gross Domestic Product

According to preliminary information, Latin America's gross domestic product grew approximately 6.8 per cent in 1973. That rate is similar to the 6.9 per cent achieved in 1972. Thus, the accelerated growth trend which began in 1968 has continued. Since that year Latin America's growth has exceeded the average increase in the product of the developing countries, taken as a group (6.2 per

cent annually), as well as that of the industrial countries (4.5 per cent annually). On a per capita basis, Latin America's product has increased at about 4 per cent annually.

Latin America's accelerated economic growth over the past six years has been due mainly to internal factors. The countries with the highest economic growth rates also benefited from the stimulus of increased and more diversified exports and a favorable net inflow of long-term capital.

The annual increase in the gross domestic investment was 7.8 per cent in the 1968-72 period compared with 4.4 per cent in the 1961-67 period. At the same time in recent years the institutional mechanisms which formulate and implement investment plans and administer economic policy have improved greatly. In addition the training of technical cadres and skilled labor has contributed to the growth of the region's more dynamic economic sectors.

As was the case with the developed countries in similar stages of their development progress, economic growth in the Latin American countries has produced substantial changes in the composition of the gross domestic product. In the time which elapsed between the 1960-62 period and the 1970-72 period the contribution of agriculture and mining to the region's gross domestic product declined from 23.3 to 18.2 per cent, while that of manufactures rose from 22 to 26 per cent. In turn, from 1960 to 1970 the proportion of the labor force employed in the primary sector fell from 49.6 to 40 per cent, while increasing in the secondary sector from 22.3 per cent to 25.4 per cent.

From 1968 to 1972 the sectors with the highest growth were manufacturing, construction and electricity. In contrast, the agricultural sector grew slowly and on a declining trend. In value added terms it achieved an annual growth rate of only 3.7 per cent in the 1961-65 period and of 3.4 per cent in the 1969-72 period.

As a result, agriculture has been unable to provide productive employment to the increasing rural labor force and to supply the urban sector with the foodstuffs needed to meet the growing demand. This, in turn, has increased the depend-

ence of several countries on foreign sources of supply for farm products.

The contribution to production and employment of the tertiary sector, comprising trade, financial services, government and other nonspecified services,

Gross Domestic Product Annual Growth Rates, 1961-72 In Per Cent

Country	1961-70 Average	1970	1971	1972
Argentina	4.2	4.4	3.7	3.7
Barbados	4.9	7.1	1.5	-2.4
Bolivia	5.1	5.2	3.8	5.1
Brazil	6.0	9.5	11.3	10.4
Chile	4.4	3.7	8.3	1.6
Colombia	5.2	6.7	5.5	7.1
Costa Rica	5.9	5.9	7.4	6.4
Dominican Republic	5.2	10.2	9.9	12.5
Ecuador	4.9	11.0	7.9	9.9
El Salvador	5.6	5.1	4.3	4.4
Guatemala	5.5	5.7	5.6	6.5
Haiti	0.8	0.7	5.7	5.1
Honduras	4.5	3.0	4.3	4.0
Jamaica	5.0	9.0	4.5	7.0
Mexico	7.0	6.9	3.4	7.5
Nicaragua	7.3	5.0	5.5	5.1
Panama	8.0	7.0	8.7	7.5
Paraguay	4.8	6.1	4.6	5.3
Peru	5.3	7.6	5.9	5.8
Trinidad and Tobago	3.9	2.0	2.5	5.0
Uruguay	1.5	5.0	-0.5	0.0
Venezuela	5.7	5.5	4.3	5.5
Latin America	5.5	6.8	6.2	6.9

Note: Growth rates are based on 1970 market prices.

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

Structure and Growth of Latin America's Gross Domestic Product, 1960-72 In Per Cent

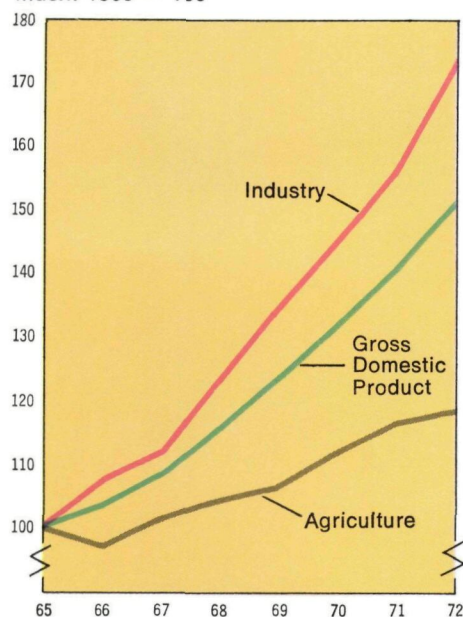
	Structure (Average)		Average Annual Growth Rate			Annual Variation		
	1960-62	1970-72	1961-70	1961-65	1966-70	1970	1971	1972
Primary Sector	23.3	18.2	3.2	3.9	2.5	4.2	3.5	0.5
Agriculture	19.1	14.9	3.1	3.7	2.4	5.0	4.6	0.9
Mining	4.2	3.3	3.7	4.4	3.1	1.0	-1.6	-1.1
Secondary Sector	33.3	37.7	6.8	6.1	7.5	8.3	7.5	8.8
Manufacturing	22.3	26.0	7.1	6.5	7.6	7.8	7.8	9.2
Construction	3.6	3.7	5.6	3.0	8.1	8.0	6.9	10.1
Electricity	1.3	2.1	10.9	10.4	11.4	10.8	10.1	6.7
Transportation	6.1	5.9	5.4	5.3	5.5	10.0	5.7	6.8
Tertiary Sector	43.3	44.0	5.7	5.6	5.9	6.6	6.6	7.3
Trade	19.7	19.8	5.5	5.2	5.8	6.4	5.8	7.4
Financial Services ..	7.1	7.7	6.7	6.9	6.4	7.1	5.9	4.6
Other Services	9.4	9.4	5.3	5.0	5.6	7.1	7.6	9.7
Government	7.1	7.1	5.8	5.8	5.8	6.0	8.3	6.4
TOTAL	100.0	100.0	5.5	5.3	5.8	6.8	6.3	6.9

Note: Figures are based on 1970 market prices.

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

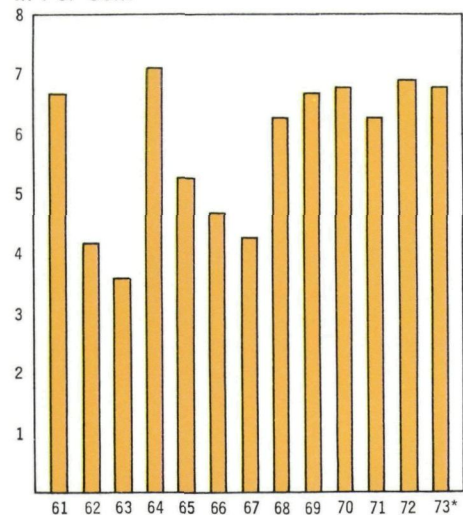
DEVELOPMENT TRENDS

Latin America: Growth of Gross Domestic Product, Agriculture and Industry, 1965-72
Index: 1965 = 100



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

Latin America: Growth of Gross Domestic Product in Terms of 1970 Market Prices In Per Cent



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

* Preliminary data.

has been particularly notable. While these activities, taken as a whole, maintained their contribution to the product at between 43 and 44 per cent from 1960 to 1970, the proportion of the labor force employed in these services rose from 28 per cent in 1960 to 35 per cent in 1970. These figures imply a significant decrease in the per capita product of those employed in the tertiary sector.

As shown in the table on Total Supply and Demand of Goods and Services, the structure of aggregate supply has remained virtually unchanged since 1960. The percentage of imports within the total remained at about 11.4 per cent in the 1960-62 and the 1970-72 periods. Since 1966, however, imports have grown more rapidly than the gross domestic product.

The change in the structure of aggregate demand has been greater. The percentage of exports in the total fell from 11.5 to 10.5 per cent between the 1960-62 and 1970-72 three-year periods. This means that compared to the mounting growth of imports, the region's exports have increased more slowly so that the proportion of gross domestic investment financed by external resources has risen. Recent efforts by several countries to increase their exports are designed to change this trend. Between the three-year periods in question, gross domestic investment rose only from 16.6 to 16.9 per cent of total demand, while private and public consumption increased from 71.9 to 72.6 per cent.

The world-wide upward movement in general price levels over the past few years has been especially pronounced in Latin America and the rise in prices has affected most of the region. In 1973 only two countries reported increases in the general price level of less than 5 per cent, vis-a-vis five countries in 1972 and 14 in the 1961-70 period. The number of countries with increases of between 5 and 15 per cent annually rose from four in the 1961-70 period to 12 in 1972 and 1973 while annual rates in excess of 15

per cent occurred in four countries in the 1961-70 period and five in 1973. Inflationary pressures increased even more in late 1973, owing to the rise in the price of petroleum and its derivatives.

The Industrial Sector

In the five-year 1968-72 period, Latin American manufacturing output expanded at an appreciably higher rate than it grew in the developed countries or in the developing countries of Asia and Africa.

During the period, Latin American manufacturing production, in terms of value added expanded at an average annual rate of 8.8 per cent, a more rapid advance than that of the region's economic activities as a whole. As a consequence, its share in the region's total gross domestic product increased from 24.7 per cent in 1968 to 26 per cent in 1972.

Comparatively, the regional growth rate of 9.2 per cent in 1972 was close to that registered in 1968 and 1969 and represented a significant improvement over the increase of 7.8 per cent registered both in 1970 and 1971. Preliminary data indicate that in 1973 the manufacturing sector will once more, at a minimum, maintain the growth rate achieved in 1972, as a number of the more important producers of the region appear to have either improved or sustained their production levels.

The bulk of Latin American manufacturing production is concentrated in a few countries. In 1972, Brazil accounted for about 30 per cent of total manufacturing value added, followed by Argentina and Mexico with approximately 24 per cent each, and Chile and Venezuela with 5 per cent. Moreover, from 1968 to 1972, there was a slight tendency for this group of countries to increase their relative share in industrial production.

The recent growth of manufacturing in the region was paced by the impressive expansion registered by Brazil, which achieved an annual increase close to 14 per cent during the 1968-72 period, with

a comparable performance foreseen for 1973. Argentina, Colombia, Mexico and Venezuela also registered relatively high growth rates during that period and so did such smaller countries as the Dominican Republic, Costa Rica, Ecuador, Nicaragua and Panama.

The industries which grew most rapidly in the last five years were, first, metal-working, machinery and appliances; second, nonmetallic minerals, and third, chemicals and basic metals. On the other hand, foodstuffs and clothing registered the lowest rates of growth. Industry rankings in terms of output growth were nearly the same for 1972 alone as for the five-year average.

A few words should be added about the implication of the energy crisis for Latin American manufacturing. Although Latin America's relative contribution to world petroleum production has been diminishing, all projections indicate that the region will continue to be an important net exporter. In order of importance, as net exporters, are Venezuela, with more than 90 per cent of the region's petroleum exports, Ecuador, Trinidad and Tobago, Bolivia and Colombia. A majority of Latin American countries will be affected by the energy crisis, however, to the extent to which they are net importers of petroleum. At the same time, the region possesses a vast long-range hydroelectric power potential.

The Agricultural Sector

While Latin America's gross domestic product grew by about 6.7 per cent annually between 1969 and 1972, the value added by the agricultural sector increased only by 3.4 per cent annually. Although the sector remains the most important in the majority of Latin American countries, its relative share in the product has been declining steadily.

However, the critical importance of the sector is clearly apparent if one considers the size of the population which depends on agriculture and the size of the labor force which it should keep pro-

Total Supply and Demand of Goods and Services in Latin America, 1960-72 In Per Cent

	Structure		Average Annual Growth Rate			Annual Variation		
	1960-62	1970-72	1961-70	1961-65	1966-70	1970	1971	1972
Total Supply	100.0	100.0	5.6	5.1	6.0	7.2	6.5	7.3
Gross Domestic Product	88.6	88.7	5.7	5.5	5.8	6.8	6.3	6.9
Imports	11.4	11.3	5.0	2.4	7.6	9.9	6.9	9.2
Total Demand	100.0	100.0	5.6	5.1	6.0	7.2	6.5	7.3
Private and Public Consumption	71.9	72.6	5.7	5.1	6.2	7.3	7.4	6.7
Gross Domestic Investment	16.6	16.9	5.7	5.3	6.2	7.8	7.3	7.3
Exports	11.5	10.5	4.8	4.9	4.8	5.8	-1.0	11.5

Note: Figures are based on 1970 market prices.

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

Manufacturing Sector Value Added Growth Rates, 1968-72 In Per Cent

Country	Share in Regional Total		Annual Average Growth Rates					
	1968	1972	1968-72	1968	1969	1970	1971	1972
Argentina	23.6	24.2	7.5	7.1	11.6	4.4	6.7	7.8
Barbados	—	—	—	—	9.1	8.3	—	—
Bolivia	0.4	0.6	4.7	2.4	8.1	6.0	2.1	5.5
Brazil	24.7	30.2	13.9	19.9	13.0	11.2	11.2	14.1
Chile	6.0	—	—	2.5	3.0	1.2	13.1	—
Colombia	4.0	4.2	7.9	6.1	7.5	7.9	8.2	9.9
Costa Rica	0.5	0.5	7.3	7.4	7.0	7.7	6.6	7.7
Dominican Republic	0.5	0.8	11.5	-8.7	23.7	5.8	7.3	12.7
Ecuador	0.8	0.8	7.7	6.9	7.7	6.4	8.1	9.1
El Salvador	0.6	0.5	4.2	4.6	0.6	3.3	7.0	5.5
Guatemala	0.9	0.8	6.9	12.0	7.4	3.4	7.0	5.3
Haiti	0.1	—	—	5.1	2.4	2.4	7.0	—
Honduras	0.3	0.3	6.9	6.6	6.1	8.1	7.5	7.0
Jamaica	0.5	0.5	3.7	3.6	5.2	1.1	4.9	4.1
Mexico	24.9	24.8	7.7	10.2	8.0	8.1	4.5	7.8
Nicaragua	0.5	0.5	9.1	10.8	9.0	2.1	8.0	5.8
Panama	0.5	0.5	8.1	10.0	9.1	6.5	8.3	6.7
Paraguay	0.3	0.2	5.2	6.0	4.5	7.6	4.0	3.0
Peru	3.6	3.5	5.8	2.0	0.3	11.5	8.4	7.3
Trinidad and Tobago	0.6	0.5	5.1	11.4	5.7	4.8	-1.5	4.1
Uruguay	1.6	1.3	2.4	4.1	6.0	4.3	-2.0	-0.7
Venezuela	5.2	5.4	7.4	5.3	2.8	12.8	8.5	8.5
Latin America	100.0	100.0	9.1	10.0	9.1	7.8	7.8	9.6

Note: Differences in rates of growth between the 1973 report and previous ones are due to revisions in national series made by official sources.

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

ductively employed. The labor force of the agricultural sector of the region numbered 31.1 million persons in 1970, representing 39 per cent of the total. Although the proportion of the labor force employed in agriculture fell by 1 per cent from 1970 to 1972, the actual

number increased by some 600,000 persons. Based on estimates and projections of the UN Food and Agriculture Organization, the labor force employed in agriculture in Latin America will decline in relative terms by about 7 per cent from 1970 to 1980. This implies that there

DEVELOPMENT TRENDS

will be no significant change in the absolute size of the sector's labor force during the decade.

The increase of only 4.2 per cent in the volume of gross agricultural production¹ in Latin America from 1969 to 1972 was clearly insufficient to maintain the per capita production values achieved in 1969. Over that period the per capita production indexes fell slowly but steadily, decreasing about 5 per cent. In terms of annual rates, while the total volume of agricultural production increased by 1.4 per cent, per capita production declined by 1.6 per cent. The pattern of food production indexes was the same.

As a result of the virtual stagnation (the increase being only 0.8 per cent) of Latin America's agricultural production in 1972, per capita production in that sector fell by 2 per cent in relation to 1971, and if only food products are taken into account production fell by 3 per cent.

The production of wheat, one of Latin America's chief cereal crops, increased by 4.5 per cent from 1971 to 1972, exceeding 12 million metric tons. The drop in the combined production of corn and sorghum amounted to 10 million metric tons, a drop which in large part explains the unavoidable increase in the region's cereal and grain imports. The area's rice harvest rose by 4 per cent, from 10.7 million metric tons in 1971 to 11.1 million tons in 1972.

Sustained world demand and higher prices helped boost sugar production, which reached 15.9 million metric tons in 1972. Only slight gains were made in cotton production, but new peaks were achieved in soybean output and beef production recovered in 1972. Finally, coffee output shrank slightly in 1972, while cacao was 10 per cent higher.

The rapid and sustained rise in world prices for most of Latin America's exportable agricultural products heavily

boosted agriculture's contribution to the foreign exchange income derived from foreign trade. In the 1969-72 period, export sales of foodstuffs and agricultural raw materials accounted for about half of the value of Latin America's total exports. During that period the average annual growth rate in the volume of the region's agricultural exports was 0.3 per cent. An increase of 10.2 per cent in exports of animal feeds was canceled out by a 7 per cent decrease in exports of raw materials. At the same time, the volume of agricultural products imported by the region expanded at an annual average of 7 per cent. In imports, too, the fastest rise occurred in animal feeds.

Balance of Payments

Latin America's balance of payments has closely followed in recent years the changes in the level of economic activity and foreign trade of the industrialized countries, and has also been affected by world-wide inflationary trends and monetary adjustments.

The region's traditional trade surplus turned into a deficit in 1971. A modest surplus once again was achieved in 1972 and indications are that a new trend toward a larger surplus may be underway. The deficit in the current account rose from 1970 to 1972, but the net balance on long-term capital movements largely offset this deficit in 1970 and 1971 and exceeded it in 1972, making possible a positive basic balance in the balance of payments in that year and an unprecedented increase in international monetary reserves. Preliminary information indicates that the region had a slight surplus in its trade balance and a new substantial increase in its international reserves in 1973.

In 1971 the value of the region's merchandise exports rose by 4.4 per cent, an increase smaller than the 11.8 per cent hike in the value of imports. The trade balance deficit was \$195 million in that year. In 1972 the increase in the value of exports, which amounted to 17.8 per

cent, exceeded the 14.9 per cent increase in imports, thus producing a trade balance surplus of \$271 million. Preliminary data indicate that in 1973 the value of exports increased about 40 per cent and the value of imports by approximately 25 per cent.

The marked variations in the growth rate of Latin America's exports over the past three years were due to a variety of factors. The most important were the changes in the level of industrial activity in the developed countries with which Latin America trades, the effect of international monetary adjustments on the demand for the region's export products, the rise in prices in the world primary products markets and the success achieved by several countries in diversifying their exports. The increase in prices, which started for many products in 1972 and continued through 1973, affected the majority of the region's agricultural exports including coffee, meat, sugar, cacao, fishmeal, cereals, wool and petroleum.

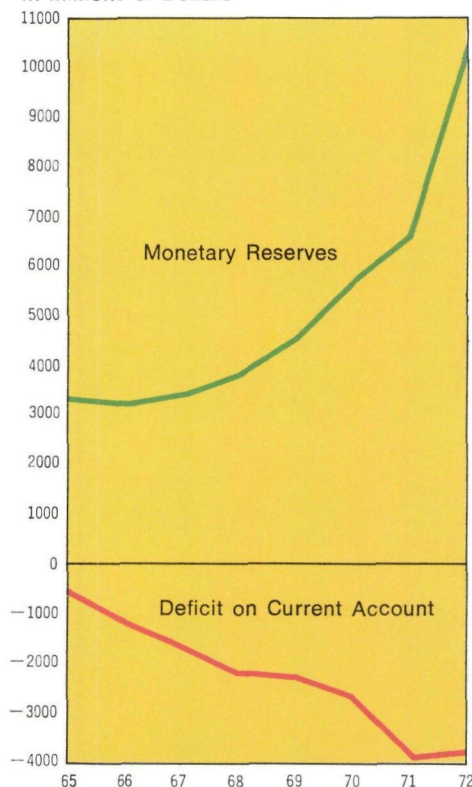
However, the favorable effect of higher prices for exports of primary products was negated to some extent by increased prices for imports. This was related to the inflation which affected the industrialized countries and the 1971 and 1973 revaluations of major currencies, which boosted the prices of many products imported by countries producing primary goods.

The long-term trend indicates that Latin American merchandise exports have undergone two significant changes during the past decade. The first relates to their composition and the second to their destination. The share of manufactures in total exports has increased in most of the countries. For the region as a whole that share moved up from 9.6 per cent in 1960 to 20.8 per cent in 1970. Regarding geographic destination, the proportion of the region's total exports shipped to the United States and the European Economic Community, including the United Kingdom, diminished appreciably between 1960 and 1970. On

¹ The volume of agricultural production includes *additions* from other sectors, the value added excludes those additions.

Latin America: Deficit on Current Account and Growth of International Monetary Reserves, 1965-72

In Millions of Dollars



SOURCE: International Monetary Fund.

the other hand, the proportion of exports going to Japan and, to a lesser extent, Canada, increased significantly. Intra-regional exports also increased during this period.

The structure of Latin America's imports remained relatively stable. For the region as a whole, imports of agricultural products fell from 17.3 per cent of the total in 1960 to 14.8 per cent in 1970, while imports of minerals and metals changed from 9.9 per cent to 9.5 per cent over the same period. The geographic origin of the imports shifted in the same way as did the destination of the exports. The proportion from the United States and the European Economic Community declined while that from Japan and Canada increased, as did intra-regional imports.

The services account continued to

show a growing deficit between 1970 and 1972. Foreign exchange earnings from exports of services rose from \$4,331 million in 1970 to \$5,067 million in 1972, an increase of \$736 million. In the meantime payments for imports of such services climbed from \$8,268 million to \$10,028 million, or an increase of \$1,760 million. The largest outflow was caused by interest and dividends on foreign capital and freight and insurance costs.

Latin America, like other developing regions, is a net importer of capital and the dividend and interest payments added up to a heavy burden on the services account. The deficit under this heading averaged \$3,157 million per year in the 1970-72 period.

Under freight costs and insurance, the greater part of the deficit is accounted for by payments made outside the region for transportation costs, due to the inadequate development of the Latin American countries' merchant fleets. As the region's foreign trade rises this situation tends to worsen.

The travel category, which consists mainly of income and expenditures for tourism, is the only service item which represents a source of net earnings for Latin America. For the region as a whole the surplus rose from \$194 million in 1970 to \$853 million in 1972. The largest share of this was accounted for by Mexico, which in the three-year 1970-72 period collected 65.8 per cent of the receipts from and generated almost half of the expenditures for tourism. Other countries with positive balances in this category were Jamaica, Panama and Trinidad and Tobago.

Considering the region as a whole, the net inflow of foreign capital showed a considerable increase over the three-year period, rising from \$2,623 million in 1970 to \$5,379 million in 1972. This made possible an appreciable rise in the international monetary reserves of the region, from \$5,640 million at the end of 1970 to \$10,550 million at the end of

1972 and an unprecedented total of \$13,900 million in October 1973.

Economic Integration

During 1973 the existing integration arrangements of Latin America carried out a variety of activities, including the analysis of the aims and prospects of their joint effort and put into effect new instruments to implement their activities.

With the entry into force of the Protocol of Caracas amending the Treaty of Montevideo, which has been ratified by all the association member countries, the Latin American Free Trade Association (LAFTA) started a process of negotiations which will continue in 1974. The Thirteenth Conference of the Contracting Parties resolved that three meetings should be held to examine the entire range of problems connected with zonal integration, including the position of the relatively less developed countries.

The annual negotiations dealt mainly with complementation agreements. The levels of previous years were maintained as regards national lists, while those relating to non-extensive lists showed a slight increase.¹ The scope of industrial complementation agreements was broadened with the signature of three additional protocols covering 474 different products, and producing 599 concessions, a figure which compares very favorably with the 256 concessions of 1972. The negotiations on national lists led to the granting of 34 concessions, as compared with 36 in 1972. In the non-extensive lists, on the other hand, the number was 115 as against 21 in the previous year. Argentina, Brazil and Mexico were the granting countries, while Uruguay received 79 of the concessions.

In the LAFTA countries' trade with the rest of the world there was a sizable increase in total exports, which grew by

¹ The national lists include concessions by one country to all the rest of the countries in the integration system, while the non-extensive lists are restricted to concessions by one country to another.

DEVELOPMENT TRENDS

15.3 per cent from 1971 to 1972. In addition, intrazonal exports in 1972 totaled \$1,632 million, or 16.6 per cent above the 1971 total. The ratio of intrazonal exports to total exports was approximately 11.5 per cent in 1972.

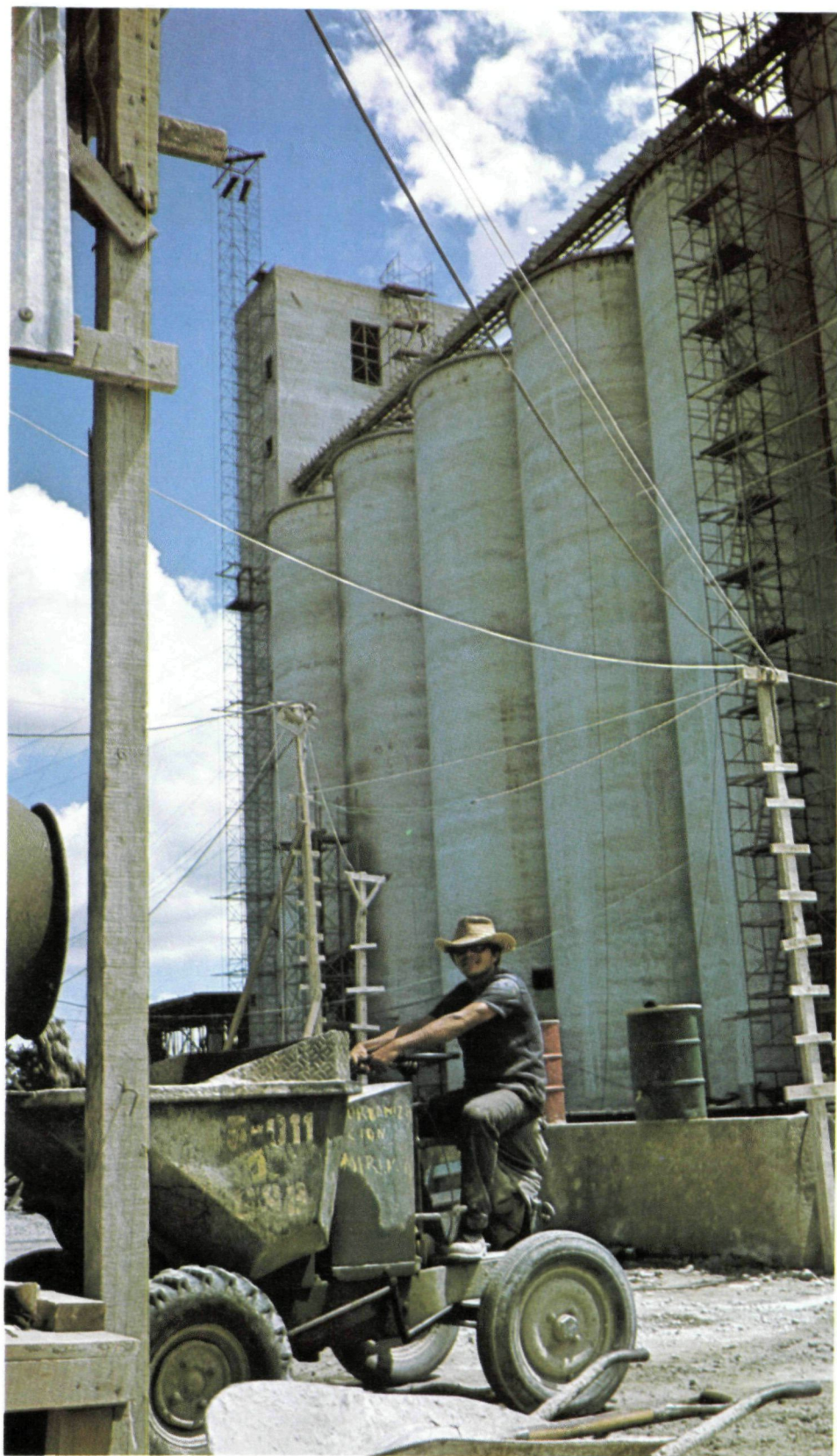
In the Andean Group, the Commission of the Cartagena Agreement and the Government of Venezuela completed a period of intense negotiations concerning Venezuela's entry into this subregional integration group. On Dec. 31, 1973, Venezuela officially became a member of the Andean Group, on completion of the pertinent legal formalities.

In the field of industrial programming, the Board of the Cartagena Agreement had a year of intense activity, including both the execution of the metalworking program and the drafting of proposals to be submitted to the Commission of the Agreement in the automobile, petrochemical, pharmino-chemical, pulp and paper, electronics and electrical communications and fertilizer sectors and certain other subsectors. Meetings of experts were held in 1973 for the automobile and petrochemical sectors, programs which are in the final analysis phase prior to submission to the Commission. Meetings of government experts were also held in the pulp and paper and fertilizer sectors.

Regarding highway transportation, in 1973 the Commission continued considering the initial program for completion of the Andean trunk system, for which purpose a Physical Integration Council was established to study further the measures proposed by the Board in December 1972. In the agricultural sector studies have been made on ways to expedite trade in agricultural products and to launch joint agro-livestock development programs.

Between 1968 and 1971, exports between the Andean Group countries, excluding Venezuela, grew 106 per cent,

FARM MARKETING AND STORAGE facilities in Latin America are being expanded with the help of Bank loans. These silos for corn and rice were built in Venezuela.



reaching in the latter year slightly less than 4 per cent of the subregion's total exports.

In the Central American Common Market (CACM) significant progress was made in 1973 with the formation of the High Level Committee created by the tripartite meeting held in December 1972 between the ministers of economy or finance and the presidents of the Central American central banks. The High Level Committee, officially set up in May 1973, proposes, with the cooperation of the Secretariat of the General Treaty of Central American Integration, to seek means and systems for restructuring the common market and drawing up a draft framework treaty, based on studies that are to be completed before Dec. 31, 1974.

Trade between the Central American countries rose 10.5 per cent in 1972 and intrazonal exports for the year represented 22.5 per cent of the region's total exports.

Within the Caribbean integration movement, the Seventh Conference of Chiefs of State held in October 1972 to transform the Caribbean Free Trade Association (CARIFTA) into a common market was followed on July 4, 1973, by the signature of the Treaty of Chaguanas by Barbados, Guyana, Jamaica and Trinidad and Tobago. This treaty established the Caribbean Community (CARICOM), and became effective on Aug. 1, 1973. It is expected that the remaining members of CARIFTA will become contracting parties on May 1, 1974. The legal instrument establishing the Community permits the addition of territories.

The CARICOM Treaty institutionalized the Conference of Chiefs of State and established a Common Market Council, a Permanent Committee of Ministers responsible for external affairs for the community and various other permanent ministerial committees such as those for health, labor and finance. Certain associated institutions are also expressly re-

ferred to in the Treaty and are formally incorporated in the regional cooperation effort of the community.

By resolution of the CARIFTA Council of Ministers of July 1973, the Caribbean Investment Corporation was formally established in August when Belize became the tenth signatory to its charter. The Corporation, based in St. Lucia, is a joint effort of the governments of the relatively most developed countries and the private sectors of the region to foster the establishment of industrial activities and thus create employment in the least developed member countries.

Domestic Financing

For the region as a whole, investment as a ratio of gross domestic product rose from 18.9 per cent in 1969 to 19.6 per cent in 1972, growing in real terms at an annual rate of about 7.5 per cent. Savings as a ratio of gross domestic product declined slightly from 17.2 per cent in 1969 to 16.9 per cent in 1972, growing in absolute terms at an annual rate of 6 per cent.

While more than half of the Latin American countries were able to increase their investment ratios in the 1969-72 period, in two-thirds of them the savings ratio declined. As a result, for the region as a whole, the share of domestic savings in total investment declined from 91 per cent in 1969 to 87 per cent in 1972. Net external resources accounted for the remaining 9 and 13 per cent, respectively.

As shown in the accompanying table and using 1971 as a base, Latin America's investment coefficient was higher than that of South Asia and was lower than those of all other groupings. The region's savings coefficient was slightly above that for the developing countries as a whole but lower than that of Southern Europe and East Asia. The position of Latin America is more favorable when the relationship between savings and investment (the proportion of investment financed with domestic resources) is compared. With 85 per cent, except for Southern Europe, Latin America ranks highest among the developing regions.

In the context of the investment and savings effort of the Latin American countries, the evolution of public finances is of fundamental importance. To judge from the data available on the central governments, the fiscal position worsened slightly in the majority of the countries in the period from 1969 to 1972 when compared to the preceding three-year period. This is reflected in a more rapid growth of expenditures than revenues and a rapid increase in the total deficit for the Latin American central governments as a whole.

From 1969 to 1972, current revenues of central governments increased at an annual rate of 7.7 per cent, while total expenditures rose at the rate of 9.1 per cent. As a result, the total deficit of the central governments rose at an annual rate of 17.5 per cent and increased from 1.4

International Comparison of Investment and Savings Ratio, 1971
In Per Cent of GNP

	Gross Investment	Domestic Savings	Savings-Investment Ratio
Southern Europe	23.6	20.7	88
Middle East	21.6	12.9	60
East Asia	20.8	17.2	83
Africa	20.2	15.1	75
LATIN AMERICA	19.5	16.5	85
South Asia	14.6	12.0	82
Developing Countries	19.8	16.3	82
Industrial Countries	23.9	24.5	103

SOURCE: For Latin America, Inter-American Bank estimates; for other regions, World Bank Annual Report 1973.

DEVELOPMENT TRENDS

per cent of the gross regional product in 1969 to 2.2 per cent in 1972.

During 1972 some 90 per cent of current receipts of the central governments represented income from taxes. In the same year, 61 per cent of total receipts was derived from direct taxes—the same proportion as in 1969—of which income taxes represented the largest part (93 per cent).

Capital expenditures increased at an annual rate of 7.9 per cent from 1969 to 1972 and made up 30 per cent of total central government expenditures for the period.

The savings generated by Latin American central governments (current revenues less current expenditures) represented 1.8 per cent of the gross product in 1972, having increased at an annual rate of only 0.5 per cent from 1969 to 1972. Central government savings financed 59 per cent of capital expenditures from 1969 to 1972, while the remaining 41 per cent was obtained through deficit financing.

External Financing

The external financing¹ received by Latin America in 1972 is estimated at approximately \$3 billion, a level about the same as the average of the 1969-71 period. Taking all developing countries together, Latin America's share of the net external financing declined over recent years from 22.3 per cent in 1969 to 15.4 per cent in 1972.

Official bilateral assistance from the United States to Latin America fell from \$372 million in 1971 to \$361 million in 1972, figures well below the yearly averages of \$627 million in the 1968-70 period and \$579 million in 1961-65. In the first nine months of 1973, this assistance increased 38 per cent over that of the same period in 1972.

¹ Loan disbursements with maturities of one year or more, less repayments of principal and interest, plus grants, plus net inflow of direct private investment, including reinvested profits, and plus the balance of bond issues and retirements.

Relationship Between Investment and Savings, 1969-72
In Per Cent of GDP

Country	Gross Investment	Domestic Savings	Savings-Investment Ratio	Net External Financing
Argentina	20.7	20.0	97	3
Bolivia	14.7	10.6	72	28
Brazil	17.6	15.6	89	11
Chile	14.6	12.4	85	15
Colombia	21.4	16.8	79	21
Costa Rica	26.7	17.3	65	35
Dominican Republic	19.4	12.1	62	38
Ecuador	21.3	12.5	59	41
El Salvador	14.1	11.9	84	16
Guatemala	12.9	10.6	82	18
Haiti	5.8	3.3	57	43
Honduras	18.7	13.4	72	28
Jamaica	25.4	15.3	60	40
Mexico	20.5	17.7	86	14
Nicaragua	17.1	13.1	77	23
Panama	27.2	21.0	77	23
Paraguay	15.1	10.9	72	28
Peru	12.6	13.2	104	-4
Trinidad and Tobago	23.0	12.2	52	48
Uruguay	9.3	7.5	81	19
Venezuela	25.4	24.8	98	2
LATIN AMERICA	19.2	16.9	88	12

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

Net assistance from the multilateral agencies increased, however, from \$717 million in 1971 to \$895 million in 1972. An outstanding feature is the increase in net disbursements of development loans granted by the multilateral agencies (the Inter-American Bank and the World Bank Group). These disbursements continued the upward trend started in 1965 and reached the figure of \$722 million in 1972. The sustained growth of these funds, added to the technical cooperation granted by these agencies to increase the effectiveness of investments, have become an element of fundamental importance to the development of the countries of Latin America. The growth of multilateral assistance continued in 1973, establishing a 27 per cent increase in the first nine months of the year over the similar period in 1972.

Private financing has also expanded sharply in recent years, increasing from \$1,130 million in 1968 to \$1,788 million in 1971, the last year for which complete statistics are available.

In 1972 the flow of net direct private investment to Latin America amounted

to \$1,030 million. This slightly surpassed the average for the preceding four years and completed a five-year period in which private investment supplied the largest quantity of external financing to the region. At the same time it should be noted that a large percentage of these funds has been invested in a limited number of countries. Supplier credits and private bank credits also rose, although the pattern was irregular over the course of the past decade.

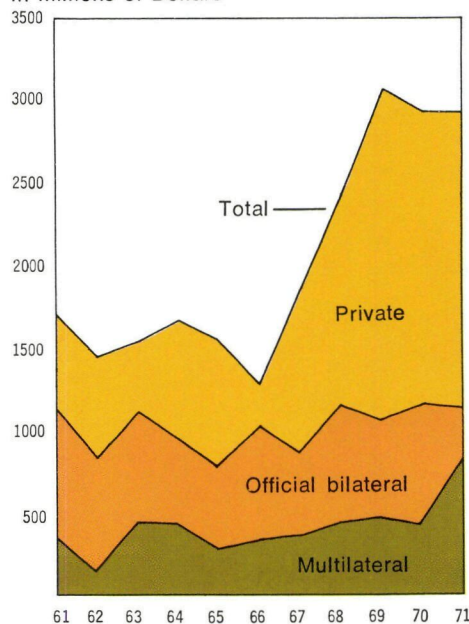
The outlook for private external financing dimmed in 1972, continuing a trend of recent years. This was largely due to the general rise in interest rates in the world capital markets and the restrictive credit policies practiced by some industrial countries.

In 1972 the average interest rate for all the loans committed to Latin America by the U.S. Agency for International Development, the Inter-American Bank, the World Bank and the Export-Import Bank rose to 5.9 per cent, compared with 5.5 per cent in 1971 and 4.4 per cent in the 1961-70 period.

The average life of these loans de-

Latin America: Net Flow of External Financing, 1961-71

In Millions of Dollars



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

creased from 18 years in 1971 to 16.7 years in 1972 reflecting a reduction of two years in the average repayment terms of new loans authorized by the World

Bank and approximately one year in those of the Export-Import Bank.

Considering financing conditions as a whole, a substantial decrease occurred in the "grant element"¹ in loan commitments. The grant element dropped from approximately 50 per cent in the 1961-70 period to about 40 per cent in 1971 and 36 per cent in 1972.

At the end of 1971, the last year for which complete statistics are available, the public external debt of Latin America reached \$21,555 million, an increase of 10.4 per cent over 1970. The external public debt of Latin America represented 27 per cent of the total for all developing countries.

In 1971 the proportion of financing received from multilateral lending agencies continued to climb, reaching 27.8 per cent of total indebtedness. Indebtedness to bilateral financing sources repre-

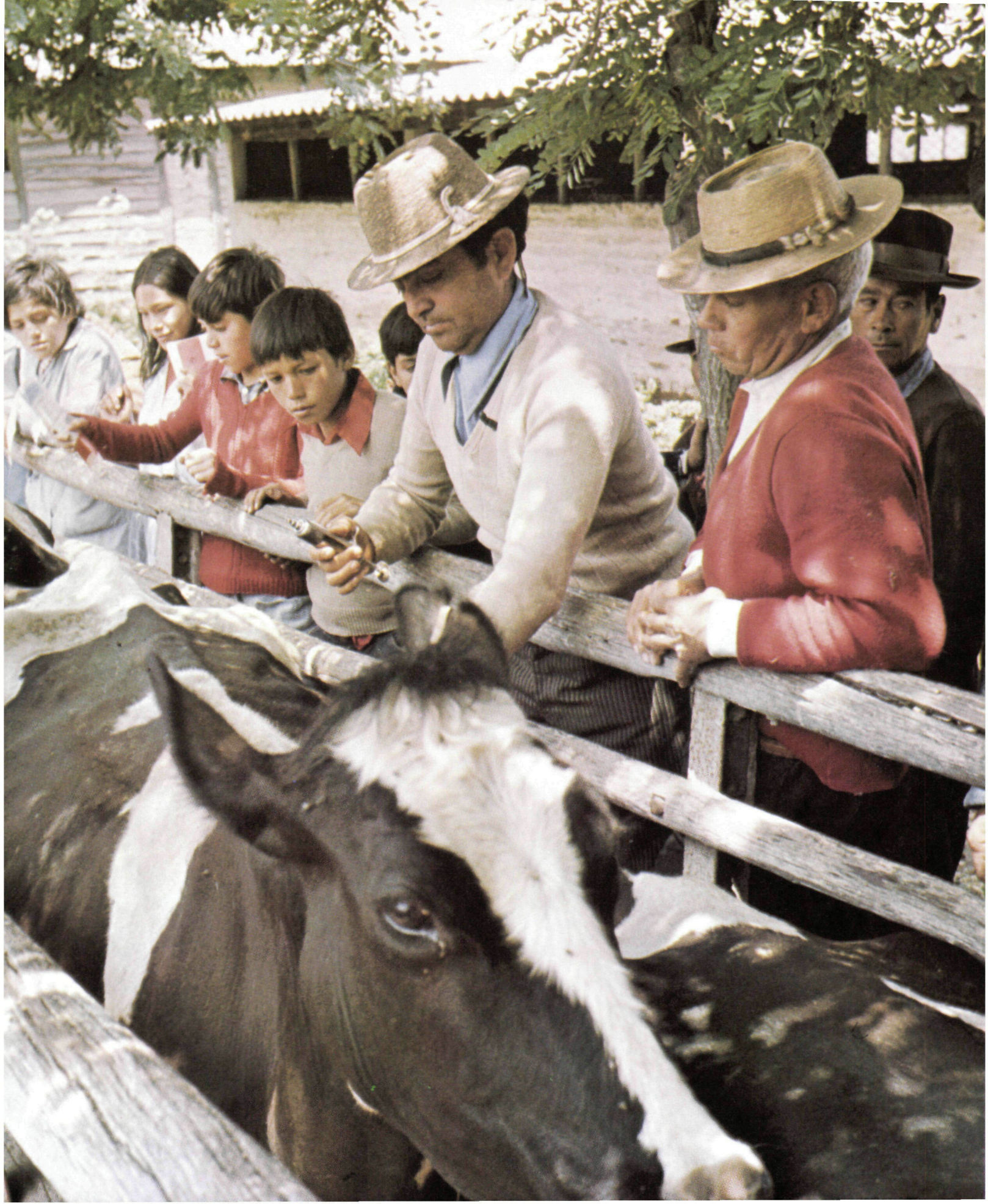
¹ This is calculated as the difference between the nominal value of the authorized loans and the actual value of future amortization and interest payments, discounted at a 10 per cent conventional rate, including the grants, and expressed as a proportion of the total nominal value.

sented 30.6 per cent, compared with the maximum levels of around 37 per cent in the 1965-67 period. The proportion owed to suppliers and private sources reached 36.1 per cent and that of bonds continued to decline until it reached 5.5 per cent of total debt.

Over the past decade Latin America has been able to reduce significantly the proportion of its debt maturing in less than five years from 54 per cent in 1960 to 47 per cent in 1965 and 44 per cent in 1971. On the other hand, the proportion of debt with maturities exceeding 10 years increased from 19 per cent in 1960 to 32 per cent in 1971.

Repayment of principal and interest also recorded a rising trend. In 1971 such payments amounted to \$2,651 million. This accounts for 39 per cent of the total debt service payments made by developing countries.

Up to the end of the last decade, the debt service payments of the Latin American region represented approximately 14 per cent of current export earnings. This level was higher than the 13.1 per cent average during the first five years of the 1960s.



SCHOOLCHILDREN OBSERVE practical application of campaign against foot-and-mouth disease being waged in South America with Bank support. Earlier they heard talk on the importance of disease control in the town of Talagante in Chile.

THE BANK IN 1973

During 1973—the fourteenth year of its operations—the Inter-American Development Bank once more provided record financial support for the economic and social development of its member countries in Latin America and the Caribbean.

During the year the Bank authorized 57 loans amounting to \$884 million,¹ compared to 52 loans for \$807 million in 1972. The Bank approved a higher volume—\$6.4 million—of nonreimbursable and contingent recovery technical cooperation than it had in any previous year, exceeding the previous record of \$5.8 million achieved in 1972. The Bank also disbursed more funds—\$582 million—on approved loans than it ever

had and set new high marks for earnings.

Even more important, the Bank extended a higher volume of loans and technical cooperation than ever before to its economically less developed member countries. In its support for its more rapidly developing countries, the Bank increasingly stressed projects and programs in their neediest sectors or least developed areas.

In its efforts to attract additional resources for Latin America's development the Bank made further progress during 1973. The goal to increase the ordinary capital resources was achieved and additional contributions were made in the replenishment of the Fund for Special Operations. During the year, the Bank pursued efforts to attract additional resources of capital from nonmember countries by enlisting their membership in the Bank, and negotiations looking towards that goal continued in 1974.

LOANS AND DISBURSEMENTS

The \$884 million lent by the Bank in 1973 represented the virtual attainment of the goal of \$900 million targeted for the year when the Bank's Board of Governors recommended in 1970 that the Bank's resources be increased by \$3.5 billion.

The year's total brought the Bank's cumulative lending, as of Dec. 31, 1973, to \$6,309 million, net of cancellations and exchange adjustments, distributed in 771 individual loans.

This lending compares with levels of slightly more than \$300 million achieved in the years 1961-65; \$450 million in 1966-68; \$650 million achieved in 1969-71, and surpasses the \$800 million level achieved in 1972.

During 1973 the Bank's lending was virtually balanced between loans extended on conventional banking terms from the ordinary capital resources and loans made

¹ In this report dollar figures used may include, as appropriate, the U.S. dollar equivalent of amounts in other currencies in values of Dec. 31, 1973. Figures in the narrative portion of the report have been rounded out as appropriate.

THE BANK IN 1973

on concessional terms from the Fund for Special Operations, primarily to the Bank's least developed countries, regions or neediest sectors. Some 51 per cent of the year's loans was authorized from the ordinary capital resources, 48 per cent from the Fund for Special Operations and the remainder from the resources which the Bank administers for Canada.

A summary of the loans authorized by the Bank in 1973, as well as cumulative totals, is shown below by sources of funds:

ORDINARY CAPITAL RESOURCES:

19 loans (plus increases in previously authorized export financing credits) amounting to \$453 million. This brought the net cumulative total of ordinary capital loans to 251 for \$2,652 million as of Dec. 31, 1973.

FUND FOR SPECIAL OPERATIONS:

37 loans totaling \$427 million, bringing the net cumulative total to 375 loans for \$3,064 million at year end.

OTHER FUNDS: One loan amounting

to \$4 million, extended from the resources which the Bank administers for Canada. This brought the net cumulative total extended by the Bank from the resources which it administers for various member and nonmember countries to 145 loans amounting to \$593 million. The latter includes 116 loans amounting to \$494 million authorized through 1965 from the Social Progress Trust Fund, the resources entrusted in administration to the Bank by the United States Government in 1961; 19 for the equivalent of \$73 million from Canadian funds and 10 for \$26 million from funds administered by the Bank for Argentina, Sweden, the United Kingdom and the Vatican.

The Bank's cumulative lending on a country-by-country and on a fund-by-fund basis is shown in the table below.

The success achieved in recent years by a great many of the countries of Latin America in their development effort is, of course, due primarily to their own efforts. Within those efforts, the Bank's

lending, along with that of other international and bilateral lending institutions, acts principally as a catalytic agent.

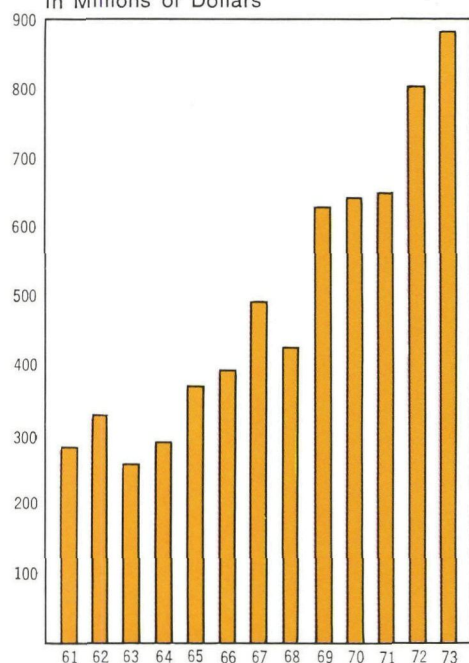
Overall, the countries of Latin America and the Caribbean are providing approximately 88 per cent of their own investment effort; the remaining 12 per cent is being provided by the international financial community and bilateral lending sources. Within this framework, the Inter-American Bank provides an average of one dollar out of every three required to carry out Bank-financed projects. This average masks wide differences of support for individual projects or regions. For the neediest countries, the Bank's share of financing is much greater.

In all, the Bank's cumulative lending of \$6,309 million as of Dec. 31, 1973, is being matched by a total of \$13,349 million in counterpart funds provided primarily by the Latin American countries themselves in financing development projects whose total cost amounts to \$19,657 million.

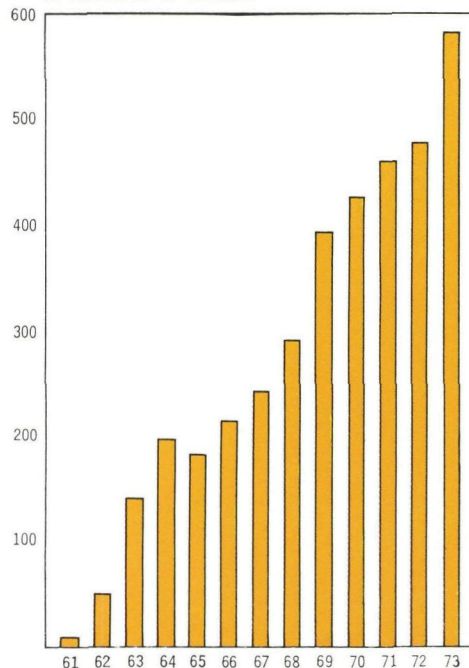
The Bank's Lending, 1961-73
In Thousands of Dollars

TOTAL			DETAIL BY FUNDS					
Country	Number	Volume	Ordinary Capital Resources		Fund for Special Operations		Funds in Administration	
			Number	Volume	Number	Volume	Number	Volume
Argentina	67	\$ 754,045	37	\$ 480,253	25	\$ 229,543	5	\$ 44,249
Barbados	2	3,800	—	—	2	3,800	—	—
Bolivia	36	202,770	3	68,766	24	110,112	9	23,892
Brazil	96	1,523,189	47	878,226	34	559,431	15	85,532
Chile	59	314,069	17	107,179	25	163,173	17	43,717
Colombia	70	618,864	30	314,918	28	236,308	12	67,638
Costa Rica	27	89,454	6	15,416	15	62,339	6	11,699
Dominican Republic	20	135,382	1	6,379	14	113,195	5	15,808
Ecuador	38	229,224	5	24,185	21	164,762	12	40,277
El Salvador	22	103,862	4	7,059	10	69,663	8	27,140
Guatemala	23	114,378	5	10,836	14	89,222	4	14,320
Haiti	8	45,637	—	—	8	45,637	—	—
Honduras	23	86,764	2	460	16	78,701	5	7,603
Jamaica	10	50,682	3	7,382	7	43,300	—	—
Mexico	66	841,855	33	444,686	24	362,131	9	35,038
Nicaragua	26	118,950	7	17,917	15	87,998	4	13,035
Panama	23	99,622	1	1,517	19	85,243	3	12,862
Paraguay	27	142,232	4	6,200	17	122,270	6	13,762
Peru	46	269,106	18	53,522	16	169,119	12	46,465
Trinidad and Tobago	10	31,984	1	1,284	9	30,700	—	—
Uruguay	27	113,711	12	60,882	12	41,279	3	11,550
Venezuela	33	333,376	13	126,215	12	134,300	8	72,861
Regional	12	85,575	2	18,385	8	61,504	2	5,686
TOTAL	771	\$6,308,531	251	\$2,651,667	375	\$3,063,730	145	\$ 593,134

Yearly Loans
In Millions of Dollars



Yearly Disbursements
In Millions of Dollars



How Bank Projects are Financed
In Thousands of Dollars

Country	The Bank's Loans	Latin America's Counterpart	Total Cost
Argentina	\$ 754,043	\$ 1,890,347	\$ 2,644,390
Barbados	3,800	2,200	6,000
Bolivia	202,767	171,994	374,761
Brazil	1,523,187	5,871,100	7,394,287
Chile	314,070	685,255	999,325
Colombia	618,864	796,192	1,415,056
Costa Rica	89,454	88,636	178,090
Dominican Republic	135,380	117,535	252,915
Ecuador	229,225	220,817	450,042
El Salvador	103,862	99,221	203,083
Guatemala	114,378	94,095	208,473
Haiti	45,637	9,416	55,053
Honduras	86,765	75,497	162,262
Jamaica	50,682	47,063	97,745
Mexico	841,855	1,612,010	2,453,865
Nicaragua	118,952	95,864	214,816
Panama	99,621	157,748	257,369
Paraguay	142,233	100,630	242,863
Peru	269,108	289,298	558,406
Trinidad and Tobago	31,984	29,250	61,234
Uruguay	113,712	118,134	231,846
Venezuela	333,377	600,323	933,700
Regional	85,575	176,219	261,794
TOTAL	\$6,308,531	\$13,348,844	\$19,657,375

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

Disbursements

As indicated earlier, the Bank's disbursements on approved loans in 1973 exceeded those of any previous year, amounting to \$582 million, compared to the previous record total of \$479 million set in 1972. As of Dec. 31, 1973, total disbursements had risen to \$3,668 million, an amount which represents 58 per cent of the loans authorized by the Bank through that date. In relation to that figure, it might be noted that projects which the Bank finances take a substantial number of years to implement and that the Bank makes disbursements only as construction goes forward or services are rendered.

The disbursements for 1973, as well as cumulative totals, are shown below by sources of funds:

ORDINARY CAPITAL RESOURCES:

\$259 million, bringing the cumulative total to \$1,531 million at year end.

FUND FOR SPECIAL OPERATIONS: \$312 million, bringing the cumulative total to \$1,591 million as of Dec. 31, 1973.

OTHER FUNDS: \$11 million, bringing the cumulative total which the Bank has disbursed from funds administered for the United States, Canada, Argentina, Sweden, the United Kingdom and the Vatican to \$547 million as of Dec. 31, 1973.

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

Repayments

Repayments on loans were also greater than in any previous year. By funds, they included:

ORDINARY CAPITAL RESOURCES: \$89 million, bringing total repayments as of Dec. 31, 1973, to \$465 million.

THE BANK IN 1973

FUND FOR SPECIAL OPERATIONS: \$56 million, bringing total repayments as of Dec. 31, 1973, to \$193 million.

OTHER FUNDS: \$26 million, bringing total repayments as of Dec. 31, 1973, on the funds which the Bank administers for member and nonmember countries to \$152 million.

FINANCIAL HIGHLIGHTS

Under the terms of the Agreement Establishing the Bank, a complete separation is maintained by the Bank on the accounts it keeps for its various sources of funds, including the ordinary capital resources and the Fund for Special Operations. These funds are held, used, obligated, invested and otherwise disposed of entirely separate from each other. However, to indicate the broad scope of the Bank's activities, the principal elements of its financial highlights are given here.

During 1973 the overall earnings of the Bank were higher than those registered in any previous year in its history. The gross income earned in 1973 from its own two principal sources of funds—the ordinary capital resources and the Fund for Special Operations—amounted to \$197 million, compared with \$148 million in 1972. The net income was \$71 million in 1973, compared with \$41 million in 1972.

These earnings brought about a substantial increase in the Bank's total reserves. As of Dec. 31, 1973, these had risen to \$336 million compared with \$247 million in 1972.

The principal financial highlights of the Bank's own resources, as well as the Social Progress Trust Fund, are shown below:

ORDINARY CAPITAL RESOURCES: Net income: \$38 million compared with \$19 million in 1972. Gross income: \$142 million in 1973 compared with \$107 million in 1972. Total reserves: \$241 million as of Dec. 31, 1973, compared with \$186 million at the end of 1972.

FUND FOR SPECIAL OPERATIONS: Net income: \$33 million compared with

The Bank's Disbursements, 1961-73
In Thousands of Dollars

TOTAL		DETAIL BY FUNDS		
Country	Amount	Ordinary Capital Resources	Fund for Special Operations	Funds in Administration
Argentina	\$ 437,850	\$ 279,865	\$ 113,736	\$ 44,249
Barbados	133	—	133	—
Bolivia	104,742	21,241	64,924	18,577
Brazil	845,324	410,401	360,516	74,407
Chile	276,233	104,980	129,140	42,113
Colombia	345,156	149,177	130,909	65,070
Costa Rica	52,625	15,131	25,794	11,700
Dominican Republic	57,198	6,379	42,273	8,546
Ecuador	81,507	14,968	34,978	31,561
El Salvador	48,883	7,059	16,275	25,549
Guatemala	64,943	10,836	39,787	14,320
Haiti	7,203	—	7,203	—
Honduras	51,574	460	43,512	7,602
Jamaica	13,891	1,332	12,559	—
Mexico	570,746	302,785	232,923	35,038
Nicaragua	65,270	16,218	36,017	13,035
Panama	60,989	1,517	46,610	12,862
Paraguay	82,242	6,200	66,474	9,568
Peru	184,181	42,353	95,727	46,101
Trinidad and Tobago	6,472	117	6,355	—
Uruguay	51,023	28,690	11,907	10,426
Venezuela	205,114	93,165	39,089	72,860
Regional	54,938	17,986	33,925	3,027
TOTAL	\$3,668,237	\$1,530,860	\$1,590,766	\$ 546,611

\$22 million in 1972. Gross income: \$55 million compared with \$41 million in 1972. Total reserves: \$95 million on Dec. 31, 1973, compared with \$62 million at the end of 1972.

SOCIAL PROGRESS TRUST FUND: Net income: \$17 million in 1973 compared with \$8 million in 1972. Gross income: \$13 million compared with \$13 million in 1972. Accumulated earnings: \$46 million, as of Dec. 31, 1973, compared with \$30 million at the end of 1972. (The net income in 1973 includes \$6 million in exchange adjustments.)

The financial statements for each of these funds are shown later on in this Annual Report on pages 71-101.

MOBILIZATION OF RESOURCES

As indicated at the start of this part of the Annual Report, the Bank's continuing efforts to replenish its resources in order to assure itself of timely and orderly contributions to Latin America's

economic and social development were partially successful in 1973.

At its Eleventh Annual Meeting, held in Punta del Este, Uruguay, in 1970, the Board of Governors initiated action looking towards a replenishment of the Bank's resources by \$2 billion (\$400 million *paid-in* and \$1.6 billion *callable*) in terms of 1959 dollars in the Bank's hard loan window—the ordinary capital resources—and by \$1.5 billion in its concessional window—the Fund for Special Operations.

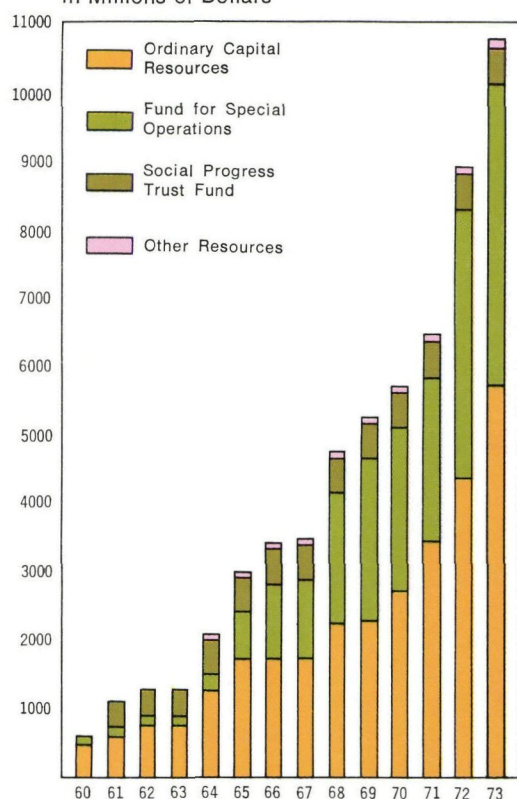
Of these sums the United States was to subscribe \$823,520,000 (\$150 million in *paid-in* and \$673,520,000 in *callable*) to the ordinary capital resources and \$1 billion to the Fund for Special Operations. The Latin American member countries were to provide \$1,115,440,000 (\$236,410,000 in *paid-in* and \$879,030,000 in *callable*) to the ordinary capital and \$500 million to the Fund for Special Operations. The remaining \$61,-

Subscribed Ordinary Capital Resources

In Thousands of Dollars

SUBSCRIBED AS OF DEC. 31, 1973			
Country	Paid-In	Callable	Total
Argentina	\$124,422	\$ 585,511	\$ 709,933
Barbados	2,498	5,995	8,493
Bolivia	7,990	47,000	54,990
Brazil	124,422	585,511	709,933
Canada	48,254	244,501	292,755
Chile	34,164	160,781	194,945
Colombia	34,140	160,636	194,776
Costa Rica	3,996	23,500	27,496
Dominican Republic	5,327	31,365	36,692
Ecuador	5,327	31,365	36,692
El Salvador	3,996	23,500	27,496
Guatemala	5,327	31,365	36,692
Haiti	3,996	23,499	27,495
Honduras	3,996	23,499	27,495
Jamaica	5,327	31,365	36,692
Mexico	79,980	376,379	456,359
Nicaragua	3,995	23,500	27,495
Panama	3,995	23,500	27,495
Paraguay	3,995	23,500	27,495
Peru	13,337	78,461	91,798
Trinidad and Tobago	3,995	23,500	27,495
United States	331,745	1,844,088	2,175,833
Uruguay	10,673	62,778	73,451
Venezuela	66,663	313,697	380,360
TOTAL	\$931,560	\$4,778,796	\$5,710,356

Resources (cumulative) In Millions of Dollars



040,000 of the ordinary capital increase was to be available for subscription by new members.

The increase in the ordinary capital entered into effect on Dec. 30, 1971. The *paid-in* portion was to be made effective beginning in 1971, in three yearly installments for members subscribing more than \$10 million and in five yearly installments for members subscribing less. The *callable* portion was to be made in two installments, the final one due on Dec. 31, 1973.

The timetable for the subscription of the ordinary capital resources has in general been met. Shortly after the period covered by this report, on Jan. 4, 1974, the United States completed payment on its subscriptions. The Latin American member countries had fulfilled their payments by Dec. 31, 1973.

The increase in the Fund for Special Operations, originally scheduled to enter into effect also in 1971 did not become

effective until Dec. 20, 1972. Under amended terms of the resolution, the contribution of the United States was to be made in three tranches—\$100 million, \$450 million and \$450 million, due June 30, 1972, Oct. 31, 1972, and Dec. 31, 1973, respectively—and the contributions of Latin American countries in tranches of \$50 million, \$225 million and \$225 million due on the same respective dates.

The Latin American member nations had contributed, as of Dec. 31, 1973, all of their \$500 million. The United States, on Jan. 4, 1974, shortly after the close of the period covered by this report, paid in another \$225 million on its contributions. It had previously contributed \$275 million. Payment of the balance of \$500 million is subject to appropriation by the United States Congress.

In addition, in 1973 the Bank received payments from Canada amounting to \$13.3 million to the ordinary capital resources and \$20 million to the Fund for Special Operations. This was the second of three payments being made by Canada as a result of its joining the Bank in 1972. By the end of 1974 Canada will have added \$40 million to *paid-in* ordinary capital resources, \$60 million to the Fund for Special Operations (plus the repayments from \$73 million of previous bilateral loans to member countries) and a *callable* capital subscription of \$204 million.

The status of the ordinary capital resources of the Bank and its Fund for Special Operations is detailed in the tables on this and the next page.

As an additional means of mobilizing resources for the development of its member countries in Latin America and the Caribbean, the Bank throughout 1973 pursued efforts to enlist developed non-member countries from outside the region into membership.

As related in last year's Annual Report, on May 3, 1972, Canada joined the Bank as a full member after the Bank's Board of Governors had approved an amendment to the Agreement Establishing

THE BANK IN 1973

the Bank to permit Canada to join. The resolution also paved the way for the eventual admission into the Bank of other developed countries outside the Western Hemisphere under conditions to be set by the Board of Governors.

Efforts to attract substantial additional resources for Latin America's development from nonmember countries by bringing them into active membership in the Bank stem from a directive of its Board of Governors taken in April 1970 at the Bank's Eleventh Annual Meeting in Punta del Este, Uruguay.

At that meeting the Board of Governors adopted a resolution establishing a seven-member committee representing the groupings of countries on the Board of Executive Directors. The Committee, which was composed of the Governors for Argentina, Brazil, Mexico, Nicaragua, the United States, Uruguay and Venezuela, was to examine various alternatives designed to assure an increased flow

of resources to the Bank from developed countries not presently members.

Under the chairmanship of the Governor for Mexico, the Committee (which was broadened in accordance with an expansion in the Board of Executive Directors to nine with the addition of Canada and Colombia in 1972) met on nine occasions prior to the end of 1973. At a meeting held in Washington Sept. 24, 1972, the Committee approved a set of principles for the admission of nonregional members to the Inter-American Bank.

These principles were modified by the Committee in Kingston, Jamaica, prior to the Bank's Fourteenth Annual Meeting in May 1973 and subsequently the full Board of Governors took note of the efforts of the Committee and requested the President of the Bank to continue the negotiations with prospective nonregional members, to instruct the Board of Executive Directors to study and propose such changes as may be necessary in the Agreement Establishing the Bank as a result of the negotiations with nonregional countries and to extend the mandate of the Committee until the Fifteenth Annual Meeting of the Board of Governors.

Subsequent to the period covered by this report, the Committee held a tenth meeting—this time in Port of Spain, Trinidad, on Jan. 7 and 8, 1974—at which the topic was further considered.

Borrowings

During 1973 the Bank raised a total of \$131 million in borrowings in the world's capital markets, and thanks to the favorable treatment it received from the countries involved, was able to avoid much of the impact of the restrictions and higher interest rates which generally prevailed in such markets.

The 1973 issues raised the Bank's outstanding borrowings as of Dec. 31, 1973, to \$1,260 million. This was composed of \$742 million owed in nonmember countries, \$435 million in the United States and \$83 million in Latin America. These

Outstanding Borrowings as of Dec. 31, 1973

In Thousands of Dollars

Austria	\$ 27,242
Belgium	16,750
Finland	450
France	43,129
Germany	267,164
Israel	2,500
Italy	69,835
Japan	122,429
Latin America	83,300
Netherlands	23,239
Norway	4,000
Spain	14,412
Sweden	17,778
Switzerland	116,923
United Kingdom	16,020
United States	434,500
TOTAL	\$1,259,671

borrowings are summarized on a country-by-country basis in the table at the top of this column.

The Bank's long-term borrowings in 1973 included: \$28.6 million in Japan, \$24.6 million in Switzerland, \$13.9 million in Spain and \$10.7 million in Austria. In addition the Bank also sold its eighth short-term bond issue, \$53.4 million in Latin America.

The new borrowings negotiated by the Bank in 1973 included:

JAPAN: \$28.6 million.

• 3 billion convertible yen (equivalent to \$10.7 million) in the form of a sale of notes to a group of Japanese financial institutions. The notes, known as "Japanese Yen Notes of 1973—Series A" were sold to 14 Japanese financial institutions through the Bank of Tokyo, Ltd., acting as manager, and the Mitsubishi Trust and Banking Corporation, acting as co-manager. The notes, which are dated March 1, 1973, have an average life of 9¼ years, carry an interest rate of 7 per cent per annum, and will be redeemed in five annual installments beginning in 1979.

• 5 billion convertible yen (equivalent to \$17.9 million) in the form of a loan obtained from the Export-Import Bank of

Fund for Special Operations

In Thousands of Dollars

Country	Contribution Quotas Authorized and Subscribed
Argentina	\$ 246,319
Barbados	837
Bolivia	22,684
Brazil	253,973
Canada	73,281
Chile	71,068
Colombia	69,722
Costa Rica	10,224
Dominican Republic	13,743
Ecuador	13,372
El Salvador	9,911
Guatemala	13,597
Haiti	11,159
Honduras	10,995
Jamaica	13,193
Mexico	159,094
Nicaragua	10,770
Panama	10,380
Paraguay	11,974
Peru	34,223
Trinidad and Tobago	9,890
United States	3,040,350
Uruguay	26,539
Venezuela	132,169
Unassigned	123,869
TOTAL	\$4,393,336



ALUMINUM PLANT in Venezuela doubles production with the help of an Inter-American Bank loan extended in 1970. Plant is located at Ciudad Bolívar in rapidly growing Eastern Venezuela.

Japan on Nov. 7, 1973. The loan has a final maturity date in 1988, a grace period of three years and an interest rate of 7 per cent per annum. It will be repaid in 24 semiannual installments, beginning Sept. 20, 1976, and ending March 20, 1988. The Bank can effect drawings on the loan up to Oct. 31, 1974.

SWITZERLAND: \$24.6 million.

- 80 million Swiss francs (equivalent to \$24.6 million) in a bond issue sold through a public offering by a group of Swiss banks headed by the Union Bank of Switzerland, the Swiss Bank Corporation and the Swiss Credit Bank. The 6

per cent, 15-year bonds were priced at par. Dated July 15, 1973, the bonds will have a final maturity date of July 15, 1988. In each of the years 1984 through 1987 up to 15 million Swiss francs of the bonds are scheduled to be purchased at or below par during the 60-day period preceding the coupon date. The remaining bonds will mature on July 15, 1988. The Bank will have the right to redeem all of the bonds at par on July 15, 1983, or on any subsequent interest payment date.

SPAIN: \$13.9 million.

- 800 million pesetas (equivalent to \$13.9 million) in a freely convertible line of credit obtained from the Bank of Spain on March 12, 1973. The credit can be drawn down over a period of two years, ending March 12, 1975. It was made at the concessional interest rate of 6 per cent with an amortization period of 12 years. The loan will be repaid in 8

equal installments beginning in 1978.

AUSTRIA: \$10.7 million.

- \$10.7 million (200 million Austrian schillings) in the form of a loan extended to the Bank by the Government of Austria at the concessionary interest rate of 4 per cent. The loan, which was matched by similar loans to the World Bank and the Asian Bank, represented part of Austria's foreign aid program. The loan was extended for a term of 15 years and was made available in two equal tranches—one on Oct. 1, 1973, and the other on Jan. 2, 1974. The two tranches are to be repaid in ten annual installments each, the first starting in 1979 and the second in 1980.

LATIN AMERICA: \$53.4 million.

- On April 15, 1973, the Bank sold its eighth short-term issue—\$53.4 million—at par to central banks and other governmental agencies in 15 member countries of the Bank. The two-year bonds

THE BANK IN 1973

will mature April 15, 1975, and carry an interest rate of 7 per cent per annum. The proceeds of the issue were used for the most part to refund \$47.4 million in two-year bonds issued in 1971. Member countries purchasing the issue were Argentina, Bolivia, Brazil, Colombia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, Trinidad and Tobago, and Venezuela.

In a further cooperative venture, the Government of Switzerland entrusted a special fund in administration to the Bank, under an agreement signed Oct. 4, 1973. To be known as "The Swiss Development Fund for Latin America," it was established with an initial 30 million Swiss francs (approximately \$10 million).

The resources of the Fund are to be made available to the Bank beginning in 1974. Loans authorized with the Fund will be made on terms and conditions similar to those of the Bank's Fund for Special Operations. Such loans are made on terms which currently include grace periods ranging from 5 to 10 years, amortization periods going from 25 to 40 years and interest rates ranging from 2 to 4 per cent annually (with 1 per cent annually for the neediest countries during the grace period), depending on the type of project to be financed and the country involved. Procurement of goods and services under loans from the Fund will be open to international competitive bidding procedures and will not be tied to procurement in Switzerland.

DISTRIBUTION OF LOANS

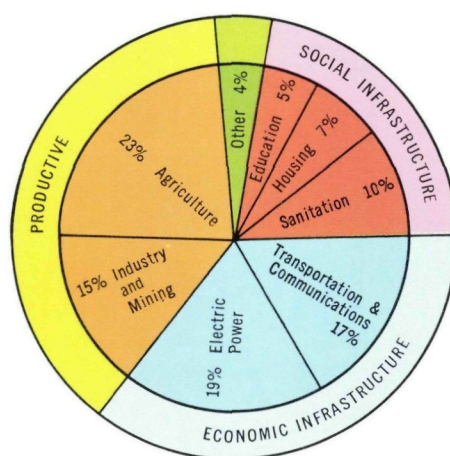
A marked characteristic of the Bank's support for Latin America's development over the past three years has been the increasing share of its loans and technical cooperation which has been channeled towards its economically less developed member countries. In so doing, the Bank has been implementing a resolution approved by its Board of Governors at the Twelfth Annual Meeting in Lima, Peru, in 1971. In that resolution the Governors

called on the Bank to improve its action in favor of the economically less developed countries and, to the extent appropriate, in favor of those of insufficient market.

Implementing a resolution adopted by the Board of Governors at its Thirteenth Annual Meeting in Quito, Ecuador, in 1972, the Bank put into effect new guidelines which provide:

- That payments of principal on loans with the new resources of the Fund for Special Operations (those stemming

Distribution of Loans



from the \$1.5 billion increase which entered into effect Dec. 20, 1972, as well as the Canadian contribution of \$60 million) be effected in the respective currencies lent.

- That interest rates reflect the concessionary nature of Fund for Special Operations resources, providing greater concession to less developed countries.

- That such rates for the more advanced countries should be 4 per cent for economic projects and 3 per cent for social projects. That for the remaining countries the rate should be 2 per cent for both economic and social projects and that in the case of the least developed countries the interest rate should only be 1 per cent during the grace period.

- That the grace period should be up

to five years in the more advanced countries and from up to seven to up to ten in the others.

- That the amortization period for the more advanced countries could be as long as 25 years and for the remaining countries from up to 30 to up to 40 years.

- That Fund for Special Operations loans to the less developed countries might appropriately finance up to 80 per cent and, in exceptional cases, up to 90 per cent of the total cost of a project, compared with the traditional policy of 50 per cent.

Even before the new increase in the Fund for Special Operations was paid in, the Bank on June 1, 1972, adjusted its interest rates and grace periods on loans being financed with the previous resources of the Fund to the new concessional policy and that policy applied throughout the remainder of the year. On Jan. 29, 1973, the Bank put the policy with regard to the new Fund for Special Operations resources into effect.

Implementing these guidelines, the Bank in 1973 extended substantially more loans to the relatively less developed member countries and to those with an insufficient market than it had in any previous year. During the 1973 year the economically less developed countries and those nations with insufficient market received loans totaling \$316 million, compared with \$245 million received by those countries in 1972. The 1973 figure represented nearly 36 per cent of the Bank's total lending and marked the continuation of an accelerating trend initiated in 1970, when the percentage was about 22 per cent.

Even more important to the development of these countries was the fact that some 62 per cent of the Bank's concessional lending went to the two groups of countries, thus exceeding the target of the Governors of 1972 that at least 50 per cent of such loans should go to those countries. Thus of \$427 million extended in loans from the Fund for Special Operations \$263 million was au-

thorized for the groups of countries classified as least developed or of insufficient market.

In this connection six of the least developed countries obtained the highest yearly volume of loans that they had ever received from the Bank. They were Bolivia, \$47 million; the Dominican Republic, \$39 million; Ecuador, \$56 million; Guatemala, \$37 million; Haiti, \$22 million, and Nicaragua, \$29 million.

In its development support for the region's most developed countries, the Bank continued a trend of giving catalytic support for large-scale projects of broad economic impact. Such projects, which bring about basic living changes over broad areas, are generally too large to be financed by any single agency. In such cases the Bank's loans provide a vital thrust to the nation's own efforts, along with the financing provided by other international financial agencies and bilateral entities and private sources of capital in the developed world.

Two 1973 projects illustrate the point. In a \$725 million expansion program being carried out at the Paulo Afonso hydroelectric project in Brazil's underdeveloped Northeast, a Bank loan of \$84.8 million represented 11.7 per cent of the total cost. The power company involved put up 68.3 per cent, the World Bank 10 per cent and other parallel financing 10 per cent.

In a \$648 million steel mill being built at Las Truchas in Mexico, a Bank loan of \$54 million represented just 8.3 per cent of the total cost; the steel firm put up 46.3 per cent, the World Bank 10.8 per cent, bilateral credits 27.6 per cent, and other credits the remaining 7 per cent. By 1980 the plant will produce a third of Mexico's estimated steel consumption.

Sectoral Lending

By sectors, the Bank's 1973 lending reflected a broad balance among the directly productive, the economic infrastructure and the social infrastructure

sectors. In relation to its lending in 1972, the Bank substantially increased its support for the directly productive sectors due to higher lending in agriculture; maintained its lending in the economic infrastructure fields at virtually the same level and, thanks to record lending for education, substantially increased its lending for social infrastructure. The Bank also slightly increased its overall lending for other fields, including preinvestment and tourism.

Notable in recent years has been the emphasis placed by the Bank in its lending on projects and programs designed to meet Latin America's needs for energy. Support for those energy programs has gone primarily for projects to generate, transmit and distribute electric power.

BULLDOZER CARVES SWATH through Panamanian jungle in Bank-financed program to build secondary roads in central and western parts of the country. This stretch is between Volcan and Sereno.



Hydroelectric power resources are abundant throughout much of Latin America, and the Bank has given support to major projects being carried out by Argentina, Brazil, Colombia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Paraguay and Uruguay.

In addition, the Bank has pioneered in supporting projects to distribute gas as well as to refine petroleum. As early as 1962 the Bank made a loan to help Uruguay improve an oil refinery and the next year authorized a loan to help Chile build a 36,000-barrel-a-day oil refinery near Concepción.

Subsequently, the Bank authorized loans to help build gas pipelines in Argentina and Bolivia, designed to supply the increasing demand for gas of Argentina's metropolitan centers.

Continuing this policy in 1973, the Bank supported the expansion of petroleum refinery capacity in Bolivia to meet that nation's expected demand through 1985.

THE BANK'S PROFILE IN FIGURES, 1960-73

In Thousands of Dollars

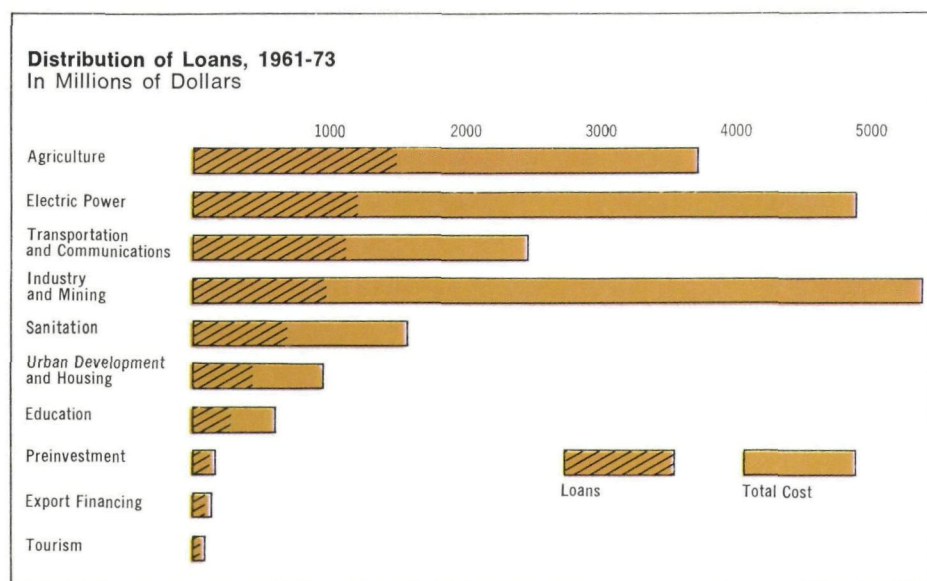
	1960	1961	1962	1963	1964
TOTAL RESOURCES					
Subscriptions (End of Year)					
Ordinary Capital Resources	813,200	813,200	813,200	813,200	1,285,000
Fund for Special Operations	146,300	146,300	146,300	146,300	218,900
Social Progress Trust Fund	—	394,000	394,000	394,000	525,000
Other Funds	—	—	—	—	9,300
Total	959,500	1,353,500	1,353,500	1,353,500	2,038,200
BORROWINGS					
Outstanding Debt (End of Year)	—	—	99,200	99,200	272,600
Annual Borrowings:					
Gross	—	—	99,200	—	173,400
Net (Increase in debt)	—	—	99,200	—	173,400
OPERATIONS					
Loans Authorized (Cumulative) ¹					
Ordinary Capital Resources	—	130,000	208,800	385,800	544,600
Fund for Special Operations	—	48,100	88,300	121,700	170,900
Social Progress Trust Fund	—	115,600	320,600	367,600	450,000
Other Funds	—	—	—	—	—
Total	—	293,700	617,700	875,100	1,165,500
Loans Authorized (Annual)					
Ordinary Capital Resources	—	130,000	83,700	179,300	164,000
Fund for Special Operations	—	48,100	40,800	32,500	49,400
Social Progress Trust Fund	—	115,600	204,900	47,100	85,900
Other Funds	—	—	—	—	—
Total	—	293,700	329,400	258,900	299,300
Loan Disbursements (Annual)					
Ordinary Capital Resources	—	3,200	28,000	59,800	106,600
Fund for Special Operations	—	2,600	8,800	15,300	24,600
Social Progress Trust Fund	—	900	21,900	65,900	66,800
Other Funds	—	—	—	5,000	100
Total	—	6,700	58,700	146,000	198,100
Loan Repayments (Annual)					
Ordinary Capital Resources	—	—	—	600	4,800
Fund for Special Operations	—	—	—	100	900
Social Progress Trust Fund	—	—	—	1,300	2,900
Other Funds	—	—	—	—	—
Total	—	—	—	2,000	8,600
Nonreimbursable Technical Cooperation Authorized (Annual)					
Fund for Special Operations	50	1,600	1,300	1,200	1,300
Social Progress Trust Fund	—	1,100	1,100	1,600	1,500
Total	50	2,700	2,400	2,800	2,800
ADMINISTRATION					
Administrative Expenses ²					
Total—All Funds	1,600	4,700	7,400	8,700	10,000
Net Income (Less Technical Cooperation Expense)					
Ordinary Capital Resources	40	440	2,800	3,900	4,800
Fund for Special Operations	30	(340)	(600)	(100)	1,100
Reserves (End of period)					
Ordinary Capital Resources	40	440	2,800	7,700	13,900
Fund for Special Operations	130	(220)	400	300	1,400
Total	170	220	3,200	8,000	15,300

¹ Net of cancellations and exchange adjustments.

² Including loan supervision and inspection expenses after 1965.

Note: These figures reflect adjustments in U.S. dollar equivalent of nonmember currencies.

1965	1966	1967	1968	1969	1970	1971	1972	1973
1,769,800	1,769,800	1,778,800	2,259,600	2,282,300	2,763,000	3,465,900	4,373,000	5,710,300
1,119,500	1,119,500	2,321,400	2,321,400	2,328,000	2,328,000	2,328,000	3,987,600	4,383,600
525,000	525,000	525,000	525,000	525,000	525,000	525,000	525,000	525,000
25,200	44,400	60,200	69,500	69,800	81,000	105,800	113,700	125,000
3,439,500	3,458,700	4,685,400	5,175,500	5,205,100	5,697,000	6,424,700	8,999,300	10,743,900
285,100	387,400	513,600	632,300	767,200	915,100	1,017,800	1,137,400	1,259,700
12,500	110,400	146,000	176,900	177,400	187,000	181,000	141,000	131,200
12,500	102,300	126,200	118,700	134,900	147,900	102,700	119,600	122,300
655,700	747,200	901,100	1,081,700	1,294,100	1,486,000	1,763,500	2,161,800	2,651,700
366,400	656,900	967,500	1,169,800	1,581,600	2,021,600	2,404,900	2,687,100	3,063,700
501,200	501,200	501,000	498,700	496,100	494,700	494,200	494,200	494,200
4,200	8,100	20,500	47,700	57,800	66,300	82,100	97,500	98,900
1,527,500	1,913,400	2,390,100	2,797,900	3,429,600	4,068,600	4,744,700	5,440,600	6,308,500
121,500	100,900	171,000	193,600	208,900	194,500	236,000	443,300	453,000
196,600	291,300	313,000	210,100	412,500	443,000	399,500	344,200	426,700
51,200	—	—	—	—	—	—	—	—
4,200	3,900	12,400	27,200	10,100	6,900	16,300	19,700	4,300
373,500	396,100	496,400	430,900	631,500	644,400	651,800	807,200	884,000
82,900	97,200	113,000	112,900	139,200	151,100	201,100	185,800	258,900
28,600	44,600	69,600	120,500	192,300	244,600	249,000	278,700	311,500
70,600	70,000	59,900	55,100	58,500	23,200	1,400	—	—
3,000	200	600	3,500	5,400	9,000	10,900	14,100	11,300
185,100	212,000	243,100	292,000	395,400	427,900	462,400	478,600	581,700
8,800	18,500	29,500	40,200	51,200	66,200	74,000	80,400	88,700
3,200	5,500	6,600	8,600	11,900	20,700	34,500	45,300	56,300
4,300	6,200	10,300	13,800	17,500	19,800	19,300	21,400	23,200
800	300	1,000	1,000	1,500	1,300	1,600	1,000	2,900
17,100	30,500	47,400	63,600	82,100	108,000	129,400	148,100	171,100
1,100	1,100	1,600	1,300	1,700	2,000	2,300	2,000	2,900
2,000	1,900	3,500	2,400	3,600	3,100	3,600	3,800	3,500
3,100	3,000	5,100	3,700	5,300	5,100	5,900	5,800	6,400
11,900	14,600	17,900	21,700	25,600	29,400	33,800	34,100	39,100
5,000	6,700	9,100	14,300	20,200	33,100	23,600	19,100	37,900
2,000	2,400	3,200	1,800	4,700	9,700	14,400	22,000	33,600
21,000	30,500	43,200	60,000	85,200	124,200	154,600	185,600	241,200
3,400	5,800	9,000	10,700	15,400	25,100	39,500	61,500	95,100
24,400	36,300	52,200	70,700	100,600	149,300	194,100	247,100	336,300



In its support for the transportation sector, the Bank continued to emphasize projects to unite nations and peoples through the construction not only of major highways, but also of secondary roads. Notable in this regard was the Bank's loan supporting the construction of the last remaining link in the Pan American highway system—the long-sought road through the Darien Gap in Panama.

Another facet of the Bank's lending activity which deserves to be stressed is the fact that during 1973 the Bank devoted more support to higher, technical and vocational education in Latin America than it had provided in any previous year in its history.

While most of the Bank's loans are oriented to projects in only one sector, a few cover aspects of projects which embrace more than one sector. This was particularly true in 1973 of a \$16.7 million loan which the Bank extended to Nicaragua from the Fund for Special Operations as a contribution to the reconstruction of Managua after an earthquake destroyed five square miles of the city and damaged other areas. The loan, which is helping to restore services, installations and the directly productive sectors of the economy, included \$5 mil-

lion for agricultural projects, \$9 million for industrial, \$1,586,000 for transportation and communications and \$1,114,000 for education.

On a cumulative basis, as shown in the accompanying chart and table, the directly productive sectors of agriculture and industry account for 38 per cent of the loans which the Bank has extended in its 13-year lending history. Economic infrastructure, including electric power and transportation and communications, account for 36 per cent, the social infrastructure, including water supply and sewage systems, urban development and education, for 22 per cent, and the other sectors of preinvestment, export financing and tourism for 4 per cent.

The distribution of the loans of the Bank by sectors during 1973 as well as on a cumulative basis is shown in the table on the opposite page.

Agriculture—Within the directly productive sector, agriculture accounted for \$187 million of the Bank's lending during 1973 compared with \$130 million in 1972. Some \$107 million of that amount was devoted to irrigation or irrigation-related projects. Among them was an \$11.5 million loan from the Fund for Special Operations to finance a project to bring an area of nearly 104,000 acres

of the lower Rio Negro Valley in Southern Argentina into irrigation.

In the Dominican Republic an \$18.8 million loan from the Fund is improving irrigation on 33,000 acres of land in the Yaque del Norte Valley and bringing an additional 34,600 acres under irrigation for the first time. A \$20.8 million loan from the Fund is enabling Ecuador to establish year-round farming near Babahoyo, through the use of irrigation and advanced farming techniques, and an \$8 million loan, also from the Fund, is financing an irrigation and agricultural development project in El Salvador on 7,500 acres of land 20 miles from the capital city.

Finally, Mexico, which has been the primary beneficiary of the Bank's total lending for irrigation, benefited from two additional irrigation loans during the year. A \$14 million loan from ordinary capital is financing a project designed to rehabilitate an irrigation district in the State of Chihuahua along the Rio Grande River and another for \$34 million from the Fund is financing a further stage in a small-scale irrigation works project being carried out in seven northeast states to incorporate 123,500 acres of land into irrigated farming.

During 1973 the Bank also lent significant new support to a South America-wide program begun in 1968 to initially control and eventually eradicate foot-and-mouth disease in cattle, making loans for that purpose from the Fund for \$5.6 million to Ecuador, \$6 million to Peru and \$10.6 million to Venezuela.

Other loans in the agriculture field were extended for a variety of projects, including \$6 million from the ordinary capital to Colombia for the construction of wholesale farm markets, \$15 million from the Fund to Ecuador to provide credit for small-scale farmers, \$7.9 million from the Fund to Jamaica to finance the establishment of self-supporting farm units, \$8.3 million from the Fund to Nicaragua for land settlement on a project known as Rigoberto Cabezas, \$4.2

million also from the Fund for the establishment of agro-industries in Nicaragua.

Finally, two loans—\$700,000 from the ordinary capital and \$2.4 million from the Fund—were extended to finance improvements in the production of citrus fruits in Uruguay, a \$6.8 million loan from the Fund channeled through the Central American Bank for Economic Integration is financing the construction of grain storage facilities in Guatemala, and another for \$1.6 million is fostering co-operative fishery development in the Dominican Republic.

Industry and Mining—The \$165 million extended by the Bank for industry and mining included a \$46.5 million loan to Bolivia from the ordinary capital resources to expand an existing oil refinery in Cochabamba and build a new one near Santa Cruz, a \$40 million loan to Brazil to help finance petrochemical industries and a \$54 million loan to help finance the construction of a 1 million-ton steel mill in Mexico.

In addition to those major projects, the Bank extended loans to foster development of a variety of small- and medium-scale industrial projects. A loan of \$6 million was made from the ordinary capital to Peru to finance small-scale mining projects, another for \$3 million from the Fund went to Panama for similar ones in industry and portions of two loans amounting to \$6 million extended from the Bank to Jamaica are being devoted to small-scale industrial credit facilities.

Electric Power—All of the Bank's \$216 million in lending for electric power went to major hydroelectric projects or transmission systems being built in Brazil and Colombia.

In Brazil the Bank made large loans for projects for which it has extended a variety of financing in prior years. The largest individual loan ever extended by the Bank—\$84.8 million from the ordinary capital resources—is financing a further stage in the development of the Paulo Afonso hydroelectric complex

which is being carried out in Brazil's northeast. The project will double the capacity of the region's power system to nearly 4 million kilowatts by 1982, and will prove a powerful stimulus to the development of that vast emerging region of the Brazilian nation.

Another loan extended in Brazil—\$54.2 million from the ordinary capital—is financing the construction of transmission and distribution facilities to carry electric power from the 3.2-million-kilowatt Ilha Solteira and the 1.4-million-kilowatt Jupia hydroelectric plants to consuming centers in Brazil's industrial area of São Paulo.

In Colombia, the Bank's electric power loans included \$48.5 million from the ordinary capital resources to support the second stage—in which the plant's capacity will be doubled to 1 million kilowatts—in the construction of the Chivor hydroelectric plant 100 miles northeast of Bogotá; \$21.2 million from the ordinary capital to help expand transmission and distribution facilities in Bogotá and its environs, and \$4.5 million from the ordinary capital and \$2.4 million from the Fund for Special Operations to increase generating power capacity in the Departments of Caldas, Risaralda and Quindío in west-central Colombia.

Transportation and Communications—The Bank's lending in the transportation

sector, which amounted to \$135 million, was of extraordinary importance to the physical integration of the hemisphere as well as to that of individual member countries. A loan of \$15 million, from the Fund for Special Operations, is helping to finance the construction of the Pan American Highway through the Darien Gap in Panama. Completion of the road project will for the first time unite South, Central and North America with overland communications.

In Brazil the Bank extended a \$36 million loan from the ordinary capital to finance the completion of the principal highway leading from Rio de Janeiro to Santos and a \$22.2 million loan from the Fund is financing the construction of a highway from Léogâne to Les Cayes in Haiti which is expected to spark agricultural and other development in that portion of the country. Another loan—\$2.4 million from the Fund for Special Operations—is helping to build an important highway segment on the island of Tobago.

Secondary roads are being built or improved with loans of \$16 million from the Fund in Costa Rica, \$17.5 million from the Fund in Guatemala and \$1.4 million from the ordinary capital and \$11.5 million from the Fund in Jamaica.

Finally, a loan for \$11 million is financing a further stage in the program

Distribution of Loans In Millions of Dollars

Sector	1973	%	1961-73	%
Directly Productive				
Agriculture	\$187	21	\$1,464	23
Industry and Mining	165	19	978	15
Economic Infrastructure				
Electric Power	216	24	1,172	19
Transportation and Communications	135	15	1,099	17
Social Infrastructure				
Sanitation	48	5	644	10
Urban Development	14	2	416	7
Education	91	10	287	5
Other				
Preinvestment	14	2	109	2
Export Financing	10	1	98	1
Tourism	4	1	42	1
TOTAL	\$884	100	\$6,309	100



FLASHING BRONZE INDUSTRIAL PARTS are manufactured at this medium-sized plant in Santiago, Chile. Plant was able to buy two lathes with small credit received from the Corporación de Fomento de la Producción.

being carried out by the Government of Colombia to improve its four major seaports—Buenaventura, Cartagena, Barranquilla and Santa Marta.

Sanitation—In the sanitation field, Bank loans totaling \$48 million are improving water systems for Medellín, Colombia; Santo Domingo, the Dominican Republic, and San Pedro Sula, Honduras.

The Medellín water system is being expanded with the assistance of \$3.8 million from the ordinary capital resources and \$8.5 million from the Fund for Spe-

cial Operations; the Santo Domingo system with a loan of \$18.6 million from the Fund, and the San Pedro Sula project with one for \$1.2 million, also from the Fund.

A \$10 million loan from the Fund is financing a project to improve the sewage and storm drainage system of Guatemala City and a \$6.3 million loan, also from the Fund, is financing a project designed to improve four of the five institutions which form Peru's National Institutes of Health.

Urban Development—In the field of

urban development, a \$14.3 million loan is enabling Ecuador to carry out a coordinated program of urban infrastructure in its capital city, Quito.

Education—The Bank's education loans during 1973, which amounted to a record figure of some \$91 million, financed broad efforts to improve scientific, technological and vocational education in Brazil and university education in Guatemala and Venezuela.

Two loans—\$6.2 million from the ordinary capital resources and \$25.8 million from the Fund for Special Operations—are contributing to major improvements at nine principal research centers in Brazil. A loan for \$16 million, also from the Fund, is helping to improve facilities at 54 tuition-free training and apprentice centers and 7 mobile units located in 22 states and the Federal District in Brazil.

Two universities in Guatemala—*Rafael Landívar* and *Del Valle de Guatemala*—are being improved and expanded with the help of a \$9.3 million loan from the Fund. In Venezuela, a loan for \$15.1 million from the Fund is expanding and modernizing the *Universidad de los Andes* in Mérida and another amounting to \$17.4 million from the Fund is improving the *Universidad Simón Bolívar*, a new university in Caracas dedicated to training advanced professionals in science and technology.

Tourism—Portions of two loans extended for credit facilities for small- and medium-size enterprises—\$800,000 from the ordinary capital resources and \$3.2 million from the Fund for Special Operations—are being devoted to the improvement of tourism in Jamaica.

Export Financing—The Bank's export

financing credit amounted to \$10 million in 1973. Within the program, a \$980,000 credit is enabling Peru to finance the export of deck equipment for small vessels to Chile and revolving lines of credit were augmented through repayments by \$953,600 in Argentina, \$28,400 in Bolivia, \$6,759,000 in Brazil, and by \$1,466,500 in Mexico.

Preinvestment—The Bank's preinvestment loans, which totaled \$14 million in 1973, included \$10 million from the Fund for Special Operations to help Mexico finance the second stage of a program to carry out technical and economic studies of specific development projects and \$4.4 million from the Canadian resources which the Bank administers for the execution of a mineral resources survey in Brazil.

PROGRESS ACHIEVED

During 1973 the Bank completed its share in the execution of 42 additional projects. The Bank's lending investment in these projects amounted to a net \$263 million, and their total cost to \$1,014 million. Projects completed during the year brought the number totally carried out with the assistance of Bank loans as of Dec. 31, 1973, to 433 for \$2,060 million out of the Bank's overall total of 771 loans for \$6,309 million. Some examples of the projects completed during 1973 include:

- The execution of a program designed to help the *Companhia Vale do Rio Doce (CVRD)*, the largest iron ore producer in Brazil, to expand its iron ore production from 12.4 million tons to 21.8 million tons a year and to increase its exports. *CVRD*, which is Brazil's largest iron ore producer and leading single foreign exchange earner, exports the bulk of its production primarily to Japan and Western Europe. In 1968 the Bank approved a loan of \$12 million from the ordinary capital resources to help carry out the project, whose total cost was \$367 million.

- The termination of another phase of

Mexico's ongoing effort to increase farm production and productivity through the construction of irrigation projects in its arid northwest. In 1966 the Bank provided \$14.7 million to help irrigate some 99,000 acres of land in the El Carrizo Valley of the State of Sinaloa through the construction of distribution canals, drainage systems and access roads. As part of the project, which had a total cost of \$26 million, the Bank loan also helped build 3,300 housing units in nine communities.

- The execution of a program to improve the study of agronomy and of medicine at the university level in Haiti, to institute a university-level program of veterinary studies and to train rural teachers and vocational technicians. In 1966, the Bank extended a \$1.3 million loan to the *Banque Nationale de la Republique d'Haiti* which was used to purchase equipment and related materials to improve the College of Agronomy and Veterinary Medicine of Haiti, to complete one rural normal school and build another, to rehabilitate three agricultural vocational schools and to modernize and expand the College of Medicine, at a total cost of \$2.7 million.

- The completion of a program to help Colombia expand its supply of meat and milk through a livestock development program and thereby increase exports of beef cattle to other Latin American countries and Europe. In 1967 the Bank extended a \$10.7 million loan to the *Banco Ganadero de Colombia* to help finance the project, which had a total cost of \$24 million.

- The construction of 3,622 housing units, with their respective community services, for low-income families in various towns throughout Bolivia. Of these, 1,460 were built under the self-help system, 1,944 were other single-family units, 188 were in multi-family buildings, and 30 in experimental units. The program was implemented at a total cost of \$10.2 million with the help of a \$5.3 million Bank loan approved in 1967.

- The completion of 62 feeder roads with a total length of 1,156 miles in Mexico as a first stage in the National Feeder Road Program. To help open up new farm land, reduce transportation costs and link remote rural areas with market centers, the Bank in 1965 approved a \$21.3 million loan for the project's first stage, which was carried out at a total cost of \$35.7 million. On completion of successive stages, the program will benefit an estimated 8 million inhabitants of 29 states and two territories in Mexico.

- The execution of an agricultural credit subprogram designed to increase beef production on 3,200 ranches and vegetable and citrus fruit output on 1,050 farms in the Provinces of Formosa, Chaco, Corrientes, Misiones, and a portion of Santa Fe in Argentina's relatively less developed northeast. The Bank in 1969 extended a \$20.7 million loan which has helped to improve land and water use, build rural structures, purchase breeding stock and agricultural equipment and plant perennial crops and pastures at a total cost of \$41.7 million.

Since the Bank initiated operations, it has maintained records which provide a statistical picture not only of the Bank's lending but also of the physical accomplishments and change being brought about in Latin America as a result, and, when feasible, the number of persons whose lives are being improved thanks to the execution of Bank-financed projects.

To give an overall view of this, a summary estimate of the accomplishments which the Bank's total lending has brought about or is expected to bring about, is given below:

Agriculture—A total of 174 loans amounting to \$1.5 billion are helping to finance agricultural projects whose total cost amounts to \$3.7 billion. When completed, these projects are expected to improve or bring into production some 10.3 million acres of land. As of Dec. 31, 1973, some 8.8 million acres had already

THE BANK IN 1973

been improved or brought into production, including 2.1 million acres through irrigation. In addition, Bank loans have provided more than one million farm credits totaling \$1.2 billion to individual farmers and more than 100 farm cooperatives and 11 food markets have benefited from Bank loans.

Industry and Mining—Some 139 loans amounting to \$978 million are helping to finance industrial and mining projects at a total cost of \$5.3 billion. These loans are helping to build or improve 74 industrial plants directly and thousands more indirectly, by means of credits channeled to small- and medium-scale enterprises through the region's development banks. Of the total, 52 industrial plants are already in operation, another 22 are under construction and 6,112 additional firms, primarily small and medium, have been built or have expanded their facilities with credits provided by the Bank through development financing agencies.

Electric Power—A total of 64 loans for \$1.2 billion are helping to finance projects in the electric power sector, being carried out at a total cost of \$4.8 billion. These loans are helping to increase Latin America's generating capacity by 12.4 million kilowatts. They are adding 58,896 miles of transmission and distribution lines to the region's power network and are improving distribution systems in 1,141 communities. As of Dec. 31, 1973, generating units with a total of 3.9 million kilowatts were in operation, 21,417 miles of transmission and distribution lines had been laid and improved power services had been brought to 597 communities.

Transportation and Communications—A total of 82 loans for \$1.1 billion are helping to finance transportation and communications projects whose total cost is \$2.4 billion. This lending is helping to build or improve 26,787 miles of roads, including 7,304 miles of main highways and 19,483 miles of secondary or farm-to-market roads. As of Dec. 31, 1973, some 18,101 miles had been com-

pleted, including 4,051 miles of main highways and 14,050 miles of secondary or farm-to-market roads. Bank financing is also helping to build 1,485 miles of main gas lines and 318 miles of gas distribution systems, of which 1,368 miles of main lines and 299 miles of distribution lines have already been completed. Bank loans are helping to finance the improvement of 11 ports in Latin America; are improving seven grain elevator facilities and are helping to build six major telecommunications systems in the region.

Sanitation—A total of 102 loans amounting to \$644 million are contributing to the execution of water supply and sanitation projects whose total cost amounts to \$1.5 billion. The loans are helping to build or improve 4,404 pure water systems and 389 sewage systems which are benefiting a total population of about 54 million people. As of Dec. 31, 1973, some 3,669 pure water systems and 306 sewage systems had been completed.

Urban Development—A total of 51 loans amounting to \$416 million are helping to finance urban development projects whose total cost is \$933 million. These loans are helping to build some 361,128 housing units, along with parallel community facilities, as well as 10 municipal markets. As of Dec. 31, 1973, 340,609 of these units had been completed.

Education—The Bank has made a total of 67 loans amounting to \$288 million for education projects whose total cost is \$595 million. These loans are helping to modernize, expand or improve 675 learning centers, of which 146 are university-level, 489 are vocational or technical schools, 19 are research institutes, and 21 are experimental primary and secondary schools.

Preinvestment—Seventy loans amounting to \$109 million are helping to finance preinvestment programs whose total cost is \$188 million. As of Dec. 31, 1973, some 370 preinvestment studies had been carried out with direct loans and 525 studies had been made with credits ex-

tended to the various preinvestment funds, for a total of 895.

Export Financing—Bank loans amounting to \$98 million are helping to finance capital goods exports with an invoice value of \$134 million among the Latin American member countries of the Bank.

Tourism—Bank financing amounting to \$42 million is helping to finance tourism projects in 9 Latin American countries at a total cost of \$86 million.

TECHNICAL COOPERATION

A principal factor in the success achieved by the Bank in its lending program in Latin America has been the parallel technical cooperation which it has provided to its Latin American member countries. In recent years, the Bank has sought increasingly to ensure that its technical cooperation program exerts the maximum effectiveness on the development process.

Such cooperation helps prepare well-studied development projects, improves institutions carrying out projects, helps train professionals in development skills, contributes to the planning of national development programs and supports the region's economic integration process.

The Bank extends technical cooperation on a reimbursable, a contingent recovery and a nonreimbursable basis. The Bank's reimbursable technical cooperation is extended in the form of a loan to foster the execution of specific development studies, or in the form of a portion of a loan to ensure the effective execution of a project or program.

Contingent recovery technical cooperation is subject to repayment if, as a result of the cooperation, a loan is granted by the Bank or another external financial institution for the execution of a project.

The Bank extends technical cooperation to its member countries on a nonreimbursable or grant basis, primarily to its economically less developed member countries or for projects in the less developed sections of other countries. The cooperation is extended for development planning, for preinvestment studies, to



support institutions, to foster training and to promote economic integration. In development planning, the Bank provides advisory services for the formulation of plans and cooperates with countries in formulating national preinvestment programs.

In preinvestment, the Bank assists its member countries in carrying out basic economic and social studies designed to identify priority needs and seek out projects, and also to draft preliminary and final project studies. Through its institutional support, the Bank cooperates in the creation, organization and strengthening of institutions responsible for economic and social development tasks and supports efforts carried out by institutions to mobilize internal and external resources. Along similar lines, the Bank provides support for institutions which foster the region's economic integration.

The technical cooperation extended by the Bank on a grant basis is charged to the net income of the Fund for Special Operations, as well as to the resources of the Social Progress Trust Fund. In the latter respect, in 1972 the Bank was authorized by the Government of the

VOCATIONAL EDUCATION IN CHILE has been fostered by the Bank through a loan extended in 1967. Here two welders receive instruction at the Instituto Nacional de Capacitación Profesional.

United States to use up to \$15 million from the Social Progress Trust Fund for preinvestment studies within a special inter-American project preparation effort. The aim of the effort was to boost the number of well-prepared development projects in Latin America which might be subject to financing by public and private international financial institutions.

In 1973 the Bank authorized a total of \$32 million in technical cooperation, including \$25.6 million extended on a reimbursable basis in the form of loans or portions of loans and \$6.4 million authorized on a nonreimbursable or contingent recovery basis.

These figures brought the Bank's cumulative technical cooperation authorizations as of Dec. 31, 1973, to \$223.2 million, net of cancellations, of which \$172.1 million were authorized on a reimbursable basis and \$51.1 million were authorized on a nonreimbursable or contingent recovery basis.

As a result of directives received by the Bank from its Board of Governors and its Board of Executive Directors, the Bank's technical cooperation, as well as its loans, has increasingly been oriented toward its least developed member countries. This trend, which was initiated in 1971 and accelerated in 1972, was even more notable in 1973. Thus under the previously mentioned special inter-American project preparation effort in 1973 the Bank authorized the use of \$1.6 million under the program for the execution of five individual projects.

Overall, in Bolivia the Bank granted \$472,150 to help strengthen planning and project preparation, \$79,500 to improve tax systems and \$177,000 for a textile industry study; in Ecuador it provided \$217,000 for the drafting of a master plan for the future water and sewage system requirements of the city of Quito; in El Salvador the Bank allocated \$883,000 for the execution of feasibility studies of agricultural and educational projects, and in Guatemala it provided \$48,500 to train professionals in irrigation, and \$960,000 to support planning and the preparation of specific projects in its 1971-75 National Development Plan.

In Haiti \$600,000 is improving the ability of the nation to carry out a road project being built with the help of a \$22.2 million Bank loan, \$40,000 will foster studies to improve rural health and \$410,000 will finance studies to improve tourism; in Honduras \$300,000 is strengthening two municipal agencies carrying out a Bank-financed water system in San Pedro Sula, \$18,400 is being devoted to a study of cattle raising possibilities in the nation and \$85,000 will help identify investment opportunities in industry.

Some \$172,000 in technical cooperation in Nicaragua is being used to carry out preinvestment studies of rural electrification projects and \$82,000 is financing engineering studies of access roads in a farm settlement project being financed



with the help of a Bank loan; and in Paraguay \$194,000 is enabling the city of Asunción to carry out studies for a new municipal market system, \$24,850 is financing improvements in a farm credit program, \$163,000 is providing support for the improvement of the nation's planning effort and \$42,500 is providing help for an integral revision in Paraguay's tax system.

In other countries the Bank approved \$192,000 to enable Jamaica to carry out studies designed to achieve an island-wide rural electrification program and another \$27,000 for a study of ways to expand tropical fruit production; in Peru it provided \$31,130 for a farm extension seminar and \$49,500 to help formulate a plan for the development of the nation's university system, and finally in Uruguay the Bank extended \$49,000 for the execution of technical and economic prefeasibility studies of a deep-water port near the city of Montevideo.

XAYA AND PIXCAYA are two rivers supplying additional pure water supply for Guatemala City. Here workmen solder pipeline for the system which is being built with support of Inter-American Bank loan.

The remainder of the Bank's nonreimbursable technical cooperation was extended for a variety of training courses, missions or specific studies which involved or benefited all or several of the Bank's member countries. These included \$23,000 for a seminar on the cultivation of legumes, \$48,000 for training in public administration carried out at the Inter-American School of Public Administration in Rio de Janeiro, \$48,390 for courses sponsored by the Bank on loan administration and \$62,500 for courses on agro-industrial development.

The Bank also provided \$60,000 to carry out short-term study missions in its member countries as needed and allocated a total of \$170,000 for agricultural studies being carried out in cooperation

with the UN Food and Agriculture Organization; \$75,000 for a study of the role which betterment taxes might play in Latin American development and \$50,000 for a study on Latin American bankers' acceptances. Finally, the Bank provided \$510,000 to support the activities carried out during 1973 by its Institute for Latin American Integration in Buenos Aires.

ECONOMIC INTEGRATION

The physical integration of Latin America received a strong stimulus from the Bank in 1973 with the approval of a \$15 million loan to support the construction of the Pan American Highway through the Darien Gap in Panama. Completion of the road through the Darien in Eastern Panama and Northern Colombia will fulfill a long-held hemisphere desire for overland communications which would unite all the capital cities of the continent. Being built at a total cost of

\$106.8 million, the highway will stimulate economic integration by permitting land traffic to flow between South America, on the one hand, and Central America, Mexico, the United States and Canada, on the other.

In another effort of major significance to the welfare of the hemisphere, the Bank made three additional loans during 1973 to support a South America-wide campaign to control and eventually eliminate foot-and-mouth disease from the continent. They included \$5.6 million for Ecuador, \$6 million for Peru and \$10.6 million for Venezuela. In prior years the Bank had extended similar financing for campaigns being carried out by Argentina, Brazil, Chile, Colombia and Paraguay. The disease does not exist in Panama, Central America, Mexico, the United States and Canada.

Within its export financing activities, the Bank authorized credits totaling an additional \$10 million in 1973. Such financing is enabling Argentina, Bolivia, Brazil, Mexico, Peru and Venezuela to finance exports of capital goods to other Latin American member countries of the Bank.

In another loan of regional significance, the Bank extended \$6.8 million to the Central American Bank for Economic Integration for grain storage facilities in Guatemala which will result in more orderly production and distribution of grains in Central America.

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

BOARD OF GOVERNORS

As indicated previously in this Annual Report, the Bank's Board of Governors placed priority attention during the year on efforts to mobilize additional financial resources for Latin America's development by attracting capital exporting countries from outside the region into membership.

In addition, during 1973 the Board of Governors gave serious consideration to

the study of measures providing for the admission of new independent countries of the region to membership in the Bank and on the adaptation of the Agreement Establishing the Bank to prevailing general conditions and the immediate outlook.

At the Fourteenth Annual Meeting of the Board of Governors of the Bank held in Kingston, Jamaica, May 7-10, 1973, the Bank adopted a resolution calling for a study to be initiated "of measures providing for the admission to membership in the Bank of new independent countries of the region." The resolution also provided that the nine-member Committee which had been charged with the study of the admission of nonregional members into the Bank be requested to carry out a study on the possibility of the admittance of new independent nations of the region for which purpose the composition of the Committee was to be broadened to include the Governor for Trinidad and Tobago, and that the Committee make the best efforts to submit its final recommendations so as to permit consid-

eration of the subject at the Fifteenth Annual Meeting of the Board of Governors.

In a further resolution approved at the Jamaica meeting the Board of Governors asked the Board of Executive Directors to carry out a study related "to the adaptation of the Agreement Establishing the Inter-American Development Bank to prevailing general conditions and the immediate outlook" and to present a report to the Committee.

These two subjects were considered subsequent to the period covered by this report, when the Committee held a meeting in Port of Spain, Trinidad, on Jan. 7 and 8, 1974.

In addition to the above mentioned topics, the Board of Governors at its meeting in Kingston:

- Approved the financial statements of the ordinary capital resources and the Fund for Special Operations.
- Requested the Board of Executive Directors to examine policies governing the Fund for Special Operations to determine whether or not it is appropriate

Support for Economic Integration, 1960-73 In Millions of Dollars

	Bank Support	Total Cost of Projects
EXPORT FINANCING	\$100.5	\$ 146.1
REGIONAL PROJECTS		
Transportation	439.1	916.3
Electric Power	143.1	704.3
Telecommunications	19.8	42.2
Industry	22.7	36.3
Agriculture	64.5	207.1
Education	4.9	18.9
STUDIES AND PREINVESTMENT		
Sectoral	11.8	16.5
General	0.4	0.4
Transportation	4.4	6.9
Communications	1.2	2.4
Electric Power	2.7	4.6
Industry	2.3	4.1
Agriculture	2.8	7.3
Border and Multinational	1.1	3.8
TRAINING AND RESEARCH	8.1	15.9
INSTITUTIONAL SUPPORT	2.8	15.0
TOTAL	\$832.2	\$2,148.1

THE BANK IN 1973

to fix terms different from those which are presently applied to the various groups of countries with respect to the percentage of the total cost of projects which the Bank finances.

- Asked the Board of Executive Directors to conduct a study of the scope and diverse implications that would result from the proposal presented by the Governor for Paraguay regarding new policy guidelines of the Fund for Special Operations and submit a report and such recommendations as may be appropriate to the Fifteenth Annual Meeting.

- Requested the Board of Executive Directors to update and broaden the studies and recommendations with regard to aspects of the Bank's capital goods export financing program relating to eligible goods and the geographical destination of exports.

- Decided that the Fifteenth Annual Meeting of the Board of Governors shall be held in Santiago, Chile, in the first half of April 1974.

BOARD OF EXECUTIVE DIRECTORS

During 1973 the following changes took place in the composition of the Board of Executive Directors:

- John M. Porges was appointed Executive Director for the United States effective June 1, 1973.

- Hugo Palacios Mejía of Colombia was elected Executive Director for Colombia and Peru, effective June 16, 1973. He succeeded Aníbal Fernández de Soto, also of Colombia.

- Ulysses Pereira Reverbel of Uruguay was elected Executive Director for Bolivia, Paraguay and Uruguay, effective June 30, 1973, succeeding Guido Valle Antelo of Bolivia. Mr. Pereira Reverbel had earlier been appointed Alternate Executive Director for the same countries effective Jan. 15, 1973.

- Raúl Fernández of Argentina was elected Executive Director for Argentina and Chile effective Dec. 16, 1973, succeeding Alfredo J. Girelli of Argentina.



- Charles T. Greenwood of Canada was appointed Alternate Executive Director for Canada on April 1, 1973, succeeding H. Dennis Madden.

- Kenneth A. Guenther was appointed Alternate Executive Director for the United States effective Aug. 12, 1973. He succeeded Reuben Sternfeld who as Alternate had been acting U.S. Director since 1972.

- Julio C. Gutiérrez of Paraguay was appointed Alternate Executive Director for Bolivia, Paraguay and Uruguay on Sept. 1, 1973. He succeeded Mr. Pereira Reverbel who had become Executive Director June 30, 1973.

During 1973 the Board of Executive Directors reviewed three studies previously conducted by the Group of Controllers of the Review and Evaluation System, which was established by the Board of Executive Directors in 1968 as a means of carrying out an independent, continuing and comprehensive review and evaluation of Bank operations and activities.

These included studies on reports' management, the Bank's global preinvestment loan program, and the Bank's co-operative program with the UN Food

PROVIDING ENERGY to Latin America has been a principal concern of Bank lending in recent years. This 40,000-kilowatt project was built at Tavera in the Dominican Republic.

and Agriculture Organization.

During the year the Group also completed and submitted to the Board of Executive Directors two additional reports. One of these was on global loans to development financing institutions. The other involved planning and programming in the Bank.

At year end the Group was well-advanced in four additional studies: a review of the Bank's Institute for Latin American Integration, arrangements for local contributions by borrowers, the selection of consultants and the Bank's cooperative activities with the UN Development Programme.

ADMINISTRATION

A hallmark of the Bank's 1973 activities was its increasingly successful effort to increase productivity and efficiency, to improve the processing of loans and technical cooperation, and to sharpen systems for increasing administrative effectiveness.

During the year the reorganization of

the Bank, initiated in 1972, was completed. The reorganization, authorized by the Board of Executive Directors, was designed to improve the Bank's operational structure so it might better serve Latin American social and economic development requirements. The Bank also continued to place strong emphasis on improving administrative practices and had under consideration a long-range data processing master plan at year end. During the year the Bank consolidated its headquarters office space in two facing buildings in a further measure which improved its administrative effectiveness.

The total administrative expenses of the Bank amounted to \$39.1 million in 1973, compared with \$33.8 million during 1972. Significantly, while the Bank substantially expanded its lending volume during the year, the expansion of its administrative budget increased only \$5.3 million, or about 6 per cent in real terms, over its 1972 expenditures.

As of Dec. 31, 1973, there were 1,057 permanent staff members at the Bank's headquarters, seven above the Dec. 31, 1972, figure. This number included 543 executive and professional personnel, and 514 administrative personnel.

A total of 403 employees were assigned as staff (permanent and temporary) in the Field Offices at the end of 1973. This was an increase of six employees over the total assigned at the end of 1972 and included 98 permanent international employees compared with 62 in 1972; 61 temporary international employees compared with 97 in 1972, and 244 local professional and administrative employees compared with 238 in 1972. The 61 temporary international employees, formerly known as project specialists, are now identified as sectoral specialists.

A comparison of the Bank's administrative expenses is contained in the table which follows.

Consolidated Administrative Expenses ¹
In Thousands of Dollars

	Actual 1972	Actual 1973	Budgeted 1974
BOARD OF GOVERNORS			
Annual Meeting	\$ 230.6	\$ 283.1	\$ 331.0
Other Expenses	30.8	10.5	7.0
BOARD OF EXECUTIVE DIRECTORS			
Salaries	658.0	831.5	917.0
Other Compensation and Benefits	129.3	171.7	212.0
Travel	153.6	200.8	183.0
Review and Evaluation Group	305.2	351.8	451.0
STAFF			
Salaries	13,775.0	14,914.6	16,729.2
Other Compensations and Benefits	4,954.9	5,477.0	6,477.9
Travel	1,541.0	1,961.5	1,855.0
OTHER ADMINISTRATIVE EXPENSES			
Communications	787.1	979.9	985.0
Office Occupancy	1,904.2	3,143.8	2,798.5
Publications and Printing	279.1	254.0	452.5
Supplies and Equipment	795.3	967.3	1,319.9
Contractual Services	909.7	946.0	1,128.4
Miscellaneous	311.9	446.4	358.0
FIELD OFFICES ²			
Salaries	3,456.7	4,235.5	4,985.9
Other	3,580.8	3,965.5	4,185.6
CONTINGENCIES	—	—	453.8
TOTAL	\$33,803.2	\$39,140.9	\$43,830.7

¹ Ordinary Capital Resources, Fund for Special Operations and Social Progress Trust Fund.

² Includes Inspection and Supervision.

COOPERATION WITH OTHER ENTITIES

The Bank's cooperation with other organizations during 1973 continued increasingly to revolve around joint endeavors resulting in broad support for Latin American development plans and projects.

In this regard the Bank entered into an agreement in December 1973 with the Inter-American Foundation to channel up to \$30 million of the resources of the Social Progress Trust Fund to finance social development projects in Trust Fund fields in the years 1974, 1975 and 1976.

The Inter-American Foundation is a United States agency established late in 1969 to make grants and loans to Latin American and Caribbean institutions and organizations, primarily private and semi-autonomous.

Under the agreement, the Bank will disburse currencies from the Trust Fund, which the Bank administers for the Government of the United States, directly to the recipients, upon the Foundation's certification.

Throughout 1973, the Bank also worked closely with the World Bank and public and private sources of bilateral capital in jointly financing a variety of loan projects, such as electric power in Brazil, steel mill production in Mexico and highway construction in Panama. With the World Bank and the Asian Bank the Inter-American Bank also co-operated through a broad mutual exchange of information.

The Bank also worked closely with the Central American Bank for Economic Integration, channeling a loan through that entity for grain storage facilities in the region.

In technical cooperation programs carried out throughout the year, the Bank frequently found itself working jointly with the UN Food and Agriculture Organization, with the Latin American Free Trade Association and with the Pan American Health Organization, with the Organization of American States and

THE BANK IN 1973

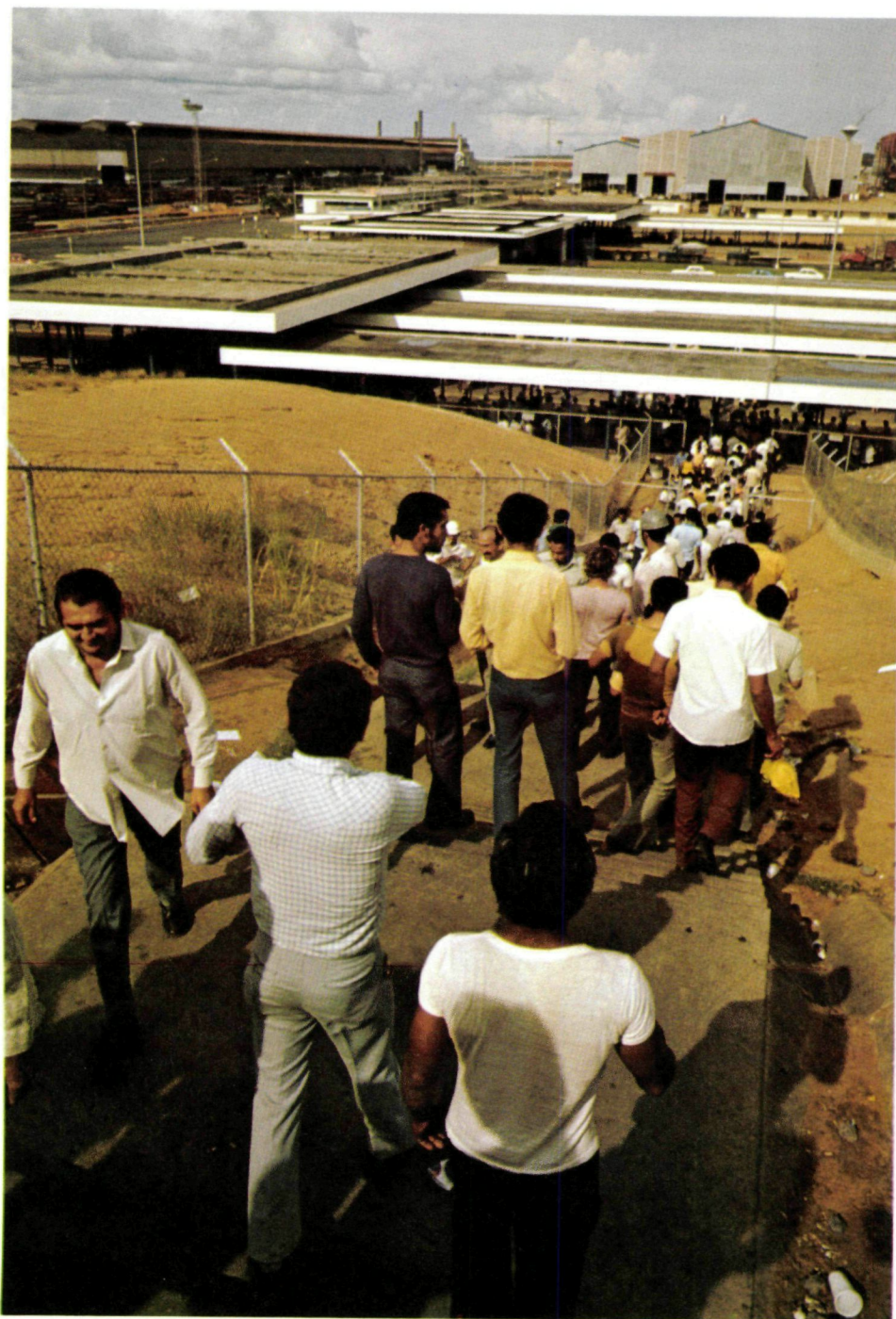
other inter-American and international agencies.

Throughout the year it maintained close cooperative ties at its Washington headquarters with its sister organizations of the hemisphere, the Organization of American States, the Inter-American Economic and Social Council, the Inter-American Committee on the Alliance for Progress and the Pan American Health Organization.

It also closely coordinated its development work when applicable with such United Nations agencies as the United Nations Development Programme, for which the Bank often acts as executing agency for development studies in Latin America; with the UN Economic Commission for Latin America; the UN Food and Agriculture Organization, and the UN Industrial Development Organization.

Finally, the Bank maintained close liaison with multilateral agencies in Europe, particularly the Development Assistance Committee of the Organization for Economic Cooperation and Development and the European Economic Community.

WORKERS CHANGE SHIFTS at this steel plant in Venezuela which has expanded production with assistance of an \$18.5 million loan extended by the Bank in late 1972. Plant is located in State of Bolívar.



LOANS AND TECHNICAL COOPERATION



BICYCLE WHEELS receive final touches in this small plant in Peru, which benefited from a small Bank credit channeled through the Banco Industrial del Perú. Plant employs 85 persons and produces 44,000 units a year.

LOANS AND TECHNICAL COOPERATION

Comparative Yearly Lending, 1971-73
In Thousands of Dollars

Country	1971		1972		1973	
	Number of Loans	Total	Number of Loans	Total	Number of Loans	Total
Argentina	4	\$ 73,688	3	\$162,661	1	\$ 12,454
Barbados	1	1,000	1	2,800	—	—
Bolivia	2	21,579	6	42,082	1	46,528
Brazil	9	148,929	8	213,156	8	274,115
Chile	2	11,600	—	—	—	—
Colombia	4	80,275	3	49,900	8	105,900
Costa Rica	1	3,500	2	8,300	1	16,000
Dominican Republic	1	3,400	3	33,700	3	39,000
Ecuador	4	30,300	3	39,700	4	55,700
El Salvador	1	10,000	2	39,600	1	8,000
Guatemala	2	9,200	—	—	3	36,800
Haiti	2	1,800	1	10,000	1	22,200
Honduras	4	21,400	1	9,200	1	1,200
Jamaica	3	9,060	—	—	5	30,800
Mexico	3	57,699	5	115,689	4	113,467
Nicaragua	1	3,500	1	12,500	3	29,200
Panama	2	17,400	3	15,700	2	18,000
Paraguay	4	44,782	—	—	—	—
Peru	3	24,052	3	785	4	19,280
Trinidad and Tobago	2	7,600	2	13,103	1	2,400
Uruguay	—	—	1	10,000	2	3,100
Venezuela	4	71,001	1	18,900	3	43,100
Regional	—	—	3	9,400	1	6,800
Total	59	\$651,765	52	\$807,173	57	\$884,044

The following section of the Annual Report contains a description of all the loans and technical cooperation authorized by the Bank during 1973 from its various sources of funds. Loans and technical cooperation are grouped on a country-by-country basis then on a regional basis.

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

On ordinary capital loans the Bank's basic interest rate in 1973 continued at 8 per cent a year. Interest rates included the 1 per cent commission allocated to the Bank's special reserve. Loans extended from the ordinary capital resources during 1973 were made for terms ranging from 15 to 30 years.

As detailed earlier in this Report, the basic rates of interest charged on loans extended from the Fund for Special Operations varied from 2 to 4 per cent, de-

LOANS AND TECHNICAL COOPERATION

pending on the stage of development of the country and the nature of the project, with grace periods of from 5 to 10 years. For the less developed member countries the rate of interest was 1 per cent during the first ten years and 2 per cent subsequently. The amortization periods on such loans varied from 20 to 40 years.

ARGENTINA

LOAN

Agricultural Development

Fund for Special Operations
\$11.5 million 25-year 4% loan of Dec. 20, 1973
(\$6.9 million and \$4.6 million in Argentine pesos)
Borrower: REPUBLIC OF ARGENTINA

Among the relatively underdeveloped regions in Argentina is the Lower Río Negro Valley of Río Negro Province. In an effort to foster development in the region, the Government of Argentina has embarked on a three-stage program to bring an area of 103,740 acres of the valley under irrigation.

In 1963 the Bank extended a loan for \$5,528,000 to help finance the first stage of a program which involved the incorporation of 18,127 acres of land into intensive cultivation, the settlement of 159 farm families and the installation of a plant to process dairy products.

This loan will be used by the *Instituto del Valle Inferior del Río Negro (IDEVI)*, an autonomous agency created to manage the development program in Río Negro Province, to execute the second stage of the program which is being carried out at a total estimated cost of \$22,573,000, of which the Bank loan will cover 50.9 per cent and local sources the remaining 49.1 per cent. This stage will incorporate into irrigated production a net area of 33,790 acres and facilitate the settlement of 570 more families in the region.

The project area is located on the south bank of the Río Negro, west of the city of Viedma. The execution of the project, which enjoys high priority within Argentina's national development plans, would

increase economic activity in that area, thus assuring additional sources of employment and income and helping to prevent the migration of farmers to other parts of the country.

Up to \$200,000 of the loan will be used for technical cooperation expenses designed to strengthen the technical and administrative operation of *IDEVI*.

EXPORT FINANCING

During 1973 previous lines of credit to Argentina to finance exports of capital goods were augmented by \$953,600 through repayments. This activity is described further on in this report under the heading "Export Financing."

BOLIVIA

LOAN

Oil Refinery Expansion

Ordinary Capital Resources
\$46.5 million 30-year 8% loan of Sept. 20, 1973
(\$43.6 million and \$2.9 million in Bolivian pesos)
Borrower: REPUBLIC OF BOLIVIA

Demand for petroleum products in Bolivia is growing at the rate of 7 to 10 per cent a year and by 1985 national consumption is expected to reach 40,000 barrels a day, compared with the 14,200-barrel-a-day consumption in 1972. This loan will enable *Yacimientos Petrolíferos Fiscales Bolivianos (YPFB)*, the nation's fuel agency, to help meet that demand by expanding an existing oil refinery and lubricants plant at Cochabamba and building a new refinery outside Santa Cruz as a replacement for one operating within the urban area now.

The Bank loan will enable *YPFB*, among other things, to:

- Install a new primary distillation unit with a design capacity of 25,000 barrels a day at the Cochabamba refinery, thus increasing its total capacity to 31,500 barrels per day. In addition, a catalytic reformer with a capacity of 8,000 barrels per day will be installed.
- Build a new refinery in Santa Cruz with a primary distillation capacity of

10,000 barrels per day, subject subsequently to expansion to 15,000 barrels a day. In addition, a 4,000-barrel-a-day catalytic reformer will be installed and a 434-barrel-a-day lubricating oil plant will be built.

Completion of the two new refineries will enable *YPFB* to concentrate its entire refining capacity, currently scattered in seven small plants, in the two facilities.

The total cost of the project is estimated at \$58 million, of which the Bank loan will cover 80.2 per cent and *YPFB* the remaining 19.8 per cent.

EXPORT FINANCING

During 1973 a previous line of credit to Bolivia to finance exports of capital goods was augmented by \$28,400 through repayments. This activity is described further on under the general heading of "Export Financing."

TECHNICAL COOPERATION

Planning and Project Preparation

Fund for Special Operations
\$75,000 nonreimbursable cooperation of
Feb. 1, 1973

Social Progress Trust Fund
\$397,150 nonreimbursable cooperation of
Feb. 1, 1973

One of the principal objectives of Bolivia's national socio-economic development strategy for 1971-91 is to reduce the country's economic dependence on the external sector and to integrate the rural population more closely into the nation's social, economic and political life.

Within that broad strategy, a National Development Plan for 1973-77 places emphasis on projects in the productive sectors, more effective use of existing infrastructure, export promotion and selective import substitution. The principal instrument of the planning is the newly established *Secretaría del Consejo Nacional de Economía y Planificación*.

This technical cooperation totaling \$472,150 will help the *Secretaría* to obtain the consulting services needed to carry out a program aimed at strengthening the planning system and the mechanisms of



VAST WHEAT FIELDS of Argentina help provide world's grain needs. A Bank loan channeled through the Banco de la Nación Argentina improves production on farms like this one in the Argentine Pampa.

project preparation and evaluation, preparing a medium-term development plan and training Bolivian professionals in the techniques of project preparation and evaluation.

Tax Advisory Services

Social Progress Trust Fund
\$79,500 nonreimbursable cooperation of
July 26, 1973

In order to increase its revenues, the Government of Bolivia has undertaken a comprehensive tax reform as part of its 1972 Stabilization and Development Plan.

This cooperation will enable the Ministry of Finance, Industry and Commerce to obtain advisory services needed to put into operation a register of taxpayers that

will be updated and revised automatically and to set up the required support systems, particularly those connected with statistics, information retrieval, control and record keeping.

Textile Industry Study

Fund for Special Operations
\$177,000 nonreimbursable cooperation of
Dec. 20, 1973

The textile industry constitutes an important part of Bolivia's manufacturing industry, employing more than one-fifth of the sector's labor force and accounting for approximately one-seventh of its industrial production. Nonetheless, the industry needs modern methods and techniques in order to expand output, achieve efficient production and increase exports.

This cooperation will enable the Government of Bolivia, through its Ministry of Planning, to secure the services of consultants to undertake a study covering

the entire range of the textile industry, from the processing of raw cotton, wool, alpaca and llama fibers to the manufacture of finished products in those and in synthetic fibers. The study will include an evaluation of the ability of the industry to compete on domestic and world markets and will recommend investment policies, product mix and scale of expansion for the next ten years.

BRAZIL

LOANS

Ilha Solteira Power Transmission System

Ordinary Capital Resources
\$54.2 million 20-year 8% loan of Sept. 13, 1973
Borrower: CENTRAIS ELETRICAS DE SÃO PAULO S.A.

Twin hydroelectric plants—Ilha Solteira and Jupia—located on the Paraná River,



360 miles from São Paulo, form one of the world's largest hydroelectric complexes. The two plants, situated 35 miles apart, eventually will provide up to 4.6 million kilowatts of electric power to the São Paulo area, Brazil's industrial hub.

The Inter-American Bank has been closely associated with the construction of the complex. In 1963 it lent \$13.3 million for the construction of the Jupia plant, in 1967 it provided \$34 million to help build the Ilha Solteira plant and in 1970 it authorized \$66.5 million to help finance the first stage of the transmission system to São Paulo.

This new loan will enable *Centrais Elétricas de São Paulo S.A. (CESP)*, to build the second stage of the transmission system. This stage is being carried out at an estimated cost of \$112.5 million, of which the Bank loan will cover 48.2 per

CONSTRUCTION WORKER LOOMS over construction site of Brazil's Ilha Solteira Power Project. Plant, which will produce some 3.2 million kilowatts of power, was inaugurated in January 1974.

cent, *CESP* 48.3 per cent and suppliers' credits the remaining 3.5 per cent.

CESP will use the resources of the Bank loan to install a 398-mile, 460-kilovolt double circuit transmission line from the plant site to the São Paulo area and to expand the Bauru, Embu-Guaçu and Santo Angelo substations to permit entry and exit of the transmission line. In addition, necessary reactors and auto-transformers will be installed and transformer systems will be enlarged.

Due largely to rapid industrial growth, consumption of electric power in the São Paulo area has increased over the past five years at more than 10 per cent a year

and demand is expected to increase 310 per cent by 1983. The Jupia plant, which will have an installed capacity of 1.4 million kilowatts and which initiated operations in 1969, and the Ilha Solteira plant, which on final completion in 1980 will have an installed capacity of 3.2 million kilowatts, form major components in the state's efforts to meet increased demand.

The loan is guaranteed by the Federal Republic of Brazil.

Paulo Afonso Hydroelectric Complex

Ordinary Capital Resources
\$84.8 million 20-year 8% loan of Dec. 20, 1973
Borrower: COMPANHIA HIDRO ELETRICA DO
SÃO FRANCISCO

The Government of Brazil is engaged in a major effort to foster industrialization and raise living standards in the under-developed Northeast, a region comprising

18 per cent of Brazil's total area and containing 30 per cent of its population. One of the linchpins in this task is the completion of the Paulo Afonso hydroelectric complex, which is located on the São Francisco River approximately 230 miles directly north of Salvador in the State of Bahia and a similar distance to the west of Recife in the State of Pernambuco. Both cities are major consumers of electric power.

Since 1962 the Inter-American Bank has participated on a continuous basis in construction of the complex, having granted six previous loans totaling \$101.7 million to expand its transmission and generating facilities.

The resources of the present loan will help the *Companhia Hidro Elétrica do São Francisco (CHESF)*, the government corporation developing the power potential of the river, to double the installed capacity of the enterprise to almost 3.8 million kilowatts by 1982. The total cost of the project is estimated at \$725.2 million, of which the Bank loan will cover 11.7 per cent, CHESF 68.3 per cent, the World Bank 10 per cent and parallel financing 10 per cent.

The project includes the construction of a regulating dam 295 miles upstream from Paulo Afonso, the Paulo Afonso IV Power Station which will initially have a 1.5 million-kilowatt generating capacity distributed in four 375,000-kilowatt generating units each, a transmission system including more than 2,000 miles of lines and various substations.

The loan is guaranteed by the Federal Republic of Brazil.

Rio de Janeiro-Santos Highway

Ordinary Capital Resources
\$36 million 20-year 8% loan of Nov. 29, 1973
(\$21 million and \$15 million in cruzeiros)
Borrower: DEPARTAMENTO NACIONAL DE
ESTRADAS DE RODAGEM

Brazil's Highway BR-101 starts in Natal, Rio Grande do Norte, and extends 2,596 miles southward along the Atlantic coast to Osorio, Rio Grande do Sul. One of the main arteries in the nation's 37,800-mile-

long highway system, BR-101 traverses a coastal belt where more than 80 per cent of Brazil's population lives, linking a number of state capitals and major ports. As of mid-1973, 72.4 per cent of the highway had been completed and another 17 per cent was either under construction or in the final design stage.

In 1972 the Inter-American Bank extended a \$40 million loan to the *Departamento Nacional de Estradas de Rodagem (DNER)*, Brazil's national highway agency, to help build a 160-mile portion of the 336-mile-long section of BR-101 between Rio de Janeiro and Santos, the port of São Paulo. That section extended from Santa Cruz to Ubatuba in São Paulo State.

This new loan will permit DNER to complete the Rio de Janeiro-Santos highway by building a 77-mile segment of roadway between Caraguatatuba and Morro do Cabrão near Santos and by incorporating three sections 39 miles long of newly

built highway into BR-101. On completion, the highway will be the fastest and most direct route between the two cities.

The total cost of the project is estimated at \$102,380,000, of which the Bank loan will cover 35.2 per cent and local sources the remaining 64.8 per cent.

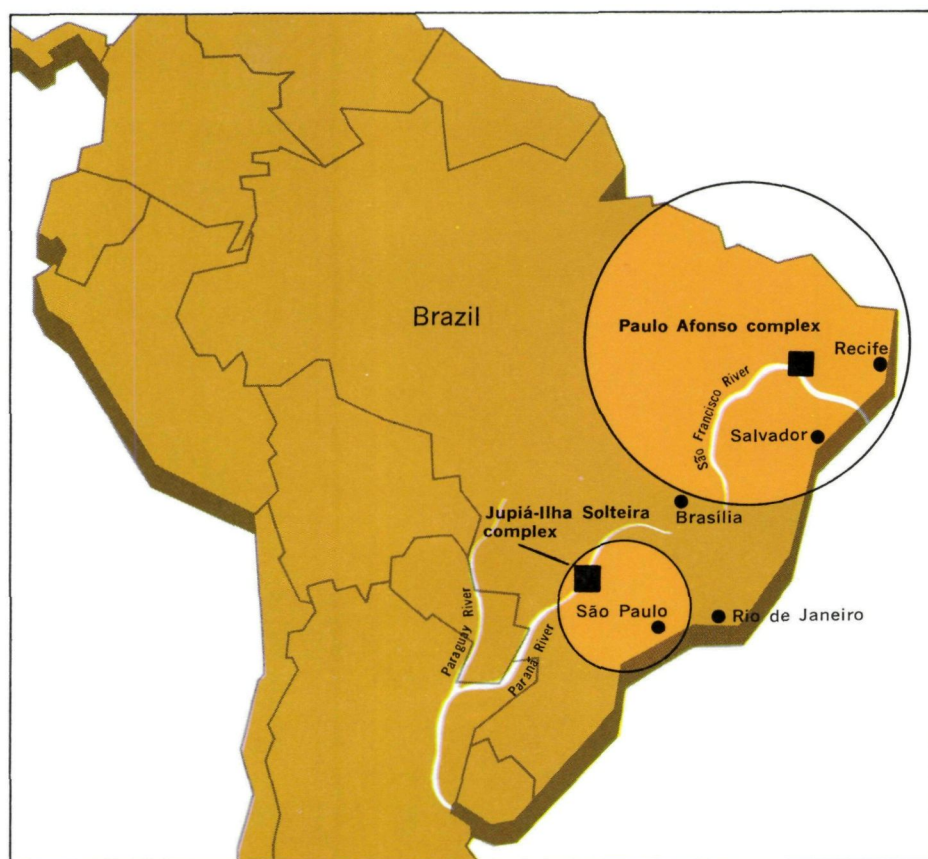
The loan is guaranteed by the Federal Republic of Brazil.

Petrochemical and Chemical Industries

Ordinary Capital Resources
\$40 million 15-year 8% loan of Oct. 4, 1973
Borrower: BANCO NACIONAL DO
DESENVOLVIMENTO ECONOMICO

Brazil's industrial sector is a prime force behind the steady expansion of the nation's economy and presently accounts for

HYDROELECTRIC POWER RADIATES from two giant complexes being partially financed by the Inter-American Bank in Brazil. Paulo Afonso will provide 3.8 million kilowatts of power to Brazil's northeast; Jupia-Ilha Solteira 4.6 million kilowatts to industrial hub of São Paulo.



LOANS AND TECHNICAL COOPERATION

35 per cent of the nation's gross domestic product. The industrial sector is moving rapidly from the manufacture of consumer goods to that of capital goods, and within the nation's development program the Brazilian Government has placed heavy emphasis on the petrochemical and chemical firms, which are among the most dynamic factors within the sector.

As part of this government effort, the *Banco Nacional do Desenvolvimento Econômico (BNDE)*, Brazil's national economic development bank, has launched a program to develop petrochemical and chemical industries, which would utilize Brazil's natural resources, spur the establishment of other new industries and create new employment opportunities.

The *BNDE* will relend the proceeds of the Bank loan to mixed and private firms to finance specific projects for the improvement, expansion or installation of petrochemical and chemical industries. The resources of the loan will be used solely to finance costs involved in the purchase and installation of foreign equipment and machinery, foreign engineering services and supervision expenses related to the execution of the program.

The total cost of the program is estimated at \$322.4 million, of which the Bank loan will cover 12.4 per cent and the *BNDE*, beneficiaries and suppliers' credits the remaining 87.6 per cent.

Mineral Resources Survey

Canadian Funds
\$4,356,436 30-year 3% loan of Dec. 20, 1973
(4.4 million Canadian dollars)

Borrower: FEDERAL REPUBLIC OF BRAZIL

Geological features indicate the presence of nickel, copper, tin, lead, bauxite and other nonferrous metal deposits in parts of west-central Brazil. To determine the nature of these resources and to step up production of nonferrous metals, Brazil's Ministry of Mines and Energy, through its *Departamento Nacional de Produção Mineral (DNPM)*, will explore an area of approximately 145,000 square miles in the States of Goiás, Mato Grosso and Pará.

The *DNPM* will utilize this loan to purchase equipment in Canada and to contract Canadian consulting firms to advise the department on execution of the project, which will be carried out at a total estimated cost of \$11.2 million. The loan will cover 38.9 per cent of that cost, the Government of Brazil 57.7 per cent and a contribution from the Canadian International Development Agency (CIDA) the remaining 3.4 per cent.

The project includes the execution of an airborne radiation and magnetism density study; an aerial geologic and geochemical survey of approximately 10 per cent of the area; a detailed geophysical, geologic and geochemical analysis of the principal mineral formations detected in selected areas, and a limited number of exploratory drillings to obtain mineral samples.

By publicizing the results of the mineral survey as they become available, *DNPM* will seek to induce the private sector to prospect and exploit mineral deposits in the region.

Science and Technology

Ordinary Capital Resources
\$6.2 million 20-year 8% loan of June 21, 1973
(\$3.3 million and \$2.9 million in cruzeiros)

Fund for Special Operations
\$25.8 million 20-year 3% loan of June 21, 1973
(\$21.7 million and \$4.1 million in cruzeiros)

Borrower: FEDERAL REPUBLIC OF BRAZIL

These two loans will support a program which will enable the *Financiadora de Estudos e Projetos S.A. (FINEP)*, Brazil's public agency in charge of executing preinvestment studies and the national science and technology program, to strengthen nine of the nation's research centers.

The total cost of the project to be executed with the help of the two Bank loans is estimated at \$58 million, of which the Bank loans will cover 55.2 per cent and local sources the remaining 44.8 per cent.

FINEP will use the resources of the Fund for Special Operations loan ex-

clusively to help five already established research institutions and to construct and put into operation two new institutions, all of them of a non-profit nature.

They include the *Instituto de Pesquisas Tecnológicas*, of São Paulo, the largest research institute in Brazil; the *Centro Técnico Aeroespacial*, the national aircraft research center; the *Centro de Pesquisas e Desenvolvimento*, which will be established in Salvador, capital of the State of Bahia, to serve as a key institution in the development of the Northeast; the *Fundação Universidade Federal de São Carlos*, a new materials research and development center being created in São Carlos in the State of São Paulo; the *Universidade Estadual de Campinas*, located in Campinas, for the installation of a crystal growth laboratory, among other activities; the *Universidade Federal de Brasília* for the expansion of its nutrition research program, and the *Pontifícia Universidade Católica de Rio de Janeiro* for the installation of a new computer to increase the capacity of its data center.

The loan extended from the Bank's ordinary capital resources will help finance an expansion of the research and development facilities of a major steel mill, *Usinas Siderúrgicas de Minas Gerais (USIMINAS)*, and of the nation's petroleum agency, *Petróleo Brasileiro S.A. (PETROBRAS)*, or another institution to be selected.

Up to \$1.6 million of the loan from the Fund for Special Operations will be devoted to technical cooperation aspects of the program including the hiring of consultants, the installation of new equipment, the training of research teams and the organization of graduate instruction.

Technical and Vocational Education

Fund for Special Operations
\$16 million 25-year 3% loan of Nov. 1, 1973
(\$5.5 million and \$10.5 million in cruzeiros)

Borrower: FEDERAL REPUBLIC OF BRAZIL

In 1971 Brazil enacted a law providing the base for the country's 1972-74 sectoral education plan which ties education to national development policy. This loan

will help the nation's *Ministério da Educação e Cultura (MEC)* and three participating agencies to implement the plan by expanding and improving middle-level technical and vocational education in the fields of agriculture, industry and services.

The project, which will benefit 54 tuition-free training and apprentice centers and seven middle-level mobile units located in 22 states and the Federal District, will lead to an increase in enrollment from 16,900 students in 1973 to 57,500 students by 1977. In addition, it will provide training for 5,325 members of the teaching, technical and administrative staff of the middle-level schools.

The project includes a technical cooperation plan supported by \$550,000 of the Bank loan to contract consultants on education planning, organization and administration.

The total cost of the project is estimated at \$33 million, of which the Bank loan will cover 48.5 per cent and MEC and three participating agencies the remaining 51.5 per cent.

EXPORT FINANCING

During 1973 previous lines of credit extended to Brazil to finance exports of capital goods were augmented to \$6,759,000 through repayments. This activity is described further on under the heading "Export Financing."

COLOMBIA

LOANS

Wholesale Farm Markets

Ordinary Capital Resources
\$6 million 15-year 8% loan of Oct. 11, 1973
(\$2 million and \$4 million in Colombian pesos)

Borrower: REPUBLIC OF COLOMBIA

The three leading cities of Colombia—Bogotá, Medellín and Cali—are engaged in a broad-scale program designed to modernize their wholesale agricultural marketing systems. As part of that effort, this loan will enable the *Corporación Financiera de Fomento Agropecuario y*

Exportaciones (COFIAGRO), a financial corporation associated with the Ministry of Agriculture, to carry out the second phase of a program to expand new central markets in Bogotá and Medellín and to build a new market in Cali.

In addition to the construction aspects, the program provides for the strengthening of price information systems for producers, wholesalers and consumers; the establishment of uniform standards for weights and measures; the training of personnel in the management of wholesale markets, and the establishment of a fund for the financing of additional projects for the improvement of agricultural marketing in Colombia.

COFIAGRO will channel the resources of the Bank loan to three executing agencies—the *Central de Abastecimientos de Bogotá, S.A.*, the *Central de Abastecimientos del Valle del Cauca, S.A.*, and the *Empresas Varias Municipales de Medellín*—to carry out the projects at a total estimated cost of \$12 million, of which the Bank loan will cover 50 per cent and the participating Colombian agencies the remaining 50 per cent.

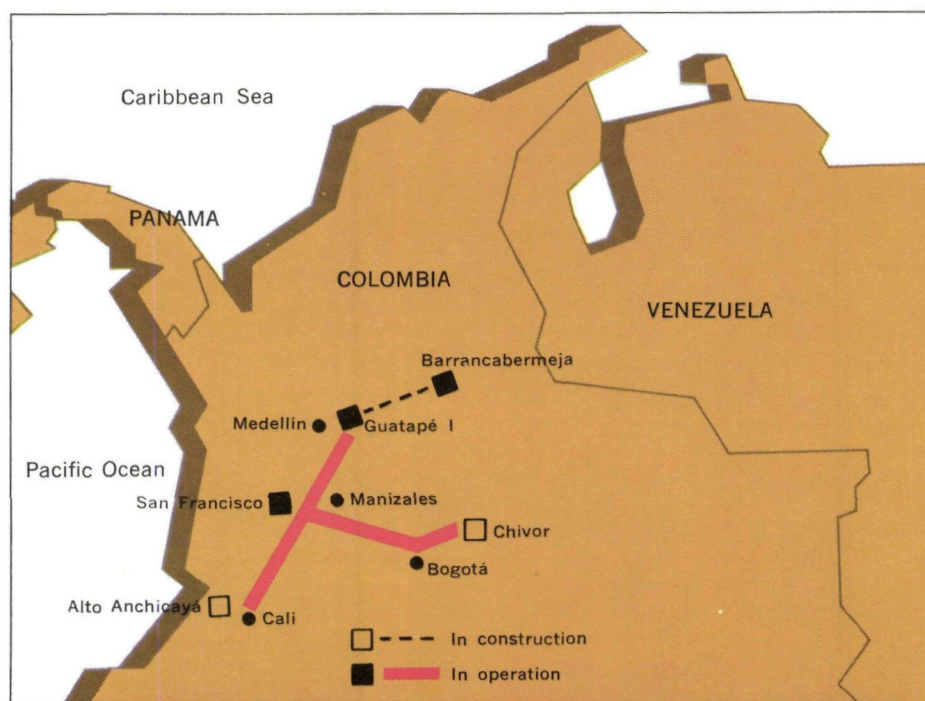
Bogotá Electric Power Project

Ordinary Capital Resources
\$21.2 million 20-year 8% loan of June 21, 1973
Borrower: EMPRESA DE ENERGIA ELECTRICA DE BOGOTA

The electric power system of the *Empresa de Energía Eléctrica de Bogotá (EEEB)*, one of the largest in Colombia, provides service for domestic and industrial consumption in the heavily populated capital city and its environs. The population of the area has grown 6.8 per cent annually over the last 20 years and is now estimated at 2.5 million. At the same time demand for electric power in the area has increased at an annual rate of 11 per cent in recent years.

To keep pace with demand and meet future needs, EEEB, the municipality's power corporation, is engaged in a two-stage development program which provides for the expansion and modernization of its subtransmission and distribution systems and an increase in the in-

ELECTRIC POWER GRID SPREADS in Colombia. In 1973 the Bank provided loans for three projects in the highly populated central region of the country.



LOANS AND TECHNICAL COOPERATION

stalled generating capacity. Under the program *EEEB* is seeking to increase generating capacity from 547,600 kilowatts in 1972 to 698,500 kilowatts in 1982 and to increase the number of customers served from 322,000 in 1972 to 638,000 in 1982.

This loan will help *EEEB* expand and improve its transmission and distribution facilities to meet the projected growth in customer demand in its service area through 1977 and to upgrade the efficiency and reliability of the system through improved control and maintenance procedures, as well as to extend service to outlying suburban areas. The project calls for the construction of sub-transmission lines, substations and transformers, the installation of meters and the extension of service to outlying vicinities.

The total cost of the project is estimated at \$42,175,000, of which the Bank loan will cover 50.3 per cent, *EEEB* 40.4 per cent and suppliers' credits the remaining 9.3 per cent.

The loan is guaranteed by the Republic of Colombia.

Caldas Electric Power System

Ordinary Capital Resources

\$4.5 million 20-year 8% loan of Oct. 11, 1973

Fund for Special Operations

\$2.4 million 30-year 2% loan of Oct. 11, 1973

Borrower: CENTRAL HIDROELECTRICA DE CALDAS, S.A.

The *Central Hidroeléctrica de Caldas, S.A., (CHEC)* supplies approximately 85 per cent of the electric power of the Departments of Caldas, Risaralda and Quindío in west-central Colombia. In 1972, electricity consumption in the *CHEC* area totaled 482 million kilowatt-hours. This figure is expected to increase to 560 million kilowatt-hours by 1977.

To satisfy increased demand, these two loans will enable *CHEC* to increase its present power generating capacity by about 100 million kilowatt-hours, to improve its operations and to extend its services to several rural areas.

The project calls for the construction of two diversion dams on the San Fran-



YELLOW HELMETS FLASH IN SUN as workers labor at the Alto Anchicaya hydroelectric power project in Colombia. Project, being built with \$58.8 million in financing provided by the Bank, is located near Cali.

cisco and Campoalegre Rivers, the installation of a third 7,500-kilowatt generator at the La Insula plant, thus increasing the installed capacity of the system to a total of 195,000 kilowatts; the expansion of four transmission substations and the construction or improvement of another eight, the installation of 44 miles of transmission and 824 miles of distribu-

tion lines, and other works.

The total cost of the project is estimated at \$13.2 million, of which the Bank will cover 52.4 per cent, *CHEC* 29 per cent and the Coffee Committees of Caldas and Risaralda, the Department of Caldas and the *Instituto Colombiano de Energía Eléctrica* the remaining 18.6 per cent.

This is the second Bank financing made to *CHEC*. The other—\$8.1 million approved in 1965—helped finance the construction of the San Francisco hydroelectric complex, including an electric power distribution system in Manizales.

The loans are guaranteed by the Republic of Colombia.

Chivor Hydroelectric Power Plant

Ordinary Capital Resources

\$48.5 million 20-year 8% loan of Dec. 20, 1973

Borrower: INTERCONEXION ELECTRICA, S.A.

To satisfy the increasing industrial and domestic demand for electric power and to extend service to rural areas, Colombia plans to expand its installed generating capacity, which was approximately 2.5 million kilowatts in 1972, to 5 million kilowatts by 1980, at a total estimated cost of \$1.6 billion.

As part of this effort, *Interconexión Eléctrica, S.A. (ISA)*, an entity established in 1967 by Colombia's major power companies to interconnect their transmission systems and to increase their joint generating capacity, in 1971 began building the 500,000-kilowatt Chivor hydroelectric plant 100 miles north of Bogotá with the help of a \$40.8 million loan from the Bank.

This loan will enable *ISA* to finance the second stage of the Chivor plant. During this stage the plant's initial capacity will be doubled to 1 million kilowatts and the supply of electric service in central Colombia, where the country's main industrial centers and more than 60 per cent of the population live, will be greatly increased. The largest power project in Colombia, the Chivor plant is the linchpin of the system connecting the regional systems of Bogotá, Medellín, Cali and Manizales and their respective zones of influence.

The total cost of this stage of the project is estimated at \$111,483,000, of which the Bank loan will cover 43.5 per cent, suppliers' credits and other parallel financing 21.2 per cent and *ISA* the remaining 35.3 per cent. In addition to the

installation of four new 125,000-kilowatt generators the project provides for the construction of a conductor system between the dam and the power house, the stringing of a 65-mile, dual circuit, 230-kilovolt transmission line from the Chivor plant to the Torca substation on the outskirts of Bogotá, and the construction of other auxiliary works.

The loan is guaranteed by the Republic of Colombia.

Improvement of Four Ports

Ordinary Capital Resources

\$11 million 20-year 8% loan of Feb. 15, 1973

(\$7.9 million and \$3.1 million in Colombian pesos)

Borrower: EMPRESA PUERTOS DE COLOMBIA

Colombia, which fronts on two oceans and possesses four excellent ports, relies heavily on ocean transportation for its international trade. In 1971 some 2.7 million tons of cargo moved through the Ports of Buenaventura on the Pacific and Barranquilla, Cartagena and Santa Marta on the Atlantic. This volume is expected to increase to 4.4 million tons by 1982.

With the help of two Inter-American

Bank loans—one for \$10 million approved in 1963 and another for \$5 million approved in 1965—*Empresa Puertos de Colombia (COLPUERTOS)*, an autonomous agency responsible for administering, maintaining and developing Colombia's port facilities, carried out a first stage in a program to modernize facilities at the four ports. This stage included the construction of new wharves, warehouses, maintenance shops and other installations.

This new loan will help *COLPUERTOS* to execute the second stage of the program, which includes the construction of warehouses, berthing piers and service buildings; the installation of such services as electricity and water, and the purchase of equipment.

The total cost of the second stage of the program is estimated at \$19.8 million, of which the Bank loan will cover 55.6 per cent and local sources the remaining 44.4 per cent.

The loan is guaranteed by the Republic of Colombia.



CONTAINER BOXES stack up on wharf in Port Buenaventura ready for transshipment to other parts of Colombia. Port is being improved and expanded with assistance provided by Bank in 1963 and 1973.

LOANS AND TECHNICAL COOPERATION

Medellín Water and Sewage System

Ordinary Capital Resources
\$3.8 million 20-year 8% loan of June 28, 1973
(\$3.2 million and \$600,000 in Colombian pesos)
Fund for Special Operations
\$8.5 million 30-year 2% loan of June 28, 1973
(\$3.9 million and \$4.6 million in Colombian pesos)

Borrower: EMPRESAS PUBLICAS DE MEDELLIN

The population of Medellín, the second largest city of Colombia, has increased at an average annual rate of 6.8 per cent in recent years and by 1972 had reached some 1.3 million inhabitants. To meet the needs of this growing population *Empresas Públicas de Medellín (EPM)*, an autonomous municipal service agency which operates the city's principal public utilities, initiated in 1961 a long-range program designed to meet the projected water and sewage service needs of the city up to the year 2000.

With the help of four previous Bank loans totaling \$19 million, the city's water supply is being increased from 150,000 to 545,000 cubic meters a day, and the population served is increasing from 570,000 to 1.1 million people.

These two new loans will enable *EPM* to carry out a further stage of the water expansion program, thereby increasing the water flow to 717,000 cubic meters a day to meet projected city demand through 1984, and to execute another stage of the sewer service expansion which will extend service to 11,000 new homes, particularly in low-income neighborhoods.

The total cost of the projects is estimated at \$20 million, of which the two Bank loans will cover 61.5 per cent and the *EPM* the remaining 38.5 per cent.

The loans are guaranteed by the Republic of Colombia.

COSTA RICA

LOAN

Secondary Roads

Fund for Special Operations
\$16 million 35-year 2% loan of Dec. 13, 1973
(\$12.2 million and \$3.8 million in Costa Rican colons)

Borrower: REPUBLIC OF COSTA RICA

Costa Rica's road network consists of 4,450 miles of all-weather roads and 9,125 miles of dirt roads passable only in the dry season. The backbone of this highway system is the 413-mile Pan American Highway which crosses the country from Nicaragua on the northwest to Panamá on the southeast, linking six provincial capitals en route: Cartago, San José, Heredia, Alajuela, Puntarenas and Liberia.

A large number of secondary highways and local roads enter the highway, thus enabling farm products to move to urban centers and commercial goods to reach small towns.

To further improve transportation links between farm areas and consumer centers, the nation's road bureau, the *Dirección General de Vialidad (DGV)*, an office of the Ministry of Public Works and Transportation, will use this loan to build and improve eight secondary roads 77.5 miles long. The total cost of the project is estimated at \$24.4 million, of which the Bank loan will cover 65.6 per cent and the Government of Costa Rica the remaining 34.4 per cent.

The roads, which will directly serve 200,000 persons, include 21 miles between Nicoya and Carmona; 12 between Río Claro on the Pan American Highway and Golfito; 19 between Cartago and the Irazú volcano; 5 between Coronado and Cascajal; 6 between Route 8 and Pacayas; 6 between Turrialba and Pavones; 2 between Desamparados and San Francisco, and 6 between Santa María and San Pablo.

DOMINICAN REPUBLIC

LOANS

Fisheries Development

Fund for Special Operations
\$1.6 million 40-year loan of April 25, 1973
(\$1.42 million and \$180,000 in Dominican pesos)
Interest: 1% for 10 years, 2% subsequently

Borrower: DOMINICAN REPUBLIC

Despite the fact that the Dominican Republic is surrounded on three sides by sea, the lack of an adequate fishing in-

dustry requires the country to import more than 75 per cent of its annual seafood consumption. For that reason, the fishing industry has been given high priority in the nation's 1970-74 Development Plan. The plan calls for the execution of a program that will enable Dominican fishermen to increase their productivity from 7 pounds per man/day per fisherman to 53 pounds and to more than double the fisherman's average annual earnings—from \$475 to \$985.

This loan will help the *Instituto de Desarrollo y Crédito Cooperativo de la República Dominicana (IDECOOP)* to organize and equip six fishing cooperatives in coastal cities and to establish a Central Federation which will build and operate wholesale fish marketing terminals and related facilities in Santo Domingo and Santiago de los Caballeros and conduct fisheries research.

The cooperatives of about 50 fishermen each will be located in Pepillo Salcedo, Puerto Plata and Miches on the north coast, and at Barahona, Puerto Viejo de Azua and San Pedro de Macorís on the south coast.

The total cost of the program is estimated at \$2 million, of which the Bank loan will cover 80 per cent and the Dominican Government the remaining 20 per cent.

The loan includes up to \$325,000 in technical cooperation to provide consulting services on the selection of fishing vessels, the marketing of fishery products, the operation of exploratory vessels and related programs.

Yaque del Norte Irrigation

Fund for Special Operations
\$18.8 million 40-year loan of Nov. 29, 1973
(\$14 million and \$4.8 million in Dominican pesos)
Interest: 1% for 10 years, 2% subsequently

Borrower: DOMINICAN REPUBLIC

Agriculture has been one of the principal props in the rapid growth of the gross national product of the Dominican Republic since 1969. In 1972 the GNP grew at an estimated 12.5 per cent, one of the highest rates ever achieved. To maintain this remarkable growth, the

Dominican Government has given high priority to the irrigation and agricultural development of a 68,000-acre area lying in the Yaque del Norte valley in the northwestern part of the country.

This loan will enable the *Instituto Nacional de Recursos Hidráulicos (INDRHI)*, the nation's water resources agency, to improve irrigation on some 33,400 acres of land in the Yaque del Norte valley and to extend irrigation to an additional 34,600 acres. The project is being carried out at a cost of \$42.5 million, of which the Bank loan will cover 44.2 per cent, the International Development Association (IDA) 30.6 per cent and the Dominican Government the remaining 25.2 per cent.

The project will utilize waters from a dam at Tavera, on the Yaque del Norte River, and the Bao River, a tributary of the Yaque del Norte. An 80,000 kilowatt power plant was built at the Tavera Dam with the help of a 1968 Bank loan for \$22.9 million.

Completion of the new project will help raise the value of production in the area after five years from the present \$248 per acre to \$410 per acre.

Santo Domingo Water System

Fund for Special Operations
\$18.6 million 40-year loan of Nov. 1, 1973
(\$16.6 million and \$2 million in Dominican pesos)
Interest: 1% for 10 years, 2% subsequently
Borrower: DOMINICAN REPUBLIC

The metropolitan area of Santo Domingo, the capital of the Dominican Republic, and several small towns have an estimated population of about 882,000. If the present growth rate of 6.1 per cent per year is maintained, the area will have 2.6 million inhabitants by the year 2000. Some 22 per cent of the city's population, or 194,000 persons, live in the densely settled eastern district inhabited by medium- and low-income families who lack potable water service.

This loan will help the *Corporación del Acueducto y Alcantarillado de Santo Domingo (CAASD)*, the city's water and sewage agency, to carry out an expansion

project at an estimated cost of \$23.3 million, of which the Bank loan will cover 80 per cent and the Dominican Government the remaining 20 per cent. Execution of the project is expected to solve the present water shortage in the eastern zone of the city and satisfy citywide water demand through 1985.

The first stage provides for the development of new sources of water supply through the drilling of 18 wells in Mata Mamón, Los Marenos and La Catalina; the construction of water storage tanks and distribution mains, and the installation of water meters.

Up to \$990,000 of the loan will be devoted to technical cooperation aspects of the project—\$340,000 to strengthen the institutional structure of CAASD and \$650,000 to help prepare studies of the second stage of the Santo Domingo water master plan.

ECUADOR

LOANS

Guayas Basin Farm Development

Fund for Special Operations
\$20.8 million 40-year loan of Nov. 1, 1973
(\$18.5 million and \$2.3 million in sucres)
Interest: 1% for 10 years, 2% subsequently
Borrower: REPUBLIC OF ECUADOR

The Guayas River Basin, which embraces some 9,300 square miles of lowland north of Guayaquil, has one of the richest agricultural potentials in Ecuador. This loan will help establish year-round rice farming near Babahoyo, 44 miles northeast of Guayaquil, through the use of irrigation and advanced farming techniques.

The project will be executed by the *Comisión de Estudios para el Desarrollo de la Cuenca del Río Guayas (CEDEGE)* on 28,528 acres of farmland, of which 27,170 acres will be irrigated, at an estimated cost of \$29.8 million. The Bank will cover 69.8 per cent of the cost and local sources the remaining 30.2 per cent.

The loan will enable CEDEGE to redistribute approximately 10 per cent of the 27,170 acres of irrigated land within

the Babahoyo project to between 45 and 50 farm families in units of 62 acres each and establish 16 production cooperatives of about 64 families each on the remaining 90 per cent of the land. In all about 1,100 rural families, of whom 500 are already established within the project and 600 will come from neighboring areas, will benefit from the program.

In addition, the project includes the construction of housing, community centers and service facilities for project beneficiaries; the provision of credit and extension services, the establishment of processing and marketing services and the development of agricultural research projects. Up to \$600,000 of the loan will be devoted to technical cooperation aspects of the project.

Foot-and-Mouth Disease Campaign

Fund for Special Operations
\$5.6 million 40-year loan of Nov. 8, 1973
(\$5.1 million and \$500,000 in sucres)
Interest: 1% for 10 years, 2% subsequently
Borrower: REPUBLIC OF ECUADOR

In 1972 severe epidemics of foot-and-mouth disease broke out in six provinces of the Sierra or Andean region of Ecuador where approximately 39 per cent of the nation's 2.6 million cattle are pastured. An estimated 250,000 head were infected with the virus, which produces serious economic loss due to weight reduction, lower milk yield, sterility and death.

This loan will enable Ecuador's *Ministerio de Agricultura y Ganadería (MAG)* to carry out the first stage of a program to control and eventually eradicate foot-and-mouth disease through the execution of a program to vaccinate 80 per cent of the nation's cattle population by the fourth year, to train personnel needed for the project and to improve the country's ability to fight the disease.

The total cost of the program is estimated at \$8.8 million, of which the Bank loan will cover 63.3 per cent and the Ecuadoran Government the remaining 36.7 per cent. The loan includes \$417,000 in technical cooperation to hire consultants to work on various phases of the project,

LOANS AND TECHNICAL COOPERATION

to extend scholarships to local officials for study abroad, and to provide institutional improvement of the Ministry and the participating National Institute of Health.

Completion of the disease control and eradication program will produce an increase in the annual growth rate of the national cattle herd of almost 10 per cent and is expected to lead to a substantial increase in the output of meat and milk for the country.

Agricultural Development

Fund for Special Operations
\$15 million 40-year loan of Dec. 20, 1973
(\$10 million and \$5 million in sucres)
Interest: 1% for 10 years, 2% subsequently
Borrower: BANCO NACIONAL DE FOMENTO

Ecuador's 1973-77 Development Plan calls for a 5.3 per cent a year growth rate in the agricultural sector. To help implement this plan, the *Banco Nacional de Fomento (BNF)*, the nation's development bank, plans to lend \$64 million a year for farm development during the five-year period.

The program constitutes a further effort on the part of *BNF* to intensify farm production in Ecuador by strengthening

the activities of the small- and medium-scale farmer and cattleman. The Bank has supported these efforts with previous loans with the result that program beneficiaries have been able to increase their earnings significantly.

This loan will help finance a lending program to farmers being carried out at a total estimated cost of \$25.8 million, of which the Bank loan will cover 58.2 per cent, the *BNF* 26.7 per cent and beneficiaries the remaining 15.1 per cent.

It will help finance four subprograms including general farm development, livestock development, African palm cultivation and the strengthening of the activities of *BNF* through technical cooperation. Up to \$400,000 of the loan will be devoted to the technical cooperation aspects of the program.

The loan is guaranteed by the Republic of Ecuador.

Quito Urban Infrastructure

Fund for Special Operations
\$14.3 million 40-year loan of July 12, 1973
(\$12.2 million and \$2.1 million in sucres)
Interest: 1% for 10 years, 2% subsequently
Borrower: REPUBLIC OF ECUADOR

The population of Quito, Ecuador's capital, has grown at an average annual rate of 5.1 per cent in recent years, increasing from 355,000 inhabitants in 1962 to 550,000 in 1971. This rapid growth has placed a severe strain on the city's overloaded public services.

This loan will help solve the problem and lay the groundwork for a comprehensive city development program for the future, by enabling four municipal agencies, including the Municipality of Quito, to carry out a project known as the Quito Urban Infrastructure Investment Program (QUIIP).

QUIIP embraces four construction works in addition to a program of technical cooperation. These include the ex-

tension of the existing sewage system to low-income neighborhoods, where 50,000 inhabitants presently lacking such service now live, and the improvement of drainage systems; the expansion of Avenida Pichincha and Calle Sucre and the connection of both to Avenida Oriental to relieve congestion in the downtown area; the expansion of wholesale and retail market facilities, and the construction of a modern slaughterhouse.

The Bank loan includes \$319,000 in technical cooperation to enable the Municipality of Quito to hire the consulting services required to expand the institutional capacity of the municipal offices and provide efficient administration of the new development program.

The Bank loan will finance 74.1 per cent of the \$19.3 million estimated cost of the project and local sources the remaining 25.9 per cent.

TECHNICAL COOPERATION

Quito Water and Sewage Plans

Fund for Special Operations
\$217,000 contingent recovery cooperation of
July 12, 1973

In connection with the previously described loan for \$14.3 million extended to improve Quito's urban infrastructure, the Bank authorized this technical cooperation.

The assistance will help the Municipality of Quito to draw up master plans for the city's future water and sewage systems, to prepare the designs for the first stage of such a system, to study the treatment of residual waters in the city and to draw up cost estimates.

EL SALVADOR

LOAN

Irrigation and Farm Development

Fund for Special Operations
\$8 million 40-year loan of Sept. 13, 1973
(\$6.6 million and \$1.4 million in Salvadoran colons)
Interest: 1% for 10 years, 2% subsequently
Borrower: REPUBLIC OF EL SALVADOR

El Salvador has a high population density and limited and underutilized land



WORKERS PUT FINISHING TOUCHES on trench in Guayaquil, Ecuador, which forms part of that city's new sanitation system. Bank loan is used to improve and expand the city's sewage system.



resources. In order to foster more intensive land utilization and the use of modern cultivation and breeding methods, the Bank in 1973 extended this loan to the nation to finance an irrigation and agricultural development project on some 7,500 acres of land in the northern zone of the country, some 20 miles from the capital, which will benefit 480 farming and ranching families.

The loan will help the Ministry of Agriculture to build irrigation and drainage works, to grant credits and technical cooperation and to provide related services for the project, which is located at the confluence of the Lempa, Sucio and Suquiapa Rivers in the Departments of Chalatenango and La Libertad.

The project provides for the construction of a diversion dam on the Sucio River, of 88.6 miles of irrigation and drainage canals, and of 52 miles of roadways; the extension of credit to help farmers purchase machinery, equipment and livestock, and the provision of research and technical services to promote the intensive use of irrigation systems in the region.

Two of the three zones—Atiocoyo and

WORKERS LINE DITCH with stone and mortar alongside Guatemalan highway being constructed with loan extended by the Bank in 1971. This road will link nation's Pacific and Inter-American Highways.

San Juan-San Isidro—are scheduled for farming while the third—Nueva Concepción—is scheduled for ranching.

The total cost of the project is estimated at \$10.6 million, of which the Bank loan will cover 75.4 per cent and local sources the remaining 24.6 per cent.

TECHNICAL COOPERATION

Agricultural and Educational Studies

Social Progress Trust Fund
\$43,000 nonreimbursable cooperation of
May 5, 1973

Social Progress Trust Fund (Special Program
for Project Preparation)
\$840,000 contingent repayment cooperation of
May 5, 1973

El Salvador's National Development Plan for 1973-77 calls for substantial investments in economic and social sectors and the execution of institutional improvements which will lead to a greater mobilization of domestic savings and external resources to carry out the program.

This technical cooperation will help the Government achieve the goals of the plan by enabling the *Consejo Nacional de Planificación y Coordinación Económica (CONAPLAN)*, the government planning agency, to hire consultants to carry out feasibility studies for development projects in the agricultural and educational sectors. The studies, which are designed particularly to benefit low- and medium-income groups, will focus on livestock development and animal health, agricultural and livestock credit, irrigation and drainage and educational credit.

GUATEMALA

LOANS

Construction of Secondary Roads

Fund for Special Operations
\$17.5 million 40-year loan of Sept. 13, 1973
(\$12 million and \$5.5 million in quetzals)
Interest: 1% for 10 years, 2% subsequently
Borrower: REPUBLIC OF GUATEMALA

Guatemala's highway network is approximately 6,500 miles in length, of which 1,500 miles are paved. To improve the existing network and complement main highways with secondary and feeder roads, the Guatemalan Government has given high priority to extension of the nation's road network and plans to invest \$122 million in this sector in the 1973-77 period.

This loan will enable the *Dirección General de Caminos (DGC)*, an agency of the Ministry of Agriculture in charge of road construction and maintenance, to improve and pave seven secondary roads 130 miles in length and one penetration road 24 miles long. The total cost of the program is estimated at \$22.3 million, of which the Bank loan will cover 78.5 per cent and the Guatemalan Government the remaining 21.5 per cent.

The seven secondary roads are located in the highlands and in the Pacific coast area, which are highly developed agriculturally. The program is expected to directly benefit areas with an estimated 420,000 acres of land. The penetration

LOANS AND TECHNICAL COOPERATION

road, which will benefit approximately 98,000 acres of land, will extend from La Democracia, near the Mexican border, to the municipality of Nentón.

Guatemala City Sewage System

Fund for Special Operations
\$10 million 40-year loan of Jan. 18, 1973
(\$4.5 million and \$5.5 million in quetzals)
Interest: 1% for 10 years, 2% subsequently

Borrower: MUNICIPALITY OF GUATEMALA CITY

Guatemala City's population has grown five-fold in the last 35 years. Currently estimated at 830,000, the figure is expected to reach 2.8 million by the year 2000. This growth has seriously taxed the city's municipal services, particularly water and sewage systems, and despite efforts to solve the problem, about 45 per cent of the city lacks household water connections or a sewage system.

This loan will ameliorate the situation by helping the Municipality of Guatemala City to carry out the first stage of a General Sewage Plan which calls for the construction of a sewage and storm drain system in the northern zone of the city, designed to meet the needs of the zone's 600,000 present residents as well as provide for an expected 1.2 million population by the year 2000.

The total cost of the project is estimated at \$13 million, of which the Bank loan will cover 76.9 per cent and the Municipality the remaining 23.1 per cent. Up to \$125,000 of the loan will be devoted to technical cooperation designed to strengthen the administrative, technical and financial services of the Municipality. Another \$250,000 will be devoted to studies for the second stage of the project.

The execution of the project, which provides for the construction of main and secondary sewer lines and the installation of individual networks for 18 districts, will result in the collection in the northern zone of sewage, which is currently discharged untreated into the city's surrounding rivers, and its discharge in Las Vacas River, downstream from the city.

The loan is guaranteed by the Republic of Guatemala.

Improvement of Higher Education

Fund for Special Operations
\$9.3 million 40-year loan of Dec. 6, 1973
(\$7.8 million and \$1.5 million in quetzals)
Interest: 1% for 10 years, 2% subsequently
Borrower: REPUBLIC OF GUATEMALA

University enrollment in Guatemala rose from 6,000 in 1962 to 20,000 in 1972. Nonetheless, the country's five institutions of higher education graduated an average of only 432 students per year in the 1969-71 period, a figure well below the number required to meet the nation's projected economic development needs.

To help improve this situation, two private universities in Guatemala City—*Rafael Landívar* and *Del Valle de Guatemala*—have initiated programs to raise the technical quality of education in the nation and thus help to meet the growing demand for the professionals required by the nation's development needs.

The loan will help finance the physical, institutional and academic development of the two universities. The total cost of the program is estimated at \$11.6 million, of which the Bank loan will cover 80.1 per cent, Rafael Landívar University 12.9 per cent and Del Valle University 7 per cent.

Up to \$427,000 of the loan will be devoted to technical cooperation—\$377,000 for Del Valle University and \$50,000 for Rafael Landívar University—to hire consultants and visiting professors and to finance graduate study fellowships for teaching personnel.

Completion of the program will permit Rafael Landívar University to increase its enrollment from the 1972 figure of 2,400 to 3,700 by 1977 and Del Valle University from 700 to 2,000.

TECHNICAL COOPERATION

Training in Irrigation Systems

Social Progress Trust Fund
\$48,500 nonreimbursable cooperation of
April 12, 1973

In 1968 the Government of Guatemala undertook an irrigation program designed to raise the living standards of small- and medium-scale farmers. A large part of the financing for this program was

provided by the Bank.

Plans are underway for further irrigation projects which will eventually embrace about 50,000 acres benefiting 12,000 families. The success of these projects will depend largely on the availability of trained personnel to carry out the planning, execution and operation of the irrigation projects.

This cooperation enabled the *Dirección de Recursos Naturales Renovables (DIRENARE)*, of the Ministry of Agriculture, to train 16 Guatemalan professionals in matters related to planning, carrying out and administering irrigation districts. The Secretariat of Hydraulic Resources of Mexico participated in the program.

Support for National Development Plan

Fund for Special Operations
\$395,000 nonreimbursable cooperation of
May 5, 1973

Social Progress Trust Fund
\$296,000 nonreimbursable cooperation of
May 5, 1973

Social Progress Trust Fund (Special Program for Project Preparation)
\$165,000 contingent recovery cooperation of
May 5, 1973
\$104,000 nonreimbursable cooperation of
May 5, 1973

Within its 1971-75 National Development Plan, the Government of Guatemala has targeted an annual increase in its gross domestic product of 7.8 per cent. The plan calls for a rapid rise in investments, a lessening of the nation's vulnerability to the external sector, a better distribution of income and improved efficiency in the public sector. To achieve this goal institutions must be strengthened so that domestic savings and foreign resources might be mobilized more effectively.

This technical cooperation totaling \$960,000 will help the Government carry out a program designed to accelerate implementation of the Plan. The total cost of the program is estimated at \$1,232,000, of which 78 per cent comes from the Bank and 22 per cent from domestic sources.

The cooperation will enable the *Consejo Nacional de Planificación Econó-*

mica (CNPE), the Government's planning agency, to prepare general economic studies, strengthen project executing agencies and draft specific projects in the agricultural, industrial, health, transportation and urban development sectors. CNPE will hire consultants to work with teams of Guatemalan technicians in the execution of eight individual projects in the five designated sectors.

HAITI

LOAN

Construction of Southern Highway

Fund for Special Operations

\$22.2 million 40-year loan of Aug. 2, 1973

(\$19.9 million and \$2.3 million in gourdes)

Interest: 1% for 10 years, 2% subsequently

Borrower: BANQUE NATIONALE DE LA
REPUBLIQUE D'HAITI

Haiti's road network is 2,020 miles long but only 232 miles are paved. One of the nation's main roads is the Southern Highway which goes from Port-au-Prince, the capital, along the mountainous southern peninsula for a distance of 105 miles to Les Cayes, passing through the towns of Léogâne, Miragoane and Aquin.

The highway, which is in a poor state of upkeep, serves an estimated 1.9 million inhabitants over a 2,960-square-mile area. In 1972 the road carried a traffic volume of 110,000 vehicles and 362,000 tons of freight.

This loan will enable the *Secrétairerie d'Etat des Travaux Publics, Transports et Communications* (STP) to construct a two-lane, asphalt highway from Léogâne to Les Cayes, a distance of 97 miles, to meet projected demand up to 1990, when the estimated annual traffic volume will be 574,000 vehicles and 1.1 million tons of freight.

Completion of the highway will stimulate the growth of agriculture, on which the region depends for 90 per cent of its income, and will increase the export through Port-au-Prince of sugar and molasses produced at the Les Cayes sugar refinery.

The total cost of the project is estimated at \$25.1 million, of which the Bank loan will cover 88.4 per cent and the Haitian Government the remaining 11.6 per cent.

The loan is guaranteed by the Republic of Haiti.

TECHNICAL COOPERATION

Support for Highway Agency

Fund for Special Operations

\$600,000 nonreimbursable cooperation of

Aug. 2, 1973

This technical cooperation was extended to the *Secrétairerie d'Etat des Travaux Publics, Transports et Communications*, (STP), of Haiti to help organize a coordinating unit for the construction of the Southern Highway, financed with the previously described loan for \$22.2 million. In addition, the cooperation will enable STP to place in operation a program for checking the weight of vehicles moving on the highway.

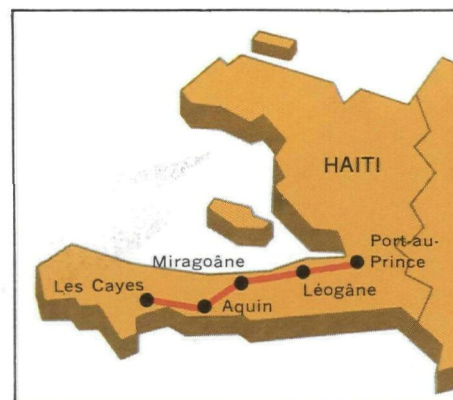
Rural Health Services

Fund for Special Operations

\$40,000 nonreimbursable cooperation of

Nov. 13, 1973

The Government of Haiti has assigned high priority to improving public health and hospital facilities, especially in rural areas, where such services are highly deficient.



MAJOR ROAD IMPROVEMENT takes place in Haiti thanks to Bank financing.

This cooperation will enable the Government's *Département de la Santé Publique et de la Population* (DSPP), to obtain the services of consultants to analyze rural health services in three districts—Cayes, Petit-Goâve and Cap-Haitien—and the subdistrict of Croix-des-Bouquets. In addition, the consultants would recommend designs for basic health services in the districts which could serve as models for other sections of the country.

The total cost of the project is \$105,000, of which the Pan American Health Organization will contribute 45 per cent, the Bank 38 per cent and the Government of Haiti the remaining 17 per cent.

Development of Tourism

Fund for Special Operations

\$410,000 nonreimbursable cooperation of

Dec. 6, 1973

In 1970 approximately 4 million tourists visited 25 main Caribbean islands. However, despite the fact that Haiti has natural resources of exceptional beauty combined with historic and folklore attractions which give it a good potential

STRANDS OF SISAL ROLL from machinery in this small-scale factory in Haiti which was able to expand operations with the help of a Bank loan channeled through the National Development Bank.



AFRICAN OIL PALM TREES get their start at this nursery in the Valley of Aguán in Honduras. Part of the Bank loan for farm settlement was devoted to project to plant some 200,000 palm trees.

for tourism, only 2.3 per cent of that number visited Haiti.

In order to take advantage of this potential, the nation needs a variety of infrastructure facilities and its current five-year development plan calls for stepped-up efforts in this field.

This cooperation will make it possible for the *Office National du Tourisme et des Relations Publiques (ONT)*, to contract a consulting firm which will prepare recommendations to orient the development of tourism in Haiti by establishing guidelines for public and private investment in the field, to strengthen the national agencies working in tourism and train local personnel to carry out tourist development projects. The assistance also includes the preparation of a loan application to provide financing for a project in the future.

HONDURAS

LOAN

San Pedro Sula Water and Sewage System

Fund for Special Operations

\$1.2 million 40-year loan of April 19, 1973

(\$973,000 and \$227,000 in lempiras)

Interest: 1% for 10 years, 2% subsequently

Borrower: CORPORACION MUNICIPAL DE
SAN PEDRO SULA

San Pedro Sula, the second largest city of Honduras, is located in the fertile Sula Valley in the northeast of the country and is the hub of the most productive agricultural and industrial zone.

The recent expansion of agriculture and industry has created new jobs and attracted rural dwellers to the city, swelling the population from 59,000 in 1961 to 138,000 in 1971. The total is expected to grow to 320,000 by 1985. The growth in public services, particularly water and sewage systems, has not kept pace with the demand created by this rapid population increase.

This loan will help the *Corporación Municipal de San Pedro Sula*, the city's

water, sewage and related facilities agency, to prepare plans and designs for a first stage expansion and modernization of the city's water and sewage system, including a storm sewer system, to meet population needs through 1985.

In addition, it will enable the agency to improve the city's present water and sewage system with the construction of intake works from the Zapotal River, including the construction of a water main from the intake point to the city distribution network, the construction of a distribution tank and the acquisition and installation of 6,000 residential meters.

The total cost of the project is estimated at \$1,650,000, of which the Bank loan will cover 72.7 per cent and local sources the remaining 27.3 per cent.

The loan is guaranteed by the Republic of Honduras.

TECHNICAL COOPERATION

Institutional Support

Social Progress Trust Fund

\$300,000 nonreimbursable cooperation of

April 19, 1973

This technical cooperation will be used

to strengthen two agencies of the *Corporación Municipal de San Pedro Sula* engaged in carrying out the project for the expansion of the city's water and sewage system, which is being financed with the help of the previously described loan for \$1.2 million.

The cooperation will enable the Water and Sewage Department of the corporation to hire consultants on administrative, accounting and financial affairs and to help the city establish a Municipal Urban Planning Office.

Cattle Raising Studies

Social Progress Trust Fund
\$18,400 contingent recovery cooperation of
May 3, 1973

In 1972 the Bank provided assistance to Honduras within the technical cooperation program entered into by the Bank and the United Nations Food and Agriculture



Organization (FAO) for the execution of an agricultural development study of the cattle raising possibilities of the Guayape Valley of Honduras.

This new cooperation will enable the *Consejo Superior de Planificación Económica*, the nation's planning agency, to secure the services of consultants to prepare the final feasibility studies for the project, which is expected to lead to an



INDIVIDUAL FARM WORKERS in Jamaica (left) and Trinidad (above) are able to improve their living standards thanks to Inter-American Bank credits being extended to them through local development agencies.

application for a loan from the Bank or another international lending agency.

Industrial Project Identification

Fund for Special Operations
\$85,000 nonreimbursable cooperation of
Nov. 15, 1973

Honduras needs to broaden its industrial development in order to reduce its heavy dependence on the agricultural sector, which accounts for one-third of its gross domestic product and 70 per cent of its export income.

This cooperation will enable the *Consejo Superior de Planificación Económica* to carry out an industrial sector study which would help to identify investment opportunities and specific projects, provide evaluative information that would make possible the preliminary appraisal of projects, select those which are most desirable economically and indicate follow-up implementing action.

JAMAICA

LOANS

Self-Supporting Farm Program

Fund for Special Operations
\$7.9 million 35-year 2% loan of May 31, 1973
(\$6.9 million and \$1 million in Jamaican dollars)
Borrower: JAMAICA

Since 1970 the Inter-American Bank has supported a program to help increase agricultural output and bring new farmland into production in Jamaica. Two previous loans—\$6.2 million in 1970 and \$3 million in 1971—provided credit for small-scale farmers, benefiting some 3,600 existing farms and helping to establish 320 new ones. As a result of this lending, the average annual production per farm benefited increased 120 per cent and the average annual net profit per beneficiary rose 75 per cent, reaching \$1,032 a year.

This third loan will be used by the Jamaica Development Bank (JDB) to provide the ongoing development credits and working capital required to convert approximately 2,700 existing farms and

LOANS AND TECHNICAL COOPERATION

300 new farms into self-supporting production units. The resources will be relent to owners or, in some cases, to tenants of farms ranging from 5 to 25 acres in size.

The total cost of the program—known as Self-Supporting Farmers' Development Program—is estimated at \$15,750,000, of which the Bank loan will cover 50.2 per cent and the Government of Jamaica the remaining 49.8 per cent.

Up to \$336,000 of the Bank loan will be used by the JDB and the Ministry of Agriculture for technical cooperation expenses related to the hiring of experts in accounting, administration, finance, farm credit, advanced technology and stockraising.

Highway Construction

Ordinary Capital Resources
\$1.4 million 20-year 8% loan of Nov. 1, 1973
(\$1 million and \$400,000 in Jamaican dollars)

Fund for Special Operations
\$11.5 million 35-year 2% loan of Nov. 1, 1973
(\$10 million and \$1.5 million in Jamaican dollars)

Borrower: JAMAICA

Jamaica's highway network consists of

about 10,000 miles, of which some 8,000 miles are paved or gravel roads suitable for motor vehicle traffic. However, many of these roads are narrow and are characterized by sharp turns and steep inclines. Others run parallel to rivers and creeks and are subject to flooding.

These loans will help the Ministry of Works to improve this situation by financing a highway construction and maintenance program known as the "Jamaica Transportation Survey, Stage II," a priority project scheduled for execution in 1973-82.

The project calls for the improvement of four sections of secondary main roads totaling 37 miles in length, including the May Pen-Lionel Town section, the May Pen-Turners Four Paths section, the Williamsfield-Colleyville section and the Run-away Bay-Brown's Town section; the improvement of 11 sections 21 miles in length located in the parish councils of St. Catherine, St. Elizabeth, St. Mary, St. Thomas and Westmoreland, and the

construction of a by-pass approximately 2 miles long in the area of St. Ann's Bay along the north coast.

The total cost of the project is estimated at \$23.5 million, of which the Bank loans will cover 54.9 per cent and the Jamaican Government the remaining 45.1 per cent.

Industrial and Tourism Projects

Ordinary Capital Resources
\$4 million 20-year 8% loan of Sept. 20, 1973
(\$3.5 million and \$500,000 in Jamaican dollars)

Fund for Special Operations
\$6 million 35-year 2% loan of Sept. 20, 1973
(\$4.5 million and \$1.5 million in Jamaican dollars)

Borrower: JAMAICA DEVELOPMENT BANK

In 1971 the Bank extended two loans totaling \$6 million to the Jamaica Development Bank (JDB) to help establish or expand small- and medium-sized industrial and tourism enterprises through-

ALMOST KNEE-DEEP IN WATER, farm workers carefully place seedlings on this farm in Michoacán, Mexico, which has greatly increased production thanks to irrigation improved with a Bank loan.



out the country.

With the help of those loans the JDB by mid-1973 had granted 47 industrial and 56 tourism credits totaling \$13.8 million. The industrial credits helped create 16 new enterprises and expand 31 existing ones; the tourist credits helped build 66 tourist facilities with a total of 242 rooms.

These two new loans will permit the JDB to continue the credit program. The new phase of the project is being carried out at an estimated cost of \$21 million, of which the loan will cover 47 per cent, the JDB 29 per cent and the beneficiaries the remaining 24 per cent. Approximately 60 per cent of the program resources will be devoted to industrial projects and the remainder to the tourist sector.

The industrial credits will primarily benefit enterprises which manufacture foodstuffs, beverages, plastics, building materials, electrical appliances, textiles, furniture and chemical products. The tourism projects involve the construction or expansion of small- and medium-sized hotels, guest houses and cottages and related tourist services.

The loans are guaranteed by Jamaica.

TECHNICAL COOPERATION

Rural Electrification Study

Fund for Special Operations
\$192,000 contingent recovery cooperation of
March 29, 1973

In 1966 Jamaica initiated a four-stage program to expand electric power service throughout the country. Under the first two stages service was extended to principal villages in Jamaica and additional power was provided to the nation's main cities. In the two final stages sufficient power is being provided to broaden city and village services as well as to provide service to rural areas.

This technical cooperation will enable Jamaica to undertake the studies needed to achieve a coordinated island-wide development program for rural electrification. The studies will be carried out by consultants engaged to determine the

technical, economic and financial feasibility of such a program, along with the final designs and specifications for at least one-third of the program.

Tropical Fruit Study

Fund for Special Operations
\$27,000 nonreimbursable cooperation of
May 3, 1973

This cooperation will enable the Government of Jamaica to secure the services of Israeli consultants, under the Inter-American Bank-Israeli Agreement, to carry out a feasibility study of a program designed to expand, diversify and improve the cultivation of tropical and subtropical fruit crops in Jamaica and formulate plans for its execution, if the results of the study are favorable.

The study is designed to result in a future loan application to the Bank or a similar international lending agency. The total cost of the study is estimated at \$60,000, of which the Bank will contribute 45 per cent, the Government of Israel 23 per cent and the Government of Jamaica 32 per cent.

MEXICO

LOANS

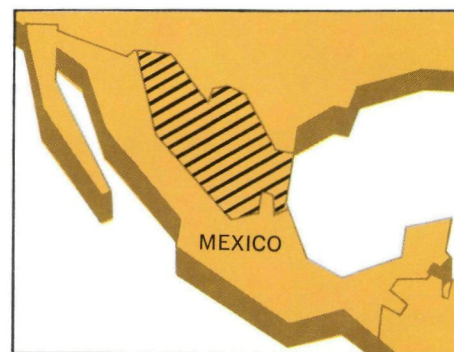
Juárez Valley Irrigation

Ordinary Capital Resources
\$14 million 20-year 8% loan of Aug. 30, 1973
(\$9.36 million, 291.2 million Japanese yen and
\$3.6 million in Mexican pesos)

Borrower: NACIONAL FINANCIERA, S.A.

The Juárez Valley Irrigation District begins in the outskirts of Ciudad Juárez in the northern part of the State of Chihuahua and extends for about 80 miles in the border area of the United States along the Mexican side of the Rio Grande River, the boundary between the two countries.

This loan will help the *Secretaría de Recursos Hidráulicos* to rehabilitate the irrigation district, raising its net arable area from approximately 42,000 acres to 60,500 acres; increasing the annual water supply from 199 million to 355 million cubic meters, and improving and re-



IRRIGATION IS PRIMARY CONCERN of Bank lending policy in Mexico. In 1973 Bank lent additional funds for small-scale projects in nation's northeast.

claiming land which has deteriorated due to salinity. In so doing it will directly benefit an estimated population of 2,640 farmers, of whom approximately 70 per cent are *ejidatarios*.

Specifically, resources of the loan will help execute a variety of infrastructure works including, among others, the lining of a main irrigation canal totaling 67.5 miles in length; the lining of approximately 155 miles of distribution canals; the drilling of 82 new wells; the modernization and improvement of 155 operating wells; the financing of soil improvement and reclamation programs, and the construction of complementary works.

The total cost of the project is estimated at \$30 million, of which the Bank loan will cover 46.7 per cent and the Government of Mexico the remaining 53.3 per cent.

The loan is guaranteed by the United Mexican States.

Small-Scale Irrigation Works

Fund for Special Operations
\$34 million 25-year 3% loan of Dec. 13, 1973
(\$19.3 million and \$14.7 million in Mexican pesos)
Borrower: NACIONAL FINANCIERA, S.A.

In 1967 the Government of Mexico initiated a small-scale irrigation works program, now called the National Plan of Irrigation Works for Rural Development, to improve or provide irrigation for some 692,000 acres of land.

LOANS AND TECHNICAL COOPERATION

The Bank has supported the program, which is being carried out over a 10-year period, with four previous loans totaling more than \$108 million, of which two loans amounting to \$39 million are helping to finance irrigation works in the northeastern part of the country.

This new loan will help finance the construction in the northeast of the third stage of the plan. It will enable the *Secretaría de Recursos Hidráulicos (SRH)* to incorporate approximately 123,500 acres of land into irrigated farming in the northeast, including all or parts of seven states—Coahuila, Chihuahua, Durango, Nuevo León, San Luis Potosí, Tamaulipas and Zacatecas.

The project consists of the construction or rehabilitation of 700 small-scale irrigation works, which will benefit a rural population estimated at 23,800 low-income families, the majority of them *ejidatarios*.

The total cost of the project is estimated at \$69,750,000, of which the Bank loan will cover 48.7 per cent and the Government of Mexico the remaining 51.3 per cent.

The loan is guaranteed by the United Mexican States.

Las Truchas Steel Plant

Ordinary Capital Resources
\$54 million 15-year 8% loan of Oct. 18, 1973
Borrower: NACIONAL FINANCIERA, S.A.

The consumption of nonflat steel products in Mexico, which amounted to 1.3 million tons in 1972, is expected to increase by 9 per cent a year to 2.8 million tons by 1980. To meet this rising demand, Mexico has embarked on a major expansion of its steel industry.

Under the program, Mexico's current steel producers will expand capacity by 2.1 million tons by 1980 and *Siderúrgica Lázaro Cárdenas—Las Truchas, S.A. (SICARTSA)*, a new corporation with government participation, will build an integrated steel plant at the mouth of the Balsas River on the Pacific coast. In its first stage, the plant will produce

1.1 million tons of raw steel per annum, sufficient to make 1 million tons of nonflat rolled products—primarily construction rod, other bars, wire rod and sections.

This loan will help *SICARTSA* build the plant near the town of Lázaro Cárdenas, Michoacán, some 200 miles southwest of Mexico City. The plant site is located 13 miles from the Las Truchas iron ore deposits which contain an estimated 76 million tons of proven reserves and 12 million tons of indicated reserves, enough for 30 years of operation in Stage 1.

The Government of Mexico is building a port at the mouth of the Balsas River through which coal will be imported for use at the plant. In addition, it will build an 81-mile railroad branch from Las Truchas to Nueva Italia-Coróndiro and improve the Playa Azul-Nueva Italia highway to assure the shipment of steel products to consumer centers.

The total cost of the project is estimated at \$648 million, of which the Bank loan will cover 8.3 per cent, the World Bank 10.8 per cent, bilateral credits 27.6 per cent, *SICARTSA* 46.3 per cent and other credits 7 per cent.

The loan is guaranteed by the United Mexican States.

Preinvestment Studies

Fund for Special Operations
\$10 million 20-year 4% loan of July 5, 1973
(\$2.1 million and \$7.9 million in Mexican pesos)
Borrower: NACIONAL FINANCIERA, S.A.

In 1967 the Inter-American Bank approved two loans for \$5.5 million to help *Nacional Financiera, S.A. (NAFIN)* to prepare a program to draft technical, economic and financial feasibility studies for specific projects designed to accelerate development in Mexico. The proceeds of those two loans were channeled to the *Fondo Nacional de Estudios de Preinversión (FONEP)*, a trust fund established by *NAFIN*, to help launch the program. With those loans *FONEP* financed the preparation of studies of 34

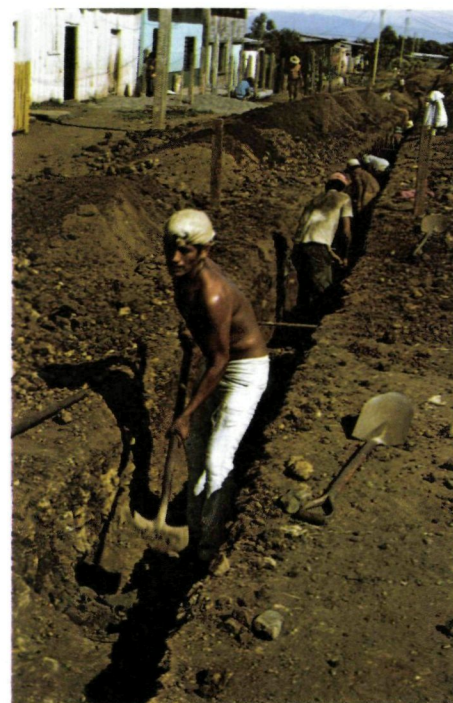
projects in industry, agriculture, infrastructure and communications scattered throughout the nation.

This new loan will be used by *FONEP* to carry out the second stage of the program. In this stage additional studies will be carried out in agriculture, forestry, fishing, irrigation, transportation and communications, mining, petroleum and its by-products, industry, tourism and other priority areas of the economy. The studies will cover a preliminary list of projects drawn up by *FONEP*, representing a total investment of \$726 million.

The total cost of the program is estimated at approximately \$17.8 million, of which the Bank loan will cover 56.2 per cent, the Mexican Government 43.2 per cent and beneficiaries the remaining 0.6 per cent.

The loan is guaranteed by the United Mexican States.

NEW SANITATION SYSTEM is laid in portion of Managua, Nicaragua, unaffected by 1972 earthquake which leveled central section of the city. System is being built with loan extended in 1970.





EXPORT FINANCING

During 1973 previous lines of credit extended to Mexico to finance exports of capital goods were augmented by \$1,466,500 through repayments. This activity is described further on under the heading "Export Financing."

NICARAGUA

LOANS

Land Settlement Project

Fund for Special Operations
\$8.3 million 40-year loan of Sept. 27, 1973
(\$5 million and \$3.3 million in córdobas)
Interest: 1% for 10 years, 2% subsequently
Borrower: REPUBLIC OF NICARAGUA

The Atlantic coast region of Nicaragua embraces 56 per cent of the nation's total area but is inhabited by less than 1 per cent of its population of 2 million. In order to help settle this sparsely inhabited region, the Bank in 1966 approved a \$300,000 loan to finance feasibility studies for a farm settlement project known as Rigoberto Cabezas.

These studies were successfully carried out and as a result the Bank in 1973 extended this loan to enable the *Instituto Agrario de Nicaragua (IAN)*, the nation's agrarian institute, to finance a land settlement project on 123,500 acres of

CEREMONY IN JUNGLE marks signature of Bank loan for construction of Pan American highway through Panama's Darien. Shown are Brig. Gen. Omar Torrijos, Chief of State, Bank President Antonio Ortiz Mena and other participants.

government-owned land located in the Department of Zelaya on the Atlantic coast. Approximately 1,440 farm-owner families will be settled on the land, infrastructure works will be built, land will be improved, credit will be provided and extension services will be furnished. Each family will be provided with a 74-acre land tract, as well as a 2.4-acre plot for a home and garden.

In addition, 13 community centers with 1,400 housing units, along with water services, schools, warehouses, workshops and other facilities will be built and 44 miles of access roads will be laid down.

Up to \$200,000 of the loan will be used by the *IAN* to finance technical cooperation costs, including the hiring of consultants to carry out agricultural research, establish training programs and provide direct advisory services to the settlers.

The total cost of the project is estimated at \$9.3 million, of which the Bank loan will cover 89.2 per cent and local sources the remaining 10.8 per cent.

Agro-Industrial Development

Fund for Special Operations
\$4.2 million 40-year loan of May 31, 1973
(\$4 million and \$200,000 in córdobas)
Interest: 1% for 10 years, 2% subsequently
Borrower: REPUBLIC OF NICARAGUA

Nicaragua is plentifully endowed with such raw materials as fibers, forest and agricultural products and fishing and mineral resources which could serve as a base for industrial development. To utilize these resources and to improve the nation's balance of payments, the Government of Nicaragua has drawn up a program to expand and modernize its agro-industrial base, with emphasis on exports and import-substitution activities.

The resources of this loan will be relent by the *Banco Central de Nicaragua (BCN)* through the *Fondo Especial de Desarrollo* to enterprises engaged in assembling, grading, storing, processing, packaging and distributing farm, livestock, marine and forestry products, and in the processing and distribution of production materials derived from organic materials.

Approximately 41 projects requiring an estimated total investment of \$21 million have been identified under the program. More concessionary terms will be provided to small- and medium-sized enterprises than to large ones.

The program will be carried out at a total estimated cost of \$6.1 million, of which the Bank loan will cover 68.9 per cent and *BCN*, intermediaries and beneficiaries the remaining 31.1 per cent.

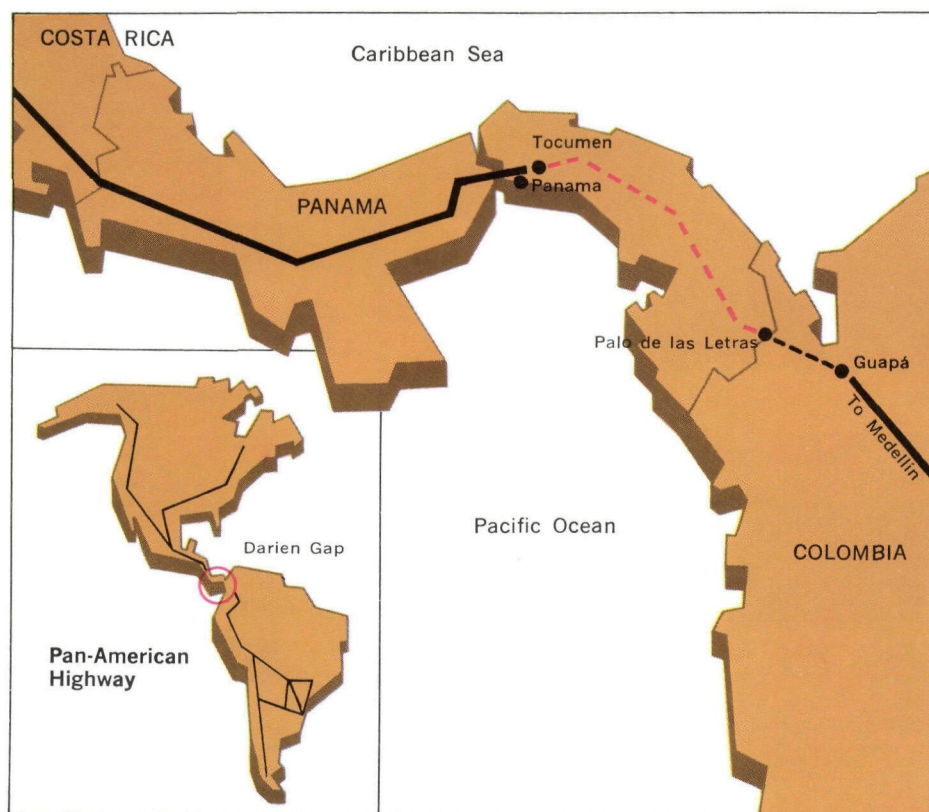
The loan includes \$430,000 in technical cooperation which will help the *Instituto Centroamericano de Administración de Empresas (INCAE)* to strengthen its Agro-Business Management Program in order to train new managerial personnel and to update the training of executives already active in agro-business.

Reconstruction of Managua

Fund for Special Operations
\$16.7 million 40-year loan of April 25, 1973
(\$15.2 million and \$1.5 million in córdobas)
Interest: 1% for 10 years, 2% subsequently
Borrower: REPUBLIC OF NICARAGUA

On Dec. 23, 1972, an earthquake struck

LOANS AND TECHNICAL COOPERATION



the city of Managua, Nicaragua, destroying five square miles of the downtown area, causing some 6,000 deaths and 20,000 injured and leaving 250,000 persons homeless. In addition, an estimated 51,700 persons—nearly 60 per cent of the city's economically active population—were deprived of their employment opportunities.

As a first step in a program to help Nicaragua recover from the disaster, the Inter-American Bank in early 1973 moved to expedite projects being carried out in that country with the help of Bank loans and to channel part of the undisbursed portions of approved loans to rehabilitation projects.

This emergency loan, which will be coordinated by the *Oficina de Coordinación e Implementación del Programa de Reconstrucción Nacional*, created by the Government after the quake, represents a further step in the Bank's effort to help rebuild Managua. It will help re-establish several basic services in Managua, restore installations and accelerate the recovery

DARIEN GAP IN PANAMA—the final link in the Pan American highway system—is now being bridged. Bank loan approved in 1973 is helping finance its construction.

of the directly productive sectors of the national economy.

The total cost of the program is estimated at \$20,474,000, of which the Bank loan will cover 81.6 per cent and the Government of Nicaragua, government agencies and beneficiaries the remaining 18.4 per cent.

TECHNICAL COOPERATION

Access Highway Studies

Social Progress Trust Fund (Special Program for Project Preparation)
\$82,000 contingent recovery cooperation of April 25, 1973

This technical cooperation will enable the *Instituto Agrario de Nicaragua (IAN)* to carry out engineering studies and prepare final plans for the construction of access roads to the new farm settlements to be established in the Rigoberto Cabezas

Project, for which the Bank extended the previously described loan for \$8.3 million.

The studies will be carried out by a group of consultants who will work with the *IAN*.

Rural Electrification Studies

Social Progress Trust Fund (Special Program for Project Preparation)
\$172,000 nonreimbursable cooperation of July 26, 1973

Approximately 30 per cent of the Nicaraguan people enjoy electric power service and that nation ranks second among the Central American nations in per capita power consumption. Even so, the Government assigns high priority to programs designed to improve power service even further, particularly in rural areas, as a means of stemming the movement of farm families to the city.

This technical cooperation will help *Empresa Nacional de Luz y Fuerza (ENALUF)*, the government's electric power agency, to carry out feasibility studies of a rural electrification program which subsequently might be financed by a loan from the Bank or another international lending institution.

The studies would concentrate on providing power for areas which currently lack it in the Departments of Managua, Carazo, León, Jinotega, Matagalpa and Zelaya.

PANAMA

LOANS

Industrial Credit

Fund for Special Operations
\$3 million 35-year 2% loan of Aug. 2, 1973
Borrower: BANCO NACIONAL DE PANAMA

In 1964 the Bank approved a \$1 million loan to the *Banco Nacional de Panamá (BNP)* to provide credits for small- and medium-sized private industrial firms. With that loan *BNP* made 41 credits, of which 22 expanded existing facilities and 19 were used for new projects.

This new loan will be relent at con-

cessional interest rates by *BNP's* recently established industrial department, *Banca Industrial*. An estimated two-thirds of the program resources will finance long-term credits to medium-sized industries and one-third will finance long-term credits to small-sized firms. Not less than 30 per cent of the program resources are to be invested outside the Panama City metropolitan area.

The total cost of the program is estimated at \$6 million, of which the Bank loan will cover 50 per cent, the *BNP* 25 per cent and beneficiaries the remaining 25 per cent.

The program is expected to create approximately 800 new jobs at an annual average salary of \$2,200 per employee and to generate additional employment opportunities outside of Panama City.

The loan is guaranteed by the Republic of Panama.

Highway Through the Darien

Fund for Special Operations
\$15 million 40-year 2% loan of Dec. 13, 1973
(\$11.4 million and \$3.6 million in balboas)
Borrower: REPUBLIC OF PANAMA

The idea of building a highway linking the capitals of the Latin American republics was first discussed at the First Pan American Conference in Washington in 1889 and was formally adopted at the First Pan American Highway Congress in Buenos Aires, Argentina, in 1925. By 1963 a continuous highway from Alaska to Panama City, a distance of 7,656 miles, was open to traffic and the highway in most of South America had also been built, leaving the Darien route through eastern Panama and northern Colombia as the only incomplete portion.

This loan will help the *Ministerio de Obras Públicas (MOP)* of Panama, through its Pan American Highway Department, to build three sections of the 193-mile highway through the Darien region of Panama. They include Tocumen-Cañitas, 35 miles; Bayano-Cañazas, 44 miles, and Yapé-Palo de las Letras, 25 miles.

Completion of the highway will stimulate regional economic integration by permitting highway traffic to flow between South America on the one hand and Central America, Mexico, the United States and Canada on the other. In addition, the new roadway will enable Panama to incorporate the entire eastern section of the country—some 7,700 square miles representing about one-third of the country's total area—into the national economy.

The total cost of the project is estimated at \$106.8 million, of which the Bank loan will cover 14 per cent, the Panamanian Government 7.9 per cent and the United States Government, the Export-Import Bank and the First National City Bank of Chicago the remaining 78.1 per cent.

PARAGUAY

TECHNICAL COOPERATION

Municipal Markets in Asunción

Social Progress Trust Fund (Special Program
for Project Preparation)
\$194,000 contingent recovery cooperation of
Jan. 4, 1973

The population of Paraguay's capital city, numbering more than 400,000, depends almost entirely for its food on the six municipal markets operated by the *Junta Municipal de Asunción*. One of these, Pettirossi, accounts for 80 per cent of retail sales and is the major wholesale market in the city.

The rapid growth of the city in recent years has placed a severe strain on space and facilities at the market, which is now spreading out into neighboring streets. This technical cooperation will enable the *Junta* to obtain consulting services to complete feasibility studies for a new market system, designed to reduce crowding at Pettirossi.

Pilot Agrarian Development Projects

Fund for Special Operations
\$24,850 nonreimbursable cooperation of
Jan. 4, 1973

The Inter-American Bank, the Organiza-

tion of American States and the Government of Israel have been collaborating since 1966 in a joint program of rural development in Latin America. Under the program, pilot projects in land settlement, irrigation, farm credit and marketing have been or are being carried out by Israeli experts in six Latin American countries.

This technical cooperation helped the *Ministerio de Agricultura y Ganadería* of the Government of Paraguay to carry out a project for the reorganization and improvement of the agricultural credit program of the *Crédito Agrícola de Habitación*, an independent organization established for the purpose of lending technical, financial and social assistance to rural farmers and cattle growers, unable to meet the requirements of traditional banks.

With this cooperation two agricultural credit users associations of about 75 members were created and these were able to increase yields of basic crops by as much as 100 per cent over the average in the area.

Institutional Support

Social Progress Trust Fund
\$163,000 nonreimbursable cooperation of
March 15, 1973

In 1961, the Inter-American Bank, in collaboration with the Organization of American States and the United Nations Economic Commission for Latin America, initiated a technical cooperation program designed to help the Government of Paraguay to improve its development planning mechanism. Since then the Bank has provided nearly \$700,000 to ensure the effectiveness of the effort, first through the *Secretaría Técnica de Planificación (STP)*, the nation's principal planning entity, and since 1970 through the *Oficina Nacional de Proyectos (ONP)*, an office of *STP* established to coordinate the preparation and evaluation of projects.

This is the third extension of technical cooperation by the Bank to the *ONP*. The resources will provide continuing consulting services to enable *ONP* to complete a number of project feasibility

LOANS AND TECHNICAL COOPERATION



studies of large-scale investments and to identify a variety of smaller industrial, agro-industrial, tourist and urban development projects.

Training on Value Added Taxes

Social Progress Trust Fund
\$42,500 nonreimbursable cooperation of
Dec. 4, 1973

In August and September 1973 an inter-agency mission in Paraguay drew up a plan of technical cooperation designed to bring about an integral revision in Paraguay's tax system.

The mission, which was sponsored by the Inter-American Committee on the Alliance for Progress, included representatives of the Inter-American Bank, the Organization of American States, the International Monetary Fund, the World Bank and the U.S. Agency for International Development.

One of the suggestions of the mission was that the Inter-American Bank carry out an intensive training program in Paraguay on the value added tax and its applicability to the nation. This cooperation was devoted to carrying out the recommendation. It enabled some 30 Paraguayan officials to participate in a 15-week seminar and six of these to

WORKER CHECKS GAS TANKS which hold fuel for turbines that provide electric power in the Departments of Ancash and La Libertad in Northern Peru. Loan of \$9 million helped purchase the turbines.

travel to other member countries to observe practical applications of the tax program.

PERU

LOANS

Health Services

Fund for Special Operations
\$6.3 million 30-year 2% loan of Sept. 6, 1973
(\$5.5 million and \$800,000 in soles)
Borrower: REPUBLIC OF PERU

Peru's 1971-75 Public Health Plan calls for an investment of \$43 million in the construction of water supply and rural sewage systems and the conservation of water resources, as well as the construction and equipping of health posts, in an effort to combat the country's high rate of morbidity and mortality caused by infectious diseases.

This loan will help the *Institutos Nacionales de Salud (IINNS)*, a public agency charged with coordinating aspects

of the national health program, to promote the Sectoral Health Plan by developing the physical and technical facilities of four of its five component institutions and by providing training for their professional and technical personnel.

The four are the Institute of Public Health, the Nutrition Institute, the Zoonosis and Livestock Research Institute and the Control Center for Biological Products and Medicines.

The loan will help IINNS to build an integrated architectural complex on approximately 128 acres in the southern part of the Lima metropolitan area at a total estimated cost of \$12.5 million, of which the Bank loan will cover 50.4 per cent and the Peruvian Government the remaining 49.6 per cent, and to incorporate into it the operations of the four component institutions.

In addition, the loan includes \$427,000 in technical cooperation which will provide 55 fellowships for study, mainly abroad, of professionals and technicians of the four institutions and the contracting of 15 consultants for in-service training of IINNS personnel.

Foot-and-Mouth Disease Campaign

Fund for Special Operations
\$6 million 30-year 2% loan of Sept. 6, 1973
(\$3.3 million and \$2.7 million in soles)
Borrower: REPUBLIC OF PERU

This loan will be used by Peru's Ministry of Agriculture to embark on a systematic campaign with a minimum duration of 14 years to combat foot-and-mouth disease in cattle. The total cost of the first phase of the national program is estimated at \$12 million, of which the Bank loan will cover 50 per cent and local sources the remaining 50 per cent.

The first stage of the program calls for the inoculation of 80 per cent of the country's cattle population over four months of age with vaccines, the prompt detection of outbreaks of the disease and related measures; the construction and equipping of quarantine stations in Lima, Arequipa, Loreto, Piura and La Libertad to control the international movement of

animals, the construction of eight inland posts to control the movement of animals going to the nation's internal markets and two additional control posts on the southern border, and the construction and equipping of a vaccine, research, diagnostic, production and testing laboratory in a complex to be constructed in the Lima metropolitan area by the *Institutos Nacionales de Salud (INNS)* with the help of the previously described loan.

Up to \$250,000 of the loan will be devoted to technical cooperation costs, including the provision of advisory services for the organization of the previously described laboratory, for research and training in the fields of epizootiology, vaccine preparation and control, campaign administration and biostatistics. In addition,

fellows will be provided for the training abroad of six professionals.

Small- and Medium-Scale Mining

Ordinary Capital Resources
\$6 million 15-year 8% loan of April 25, 1973

Borrower: BANCO MINERO DEL PERU

This Bank loan will enable the *Banco Minero del Perú (BMP)*, a public credit agency responsible for the development of the Peruvian mining sector, to expand and develop nonferrous metal mining industries. *BMP* will relend the resources of the loan to small- and medium-scale mining enterprises to finance the installation of new mining operations or the expansion and improvement of existing ones.

BMP has compiled a tentative list of

57 projects, 31 for new projects and the remainder to expand existing facilities. More than 80 per cent of these are for the mining of copper deposits and lead-zinc mines, approximately 10 per cent for the mining of ores containing gold and silver and other precious metals and the remainder for the mining of antimony, tungsten and other rare minerals.

The total cost of the program is estimated at \$18.1 million, of which the Bank loan will cover 33.2 per cent, *BMP* 51.8 per cent and beneficiaries the remaining 15 per cent.

Execution of the program will help increase the gross value of mining production in Peru by an estimated \$49 million per year and will create jobs for an estimated 8,000 persons averaging an income of \$1,000 a year. Since virtually all of the increased production will be exported, the program is expected to produce a yearly net gain in the balance of payments of Peru of approximately \$44 million.

The loan is guaranteed by the Republic of Peru.

EXPORT FINANCING

During 1973 Peru received a special line of credit for \$980,000 to finance exports of capital goods. This activity is described further on under the general heading of "Export Financing."

TECHNICAL COOPERATION

Farm Extension Seminar

Fund for Special Operations
\$31,130 nonreimbursable cooperation of
March 20, 1973

This technical cooperation enabled Peru's Ministry of Agriculture to carry out an eight-week seminar for 22 agronomists or technical information specialists from all 12 of the country's agricultural zones. The seminar was designed to train them



STRONG ARMS TURN heavy timber piece for sawing into lumber at this sawmill at a farm colonization project financed by the Bank in Paraguay. Final product is sent to export markets.

LOANS AND TECHNICAL COOPERATION

in communication techniques, with special emphasis on planning, carrying out and evaluating agricultural education campaigns, and to contribute to the development of methodology for the extension of farm technology and modern practices to rural areas.

University Development

Fund for Special Operations
\$49,500 contingent repayment cooperation of
Dec. 28, 1973

In 1973 the Bank approved a technical cooperation allocation to continue helping the *Consejo Nacional de la Universidad Peruana (CONUP)* to formulate a global plan for development of the country's university system.

This new cooperation, which complements one approved for the same purpose in 1970, will help finance the contracting of consultants to evaluate the information gathered to date, to complete the development plan, and to identify investment projects and possible sources of financing. Recent legislation embracing the entire educational sector enhances the possibilities of achieving the goals established by *CONUP*.

TRINIDAD AND TOBAGO

LOAN

Highway Construction

Fund for Special Operations
\$2.4 million 35-year 2% loan of Dec. 13, 1973
(\$1.2 million and \$1.2 million in Trinidad and Tobago dollars)

Borrower: TRINIDAD AND TOBAGO

The islands of Trinidad and Tobago are served by a road network of approximately 2,630 miles of which 50 per cent are national roads. A substantial number of these traverse mountainous or rolling terrain and need to be improved.

This loan will enable the Ministry of Tobago Affairs (MTA) to build one such road—a two-lane, 7.1-mile, asphalt section from the Milford Road, 5½ miles west of the town of Scarborough, the capital of Tobago, to the Windward Road, 1½ miles east of the city. The new

road will replace a winding, narrow and poorly maintained section which serves the most-traveled part of the island. Approximately 18,000 persons, or 44 per cent of the island's population, live in the project area.

The road, which will bypass the more congested areas of Scarborough, will permit rapid travel between the more developed areas of the island and will free approximately 109 acres of desirable coastal lands, now crossed by the present road, for future development.

The total cost of the project is estimated at \$4 million, of which the Bank loan will cover 60 per cent and the Government of Trinidad and Tobago the remaining 40 per cent.

URUGUAY

LOANS

Citrus Fruit Production

Ordinary Capital Resources
\$700,000 20-year 8% loan of Oct. 25, 1973
(\$567,000 and \$133,000 in Uruguayan pesos)

Fund for Special Operations
\$2.4 million 35-year 2% loan of Oct. 25, 1973
(\$1,761,000 and \$639,000 in Uruguayan pesos)

Borrower: REPUBLIC OF URUGUAY

Most of Uruguay's foreign exchange traditionally derives from exports of wool and meat products. To diversify exports and increase foreign exchange earnings, the Government of Uruguay has initiated a program to expand and improve citrus fruit production along the eastern bank of the Uruguay River, in the Departments of Salto and Paysandú.

This loan will be used by the *Comisión Honoraria Nacional del Plan Citrícola (CHNPC)*, the nation's citrus agency, to carry out two subprojects, one designed to develop, rehabilitate and maintain 13,338 acres of existing plantations and to expand an additional 2,594 acres of fruit groves and the other to strengthen *CHNPC*, the experimental citrus fruit center in Salto and the National Institute of Colonization.

The execution of the project, which

will directly benefit an estimated 320 producers, will enable Uruguay to increase its present production of oranges, mandarins, lemons and other citrus fruits from the present estimated 80,000 to 130,000 tons per year by 1985 and increase the value of its citrus exports by \$5 million yearly.

The Bank loan also includes \$151,000 for technical cooperation which will be used by the *CHNPC* to contract consultants who will help execute the project, train local personnel and establish export marketing techniques for citrus fruits.

The total cost of the project is estimated at \$5,160,000, of which the Bank loan will cover 60.1 per cent and local sources the remaining 39.9 per cent.

TECHNICAL COOPERATION

Deep-Water Port Studies

Fund for Special Operations
\$49,000 nonreimbursable cooperation of
April 30, 1973

This cooperation will enable the *Oficina de Planeamiento y Presupuesto (OPP)*, Uruguay's planning agency, to obtain the consulting services required to carry out a technical and economic prefeasibility study for the construction of a deep-water port on the Atlantic coast of Uruguay.

The study will include an estimate of the economic benefits the port would bring to Uruguay and to the other River Plate Basin countries, an analysis of possible sites for the port and an estimate of the cost of construction and operation.

VENEZUELA

LOANS

Foot-and-Mouth Disease Campaign

Fund for Special Operations
\$10.6 million 20-year 3% loan of Sept. 27, 1973
(\$6.5 million and \$4.1 million in bolivars)

Borrower: REPUBLIC OF VENEZUELA

This loan will help Venezuela's *Ministerio de Agricultura y Cría (MAC)* to execute—within a four-year period—the first stage of a program designed to eradicate foot-and-mouth disease in 16 years and

brucellosis in 15 years.

MAC will use the loan to carry out a broadly-based, systematic and compulsory program to vaccinate cattle more than four months old against the disease. Approximately 80 per cent of the nation's cattle population will be vaccinated during the four-year period. In the brucellosis campaign 80 per cent of all young cows between three and eight months of age will be subject to compulsory vaccination.

The project also calls for the construction of a facility to produce deactivated foot-and-mouth disease vaccine and a central diagnosis laboratory, both in Maracay, and 10 regional diagnosis laboratories and the purchase of 25 mobile units for the control of animals in transit.

In addition, services for research, diagnosis, treatment and control of the disease will be improved; technical personnel to carry out the project will be trained; transportation and communication equipment will be acquired, and public health veterinary extension and education programs will be developed. Up to \$471,000 of the loan will be used for technical cooperation connected with the execution of the program.

The total cost of the project is estimated at \$29.8 million, of which the Bank loan will cover 35.5 per cent and MAC the remaining 64.5 per cent.

Los Andes University Expansion

Fund for Special Operations

\$15.1 million 25-year 3% loan of April 19, 1973

(\$14.7 million and \$400,000 in bolivars)

Borrower: REPUBLIC OF VENEZUELA

The *Universidad de los Andes (ULA)*, a state university located in Mérida, is the main institution of higher education in the Andean region of Venezuela. The student body, which is drawn largely



LIGHT REFLECTIONS CAST pattern over chemistry students working on experiment at this laboratory of the Universidad Católica Andrés Bello in Caracas to which the Bank has extended a loan.

LOANS AND TECHNICAL COOPERATION

from low- and middle-income groups, increased from 5,837 to 11,356 students in the 1968-72 period.

This loan will help expand and modernize the university so that it can better offer the total curriculum required by modern-day scientific and technological personnel. The program will be carried out at a total estimated cost of \$29 million, of which the Bank loan will cover 52.1 per cent and the Government of Venezuela 47.9 per cent.

The loan will help strengthen the university's Planning Bureau, promote departmentalization, broaden scientific and technological research, expand the graduate study program and create regional education centers in other major cities of the Andean area of Venezuela. In addition, it will enable some 80 professors to obtain advanced degrees abroad.

The program provides for the first-stage construction of the Science and Technology Nucleus of the university at La Hechicera, as well as for the purchase of laboratory and library material.

The Bank loan contains \$1,944,000 in technical cooperation which will finance the contracting of consulting services and the training of professors, technicians and administrators.

Simón Bolívar University Expansion

Fund for Special Operations
\$17.4 million 25-year 3% loan of April 19, 1973
(\$13.4 million and \$4 million in bolivars)

Borrower: REPUBLIC OF VENEZUELA

In 1969, the Government of Venezuela established the *Universidad Simón Bolívar* (USB) in Caracas as an experimental university to train young Venezuelans in tasks related to national economic development. Subsequently, USB drew up a ten-year plan to create a modern university in the Caracas area dedicated to the training of advanced professionals in science and technology.

This loan will help finance the 1973-76 portion of the program which will be carried out at an estimated cost of \$38.5 million, of which the Bank loan will cover 45.2 per cent and the Govern-

ment the remaining 54.8 per cent.

The program will permit the university to increase enrollment from 1,800 to 8,000 students by 1976, to expand the teaching staff 150 per cent to 329 full-time professors, to train some 40 professors in advanced subjects abroad and to hire consultants and visiting professors. In addition, an up-to-date financial-administration system will be introduced.

To achieve these goals the University will construct 16 buildings for classrooms, laboratories and workshops; will provide the necessary service facilities, and will purchase laboratory and library materials.

Up to \$1.2 million of the loan will be devoted to technical cooperation aspects of the program, including \$538,300 for faculty training, \$307,700 for academic and administrative consulting services, \$234,000 for visiting professors and \$120,000 for financial-administration consulting services.

DRILL OPERATOR PUNCHES forms for railroad equipment being built in Mexico for export to Colombia. Bank helped finance shipments with a credit to Mexico under its export financing program.



REGIONAL

LOANS

Grain Storage Facilities

Fund for Special Operations
\$6.8 million 20-year loan of Nov. 21, 1973
(\$4.7 million and \$2.1 million in quetzals)
Interest: 1% for 10 years, 2% subsequently

Borrower: CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION

The per capita consumption of basic grains—corn, beans, rice and sorghum—in the five Central American republics is one of the highest in the world and of an estimated 970,000 farms in the five countries—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua—912,000 are family-sized units which are devoted primarily to the cultivation of basic grains.

A lack of storage capacity has been a serious obstacle to the orderly marketing of grains throughout the region. Of the five republics, Guatemala, which is the largest producer of basic grains, has the smallest per capita grain storage capacity. Guatemala's estimated 1973 production was 784,000 metric tons, roughly 40 per cent of the regional total, but storage capacity was only 18,100 metric

tons, less than 7 per cent of the total.

This loan, which was extended to the Central American Bank for Economic Integration (CABEI), will enable the *Instituto Nacional de Comercialización Agrícola (INDECA)*, a Guatemalan Government agency, to build the facilities needed to increase national grain storage capacity by 36,700 metric tons and to construct and equip purchasing centers throughout the country with a combined installed capacity of 13,750 metric tons. The project forms part of a regional Central American grain storage program.

The total cost of the program is estimated at \$15.9 million, of which the Bank loan will cover 43 per cent, local sources 30.5 per cent and CABEI 26.5 per cent.

EXPORT FINANCING

In September 1963 the Inter-American Bank adopted a program to help finance exports of capital goods among its Latin American member countries as a means of stimulating the growth of the capital goods industries in Latin America and fostering its economic integration by helping to increase regional trade. The program was initiated with \$30 million earmarked for the purpose from the ordinary capital resources. Through subsequent increments the earmarked sum has been raised to \$60 million.

Under the program, the Bank extends revolving lines of credit, as well as special non-revolving credits, to specially designated national agencies which discount at the Bank credit instruments they issue at medium terms (generally 180 days to five years). Up to 85 per cent of the credits granted by the national agency may be refinanced with the Inter-American Bank.

Goods eligible for financing under the program must originate in the exporting country. They are considered to have so originated when they are manufactured with raw materials or parts produced in the respective country or in any other Latin American member coun-



SUNLIGHT AND AIR bathe this municipal market in San Salvador which was built with the help of a Bank loan that is modernizing the city's retail and wholesale market section.

try or when manufactured with imported components from outside the Latin American membership, provided that the final manufacturing process is undertaken in the country and that the imported component is less than 50 per cent of the FOB invoice value.

Through 1973 the program had benefited the capital goods export systems of Argentina, Bolivia, Brazil, Mexico, Peru and Venezuela, with Brazil, Mexico and Argentina being the chief exporters. Virtually all of the Bank's Latin American member countries have been importers under the program, the chief among them being Argentina, Colombia and Chile.

Due to the revolving nature of the lines of credit, the Bank's total disbursements under the program as of Dec. 31, 1973, amounted to \$86 million. That amount helped finance exports with a total invoice value of \$134 million.

Some of the leading exports financed under the program have been machinery and equipment for the petrochemical and the pulp and paper industries; construction machinery and equipment; telephone exchanges and instruments; steel pipe and plates; goods and services for the construction of a pier, sugar mills and oil pipelines; automotive vehicles and parts;

railway equipment, and machine tools.

During 1973, the following activity in the program took place.

Argentina—A revolving line of credit originally extended to the *Banco Central de la República Argentina* in 1964 was augmented through repayments by \$953,600 during 1973.

Bolivia—A revolving credit extended in 1972 to the *Banco del Estado*, to provide financing for the export of red quebracho railroad ties to Argentina, was augmented through repayments by \$28,400.

Brazil—A revolving line of credit opened in favor of the *Banco do Brasil* in 1964, was increased through repayments by a further \$6,759,000 in 1973.

Mexico—A consolidated revolving line of credit originally initiated with *Nacional Financiera, S.A.*, in 1964 was augmented through repayments in 1973 by a total of \$1,466,500.

Peru—A special credit amounting to \$980,000 was extended to the *Banco Industrial del Perú* during 1973 to finance the export to Chile of deck equipment for fishing vessels.

TECHNICAL COOPERATION

Legume Cultivation Seminar

Social Progress Trust Fund
\$23,000 nonreimbursable cooperation of
Feb. 21, 1973

The *Centro Internacional de Agricultura Tropical (CIAT)*, an international agricultural center located in Colombia, con-

LOANS AND TECHNICAL COOPERATION

ducts research designed to increase quality and yields of basic foodstuffs and animal products in low tropical regions and provides training in tropical farming.

Within the latter framework, this cooperation helped finance a seminar for approximately 50 participants from 16 member countries of the Bank regarding the possibilities of improving production, marketing and utilization of beans and other legumes. These products constitute one of the main sources of protein for low-income families.

Training in Public Administration

Social Progress Trust Fund
\$48,000 nonreimbursable cooperation of
April 30, 1973

Since its establishment the Bank has placed heavy emphasis on programs to provide training in public administration to enhance the ability of its member countries to carry out economic and social development programs. In 1963, with the support of the Government of Brazil and the Bank, the Getulio Vargas Foundation of Rio de Janeiro established the Inter-American School of Public Administration (*EIAP*), which in the past decade has trained more than 800 students from other Latin American nations, in addition to those attending from Brazil, with the assistance of Bank technical cooperation.

This additional cooperation in 1973 financed 25 scholarships for non-Brazilian participants from public service careers in the less developed countries. Of these scholarships, 10 were for a course in development administration and 15 for a course in project administration.

Loan Administration Courses

Fund for Special Operations
\$48,390 nonreimbursable cooperation of
July 5, 1973

During 1972 and 1973 the Bank offered



WELCOME BREAK FROM CLASS is enjoyed by these students at Central American University of José Simeón Cañas in San Salvador. A Bank loan helped build this modern classroom building.

nine courses on Bank policies and loan administration procedures designed to train Latin American personnel in the effective administration of its loans. The courses, which were held in Latin America, were attended by nationals of 11 member countries.

This new technical cooperation was allocated to an additional six intensive courses scheduled for 1973-74 in different member countries of the Bank.

Course on Agro-Industrial Projects

Social Progress Trust Fund
\$62,500 nonreimbursable cooperation of
Dec. 6, 1973

Both the World Bank through its Economic Development Institute and the Inter-American Bank through its Training Division carry out a number of courses designed to improve the development expertise of officials of their member countries.

Courses connected with the preparation and evaluation of development projects have merited particular attention from both Banks, which for some time have been considering methods of coordinating their training activities.

This technical cooperation will help finance the first of these joint efforts. It will cover half the cost, with the World Bank financing the other half, of a nine-week course on agro-industrial projects to be carried out for some 25 Latin American officials during mid-1974.

The first seven weeks would take place at the headquarters of the two Banks in Washington; the final two would involve field work in a Latin American member country. The course will focus on an integrated analysis of the critical aspects of agro-industrial projects, particularly supply of raw materials, their processing and the marketing of the final product.

Technical Cooperation Missions

Fund for Special Operations
\$60,000 nonreimbursable cooperation of
March 15, 1973

In late 1972 and early 1973 the Bank sent short-term missions to six member countries at their request to advise them

on matters related to the process of economic planning, the formulation of investment strategies, the preparation of loan requests and the analysis of technical cooperation requirements.

This additional technical cooperation was allocated to the execution of short-term missions in the Bank's member countries during 1973. Such missions are designed to provide advice on matters related to economic planning and the formulation of investment strategies; to help draft loan requests or strengthen borrowing institutions; to survey technical cooperation needs, and to provide cooperation in emergency situations such as the Nicaraguan earthquake.

Agricultural Studies

Fund for Special Operations
\$25,000 nonreimbursable cooperation of
Nov. 8, 1973

Social Progress Trust Fund
\$145,100 nonreimbursable cooperation of
Nov. 8, 1973

Since 1965 the Inter-American Bank has had an Agreement on Coordination of Activities with the United Nations Food and Agriculture Organization (FAO). Under the Agreement the Bank has utilized the expertise of FAO in identifying, preparing and evaluating projects in the agricultural, forestry and fisheries fields.

This new cooperation, totaling \$170,100, will be devoted to additional projects to be carried out with the assistance of FAO. They include the preparation of a project for the agro-forestry development of the forest-rich Olancho region of Honduras; for the identification of fishery projects in El Salvador, Guatemala, Honduras and Nicaragua and for short-term missions designed to select projects and studies to be carried out in the future.

Study of LAFTA Bankers' Acceptances

Fund for Special Operations
\$50,000 nonreimbursable cooperation of
Dec. 6, 1973

The subject of the establishment of a market for Latin American bankers' acceptances has been discussed by the Coun-



STUDENT RECORDS RESULTS of slide observation at Universidad Nacional de Colombia. Laboratory equipment, such as this microscope, was purchased by the University with Bank financing.

cil on Financial and Monetary Policy of the Latin American Free Trade Association (LAFTA) since 1969. At the Tenth Meeting of the Council held in Rio de Janeiro in September 1973, 11 central banks signed an Agreement of Uniform Guarantees of Availability and Transferability for the LAFTA-Latin American Bankers' Acceptances.

This action was considered necessary for the marketing of acceptances in the world's financial markets. To facilitate such marketing, however, a legal study covering questions involved in the sale of the instruments in external markets, particularly the New York one, was deemed necessary by LAFTA.

In response to a LAFTA request, the Bank is providing this cooperation to carry out the study which, among other matters, will analyze the various factors affecting payment of these acceptances and determine whether they can be purchased and sold in the United States under the same rules applicable to the sale of domestic acceptances.

LOANS AND TECHNICAL COOPERATION

Betterment Tax Study

Fund for Special Operations
\$75,000 nonreimbursable cooperation of
Dec. 20, 1973

The *Centro Interamericano de Administradores Tributarios (CIAT)* is a 23-nation inter-American center based in Panama which seeks to foster the improvement of tax administration in the Western Hemisphere.

As a result of a decision taken at its Fourth Technical Seminar on Land Tax Administration, *CIAT* requested the Bank to provide this technical cooperation for a study of methods of financing public works through tax recoveries stemming from increments produced in the value of property when such works are carried out.

During the study, experiences of countries which have betterment tax laws would be considered, the framework for the preparation of model laws would be laid and the role of betterment taxes in fiscal policy would be analyzed.

Institute for Latin American Integration

Fund for Special Operations
\$300,000 nonreimbursable cooperation of
Oct. 25, 1973

Social Progress Trust Fund
\$210,000 nonreimbursable cooperation of
Oct. 25, 1973

As part of its support for Latin America's economic integration, the Inter-American Bank in 1964 established the Institute for Latin American Integration (*INTAL*) in Buenos Aires.

The Institute's activities are financed by three major sources: the Bank (through technical cooperation provided from its Fund for Special Operations and the Social Progress Trust Fund which it administers for the United States), the Argentine Government and contributions from the Bank's other member countries. This allocation represents the Bank's contribution to the Institute's operations for 1973. A review of *INTAL*'s 1973 activities is contained in an appendix at the end of this Report. In addition, Canada became a contributor to *INTAL*'s operations in 1973.

FINANCIAL STATEMENTS

ORDINARY CAPITAL

FUND FOR SPECIAL OPERATIONS

SOCIAL PROGRESS TRUST FUND

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors
Inter-American Development Bank

We have examined the financial statements appearing on pages 72 through 83 of this report of the Inter-American Development Bank—Ordinary Capital as of December 31, 1973 and 1972 and for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The method of accounting for the income and expenses relating to the special supervision and inspection of loans was changed in 1973, as described in Note H to the financial statements.

In our opinion, the financial statements examined by us present fairly, in terms of United States currency, the financial position of Inter-American Development Bank—Ordinary Capital at December 31, 1973 and 1972, the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles. These principles have been consistently applied during the periods except for the change, with which we concur, referred to in the preceding paragraph.

Price Waterhouse & Co.

PRICE WATERHOUSE & CO.

Washington, D.C.
February 7, 1974

FINANCIAL STATEMENTS

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ORDINARY CAPITAL RESOURCES

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

ASSETS	1973		1972	
Cash				
Unrestricted				
Member currencies.....	\$ 84,118		\$ 60,391	
Non-member currencies.....	4,982		956	
Restricted (Note C)				
Member currencies.....	20,002	\$ 109,102	16,306	\$ 77,653
Investments (Note A)				
Obligations issued or guaranteed by governments, at cost or amortized cost (face amount \$58,874; 1972—\$18,106).....	58,860		18,009	
Time deposits				
United States and Canadian dollars.....	538,625		461,226	
Non-member currencies.....	156,830	754,315	271,046	750,281
Loans outstanding held by Bank (Note D) (Appendix I-1)				
Total loans approved by Bank since inception, less cancellations.....	2,651,667		2,161,829	
Less undisbursed balance of approved loans held by Bank.....	(1,106,837)		(872,019)	
Less principal collected by Bank and loans sold or agreed to be sold.....	(491,299)	1,053,531	(407,781)	882,029
Accrued interest and other charges				
Investments.....	28,411		17,741	
Loans.....	21,213	49,624	17,897	35,638
Due from members in member currencies (Note I)				
Capital subscriptions (Appendix I-3).....	16,085		29,402	
Non-negotiable, non-interest-bearing demand obligations (Appendix I-3).....	281,245		214,840	
Amounts required to maintain value of currency holdings (Note B).....	102,398	399,728	12,465	256,707
Other Assets				
Land, building and improvements, at cost less accumulated depreciation \$1,411; 1972—\$1,261 (Note A).....	10,424		8,866	
Unamortized funded debt issue costs (Note A).....	11,685		11,514	
Advance paid-in capital quotas.....	—		4,720	
Miscellaneous (Note E).....	15,607	37,716	10,167	35,267
Special Reserve assets (Notes B and F)		58,477		43,320
Total assets.....		<u>\$ 2,462,493</u>		<u>\$ 2,080,895</u>

BALANCE SHEET

DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

LIABILITIES, SPECIAL RESERVE AND CAPITAL

	1973	1972
Liabilities		
Funded debt, less unamortized debt discount (Notes A and G) (Appendix I-2).....	\$ 1,253,280	\$ 1,130,812
Other liabilities and credits		
Accrued interest on borrowings.....	\$ 22,164	\$ 18,487
Accounts payable and accrued expenses.....	6,005	1,750
Mortgage payable.....	3,306	3,491
Deferred credits (Note E).....	5,010	—
Fund for Special Supervision and Inspection of Loans (Note H).....	—	3,914
Advance paid-in capital quotas.....	— 36,485	4,720 32,362
Special Reserve (Note F).....	58,477	43,320
Capital		
Capital Stock (Note I) (Appendix I-3)		
Authorized 515,000 shares of \$10,000 par value in terms of 1959 U.S. dollars		
Subscribed 473,360.8 shares; 1972—402,779.9.....	5,710,356	4,373,022
Less callable portion.....	(4,778,796)	(3,640,923)
	931,560	732,099
General Reserve (Note K).....	182,691 1,114,251	142,302 874,401
Commitments (Note L)		
Total liabilities, Special Reserve and Capital.....	<u>\$ 2,462,493</u>	<u>\$ 2,080,895</u>

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF INCOME AND GENERAL RESERVE

YEARS ENDED DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

	1973	1972
Income		
From loans		
Interest.....	\$ 59,895	\$ 46,470
Commitment fees.....	9,668	8,885
Commissions.....	9,785	7,973
Supervision and inspection fees (Note H).....	2,446	—
	\$ 81,794	\$ 63,328
From investments.....	57,953	41,260
From other sources (net), principally gain on purchases of funded debt (Note A).....	2,385	2,404
Gross income.....	142,132	106,992
Less—Commissions allocated to Special Reserve (Note F).....	(9,785)	(7,973)
Gross income less allocation to reserve.....	132,347	99,019
Expenses		
Funded debt expenses.....	81,991	67,911
Administrative expenses (Note A)		
Salaries.....	8,428	6,463
Other compensation and benefits (Note J).....	2,829	2,243
Office occupancy (Note L).....	1,582	902
Other.....	3,719	2,612
	16,558	12,220
Less—amounts charged to Social Progress Trust Fund for indirect and overhead expenses by Bank as Administrator.....	(143)	(173)
Total administrative expenses.....	16,415	12,047
Total expenses.....	98,406	79,958
Income before the cumulative effect of change in accounting method.....	33,941	19,061
Cumulative effect on prior years of changing the method of accounting for supervision and inspection of loans (Note H).....	3,914	—
Net income	37,855	19,061
General Reserve beginning of year	142,302	122,105
Special credit arising from maintaining value of currency holdings (Note B)	2,534	1,136
General Reserve end of year	\$ 182,691	\$ 142,302

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

Source of funds	1973	1972
Provided from operations		
Net income.....	\$ 37,855	\$ 19,061
Add—expenses not requiring the outlay of cash.....	9,498	5,612
Deduct—income not providing cash funds, principally in 1973 increase in accrued interest.....	(17,900)	(5,308)
Cash funds provided from operations.....	29,453	19,365
Special addition to General Reserve.....	2,534	1,136
Loan principal collections.....	88,690	80,420
Sales of loans to participants.....	3,539	2,672
Borrowings.....	130,432	176,105
Increase in funded debt resulting from currency revaluations.....	73,046	—
Subscriptions to "paid-in" capital.....	97,914	202,178
Increase in "paid-in" capital resulting from maintenance of value adjustments.....	101,547	57,795
Other.....	631	1,134
Total source of funds.....	<u>527,786</u>	<u>540,805</u>
Application of funds		
Loan disbursements.....	224,241	185,813
Payment of loan principal collections to participants.....	4,833	6,565
Increase in loans outstanding resulting from currency revaluations.....	34,657	—
Retirement of funded debt.....	81,195	55,293
Subscriptions to "paid-in" capital and maintenance of value adjustments billed to members, net of cash collections.....	143,021	201,116
Other.....	4,356	3,128
Total application of funds.....	<u>492,303</u>	<u>451,915</u>
Increase in cash funds, including an increase of \$40,332 in 1973 resulting from currency revaluations.....	<u>\$ 35,483</u>	<u>\$ 88,890</u>
Analysis of increase in cash funds		
Cash.....	\$ 31,449	\$(4,344)
Investments.....	4,034	93,234
	<u>\$ 35,483</u>	<u>\$ 88,890</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1973 AND 1972

NOTE A—SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The Bank (Ordinary Capital) maintains its accounting records on the accrual basis of accounting. Furniture and equipment purchases are charged directly to expense.

Translation of Currencies

The accounting records are maintained in current value United States dollars. Member currencies other than United States dollars are recorded on the basis of the rates at which the amounts were received or loaned by the Bank.

During 1972 non-member currencies were recorded at par value or central rates of exchange as applicable, which rates closely approximated market rates of exchange. However, during 1973 market rates of exchange fluctuated significantly from corresponding par values and central rates and, accordingly, market rates of exchange were used to record non-member currencies beginning January 1, 1973. No representation is made that any currency held by the Bank is convertible into any other currency at any rate or rates.

Exchange gains or losses are recorded under income from other sources when incurred. During 1973 the revaluations of non-member currencies resulted in an exchange loss of approximately \$929,000. During 1972 there were no significant exchange gains or losses.

Investments

Investments in obligations issued or guaranteed by governments are stated at cost adjusted for the amortization of premium or discount.

Land, Building and Improvements

Land, building and improvements are stated at cost. Major improvements are capitalized while routine replacements, maintenance and repairs are charged to expense. Depreciation is computed on the straightline method over estimated useful lives of 47 years for the building and 10 to 12 years for the improvements.

Debt Issue Costs and Discount

Costs and discount relating to the issuance of the funded debt are being amortized over the life of the issues under the bonds outstanding method.

Administrative Expenses

Substantially all administrative expenses of the Bank are allocated between the Ordinary Capital and the Fund for Special

Operations pursuant to an allocation method approved by the Board of Executive Directors. During 1973 such expenses were charged 42% to the Ordinary Capital and 58% to the Fund for Special Operations (1972—40% and 60% respectively).

Staff Retirement Plan

The Bank, as provided for by the Staff Retirement Plan, absorbs all operating expenses of the Plan and contributes that part of the actuarial cost not provided by the contributions of employees. Accrued costs under the Plan are charged to administrative expense when incurred.

NOTE B—MAINTENANCE OF VALUE

In accordance with the Agreement Establishing the Bank (Agreement), each member is required to maintain the value of its currency held by the Bank, except for currency derived from borrowings by the Bank. Likewise, the Bank (Ordinary Capital) is required to return to a member an amount of its currency equal to any significant increase in value of such member's currency which is held by the Bank, except for currency derived from borrowings by the Bank. The standard of value for these purposes is the United States dollar of the weight and fineness in effect on January 1, 1959. The Agreement also provides that these maintenance of value provisions may be waived by the Bank when a uniform proportionate change in the par value of the currencies of all the Bank's members is made by the International Monetary Fund.

On October 18, 1973 and May 8, 1972, the United States dollar was officially devalued by approximately 11.11% and 8.57%, respectively. As a result of these actions and similar actions by other member countries, the Bank requested the member countries to pay \$104,081,000 in 1973 and \$58,931,000 in 1972 to maintain the value of their respective currencies held by the Bank, excepting currencies held which were derived from borrowings. The portions of these amounts required to adjust the "paid-in" capital by the same percentages (\$101,547,000 in 1973 and \$57,795,000 in 1972) were credited to individual members on a proportional basis in order to reflect the value of the "paid-in" capital in terms of current United States dollars. The differences of \$2,534,000 in 1973 and \$1,136,000 in 1972 were credited to the General Reserve.

In addition, \$5,372,000 in 1973 and \$2,824,000 in 1972 were charged to members to maintain the value of Special

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1973 AND 1972

(continued)

Reserve currency holdings.

Payments by member countries on account of maintenance of value adjustments may be made in the form of cash or non-negotiable, non-interest-bearing demand obligations. Amounts still due from members are shown in the accompanying balance sheet as "amounts required to maintain value of currency holdings".

NOTE C—RESTRICTED CURRENCIES

In accordance with the provisions of the Agreement, the use of these currencies by the Bank or any recipient from the Bank has been restricted by members to making payments for goods and services produced in their territories.

NOTE D—LOANS OUTSTANDING HELD BY BANK

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

Under the loan contracts with the borrowers, the Bank may sell participations in the loans to commercial banks or other public or private organizations, but it reserves to itself the administration of the loans.

Loans approved by the Bank are disbursed to borrowers in accordance with the requirements of the project being financed under the loans; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank. Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse approximately \$47,300,000 at December 31, 1973 and \$28,500,000 at December 31, 1972.

NOTE E—MISCELLANEOUS ASSETS AND DEFERRED CREDITS

One of the Bank's borrowers, a private enterprise in Brazil, defaulted on the interest and principal payments due in June 1966 on two loans. After extensive legal proceedings, the Bank executed an agreement with the borrower in November 1972, which provides for transfer of the assets of the borrower to the Bank and the subsequent sale of such part of the assets necessary to liquidate the indebtedness including unpaid principal, accrued interest and expenses incurred by the Bank. Any assets remaining after satisfaction of the in-

debtedness would be returned to the borrower.

In August 1973 the Bank sold a portion of the property for the equivalent of \$17,016,000 of which \$2,400,000 has been collected. The remaining balance plus interest is collectible in quarterly installments through 1977.

At December 31, 1973 the amount of \$13,210,000 representing the unpaid principal of the loans, plus accrued interest and reimbursable expenses as of that date is shown under Miscellaneous Assets. The amount of \$5,010,000 representing interest accrued since November 1966 and reimbursable expenses incurred in prior years is shown as Deferred Credits. The Bank expects to fully recover the total indebtedness, and plans to record these deferred credits in income when future collections are received from the sale of the properties.

NOTE F—SPECIAL RESERVE

Under a provision of the Agreement, the amount of commissions earned by the Bank on loans made out of the Ordinary Capital resources is required to be segregated as a special reserve for meeting the Bank's obligations created by borrowing or by guaranteeing loans. On all loans granted to date the rate of commission is 1% per annum.

The Special Reserve assets consist of the following:

	December 31	
	1973	1972
	(in thousands)	
Cash.....	\$ 389	\$ 51
Investments in United States Government obligations, at cost or amortized cost (face amount \$47,808; 1972—\$37,858).....	46,896	37,829
Accrued loan commissions.....	3,002	2,616
Non-negotiable, non-interest-bearing demand obligations	2,824	2,824
Amounts required to maintain value of currency holdings (Note B)	5,366	—
	<u>\$58,477</u>	<u>\$43,320</u>

NOTE G—FUNDED DEBT

Funded debt of the Bank consists of borrowings in United States dollars, including short-term borrowings principally from central banks of Latin American members, and in non-member currencies, at interest rates ranging from 4% to 8 $\frac{7}{8}$ %.

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1973 AND 1972
(continued)

Sinking fund requirements and funded debt maturities subsequent to December 31, 1973 are approximately equivalent to the following:

<u>Year</u>	<u>Amount</u> <i>(in thousands)</i>
1974	\$ 54,471
1975	105,239
1976	71,655
1977	72,378
1978	84,809
1979/83	429,556
1984/88	291,789
1989/93	118,774
1994/95	31,000
	<u>\$1,259,671</u>

The Bank has entered into agreements with the Export-Import Bank of Japan and with Banco de España which provide that the Bank may borrow up to an additional \$5,714,000 in Japanese yen and \$5,751,000 in Spanish pesetas, not included above.

The weighted average face value interest rates on the outstanding principal of the Bank's funded debt for 1973 and 1972 approximate 6.49% and 6.36% respectively. The weighted average effective interest rates on the outstanding principal of the funded debt, after deducting discount, approximate 6.59% for 1973 and 6.45% for 1972. The amortization of discount amounted to \$844,000 in 1973 and \$709,000 in 1972.

NOTE H—SUPERVISION AND INSPECTION OF LOANS

In accordance with the provisions of the loan contracts, borrowers are charged a special fee to cover the costs of supervision and inspection services performed in connection with projects financed under the loans. In 1972 and prior years the income and expenses associated with supervision and inspection of loans were recorded in a special fund called "Fund for Special Supervision and Inspection of Loans".

During 1973, the Board of Executive Directors decided that the functions of the Bank's field offices should be expanded to include, among other responsibilities, an increased participation in economic planning, preinvestment studies and technical cooperation projects in the member countries. In this connection, the Board of Executive Directors determined that the fees charged the borrowers for supervision and inspection services together with other income of the Bank will be available to cover expenses of supervision and inspection

of loans and expenses of the field offices, including those expenses relating to the expanded activities. Consequently, the Board of Executive Directors decided to transfer the January 1, 1973 balance of \$3,914,000 of the "Fund for Special Supervision and Inspection of Loans" to the regular income of the Bank and from that date to consider the charges to borrowers and the expenses of supervision and inspection of loans as part of the regular income and expenses of the Bank. The effect of the above was to increase net income for 1973 by \$378,000 in addition to the cumulative effect of the change in accounting method of \$3,914,000. If this method had been in effect in 1972, net income for that year would have been increased by \$1,102,000.

NOTE I—CAPITAL STOCK

In the Agreement Establishing the Bank, the authorized capital is expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1959. In these terms, the authorized ordinary capital at December 31, 1973 and 1972 was \$5,150,000,000 (515,000 shares of \$10,000 each) comprised of \$875,000,000 (87,500 shares) of "paid-in" capital and \$4,275,000,000 (427,500 shares) of "callable" capital.

The subscribed "paid-in" capital has been or is to be paid 50% in gold and/or United States dollars and 50% in the currency of the respective member, except for the subscription of Canada which is payable 100% in Canadian dollars; as permitted under the Agreement, non-negotiable, non-interest-bearing demand obligations have been or will be accepted in lieu of part of the member's subscription to the "paid-in" capital. The subscribed "callable" portion of the authorized ordinary capital shall be called only when required to meet the obligations of the Bank created by borrowing or by guaranteeing loans with respect to the Ordinary Capital and is payable at the option of the member either in gold, United States dollars or the currency required to discharge the obligations of the Bank for the purpose for which the call is made.

Authorized capital was increased in 1971 by amounts which, after the maintenance of value adjustments mentioned in Note B, would be equivalent to \$482,537,000 of "paid-in" capital and \$1,930,149,000 of "callable" capital, both in terms of current value United States dollars, of which \$16,394,000 of "paid-in" capital and \$57,241,000 of "callable" capital were unassigned. Subscriptions to the "paid-in" capital increase were to be made in three equal annual install-

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1973 AND 1972
(continued)

ments beginning in 1971, except that subscriptions are permitted in five equal annual installments beginning in 1971 for members whose subscriptions to the increase were \$12,063,000 or less. Subscriptions to the "callable" capital increase were to be made in two equal installments, the first in 1971 and the second in 1973. At December 31, 1973 members had sub-

scribed to a total of \$2,084,450,000 (1972—\$1,109,703,000) of which \$414,666,000 (1972—\$266,894,000) were "paid-in" capital and \$1,669,784,000 (1972—\$842,809,000) were "callable" capital. The 1973 United States capital subscriptions of \$30,159,000 of "paid-in" capital and \$203,124,000 of "callable" capital were made on January 4, 1974.

The following table summarizes the changes in the subscribed capital for the two years ended December 31, 1973:

	Subscribed Capital			
	Shares	Amount (Thousands of United States dollars)		
		"Paid-in"	"Callable"	Total
Balance at December 31, 1971	346,594.6	\$472,126	\$2,993,820	\$3,465,946
Capital subscribed by members during 1972 (in 1959 U. S. dollars)	56,185.3	202,178	359,675	561,853
Increase as a result of 1972 maintenance of value adjustments (Note B)	—	57,795	287,428	345,223
Balance at December 31, 1972	402,779.9	732,099	3,640,923	4,373,022
Capital subscribed by members during 1973 (in 1959 U. S. dollars)	70,580.9	97,914	607,895	705,809
Increase of 1973 capital subscription as a result of 1972 maintenance of value adjustments (Note B)	—	8,392	52,103	60,495
Increase as a result of 1973 maintenance of value adjustments (Note B)	—	93,155	477,875	571,030
Balance at December 31, 1973	473,360.8	\$931,560	\$4,778,796	\$5,710,356

NOTE J—STAFF RETIREMENT PLAN

The Bank has a Staff Retirement Plan for the benefit of its employees. Every staff member under age 65 becomes a participant as a condition of service and contributes a percentage of his remuneration to the Plan. Bank contributions to the plan during 1973 and 1972 were \$2,534,000 and \$2,292,000

respectively, which were charged to administrative expenses and allocated between funds as indicated in Note A. There was no unfunded liability as of December 31, 1972, the latest date through which actuarial computations have been made for the Plan.

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1973 AND 1972
(continued)

NOTE K—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.

December 31, 1973 (net of amounts under sublease agreements), are as follows:

1974	\$1,630,000
1975	1,510,000
1976	1,410,000
1977	1,400,000
1978	350,000

NOTE L—LEASES

The Bank rents certain of its office facilities under lease agreements which expire at various dates through 1978. The estimated annual rentals through 1978, under leases in effect at

Office rental expense (net of amounts received under subleases) was \$2,094,000 in 1973 and \$1,505,000 in 1972. Such amounts were allocated between funds as set forth in Note A.

SUMMARY STATEMENT OF LOANS

DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

Member in whose territory loans have been made	Total loans approved by Bank since inception, less cancellations	Principal collected by 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 collectible		
				Total	Undisbursed	Outstanding	United States dollars	Members' currencies	Non-member currencies
Argentina.....	\$ 480,253	\$ 80,190	\$ 7,140	\$ 392,923	\$ 199,988	\$ 192,935	\$ 70,202	\$ 19,502	\$103,231
Bolivia.....	68,766	28	—	68,738	47,525	21,213	11,526	—	9,687
Brazil.....	878,226	105,187	17,365	755,674	456,175	299,499	174,982	33,969	90,548
Chile.....	107,179	43,550	6,245	57,384	2,199	55,185	28,502	4,881	21,802
Colombia.....	314,918	40,121	4,257	270,540	165,741	104,799	38,424	4,007	62,368
Costa Rica.....	15,416	7,992	1,521	5,903	285	5,618	3,862	197	1,559
Dominican Republic.....	6,379	3,843	200	2,336	—	2,336	759	511	1,066
Ecuador.....	24,185	2,674	257	21,254	9,217	12,037	8,990	467	2,580
El Salvador.....	7,059	3,605	251	3,203	—	3,203	2,654	240	309
Guatemala.....	10,836	6,197	725	3,914	—	3,914	3,725	—	189
Honduras.....	460	400	60	—	—	—	—	—	—
Jamaica.....	7,382	—	—	7,382	6,050	1,332	43	—	1,289
Mexico.....	444,686	63,696	15,586	365,404	139,981	225,423	62,130	20,389	142,904
Nicaragua.....	17,917	4,496	1,794	11,627	1,699	9,928	7,125	780	2,023
Panama.....	1,517	357	—	1,160	—	1,160	714	382	64
Paraguay.....	6,200	3,006	429	2,765	—	2,765	1,884	472	409
Peru.....	53,522	12,803	6,897	33,822	11,169	22,653	13,784	2,339	6,530
Trinidad and Tobago.....	1,284	—	—	1,284	1,167	117	—	3	114
Uruguay.....	60,882	11,414	951	48,517	32,192	16,325	12,599	1,323	2,403
Venezuela.....	126,215	27,228	6,601	92,386	33,050	59,336	14,206	11,321	33,809
Regional.....	18,385	3,233	1,000	14,152	399	13,753	8,725	—	5,028
Total 1973.....	\$2,651,667	\$420,020	\$ 71,279	\$2,160,368	\$1,106,837	\$1,053,531	\$464,836	\$100,783	\$487,912
Total 1972.....	\$2,161,829	\$336,163	\$ 71,618	\$1,754,048	\$ 872,019	\$ 882,029	\$498,736	\$ 90,903	\$292,390

The following table summarizes the non-member currencies in which the outstanding portion of approved loans held by the Bank is collectible:

Currencies	1973	1972
Austrian Schilling.....	\$ 15,385	\$ 10,499
Belgian Franc.....	6,159	5,199
Deutsche Mark.....	155,520	89,709
French Franc.....	8,233	—
Italian Lire.....	51,600	48,294
Japanese Yen.....	108,155	67,991
Netherland Guilder.....	17,778	14,721
Pound Sterling.....	3,173	3,864
Spanish Peseta.....	8,038	—
Swedish Kronor.....	9,283	5,010
Swiss Franc.....	104,588	47,103
	<u>\$487,912</u>	<u>\$292,390</u>

STATEMENT OF FUNDED DEBT

DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

Payable in	Face value interest rate range	Due Dates	Principal outstanding	
			1973	1972
Austrian Schillings.....	6¾%—7%	1980–1983	\$ 21,687	\$ 19,024
Belgian Francs.....	7%—7½%	1982–1986	16,750	15,619
Deutsche Marks.....	5½%—8½%	1976–1987	274,627	233,632
French Francs.....	8%—8½%	1989–1992	43,129	39,095
Italian Lire.....	5%—6%	1982–1989	69,835	75,103
Japanese Yen.....	5%—7½%	1978–1988	106,429	67,890
Netherland Guilders.....	7%—8%	1986–1988	23,239	20,341
Pounds Sterling.....	5½%—8⅞%	1975–1989	8,557	11,474
Spanish Pesetas.....	6%	1985	8,162	—
Swiss Francs.....	5½%—6¾%	1981–1988	116,923	79,427
Swedish Kronor.....	7½%—8%	1979–1982	17,778	16,622
United States dollars.....	4%—8⅝%	1974–1995	552,555	559,161
			<u>1,259,671</u>	<u>1,137,388</u>
Less—Unamortized debt discount.....			(6,391)	(6,576)
Total.....			<u>\$1,253,280</u>	<u>\$1,130,812</u>

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

Member	Shares	Percent of total shares	Total subscribed capital	Paid-in portion of subscribed capital		Callable portion of subscribed capital	Number of votes	Percent of total number of votes	Due from members	
				United States dollars	Member currencies				Paid-in capital subscriptions	Non-negotiable, non-interest-bearing demand obligations
Argentina.....	58,850.0	12.43	\$ 709,933	\$ 62,211	\$ 62,211	\$ 585,511	58,985.0	12.38		\$ 48,567
Barbados.....	704.0	.15	8,493	1,249	1,249	5,995	839.0	.18		1,116
Bolivia.....	4,558.4	.97	54,990	3,995	3,995	47,000	4,693.4	.98		4,265
Brazil.....	58,850.0	12.43	709,933	62,211	62,211	585,511	58,985.0	12.38		
Canada.....	24,268.0	5.13	292,755	—	48,254	244,501	24,403.0	5.12	\$ 16,085	14,476
Chile.....	16,160.0	3.42	194,945	17,082	17,082	160,781	16,295.0	3.42		14,635
Colombia.....	16,146.0	3.41	194,776	17,070	17,070	160,636	16,281.0	3.41		6,944
Costa Rica.....	2,279.2	.48	27,496	1,998	1,998	23,500	2,414.2	.51		611
Dominican Republic.....	3,041.6	.64	36,692	2,663	2,664	31,365	3,176.6	.66		
Ecuador.....	3,041.6	.64	36,692	2,664	2,663	31,365	3,176.6	.66		
El Salvador.....	2,279.2	.48	27,496	1,998	1,998	23,500	2,414.2	.51		1,267
Guatemala.....	3,041.6	.64	36,692	2,663	2,664	31,365	3,176.6	.66		
Haiti.....	2,279.2	.48	27,495	1,998	1,998	23,499	2,414.2	.51		1,358
Honduras.....	2,279.2	.48	27,495	1,998	1,998	23,499	2,414.2	.51		
Jamaica.....	3,041.6	.64	36,692	2,664	2,663	31,365	3,176.6	.66		2,610
Mexico.....	37,830.0	7.99	456,359	39,990	39,990	376,379	37,965.0	7.97		
Nicaragua.....	2,279.2	.48	27,495	1,998	1,997	23,500	2,414.2	.51		
Panama.....	2,279.2	.48	27,495	1,997	1,998	23,500	2,414.2	.51		1,267
Paraguay.....	2,279.2	.48	27,495	1,997	1,998	23,500	2,414.2	.51		1,355
Peru.....	7,609.6	1.61	91,798	6,668	6,669	78,461	7,744.6	1.62		2,644
Trinidad and Tobago.....	2,279.2	.48	27,495	1,998	1,997	23,500	2,414.2	.51		1,798
United States.....	180,366.0	38.11	2,175,833	331,745	—	1,844,088	180,501.0	37.87		150,530
Uruguay.....	6,088.8	1.29	73,451	5,337	5,336	62,778	6,223.8	1.31		1,628
Venezuela.....	31,530.0	6.66	380,360	33,331	33,332	313,697	31,665.0	6.64		26,174
Total 1973.....	473,360.8	100.00	\$5,710,356	\$607,525	\$324,035	\$4,778,796	476,600.8	100.00	\$ 16,085	\$281,245
Total 1972.....	402,779.9	100.00	\$4,373,022	\$480,049	\$252,050	\$3,640,923	406,019.9	100.00	\$ 29,402	\$214,840

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Governors
Inter-American Development Bank

We have examined the financial statements appearing on pages 86 through 93 of this report of the Inter-American Development Bank—Fund for Special Operations as of December 31, 1973 and 1972 and for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The method of accounting for the income and expenses relating to the special supervision and inspection of loans was changed in 1973, as described in Note F to the financial statements.

In our opinion, the financial statements examined by us present fairly, in terms of United States currency, the financial position of Inter-American Development Bank—Fund for Special Operations at December 31, 1973 and 1972, the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles. These principles have been consistently applied during the periods except for the change, with which we concur, referred to in the preceding paragraph.

Price Waterhouse Co.
PRICE WATERHOUSE & CO.

Washington, D.C.
February 7, 1974

FINANCIAL STATEMENTS

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FUND FOR SPECIAL OPERATIONS

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

	1973		1972	
ASSETS				
Cash				
Unrestricted member currencies.....	\$ 433,387		\$ 319,885	
Restricted member currencies (Note C).....	93,331	\$ 526,718	71,300	\$ 391,185
Investments				
Obligations of Governments, at amortized cost (face amount \$8,275; 1972—\$8,038) (Note A).....	8,133		7,913	
Time deposits in Canadian dollars.....	50,514	58,647	21,887	29,800
Loans outstanding held by Bank (Note D) (Appendix II-1)				
Total loans approved by Bank since inception, less cancellations.....	3,063,730		2,687,141	
Less undisbursed balance of approved loans held by Bank.....	(1,472,964)		(1,407,887)	
Less principal collected by Bank and loans sold or agreed to be sold.....	(359,278)	1,231,488	(272,004)	1,007,250
Accrued interest and other charges				
Investments.....	1,234		66	
Loans.....	14,002	15,236	11,250	11,316
Due from members in member currencies				
Contribution quotas (Note G) (Appendix II-2).....	751,929		979,900	
Non-negotiable, non-interest bearing demand obligations including \$1,126,370 restricted (1972-\$1,311,770) (Notes C and G) (Appendix II-2).....	1,541,062		1,543,191	
Amounts required to maintain value of currency holdings (Note B).....	371,250	2,664,241	94,006	2,617,097
Other assets				
		2,206		646
Total assets.....		\$ 4,498,536		\$ 4,057,294
LIABILITIES, SPECIAL FUNDS AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses.....		\$ 1,207		\$ 1,244
Special letters of credit.....		7,943		2,760
Special funds				
Funds held in trust (Note E).....		963		1,416
Fund for Special Supervision and Inspection of Loans (Note F).....		—		2,739
Fund balance				
Contribution quotas authorized and subscribed (Notes C and G) (Appendix II-2).....	\$ 4,393,336		\$ 3,987,609	
General Reserve (Note H).....	95,087	4,488,423	61,526	4,049,135
Commitments (Note I)				
Total liabilities, special funds and fund balance.....		\$ 4,498,536		\$ 4,057,294

FUND FOR SPECIAL OPERATIONS

INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF INCOME AND GENERAL RESERVE

YEARS ENDED DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

	1973	1972*
Income		
From loans		
Interest.....	\$ 33,387	\$ 27,102
Commitment fees.....	7,336	7,685
Commissions.....	6,738	5,301
Supervision and inspection fees (Note F).....	3,513	—
	\$ 50,974	\$ 40,088
From investments.....	3,277	997
From other sources.....	274	256
Gross income.....	54,525	41,341
Expenses		
Administrative expenses (Note A)		
Salaries.....	11,639	9,694
Other compensation and benefits.....	3,906	3,365
Office occupancy.....	2,185	1,354
Other.....	4,830	3,573
	22,560	17,986
Less—amounts charged to Social Progress Trust Fund for indirect and overhead expenses by Bank as Administrator.....	(197)	(260)
Total administrative expenses.....	22,363	17,726
Income before technical cooperation expense and the cumulative effect of change in accounting method.....	32,162	23,615
Technical cooperation expense (Note I).....	(1,340)	(1,579)
Cumulative effect on prior years of changing the method of accounting for supervision and inspection of loans (Note F).....	2,739	—
Net income	33,561	22,036
General Reserve beginning of year	61,526	39,490
General Reserve end of year	\$ 95,087	\$ 61,526

* Reclassified for comparative purposes (Note I)

FUND FOR SPECIAL OPERATIONS

INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

	1973	1972*
Source of funds		
Provided from operations		
Net income.....	\$ 33,561	\$ 22,036
Deduct—income not providing cash funds.....	(6,659)	(1,957)
Cash funds provided from operations.....	26,902	20,079
Loan principal collections.....	56,284	45,315
Sales of loans to participant.....	34,029	26,368
Subscription to contribution quotas.....	109,451	1,451,253
Increase in contribution quotas resulting from maintenance of value adjustments.....	296,276	208,347
Other.....	—	591
Total source of funds.....	<u>522,942</u>	<u>1,751,953</u>
Application of funds		
Loan disbursements.....	306,329	276,635
Payment of loan principal collections to participant.....	3,039	2,194
Subscriptions to contribution quotas and maintenance of value adjustments billed to members, net of cash collections.....	47,144	1,283,317
Other.....	2,050	461
Total application of funds.....	<u>358,562</u>	<u>1,562,607</u>
Increase in cash funds.....	<u>\$ 164,380</u>	<u>\$ 189,346</u>
Analysis of increase in cash funds		
Cash.....	\$ 135,533	\$ 165,467
Investments.....	28,847	23,879
	<u>\$ 164,380</u>	<u>\$ 189,346</u>

* Reclassified for comparative purposes (Note I)

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1973 AND 1972

NOTE A—SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The Bank (Fund for Special Operations) maintains its accounting records on the accrual basis of accounting. Furniture and equipment purchases are charged directly to expense.

Translation of Currencies

The accounting records are maintained in current value United States dollars. Member currencies other than United States dollars are recorded on the basis of the rates at which the amounts were received or loaned by the Bank. No representation is made that any currency held by the Bank is convertible into any other currency at any rate or rates.

Investments

Investments in obligations of Governments are stated at cost adjusted for the amortization of premium or discount.

Administrative Expenses

Substantially all administrative expenses of the Bank are allocated between the Fund for Special Operations and the Ordinary Capital pursuant to an allocation method approved by the Board of Executive Directors. During 1973 such expenses were charged 58% to the Fund for Special Operations and 42% to the Ordinary Capital (1972—60% and 40% respectively).

NOTE B—MAINTENANCE OF VALUE

In accordance with the Agreement Establishing the Bank (Agreement), each member is required to maintain the value of its currency held by the Bank. Likewise, the Bank (Fund for Special Operations) is required to return to a member an amount of its currency equal to any significant increase in value of such member's currency which is held by the Bank. The standard of value for these purposes is the United States dollar of the weight and fineness in effect on January 1, 1959, except that the standard of value for currencies relating to the \$1,500,000,000 increase in contribution quotas which became effective in 1972 shall be the par value of the United States dollar in effect in the International Monetary Fund on the respective due date for each installment of the increase. The Agreement also provides that the maintenance of value provisions may be waived by the Bank when a uniform proportionate change in the par value of the currencies of all the Bank's members is made by the International Monetary Fund;

however, the Board of Governors has authorized the Bank to exercise such waiver in connection with the increase in contribution quotas referred to above in the event of a currency realignment involving a significant number of the Bank's members.

On October 18, 1973 and May 8, 1972, the United States dollar was officially devalued by approximately 11.11% and 8.57% respectively. As a result of these actions and similar actions by other member countries, the Bank has recorded the obligations of member countries to pay the equivalent of \$296,276,000 and \$208,347,000 in respect of the 1973 and 1972 devaluations respectively. These amounts were credited to contribution quotas authorized and subscribed. Pursuant to the authority granted by the Board of Governors, in October 1973 the Bank exercised the maintenance of value waiver provisions of the Agreement with respect to the first and second quotas of the increased contributions which were due on December 31, 1972 in the amount of \$825,000,000.

Payments by member countries on account of maintenance of value adjustments may be made in the form of cash or non-negotiable, non-interest-bearing demand obligations. Amounts still due from members are shown in the accompanying balance sheet as "amounts required to maintain value of currency holdings".

NOTE C—RESTRICTIONS ON CURRENCIES AND ON UNITED STATES CONTRIBUTIONS

In accordance with the provisions of the Agreement, the use of these currencies by the Bank or any recipient from the Bank has been restricted by the members to making payments for goods and services produced in their territories.

Pursuant to the same provisions, approximately \$2,860,000,000 (in terms of current United States dollars) of the contributions of the United States to the Fund for Special Operations have been or are 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 transactions would be advantageous to the borrowers.

NOTE D—LOANS OUTSTANDING HELD BY BANK

The Bank makes loans to its members, agencies or political subdivisions thereof or to private enterprises located in the

FUND FOR SPECIAL OPERATIONS

INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1973 AND 1972

(continued)

territories of its members. For loans to borrowers other than members or central banks, the Bank in most instances has received either the member's guarantee or other security deemed appropriate by the Bank.

The Board of Executive Directors has authorized participations by the Social Progress Trust Fund in the dollar or local currency portions of loans made from the Fund for Special Operations, provided that with respect to such loans, the provisions of the Social Progress Trust Fund Agreement have in substance been complied with as fully as though the loans had been made initially from the Trust Fund.

Loans approved by the Bank are disbursed to borrowers in accordance with the requirements of the project being financed under the loans; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank. Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse approximately \$45,300,000 at December 31, 1973 and \$40,000,000 at December 31, 1972.

NOTE E—FUNDS HELD IN TRUST

Funds held in trust include the undisbursed amounts of direct contributions by member countries, and contributions of the Fund for Special Operations and the Social Progress Trust Fund for the purpose of financing preinvestment studies in member countries and the activities of the Institute for Latin American Integration, which is a dependency of the Bank. Also included in funds held in trust is a fund established by the United Nations Development Programme, which is administered by the Bank.

NOTE F—SUPERVISION AND INSPECTION OF LOANS

In accordance with the provisions of the loan contracts, borrowers are charged a special fee to cover the costs of supervision and inspection services performed in connection with projects financed under the loans. In 1972 and prior years the income and expenses associated with supervision and inspection of loans were recorded in a special fund called "Fund for Special Supervision and Inspection of Loans".

During 1973, the Board of Executive Directors decided that the functions of the Bank's field offices should be expanded to include, among other responsibilities, an increased participation in economic planning; preinvestment studies and technical cooperation projects in the member countries. In this connection, the Board of Executive Directors determined that the fees charged to borrowers for supervision and inspection

services together with other income of the Bank will be available to cover expenses of supervision and inspection of loans and expenses of the field offices, including those expenses relating to the expanded activities. Consequently, the Board of Executive Directors decided to transfer the January 1, 1973 balance of \$2,739,000 of the "Fund for Special Supervision and Inspection of Loans" to the regular income of the Bank and from that date to consider the charges to borrowers and the expenses of supervision and inspection as regular income and expenses of the Bank. The effect of the above was to increase net income for 1973 by \$916,000 in addition to the cumulative effect of the change in accounting method of \$2,739,000. If this method had been in effect in 1972, net income for that year would have been increased by \$370,000.

NOTE G—CONTRIBUTION QUOTAS AUTHORIZED AND SUBSCRIBED

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-3 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.

Under the provisions of the Agreement, non-negotiable, non-interest-bearing demand obligations have been or will be accepted in lieu of the part of the payment of contribution quotas required to be made in the member's currency.

Canada became a member on May 3, 1972 and has paid the equivalent of \$40,000,000 in Canadian dollars at December 31, 1973 (1972—\$20,000,000); the final installment in the equivalent of \$20,000,000 is due in 1974. In addition the Canadian contribution quota is to be increased by collections after May 3, 1972 on loans extended from the Canadian Trust Fund (CAN\$74,000,000) which is administered by the Bank; as of December 31, 1973, \$704,000 (1972—\$234,000) has been collected and transferred to the Fund for Special Operations. All United States dollar amounts indicated in this paragraph are shown before the maintenance of value adjustment mentioned below.

Because of the realignment of currency exchange rates, which resulted in the maintenance of value adjustments described in Note B, the authorized and subscribed contribution quotas of the members were increased by \$296,276,000 in 1973 and \$208,347,000 in 1972. The members have been requested to pay \$215,037,000 relating to the 1973 adjust-

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1973 AND 1972
(continued)

ment and \$165,717,000 relating to the 1972 adjustment, which amounts have been credited to their respective authorized and subscribed contribution quotas. The differences of \$81,239,000 in 1973 and \$42,630,000 in 1972 represent payment obligations for maintenance of value of outstanding loans as of October 18, 1973 and May 8, 1972 which may be repaid in the currency disbursed or in the currency of the borrower at the option of the borrower. The Board of Executive Directors has interpreted the Agreement as placing responsibility for maintaining the value of these loans upon the member whose currency is eventually used for repayment. Accordingly the amounts of the differences have been credited to the authorized and subscribed contribution quotas without allocation to individual members, pending future collections which will determine the corresponding maintenance of value responsibility.

Included in the authorized contribution quotas is an increase of \$1,500,000,000 payable in the currencies of the respective members which became effective in December 1972, and fully subscribed at December 31, 1973. Pursuant to the approval of the Board of Governors, payments of the increase are to be made in terms of the par value of the United States dollar in effect at the respective quota payment date; such payments amounted to \$772,198,000 at December 31, 1973

(1972—\$455,975,000). The United States has subscribed to \$1,000,000,000 of the increase and paid \$275,000,000 at December 31, 1972; \$225,000,000 was paid on January 4, 1974 and payment of the balance of \$500,000,000 is subject to appropriation by the United States Congress.

The following table summarizes the changes in contribution quotas subscribed for the two years ended December 31, 1973:

	Contribution quotas subscribed
Balance at December 31, 1971	\$2,328,009,000
Subscriptions to contribution quotas during 1972	1,451,253,000
Increase as a result of 1972 maintenance of value adjustments (Note B)	208,347,000
Balance at December 31, 1972	3,987,609,000
Subscription to contribution quotas during 1973	109,451,000
Increase as a result of 1973 maintenance of value adjustments (Note B)	296,276,000
Balance at December 31, 1973	<u>\$4,393,336,000</u>

NOTE H—GENERAL RESERVE

Pursuant to actions of the Board of Governors, the net income of the Fund for Special Operations 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 I—TECHNICAL COOPERATION

Under the provisions 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 cooperation. At December 31, 1973 the amount approved by the Bank for non-reimbursable technical cooperation projects

which had not yet been disbursed at that date was \$4,883,000. Pursuant to resolutions of the Board of Executive Directors, all non-reimbursable technical cooperation expenditures incurred are charged to the net income of the Fund for Special Operations. In the statement of income and general reserve for the year ended December 31, 1973 these charges are shown before the amount designated net income and the statement of income and general reserve for the year ended December 31, 1972 has been reclassified for comparative purposes. The accumulated technical cooperation expenditures made by the Fund as of December 31, 1973 include \$941,000 which may be reimbursed to the Fund if loans are granted as a result of the respective technical cooperation projects.

SUMMARY STATEMENT OF LOANS

DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

Member in whose territory loans have been made	Total loans approved by Bank since inception, less cancellations	Principal collected by Bank	Loans sold	Approved loans held by Bank			Currency in which outstanding portion of approved loans held by Bank is collectible	
				Total	Undisbursed	Outstanding	United States dollars	Members' currencies
Argentina.....	\$ 229,543	\$ 9,061	\$ 13,265	\$ 207,217	\$ 115,806	\$ 91,411	\$ 1,938	\$ 89,473
Barbados.....	3,800	—	—	3,800	3,667	133	—	133
Bolivia.....	110,112	25,299	3,960	80,853	45,187	35,666	3,080	32,586
Brazil.....	559,431	42,207	34,348	482,876	198,915	283,961	7,730	276,231
Chile.....	163,173	19,152	17,463	126,558	34,034	92,524	332	92,192
Colombia.....	236,308	11,490	19,115	205,703	105,400	100,303	4,667	95,636
Costa Rica.....	62,339	2,525	4,086	55,728	36,545	19,183	4,179	15,004
Dominican Republic.....	113,195	2,971	3,391	106,833	70,922	35,911	3,459	32,452
Ecuador.....	164,762	6,563	2,580	155,619	129,784	25,835	1,200	24,635
El Salvador.....	69,663	289	3,350	66,024	53,388	12,636	102	12,534
Guatemala.....	89,222	2,306	3,660	83,256	49,435	33,821	—	33,821
Haiti.....	45,637	1,817	—	43,820	38,434	5,386	—	5,386
Honduras.....	78,701	7,989	4,706	66,006	35,189	30,817	12,857	17,960
Jamaica.....	43,300	—	—	43,300	30,741	12,559	—	12,559
Mexico.....	362,131	16,237	9,920	335,974	129,208	206,766	147,541	59,225
Nicaragua.....	87,998	5,742	8,971	73,285	51,981	21,304	11,897	9,407
Panama.....	85,243	5,283	8,845	71,115	38,633	32,482	1,323	31,159
Paraguay.....	122,270	7,445	1,100	113,725	55,796	57,929	2,133	55,796
Peru.....	169,119	8,301	21,134	139,684	73,392	66,292	42	66,250
Trinidad and Tobago.....	30,700	132	—	30,568	24,345	6,223	—	6,223
Uruguay.....	41,279	1,855	1,135	38,289	29,372	8,917	2,327	6,590
Venezuela.....	134,300	2,845	13,645	117,810	95,211	22,599	13,053	9,546
Regional.....	61,504	5,095	—	56,409	27,579	28,830	13,269	15,561
Total 1973.....	\$3,063,730	\$184,604	\$174,674	\$2,704,452	\$1,472,964	\$1,231,488	\$231,129	\$1,000,359
Total 1972.....	\$2,687,141	\$131,359	\$140,645	\$2,415,137	\$1,407,887	\$1,007,250	\$175,539	\$ 831,711

INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF CONTRIBUTION QUOTAS

DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

Member	Contribution quotas authorized and subscribed				Due from members	
	Before maintenance of value adjustments	Maintenance of value adjustments		Total	Contribution quotas	Non-negotiable, non-interest-bearing demand obligations
		1972	1973			
Argentina.....	\$ 224,067	\$ 9,209	\$ 13,043	\$ 246,319	—	\$ 153,981
Barbados.....	806	19	12	837	\$ 177	260
Bolivia.....	17,990	1,845	2,849	22,684	—	17,259
Brazil.....	224,067	11,633	18,273	253,973	—	—
Canada.....	60,704	5,142	7,435	73,281	24,127	—
Chile.....	61,522	3,539	6,007	71,068	—	29,923
Colombia.....	61,481	3,150	5,091	69,722	—	—
Costa Rica.....	8,994	469	761	10,224	—	—
Dominican Republic.....	11,993	626	1,124	13,743	—	—
Ecuador.....	11,993	552	827	13,372	—	—
El Salvador.....	8,994	378	539	9,911	—	4,374
Guatemala.....	11,993	581	1,023	13,597	—	—
Haiti.....	8,994	945	1,220	11,159	—	9,318
Honduras.....	8,994	723	1,278	10,995	—	—
Jamaica.....	11,993	505	695	13,193	2,625	7,929
Mexico.....	144,053	6,180	8,861	159,094	—	—
Nicaragua.....	8,994	651	1,125	10,770	—	—
Panama.....	8,994	501	885	10,380	—	4,374
Paraguay.....	8,994	1,126	1,854	11,974	—	7,926
Peru.....	30,010	1,489	2,724	34,223	—	21,096
Trinidad and Tobago.....	8,994	372	524	9,890	—	7,015
United States.....	2,800,000	110,047	130,303	3,040,350	725,000	1,171,802
Uruguay.....	24,029	1,016	1,494	26,539	—	—
Venezuela.....	120,060	5,019	7,090	132,169	—	105,805
Total, before unallocated amount.....	3,888,713	165,717	215,037	4,269,467	\$751,929	\$1,541,062
Unallocated.....	—	42,630	81,239	123,869	—	—
Total, including unallocated amount.....	\$3,888,713	\$208,347	\$296,276	\$4,393,336	—	—
Total 1972.....	\$3,779,262	\$208,347	—	\$3,987,609	\$979,900	\$1,543,191

REPORT OF INDEPENDENT ACCOUNTANTS

Inter-American Development Bank
Administrator of the Social Progress Trust Fund

In our opinion, the financial statements appearing on pages 96 through 101 present fairly, in terms of United States currency, the financial position of the Social Progress Trust Fund, which is administered by the Inter-American Development Bank, at December 31, 1973 and 1972, the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse Pw
PRICE WATERHOUSE & CO.

Washington, D.C.
February 7, 1974

FINANCIAL STATEMENTS

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SOCIAL PROGRESS TRUST FUND

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

	1973		1972	
ASSETS				
Cash				
United States dollars.....	\$ 235		\$ 295	
Other currencies.....	24,486	\$ 24,721	24,534	\$ 24,829
Investments				
United States Government obligations, at amortized cost (face amount \$6,200; 1972—\$3,600) (Note A).....		6,109		3,561
Loans outstanding (Note C) (Appendix III-1)				
Total loans approved since inception, less cancellations.....	494,191		494,191	
Less principal collections.....	(140,475)	353,716	(117,246)	376,945
Participations in loans made from Fund for Special Operations, less provision for unrealized exchange adjustments of \$6,000 in 1972 (Notes A and D) (Appendix III-1)....				
		165,825		128,834
Accrued charges on loans and participations.....				
		3,224		3,105
Available from the United States Government.....				
		18,130		18,130
Other assets.....				
Total assets.....		43		48
		\$571,768		\$555,452
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses.....		\$ 540		\$ 853
Fund balance				
Fund established by United States Government (Note B).....	\$525,000		\$525,000	
Accumulated earnings.....	46,228	571,228	29,599	554,599
Commitments (Note E)				
Total liabilities and fund balance.....		\$571,768		\$555,452

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF INCOME AND ACCUMULATED EARNINGS

YEARS ENDED DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

	1973		1972	
Income				
From loans				
Interest.....	\$ 6,349		\$ 6,728	
Service charges.....	2,741	\$ 9,090	2,912	\$ 9,640
From participations (Note D).....		3,704		2,981
From investments.....		342		119
Gross income.....		13,136		12,740
Administrative expenses (Note B)				
Staff salaries.....	156		195	
Other.....	15		44	
Indirect and overhead expenses charged by				
Ordinary Capital.....	143		173	
Fund for Special Operations.....	197		260	
Total administrative expenses.....		511		672
Excess of income over administrative expenses.....		12,625		12,068
Technical cooperation and other				
Technical cooperation expense (Note E).....	(2,366)		(2,486)	
Adjustments in United States dollar equivalents of Latin American currencies of the Trust				
Fund (Note A).....	6,370	4,004	(1,445)	(3,931)
Net income.....		16,629		8,137
Accumulated earnings beginning of the year.....		29,599		21,462
Accumulated earnings end of the year.....		\$ 46,228		\$ 29,599

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEARS ENDED DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

	1973	1972
Source of funds		
Provided from operations		
Net income	\$16,629	\$ 8,137
Add—expenses not requiring the outlay of cash	—	1,635
Deduct—income not providing cash funds	(6,119)	—
Cash funds provided from operations	10,510	9,772
Loan principal collections	23,229	21,399
Collections of participations in loans of the Fund for Special Operations	3,039	2,194
Other	5	219
Total source of funds	36,783	33,584
Application of funds		
Purchases of participations in loans of the Fund for Special Operations	34,029	26,368
Other	314	—
Total application of funds	34,343	26,368
Increase in cash funds	\$ 2,440	\$ 7,216
Analysis of increase in cash funds		
Cash	\$(108)	\$ 4,936
Investments	2,548	2,280
	\$ 2,440	\$ 7,216

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1973 AND 1972

NOTE A—SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The accounting records of the Social Progress Trust Fund are maintained on the accrual basis of accounting.

Translation of Currencies

The accounting records are maintained in current value United States dollars. Currencies other than United States dollars included in the following accounts have been translated into United States dollars as indicated: cash, participations in loans and accrued charges on loans and participations, at the approximate market rates of exchange existing at the end of the year; loans, at the rates at which the amounts were loaned. Exchange gains or losses in the United States dollar equivalents of Latin American currencies held by the Trust Fund are credited to income or charged to expense as incurred. No representation is made that any currency held by the Fund is convertible into any other currency at any rate or rates.

Investments

Investments in Government obligations are stated at cost adjusted for the amortization of discount.

Provision for Unrealized Exchange Adjustments

The Trust Fund follows a policy of providing for unrealized exchange adjustments to the principal amounts of participations in loans of the Fund for Special Operations which are denominated in local currencies. The purpose of this provision is to cover potential exchange rate differences between the Trust Fund and the Fund for Special Operations which may exist at the time of repayment of the participations. Additions to the provision are charged against income. The \$6,000,000 provision at December 31, 1972 was based on exchange differences which existed between the two funds at that date and was reversed at December 31, 1973 since there were no exchange differences existing between the funds at that date.

NOTE B—SOCIAL PROGRESS TRUST FUND

In 1961 the United States of America and the Inter-American Development Bank entered into an agreement whereby the Bank became Administrator of the Social Progress Trust Fund. Pursuant to the Agreement the Bank charges the Trust Fund for salary costs of certain of its professional staff, other direct expenses and the Fund's share of allowable overhead ex-

penses. At December 31, 1973, the Government of the United States and the Bank have agreed on final overhead rates for all years through 1972 and to continue to use the most recent agreed upon rate of \$2.25 per \$1.00 of salary cost on a provisional basis for 1973 and later years, until such time as further overhead rate studies are completed.

NOTE C—LOANS OUTSTANDING

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.

Loan disbursements have been made in United States dollars except for certain loans for which disbursements have been made in the national currencies of the borrowers. In accordance with the provisions of practically all loan agreements, repayments may be made in the national currency of the borrower at the approximate market rate of exchange existing at the date of repayment or in United States dollars at the election of the borrower.

NOTE D—PARTICIPATIONS IN LOANS MADE FROM FUND FOR SPECIAL OPERATIONS

The Board of Executive Directors has authorized the use of the resources of the Social Progress Trust Fund to participate in the United States dollar or local currency portions of loans made from the Fund for Special Operations provided that, with respect to such loans, the provisions of the Social Progress Trust Fund Agreement have in substance been complied with as fully as though the loans had been made initially from the Trust Fund. Through the purchase of participations in the local currency components of loans made from the Fund for Special Operations, the value of which must be maintained by the respective borrowers, it has been possible to substantially maintain the value of the Trust Fund resources so invested. Participations in the United States dollar portions of loans made from the Fund for Special Operations have not been made since March 1970.

NOTE E—TECHNICAL COOPERATION

Under the provisions of the Agreement, the Bank as Administrator may provide technical advice and cooperation to Latin

SOCIAL PROGRESS TRUST FUND

ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1973 AND 1972

(continued)

American member countries and their nationals. At December 31, 1973 the amount approved by the Bank as Administrator for technical cooperation projects which had not yet been disbursed at that date was \$7,766,000.

The accumulated technical cooperation expenditures made by the Bank as Administrator as of December 31, 1973 include \$858,000 which may be reimbursed to the Bank as Administrator if loans are granted as a result of such technical

cooperation projects.

In accordance with an agreement signed in December 1973 between the Bank and the Inter-American Foundation (Foundation) which was approved by the Government of the United States, the Trust Fund will provide up to the equivalent of \$30,000,000 for financing grants for social development projects of the Foundation during the years 1974, 1975 and 1976.

SUMMARY STATEMENT OF LOANS AND PARTICIPATIONS

DECEMBER 31, 1973 AND 1972

Expressed in thousands of United States dollars—Note A

Countries in which loans have been made	Total loans approved since inception, less cancellations	Loans outstanding held by the Trust Fund		Participations in loans of the Fund for Special Operations	
		1973	1972	1973	1972
Argentina.....	\$ 43,500	\$ 30,809	\$ 32,835	\$ 12,121	\$ 9,980
Bolivia.....	14,548	11,021	11,505	3,881	2,960
Brazil.....	61,510	48,247	50,663	33,039	29,323
Chile.....	34,352	24,213	25,940	16,152	13,244
Colombia.....	49,008	34,990	37,695	17,965	14,376
Costa Rica.....	11,700	8,878	9,391	3,695	2,863
Dominican Republic.....	8,407	6,205	6,596	3,221	2,680
Ecuador.....	27,448	21,545	22,698	2,580	1,000
El Salvador.....	21,952	17,964	18,771	3,350	1,450
Guatemala.....	14,320	11,320	11,915	3,547	2,460
Honduras.....	7,602	5,499	5,930	3,712	2,882
Mexico.....	34,927	25,303	26,670	9,769	7,727
Nicaragua.....	13,035	9,421	10,034	8,276	7,062
Panama.....	12,862	9,755	10,258	8,845	8,270
Paraguay.....	7,799	6,214	6,582	1,100	650
Peru.....	45,108	32,289	35,000	20,650	15,453
Uruguay.....	10,350	8,686	9,080	1,135	935
Venezuela.....	72,861	39,995	43,856	12,787	11,519
Central American Countries—Five Universities.....	2,902	1,362	1,526	—	—
Total.....	<u>\$494,191</u>	<u>\$353,716</u>	<u>\$376,945</u>	<u>165,825</u>	<u>134,834</u>
Less—Provision for unrealized exchange adjustments (Note A).....				—	(6,000)
Total participations less provision for unrealized exchange adjustment.....				<u>\$165,825</u>	<u>\$128,834</u>



SETTING SUN SPOTLIGHTS Brahman cattle wending way to corral as evening falls at this ranch near Leon, Nicaragua. Pure-bred herd was improved with credit channeled through Banco Nacional de Nicaragua.

OTHER FUNDS

As indicated in the chapter on the Bank's activities in 1973, a principal concern of the Inter-American Bank has been that of mobilizing resources for Latin America's development additional to the funds subscribed by the Bank's membership to the ordinary capital resources and to the Fund for Special Operations.

The Bank did so, first by accepting in administration the Social Progress Trust Fund to which the United States Government contributed a total of \$525 million in the early 1960s. Subsequently it accepted other funds in administration from Canada, before that nation became a member of the Bank, from various nonmember countries in Europe and finally from Argentina.

In addition, the Bank has borrowed substantial resources in the private and public capital markets of its own member countries as well as from a sizable group

of nonmember countries, has obtained participations in its loans from member as well as nonmember sources and has entered into parallel financing arrangements with two nations.

The 1973 developments in these regards are detailed in the chapter on the Banks' activities. To give an overall view of these activities, however, the cumulative arrangements which the Bank has entered into with other countries up to Dec. 31, 1973, are briefly detailed in the following section, and are summarized in the table on the next page. The arrangements include:

- Borrowings composed of bond sales and direct loans totaling \$502.5 million in the United States, \$319.8 million in the Latin American members of the Bank and \$814.5 million in 15 nonmember countries, including Austria, Belgium, Finland, France, Germany, Israel, Italy,

Japan, the Netherlands, Norway, South Africa, Spain, Sweden, Switzerland and the United Kingdom.

- Funds under administration totaling \$525 million for the United States as detailed previously in the Financial Statements of the Social Progress Trust Fund, \$74 million administered for Canada, \$1.8 million for Argentina, and \$49.3 million for such nonmember countries as Germany, Norway, Sweden, Switzerland, the United Kingdom, as well as the Vatican and the Inter-Governmental Committee for European Migration (ICEM).

- Sale of participations in Bank loans and other similar arrangements totaling \$61.5 million in the United States and Canada and \$47.5 million in nine other countries, including Belgium, Finland, Germany, Italy, Japan, the Netherlands, Spain, Switzerland and the United Kingdom, as well as United Nations agencies.

• Parallel or independent financing agreements with Canada for \$15 million and the Netherlands for \$44.4 million.

BOND ISSUES AND LOANS

The \$822.3 million raised through bond sales in the Bank's membership included:

Latin America—Eight short-term (one, two and five years) issues for a total of \$319.8 million sold in each of the years from 1966 through 1973.

The United States—Seven issues totaling \$505 million, including \$75 million in 1962, \$150 million in 1964, \$110 million in 1967, \$70 million (of which \$2.5 million was sold to South Africa) in 1968 and \$100 million in 1970.

The \$814.5 million raised through the sale of bonds and direct borrowings in 15 nonmember countries included:

Austria—Three bond issues totaling 450 million Austrian schillings (\$22,959,183), including one each in the amount of 150 million schillings in 1968, 1969, and 1971, and one Government loan of \$10,657,596 (equivalent to 200 million schillings).

Belgium—Two bond issues for a total of 700 million Belgian francs (\$17.5 million), including 300 million in 1967 and 400 million in 1971.

Finland—A direct loan of \$1.1 million obtained in 1968 from the Bank of Finland.

France—Two bond issues totaling 200 million French francs (\$43,478,260), 100 million each in 1971 and 1972.

Germany—Six public bond issues and two privately-placed loans totaling 760 million Deutsche marks (\$283,582,084). These included one public bond issue of 60 million Deutsche marks in 1964 and five public bond issues of 100 million Deutsche marks, one each in 1968, 1969 and 1970 and two in 1972. In addition, two private placements of 100 million Deutsche marks each were sold in 1969.

Israel—The purchase in 1966 of bonds for \$3 million, subsequently increased in 1968 to \$5 million, in a short-term bond

issue sold by the Bank primarily in Latin America.

Italy—Three bond issues totaling 45 billion Italian lire (\$73,170,732), including two private placements of 15 billion lire each in 1962 and 1966 and one public issue, also of 15 billion lire, in 1969.

Japan—Seven borrowings totaling 33.2 billion yen (\$118,571,430). These include loans from the Export-Import Bank of Japan of 3.6 billion yen each in 1966, 1968 and 1970 and of 7.2 billion yen in 1971, and a financial arrangement with a syndicate of Japanese commercial banks for another 7.2 billion yen, also in 1971; and a fifth line of credit from the Export-Import Bank for 5 billion yen and an arrangement with a group of Japanese financial institutions for 3 billion yen, both in 1973.

The Netherlands—Two bond issues to

taling 66 million guilders (\$23,239,436) including one for 30 million guilders in 1968 and another for 36 million in 1971.

Norway—A bond issue for \$4 million in 1970.

South Africa—The purchase of \$2.5 million in a 1968 bond issue sold in the United States.

Spain—A bond issue and two direct loans totaling the equivalent of \$31,413,043. These included the purchase of \$5 million in a short-term bond issue of 1968, a direct loan of \$12.5 million obtained in 1965 from the *Instituto Español de Moneda Extranjera* and a loan of 800 million pesetas (\$13,913,043) from the Bank of Spain in 1973.

Sweden—Three loans totaling 80 million kronor (\$17,777,777), including 32 million kronor in 1969, 18 million in 1970 and 30 million in 1972.

Financial Arrangements with Member and Nonmember Countries and Other Sources In Thousands of Dollars

		Detail by Arrangements			
		Bond Issues and Loans	Funds under Administration	Participations and Others	Parallel and Independent Financing
Amount					
Member Countries					
Argentina	\$ 1,770	\$ —	\$ 1,770	\$ —	\$ —
Canada	91,526	—	74,000	2,526	15,000
United States	1,086,500	502,500	525,000	59,000	—
Latin America*	319,800	319,800	—	—	—
Total	\$1,499,596	\$ 822,300	\$600,770	\$ 61,526	\$15,000
Nonmember Countries					
Austria	\$ 33,617	\$ 33,617	\$ —	\$ —	\$ —
Belgium	18,396	17,500	—	896	—
Finland	11,100	1,100	—	10,000	—
France	43,478	43,478	—	—	—
Germany	295,971	283,582	12,284	105	—
Israel	5,000	5,000	—	—	—
Italy	74,041	73,171	—	870	—
Japan	136,746	118,571	—	18,175	—
Netherlands	67,705	23,239	—	100	44,366
Norway	6,000	4,000	2,000	—	—
South Africa	2,500	2,500	—	—	—
Spain	38,913	31,413	—	7,500	—
Sweden	22,778	17,778	5,000	—	—
Switzerland	145,024	135,385	9,231	408	—
United Kingdom	43,949	24,193	18,481	1,275	—
Vatican	1,007	—	1,007	—	—
ICEM	1,250	—	1,250	—	—
UN Agencies	8,197	—	—	8,197	—
Total	\$ 955,672	\$ 814,527	\$ 49,253	\$ 47,526	\$44,366
GRAND TOTAL	\$2,455,268	\$1,636,827	\$650,023	\$109,052	\$59,366

* Eight short-term dollar-denominated bond issues sold to Latin American Central Banks and other official institutions. As of Dec. 31, 1973, \$85.8 million was outstanding in Latin America. A long-term issue in the United States would have a 25-year maturity; those in other countries would range from 12 to 15 years.

LOANS AND TECHNICAL COOPERATION

Switzerland—Seven bond issues and loans totaling 440 million Swiss francs (\$135,384,614). These included a bond issue of 50 million Swiss francs in 1966, a second issue of 60 million in 1968, a loan of 50 million in 1970, two bond issues of 60 million each in 1971, and two additional bond issues of 80 million each in 1972 and 1973 respectively.

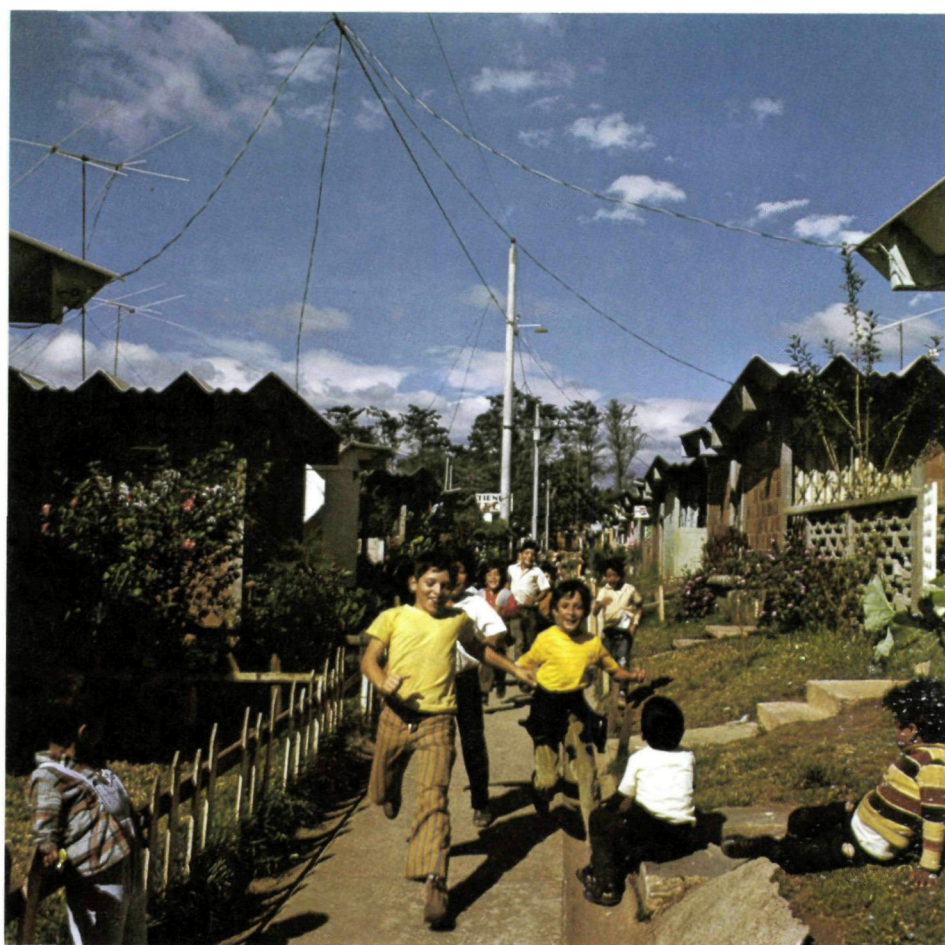
United Kingdom—Bond issues and direct borrowings totaling \$24,192,827. These included a bond issue of 3 million pounds sterling in 1964 and loans of 20 million Deutsche marks, 1,122,000 pounds sterling, 2.5 million pounds sterling and \$1.5 million in dollars, all arranged in 1969.

FUNDS UNDER ADMINISTRATION

The funds administered by the Bank for member countries include:

Argentina—The Government of Argentina entered into an agreement with the Inter-American Bank on Nov. 25, 1970, whereby it agreed to make available special funds in its own currency to help provide counterpart funds for Bank-financed development projects in its sister republics of Bolivia, Paraguay and Uruguay. As of Dec. 31, 1973, total loans approved under the arrangement amounted to \$1,770,000.

Canada—Under an agreement entered into Dec. 4, 1964, between the Bank and the Canadian International Development Agency, the Bank was authorized to administer Canadian resources to help finance economic, technical and educational assistance projects at highly concessional terms in Latin America. The fund, which is tied to purchases in Canada, was originated with 10 million Canadian dollars and, by Dec. 31, 1973, had grown to 74 million Canadian dollars. During 1973 the Bank approved a 4.4 million-Canadian-dollar loan from the fund to help carry out a minerals survey in Brazil. That loan brought the total loans extended from the fund to 19, amounting to 73.4 million Canadian dollars. Under the provisions for the admission of



RACE IS ON AS CHILDREN scamper happily through neat rows of homes built in Guatemala City for low-income families with the assistance of a Bank loan provided in 1969.

Canada as a member of the Bank, all monies received by the Bank after May 3, 1972, as repayment or interest on loans authorized under the Agreement will be transferred to the Fund for Special Operations as a contribution of Canada to that Fund and will no longer be tied.

United States—Since 1961 the Bank has administered the Social Progress Trust Fund under an agreement with the United States Government. As Administrator, the Bank was authorized to make commitments of up to \$525 million—the total resources assigned to the Fund by the United States Government.

Trust Fund loans were devoted to

social projects in the fields of agriculture, housing, sanitation and higher education. The loans were extended at interest rates of from 2 to 4 per cent, including service charges, for terms ranging up to 30 years and were repayable in local currencies. By the end of 1965 virtually the entire amount was committed.

Funds administered for nonmember countries include:

Germany—Under an agreement signed on Aug. 10, 1961, the Federal Republic of Germany has participated with the United States and the Bank in a program to finance the rehabilitation of Bolivia's tin mines. The German funds have been provided by the *Kreditanstalt für Wiederaufbau*, the agency charged with financing the country's foreign aid program. As of Dec. 31, 1973, these funds totaled \$12,284,000.

Norway—The Inter-American Bank on June 26, 1970, signed an agreement with the Government of Norway to administer a \$2 million Norwegian Development Fund for Latin America on an untied basis at 2½ per cent interest.

Sweden—Under an agreement signed Dec. 27, 1966, with the Government of Sweden, the Bank is administering a \$5 million Swedish Development Fund for Latin America on an untied basis. The amount was entirely lent in 1968.

Switzerland—An agreement between the Bank and the Government of Switzerland signed on Oct. 4, 1973, authorized the Bank to administer the Swiss Development Fund for Latin America totaling \$9,231,000. Loans from the fund, which is untied, will be made on terms and conditions similar to those of the Bank's Fund for Special Operations.

United Kingdom—Under the terms of an agreement signed April 18, 1966, the United Kingdom set up a trust fund of 4,143,000 pounds sterling for loans in Latin America made on a tied basis. As of Dec. 31, 1973, loans totaling 4,035,000 pounds sterling had been approved from this fund. In June 1971, the United Kingdom established a second trust fund, which is known as the United Kingdom Development Fund for Latin America and which is untied. Through 1973 the United Kingdom had contributed 4 million pounds sterling to this fund. As of Dec. 31, 1973, the cumulative resources administered by the Bank for the United Kingdom totaled 8,035,000 pounds sterling (\$18,481,000), all of which had been committed in loan projects.

The Vatican—On March 26, 1969, the Bank entered into an agreement with the Vatican to administer a \$1 million development fund designed to benefit low-income groups in Latin America. Known as the *Populorum Progressio* Fund, it was lent in 1970 to finance an agrarian re-

form program in Colombia.

Inter-Governmental Committee for European Migration (ICEM)—In 1961 the Bank entered into an agreement to act as financial agency for the ICEM in connection with a loan amounting to \$1.25 million granted by the ICEM to the *Cooperativa de Migração e Colonização Holambra* in the State of São Paulo, Brazil.

PARTICIPATIONS AND OTHER ARRANGEMENTS

The Bank has mobilized \$109 million in additional resources through the sale of participations in loans made from its ordinary capital resources and its Fund for Special Operations, as well as through other arrangements with private commercial banks and other sources from member and nonmember countries. (This does not include participations taken by the Social Progress Trust Fund in loans from the Fund for Special Operations which amounted to \$174.7 million as of Dec. 31, 1973.)

These include \$59 million in participations from United States private banks and \$50 million in participations and similar arrangements from other countries including:

Belgium, \$896,000; Canada, \$2,526,000; Germany, \$105,000; Italy, \$870,000; Japan, \$18 million in purchases by the Bank of Tokyo Ltd., in maturities from the Bank's ordinary capital resources portfolio and \$175,000 in private bank participations; the Netherlands, \$100,000; Spain, \$400,000 purchased by the *Instituto Español de Moneda Extranjera* under a 1965 agreement pledging up to \$7.5 million; Switzerland, \$408,000, and the United Kingdom, \$1,275,000. Finally, Finland pledged \$10 million to be disbursed in proportion to purchases made by the Bank of Finland in connection with Bank loans through 1974. A total of \$449,592 of this amount had been

drawn down as of Dec. 31, 1973. In addition, the United Nations Special Fund and the United Nations Development Programme purchased \$8,197,000 in participations in ordinary capital and Fund for Special Operations loans from the Bank.

PARALLEL FINANCING

The Bank has entered into agreements with Canada and the Netherlands to cooperate in channeling \$59.4 million in funds provided by the two countries into the development of Latin America. The parallel or independent financing arrangements include:

Canada—Under an agreement entered into June 20, 1965, Canada's Export Development Corporation has set aside 15 million Canadian dollars for economic development loans in Latin America in cooperation with the Bank. Through Dec. 31, 1973, loans totaling 14 million Canadian dollars had been approved under this agreement. This arrangement was terminated in 1973 and there is now under consideration another which would continue to ensure that the Corporation's funds are available for economic development loans in cooperation with the Bank.

The Netherlands—The Bank also cooperates with the Netherlands on a parallel or independent basis in financing economic development projects in Latin America. Under an agreement signed Sept. 30, 1965, a fund of 36 million guilders (\$12,676,056) was established. This fund has been increased substantially and now totals 126 million guilders (\$44,366,197). The funds are lent by the Netherlands Investment Bank for Developing Countries (*De Nederlandse Investeringsbank voor Ontwikkelingslanden N.V.*). Loans approved under this arrangement as of Dec. 31, 1973, totaled \$30.9 million.

GENERAL APPENDICES

INSTITUTE FOR LATIN AMERICAN INTEGRATION

Through its Institute for Latin American Integration (*INTAL*), which is based in Buenos Aires, Argentina, the Bank carried out during 1973 a wide variety of programs connected with training, research, advisory and information activities on the region's economic integration movement.

Research

In research *INTAL* undertook the following projects:

Study of the Progress, Problems and Perspectives of the Integration Process in Latin America. *INTAL* completed its third report on the progress of economic integration in Latin America. The report, which in the future will be issued annually, covered activities for 1972.

Study of Effective Margins of Preference. Requested by the Secretariat of the Latin American Free Trade Association (LAFTA), this two-volume study analyzed the effect of fluctuating margins of preference on intrazonal trade.

Study of the Trends and Structure of Foreign Trade among LAFTA Countries. This study examined the trends, structure and other characteristics of trade among the participating nations.

Study of the Purchasing Power of the Public Sector in Latin America. This study is to serve as the basis for an analysis of the influence exerted by the establishment of multinational companies on the purchasing power of the public sector in Latin America.

Study of Legal Aspects of Multinational Companies in Latin America. The study was completed and a report was submitted to the LAFTA Secretariat.

Study of Legal and Institutional Aspects of Integration. In 1973 *INTAL* completed a study of the legal and institutional aspects of Latin American economic integration, with special reference

to the Central American Common Market (CACM) and LAFTA.

Training

As in previous years, *INTAL* participated directly in a series of training courses and offered technical or financial aid for courses carried out by other research institutions, including the following:

Seminar on Industrial Policy in Integration Areas. Conducted in Buenos Aires in conjunction with the German Foundation for Developing Nations, this seminar analyzed the industrial policy developed by the European Economic Community and its possible application to the integration program in Latin America. Attending were 16 Latin American and 11 European officials.

Seminar on Integration Prospects in Less Developed Countries. This seminar, held at *INTAL*'s headquarters, was devoted to the analysis of the problems of regional economic integration for the less developed countries, as well as prospects for the future, and was attended by 24 officials of 9 Latin American countries.

Seminar on the Present Situation and Prospects of the Regional Integration Movement. This course was conducted for 23 economic and commercial officers of the embassies of 13 Bank-member countries in Argentina.

Course on Customs Value. Fifty-one customs officers from 17 Latin American countries attended this course, which was held in Mexico City with the cooperation of the Inter-American School of Public Administration (*EIAP*) of the Getulio Vargas Foundation. The course was devoted to training in application of regulations pertaining to customs value as outlined by the Customs Cooperation Council of Brussels.

Course on Customs Value. Eleven Latin American countries were represented at

two such courses, in Bogotá and in Santo Domingo, designed to train customs personnel in specific supervisory and organizational tasks.

Course on Tax Policy and Administration. Forming part of a joint *INTAL-EIAP* program, this course was conducted in Rio de Janeiro for 35 revenue officers, about half of whom were from Brazil and the remainder from other Latin American countries.

Course on Customs Policy. This course, also part of the *INTAL-EIAP* program, was conducted in Rio de Janeiro with the participation of a similar number of officers from Brazil and other Latin American countries.

Seminar on Integration and Foreign Trade. Eighty businessmen, bankers and educators attended this course in Rio de Janeiro, which was co-sponsored by the Brazilian Bar Association.

Regional Business Congress. A joint program of *INTAL* and the Argentine Federation of Corporations, this Congress, held in Buenos Aires, sought to analyze the situation of domestic enterprises in Latin America. Attending were business executives, labor leaders and educators from Argentina and other Latin American countries.

Course on International Law. Organized jointly with the Department of International Law of the University of São Paulo, this course examined legal aspects of intraregional trade and was attended by 80 university professors and senior and graduate students.

Course on Border Integration. A joint program of *INTAL* and the Center of Interdisciplinary Studies of the Argentine Border (*CEIFAR*), this course analyzed the development of border areas, particularly between Argentina and Chile. Held in Mendoza, Argentina, it was attended

by 27 representatives of the public and private university sector.

Cooperation with Regional Universities. Among activities organized by institutions of higher learning in the region, with the participation of *INTAL*, were a study of ways to correlate legislation among the Andean countries and a post-graduate course on legal aspects of economic integration, at the Inter-University Center for Andean Development (*CINDA*); a regional course on the execution and evaluation of budgets for Andean Pact countries, conducted in Lima by the Inter-American Center for Training in Public Administration (*ICAP*) and various Peruvian institutions; a seminar on Latin American and border integration, conducted in Salta, Argentina, by the Institute of Regional Studies of the Catholic University of Salta; two studies of integration law conducted by the Law Faculty of the University of Moron, Argentina; the Eighteenth Conference of the Inter-American Bar Federation held in Rio de Janeiro; a seminar on legal aspects of the incorporation of new members into the integration process, organized by the Law Faculty of the University of Caracas; the organization of training programs in public administration by the Latin American School of Political Science and Public Administration (*ELACP*), and a seminar on the socio-economic problems of Latin America conducted in Buenos Aires by the Faculty of Social and Economic Sciences of the Catholic University of Argentina.

Advisory

In addition to the technical cooperation that it provides for various regional integration groups, *INTAL* organized and conducted, on the Bank's recommendation, the Fifth Coordination Meeting of Latin American Integration Associations. Other advisory activities during the year included:

The Cartagena Group Agreement. *INTAL* provided advisory services to the

Group on studies of ways to reduce transportation costs in landlocked Bolivia, on subregional highway transportation and on ways to improve airline service to stimulate tourism in the Andean countries. In addition, *INTAL* cooperated with the Group in preparing draft regulations for the Andean Court of Justice.

The Central American Common Market. During the year *INTAL* helped the Permanent Secretariat of the Central American Common Market (*SIECA*) to carry out studies of the distribution of costs and benefits in the Central American integration process, of trends and changes in trade patterns of the Central American republics, and, in conjunction with the Central American Institute of Research and Industrial Technology (*ICAITI*), on the transfer of technology within the region. In addition, *INTAL* cooperated with *SIECA* and the Central American Institute of Public Administration (*ICAP*) in the organization of a seminar in Antigua, Guatemala, and co-sponsored with *ICAP* a course on the administration of integration programs in San José, Costa Rica.

Latin American Free Trade Association. *INTAL* cooperated with the LAFTA in four studies—one on multinational Latin American companies, another on the effectiveness of margins of preference negotiated within the free trade program, operation of the Five Party Agreement on highway transportation, and measures to improve transportation in the landlocked countries of the region. In addition, at the request of the LAFTA Secretariat, *INTAL* prepared an integration manual for customs officials and helped organize a preliminary study on the development of a secondary market for Latin American bank acceptances.

Andean Development Corporation. During the year *INTAL* continued to cooperate with *CAF* in the preparation of the second stage of a study on border areas started in 1973. In addition, it helped launch a study on the creation of a multinational reinsurance company.

River Plate Countries. At the request of the Argentine Government, *INTAL* completed an inventory of multinational physical integration projects and prepared two documents for use at the Sixth Meeting of Foreign Ministers of the River Plate Basin scheduled for 1974—one reviewing the history of the integration effort and the other an inventory of physical integration projects in the area.

Other Activities. Other activities carried out by *INTAL* included the updating of the Inventory of Physical Integration Projects, the preparation of terms of reference for a study on investments in the transportation sectors of Paraguay and Bolivia, a study of means to improve transportation in six LAFTA countries, a study in conjunction with ECLA of improvements in the transportation systems of Paraguay and Bolivia and the organization of two seminars for public and private transportation personnel in Paraguay and Bolivia. All of the above activities were carried out as a result of a special seminar on transportation held in late 1972 in Washington.

Publications

The *INTAL* publications program for 1973 included the following works in Spanish: "The Integrated Development of Central America in the Present Decade," in 11 volumes; "Latin American Integration at a Stage of Decisions;" "The Legal Dimension of Integration," in two volumes, one on Latin America and the other on Europe and Africa; "Integration Law: New Phenomenon in International Relations;" "Mexico and the Economic Integration of Latin America," and "The Creation of a Common Market: Historical Notes on the Central American Experience."

In addition, throughout the year *INTAL* issued its monthly Spanish publication *Boletín de la Integración*, along with an annual summary in Portuguese, and two quarterly magazines, *Revista de la Integración* and *Derecho de la Integración*.

GOVERNORS AND ALTERNATE GOVERNORS

COUNTRY	GOVERNOR	ALTERNATE
ARGENTINA	José Ber Gelbard	Felipe S. Tami
BARBADOS	P. M. Greaves	Valerie T. McComie
BOLIVIA	Jaime A. Quiroga Matos	Manuel Mercado Montero
BRAZIL	Antonio Delfim Neto	Ernane Galvêas
CANADA	John N. Turner	Paul Gérin-Lajoie
CHILE	Lorenzo Gotuzzo Borlando	Eduardo Cano
COLOMBIA	Luis Fernando Echavarría	Germán Botero de los Ríos
COSTA RICA	Claudio Alpízar V.	Claudio A. Volio
DOMINICAN REPUBLIC	Diógenes H. Fernández	Luis María Guerrero Gómez
ECUADOR	Jaime Moncayo García	Gustavo Jarrín Ampudia
EL SALVADOR	Guillermo Hidalgo Qüehl	Edgardo Suárez Contreras
GUATEMALA	Jorge Lamport Rodil	Augusto Contreras Godoy
HAITI	Emmanuel Bros	Antonio André
HONDURAS	José Abraham Bennaton	Alberto Galeano Madrid
JAMAICA	David H. Coore	G. Arthur Brown
MEXICO	José López Portillo	Ernesto Fernández Hurtado
NICARAGUA	Juan José Martínez L.	Roberto Incer Barquero
PANAMA	Nicolás Ardito Barletta	Miguel A. Sanchíz
PARAGUAY	César Barrientos	César Romeo Acosta
PERU	Guillermo Marcó del Pont S.	Luis Giulfo Zender
TRINIDAD AND TOBAGO	George M. Chambers	Eugenio Moore
UNITED STATES	George P. Shultz	William J. Casey
URUGUAY	Carlos E. Ricci	Jorge Seré del Campo
VENEZUELA	Luis Enrique Oberto	Carlos Emmanuelli Llamozas

As of Feb. 25, 1974

EXECUTIVE DIRECTORS AND ALTERNATES

		NUMBER OF VOTES	PER- CENTAGE
Raul Barbosa	Elected by:		
BRAZIL	Brazil	58,985.0	11.89
José C. Cárdenas (Alternate)	Ecuador	3,176.6	0.64
ECUADOR		62,161.6	12.53
Raúl Fernández	Elected by:		
ARGENTINA	Argentina	58,985.0	11.89
Benjamín Mira (Alternate)	Chile	16,295.0	3.29
CHILE		75,280.0	15.18
David B. Laughton	Elected by:		
CANADA	Canada	24,403.0	4.92
Charles T. Greenwood (Alternate)			
CANADA			
José Luis Montiel	Elected by:		
NICARAGUA	Costa Rica	2,414.2	0.49
Marco Antonio López (Alternate)	El Salvador	2,414.2	0.49
COSTA RICA	Guatemala	3,176.6	0.64
	Haiti	2,414.2	0.49
	Honduras	2,414.2	0.49
	Nicaragua	2,414.2	0.49
		15,247.6	3.09
Hugo Palacios Mejía	Elected by:		
COLOMBIA	Colombia	16,281.0	3.28
Armando Prugue (Alternate)	Peru	7,744.6	1.56
PERU		24,025.6	4.84
Ulysses Pereira Reverbel	Elected by:		
URUGUAY	Bolivia	4,693.4	0.95
Julio C. Gutiérrez (Alternate)	Paraguay	2,414.2	0.49
PARAGUAY	Uruguay	6,223.8	1.25
		13,331.4	2.69
Ildegar Pérez Segnini	Elected by:		
VENEZUELA	Barbados	839.0	0.17
Knowlson W. Gift (Alternate)	Trinidad and Tobago	2,414.2	0.49
TRINIDAD AND TOBAGO	Venezuela	31,665.0	6.38
		34,918.2	7.04
John M. Porges	Appointed by:		
UNITED STATES	United States	199,839.0	40.29
Kenneth A. Guenther (Alternate)			
UNITED STATES			
Jesús Rodríguez y Rodríguez	Elected by:		
MEXICO	Dominican Republic	3,176.6	0.64
Eduardo McCullough (Alternate)	Jamaica	3,176.6	0.64
PANAMA	Mexico	37,965.0	7.65
	Panama	2,414.2	0.49
		46,732.4	9.42
TOTAL		495,938.8	100.00

As of Feb. 14, 1974

PRINCIPAL OFFICERS OF THE BANK

President	Antonio Ortiz Mena
Executive Vice President	Henry J. Costanzo

Program Advisor	Alfred C. Wolf
Controller	H. Dennis Madden
Chief, Office of Information	Carlos D. Conde

OPERATIONS DEPARTMENT

Manager	João Oliveira Santos
Senior Deputy Manager	James A. Lynn
Deputy Manager, Region I	Jorge D. Ferraris
Deputy Manager, Region II	Paul J. Colcaire
Deputy Manager, Region III	Heberto Urdaneta

FINANCE DEPARTMENT

Manager	Merlyn N. Trued
Deputy Manager-Treasurer	José Epstein

ECONOMIC AND SOCIAL DEVELOPMENT DEPARTMENT

Manager	Cecilio J. Morales
Deputy Manager for Economic and Social Studies	Pedro Irañeta
Deputy Manager for Technical Cooperation	Pedro Abelardo Delgado
Deputy Manager for Integration	Néstor Vega Moreno

PROJECT ANALYSIS DEPARTMENT

Manager	Guillermo Moore
Deputy Manager	Juan A. Prado

LEGAL DEPARTMENT

General Counsel	Arnold H. Weiss
Deputy General Counsels	José R. Chiriboga
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ADMINISTRATIVE DEPARTMENT

Manager	Enrique Peñalosa
Deputy Manager	William Lee Taylor

SECRETARIAT DEPARTMENT

Secretary	Jorge Hazera
Deputy Secretary	Arturo Calventi

CHANNELS OF COMMUNICATION 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
CANADA	Department of Finance	Bank of Canada
CHILE	Banco Central de Chile	Banco Central de Chile
COLOMBIA	Banco de la República	Banco de la República
COSTA RICA	Banco Central de Costa Rica	Banco Central de Costa Rica
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'Haïti	Banque Nationale de la République d'Haïti
HONDURAS	Ministerio de Economía y Comercio	Banco Central de Honduras
JAMAICA	Ministry of Finance and Planning	Bank of Jamaica
MEXICO	Banco de México, S.A.	Banco de México, S.A.
NICARAGUA	Banco Central de Nicaragua	Banco Central de Nicaragua
PANAMA	Ministerio de Planificación y Política Económica	Banco Nacional de Panamá
PARAGUAY	Banco Central del Paraguay	Banco Central del Paraguay
PERU	Banco Central de Reserva del Perú	Banco Central de Reserva del Perú
TRINIDAD AND TOBAGO	Central Bank of Trinidad and Tobago	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 Feb. 14, 1974

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As of Feb. 14, 1974

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